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Application Proof of

中國金槍魚產業集團控股有限公司
CHINA TUNA INDUSTRY GROUP HOLDINGS LIMITED

(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

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金槍魚釣

TUNA FISHING

China Tuna Industry Group Holdings Limited

中國金槍魚產業集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] : [REDACTED] Shares (subject to [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to adjustment)
Number of [REDACTED] : [REDACTED] Shares (subject to adjustment and [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : [REDACTED]

Sole Sponsor

Deutsche Securities Asia Limited

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

[REDACTED]

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The [REDACTED] is expected to be determined by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on or before [REDACTED] or such later date as may be agreed by the Sole Global Coordinator and us, but in any event not later than [REDACTED]. The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED] unless otherwise announced. Investors applying for the [REDACTED] must pay, on application, the maximum [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with brokerage of 1.0%, an SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%, subject to refund if the [REDACTED] is lower than HK\$[REDACTED].

The Sole Global Coordinator (on behalf of the Underwriters), with our consent, may reduce the indicative [REDACTED] range stated in this [REDACTED] and/or the number of [REDACTED] being offered at any time prior to the morning of the last day for lodging applications under [REDACTED]. In such a case, a notice of the reduction of the indicative [REDACTED] range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at www.hkexnews.hk and on our website at www.chinatuna.com.cn not later than the morning of the last day for lodging applications under [REDACTED]. If applications for [REDACTED] have been submitted prior to the day which is the last day for lodging applications under [REDACTED], then even if [REDACTED] is so reduced, such applications cannot subsequently be withdrawn.

If, for any reason, [REDACTED] is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us on or before [REDACTED], [REDACTED] will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this [REDACTED], including the risk factors set out in the section headed "Risk Factors" in this [REDACTED].

Pursuant to the certain provisions contained in the Underwriting Agreements in respect of [REDACTED], the Sole Global Coordinator, on behalf of the Underwriters, has the right in certain circumstances, subject to the sole discretion of the Sole Global Coordinator, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares first commence on the Stock Exchange. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this [REDACTED]. It is important that you refer to that section for further details.

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This [REDACTED] is issued by China Tuna Industry Group Holdings Limited solely in connection with the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] offered by this [REDACTED] pursuant to the [REDACTED]. This [REDACTED] may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this [REDACTED] in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this [REDACTED] and the [REDACTED] to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this [REDACTED]. Any information or representation not made in this [REDACTED] must not be relied on by you as having been authorised by our Company, the Sole Global Coordinator, the Sole Lead Manager, the Sole Bookrunner, the Sole Sponsor, any of the Underwriters, any of their respective directors, or any other person involved in the [REDACTED].

	<u>Page</u>
Expected Timetable	i
Contents	iii
Summary	1
Definitions	13
Glossary of Technical Terms	23
Forward-Looking Statements	26
Risk Factors	27
Waivers from Strict Compliance with Listing Rules	54
Information about this Prospectus and the Global Offering	56
Directors and Parties Involved in the Global Offering	59
Corporate Information	63
Industry Overview	65
Regulatory Overview	77

CONTENTS

History, Development and Reorganisation	103
Business	122
Financial Information	189
Relationship with Controlling Shareholders	243
Connected Transaction	251
Share Capital	252
Substantial Shareholders	255
Directors, Senior Management and Employees	257
Future Plans and Use of Proceeds	267
Cornerstone Investor	268
Underwriting	269
Structure and Conditions of the Global Offering	279
How to Apply for Hong Kong Offer Shares	287
Appendices	
Appendix I: Accountants' Report	I-1
Appendix II: Unaudited Pro Forma Financial Information	II-1
Appendix III: Summary of the Constitution of Our Company and the Cayman Islands Companies Law	III-1
Appendix IV: Statutory and General Information	IV-1
Appendix V: Documents Delivered to the Registrar of Companies and Available for Inspection	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this [REDACTED]. Since it is a summary, it does not contain all the information that may be important to you. You should read the [REDACTED] in its entirety before you decide to invest in the [REDACTED].

There are risks associated with any investment. Some of the particular risks of investing in the [REDACTED] are set out in the section headed "Risk Factors" of this [REDACTED]. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are a leading ultra-low temperature longline premium tuna fishing company in the PRC. Founded in 2000, we were among the early entrants into the PRC ultra-low temperature longline tuna fishing industry. According to Frost & Sullivan, we were the largest ultra-low temperature longline premium tuna fishing company in the PRC in terms of revenue and sales volume by weight in 2013, and the second largest in terms of number of self-owned vessels as at 31 December 2013. Our revenue accounted for approximately 22.2% of the total revenue generated by the ultra-low temperature longline premium tuna fishing industry in the PRC in 2013, according to Frost & Sullivan.

We focus on catching and selling premium tuna, which have a significantly higher market price than common tuna and are primarily used in high-end sashimi. During the Track Record Period, we primarily sold our premium tuna to the Japanese market, the world's largest market for premium tuna, and we were the largest Chinese supplier of premium tuna to Japan from 2011 to 2013, according to Frost & Sullivan. In addition, we have increased our sales to the Chinese market to diversify our customer base and capitalise on the developing market for premium tuna in the PRC.

The following table sets out a breakdown of our sales volume and revenue derived from the sales of premium tuna and common tuna for the periods indicated.

	Year ended 31 December									Three months ended 31 March					
	2011			2012			2013			2013			2014		
	Volume (tonnes)	Revenue (RMB'000)	% of Revenue (%)	Volume (tonnes)	Revenue (RMB'000)	% of Revenue (%)	Volume (tonnes)	Revenue (RMB'000)	% of Revenue (%)	Volume (tonnes)	Revenue (RMB'000)	% of Revenue (%)	Volume (tonnes)	Revenue (RMB'000)	% of Revenue (%)
Premium tuna	2,741.4	180,698	84.0	4,364.8	251,898	83.1	7,145.3	317,101	83.2	1,402.3	56,355	80.4	2,610.4	127,246	96.3
Common tuna	2,535.5	34,358	16.0	2,664.7	51,298	16.9	3,652.4	63,824	16.8	777.4	13,778	19.6	331.4	4,863	3.7
Total	5,276.9	215,056	100.0	7,029.5	303,196	100.0	10,797.7	380,925	100.0	2,179.7	70,133	100.0	2,941.8	132,109	100.0

The following table sets forth a breakdown of our revenue by geographical market for the periods indicated:

	Year ended 31 December								Three months ended 31 March			
	2011		2012		2013		2013		2014			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%		
Japan	172,970	80.4	224,151	73.9	274,346	72.0	44,800	63.9	116,744	88.4		
The PRC	8,698	4.1	41,279	13.6	54,011	14.2	15,537	22.1	12,435	9.4		
Taiwan	33,388	15.5	37,766	12.5	52,568	13.8	9,796	14.0	-	-		
Korea	-	-	-	-	-	-	-	-	2,930	2.2		
Total	215,056	100.0	303,196	100.0	380,925	100.0	70,133	100.0	132,109	100.0		

As at the Latest Practicable Date, we operated a fleet of 24 ultra-low temperature longline fishing vessels, including 17 self-owned fishing vessels and seven Japanese fishing vessels which we do not own but have operated pursuant to vessel management arrangements. All these vessels are specifically designed for ultra-low temperature longline fishing and are equipped with ultra-low temperature freezers capable of maintaining temperatures of minus 55 degrees Celsius or lower to maintain the freshness of the tuna we catch for extended periods of time. These fishing vessels are capable of conducting fishing operations at remote fishing grounds over an extended period of two to three years without the need to call at seaports. Our fleet was substantially larger than the fleets of the majority of our Japanese, Taiwanese and Korean peers, which had fewer than ten ultra-low temperature longline tuna fishing vessels as at 31 December 2013, according to OPRT and Frost & Sullivan.

SUMMARY

We operate our 17 self-owned vessels in the Pacific Ocean. For these vessels, our central management at our headquarters in Dalian, Liaoning, the PRC, oversees and directs their operations and our chief captain coordinates these vessels' operations at sea. Our headquarters and chief captain, based at sea with our fleet, work closely to guide the captains of our individual self-owned vessels in order to enhance the overall catch volume of our fleet and improve our operating efficiency.

The seven Japanese vessels that we currently operate pursuant to vessel management arrangements, operate in the Atlantic Ocean. We have retained the Japanese captain and other crew members of each of these vessels during the management term and have assigned five of our captains and five of our senior crew members to work onboard these vessels to supervise their fishing operations and report to our management at our headquarters in order to develop our operating knowledge and experience in the region. All our existing vessel management arrangements were with respect to Japanese vessels that we intend to acquire and were for the period prior to the completion of our acquiring ownership of these vessels. According to these management arrangements, we engage in the management of these fishing vessels, including directing the fishing operations and arranging for supplies. We record the sales of tuna caught by these vessels as our revenue, and certain management costs, including fees for the right to use the vessels, as cost of sales and selling and distribution expenses.

COMPETITIVE STRENGTHS

We believe that the following principal strengths have contributed to our success:

- we are a leading ultra-low temperature longline premium tuna fishing company in the PRC with a proven track record of fleet operation and expansion;
- we are the largest Chinese supplier of premium tuna to Japan and are well positioned to capture opportunities in the growing Chinese market;
- we operate in an industry with high barriers to entry;
- we have a modern, technologically advanced and efficiently managed fleet;
- we have a stable and growing team of experienced captains and senior crew members;
- we have long-standing and well established relationships with our customers, suppliers and carriers; and
- we have substantial operating experience and an experienced and qualified management team with a proven track record.

OUR STRATEGIES

Our primary objective is to further strengthen our leadership position in the industry and provide our shareholders attractive returns through growth and efficiency. To achieve our development goals, we are pursuing the following strategies:

- expand our fleet through acquisitions of fishing vessels to further consolidate our industry leadership position;
- explore other fishing regions;
- leverage increasing demand for high quality tuna in the Chinese market to expand sales in the PRC;
- expand into downstream business activities to maximise the value of our tuna;
- further streamline our business and improve our operating efficiency;
- continue to develop and recruit qualified captains and crew; and
- enhance our corporate governance and internal controls.

OUR CUSTOMERS

Our customers mainly comprise pelagic fish importers, which in turn sell fish to wholesalers, restaurants, supermarkets and other retail outlets. Toyo Reizo, a subsidiary of Mitsubishi Corporation, was our largest customer during the Track Record Period and our only customer in Japan. We have an established business relationship with Toyo Reizo of over 13 years. We derived revenue from sales to Toyo Reizo of RMB173.0 million, RMB224.2 million, and RMB274.3 million in 2011, 2012 and 2013, respectively, representing 80.4%, 73.9% and 72.0% of our total revenue for the same periods.

Our revenue derived from sales to Toyo Reizo amounted to RMB116.7 million in the three months ended 31 March 2014, accounting for 88.4% of our total revenue, as compared to 63.9% in the same period in 2013, primarily because (i) we reached a commercial understanding with the Japanese ship-owners of the seven managed vessels we operate in the Atlantic Ocean at the time of entering into the relevant management agreements to sell the tuna caught by these vessels to these ship-owners' existing customer for premium tuna in Japan, being Toyo Reizo; (ii) we had seven Japanese vessels operated under management arrangements in the

SUMMARY

three months ended 31 March 2014, compared to four Japanese vessels during the same period 2013, and the four vessels operated under such arrangements in the three months ended 31 March 2013 generated less revenue per vessel in that period partly due to their calling at port during the first quarter of 2013 to replenish supplies and facilitate the due diligence in preparation for the Listing; and (iii) we had two fishing vessels which returned to port in the PRC in the three months ended 31 March 2013 for scheduled maintenance and these two vessels sold the tuna they carried to customers in the PRC, while we had no fishing vessel which returned to port in the PRC during the same period in 2014, impacting our sales in the PRC in that period.

Toyo Reizo has been the largest premium tuna importer in Japan in recent years, with a market share in terms of import volume of premium tuna into Japan of 28.2% in 2013 and has access to a large network of restaurants, supermarkets and other wholesalers and retail outlets in Japan, according to Frost & Sullivan. Based on the data provided by Frost & Sullivan, we estimate that our sales of premium tuna to Toyo Reizo accounted for approximately 14.8% of its total premium tuna import volume in 2013.

While we have increased our sales to customers in China during the Track Record Period, from 202.2 tonnes in 2011 to 1,692.8 tonnes in 2013, and intend to continue to do so, to diversify our customer base and capitalise on the growing demand for tuna in the PRC, given the rapid expansion of our fleet during the Track Record Period and our planned further fleet expansion, we anticipate that we will continue to supply a high proportion of our tuna to Toyo Reizo.

Our Directors are of the view that we are not unduly reliant on Toyo Reizo as:

- According to Frost & Sullivan, foreign tuna fishing companies normally sell tuna to Japan through tuna importers and there are a limited number of premium tuna importers in Japan; it is common industry practice for each foreign tuna fishing company to only sell its tuna to one Japanese importer. Toyo Reizo is the leading tuna importer in Japan according to Frost & Sullivan;
- We believe that we are an important supplier of premium tuna to Toyo Reizo and our cooperative relationship with Toyo Reizo is mutually beneficial to both of us. We benefit from Toyo Reizo's market network in Japan. Meanwhile, Toyo Reizo benefits from the relationship by having a stable supply of high-quality premium tuna as the supply of premium tuna in Japan has been insufficient overall in recent years, according to Frost & Sullivan;
- Due to insufficient supply of premium tuna to the Japanese market, according to Frost & Sullivan, the established market acceptance of our high quality premium tuna in Japan and the fact there are other Japanese importers willing to purchase our premium tuna, we believe we would be able to secure other customers in Japan. However, we have decided not to sell tuna to other importers in Japan, in order to maintain our strong relationship with Toyo Reizo; and
- We have expanded our sales in the PRC from 2011 to 2013 and have experience in selling to customers in other countries/regions, including Taiwan and Korea.

We plan to further expand our sales in the PRC with the following strategies and plans: (i) we intend to establish cooperative arrangements with wholesalers in the PRC for the sales of our tuna; (ii) we plan to further strengthen our sales team by recruiting a sales director with extensive experience and expertise in sales and marketing (iii) we plan to strengthen our brand image to facilitate sales of our tuna in the PRC and (iv) we plan to establish our own tuna processing business, which will enable us to provide processed tuna to distributors, thus expanding our customer base.

For further details about our relationship with Toyo Reizo, please refer to "Business – Relationship with our largest customer" in this [REDACTED].

As a customary trading practice, we engage an authorised sales agent to facilitate our sales of tuna to the Japanese market. We compensate our authorised sales agent, who is an Independent Third Party, by way of a sales commission of 0.5% of our total sales amount in Japan. We have had an established business relationship with our authorised sales agent in Japan for more than 13 years.

SUMMARY

OUR SUPPLIERS AND CARRIERS

Our suppliers primarily include suppliers of bunker fuel, vessel equipment, fishing gear and bait. Purchases from our five largest suppliers accounted for 87.2%, 87.5%, 65.9% and 95.5% of our total purchases for 2011, 2012, 2013 and the three months ended 31 March 2014, respectively, and purchases from our largest supplier, which was a bunker fuel supplier in 2011 and another bunker fuel supplier in 2012, 2013 and in the three months ended 31 March 2014 accounted for 35.5%, 45.7%, 28.0% and 55.5% of our total purchases for the same periods, respectively. The supplier concentration percentage appears relatively high in the three months ended 31 March 2014 compared with 2011 to 2013, primarily because (i) we generally make purchases from fewer suppliers in a quarter compared to a year, (ii) in the three months ended 31 March 2014, we procured a relatively large quantity of bunker fuel and bait supplies for the seven vessels we operated under vessel management arrangements, and these supplies were procured from one bunker fuel supplier and one bait supplier, and (iii) in the first quarter of 2014, none of our vessels returned to port for maintenance, and so we did not record any material purchases of equipment or fishing gear in the period. We also engage Independent Third Party carriers to tranship the tuna we catch from our fishing vessels at sea to the designated ports. Please refer to "Business – Procurement, Supplies and Suppliers" in this [REDACTED] for further details.

VESSEL REGISTRATION AND ACQUISITION

The industry in which we operate is heavily-regulated, and we are required to register our fishing vessels with OPRT in order to sell the tuna caught by such vessels to our customer in Japan.

Due to stringent international licensing requirements that impose strict limits on the total number of longline tuna fishing vessels, acquiring existing longline fishing vessels with ultra-low temperature freezer storage is our primary avenue for expanding our fishing fleet. Acquiring vessels increases our catch capacity and enhances our economies of scale. We have gained experience from acquiring vessels, including going through the complicated and multi-staged regulatory approval processes. We believe that our acquisition experience provides us with a distinct advantage over potential new market entrants in terms of enhanced industry profile and reputation among potential vessel sellers and regulators, familiarity with applicable regulations, and channels for recruiting and training qualified captains and crew and we are thus well-positioned to identify and realise additional acquisition opportunities in the future to support our continued growth.

We acquired ten vessels in early 2013, including six vessels acquired from sellers in the PRC and four acquired from sellers in Japan, expanding our fleet from seven to 17 vessels. Going forward, we plan to acquire additional fishing vessels. We are in the process of acquiring the ownership of the seven Japanese vessels that we currently operate under vessel management arrangements, and entered into acquisition agreements with the Japanese sellers for the purchase of these vessels on 14 April 2014. We target completing the acquisition of these seven vessels in the second half of 2014, subject to obtaining all relevant approvals from both the Chinese and Japanese governments.

ENVIRONMENTAL IMPACT

We exclusively employ the longline fishing method in our fishing operations. As compared to purse seine fishing, the other principal method of tuna fishing, longline fishing typically catches premium tuna of larger size, and is perceived as being a more environmentally friendly fishing method than purse seine in that purse seine fishing is more likely to result in a larger amount of by-catches of immature and juvenile tuna, which causes serious damage to fishery resources, according to Frost & Sullivan.

Tuna is a natural resource subject to commercial fishing and has been subject to increased scrutiny from non-governmental organisations focused on maintaining fish stocks and preventing over-fishing. IUCN and ISSF are two of the organisations which analyse and categorise the sustainability of tuna stocks. According to the IUCN, depending on the extinction risk, different species of tuna are classified into categories, including endangered species, which indicates a relatively higher risk, vulnerable species and near threatened species, which indicate relatively lower risks of extinction. Unlike bluefin tuna, which was classified as an endangered species, bigeye tuna and yellowfin tuna are classified by IUCN as vulnerable and near threatened species, respectively. We do not fish for bluefin tuna.

In addition, ISSF classifies different species of tuna into the following categories based on their respective biomass and fishing mortality: a healthy level of abundance, overfished and intermediate status. Please refer to "Industry Overview – Introduction to Tuna Pelagic Fishery Industry – Status of Premium Tuna" in this [REDACTED] for further details.

Given the nature of tuna as a natural resource, the tuna fishing industry may be subject to attention and focus from environmental non-governmental organisations, which may impact the demand for tuna. Please refer to "Risk Factors – We may be subject to environmental related risks and/or risks related to the sustainability, or perceived sustainability of tuna resources."

SUMMARY

CATCH LIMITS

To ensure the sustainable use of tuna resources, the relevant RFMOs have adopted, among other things, catch limits for certain species of tuna in their respective convention areas, where we operate fishing vessels. As a result of increasing concern over the sustainability of tuna resources, the RFMOs have been taking steps or are otherwise contemplating increased regulation of our industry. Bigeye and yellowfin tuna are the two principal species of premium tuna that we caught and sold during the Track Record Period. In the three years ended 31 December 2011, 2012, 2013 and the three months ended 31 March 2014, as a percentage of our total premium tuna revenue, bigeye tuna accounted for approximately 82%, 75%, 78% and 76%, respectively, and yellowfin tuna accounted for approximately 11%, 17%, 16% and 20%, respectively.

Bigeye tuna

As advised by our maritime legal advisers, Liaoning Haida Law Firm, bigeye catch limits are allocated by IATTC, WCPFC and ICCAT, the RFMOs responsible for the areas in which we operate, to their respective member countries/regions, including China. The following table sets forth the catch limits and actual catch volumes of bigeye tuna in the EPO, WCPO and the Atlantic Ocean, being the areas regulated by IATTC, WCPFC and ICCAT, respectively for vessels under the Chinese flag during the Track Record Period and the coming years for which relevant limits had been set as at Latest Practicable Date.

Tonnes	2005		2006		2007		2008		2009		2010		2011		2012		2013		2014	2015	2016	2017
	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Limit	Limit	Limit
IATTC ⁽¹⁾	2,639	2,104	2,639	709	2,639	2,324	2,639	2,379	2,533	2,481	2,507	2,490	2,507 ⁽¹⁾	5,451	2,507	4,388	2,507	N/A ⁽²⁾	2,507	2,507	2,507	N/A
WCPFC	11,748	7,520	11,748	13,378	11,748	10,535	11,748	10,789	11,748	15,289	11,748	13,924	11,748	11,139	10,673	11,324	10,673	N/A	9,398	8,224	8,224	7,049
ICCAT	5,400	6,200	5,700	7,200	5,900	7,399	5,900	5,686	5,900	4,973	7,900 ⁽³⁾	5,489	8,572 ⁽⁴⁾	3,720	8,502 ⁽⁵⁾	3,231	8,502	N/A	8,502	8,502	N/A	N/A

Note:

- 3,000 tonnes of unused catch limits was transferred to China from Japan in 2011. Such transfer from Japan to China was recognised by the IATTC and was legally implemented, even though there was no formal approval by IATTC. Neither our Directors nor our maritime legal advisers, Liaoning Haida Law firm, are aware of such transfer having subsequently been withdrawn. Japan has also in both 2012 and 2013 proposed the adoption of a formal mechanism for the temporary transfer of unused bigeye catch limits between member states/regions by the IATTC. No such mechanism had been adopted by the IATTC as at the Latest Practicable Date. Based on these factors and its discussions with relevant PRC regulators, our maritime legal advisers, Liaoning Haida Law Firm, are of the view that such transfer will continue to be effective in the coming few years.
- For the first quarter of 2013, the catch volume of China was 1,279 tonnes, while, the catch volume by China for the rest of 2013 is not available, according to IATTC.
- China was allocated 5,900 tonnes of bigeye tuna catch limits (for all types of fishing gear) in 2010, meanwhile, ICCAT authorised the transfer of bigeye tuna catch limits from Japan to China in the amount of 2,000 tonnes in 2010; therefore, the bigeye tuna catch limits for China in 2010 amounted to 7,900 tonnes in total.
- China was allocated 5,572 tonnes of bigeye tuna catch limits (for all types of fishing gear) in 2011, meanwhile, ICCAT authorised the transfer of bigeye tuna catch limits from Japan to China in the amount of 3,000 tonnes in 2011; therefore, the bigeye tuna catch limits for China in 2011 amounted to 8,572 tonnes in total.
- China was allocated 5,572 tonnes of bigeye tuna catch limits (for all types of fishing gear) annually from 2012 to 2015, meanwhile, ICCAT authorised (i) the transfer of bigeye tuna catch limits from Japan to China in the amount of 3,000 tonnes annually from 2012 to 2015, and (ii) the transfer of bigeye tuna catch limits (for all types of fishing gear) from China to Ghana in the amount of 70 tonnes annually from 2012 to 2015; therefore, the bigeye tuna catch limits for China amounted to 8,502 tonnes in total for each year from 2012 to 2015.

We set out below further details of the relevant catch limit regime for bigeye tuna set in place by each of the IATTC, WCPFC and ICCAT.

IATTC

According to the stock assessment conducted by the IATTC in 2013, the bigeye stock is not overfished and overfishing was not occurring on average in the three years ended 31 December 2012. The bigeye catch limit is normally renewed every three years. In 2011, China procured the transfer to it of 3,000 tonnes of unused catch limit in the EPO from Japan, which was recognised by the IATTC and was legally implemented, even though there was no formal approval by IATTC. Therefore, according to our maritime legal advisers, China's actual catch volumes in the EPO did not exceed the catch limits imposed by IATTC during the Track Record Period after taking account of such transfer. However, if the IATTC were to take an alternative view, such that the transfer of the 3,000 tonnes of unused catch limits from Japan to China in 2011 was only effective for 2011 and not thereafter, then vessels under the Chinese flag would have exceeded the applicable catch limit in the EPO in 2012. As advised by our maritime legal advisers, Liaoning Haida Law Firm, China has not been and will not, under any sanction system which may be adopted in the future, be subject to any penalties for such historical non-compliance. According to our maritime legal advisers, there is currently no sanction mechanism for non-compliance with bigeye catch limits by member states adopted by the IATTC.

SUMMARY

WCPFC

According to the 2011 stock assessment conducted by the WCPFC, overfishing of bigeye stock in the WCPO is occurring, but the bigeye stock is not overfished. As a result of increasing concerns over the sustainability of bigeye tuna resources in the WCPO, at a regular session of the WCPFC held in December 2013, the WCPFC decided to implement a number of additional regulatory measures designed to further reduce catch volumes of bigeye tuna in the WCPO. These included:

- a reduction in catch volume limits imposed on member states. The reduction was particularly significant for China; and
- a system whereby the amount by which a member state exceeds its allocated catch limit in any year, the amount of such excess will be deducted from the catch limit for the relevant member state for the following year.

The catch volume of vessels in WCPO under the Chinese flag exceeded the catch limit allocated to China by the WCPFC in 2006, 2009, 2010 and 2012. As advised by our maritime legal advisers, Liaoning Haida Law Firm, China has not been and will not, under any sanction system which may be adopted in the future, be subject to any penalties for such historical non-compliance.

In addition, the WCPFC is seeking to establish a working group to consider how to address member state non-compliance, including the catch limit regime. Currently, according to our maritime legal advisers, Liaoning Haida Law Firm, there is no sanction mechanism for non-compliance with bigeye catch limits by member states adopted by the WCPFC.

ICCAT

According to a 2010 stock assessment conducted by the ICCAT, the bigeye stock is no longer at an overfished state in the Atlantic Ocean. According to our maritime legal advisers, Liaoning Haida Law Firm, the ICCAT imposes a bigeye catch limit on an aggregate basis across all types of fishing gear. The ICCAT also authorised the transfer of 3,000 tonnes additional catch limit from Japan to China annually from 2012 to 2015.

The ICCAT has adopted a sanction mechanism to enforce its catch limits if any member exceeds its bigeye catch limit during any two consecutive management periods under which the ICCAT may impose trade or import restrictions. The ICCAT may also recommend a reduction in the catch limit for a member state equal to a minimum of 125% of the excess harvest. In addition, the amount by which the actual catch volume is below or exceeds an annual catch limit for a member state in any year may be added to or shall be deducted from its annual catch limit in the specified year. The ICCAT also imposes a limit on the number of vessels which may be operated in the Atlantic Ocean by its member states.

For the tuna caught by the Japanese fishing vessels that we operate under management arrangements, according to our maritime legal advisers, Liaoning Haida Law Firm, their actual catch volume is included into the total catch volume of Japan for the purposes of applicable catch limits as these vessels are registered under the Japanese flag.

Conclusion

As advised by our maritime legal advisers, Liaoning Haida Law Firm, the IATTC and the WCPFC do not currently have any mechanism pursuant to which they would be able to impose any sanction against China if China were to exceed catch limits in the future and we thus believe that the risk that the WCPFC or IATTC impose any sanction pursuant to any sanction mechanism which may be implemented in the future against the PRC government in respect of the catch limit regime would be remote in the near future; further, the bigeye catch limits allocated by RFMOs to their respective member states are not binding on individual fishing companies or vessels in China; therefore, we are not:

- exposed to the possibility of any potential penalty from the WCPFC or, if applicable, the IATTC, in respect of our past catch volumes under the bigeye catch limit regime; and
- subject to specific bigeye catch limits adopted by RFMOs, including the WCPFC, the IATTC and the ICCAT.

SUMMARY

Yellowfin tuna

As advised by our maritime legal advisers, Liaoning Haida Law Firm, there is no specific catch limit currently applicable to yellowfin tuna adopted by the IATTC, the WCPFC and the ICCAT.

At its regular session in December 2013, the WCPFC members agreed to take measures not to increase catches by their longline vessels of yellowfin tuna and, in addition, in its 2014 regular session, the WCPFC will formulate and adopt appropriate limits for its members, based on recommendations from its scientific committee, and taking into account other conservation and management measures for yellowfin tuna and will also formulate and adopt any in-season reporting requirements needed to support full implementation of these limits.

For the catch limit requirements of the RFMOs in relation to other species of tuna, please refer to "Regulatory Overview – International Law – Requirements imposed by RFMOs – Catch Limits – The current catch limit regime under the RFMOs – (e) Catch limits for other major species of tuna we catch" for further details.

PRC Regulations

In China, rules applicable to individual Chinese fishing companies and fishing vessels are implemented by the government in order for China to abide by catch limits imposed by the RFMOs. As advised by our maritime legal advisers, Liaoning Haida Law Firm, the Chinese government has not imposed any bigeye or yellowfin catch limit with respect to individual fishing companies or vessels in the PRC. As at the Latest Practicable Date, we were not aware that the PRC government was considering the imposition of any catch limit on individual longline tuna fishing companies or vessels or limitation on the number of vessels registered in China to ensure China's compliance with the catch limit requirements of the RFMOs.

Measures to address further changes in the catch limits

Currently, we plan to continue to operate in the Pacific Ocean and the Atlantic Ocean in substantially the same manner as we presently operate. However, if more stringent catch limit requirements were to continue to be imposed by the RFMOs or the Chinese government in the Pacific Ocean in the future impacting our existing operations, to mitigate any potential impact of such regulatory developments, we have other options available to us to sustain our business in the long run. These include (i) deploying some of our fishing vessels to other fishing areas, in particular the Atlantic Ocean and/or Indian Ocean, and continuing to target a similar catch mix as we currently adopt. We have experience in operating fishing vessels in the Atlantic Ocean, operating seven fishing vessels in the Atlantic Ocean pursuant to vessel management agreements since September 2013. We have also gained experience in operating our fishing vessels in the Indian Ocean by conducting an exploratory fishing project as sponsored by the MOA from 2007 to 2010; (ii) fishing for other species of tuna, in particular, increasing our catch volume of yellowfin tuna, or a combination of these methods. We have extensive experience in catching yellowfin tuna, which was one of the principal species of premium tuna we caught and sold during the Track Record Period; and/or (iii) engaging in downstream operations such as ultra-low temperature tuna processing business and cooperating with wholesalers to expand sales in China, which will enable us to capture more revenue-generating opportunities along the industry value chain. Please refer to "Regulatory Overview – International Law – Requirements imposed by RFMOs – Catch Limits" and "Business – Licences and Approvals – Tuna conservation and management by international organisations – Catch limit adopted by RFMOs" in this [REDACTED] for further details.

The implementation of more stringent catch limits or other measures designed to limit tuna fishing activities, in particular for bigeye tuna and yellowfin tuna, which together accounted for over 90% of our total premium tuna revenue during the Track Record Period, by RFMOs or the PRC government could materially and adversely affect our business, financial condition and results of operations. Please refer to "Risk Factors – Risks Relating to Our Business – Tuna stocks are a limited natural resource and commercial tuna fishing is subject to restrictions. The implementation of more stringent measures to control catch limits or other additional measures designed to limit tuna fishing activities by RFMOs or the PRC government could materially and adversely affect our business, financial condition and results of operations".

Interpretation of international law such as treaties among sovereign states and international organisations, involves uncertainty compared with interpretation of national laws, given the complexity of international treaties. Therefore, different member countries/regions may have different interpretations of relevant RFMO conventions or resolutions in relation to tuna conservation and management measures. The uncertainty presented by international treaties on tuna fishing could adversely affect our business operations. In particular, if any of these regulations are interpreted and applied by international organisations more strictly than any member state/region or we anticipate, this may have an adverse effect on our business, results of operations and financial condition.

SUMMARY

SHAREHOLDER INFORMATION

Controlling Shareholders

Immediately following completion of the [REDACTED] and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, our Controlling Shareholders, namely, Tuna Holdings, Ms. Li Li and Mr. Li Zhenyu, directly or indirectly, will together control approximately [REDACTED] of the voting rights in the general meeting of our Company. For further details, please refer to the section headed "Relationship with Controlling Shareholders" in this [REDACTED].

[REDACTED] Investments

In 2012 and 2013, we received investments from our [REDACTED] investors, namely, Maguro, Ares Ocean and Sure Source, which will hold approximately [REDACTED], [REDACTED] and [REDACTED], respectively, of the issued share capital of our Company upon completion of the [REDACTED] (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme). For further details, please refer to the section headed "History, Development and Reorganisation – [REDACTED] Investments" in this [REDACTED].

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables present selected historical financial information for the Track Record Period. The financial information as at and for the years ended 31 December 2011, 2012, 2013 and the three months ended 31 March 2014 is derived from and should be read in conjunction with our consolidated financial statements, including the accompanying notes, set forth in the accountants' report included as Appendix I to this [REDACTED].

Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	215,056	303,196	380,925	70,133	132,109
Cost of sales	(63,752)	(125,534)	(179,369)	(34,410)	(58,624)
Gross profit	151,304	177,662	201,556	35,723	73,485
Other income.....	15,272	21,974	26,135	356	4,786
Selling and distribution expenses....	(29,827)	(43,059)	(47,008)	(8,855)	(16,641)
Administrative expenses.....	(4,152)	(4,031)	(4,657)	(1,046)	(1,989)
Other expenses.....	(2,111)	(5,062)	(14,436)	(1,485)	(3,973)
Finance costs.....	(13,990)	(8,860)	(22,717)	(2,609)	(4,313)
Profit before tax	116,496	138,624	138,873	22,084	51,355
Income tax expenses	–	–	–	–	–
Profit and total comprehensive income for the year/period	116,496	138,624	138,873	22,084	51,355

Selected Consolidated Statements of Financial Position Data

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets.....	161,059	359,394	727,967	719,178
Current assets.....	524,181	161,371	324,818	408,462
Current liabilities.....	(203,292)	(99,864)	(191,793)	(215,035)
Net current assets	320,889	61,507	133,025	193,427
Total assets less current liabilities.....	481,948	420,901	860,992	912,605
Non-current liabilities	(16,295)	(144,918)	(256,833)	(257,091)
Non-controlling interests	–	(2,550)	(2,550)	(2,550)
Net assets	465,653	273,433	601,609	652,964

SUMMARY

Selected Consolidated Statements of Cash Flow Data

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash inflow from operating activities	87,375	100,981	19,904	15,731	49,760
Net cash (used in)/from investing activities.....	(133,614)	226,920	(298,589)	(67,410)	(13)
Net cash from (used in) financing activities	41,564	(300,182)	375,028	68,165	25,000
Net (decrease)/increase in cash and cash equivalents.....	(4,675)	27,719	96,343	16,486	74,747
Cash and cash equivalents at beginning of year/period.....	5,127	452	28,171	28,171	124,514
Cash and cash equivalents at end of year/period	452	28,171	124,514	44,657	199,261

KEY FINANCIAL RATIOS

The following table sets forth certain key financial ratios of our Group as at and for the dates indicated.

	As at/for the year ended 31 December			As at/for the three months ended 31 March	
	2011	2012	2013	2013 (unaudited)	2014
Gross profit margin ⁽¹⁾	70.4%	58.6%	52.9%	50.9%	55.6%
Net profit margin before interest and tax ⁽²⁾	59.9%	48.6%	42.4%	35.2%	42.1%
Net profit margin ⁽³⁾	54.2%	45.7%	36.5%	31.5%	38.9%
Current ratio ⁽⁴⁾	2.6	1.6	1.7	N/A	1.9
Gearing ratio ⁽⁵⁾	0.5	0.7	0.5	N/A	0.5

Notes:

- (1) Gross profit margin represents our gross profit divided by revenue for the period.
- (2) Net profit margin before interest and tax represents our profit before interest and tax divided by revenue for the period.
- (3) Net profit margin represents profit for the year divided by revenue for the period.
- (4) Current ratio represents current assets divided by current liabilities as at the end of the period.
- (5) Gearing ratio represents total liability excluding entrusted loan within the Group divided by total equity as at the end of the period.

MARGIN ANALYSIS

During the Track Record Period, our gross profit margins were affected by a number of factors, primarily including: (i) the exchange rate of Japanese Yen against Renminbi: 80.4%, 73.9%, 72.0% and 88.4% of our total revenue was derived from sales to our customer in Japan in Japanese Yen, during the Track Record Period, while the average exchange rate of Japanese Yen against Renminbi was 12.3:1, 12.6:1, 15.8:1 and 16.9:1 in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively; in addition, the depreciation of the Japanese Yen also affected our sales in other markets as sales prices there are usually determined with reference to the prevailing tuna prices in Japan; (ii) the average selling price of premium tuna: in line with the market price, our average selling price of premium tuna declined from the last quarter of 2012, due to an increase in catch volume of premium tuna in the Indian Ocean primarily as a result of international efforts to address the Somali piracy problem, and remained at a relatively low level until July 2013 and started rise in August 2013 when the market price started to rise significantly. Therefore, our average selling price declined from 2011 to 2012, but remained relatively stable in 2013 as compared to 2012, and continued to rise in the three months ended 31 March 2014, resulting in a higher average selling price compared to the same period in 2013; (iii) an increase in depreciation costs with respect to our vessels from 2012 to 2013 and from the three months ended 31 March 2013 to the same period in 2014, primarily due to our acquisition of ten additional fishing vessels in early 2013; and (iv) the number of vessels in operation and our maintenance schedule: when a vessel returns to port from a voyage, major

SUMMARY

maintenance of three to four months is normally conducted on the vessel, during which period the vessel does not generate revenue. In 2011, 2012 and 2013, we had one, three and four fishing vessels returning to port for major maintenance. We had two and nil fishing vessels returning to port for scheduled maintenance in the three months ended 31 March 2013 and 2014, respectively. In addition, we had five fishing vessels calling at ports in the first and second quarters of 2013 for replenishing supplies and facilitating the due diligence in preparation for the Listing.

Primarily because of the favorable exchange rate for the Japanese yen and tuna price levels in 2011, we achieved a relatively high gross profit margin of 70.4% in 2011. Our gross profit margins during the other periods of the Track Record Period were relatively stable ranging from 52.9% to 58.6%. Our gross profit margin decreased from 58.6% in 2012 to 52.9% in 2013, primarily due to the depreciation of the Japanese Yen against the Renminbi, changes in the number of vessels in operation and depreciation costs as a result of our expanded fleet.

We achieved a relatively high net profit margin at 54.2% in 2011 for the same reason as discussed above for the high gross profit margin in 2011. Our net profit margin decreased from 45.7% in 2012 to 36.5% in 2013, primarily due to (i) the decrease in our gross profit margin, (ii) the non-recurring and non-cash charge of the interest on puttable instruments in connection with [REDACTED] investment took place in 2013 and (iii) an increase in the expenses in connection with the Listing.

Our gross profit margin and net profit margin was 55.6% and 38.9%, respectively, in the three months ended 31 March 2014, compared with 50.9% and 31.5% in the same period in 2013.

Please refer to "Financial Information – Period to Period Comparison of Results of Operations – Sensitivity analysis" in this [REDACTED] for the sensitivity analysis in relation to changes in the exchange rate of the Japanese Yen against the Renminbi, the average selling price of tuna, and bunker fuel prices during the Track Record Period.

SUSTAINABILITY OF BUSINESS

Based on the information set out in the paragraphs headed "– Our Customers", "– Catch Limits" of this section and in the "Regulatory Overview", "Business" and "Financial Information" sections of this [REDACTED], our Directors are of the view that our Group's business is sustainable notwithstanding (i) our Group's deriving a substantial portion of revenue from Toyo Reizo, (ii) the uncertain supply of tuna and (iii) the catch limits imposed by the RFMOs.

Based on the diligence it has conducted, its review of the legal opinions and due diligence report of the legal advisers to the Company as to maritime, PRC and Japanese laws, as the case may be, its review of the report of, and discussions with Frost & Sullivan, its interviews with the relevant authorities, its review of the documents, information and confirmations provided by the Company and its Directors and the information set out in this [REDACTED], the Sole Sponsor concurs with the Directors views set out above.

RECENT DEVELOPMENTS

Set forth below are certain developments after the end of the Track Record Period regarding our business:

- As of the Latest Practicable Date, we had paid RMB116.9 million to the Japanese ship-owners of the seven vessels we operate under vessel management arrangements as part of the acquisition consideration for these vessels.

As far as we are aware and except for those disclosed in this [REDACTED] or above, there have not been any material changes to our business operations and financial condition since 31 March 2014 and up to the date of this [REDACTED].

LISTING EXPENSES

During the Track Record Period, we incurred Listing expenses of RMB24.8 million (RMB18.5 million of which were recognised in our consolidated statement of profit or loss and other comprehensive income as other expenses and RMB6.3 million of which will be deducted from share premium upon Listing). We expect to incur additional Listing expenses of approximately RMB46.2 million upon completion of the Listing, of which approximately RMB31.8 million is to be accounted for as a deduction from share premium upon Listing, and the remaining RMB14.4 million is expected to be recognised in our consolidated statement of profit or loss and other comprehensive income as other expenses after the Track Record Period. Our Directors do not expect these expenses to have a material adverse impact on our financial results for the year ending 31 December 2014.

SUMMARY

[REDACTED] STATISTICS

	Based on an [REDACTED] of HK\$[REDACTED] per Share	Based on an [REDACTED] of HK\$[●] per Share
Market capitalisation of our Shares ⁽¹⁾	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽²⁾	[REDACTED]	[REDACTED]

Notes:

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalisation is based on [REDACTED] Shares expected to be issued and outstanding following the completion of the [REDACTED] without taking account of any shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II and based on [REDACTED] Shares expected to be issued and outstanding following the completion of the [REDACTED].

If the Over-allotment Option is exercised in full, the unaudited pro forma adjusted consolidated net tangible asset value per Share will be approximately HK\$[REDACTED] per Share (based on an [REDACTED] of HK\$[REDACTED]) or approximately HK\$[REDACTED] (based on an [REDACTED] of HK\$[REDACTED]).

DIVIDEND POLICY

Dalian Ocean Fishing, our principal operating subsidiary, declared and paid dividends of RMB340.0 million to its then shareholders in 2012.

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Our Shareholders will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

For more details, please refer to the section headed "Financial Information – Dividend and Dividend Policy" of this [REDACTED].

USE OF PROCEEDS

The net proceeds from the [REDACTED], after deducting underwriting fees and estimated expenses payable by our Company in connection thereto, are estimated to be (1) approximately HK\$[REDACTED] million, assuming that the Over-allotment Option is not exercised and assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the proposed [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share, or (2) approximately HK\$[REDACTED] million, assuming that the Over-allotment Option is exercised in full and assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the proposed [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share. We intend to use such net proceeds as follows:

- (i) Approximately [REDACTED] will be used to further expand our fleet, including acquiring additional ultra-low temperature longline tuna fishing vessels, purchasing new equipment to refit these vessels and procuring supplies for these vessels. We are in the course of evaluating three vessels owned by owners in the PRC, with a view to completing their acquisition in 2015. We had not entered into any sale and purchase agreements or memorandum of understanding with respect to the acquisition of these three vessels as at the Latest Practicable Date. Please refer to "Business – Our Fleet – Future plans" in this [REDACTED] for further details;

SUMMARY

- (ii) approximately [REDACTED] will be used to establish our ultra-low temperature tuna processing business in China. As of the Latest Practicable Date, we had not entered into any letter of intent or agreement for any such acquisition nor identified any definite acquisition target;
- (iii) approximately [REDACTED] will be used to develop our Chinese market for sales of our tuna, including recruiting senior managers and marketing staff and engaging in marketing and sales activities to strengthen our brand to expand our tuna sales in the Chinese market;
- (iv) approximately [REDACTED], will be used to further develop our operating infrastructure, primarily by enhancing and upgrading our central control platform at our headquarters in Dalian, Liaoning Province, the PRC; and
- (v) approximately [REDACTED], will be used to provide funding for our working capital and other general corporate purposes.

For more details, please refer to the section headed "Future Plans and Use of Proceeds" in this [REDACTED].

HISTORICAL NON-COMPLIANCE AND INTERNAL CONTROLS

During the Track Record Period, we had certain non-compliance incidents and internal control deficiencies, including certain advances we made to our related party companies. For more detail regarding our non-compliance, please refer to "Business – Legal proceedings and non-compliance" in this [REDACTED]. For more details regarding internal control deficiencies, please refer to "Business – Internal Control, Risk Management and Corporate Governance". We engaged an internal control consultant, which, after review, is satisfied that we have implemented new or revised internal control policies and procedures in response to those areas where deficiencies and weaknesses were identified.

RISK FACTORS

Our Directors believe that there are certain risks involved in our operations. We believe that the following are some of the major risks that may, if they materialise, have a material adverse effect on us:

- tuna stocks are limited and commercial tuna fishing is subject to restrictions. The implementation of more stringent measures to control catch limits or other additional measures designed to limit tuna fishing activities by RFMOs could materially and adversely affect our business, financial condition and results of operations;
- we operate in a heavily-regulated industry. Failure to comply with, among other things, registration and licensing requirements imposed by RFMOs or PRC government, our business, financial condition, results of operations and prospects could be materially and adversely affected;
- we depend on our major customers for substantially all of our sales;
- we may not be able to successfully manage or acquire the seven Japanese vessels which we currently operate pursuant to vessel management arrangements;
- an increase in bunker fuel prices may reduce our profitability;
- we may not be able to manage the rapid expansion of our fleet and continue to grow at rates comparable to our historical growth rates in the future; and
- we face risks in expanding our operation to new regions and cannot provide any assurance that we will be able to successfully expand our operations to new regions.

The risks mentioned above are not the only significant risks that may affect our business, financial condition and results of operations. As different investors may have different interpretations and standards for determining materiality of a risk, you are cautioned that you should carefully read the entire section headed "Risk Factors" in this [REDACTED].

DEFINITIONS

“affiliate(s)” any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person

[REDACTED]

“Ares Ocean” Ares Ocean Holdings, L.P., an exempted limited partnership registered on 3 June 2013 under the laws of the Cayman Islands which was controlled by its general partner, ACOF Asia Management, L.P., which was in turn controlled by its general partner, Ares Management (Cayman), Ltd. as at the Latest Practicable Date and a substantial shareholder of our Company

“Articles of Association” or “Articles” the articles of association of our Company being conditionally adopted on [REDACTED] 2014 and taking effect upon Listing (as amended or supplemented from time to time)

“associate(s)” has the meaning ascribed thereto under the Listing Rules

“Board” the board of Directors of our Company

“Business Day” a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

“BVI” the British Virgin Islands

“Capitalisation Issue” the issue of Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company referred to in the paragraph headed “Resolutions in writing of our Shareholders passed on [●]” in Appendix IV to this [REDACTED]

“Cap. 32 Companies (WUMP) Ordinance” the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, with effect from 3 March 2014

“Cap. 622 Companies Ordinance” the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, with effect from 3 March 2014, as amended and supplemented from time to time

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, and unless the context requires, references in this [REDACTED] to the PRC or China do not include Hong Kong, the Macau Special Administrative Region or Taiwan
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company” or “our Company”	China Tuna Industry Group Holdings Limited (中國金槍魚產業集團控股有限公司), an exempted company incorporated with limited liability under the laws of the Cayman Islands on 24 October 2011
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refer to Tuna Holdings, Ms. Li Li and Mr. Li Zhenyu
“Covenantor(s)” or “Indemnifier(s)”	the Controlling Shareholders or any one of them
“CSRC”	Chinese Securities Regulatory Commission (中國證券監督管理委員會)
“Dalian Fishery Administration”	Dalian City Oceanic and Fishery Administration (大連市海洋與漁業局), under direct management and supervision of the Bureau of Fisheries, the Ministry of Agriculture of the PRC (中華人民共和國農業部漁業局), is responsible for the administration of pelagic fishing companies in Dalian City

DEFINITIONS

“Dalian Investment”	Dalian Science Technology Venture Investment Fund Co., Ltd.* (大連科技風險投資基金有限公司), a limited liability company established in the PRC on 2 February 2000 and held as to 40% by Dalian Longtai, 30% by Dalian Production Promotion Centre (大連生產力促進中心) and 30% by Liaoning Technology Venture Investment Company (遼寧科技創業投資有限公司) as at the Latest Practicable Date
“Dalian Jinyuanfeng”	Dalian Jinyuanfeng Trading Co., Ltd.* (大連金源豐貿易有限公司), a limited liability company established in the PRC on 28 December 2012 and an indirect wholly-owned subsidiary of our Company
“Dalian Longtai”	Dalian Longtai Venture Capital Investment Co., Ltd.* (大連隆泰創業投資有限責任公司), a limited liability company established in the PRC on 29 November 2011 and held as to 95% by Mr. Li Zhenyu and 5% by Ms. Sun Lihua as at the Latest Practicable Date
“Dalian Ocean”	Dalian Ocean Co., Ltd.* (大連遠洋漁業公司), a limited liability company established in the PRC on 2 June 1988 and deregistered on 23 November 2010 and, immediately prior to its de-registration, was an Independent Third Party
“Dalian Ocean Fishing”	Dalian Ocean Fishing Co. Ltd.* (大連遠洋漁業金槍魚釣有限公司), a limited liability company established in the PRC on 28 April 2000 and an indirect wholly-owned subsidiary of our Company
“Deed of Indemnity”	a deed of indemnity dated [REDACTED] 2014 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for its present subsidiaries), particulars of which are set out in the paragraph headed “Estate duty, tax and other indemnity” in Appendix IV to this [REDACTED]
“Deed of Non-Competition”	a deed of non-competition dated [REDACTED] 2014 entered into by our Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed “Relationship with Controlling Shareholders” in this [REDACTED]
“Director(s)”	the director(s) of our Company
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company and an Independent Third Party
“[REDACTED]”	[REDACTED]

DEFINITIONS

[REDACTED]

“Group”, “our Group”, “we” or “us”	our Company and our subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company or the business operated by our present subsidiaries or (as the case may be) our predecessor
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards promulgated by Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

“Hong Kong Share Registrar”	[REDACTED]
“Hong Kong Underwriters”	the underwriters of the [REDACTED] listed in the section headed “Underwriting – Hong Kong Underwriters” in this [REDACTED]
“Hong Kong Underwriting Agreement”	the underwriting agreement dated [REDACTED] relating to the [REDACTED] entered into between our Company, the Controlling Shareholders, the Hong Kong Underwriters, the Sole Sponsor and the Sole Global Coordinator

DEFINITIONS

“Independent Third Party(ies)”	individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) our Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates, and not otherwise a connected person of our Company
	[REDACTED]
“International Underwriters”	the underwriters of the [REDACTED] and parties to the International Underwriting Agreement as described in the section headed “Underwriting – [REDACTED]” in this [REDACTED]
“International Underwriting Agreement”	the underwriting agreement relating to the [REDACTED] and expected to be entered into between our Company, the Controlling Shareholders, the Sole Global Coordinator and the International Underwriters on or around [REDACTED]
“Jinfeng Trading”	Dalian Jinfeng Trading Firm* (大連錦豐貿易商行), an enterprise established in the PRC on 10 July 1992 and an Independent Third Party. Jinfeng Trading once held 95% equity interest in Dalian Ocean Fishing on behalf of Mr. Li Zhenyu
“Jinxing Information”	Dalian Jinxing Information Consulting Co., Ltd.* (大連錦興信息諮詢有限公司), a limited liability company established in the PRC on 24 April 2012 and an indirect wholly-owned subsidiary of our Company
“Jinxing Trading”	Dalian Jinxing Trading Co., Ltd.* (大連錦興貿易有限公司), a limited liability company established in the PRC on 20 March 2012 and an indirect wholly-owned subsidiary of our Company
“JPY or Japanese Yen”	the lawful currency of Japan
“Latest Practicable Date”	[10 June] 2014, being the latest practicable date for ascertaining certain information in this [REDACTED] prior to its publication

DEFINITIONS

“Listing”	the listing of the Shares on the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about [●], on which our Shares will be listed and dealings in our Shares will commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Longxing Fishery”	Dalian Longxing Fishery Information Consulting Co., Ltd.* (大連隆興漁業信息諮詢有限公司), a limited liability company established in the PRC on 25 May 2012 and held as to 95% by Dalian Ocean Fishing and 5% by Dalian Longtai
“Maguro”	Maguro Investment Limited, a limited liability company incorporated on 20 April 2012 under the laws of BVI and wholly owned by New Hope Agricultural and Food Fund II, L.P. as at the Latest Practicable Date and a shareholder of our Company
“Main Board”	the stock market operated in Hong Kong by the Stock Exchange, excluding the Growth Enterprise Market and the option market thereof
“Memorandum of Association”	memorandum of association of our Company adopted upon the incorporation of our Company, as amended from time to time
“MOA”	the Ministry of Agriculture of the People’s Republic of China (中華人民共和國農業部)

[REDACTED]

DEFINITIONS

“Over-allotment Option”	the option to be granted by our Company to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters, pursuant to which our Company may be required to allot and issue up to [REDACTED] additional Shares, representing [REDACTED] of the [REDACTED] initially available under the [REDACTED] at the [REDACTED], to cover [REDACTED] as further described in the section headed “Structure and Conditions of the [REDACTED]” in this [REDACTED]
“PRC government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal or other regional and local government entities) and organisations thereof, or, as the context requires, any of them
“Price Determination Agreement”	the agreement to be entered into between us and the Sole Global Coordinator on behalf of the Underwriters on the Price Determination Date to record and fix the [REDACTED]
“Price Determination Date”	the date, on which the [REDACTED] is determined, which is expected to be on or around [●], but no later than [●]
“Qualified Institutional Buyers” or “QIBs”	qualified institutional buyers within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation arrangements undergone by us in preparation for the Listing as described in the paragraph headed “Reorganisation” in the “History, Development and Reorganisation” section of this [REDACTED]
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the Directors by the Shareholders, further details of which are contained in the paragraph headed “Resolutions in writing of our Shareholders passed on [●]” in Appendix IV to this [REDACTED]
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act

DEFINITIONS

“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified, from time to time
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on [●], the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix IV to this [REDACTED]
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.01 each
“Sole Bookrunner”, “Sole Lead Manager” or “Sole Global Coordinator”	[REDACTED]
“Sole Sponsor”	Deutsche Securities Asia Limited
“Stabilising Manager”	[REDACTED]
“Stock Borrowing Agreement”	the stock borrowing agreement entered into between the Stabilising Manager and Tuna Holdings on or around [REDACTED], pursuant to which Tuna Holdings will agree to lend up to [REDACTED] Shares to the Stabilising Manager on the terms set out therein
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary/ies”	has the meaning as defined in the Listing Rules
“substantial shareholder(s)”	has the meaning as defined in the Listing Rules
“Sure Source”	Sure Source Investments Limited, a limited liability company incorporated on 17 November 2010 under the laws of the BVI and held as to 99% by Mr. Liu Yonghao and 1% by Mr. Zhang Guokun as at the Latest Practicable Date and a shareholder of our Company

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Toyo Reizo”	Toyo Reizo Co., Ltd., a limited liability company incorporated in Japan in October 1948 and our customer in Japan, which is a subsidiary of Mitsubishi Corporation and an Independent Third Party
“Track Record Period”	the three years ended 31 December 2013 and the three months ended 31 March 2014
“Tuna Holdings”	China Tuna Industry Holdings Limited (中國金槍魚產業控股有限公司), a limited liability company incorporated in the BVI on 30 September 2011 and wholly-owned by Ms. Li Li, and one of our Controlling Shareholders
“Tuna Investment”	Tuna Asia Pacific Investment Limited (金槍魚亞太投資有限公司), a limited liability company incorporated on 11 November 2011 in accordance with the laws of the BVI and a direct wholly-owned subsidiary of our Company
“Tuna Investment (HK)”	Tuna Asia Pacific Investment (HK) Limited (金槍魚亞太投資(香港)有限公司), a limited company incorporated on 13 December 2011 in accordance with the laws of Hong Kong and an indirect wholly-owned subsidiary of our Company
“Underwriters”	collectively, the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions, any state of the United States, and the District of Columbia
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations as promulgated thereunder
“US\$” or “U.S. dollar(s)” or “USD”	United States dollars, the lawful currency of the United States

[REDACTED]

DEFINITIONS

[REDACTED]

"%" per cent

The English translation of company names in Chinese or another language which are marked with "" and the Chinese translation of company names in English which are marked with "*" is for identification purposes only. If there is any discrepancy or inconsistency between the Chinese names of the PRC entities in this [REDACTED] and their English translations, the Chinese versions shall prevail.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain technical terms used in this [REDACTED] in connection with our Company. Such terms and their meanings may not correspond to standard industry definitions or usage.

“bait”	a substance used to attract and catch fish
“bunker fuel”	heavy oil used as fuel for ocean vessels
“captain”	a mariner in ultimate command of a merchant ship, whose responsibility is to ensure the safety and efficient operation of the ship
“carrier”	an individual or organisation that engages in cargo transport business
“CIF”	a sales contract term indicating that a price includes cost, insurance and freight
“common tuna”	tuna which have a relatively lower market price, also used for sashimi, and generally includes albacore, indo-pacific sailfish, shortbill spearfish, Indo-pacific blue marlin and common dolphinfish
“consignee”	the person who is entitled to take delivery of the goods pursuant to the original bill of lading
“DHA”	docosahexaenoic acid, an omega-3 fatty acid that is a primary structural component of the human brain and retina
“EPO”	the Eastern Pacific Ocean
“FAO”	Food and Agriculture Organisation of the United Nations
“FFA”	The Pacific Islands Forum Fisheries Agency
“flag state”	the country where a vessel is registered
“freight”	the price paid to a ship owner for the transportation of goods or merchandise by sea from one specific port to another
“IATTC”	Inter-American Tropical Tuna Commission, a convention-based organisation established for the conservation and management of tuna and other marine resources in the EPO

GLOSSARY OF TECHNICAL TERMS

“ICCAT”	the International Commission for the Conservation of Atlantic Tunas, a convention-based organisation established for the conservation of tunas and tuna-like species in the Atlantic Ocean and its adjacent seas
“IOTC”	the Indian Ocean Tuna Commission, a convention-based organisation established for the management of tuna and tuna-like species in the Indian Ocean
“ISSF”	International Seafood Sustainability Foundation, a foundation formed by scientists, leaders in industry and environmentalists to undertake science-based initiatives for the long-term conservation and sustainable use of tuna stocks, reducing bycatch and promoting ecosystem health
“IUCN”	the International Union for Conservation of Nature and Natural Resources, which was founded in 1948, is an independent international professional global conservation organisation and a leading authority on the environment and sustainable development
“kg”	kilogram
“km”	kilometer
“loading”	the act of putting cargo on board a vessel
“longline fishing”	a commercial fishing technique which uses a long line with baited hooks attached at intervals by snoods
“IUU”	illegal, unregulated and unreported fishing vessels
“m”	meter
“MAFF”	Ministry of Agriculture, Forestry and Fisheries of Japan
“METI”	Ministry of Economy, Trade, and Industry of Japan
“MIC”	Ministry of Internal Affairs and Communications of Japan
“OPRT”	Organisation for the Promotion of Responsible Tuna Fisheries, an international organisation
“pelagic”	of, relating to, or living in open oceans or seas rather than waters adjacent to land or inland waters

GLOSSARY OF TECHNICAL TERMS

“premium tuna”	tuna which has a significantly higher market price than common tuna and generally includes bigeye tuna, yellowfin tuna, swordfish and marlin. For the purpose of this [REDACTED], premium tuna does not include bluefin tuna
“RFMOs”	regional fishery management organisations. Unless the context otherwise requires, references in this [REDACTED] to the RFMOs are to WCPFC, IATTC and ICCAT, being the RFMOs relevant to our current operations
“tonnage”	a measure of the size or cargo carrying capacity of a ship
“tonne”	1,000 kilograms
“transhipment”	the act of off-loading goods or containers from one ship and loading it onto another ship
“tuna”	ocean fishes from the family <i>Scombridae</i> , of the genus <i>Thunnus</i>
“ultra-low temperature freezing”	the process by which the core temperature of the fish body is reduced to minus 55 degrees Celsius so as to maintain the freshness and nutritional value of the fish meat
“VAT”	value-added tax
“WCPFC”	the Western and Central Pacific Fisheries Commission, a convention-based organisation established for the conservation and management of tuna and other highly migratory fish stocks in the WCPO
“WCPO”	the Western and Central Pacific Ocean

FORWARD-LOOKING STATEMENTS

This [REDACTED] contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and plan of operation;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- our dividend policy;
- projects under construction or planning;
- the regulatory environment of our industry in general; and
- future development in our industry.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our current views with respect to future events are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this [REDACTED]. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the laws, rules and regulations, we do not intend to publicly update or otherwise revise the forward-looking statements in this [REDACTED], whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this [REDACTED] might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this [REDACTED] are qualified by reference to this cautionary statement.

In this [REDACTED], statements of or references to our intentions or those of any of our Directors are made as at the date of this [REDACTED] and after due and careful consideration. Any such intentions may change in light of future developments.

RISK FACTORS

You should consider carefully all the information set out in this [REDACTED], including the risks and uncertainties described below, before making an investment in the [REDACTED]. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The trading price of the [REDACTED] could decline due to any of these risks, and you may lose all or part of your investment.

There are certain risks involved in our operations and many of these risks are beyond our control. These risks can be characterised as: (i) risks relating to our business; (ii) risks relating to conducting business in the PRC and Japan; and (iii) risks relating to the Shares and the [REDACTED].

RISKS RELATING TO OUR BUSINESS

Tuna stocks are limited and commercial tuna fishing is subject to restrictions. The implementation of more stringent measures to control catch limits or other additional measures designed to limit tuna fishing activities by RFMOs could materially and adversely affect our business, financial condition and results of operations.

Tuna stocks are limited. The problem of depletion of certain species of tuna stocks has been well recognised due to factors including overfishing activities in recent years. For example, the WCPFC's bigeye tuna stock assessment indicates that overfishing of the bigeye tuna stock is occurring in the WCPO. Certain environmental groups have also been lobbying for the imposition of additional restrictions on tuna fishing activities. In light of this, RFMOs, such as WCPFC, IATTC and ICCAT, through the passage of certain international conventions, have implemented certain measures to ensure the long-term conservation and sustainable use of certain tuna stocks in international waters under their supervision.

Bigeye and yellowfin tuna are the two principal species of premium tuna we catch and sell. In the three years ended 31 December 2011, 2012, 2013 and the three months ended 31 March 2014, as a percentage of our total premium tuna revenue, bigeye tuna accounted for approximately 82%, 75%, 78% and 76%, respectively, and yellowfin tuna accounted for approximately 11%, 17%, 16% and 20%, respectively. Any measures restricting bigeye and yellowfin tuna fishing activities imposed by RFMOs could have a material adverse impact on our business, financial condition and results of operations.

Bigeye tuna

Certain RFMOs have imposed catch limits on their member countries/regions on the quantity of bigeye tuna caught by the longline fishing vessels under the flag of those member states/regions. Historically, the actual bigeye catch volume of vessels under the Chinese flag exceeded the catch limit allocated by WCPFC in 2006, 2009, 2010 and 2012, while the actual bigeye catch volume of vessels under the Chinese flag exceeded the catch limit allocated by ICCAT from 2005 to 2007. In addition, in 2011, China procured the transfer to it of 3,000 tonnes of unused catch limit in the EPO from Japan, which was recognised by the IATTC and was legally implemented, even though there was no formal approval by IATTC. According to our maritime legal advisers, Liaoning Haida Law Firm, such transfer will continue to be effective from 2011 for the coming few years and therefore China's annual catch volumes in the EPO did not exceed the catch limits imposed by IATTC during the Track Record Period after taking account of such transfer. However, if the IATTC were to take an alternative view, such that the transfer of the 3,000

RISK FACTORS

tonnes of unused catch limits from Japan to China in 2011 was only effective for 2011 and not thereafter, then vessels under the Chinese flag would have exceeded the applicable catch limit in the EPO in 2012. As advised by our maritime legal advisers, Liaoning Haida Law Firm, China has not been and will not, under any sanction system which may be adopted in the future, be subject to any penalties for its previous breaches of bigeye catch limits imposed by the WCPFC, ICCAT and, if applicable, IATTC.

As a result of increasing concerns over the sustainability of bigeye tuna resources in the WCPO, WCPFC renewed the bigeye catch limits it allocated to its member countries/regions in December 2013. The bigeye catch limit allocated to China will be reduced from 10,673 tonnes in 2013 to 9,398 tonnes in 2014, 8,224 tonnes in 2015 and 2016, and further to 7,049 tonnes in 2017. According to the WCPFC, where in any year the actual catch volume by a member country/region exceeds the relevant catch limit, the amount of such excess shall be deducted from the catch limit for the relevant member country/region for the following year for that country/region.

In light of the above, we cannot assure you that:

- the relevant RFMOs will not reduce or further reduce the bigeye catch limit allocated to China; or
- the relevant RFMOs will not establish a sanction mechanism for non-compliance with bigeye catch limits by their respective member countries/regions; or
- the relevant RFMOs will not take other measures to conserve and manage tuna stocks, for example, prohibiting fishing activities of longline vessels for a period of time each year similar to the restrictions currently imposed on purse seine fishing activities.

If any of the foregoing events occurs, our business, financial condition and results of operations would be materially and adversely affected.

Yellowfin tuna

ICCAT set an annual total allowable catch for yellowfin of 110,000 tonnes for 2012 and subsequent years, which will remain in place until revised based on scientific advice, although there is no catch limit currently applicable to yellowfin tuna imposed by IATTC, WCPFC or ICCAT, as advised by our maritime legal advisers, Liaoning Haida Law Firm.

WCPFC members agreed to take measures not to increase the catch volume of yellowfin tuna by their longline vessels. In particular, according to the WCPFC's 2014 regular session, the WCPFC proposes formulating and adopting appropriate limits for its members, based on recommendations from its scientific committee, and taking into account other conservation and management measures for yellowfin tuna, and will also formulate and adopt any in-season reporting requirements needed to support full implementation of these limits.

If the relevant RFMOs adopt catch limits on yellowfin or other tuna species that we catch, our business, financial condition and results of operations could be materially and adversely affected.

Furthermore, if the relevant RFMOs fail to effectively enforce their catch limits or other measures restricting overfishing activities, or for any other reason, tuna fish stocks continue to deplete, this could in turn materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

The implementation of more stringent measures to limit tuna fishing activities by the PRC government could materially and adversely affect our business, financial condition and results of operations.

The RFMOs impose catch limits on relevant member states instead of individual fishing companies and fishing vessels. To abide by such catch limits set by the RFMOs, China, as a member state to such RFMOs, has in turn adopted domestic rules applicable to PRC individual Chinese fishing companies and fishing vessels. For example, in November 2012, the general office of the Ministry of Agriculture of the PRC issued the Notice on Strengthening the Management of Construction and Replacement of Deep Sea Fishing Vessels (《農業部辦公廳關於加強遠洋漁船更新改造管理工作的通知》), which announced that the construction of new ultra-low temperature longline tuna fishing vessels would no longer be approved as of November 2012, except to replace existing ultra-low temperature longline tuna fishing vessels. As advised by our maritime legal advisers, Liaoning Haida Law Firm, the PRC government has not imposed any bigeye or yellowfin catch limit with respect to individual fishing companies or vessels in the PRC.

The PRC government may take more stringent measures on tuna fishing activities to better preserve tuna resources or in response to RMFOs' new measures or more stringent implementation of existing measures to catch limits, including, for example, in response to the recent reduction of catch limits which the WCPFC allocated to its member states/regions in December 2013 for 2014 to 2017. These measures may include but are not limited to imposing bigeye catch limits on individual fishery companies, prohibiting fishing activities for a period of time each year, or otherwise limiting PRC fishery companies' fishing activities. If any of these measures are adopted and implemented, our business, financial condition and results of operations would be materially and adversely affected.

We operate in a heavily-regulated industry. Failure to comply with, among other things, registration and licensing requirements imposed by RFMOs or PRC government, our business, financial condition, results of operations and prospects could be materially and adversely affected.

The ultra-low temperature longline tuna fishing industry in which we operate is heavily-regulated and the regulations may change from time to time. As we operate all of our fishing vessels in international waters, we are subject to management and supervision by RFMOs, each of which requires the registration of our longline fishing vessels with them for us to fish within their respective supervised areas. For example, each of WCPFC, IATTC and ICCAT maintains a positive list which contains the names of ultra-low temperature longline fishing vessels that are authorised to conduct fishing activities in relevant areas. Our vessels must be listed on such positive lists in order for us to continue conducting our fishing activities in those areas. In addition, we are required to have our fishing vessels registered with OPRT in order to sell the tuna caught by such vessels to our customer in Japan, the world's largest market for premium tuna. To continue selling tuna into the Japanese market, we must maintain the OPRT registration of our vessels and for any second-hand vessels we seek to acquire or operate we must obtain registration or ensure such registration has been obtained. Furthermore, OPRT limits the number of vessels registered with it by consensus among its members; China and other national governments are also making efforts to restrict the construction of new ultra-low temperature longline fishing vessels, except to replace existing vessels. For further details of the regulatory environment in respect of our operations, please refer to "Regulatory Overview" and "Business – Licences and Approvals" in this [REDACTED].

RISK FACTORS

We are also required, among other things, to obtain licences required by PRC laws and regulations to conduct our business and to comply with applicable PRC laws and regulations. We have obtained the relevant registrations, licences and permits which are necessary for us to operate our business in all material respects in China. If the regulations regarding the issuance or renewal of these licences and permits become more burdensome, or if we fail to renew our current licences or obtain approvals for our operations, or otherwise fail to meet the requirements of the national governments, RFMOs or OPRT which regulate our operations, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We cannot assure you that we will not be subject to more stringent regulations in the future imposed by relevant national governments, RFMOs or OPRT or stipulated under international conventions to which China is a contracting party, which could have a material and adverse impact on our business, financial condition, results of operations and prospects.

We depend on our major customers for substantially all of our sales.

During the Track Record Period, Japan was the most important market for our premium tuna, which is primarily used in high-end sashimi. Revenue derived from our largest customer, which is a Japanese tuna importer and our sole customer in Japan, accounted for 80.4%, 73.9%, 72.0% and 88.4% of our total revenue in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. Our Japanese customer is the largest tuna importer in the Japanese market, and has well-established distribution channels in Japan with the ultra-low temperature freezing equipment necessary to maintain the freshness of tuna for sashimi.

As a customary trading practice, restaurants, supermarkets and other retail outlets in Japan normally do not purchase tuna directly from foreign tuna fishing companies; instead, they trade with tuna importers in Japan, according to Frost & Sullivan. A tuna importer in Japan is required to be authorised by MAFF and METI of Japan to engage in the business of tuna importation and there are seven large importers in Japan, according to Frost & Sullivan. Although foreign tuna fishing companies may trade with two or more tuna importers from Japan, it is common industry practice for each foreign tuna fishing company to only sell its tuna to one of these Japanese importers, according to Frost & Sullivan. While there are other importers in the Japanese market that we could cooperate with, we have made a business decision to not establish relationships with these other importers in the Japanese market in order to focus on supplying tuna to and developing our relationship with our existing Japanese customer. As a result, we rely on our single Japanese customer for all of our sales of tuna in the Japanese market. If our Japanese customer reduces its purchase volume from us or is unwilling to purchase more tuna from us or replaces our supply of tuna with supply from other companies and we are unable to identify and secure other tuna importers in Japan to purchase our tuna, our business, financial condition and results of operations would be materially and adversely affected.

We focus on sales to large tuna importers in each of our markets. We had four, five, four and three customers in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively, accounting for 100% of our total revenue for the same periods, respectively. For our customers in the PRC, we have a limited history of doing business with them as the tuna market in China is in its early stage of development and these customers have limited operating histories. All of our five largest customers during the Track Record Period were Independent Third Parties. We do not enter into long-term sales agreements with our customers. We cannot assure you that we will be able to retain any of our large customers or any other key

RISK FACTORS

customers. Any material reduction in purchases from us by our major customers could cause our sales to decline significantly, and in any such event, our results of operations may be materially and adversely affected. We cannot assure you that these customers will purchase from us in the future at the same levels as in prior periods. If any of the foregoing events occurs, especially with respect to our large customers, there would be a material adverse effect on our business, financial condition and results of operations. Furthermore, in the event that one or more of our major customers ceases to cooperate with us, there is no assurance that we would be able to establish relationships with other customers that are capable of importing and selling such large amounts of fish in a timely manner, on terms acceptable to us or at all. Any delay in identifying alternative customers could materially and adversely affect our business, financial condition, results of operations and prospects.

Our business, financial condition and results of operations also depend on the financial condition and commercial success of these major customers. We cannot assure you that material defaults or delays in payments from them will not occur in the future. If one or more of our major customers were to become insolvent or otherwise unable to pay for the products supplied by us, our business, financial condition, results of operations and business prospects would be materially and adversely affected. In addition, one or more of our key customers may reorganise by means of a corporate spin-off, merger or otherwise. Any such reorganisation could disrupt, slow down or otherwise materially affect their business and operations and, therefore, our revenue. Moreover, the entities resulting from such reorganisation may change their suppliers or sourcing policies. If any of our key customers decides to significantly change its procurement methods, or otherwise reduces or ceases to purchase of our tuna, and we are unable to find alternative customers for our tuna, our business, financial condition and results of operations would be materially and adversely affected.

We are subject to environment related risks and/or risks related to the sustainability, or perceived sustainability, of tuna resources.

Due to the nature of our operations, we are exposed to environmental risks such as risks relating to tuna resources. Even though the RFMOs have implemented measures to conserve tuna resources, if they fail to effectively enforce their catch limits or other measures restricting overfishing activities, or for any other reason tuna fish stocks continue to deplete, this could materially and adversely affect our business, financial condition and results of operations. Furthermore, public concerns over the sustainability of tuna resources may cause the RFMOs and/or various countries/regions to take steps to restrict tuna fishing activities or otherwise contemplate increased regulation of our industry. Given the nature of tuna as a natural resource, the tuna fishing industry may also be subject to attention and focus from environmental non-governmental organisations, which may impact the public perception of the industry, consumer preferences or the demand for tuna products. Any of these events may materially and adversely affect our business, reputation, financial condition or results of operations.

Our operations are also subject to the environmental protection laws and regulations of the PRC as well as various requirements stipulated under international conventions to which China is a party. We are required to comply with requirements in respect of, among other things, the discharge of oil, sewage, air pollution and rubbish. Challenging environmental issues could arise from time to time in the future, and we may fail to comply with environmental protection requirements due to natural disasters or other factors, some of which may be out of our control. Any of the foregoing could subject us to liability and damage our reputation, which could materially and adversely affect our business, financial condition, results of operations and prospects.

RISK FACTORS

Uncertainty with respect to interpretation of international treaties relating to tuna fishing could adversely affect our business operations.

There are several international treaties governing tuna fishing activities in the open sea areas. For further details, please refer to "Regulatory Overview – International Law" in this [REDACTED].

Interpretation of international law such as treaties among sovereign states and international organisations, involves uncertainty compared with interpretation of national laws, given the complexity of international treaties. Therefore, different member countries/regions may have different interpretations of relevant RFMO conventions or resolutions in relation to tuna conservation and management measures. The uncertainty with respect to interpretation of treaties is affected by many factors such as diplomatic relationship, economic or cultural ties between states, many of which are beyond our control. The uncertainty presented by international treaties on tuna fishing could adversely affect our business operations. In particular, if any of these regulations are interpreted and applied by international organisations more strictly than any member state/region or we anticipate, this may have an adverse effect on our business, results of operations and financial condition.

We may not be able to successfully manage or acquire the seven Japanese vessels which we currently operate pursuant to vessel management arrangements.

We have been operating seven Japanese fishing vessels since September 2013 pursuant to vessel management arrangements we entered into with two Japanese ship-owners of these vessels, with a term of three years unless terminated earlier. According to such arrangement, we provide various services including, among other things, managing these seven fishing vessels and making advance payments for the management costs, such as bunker fuel, vessel equipment and parts, fishing gear, bait and crew wages. In consideration of our services, we are entitled to share tuna sales proceeds, in addition to reimbursement by the Japanese ship-owners of relevant costs and expenses. We have retained the Japanese captain and other crew members of each vessel during the management term and have assigned five of our captains and five of our senior crew members to work onboard these vessels to supervise their fishing operations and report to our management at our headquarters in Dalian, Liaoning, the PRC. However, we cannot assure you that we can efficiently supervise the fishing operations of these seven vessels operating at the Atlantic Ocean. We cannot assure you that the Japanese ship-owners of the vessels will comply with their obligations under vessel management arrangements, especially to transfer to us the sales proceeds they have collected from the customers, or that they will not become insolvent during the terms of the arrangements. The fishing activities of these vessels are directly conducted by the Japanese captain and crew members that we have retained, whose behaviour and conduct are subject to Japanese law, which is beyond our control. In addition, given there are no clear rules governing the vessel management arrangement, the interpretation of such arrangement by relevant regulatory authorities may therefore involve uncertainty. If relevant regulatory authorities were to challenge the validity or enforceability of such arrangement, we cannot assure you that we would be able to continue to operate vessels under such arrangement, which might have a material adverse impact on business, results of operations and financial condition.

We are currently in the process of acquiring the ownership of the seven vessels from the Japanese ship-owners, subject to obtaining all relevant approvals. We cannot assure you that we will be able to complete the acquisition of these vessels. Even if we successfully acquire the seven vessels, we cannot assure you that we will be able to successfully integrate these vessels into our fleet. If any of the foregoing events occurs, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

An increase in bunker fuel prices may reduce our profitability.

We use a substantial amount of bunker fuel in our operations. Bunker fuel was the largest component of our cost of sales during the Track Record Period, amounting to RMB28.5 million, RMB58.3 million, RMB79.1 million and RMB23.6 million in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively, representing 44.7%, 46.4%, 44.1% and 40.2% of our cost of sales for the same periods. Therefore, any increase in the price of bunker fuel would increase our costs of sales. According to Frost & Sullivan, the bunker fuel prices remained relatively stable during the Track Record Period.

Bunker fuel prices are subject to many economic and political factors that may impact global oil prices and that are beyond our control, including political instability in oil-producing regions. We currently do not hedge the cost of bunker fuel. We cannot predict future price trends for bunker fuel or the degree of any price volatility. In addition to having a direct impact on the cost of running our vessels, bunker fuel prices also have an indirect effect on our cost of sales and selling expenses, as our suppliers and carriers also use bunker fuel in their vessels. Increases in bunker fuel prices would therefore also impact us through increased prices for bait, fishing gear, vessel parts and other supplies delivered to us at sea, as well as increased expenses for delivering our tuna to our customers, if the suppliers or carriers adjust their prices to cover increases in bunker fuel costs. Any significant increase in the price of bunker fuel that we are unable to pass on to our customers in a timely manner or any shortage or interruption in fuel supply could increase our costs and expenses and/or cause disruption to our operations. In addition to the price, any shortage or interruption in the supply of bunker fuel could disrupt our operations. All these in turn could have a material and adverse effect on our business, financial condition and results of operations.

We may not be able to manage the rapid expansion of our fleet and continue to grow at rates comparable to our historical growth rates in the future.

We operated seven, 11, 24 and 24 fishing vessels as at 31 December 2011, 2012, 2013 and 31 March, 2014, respectively. We may not be able to manage such a rapid expansion of our operations. It takes time for the captains and crew to become familiar with the newly acquired vessels and for new joiners to become familiar with our operational and management methods. We also cannot assure you that we will be able to obtain sufficient supplies of bunker fuel, vessel equipment and parts, fishing gear, bait, or other items from our suppliers for our expanded fleet or to arrange carriers to appropriately tranship tuna caught and processed by our expanded fleet. For our 17 self-owned vessels, we have deployed a chief captain responsible for the overall management of the fishing operations and coordination of our multiple fishing vessels at sea. We cannot assure that our chief captain will be able to effectively lead our enlarged fleet of fishing vessels. For the seven vessels operated pursuant to vessel management arrangements, we cannot assure you that we will be able to effectively manage these seven vessels. If we fail to successfully integrate into our fleet the ten vessels that we acquired in early 2013, or the seven vessels that we started to operate in September 2013 or fail to sell to our customers the quantity of tuna that we expect to catch, our business, financial condition and results of operations may be materially and adversely affected.

We experienced rapid growth in our revenue during the Track Record Period. Our increase in revenue was mainly attributable to the increasing number of fishing vessels that we operated during the Track Record Period. We may not be able to grow, in terms of revenue, gross/net profit or other financial performance indicators, at rates comparable to our historical growth rates, or at all. The rapid expansion of our current fleet and any possible acquisition of additional fishing vessels may strain our managerial, operational, technical support, financial and human resources. As a result, we may not be able to manage

RISK FACTORS

such growth in a cost effective manner. Failure to effectively manage our growth could have a material adverse effect on our business, financial condition and results of operations, and could jeopardise our ability to achieve our business strategies and maintain our market position.

We face risks in expanding our operation to new regions and cannot provide any assurance that we will be able to successfully expand our operations to new regions.

Since September 2013, we have operated seven Japanese fishing vessels pursuant to vessel management arrangements in the Atlantic Ocean, where we previously had no operational experience. Accordingly, it may take time for us to achieve an equivalent level of success in catching tuna as we do in the Pacific Ocean or we may not succeed at all in the Atlantic Ocean. We may also face other risks associated with operating in waters with which we have less familiarity. For example, our current suppliers and transshipment carriers may not service such regions, in which case we would need to cooperate with new suppliers and transshipment companies, who may not be able to provide us a level of service at prices or on terms acceptable to us. In addition, we may incur costs and expenses for operating in the Atlantic Ocean, including transshipment costs, which are higher than those for our operations in the Pacific Ocean. As we expand our fleet, we plan to expand and diversify our operations to the Indian Ocean in the future, but we cannot provide any assurance that we will be able to successfully expand our operations to such new region. In the event that any of the foregoing risks were to materialise, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Furthermore, we may deploy more vessels to the Atlantic Ocean if more stringent catch limit requirements were to be imposed by the RFMOs or the PRC government in the Pacific Ocean in the future. However, we cannot assure you that we will be able to obtain the approvals required for transferring our vessels from the Pacific Ocean to the Atlantic Ocean as China is subject to the limit on the number of longline vessels operating in the Atlantic Ocean imposed by ICCAT. If more stringent catch limit requirements were to be imposed by the RFMOs or the PRC government in the Pacific Ocean in the future and if the number of Chinese longline vessels in the Atlantic Ocean exceeds the limit imposed by the ICCAT, we will not be able to deploy any more vessels to the Atlantic Ocean, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be successful in continuing to expand our fleet due to restrictions on new building of ultra-low temperature longline tuna fishing vessels and we face risks associated with purchasing second-hand vessels.

We acquired ten fishing vessels in 2013, including six fishing vessels acquired from sellers in the PRC as well as four fishing vessels acquired from sellers in Japan. Going forward, we plan to continue to expand our fleet, which forms an important part of our growth strategy. In order to limit the total number of longline tuna fishing vessels, none of the PRC, Japanese and Korean governments has approved the construction of any new ultra-low temperature longline tuna fishing vessels in recent years, except to replace existing vessels which are decommissioned. Entry into the Japanese market is further limited by OPRT, which restricts the number of registered longline fishing vessels that may sell tuna to the Japanese market. Accordingly, the primary way in which we may continue to expand our fleet is through the acquisition of second-hand vessels. However, there are a limited number of potential targets that meet our criteria and hold the necessary registration with OPRT and other regional and international fishing organisations. In addition, as a result of the restrictions on the construction of new vessels, we expect increasing competition when we seek to acquire fishing vessels, which may drive up purchase prices.

RISK FACTORS

Rising acquisition costs and intensifying competition for the acquisition of fishing vessels may hamper our expansion plans and have an adverse impact on our profitability and results of operations. There can be no assurance that we will be able to acquire additional vessels of a suitable standard on terms that are acceptable to us or at all. If we are unable to do so, our business, financial condition and results of operations may be materially and adversely affected.

In addition, we face risks in connection with purchasing second-hand vessels. Most of our existing vessels were purchased second-hand. Although we conduct due diligence on the target vessels with potential sellers before purchasing a second-hand vessel, our ability to carry out detailed due diligence is limited as the target vessels are usually located at sea where it is difficult to conduct detailed physical inspections. We may face additional challenges when the potential seller is located in another country where we have limited access to the vessels' operational records and the sellers' commercial and financial records. Second-hand vessels may have latent defects of which we are not aware at the time of purchase. These defects may subsequently result in significant repair expenses or disruption of voyages. Furthermore, a second-hand vessel may not have all the features that we would require if we had commissioned a new-build vessel, which may require us to incur significant costs for new equipment to refit the vessel. In addition, the purchase of second-hand vessels may require a long time to complete, including the time required to comply with relevant regulatory procedures both in the original flag state and in the PRC. During that period we cannot enjoy all rights as an owner of the vessel, and are subject to the risk of the original owner not complying with their contractual obligations to deliver the vessels to us. In the event that any of the foregoing risks were to materialise, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We lack experience in the tuna processing business and other downstream business activities that we may plan to engage in.

As part of our business strategy, we plan to expand into downstream business activities such as ultra-low temperature tuna processing. We have no experience in tuna processing and other downstream business activities. We cannot assure you that we will be able to successfully implement our plans for such downstream expansion. As a result of our lack of experience, we may face financing constraints, delays in securing permits, failure to comply with regulatory requirements, delays in completion and higher than expected costs. In addition, we may consider implementing our strategy via acquisition strategy, which will be subject to a number of risks, including: not identifying certain defects in the acquired business during the due diligence process, a failure to integrate the acquired business and its personnel into our existing business, higher costs of integration than we may anticipate, any delay or failure in realising the expected benefits of the acquired business or its products or services, difficulties in obtaining government and other regulatory approvals, changes in market circumstances and demands and diversion of our management's time and attention from other business concerns. If we implement our strategy via joint ventures, we may encounter risks that our joint venture partners may (i) have economic or business interests or goals that are inconsistent with or adverse to ours; (ii) take actions contrary to our requests or contrary to our policies or objectives; (iii) be unable or unwilling to fulfill their obligations under the relevant joint venture agreements; (iv) have financial difficulties; or (v) have disputes with us as to the scope of their responsibilities and obligations. Any of the foregoing could result in our failure to successfully implement our plans, which could in turn materially and adversely impact our business, financial condition, results of operations and prospects.

RISK FACTORS

We rely on our sole authorised Japanese sales agent for sales to the Japanese market.

As a customary trading practice in Japan, foreign companies' sales of tuna into the Japanese market are usually brokered by authorised Japanese sales agents. The authorised Japanese sales agent is responsible for, among other things, completion of import formalities, assisting in price negotiations on our behalf, arranging for cargo discharge and the collection of sales proceeds from the customer on our behalf. During the Track Record Period, the sales to the Japanese market of tuna caught by our self-owned vessels were facilitated by a single authorised Japanese sales agent. Our authorised Japanese sales agent has served as a point-of-contact with our Japanese customer for the entire duration of our relationship with our Japanese customer. While we are free to choose to cooperate with other authorised sales agents, we have made a business decision to only cooperate with our existing authorised Japanese sales agent for our sales in Japan on the basis of over a decade of successful cooperation with the agent. Accordingly, we rely on our sole authorised Japanese sales agent for most of our sales in Japan. In addition, our sales to the Taiwan market are also facilitated by the same sales agent. In the event that our cooperation with the authorised sales agent were to cease, we cannot assure you that we would be able to identify an alternative authorised sales agent for sales to Japan and Taiwan that would be able to provide the same level of service, or achieve the same results in price negotiations, as our existing authorised Japanese sales agent, or that such new agent would be able to do so on terms that are acceptable to us. Material delays in identifying a new authorised Japanese sales agent could potentially result in delays in the sale of our catches to our existing customers or future potential customers, which could negatively impact our customers' perception of us.

Our authorised Japanese sales agent is responsible for, among other things, the collection of sales proceeds from the Japanese customer. As most of the sales proceeds are not directly paid by the customer to us, we rely on the authorised Japanese sales agent to remit payment to us. Revenue derived from our sales to the Japanese market amounted to RMB173.0 million, RMB224.2 million, RMB274.3 million and RMB116.7 million in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively, representing 80.4%, 73.9%, 72.0% and 88.4% of our revenue for the same periods, respectively. Our business, financial condition and results of operations therefore depend to a certain extent on the financial condition of our authorised sales agent. We cannot assure you that material defaults or delays in remitting payment will not occur in the future. If our authorised Japanese sales agent were to become insolvent or otherwise unable to remit payment to us, our business, financial condition, results of operations and business prospects would be materially and adversely affected.

We rely on a limited number of suppliers and carriers.

As at the Latest Practicable Date, we operated all of our self-owned and managed fishing vessels in the Pacific Ocean and the Atlantic Ocean. As a result, a substantial portion of the supplies we use in our operations must be delivered directly to our fishing vessels at the fishing grounds in the Pacific Ocean and the Atlantic Ocean. As only a limited number of suppliers have the capacity to make deliveries over long distances on the open sea, we rely on a limited number of suppliers to supply us with bunker fuel, vessel equipment and parts, fishing gear, bait and crew consumable items for our operations. In the meantime, there are a limited number of major carriers in the industry. Transshipment vessels are required to be registered with the relevant regional fishery organisations in order to conduct transshipment activities in their respective area. We therefore rely on a limited number of carriers to deliver our tuna from our vessels at sea to our customers' designated ports. In addition, due to the great distances that must be travelled to reach our fleet at sea and the limited number of registered transshipment vessels available to tranship our tuna, the transshipment vessels may experience delays in reaching our fishing vessels. This could impact the

RISK FACTORS

timing of our deliveries to our customers, and hence our recognition of revenues, as we recognise revenue after the legal title to our catches has been transferred to the buyer. In July 2013, we entered into a strategic cooperation agreement with one of our major carriers, according to which the carrier will use reasonable efforts to arrange transshipment and delivery of our tuna to our designated ports. However, we currently do not have long-term supply agreements with any of these suppliers and carriers.

Purchases from our five largest suppliers accounted for 87.2%, 87.5%, 65.9% and 95.5% of our total purchases for 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. Purchases from our largest supplier, which was a bunker fuel supplier in 2011 and another bunker fuel supplier in 2012, 2013 and the three months ended 31 March 2014, accounted for 35.5%, 45.7%, 28.0% and 55.5% of our total purchases for 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. We cannot assure you that our major suppliers or carriers will not give priority or more favourable terms to their other customers. We also cannot assure that our major suppliers will maintain the same quality or quantity of supplies of bunker fuel, vessel equipment and parts, fishing gear, bait or other necessary supplies or that they will continue to supply them to us at all. Nor can we assure that the carriers currently working with us will provide us with the same quality or promptness of service or that they will continue to ship for us at all. If any of the abovementioned events occur, we may be required to find alternative suppliers or carriers on terms acceptable to us. If we fail to do so in a timely manner, our operations may be interrupted and our costs may increase. In such event, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Tuna prices, composition of our catches and timing of sale are subject to significant fluctuations, and as a result, our results of operations may fluctuate from period to period.

Tuna prices have a significant impact on our results of operations. Fluctuations in prices of premium tuna in Japan have a significant impact on our revenues. A majority of our sales of premium tuna were made to the Japanese market during the Track Record Period. Sales to the Japanese market accounted for 80.4%, 73.9%, 72.0% and 88.4% of our total revenue in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. Even when our sales of premium tuna are made to other markets denominated in currencies other than Japanese Yen, sales prices are usually determined with reference to the prevailing tuna prices in Japan, the world's largest market for premium tuna during the Track Record Period, according to Frost & Sullivan. The average price per kg of premium tuna in Japan grew from 2009 to 2011 at a CAGR of 0.8%, though it experienced a decline in 2012 due to an increase of catch volume in the Indian Ocean, according to Frost & Sullivan. The premium tuna catch volume in the Indian Ocean was relatively low in recent years due to the impact of Somali pirates in the region, but the catch volume experienced a sudden increase from late 2012 to early 2013, primarily because of international efforts to address the piracy problem there according to Frost & Sullivan. As a result, the supply and inventory of premium tuna in Japan increased since the last quarter of 2012, and accordingly, the average selling price of premium tuna in Japan declined from the last quarter of 2012. Thereafter, such average selling price remained relatively stable until July 2013 and started to rise in August 2013 when the market absorbed the impact of the sudden increase in supply of tuna and the resultant increased inventory of premium tuna. In line with the market prices in Japan, our average selling price of premium tuna per kg in Japan was JPY814.4, JPY738.7, JPY732.9 and JPY816.5 in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively.

RISK FACTORS

Our revenue is also influenced by the composition of our catches. We sell both premium tuna and common tuna. Our average selling price per kg for all types of our tuna was RMB40.8, RMB43.1, RMB35.2 RMB44.9 in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. As premium tuna commands significantly higher prices than common tuna, the volume of premium tuna caught and sold by us has a more significant impact on our revenues. Our average selling price per kg of premium tuna was approximately RMB65.9, RMB57.7, RMB44.4 and RMB48.7 in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively and our average selling price per kg of common tuna was RMB13.6, RMB19.3, RMB17.4 and RMB14.7 in the same periods, respectively. Our sales volume of premium tuna was 2,741.4 tonnes, 4,364.8 tonnes, 7,145.3 tonnes and 2,610.4 tonnes in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively and our sales volume of common tuna was 2,535.5 tonnes, 2,664.7 tonnes, 3,652.4 tonnes and 331.4 tonnes in the same periods, respectively. As a result of the above, we derived RMB180.7 million, RMB251.9 million, RMB317.1 million and RMB127.2 million from sales of premium tuna, and RMB34.4 million, RMB51.3 million, RMB63.8 million and RMB4.9 million from sales of common tuna in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. Furthermore, the mix of the type of premium tuna or common tuna we catch can also impact our results of operations due to the different price per kg for different species of premium tuna and common tuna.

Timing of sale has an impact on the timing of our recognition of revenue, as we recognise revenue at the time of transfer of the legal title to our catches to our customers. Our fishing vessels operate in remote areas in the Pacific Ocean on two to three year voyages. As our fishing vessels have limited storage capacity, we normally arrange for the tuna to be transhipped to a seaport for sale according to our storage level and the schedules of transshipment vessels. If landing takes place late in a year/period, and the sales documentation is not finalised until the next year/period, the revenue would be recognised in the year/period when the sales documentation is finalised. This has resulted and is expected to continue to result in fluctuations in our revenue from period to period.

Our business may be negatively affected by fluctuations in exchange rates.

While our reporting currency is the Renminbi, our sales are mainly denominated in Japanese Yen and, to a lesser extent, US dollars and Renminbi. Our sales denominated in Japanese Yen accounted for 80.4%, 73.9%, 72.0%, and 88.4% of our revenue for 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. Sales to the Japanese market amounted to JPY2,137.5 million, JPY2,885.7 million, JPY4,433.7 million and JPY1,958.0 million for 2011, 2012, 2013 and the three months ended 31 March 2014. In addition, the depreciation of Japanese Yen also affected our sales in other markets as sales prices there are usually determined with reference to the prevailing tuna prices in Japan. Therefore, any depreciation of the Japanese Yen against the Renminbi will result in a decrease in our revenues measured in Renminbi.

Our expenses are incurred in a number of currencies, including Renminbi, US dollars, and Japanese Yen. Certain of our trade and other receivables, restricted bank balances, bank balances and cash, trade and other payables and bank borrowings are denominated in foreign currencies, which also expose us to foreign currency risk. The average exchange rate of Japanese Yen to US dollars was 79.7:1, 79.8:1, 97.6:1 and 102.8:1, and the average exchange rate of Japanese Yen to Renminbi was 12.3:1, 12.6:1, 15.8:1 16.9:1 in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. We incur transactional and translational foreign currency gains or losses from our operations. We recorded exchange losses of RMB0.8 million, RMB1.3 million, RMB4.9 million and an exchange gain of RMB3.2 million in 2011, 2012, 2013 and the three months ended 31 March 2014.

RISK FACTORS

A future material increase in the value of US dollars or Japanese Yen against Renminbi will increase our expenses, while a future material decrease in the value of Japanese Yen against the Renminbi will reduce our revenues. If fluctuations in exchange rates result in increases in expenses that are greater relative to our revenues or that outweigh profits generated in other currencies, our overall profitability could be adversely affected. As we currently do not hedge foreign currency exposure in general, significant volatility in foreign exchange rates may negatively affect our results of operations. While we may consider hedging any significant future foreign currency exposure by using foreign exchange forward contracts in the future, we cannot assure you of the availability and effectiveness of those instruments, and we may not be able to adequately hedge our exposure.

We may not have sufficient capital for the expansion of our business.

The further expansion of our fleet will require heavy investment. We expect to incur a total of approximately RMB80.0 million (excluding RMB116.9 million incurred as at the Latest Practicable Date) and RMB150 million in capital expenditures in 2014 and 2015, respectively, primarily for the acquisition of fishing vessels. We also plan to further develop our operation infrastructure, primarily by enhancing and upgrading our central control platform at our headquarters. These investments are expected to require significant capital expenditures. Additional funding may also be required in the future for our increased working capital requirements as our operations grow. We anticipate that our capital requirements will be financed primarily from the proceeds of the [REDACTED] as well as cash from operating and financing activities. However, the proceeds from the [REDACTED] and cash from our operating and financing activities may not be sufficient to fund all of our future business plans. Our ability to obtain external financing in time or on terms acceptable to us are subject to a variety of uncertainties, including but not limited to the overall condition of financial markets, potential changes in monetary policies with respect to bank interest rates and lending policy, our ability to obtain the PRC government approvals required to obtain domestic or international financing, and the performance of our operations, some of which are beyond our control. For example, the recent credit crunch in China has resulted in a loss of liquidity and rapid rise of short term lending rates, which impaired the ability of many private enterprises like us to secure sufficient financing on a timely basis and at a reasonable cost. If this credit crunch continues or there are other tightened monetary policies to be adopted by the Chinese government, our financing expense could increase and our business, results of operations and growth prospects would be materially and negatively affected.

If we fail to obtain external financing in a timely manner, on terms acceptable to us or at all, we may need to raise funds through the issuance of new equity or debt securities. In the event we issue new equity securities, the percentage shareholding of existing shareholders may be diluted. Issuance of debt securities, on the other hand, may result in the imposition on us of debt covenants which may limit our ability to develop our business, distribute dividends and obtain other financing. In addition, in either case, we may incur higher financing costs than our current level. We may even fail to issue any new equity securities or debt securities or obtain other financing. In any such event, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

We operate in a highly competitive industry.

According to Frost & Sullivan, the ultra-low temperature longline tuna fishing industry in the PRC is highly competitive and consolidated with the top ten players accounting for approximately 79.0% of the total market share in the PRC in 2013 in terms of revenue. In our major markets, we face competition from

RISK FACTORS

competing fishing vessels operated by both domestic competitors as well as international competitors from countries or regions such as Japan and Taiwan. There are a number of well-established competitors that sell tuna to the same markets as us. Any inability to successfully compete with the other fishing companies in our markets may prevent us from increasing or sustaining our revenues and profitability and lose market share, which could have a material adverse effect on our business, financial condition and results of operations.

We may face difficulties in recruiting and retaining qualified captains and crew.

Recruiting and retaining capable personnel, particularly captains and crew members who are qualified for and experienced in operating ultra-low temperature longline tuna fishing vessels, are vital to our business operations. We may have difficulties hiring enough qualified captains and crew members as the working and living conditions at sea are relatively hard. In addition, there is substantial competition for qualified personnel, including qualified captains and crew members, and we cannot assure you that we will be able to attract or retain qualified personnel. If we are unable to attract and retain qualified captains and crew members, our business, financial condition and results of operations and prospects may be materially and adversely affected. As we increase the size of our fleet, we will need additional captains and crew members to operate our new fishing vessels. We plan to meet the need for additional captains and crew through external recruitment, referrals and cooperation with Independent Third Party labour agencies. According to Frost & Sullivan, the ultra-low temperature longline tuna fishing industry is undergoing a major generational shift, in which many of the experienced seafarers are retiring; however, fewer young people are joining or intend to join the fishing industry due to different lifestyle preferences and attitudes. As a result, we may face challenges in recruiting and retaining qualified captains and crew to replace retiring captains and crew in the future. As the longline fishing industry is a labour-intensive industry, if we fail to recruit and retain qualified captains and crew, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Our operations are susceptible to increases in purchase costs of the supplies, which could adversely affect our business, financial condition, and results of operations.

Our profitability depends significantly on our ability to anticipate and react to changes in purchase costs of the supplies for our operations, such as bunker fuel, vessel equipment and parts, fishing gear and bait. The availability and prices of the supplies can fluctuate and be volatile and are subject to factors beyond our control, including exchange rates and availability, general economic conditions, global demand, governmental regulations, natural disasters, each of which may affect our supplies costs or cause a disruption in our supply. Our suppliers may also be affected by higher costs to produce the goods supplied to us, rising labour costs and other expenses that they pass through to their customers, which could result in higher costs for goods supplied to us. In addition, we purchase a portion of the supplies from suppliers in Japan, Taiwan, Hong Kong, Korea, as well as other countries. Any appreciation of foreign currencies in these countries against the Renminbi will increase the prices of the supplies in Renminbi.

We do not enter into long-term agreements with our suppliers nor do we enter into futures contracts or engage in other financial risk management strategies against potential price fluctuations in purchase costs of the supplies. As tuna prices are usually determined with reference to the prevailing tuna prices in Japan, we are generally not able to pass on cost increases to our customers. We may not be able to anticipate and react to any changes in the supplies by adjusting the prices of tuna that we catch and sell in the future, the failure of which could materially and adversely affect our business, financial condition, and results of operations.

RISK FACTORS

We may face rising labour costs and possible labour unrest, which would have an adverse effect on our business, financial condition and results of operations.

The longline fishing industry is a labour-intensive industry. Our business will face rising labour costs as we seek to expand our fleet, which will require us to hire additional captains and crew members. In addition, wages have increased in China in the past few years and if this trend continues, our labour costs may further increase, which may have a material and adverse effect on our business, financial condition and results of operations. Furthermore, labour unrest, strikes or even mutinies, which may result from unsatisfied wage demands or other factors, could prevent or hinder our normal operating activities, and, if not resolved in a timely manner, could materially and adversely affect our business, financial condition and results of operation and prospects. These actions may be impossible for us to predict or control. In addition to physical demands, our crew members also face psychological pressure due to the difficulty of being away from shore for extended periods of time of up to three years, which could diminish crew morale and potentially increase the risk of labour unrest, which could in turn materially and adversely impact our business, financial condition, results of operations and prospects.

Our results of operations may fluctuate from period to period.

Our results of operations are subject to potentially significant fluctuations. Our fishing operations are interrupted for a period of typically three to four months for onshore maintenance in between successive voyages, during which the vessel does not conduct any fishing operations or sales. Furthermore, our results of operations depend on the size of the fish stocks in the regions where we conduct our fishing operations. Global fish stocks, including tuna, have declined in recent years. Our results of operations would be negatively impacted if we are unable to maintain a fish capture volume that is in line with our historical performance. All of these factors may result in fluctuations in our revenues from period to period.

Our results of operations are also impacted by other factors, some of which are beyond our control, including the following:

- our ability to locate schools of tuna;
- our catch mix;
- our ability to optimise our tuna capture production capacity;
- sales prices of tuna;
- the maintenance schedule of our vessels and number of vessels operating during the year;
- our customers' sales outlook, purchasing patterns and changes in inventory levels;
- changes in consumers' tastes and preferences, and popularity of substitute foods, which may affect demand for our tuna;
- local conditions and events such as political instability and local holidays; and
- government policies in the industry, including subsidies and other support, such as tax incentives, and the timing of receipt of government grants.

RISK FACTORS

The above factors, some of which are beyond our control, may result in fluctuations in our results of operations from period to period.

We may not succeed in executing our strategy to increase sales in the PRC.

As part of our business strategy, we plan to increase our sales to customers in the PRC to capitalise on the developing market for premium tuna in the PRC. One of the key constraints for the development of the market for premium tuna in the PRC is the lack of processing facilities and transportation vehicles equipped with ultra-low temperature freezing equipment. Some wholesalers and distributors in China, including some of our customers, are developing such facilities and vehicles. If our wholesaler customers fail to develop their distribution channels and relevant processing facilities and transportation vehicles equipped with ultra-low temperature freezing equipment, our sales in the PRC may be adversely impacted. In addition, brand image may be an important factor which affects a customer's purchasing decision with respect to our products. Our success therefore depends on, among other things, market recognition and acceptance of our brand. We have limited experience in managing our brand. Negative publicity or disputes regarding our brand, products or company could materially and adversely affect public perception of our brand and products. Any of the foregoing could result in our failure to successfully implement our plans, which could in turn materially and adversely impact our business, financial condition and results of operations.

Our business depends substantially on the continuing efforts of our executive Directors, senior management and other key personnel.

We are dependent on the ability and expertise of our senior management for our daily business operations and formulating and implementing our business strategies. Our chairman of the Board, the Chief Executive Officer and executive Director, Mr. Li Zhenyu, is responsible for the overall strategic planning and business operation and development of our Group, and has over 18 years of experience in the ocean fishing industry with over 16 years experience in the operation and management of longline fishing vessels with ultra-low temperature freezer storage. Ms. Gao Bo, our executive Director, has significant experience in investment and financial matters, and is responsible for the listing and financing matters, business and strategic planning of the Group. Mr. Ge Shuqing, the chief captain, is responsible for the overall management of the fishing operations and coordination of our self-owned vessels at sea, and has over 18 years of experience as a captain in the ocean fishing industry. If one or more of our executive Directors, senior management or other key personnel were unable or unwilling to continue in their present positions, we may be unable to identify and recruit suitable replacements in a timely manner, or at all, which could have a material and adverse effect on our operations. In addition, if any member of our senior management were to join a competitor or form a competing company, we may lose some of our know-how and customers, which could have a material and adverse impact on our business, financial condition, results of operations and prospects.

We may be subject to government penalties as a result of advances made to related parties during the Track Record Period.

During the years ended 31 December 2011 and 2012, we made certain advances to Mr. Li Zhenyu and other related parties, including other individuals and a number of companies ultimately beneficially controlled by Mr. Li. We began making such advances to Mr. Li and such other related parties in 2005, and as a result, we had outstanding balances due from such related parties of RMB474.1 million and nil as at

RISK FACTORS

31 December 2011 and 2012, respectively. All of these amounts were unsecured, interest free and had no specific repayment terms but were repayable on demand. We did not enter into any loan agreements with Mr. Li or such other related parties in connection with such amounts. We understand that the related parties mainly used such advances for the purposes of funding capital expenditure needs in relation to the construction and expansion of three projects in Liaoning province which were ultimately controlled by Mr. Li, and which included a shipyard project, a yacht-building project and an industrial park project for a further shipyard development. We did not make any further such advances after the closing of the [REDACTED] investment made by Maguro in July 2012. All such outstanding balances were fully settled in 2012. We do not plan to make similar advances to our related parties in the future.

Our PRC legal advisers, Commerce & Finance Law Offices, has advised us that the advances made by us to those companies were not in compliance with the *General Rules on Credit* (貸款通則) promulgated by the PBOC, which state that (i) only companies with requisite qualifications and licenses may engage in the provision of advances to other entities, (ii) such activities are prohibited by the PBOC, and (iii) the PBOC may impose a maximum fine of up to five times the illegal income received by the providers of such advances on such provider. Given that the above loans were interest-free, used in the normal operations and not for any illegal purpose and have been fully settled and that we had not generated any income from such advances, our PRC legal advisers, Commerce & Finance Law Offices, after consulting the PBOC Dalian Branch, is of the opinion that we will not be subject to any penalty imposed by the PBOC. There can be no assurance, however, that we will not be subject to any regulatory penalties due to the above advances to related parties. If we are subjected to any such regulatory penalties, our business, financial condition and reputation may be materially and adversely affected.

Our internal control system may not be adequate or effective in identifying or mitigating risks to which we are exposed.

We have focused on establishing internal control systems consisting of an organisational framework, policies, procedures and risk management methods that we consider to be appropriate for our business operations, and we are dedicated to continuing to improve these systems. However, due to the limitations in the design and implementation of such systems, including risk identification and evaluation, and information communication systems, our systems may not be adequate or effective in identifying or mitigating our risks. For example, during the Track Record Period, we made certain advances to related parties, which were not in compliance with applicable PRC laws. In addition, we have identified a number of internal control deficiencies. These incidents demonstrated that our internal control systems were not effective enough to identify certain non-compliance issues or, ensure compliance with our internal control policies. We may continue to be exposed to these risks or any additional risks, if we are not able to improve our internal control systems.

Many of our methods for managing risk exposure are based upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that are publicly available or otherwise accessible to us. Such information may not be accurate, complete or properly evaluated. In addition, as our fleet operates in remote fishing grounds in the Pacific Ocean and the Atlantic Ocean for extended periods of time without calling at seaports, we place significant reliance on our captains for the implementation of our internal control policies. If the captains fail to effectively implement our policies in part or at all, we may not be able to identify the risks and rectify the incompliance promptly, which in turn may materially and adversely affect our business, financial condition, results of operations and prospects.

RISK FACTORS

We may be required to make up the underpaid housing provident fund contribution during the Track Record Period.

Pursuant to relevant PRC laws and regulations, we are required to make contributions to our employees' housing provident fund. We did not make full contributions to the housing provident fund for certain of our crew members during the Track Record Period, primarily due to the wishes of certain crew members who preferred obtaining relevant compensation instead of contribution by us on their behalf to their housing provident fund. The total amount of unpaid housing provident funds was approximately RMB694,000. As at the Latest Practicable Date, no administrative action, fine or penalty had been imposed on us by the relevant housing provident fund authorities with respect to our underpayment of housing provident fund contribution. Except for the unpaid housing provident funds in the amount of RMB694,000 referred to in the section headed "Business – Legal proceedings and non-compliance", we have been making housing provident fund contributions in respect of our employees according to the applicable PRC laws and regulations as at the Latest Practicable Date. As advised by our PRC legal advisers, Commerce & Finance Law Offices, we may be required by the relevant housing provident fund authority to make the outstanding contributions to the housing provident funds.

Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us due to our non-compliance of the housing provident fund contribution regulations (except where any amounts have been provided for in the financial statements of our Company or any of its subsidiaries up to 31 December 2012). Although we may seek indemnity from our Controlling Shareholders, we cannot assure you that we will not be required by relevant housing provident fund authorities to make up the underpayment of the housing provident fund contribution, and our business reputation may be adversely affected. Please refer to "Appendix IV – Statutory and General Information" for more details of the indemnity arrangement.

Any failure to maintain an effective quality control system could have a material and adverse effect on our business, financial condition and results of operations.

As most of our tuna is consumed raw as sashimi, having an effective quality control system is critical to the success of our business. The quality of our tuna depends on the effectiveness of our quality control system, which in turn depends on a number of factors, including the design of the system, appropriate functioning of our ultra-low temperature freezers and other equipment, the quality control training programme, and our ability to ensure that our employees adhere to our quality control policies and guidelines. Any failure of our quality control system could result in food safety problems. Such problems and certain other issues not within our control, such as problems relating to food contamination resulting from carriers, distributors or retailers' activities, could result in harm to the health of consumers, governmental sanctions and damage to our reputation. If any of the above were to occur, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

Inherent risks associated with maritime operations may materially and adversely affect our business, financial condition and results of operations.

Our operations, and the operations of our suppliers and carriers, are subject to inherent risks associated with operating oceangoing vessels, such as sinking, grounding, collision, explosion, and business interruption by mechanical failure, human error, or other circumstances or events. These risks and hazards may result in personal injury or loss of life, damage to or destruction of fishing vessels, and pollution and other environmental damage, which may result in liability for damages or other liabilities for us or disruption in our supplies or shipment of our tuna products. In the event of the loss of or damage to our fishing vessels, we would incur costs in replacing or repairing the affected fishing vessels. If we do not replace the fishing vessels, our aggregate catch volumes would decline. Damage to or loss of our suppliers' or carriers' vessels could result in severe interruptions to our operations and sales. In such circumstances or events, our business, financial condition and results of operation would be materially and adversely affected.

Our fishing vessels could also be involved in accidents, explosions, fires or leakage of bunker fuel causing damage to the environment. As a result, we could be liable for material litigation costs, claims for damages or even penalties by claimants and regulators and also other expenses relating to clean-up of the environment, which may not be covered by our insurance policies. Accidents involving the vessels of our suppliers or carriers could result in disruption to our fishing operations and sales. Our operations, and the operations of our suppliers and carriers, could also be subject to errors in navigation. Such errors could result in delays in deliveries of supplies or cargos. If any of the foregoing were to occur, our business, financial condition, results of operations and prospects could be materially and adversely affected.

While our fishing vessels operate in international waters which are not presently subject to sovereign disputes, we cannot assure you that our fishing grounds will not in the future be subject to sovereign disputes. Our vessels' travel to the fishing grounds, or our suppliers' or carriers' travel to or from our fishing grounds, could potentially entail the passage through waters that are subject to sovereign disputes. Alternatively, our fishing vessels, or the vessels of our suppliers or carriers, could through equipment malfunction or other acts of God be drawn into waters that are subject to sovereign disputes. If any of our vessels or our suppliers or carriers operate in or are drawn into waters subject to sovereign disputes, the relevant vessels may be subject to sovereign actions, including the seizure of vessels and capture of crew members, and our operations could be disrupted as a result, which could have a material and adverse affect on our financial condition, results of operations and prospects.

If there is an event of default under our debt financing, our lenders may be entitled to foreclose on our mortgaged fishing vessels and require a forced sale of the fishing vessels.

As at the Latest Practicable Date, we had mortgaged 11 of our ultra-low temperature longline tuna fishing vessels to secure our bank borrowings. As at 31 December 2011, 2012, 2013 and 31 March 2014, to secure our bank borrowings and counter guarantee liabilities, we have mortgaged our ultra-low temperature longline tuna fishing vessels with a carrying value of approximately RMB122.3 million, RMB112.3 million, RMB280.9 million and RMB274.9 million, respectively, among which, carrying value of RMB112.9 million, RMB 105.0 million, RMB275.7 million and RMB270.1 million, respectively, have been used to secure the bank borrowings and carrying value of RMB9.4 million, RMB7.3 million, RMB5.2 million and RMB4.8 million, respectively, have been used to secure counter-guarantee liabilities.

RISK FACTORS

Our indebtedness level, both under existing bank borrowings and any future financing, could have significant adverse consequences, including, but not limited to, the following: (a) our cash flow may be insufficient to meet our required principal and interest payments which, unless we are able to obtain alternative funding, would result in us defaulting and the amounts borrowed becoming immediately due and payable and potentially result in a default under any other financing arrangements we may enter into, (b) we may be unable to borrow additional funds as needed on favourable terms or at all, and (c) we may default on our obligations and the lenders or mortgagees may foreclose on our fishing vessels and require a forced sale of the fishing vessels. If any one of these events were to occur, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Equipment failures could materially and adversely affect our business, financial condition and results of operations.

Our fleet operates in remote fishing grounds in the Pacific Ocean and the Atlantic Ocean for extended periods of time without calling at seaports. Accordingly, any significant damage to or malfunction of our fishing vessels or onboard equipment, which we are not able to promptly repair or replace on site, could significantly disrupt our operations. For example, damage to or malfunction of our ultra-low temperature freezing equipment could result in the spoilage of our cargoes of tuna, which would materially and adversely impact our revenues. In addition, if communications or navigational equipment were to malfunction and we were unable to repair them, our crew could potentially be placed in danger given the remoteness of our fishing operations. Any unscheduled maintenance requiring a return to port may result in us incurring significant loss of revenue through time spent in travelling between the fishing grounds and the port and while at port. Any disruption in our fishing operations could materially and adversely affect our business, financial condition and results of operations.

We may not have sufficient insurance coverage for all the risks related to our operations.

Our tuna are shipped on CIF terms pursuant to which we are responsible for payment of the costs of insurance for transshipment of our cargo from our fishing vessels to the designated ports. As is customary in such arrangements, insurance covers the risk of loss from the time the cargo passes the rail of the transshipment vessel. Prior to the passing of the rail of the transshipment vessel, our cargo is uninsured and therefore is subject to risk of loss or damage. In the event of an accident or other mishap prior to or during the discharge of our cargo, the cargo may be damaged or lost. If there is any loss or damage incurred from an accident happened before our cargo passes the rail of the transshipment vessel, we may not be able to recover the costs from the carrier or insurers, and would thus be required to bear the entire burden of the damage or loss.

In addition, our operations are subject to other uncertainties and contingencies beyond our control that could result in material disruptions and adversely affect our results of operations. We do not currently maintain business interruption insurance or protection and indemnity insurance. Any uninsured loss or damage may cause us to incur substantial costs and the diversion of our resources, which could have a material and adverse effect on our financial condition. If we were to incur substantial liabilities that are not covered by our insurance policies or if our business operations were interrupted for a substantial period of time, we could incur costs and losses which in turn could have a material and adverse effect on our business, financial condition, and results of operations.

RISK FACTORS

Acts of God, wars, adverse weather conditions, terrorist attacks and other events could adversely affect our business.

Our business and results are subject to inherent risks such as natural disasters, fires, adverse weather conditions, riots, wars and other acts of God, which are beyond our control and which may materially affect regional economies, infrastructure and livelihoods and in turn materially and adversely affect our business, financial condition, and results of operation. Outbreaks of communicable diseases or of epidemics on our fishing vessels or at our headquarters could threaten the health of our crew or staff and also cause significant interruption to our operations and health officials may impose quarantine and inspection measures on our fishing vessels or restrict the passage of our cargos. Oceangoing vessels may be targets of pirate or terrorist attacks. If our fishing vessels, or the vessels of our suppliers or carriers, were subject to pirate or terrorist attacks, the safety of our crew members could be placed at risk, vessels and cargos could be lost or damaged and our operations could be disrupted. Even if our operations are not directly affected, we may face increased insurance and security costs and an inability to transport cargos to and from certain locations. In addition, political tensions or conflicts and acts of war or the potential for war could also cause damage and disruption to our business which could materially affect our revenue, costs of operation and overall profitability. If deemed necessary for the public interest, our fishing vessels could potentially be subject to requisitioning by the state. If any of the foregoing were to occur, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may not be able to adequately protect our intellectual property and may be exposed to liability for alleged infringement of intellectual property rights.

Our success depends in part on our ability to use and develop our know-how and other intellectual property without infringing the intellectual property rights of third parties. We have accumulated extensive technical know-how and proprietary data through our long history of operations in the longline tuna fishing industry. We have also adopted standard methods and procedures to process the tuna we catch, with which our crew members are required to comply. We consider such know-how, data, processes and procedures to be our trade secrets. In order to protect our trade secrets, we have entered into agreements with our senior management, captains and other senior crew members, under which they are not permitted to disclose our trade secrets to any third parties for a period of two years after the termination of such agreements. However, we cannot assure you that these employees will continue to comply with their obligations under such agreements. Any unauthorised use of our trade secrets or other intellectual property, especially by our competitors, could adversely affect our business and market position. If we are unable to adequately protect our intellectual property, our business, financial condition and results of operations could be materially and adversely affected.

Third parties may claim that we have infringed their intellectual property rights. There is no assurance that we may not be subject to litigation or claims involving infringement or misappropriation of intellectual property rights in the future. It would be both costly and time-consuming for us to be involved in any such litigation or administrative proceedings, and may significantly divert the efforts and resources of our management personnel. An adverse determination in such litigation or administrative proceedings may materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC AND JAPAN

We currently enjoy certain PRC government incentives. Expiration of, or changes to, these incentives could materially and adversely affect our business, financial condition, results of operations and prospects.

Dalian Ocean Fishing, the principal operating subsidiary of our Company, is currently entitled to government support in the form of an exemption from PRC Enterprise Income Tax in respect of the income derived from its deep sea fishing activities. Moreover, Dalian Ocean Fishing is also entitled to an exemption from import VAT. We also received government grants in relation to, among other things, our operations in the ocean fishery industry, during the Track Record Period. In 2011, 2012, 2013 and the three months ended 31 March 2014, we received government grants amounting to RMB13.8 million, RMB20.6 million, RMB23.8 million and nil, respectively. There is no assurance that we will be able to continue to enjoy such preferential treatments, subsidies, incentives and favourable support on the same terms, or at all in the future. Unfavourable changes in such preferential treatments, incentives or support will adversely affect our business, results of operations and financial condition.

The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to both investors and us.

The PRC legal system is based on written statutes. The National People's Congress and its Standing Committee make laws and the Standing Committee of the National People's Congress is responsible for their interpretation. Regional regulations are made by Regional People's Congresses and interpreted by their Standing Committees. Administrative regulations, departmental regulations and regional government regulations are made and interpreted by responsible government authorities. The Supreme People's Court of China interprets laws and regulations to decide how they should be applied during trial procedures. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties. Such uncertainties could limit the legal protection available to us.

The PRC economy may experience inflationary pressure and the potential inflation may affect our business.

The global economy is in the course of recovery and there exists inflationary pressure in various economies in the world. It has been expected that the PRC may experience increased inflation in the coming years, which may result in general increases in the prices of goods. Inflation in the PRC may also lead to an increase in interest rates and a slowdown in economic growth in the PRC, which may negatively impact our business. The overall impact of inflationary pressure may adversely affect our business, financial condition, results of operations and growth prospects.

RISK FACTORS

It may be difficult to enforce any judgments obtained from non-PRC courts against our Company or our Directors or senior executive officers residing in China.

The legal framework in China that our Directors and senior management members and substantially all our assets are subject to is materially different in certain areas from that of other jurisdictions, including Hong Kong and the United States, particularly with respect to the protection of minority shareholders. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with countries such as the United States, the United Kingdom and Japan, and therefore enforcement in China of judgments of a court in these jurisdictions may be difficult or impossible.

Restrictions by the PRC government on foreign exchange may limit the liquidity of our Company.

At present, the RMB is not freely convertible to other foreign currencies, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under current PRC laws and regulations, payments of current account items, including profit distributions and operation-related expenditures, may be made in foreign currencies without prior approval from SAFE or its branches, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within China that have the licences to carry out foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by and/or registered with SAFE or its branch, and repayment of loan principal, distribution of returns on direct capital investment and investment in negotiable instruments are also subject to restrictions.

Under our current Group structure, our Company's source of funds will primarily consist of dividend payments and repayment of foreign shareholder's loans by its subsidiaries in the PRC denominated in Renminbi. We cannot assure you that we will be able to meet all of our foreign currency obligations or to remit profits out of China. If the subsidiaries are unable to obtain SAFE approval to repay loans to our Company, or if future changes in relevant regulations were to place restrictions on the ability of our subsidiaries to remit dividend payments to our Company, our Company's liquidity and ability to satisfy its third-party payment obligations, and its ability to distribute dividends in respect of the Shares, could be materially adversely affected.

Changes in PRC laws, regulations and policies could adversely affect our business, financial condition and results of operations.

The PRC legal system is based on the civil law system. Unlike the common law system, prior legal decisions and judgments have limited significance for guidance. The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation and interpretation of these laws and regulations remain uncertain in many areas. In addition, some of the PRC laws may have a retroactive effect. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention.

RISK FACTORS

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law (“EIT Law”) and its implementation rules, our Company may in the future be recognised as a PRC tax resident enterprise by the PRC tax authorities. As such, we may be required to withhold PRC income tax on capital gains realised from sales of our Shares and dividends distributed by us to our corporate shareholders, as such income may be regarded as income from “sources within the PRC”. In such case, our foreign corporate shareholders may become subject to a 10% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential withholding rate under a tax treaty.

If the PRC tax authorities recognise our Company as a PRC resident enterprise, shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties will need to apply to the PRC tax authorities for recognition of eligibility for such benefits in accordance with the *Administrative Measures on Non-resident Enjoying Treatment in Tax Treaties (Trial)* “Circular 124” (《關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》), issued by the State Administration of Taxation on 24 August 2009. It is likely that eligibility will be based on a substantive analysis of the Shareholder’s tax residency and economic substance. With respect to dividends, the beneficial ownership tests under *Notice on How to Understand and Identify “Beneficial Owners” in Tax Treaties* “Circular 601” (《關於如何理解和確定稅收協定中受益所有人的通知》), which was issued by the SAT on 27 October 2009, will also apply. If determined to be ineligible for treaty benefits, such a Shareholder would become subject to higher PRC tax rates on capital gains realised from sales of our Shares and on dividends on our Shares.

In such circumstances, the value of such foreign shareholders’ investment in our Shares may be materially and adversely affected.

Any slowdown in the Japanese and PRC economy or change in consumer spending pattern could reduce the demand for our products and materially and adversely affect our business, financial condition, results of operations and prospects.

A substantial proportion of our revenues are derived from sales of our products into the Japanese market. In 2011, 2012, 2013 and the three months ended 31 March 2014, sales to the Japanese market amounted to RMB173.0 million, RMB224.2 million, RMB274.3 million and RMB116.7 million, respectively, representing 80.4%, 73.9%, 72.0% and 88.4% of our total revenue in the same periods. Accordingly, our business, financial condition, results of operations and prospects are significantly affected by economic, political and legal developments in Japan. Adverse changes in general national economic conditions and consumer confidence caused by natural disasters or otherwise could reduce demand for our tuna. In addition, inflation, unemployment, demographic trends and GDP growth also influence the demand for our tuna. An economic downturn in Japan could materially and adversely affect our business, financial condition, results of operations and prospects.

In 2011, 2012, 2013 and the three months ended 31 March 2014, sales to the PRC market amounted to RMB8.7 million, RMB41.3 million, RMB54.0 million and RMB12.4 million, respectively, representing 4.1%, 13.6%, 14.2% and 9.4%, respectively, of our total revenue in the same periods. We intend to increase our sales to the Chinese market to capitalise on the developing market for premium tuna there. Adverse changes in economic conditions, consumer preference and spending pattern could reduce demand for our tuna, and have material adverse impact on our prospects.

RISK FACTORS

Tensions between the PRC and Japan may have a negative impact on our business.

A dispute between the PRC and Japan concerning control over a group of uninhabited islands in the East China Sea has resulted in recent tensions between the PRC and Japan. The islands are close to key shipping lanes and fishing grounds, and there may be oil reserves in the area. The dispute has led to boycotts and high-level political posturing in the PRC and Japan. Further escalation of the dispute by either side could potentially result in the imposition of retaliatory actions. In addition, strained relations could result in boycotts, tightened restrictions or enhanced duties against the import of products from the PRC into Japan. To the extent that such actions impact our operations, our business, financial condition, results of operations and prospects could be materially and adversely affected.

RISKS RELATING TO THE SHARES AND THE [REDACTED]

There has been no prior public market for our Shares.

Prior to the [REDACTED], there has been no public market for our Shares. The initial [REDACTED] range for our Shares was the result of negotiations among us and the Sole Global Coordinator on behalf of the Underwriter(s) and the [REDACTED] may differ significantly from the market price for our Shares following the [REDACTED]. We have applied for listing of and permission to deal in our Shares on the Hong Kong Stock Exchange. There is no assurance that the [REDACTED] will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Company may affect the volume and price at which our Shares will be traded.

The liquidity, trading volume and trading price of our Shares may be volatile, which could result in substantial losses for shareholders.

The price at which the Shares will trade after the [REDACTED] will be determined by the marketplace, which may be influenced by many factors some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours; and
- general market sentiment regarding the ultra-low temperature longline tuna fishing industry and companies.

RISK FACTORS

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

Prior dividend distributions are not an indication of our future dividend policy.

In 2012, Dalian Ocean Fishing declared and paid dividends of RMB 340.0 million. Historical dividend distributions by our subsidiaries are not indicative of our future distribution policy and we give no assurance that dividends of similar amounts or at similar rates will be paid in the future. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and the Companies Law, as well as (where required) the approval of Shareholders. In addition, our future dividend payments will depend on the availability of dividends received from our subsidiaries in China, which are subject to restrictions described in the paragraph headed "Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to taxes under PRC tax laws" in this section. Further details of the dividend policy for our Company are set out in the paragraph headed "Dividend policy" under the section headed "Financial Information" in this [REDACTED].

Sales of substantial amounts of our Shares in the public market after the [REDACTED] could adversely affect the prevailing market price of our [REDACTED].

Sales of substantial amounts of Shares in the public market after the completion of the [REDACTED], or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. There will be [REDACTED] Shares outstanding immediately after the [REDACTED], assuming the Underwriters do not exercise their Over-allotment Option and no outstanding stock options were exercised prior to the Latest Practicable Date. Although we and certain of our shareholders, subject to certain exceptions, have agreed to a lock-up with the Underwriters until six months after the date of this [REDACTED], the Underwriters may release these securities from these restrictions at any time and such Shares will be freely tradable after the expiry of the lock-up period. Shares which are not subject to a lock-up represent [REDACTED] of the total issued share capital immediately after the [REDACTED] (assuming no exercise of the Underwriters' Over-allotment Option) and will be freely tradable immediately after the [REDACTED].

Purchasers of our Shares will experience immediate and substantial dilution as a result of the [REDACTED].

Potential investors will pay a price per Share that substantially exceeds the per Share value of our Company's tangible assets after subtracting our Company's total liabilities and will therefore experience immediate dilution when potential investors purchase the [REDACTED] in the [REDACTED]. As a result, if our Company were to distribute its net tangible assets to the shareholders immediately following the [REDACTED], potential investors would receive less than the amount they paid for their Shares.

RISK FACTORS

We may need to raise additional funds in the future to finance further expansion of our new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing shareholders, the percentage ownership of such shareholders in our Company may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official government sources contained in this [REDACTED].

Facts, forecasts and other statistics in this [REDACTED] relating to the PRC and Japan, the economies of the PRC and Japan, the longline tuna fishing industry as well as the market for tuna have been derived from official government publications and we can guarantee neither the quality nor the reliability of such source materials. They have not been prepared or independently verified by us, and the Underwriter(s) or any of its or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, and statistics, which may not be consistent with other information compiled within or outside China or Japan. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

WAIVERS FROM STRICT COMPLIANCE WITH LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires an issuer to have a sufficient management presence in Hong Kong. This normally means that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Since our headquarters are located in Liaoning, the PRC, most members of our senior management of the Group are and will be expected to continue to be based in the PRC in close proximity to the Group's central management in Liaoning, the PRC. At present, all our executive Directors are not ordinarily resident in Hong Kong. We do not have, and do not contemplate in the foreseeable future, that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

In this regard, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] a waiver to our Company from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the following conditions:

1. The Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as the Company's principal channel of communication with the Stock Exchange. The two authorised representatives are Mr. Li Zhenyu and Ms. Gao Bo, executive Directors of the Company. Each of Mr. Li Zhenyu and Ms. Gao Bo has confirmed that he/she possesses valid travel documents and can readily travel to Hong Kong to meet with the Stock Exchange in Hong Kong within a reasonable time upon request. They will be readily contactable by respective mobile and office phone number, facsimile number (where applicable) and email. Each of the two authorised representatives has been duly authorised to communicate on behalf of the Company with the Stock Exchange;
2. Both of the authorised representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters.
3. The Company will implement a policy whereby (a) each Director will have to provide his/her mobile, office phone numbers, email address and facsimile number (where applicable) to the authorised representatives; (b) each Director will provide valid phone numbers or means of communication to the authorised representatives when he/she travels; and (c) each Director will provide his/her mobile, office phone numbers, email addresses and facsimile number (where applicable) to the Stock Exchange;
4. The Company has, in accordance with Rule 3A.19 of the Listing Rules, appointed a compliance adviser, First Shanghai Capital Limited, who will act as an additional channel of communication with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which the Company distributes the annual report for the first financial year following the Listing Date in accordance with Rule 13.46 of the Listing Rules; and
5. All of the Directors who are not ordinarily resident in Hong Kong have confirmed that either they possess or will apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period, when required. The Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorised representatives and/or the compliance adviser of the Company in accordance with the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH LISTING RULES

COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of the Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

The Company has appointed Mr. Jiang Quan (姜全) and Mr. Kam Yiu Shing, Tony (甘耀成) as the joint company secretaries of the Company. Mr. Kam is a fellow of, among others, the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Mr. Kam is an ordinarily resident in Hong Kong and is qualified to act as a joint company secretary of the Company. On the other hand, Mr. Jiang is not a professional accountant, a member of the Hong Kong Institute of Chartered Secretaries, nor a solicitor or barrister as defined in the Legal Practitioners Ordinance, as required under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. [The waiver is valid for an initial period of three years from the Listing Date. The waiver is granted on the condition that we engage Mr. Kam, who possesses all the requisite qualifications required under Rule 3.28 of the Listing Rules, to assist Mr. Jiang in his discharge of duties as a joint company secretary and in gaining the "relevant experience" as required under Note (2) to Rule 3.28 of the Listing Rules. Upon expiry of Mr. Jiang's initial term of appointment of three years as a joint company secretary of the Company, a further evaluation of the qualifications and experience of Mr. Jiang and the need for on-going assistance would be made.]

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

[REDACTED]

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

[REDACTED]

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Li Zhenyu (勵振羽)	1-1-1, No. 26 Linghai Road Ganjingzi District Dalian Liaoning Province, the PRC	Chinese
Ms. Gao Bo (高勃)	Room 501, Tower-7, Season's Park No. 36 Dongzhimen Road Dongcheng District Beijing, the PRC	Chinese
<i>Non-executive Directors</i>		
Ms. Li Li	1-1-1, No. 26 Linghai Road Ganjingzi District Dalian Liaoning Province, the PRC	St. Kitts and Nevis
Ms. Sui Wei (隋煒)	Room 403, No. 23 Lane 29, Lingling Road Shanghai, the PRC	Chinese
Mr. Tang Xun (湯珣)	Room A09, 23/F 13A Zhaogongkou South Third Ring Middle Road Fengtai District Beijing, the PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
<i>Independent non-executive Directors</i>		
Mr. Xu Liuxiong (許柳雄)	Room 301, No. 32, Lane 287 Heze Road Shanghai, the PRC	Chinese
Mr. Wong Yik Chung, John (黃翼忠)	G27, Block C DB Plaza Discovery Bay, Hong Kong	Chinese
Mr. Li Yunbo (李雲波)	Room 606 No. 30 Building, Zaojundongli Haidian District Beijing, the PRC	Chinese
<i>Senior Management</i>		
Mr. Ge Shuqing (葛術青)	6-6-2, Zone A of No. 20 Building Xin Xing No. 48 Jinhai Xiyuan Dalian, the PRC	Chinese
Mr. Fok Chi Hang (霍志恒)	Flat 50H, Tower 11 Tierra Verde Tsing Yi New Territories, Hong Kong	Chinese
Mr. Zhang Xuegang (張學剛)	1-12-4, No. 10 Changsheng Street Shahekou District Dalian Liaoning Province, the PRC	Chinese
Mr. Yu Guang (于光)	Room 2, 2/F Unit 2, No. 3 Building Qixian Dongyuan High and New Technology Zone Dalian, the PRC	Chinese

For further information of our Directors and senior management, please refer to the section headed "Directors, Senior Management and Employees" of this [REDACTED].

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

Deutsche Securities Asia Limited
52/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

[REDACTED]

Legal advisers to our Company

As to Hong Kong law and US law:
Orrick, Herrington & Sutcliffe
43/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:
Commerce & Finance Law Offices
6/F NCI Tower
A12 Jianguomenwai Avenue
Beijing, the PRC

As to Cayman Islands law:
Conyers Dill & Pearman (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

As to Japanese law:
Mori Hamada & Matsumoto
Marunouchi Park Building
6-1 Marunouchi 2-chome
Chiyoda-ku
Tokyo 100-8222
Japan

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to maritime law:

Liaoning Haida Law Firm
23/F, Yuexiu Building
Xinkai Road No. 82
Xigang District
Dalian, the PRC

**Legal advisers to the Sponsor and
the Underwriters**

[REDACTED]

Auditors and reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountant
35/F, One Pacific Place
88 Queensway, Hong Kong

Compliance adviser

First Shanghai Capital Limited
19/F, Wing On House
71 Des Voeux Road
Central, Hong Kong

Receiving bank

[REDACTED]

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Room 2204, 22/F Fu Fai Commercial Centre 27 Hillier Street Hong Kong
Head office and headquarter in the PRC	2/F and 5/F, Unit 5, No. 3 Building Huale Sub-District Zhongshan District, Dalian Liaoning Province, the PRC
Company website address	<u>www.chinatuna.com.cn</u> <i>(information contained on the website of our Company does not form part of this [REDACTED])</i>
Joint company secretaries	Mr. Jiang Quan Room 310, No.11 Building American Rock No.16 Baiziwan Road Chaoyang District Beijing, the PRC Mr. Kam Yiu Shing, Tony <i>HKICPA, ICAEW, SCAA, ACCA, CTA</i> Room 1904, Rightful Centre 11-12 Tak Hing Street Jordan Kowloon, Hong Kong
Authorised representatives	Mr. Li Zhenyu 1-1-1, No. 26 Linghai Road Ganjingzi District, Dalian Liaoning Province, the PRC Ms. Gao Bo Room 501, Tower-7, Season's Park No. 36 Dongzhimen Road Dongcheng District Beijing, the PRC

CORPORATE INFORMATION

Audit committee

Mr. Wong Yik Chung, John (Chairman)
Mr. Li Yunbo
Mr. Xu Liuxiong

Remuneration committee

Mr. Wong Yik Chung, John (Chairman)
Mr. Li Yunbo
Mr. Xu Liuxiong

Nomination committee

Mr. Li Zhenyu (Chairman)
Mr. Wong Yik Chung, John
Mr. Li Yunbo

Hong Kong Share Registrar

[REDACTED]

**Cayman Islands principal share registrar
and transfer office**

[REDACTED]

Principal bankers

Harbin Bank, Dalian Branch
1-5/F, Yinzhou Building
No. 11 Qiyi Street
Zhongshan District, Dalian
Liaoning Province, the PRC

Shanghai Pudong Development Bank
Dalian Branch
No.45 Huizhan Road
Shahekou District, Dalian
Liaoning Province, the PRC

China Guangfa Bank, Dalian Branch
No. 3 Zhongshan Square
Zhongshan District, Dalian
Liaoning Province, the PRC

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government publications and industry sources as well as a report we commissioned from Frost & Sullivan, an Independent Third Party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While we have exercised reasonable care in compiling and reproducing such information from official government publications, it has not been independently verified by us, or any of our affiliates or advisers, nor by the Sole Sponsor, the Underwriters or any of their affiliates or advisers or any other party involved in the [REDACTED]. The information from official government publications may not be consistent with information available from other sources within or outside the PRC. Our Group, its affiliates or advisers, the Underwriters or their affiliates or advisers, or any other party involved in the [REDACTED] do not make any representation as to the accuracy, completeness or fairness of such information from official government publications and, accordingly, you should not unduly rely on such information from official government publications.

The information extracted from the Frost & Sullivan report reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as Frost & Sullivan's opinion as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of the information extracted from the Frost & Sullivan report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information extracted from the Frost & Sullivan report has not been independently verified by us, the Sole Sponsor, the Underwriters or any other party involved in the [REDACTED] and no representation is given as to its accuracy.

INTRODUCTION TO TUNA PELAGIC FISHERY INDUSTRY

Introduction of tuna resources

Tuna and tuna-like species are classified under the suborder of Scombroidei. They are composed of principal tuna species and other tuna-like species. Among the species of tuna, there are commercially very important species, including: bluefin, bigeye, yellowfin, swordfish and marlin with relatively high value, as well as skipjack and albacore with relatively low value.

Introduction of longline tuna fishing

Longline fishing and purse seine are the two major methods used for tuna fishing in the world, accounting for approximately 75% of the world's total tuna catch volume, according to FAO. Longline fishing is a passive type of fishing technique that makes use of a main line with many shorter branch fishing lines attached along the main line. The longline used for tuna fishing is made up of units, each of which consists of a main horizontal line and numerous branch-lines, each ended with a wire leader and a hook. Under the purse seine fishing method, the tuna are caught using a net by surrounding them from the sides and from underneath. According to Frost & Sullivan, most of the catches by purse seine are skipjack which have relatively lower market value and are primarily used for canned tuna, even though purse seine produces larger catch volume per vessel compared with that of longline fishing. Longline fishing catches a higher proportion of bigeye and yellowfin of larger size, which have relatively higher market price and are primarily used in the form of high-end sashimi. In addition, longline fishing is widely recognised as a more environmentally friendly fishing method that minimises the impact on fishery resources and other marine species, while purse seine fishing is more likely to result in a larger amount of by-catches like immature and juvenile bigeyes, which causes serious damage to fishery resources.

INDUSTRY OVERVIEW

According to the preservation method after catch, longline tuna fishing can be further segmented into ultra-low temperature longline, refrigerated sea water longline, and ice fresh longline. Among these three methods, tuna caught by ultra-low temperature longline is considered to possess the highest market value. The ultra-low temperature longline method stores tuna at approximately minus 55 to minus 60 degrees Celsius in freezers after the tuna is processed to remove certain organs. Tuna stored in ultra-low temperature freezers can be kept fresh for as long as up to two to three years under this condition and is often sold to be made into sashimi, which in general has a higher market value.

Status of Premium Tuna

IUCN and ISSF are two of the organisations which analyse and categorise the sustainability of tuna stocks. Below is a diagram illustrating the categories used by IUCN Red List of Threatened Species, which is a comprehensive information source on the global conservation status of animal, fungi and plant species and their links to livelihoods, published by IUCN:

LEAST CONCERN	NEAR THREATENED	VULNERABLE	ENDANGERED	CRITICALLY ENDANGERED	EXTINCT IN THE WILD	EXTINCT
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According to IUCN, depending on the extinction risk, different species of tuna are classified into categories, including endangered species, which indicates a relatively higher risk, vulnerable species and near threatened species, which indicate relatively lower risk of extinction. Unlike bluefin tuna, which was classified as an endangered species, bigeye tuna and yellowfin tuna are classified by IUCN as vulnerable and near threatened species, respectively, in 2014.

In addition, ISSF classifies different species of tuna into the following categories based on their respective biomass and fishing mortality: a healthy level of abundance, overfished and intermediate status. Below is a diagram indicating biomass and fishing mortality of bigeye, yellowfin and bluefin tuna, in April 2014:

Tuna Species	Biomass ¹	Fishing mortality ²
Bigeye tuna		
EPO	<div style="width: 100%; height: 15px; background-color: #90EE90; border: 1px solid black;"></div>	<div style="width: 100%; height: 15px; background-color: #FFFF00; border: 1px solid black;"></div>
WPO	<div style="width: 100%; height: 15px; background-color: #90EE90; border: 1px solid black;"></div>	<div style="width: 100%; height: 15px; background-color: #FF8C00; border: 1px solid black;"></div>
Atlantic Ocean	<div style="width: 100%; height: 15px; background-color: #90EE90; border: 1px solid black;"></div>	<div style="width: 100%; height: 15px; background-color: #FFFF00; border: 1px solid black;"></div>
Indian Ocean	<div style="width: 100%; height: 15px; background-color: #90EE90; border: 1px solid black;"></div>	<div style="width: 100%; height: 15px; background-color: #90EE90; border: 1px solid black;"></div>
Yellowfin tuna		
EPO	<div style="width: 100%; height: 15px; background-color: #FFFF00; border: 1px solid black;"></div>	<div style="width: 100%; height: 15px; background-color: #FFFF00; border: 1px solid black;"></div>
WPO	<div style="width: 100%; height: 15px; background-color: #90EE90; border: 1px solid black;"></div>	<div style="width: 100%; height: 15px; background-color: #FFFF00; border: 1px solid black;"></div>
Atlantic Ocean	<div style="width: 100%; height: 15px; background-color: #FF8C00; border: 1px solid black;"></div>	<div style="width: 100%; height: 15px; background-color: #FFFF00; border: 1px solid black;"></div>
Indian Ocean	<div style="width: 100%; height: 15px; background-color: #90EE90; border: 1px solid black;"></div>	<div style="width: 100%; height: 15px; background-color: #90EE90; border: 1px solid black;"></div>
Bluefin tuna		
Pacific Ocean	<div style="width: 100%; height: 15px; background-color: #FF8C00; border: 1px solid black;"></div>	<div style="width: 100%; height: 15px; background-color: #FF8C00; border: 1px solid black;"></div>
Atlantic Ocean-E	<div style="width: 100%; height: 15px; background-color: #FF8C00; border: 1px solid black;"></div>	<div style="width: 100%; height: 15px; background-color: #90EE90; border: 1px solid black;"></div>
Atlantic Ocean-W	<div style="width: 100%; height: 15px; background-color: #FF8C00; border: 1px solid black;"></div>	<div style="width: 100%; height: 15px; background-color: #FF8C00; border: 1px solid black;"></div>
Southern Bluefin	<div style="width: 100%; height: 15px; background-color: #FF8C00; border: 1px solid black;"></div>	<div style="width: 100%; height: 15px; background-color: #FFFF00; border: 1px solid black;"></div>

INDUSTRY OVERVIEW

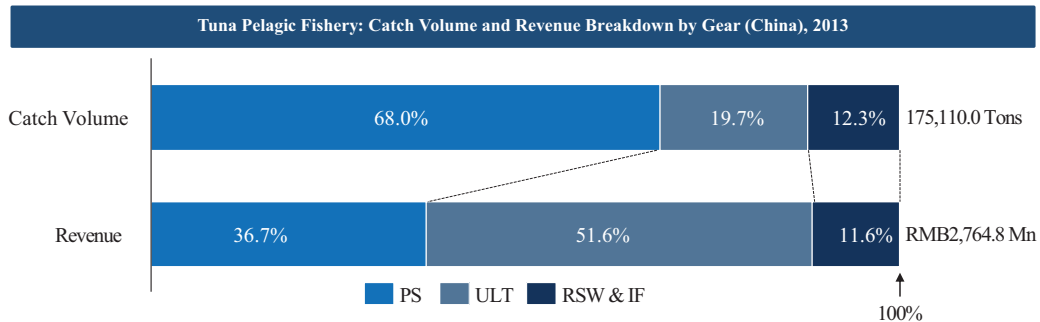
1. Biomass is an index used by ISSF to indicate the abundance of fish stock. Green indicates a healthy level of abundance, orange indicates that the stock is overfished and yellow indicates an intermediate status.
2. For fishing mortality, green indicates overfishing is not occurring, yellow indicates overfishing is occurring but within control; orange indicates overfishing is occurring and management measures are insufficient.

International tuna catch volume

The total tuna catch volume globally amounted to approximately 4.5 million tonnes in 2012. The fishing areas for tuna primarily include the WCPO, the EPO, the Atlantic Ocean and the Indian Ocean. The WCPO has a growing importance in global tuna fishing and, in 2012, the tuna catch volume in the WCPO accounted for 58.3% of the total tuna catch volume in the world. Please refer to “Regulation Overview – International Law – Requirements imposed by RFMOs” for further details of the tuna catch volume in the the areas in which we operate.

China Tuna Catch Volume

In 2013, the total catch volume and revenue of the Chinese tuna pelagic fishery industry was approximately 0.2 million tonnes and RMB2,764.8 million, respectively, amongst which ultra-low temperature longline yielded nearly 19.7% of the total catch volume and contributed approximately 51.6% of the total revenue. The high percentage of revenue of the Chinese tuna pelagic fishery industry yielded by ultra-low temperature longline fishing is attributable to the high unit selling price of such tuna which averaged RMB40 per kg in 2013, whereas the average unit selling price of tuna caught using (i) purse seine, and (ii) refrigerated sea water longline and ice fresh longline fishing techniques were only RMB8 to RMB10 per kg and RMB15 to RMB20 per kg, respectively in 2013. Bigeye tuna accounted for approximately 60% to 70% of total catch volume of the ultra-low temperature longline method. The chart below sets forth the breakdown of China catch volume and revenue by gear:

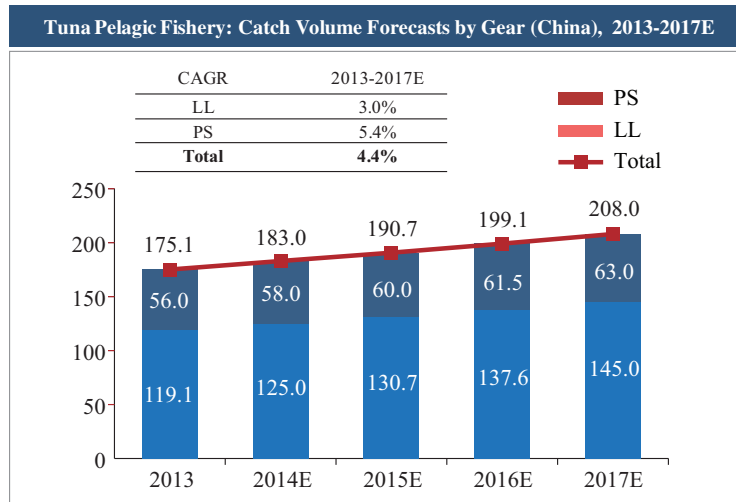


Source: Frost & Sullivan

The WCPO has been the most important fishing area for Chinese tuna fishing companies. In 2012, the WCPO contributed approximately 53.2% of Chinese tuna pelagic catch volume with 91.3 thousand tonnes.

INDUSTRY OVERVIEW

The catch volume of the longline method in the PRC is forecasted to grow from 56,000 tonnes in 2013 to 63,000 tonnes in 2017 with a CAGR of 3.0% according to Frost & Sullivan. The chart below sets forth the breakdown of China tuna catch volume forecasts by gear:



Source: Frost & Sullivan

THE JAPANESE TUNA MARKET

Tuna consumption in Japan

Japan was the world's largest market for premium tuna during the Track Record Period. According to MAFF, consumption of premium tuna in Japan amounted to approximately 0.3 million tonnes in 2013, representing approximately 69.8% of the tuna consumed in Japan in terms of consumption volume.

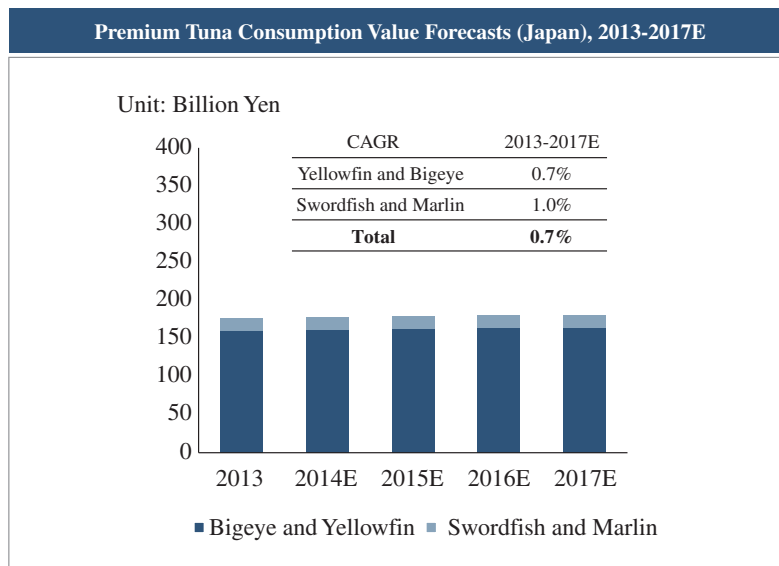
Consumption value of premium tuna in Japan remained relatively stable from 2009 to 2013, according to Frost & Sullivan. Consumption volume of premium tuna in Japan overall declined from 2009 to 2013, with a negative CAGR of 2.8%, partly due to insufficient supply as a result of the declining number of operating ultra-low temperature longline tuna fishing vessels, according to Frost & Sullivan. The number of ultra-low temperature longline tuna fishing vessels registered with OPRT, representing approximately 90% of the ultra-low temperature longline tuna fishing vessels globally as of December 2013, has declined from 1,454 as of March 2004 to 1,013 as of March 2014, according to Frost & Sullivan.

Consumption volume of premium tuna in Japan increased in 2012 mainly due to the increase in the premium tuna catch volume in the Indian Ocean, according to Frost & Sullivan. According to Frost & Sullivan, the premium tuna catch volume in the Indian Ocean was relatively low in recent years due to the impact of Somali pirates in the region, but the catch volume experienced a sudden increase in 2012, primarily because of international efforts to address the piracy problem there. Such increase in the supply of premium tuna from the Indian Ocean to Japan resulted in a relatively high inventory of premium tuna in Japan from the last quarter of 2012 up to July 2013. Consequently, the average selling price of premium tuna in Japan declined from the last quarter of 2012 and remained at a relatively low level up to July 2013 and started to rise in August 2013 when the market absorbed the impact of the sudden increase in supply of tuna and the resultant increased inventory of premium tuna. The average selling price of premium tuna in Japan in 2013 was overall relatively stable compared with that in 2012, as the price increased significantly since August 2013.

INDUSTRY OVERVIEW

Tuna consumption forecast in Japan

Premium tuna is expected to continue to be popular among Japanese consumers. Considering restrictions imposed by OPRT on the total number of ultra-low temperature longline tuna fishing vessels, global catch volumes of tuna by the longline fishing method are expected to remain at the current level or moderately decrease. Consequently, the consumption volume of premium tuna in Japan is predicted to decrease from 2013 to 2017 with a negative CAGR of 1.0% according to Frost & Sullivan. Meanwhile, the average price of premium tuna is predicted to increase from 2013 to 2017 with a CAGR of 1.7%. As a result, the consumption value of premium tuna in Japan is predicted to increase from 2013 to 2017, with a CAGR of 0.7%, according to Frost & Sullivan. The chart below sets forth the consumption value of premium tuna in Japan from 2013 to 2017:



Source: Frost & Sullivan

Distribution channel analysis

As a customary trading practice, restaurants, supermarkets and other retail outlets in Japan normally do not purchase tuna directly from foreign tuna fishing companies; instead, they trade with tuna importers in Japan, according to Frost & Sullivan. It is common industry practice for foreign suppliers to only sell their tuna catch to one of these Japanese importers according to Frost & Sullivan. But it is not difficult to change from one importer to another as Japanese importers are willing to choose new partners with good credibility and quality product and a long-term agreement is not necessary in this case according Frost & Sullivan.

The chart below sets forth a breakdown of the import volume of premium tuna by the top five importers in Japan in 2013:

Ranking	Company Name	Market Share in 2013
1	Toyo Reizo Co., Ltd.	28.2%
2	Nissho Iwai Corporation	21.2%
3	Nippon Access Inc.	9.5%
4	Kantomo Group	5.9%
5	Yashima Group	4.7%

INDUSTRY OVERVIEW

As such, the Japanese market for importation of premium tuna was dominated by five leading importers accounting for around 70% of the total import volume in 2013. Toyo Reizo, the processor of aquatic products under Mitsubishi Corporation, has been the largest importer of premium tuna and bluefin tuna in Japan with a large network to wholesalers, restaurants, supermarkets and other retail outlets.

THE CHINESE TUNA MARKET

The Chinese tuna market has witnessed rapid growth in recent years, driven in large part by macro economic factors such as strong economic growth, increasing disposable income and rising rates of urbanisation, as well as industry-specific factors such as increasing health awareness, consumer preferences and improved distribution channels. The revenue yielded by Chinese tuna pelagic fishery increased from RMB1,811.4 million in 2006 to RMB2,764.8 million in 2013, and is forecasted to reach RMB3,340.5 million as of 2017, representing a CAGR of 4.8%, according to Frost & Sullivan. The consumption volume of premium tuna in China is expected to witness a high growth rate at least in the next decade, according to Frost & Sullivan.

Primary market drivers

According to Frost & Sullivan, the primary market drivers for tuna consumption in China include:

Increase in per capita disposable income and rapid urbanisation

Rapid and sustained GDP growth in China has generated an unprecedented rise in disposable income that has been enhancing living standards, especially for urban families. The rising disposable income is expected to encourage urban citizens to consume premium food products, such as premium tuna.

According to Frost & Sullivan's forecast, per capita annual disposable income of urban households in China is expected to increase from RMB26,955 in 2013 to RMB39,948 in 2017, representing a CAGR of 10.3%. Urbanisation has been a key driver of tuna industry growth as per capita annual living expenditure is significantly higher in urban areas than rural areas. According to Frost & Sullivan, China's urbanisation rate is expected to increase from 53.7% in 2013 to 58.5% in 2017, and expenditure on premium aquatic products, such as tuna, has great potential to increase in urban areas.

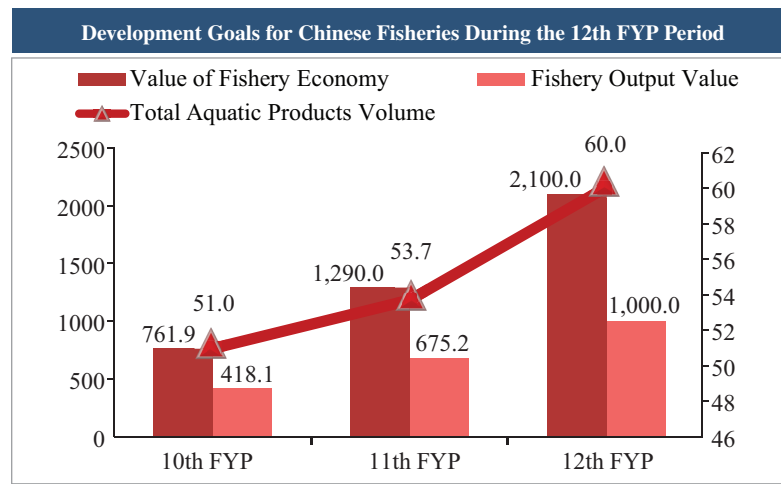
Rising health awareness

Chinese consumers are more health-conscious nowadays, and they are getting better educated about the health benefits of natural food. They have also gradually begun paying more attention to a proper nutritional diet in order to maintain a healthy lifestyle. Living in the deep-sea where there is less pollution, tuna has been considered as one of the three most recommended fish species for high nutrition and health, along with salmon and sardines, according to Frost & Sullivan. With the changing dietary habits and increasing health awareness of Chinese people, tuna has become more and more popular in China with an increasing number of consumers. Such a trend is expected to drive further growth of tuna consumption in China.

INDUSTRY OVERVIEW

Continued governmental support

With the rapid development of the economy and continuous growth of people’s living standards, the fishery industry in China has played an increasingly important role in the country’s agriculture, even in the national economy. The 12th Five-year Plan (FYP) (“十二五”規劃) has set development goals for the overall fishery output to exceed 60.0 million tonnes with an annual growth rate of 2.2%. By 2015, the total value of the fishery economy in the PRC is forecast to reach approximately RMB2.1 trillion, and the output value of the fishery industry in the PRC is expected to achieve RMB1.0 trillion.



As reflected in the 12th FYP for marine economy development, the Chinese government supports the Chinese pelagic fishing industry. In addition, there are various favourable tax and tariff policies for the industry, please refer to “Regulatory Overview – Taxation.” Pursuant to the *Ministry of Agriculture Notice on Promoting Sustained and Healthy Development of Pelagic Fishery* (農業部關於促進遠洋漁業持續健康發展的意見) issued in November 2012, the Chinese government strives to steadily develop the Chinese ultra-low temperature longline tuna fishery.

Favourable industry development

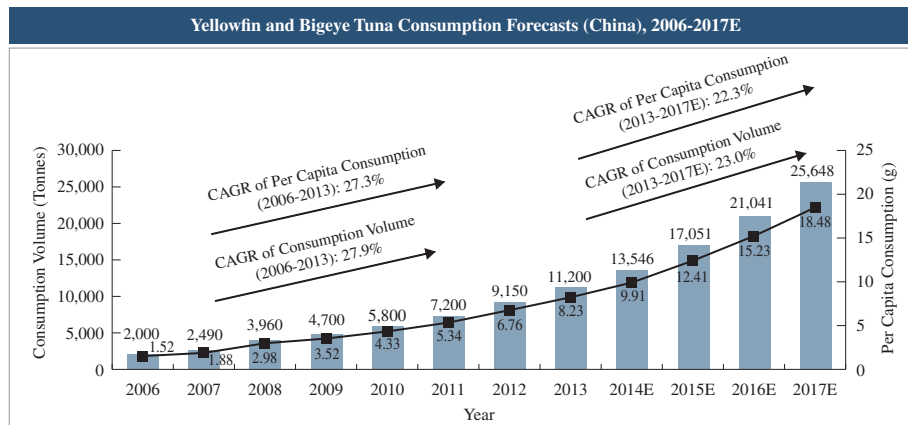
Improved distribution channels such as the establishment of ultra-low temperature storage facilities in China optimises the tuna consumption pattern. Leading market players in the PRC, optimistic about the growth potential, have established ultra-low temperature freezers in the recent years. This is likely to increase the availability of frozen tuna in the Chinese market and promote an increase in processing tuna in the PRC.

Growth of the Chinese tuna pelagic fishery is benefiting from the industry concentration and vertical extension. The Chinese tuna pelagic fishery industry is expected to become increasingly concentrated. The high entry barriers of the tuna pelagic fishery industry, especially for the ultra-low temperature longline tuna pelagic fishery industry, discourage new entrants, according to Frost & Sullivan. Tuna fishing companies in the PRC, especially some of the leading companies, are expected to extend their business vertically into processed tuna products, such as tuna fillets, canned tuna and medicines made from tuna. This is forecast to be a source of growth in the future, according to Frost & Sullivan.

INDUSTRY OVERVIEW

Tuna consumption forecast in China

According to Frost & Sullivan, the consumption volume in the PRC of bigeye and yellowfin tuna, the two principal types of premium tuna, grew significantly from only 2,000 tonnes in 2006 to 11,200 tonnes in 2013, representing a CAGR of 27.9%. However, premium tuna consumption is still at its nascent stage in China. With the change of focus of Chinese tuna pelagic companies from overseas sales to domestic sales, the consumption volume of premium tuna in China is expected to see a high growth rate at least in the next decade according to Frost & Sullivan. In the long term, eating tuna is also likely to become an essential part of seafood consumption among Chinese residents and a nationwide dietary habit, like the Japanese, according to Frost & Sullivan. The chart below sets forth consumption forecasts in China for bigeye and yellowfin tuna:



Source: Frost & Sullivan

Industry migration from Japan to China

The number of OPRT-registered ultra-low temperature vessels from mainland China increased from 105 in March 2004 to 150 in March 2014, while the number for OPRT-registered ultra-low temperature vessels from Japan has decreased significantly from 473 in March 2004 to 238 in March 2014. The decline in the number of vessels from Japan is primarily due to several key factors, such as rising fuel costs and capacity reduction programs implemented in Japan. The decrease is also due to the fact that tuna pelagic fishery is a highly labour-intensive industry, where old generations are retiring, fewer young crew members are joining, and there are higher labour costs in Japan than in China. In addition, the Chinese government's favourable policies towards the Chinese ultra-low temperature longline tuna fishery, including favourable tax and tariff policies, have also contributed to the growth of the industry in China.

Given the large population base and relatively lower labour cost in mainland China, there has been a trend that the global tuna pelagic fishery industry is shifting from Japan to mainland China, primarily through the purchase of second-hand vessels from Japanese owners which had ceased operations. According to FFA, China built some large-scale vessels during the 1990s and early 2000s. However, as OPRT has restricted the total number of large-scale ultra-low temperature longline tuna fishing vessels registered with it in recent years, such vessels are more likely to be transferred from developed countries or regions to developing ones. This trend is likely to continue in the future and vessels under the Chinese flag are predicted to supply more tuna with their stronger presence compared with those from Japan and Taiwan. This is expected to benefit the operators of Chinese ultra-low temperature longline tuna fishing vessels, and contribute to the sustained development of the Chinese tuna pelagic fishery industry in the long run.

INDUSTRY OVERVIEW

Distribution channel analysis

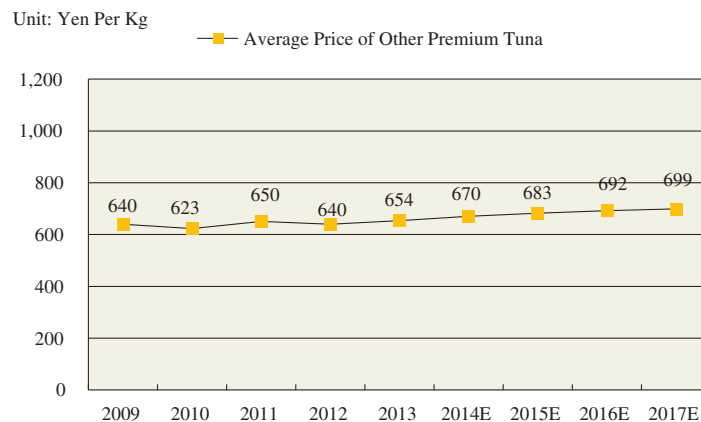
The consumption market of tuna in China is in the early stage of development. The supply chain is not as developed or sophisticated as the distribution channel in Japan. In China, caught tuna is generally delivered to processors first before the tuna products go to distributors or the market. Some of the market leaders in the tuna pelagic fishery have vertically extended their business into tuna processing and distributing in order to increase their profitability.

PRICE TRENDS

Price of premium tuna in the Japanese market

Average Price of premium tuna in the Japanese market

The average price of premium tuna in Japan increased from 2009 to 2011 with a CAGR of 0.8%. Specifically, the average price in Japanese yen of frozen bigeye tuna increased with a CAGR of 2.2% from 2009 to 2012. According to Frost & Sullivan, the average price of premium tuna in Japan underwent a decline from late 2012 until July 2013 primarily as a result of a sudden increase in the supply of premium tuna from the Indian Ocean to Japan as discussed in “Industry Overview – The Japanese Tuna Market – Tuna consumption in Japan”. According to Frost & Sullivan, the average price of premium tuna in Japan started to rise from August 2013 after the market digested the impact of the sudden increase in supply of tuna and the resultant increased inventory of premium tuna. Despite the decline in the average price of premium tuna in Japan from late 2012 to July 2013, Frost & Sullivan expects that the average price of premium tuna in Japan is likely to increase from 2013 to 2017 at a CAGR of 1.7%, due to the overall insufficient supply of premium tuna, increasing capture costs and historical long-term growth trend. The chart below sets forth the actual and projected average price of premium tuna in Japan in JPY for the periods indicated:



Source: MAFF and Frost & Sullivan

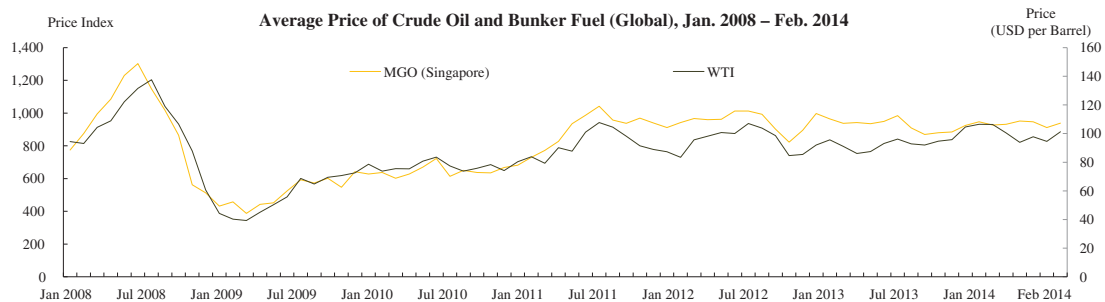
Note:

1. According to Frost & Sullivan, such average price is achieved by using consumption value divided by consumption volume of premium tuna, including those caught by both longline and purse seine fishing method; while premium tuna caught by using longline fishing method has a much higher market price than that caught by purse seine fishing method.

INDUSTRY OVERVIEW

Bunker fuel prices

As a major part of the operational cost of pelagic fishing, fuel cost has a significant impact on the profit margin of the pelagic fishery business, including pelagic tuna fishery. Marine gas oil, or MGO, is a commonly used bunker fuel. The table below sets out the historical average prices of crude oil and MGO in US dollars from January 2008 to February 2014.



Source: Bloomberg and Wind

Both the crude oil price and the MGO price index have been comparatively stable for the period from January 2011 to December 2013. According to CME (Chicago Mercantile Exchange), the bunker fuel prices are likely to decrease slightly from 2014 to 2017.

Exchange rate

The sales prices of premium tuna are usually determined with reference to the prevailing tuna prices in Japan, the world's largest market for premium tuna. Therefore, the exchange rate of the Japanese Yen against the Renminbi has a significant impact on the revenue and profit margin of tuna fishery companies. The average exchange rate of the Japanese Yen to the Renminbi was 12.3:1, 12.6:1, 15.8:1 and 16.9:1 in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. For details of the sensitivity of our revenue, gross profit and net profit to fluctuations of the exchange rate of the Japanese yen against the Renminbi during the Track Record Period, please refer to "Financial Information – Factors Affecting Our Financial Condition And Results Of Operations – Fluctuations in the Japanese Yen and US dollar" and "Financial Information – Sensitivity Analysis" in this [REDACTED].

According to Frost & Sullivan, the exchange rate of the Japanese Yen to the RMB is expected be relatively stable in the coming years. The table below sets out the exchange rate of the Japanese Yen to US Dollars and Renminbi during the Track Record Period and their forecast trend from 2014 to 2017.

Year	2011	2012	2013	2014E	2015E	2016E	2017E
JPY: USD (average)...	79.7	79.8	97.6	102.8	103.0	102.0	101.0
JPY: RMB (average)...	12.3	12.6	15.8	16.9	17.3	17.2	17.1

Source: Measuring Worth and Economist Intelligence Unit

COMPETITIVE LANDSCAPE

Market position of our Group and our competitors

Japan, Taiwan, Korea and mainland China have been among the top countries or regions in terms of the number of ultra-low temperature vessels registered with OPRT. As of December 2013, they accounted for approximately 84.5% of the total number of the vessels registered with OPRT. Japan, Taiwan, Korea and mainland China are also among the primary countries and regions supplying premium tuna to the Japanese market. For example, Japan, Taiwan and mainland China were the top three suppliers as measured by the aggregate sales volume of bigeye tuna to the Japanese market from 2010 to 2013, according to

INDUSTRY OVERVIEW

MAFF. Although Japan and Taiwan have more ultra-low temperature longline tuna fishing vessels registered with OPRT, neither of them has industry concentration as high as mainland China, where top tuna fishery companies dominate the market by leveraging on, among other things, their sizable fleet. According to Frost & Sullivan, the revenue derived by the top ten companies in the China ultra-low temperature longline tuna pelagic fishery accounted for 79.0% of the total revenue of this industry in 2013. In Japan and Taiwan, many longline vessels are family-owned and as a result, they have very limited impact on market position of the Chinese companies in the ultra-low temperature longline tuna fishery industry. For example, approximately 84.5% of the Japanese ultra-low temperature longline tuna fishing vessels were owned by companies having four or fewer vessels as of December 2013 according to OPRT. According to Frost & Sullivan, Korea has roughly as many ultra-low temperature longline fishing vessels as the PRC as of December 2013, but compared to us, only two companies have a larger fleet, and both sold a majority of their tuna to the Korean market.

According to Frost & Sullivan, our Group was the largest ultra-low temperature longline premium tuna fishing company in the PRC in terms of revenue and sales volume by weight in 2013. According to Frost & Sullivan, the total revenue generated by the ultra-low temperature longline premium tuna fishing industry in the PRC amounted to approximately RMB1,427.4 million in 2013, among which our revenue accounted for approximately 22.2%. As at the Latest Practicable Date, we operated a fleet of 24 ultra-low temperature longline fishing vessels, including 17 fishing vessels we owned and operated ourselves and seven Japanese fishing vessels which we don't own but have operated since September 2013 pursuant to vessel management arrangements we entered into with two Japanese ship-owners. As at 31 December 2013, we were the second largest ultra-low temperature longline tuna fishing company in the PRC in terms of number of self-owned vessels, with only one vessel fewer than the largest fleet in the PRC, according to Frost & Sullivan.

The following table shows the market share of the five largest market participants as measured by ultra-low temperature longline premium tuna fishing revenue in 2013:

Ranking	Company	Market Share
1	Our Company	22.2%
2	Zhengjiang Ocean Family Co., Ltd.* (浙江大洋世家股份有限公司)	13.6%
3	China National Fishery Corporation Overseas Fishery Co., Ltd.* (中水集團遠洋股份有限公司)	8.9%
4	China National Fishery Corporation (中國水產總公司)	6.2%
5	Qingdao Furui Fisheries Co., Ltd (青島福瑞漁業有限公司)	5.3%

Source: Frost & Sullivan

Barriers to Entry

According to Frost & Sullivan, due to high entry barriers, fewer than 30 companies in the PRC are capable of ultra-low temperature longline tuna pelagic fishery as of December 2013. For further discussion of the major barriers to entry into the ultra-low temperature longline tuna pelagic fishery industry, please refer to "Business – Competition."

Challenges

Key challenges facing the longline tuna pelagic fishery industry include the following:

- **Regulatory restrictions:** Please refer to "Regulatory Overview" section in this [REDACTED] for further details.
- **Exchange rate fluctuations:** The value of the Renminbi against other currencies is a very important factor affecting China's tuna exports, as exports tend to decline when other currencies depreciate against Renminbi. Please refer to "Risk Factors – Risks Relating to Our Business – Our business may be negatively affected by fluctuations in exchange rates and foreign exchange controls" in this [REDACTED].

INDUSTRY OVERVIEW

- **Difficulties in crew recruitment and rising labour costs:** Fishing companies have faced difficulties in recruiting and retaining experienced crew. In addition, rising labour costs and the increasing mobility of crew are also challenges for pelagic fishing companies to staff their vessels.

Please refer to the "Regulatory Overview" section in this [REDACTED] for details of the regulatory environment.

REPORT COMMISSIONED FROM FROST & SULLIVAN

Frost & Sullivan, an independent market research and consulting company, was commissioned by our Company to conduct an analysis of, and to report on tuna pelagic fishery and tuna consumption. The report commissioned has been prepared by Frost & Sullivan independent of our Group's influence. Our Group paid Frost & Sullivan fees of RMB2.36 million, which we consider reflects market rates.

Frost & Sullivan is an independent global consulting firm founded in 1961 and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes agriculture, forestry, husbandry and fishery, automotive and transportation, chemicals, materials and food, commercial aviation, consumer goods, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, minerals and metals, and technology, media and telecom. The Frost & Sullivan report that our Group commissioned includes both historical and forecast information on longline tuna fishing, the global tuna market as well as the economies of Japan and the PRC and other economic and industrial data, which have been quoted in this [REDACTED].

Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various official government publications in the PRC and Japan as well as information provided by international organisations and industry sources. Primary research involved interviews with leading industry participants in the longline tuna fishing industry and related industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Frost & Sullivan has assumed that the information and data, which it obtained from Independent Third Parties and publicly available data, are complete and accurate, but there can be no assurance as to the accuracy or completeness of any such information. On this basis, our Directors are satisfied that the basis and major assumptions made for the projections and the disclosure of projections in this section are not biased or misleading. Based on its review of the report prepared by Frost & Sullivan, its discussion with Frost & Sullivan and the Company and its Directors, the Sole Sponsor concurs with the view of the Directors.

Frost & Sullivan's research may be affected by the accuracy of these assumptions and the choice of these parameters. The bases and assumptions for the projections in the Frost & Sullivan report include the following: (i) the Japanese economy is assumed to gradually recover over the forecast period; (ii) the PRC economy is assumed to maintain steady growth across the forecast period; (iii) in the near future, OPRT is assumed to maintain control with similar level as in the recent years over the number of ultra-low temperature tuna fishing vessels over the forecast period; and (iv) it is assumed that there is no external shock such as natural disasters or the wide outbreak of diseases to affect the demand and supply of premium tuna during the forecast period.

Our Directors, after taking reasonable care, confirm that there is no adverse change in the market information since the date of the Frost & Sullivan Report, which may qualify, contradict or have an impact on the information in this section.

REGULATORY OVERVIEW

Tuna fishing operations are subject to regulations under international law imposed by RFMOs and other international organisations and national laws imposed by the relevant states (including the relevant flag states).

INTERNATIONAL LAW

Interpretation of international law such as treaties among sovereign states and international organisations, involves uncertainty compared with interpretation of national laws, given the complexity of international treaties. Therefore, different member countries/regions may have different interpretations of relevant RFMO conventions or resolutions in relation to tuna conservation and management measures. The uncertainty presented by international treaties on tuna fishing could adversely affect our business operations. In particular, if any of these regulations are interpreted and applied by international organisations more strictly than any member state/region or we anticipate, this may have an adverse effect on our business, results of operations and financial condition.

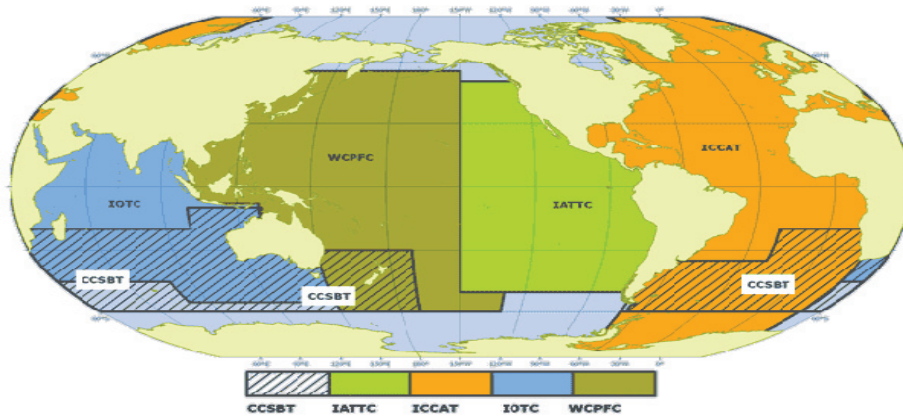
Requirements imposed by RFMOs

The RFMOs have been established to ensure the sustainable use of the highly-migratory species in international waters, in particular the tuna resources. Tuna fishing activities are subject to the management and supervision by RFMOs. There are five RFMOs responsible for the conservation and management of tuna resources in different geographic areas. The five RFMOs are:

- Western and Central Pacific Fisheries Commission (“WCPFC”), established by the Convention for the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean (中西部太平洋高度洄游魚類種群養護和管理公約) (the “WCPF Convention”) which entered into force on 19 June 2004. China acceded to the WCPF Convention on 2 November 2004 and the Convention entered into force for China on 2 December 2004;
- Inter-American Tropical Tuna Commission (“IATTC”) established by the *Convention for the Establishment of an Inter-American Tropical Tuna Commission* (建立美洲熱帶金槍魚委員會公約) (the “IATTC Convention”) signed in 1949. The IATTC Convention was supplemented by the *Convention for the Strengthening of the Inter-American Tropical Tuna Commission Established by the 1949 Convention between the United States of America and the Republic of Costa Rica* (關於加強美利堅合眾國與哥斯達黎加共和國1949年公約建立的美洲間熱帶金槍魚委員會的公約) (the “Antigua Convention”) which entered into force on 27 August 2010. China signed the IATTC Convention on 3 March 2004 and ratified it on 30 October 2009;
- International Commission for the Conservation of Atlantic Tunas (“ICCAT”) established by the *International Convention for the Conservation of Atlantic Tunas* (養護大西洋金槍魚國際公約) (the “ICCAT Convention”) which entered into force on 21 March 1969. China signed and ratified the ICCAT Convention on 24 October 1996;
- Indian Ocean Tuna Commission (“IOTC”) established by the *Agreement for the Establishment of the Indian Ocean Tuna Commission* (建立印度洋金槍魚委員會的協定) which entered into force on 27 March 1996. China signed and ratified the Convention on 14 October 1998;
- Commission for the Conservation of Southern Bluefin Tuna (“CCSBT”), established by the *Convention for the Conservation of Southern Bluefin Tuna* (南部藍鰭金槍魚養護公約), which entered into force on 20 May 1994.

REGULATORY OVERVIEW

The map below illustrates the respective fishing areas of the five RFMOs.



As at the Latest Practicable Date, we owned and operated 17 fishing vessels in the WCPO and the EPO, and operated seven additional fishing vessels pursuant to vessel management arrangements in the Atlantic Ocean. Therefore, the fishing vessels that we currently operate in international waters are subject to the management and supervision of, among others, WCPFC, IATTC and ICCAT, respectively. In this section, unless the context otherwise requires, references to the RFMOs shall refer to WCPFC, IATTC and ICCAT, being those relevant to our current operations.

Catch limits

The RFMOs impose restrictions on different types of fishing activities, primarily on purse seine fishing and longline fishing. As purse seine fishing results in significant by-catches of immature and juvenile tuna, and currently around 65% of the world's tuna in terms of catch volume is caught by purse seine fishing, restricting purse seine fishing is the primary method adopted by the RFMOs to ensure the sustainable use of tuna. Certain RFMOs impose, among other restrictions, a closed season of approximately two months each year on purse seine fishing. With respect to longline fishing, the fishing method we exclusively use, certain RFMOs adopt catch limits for certain tuna species.

Bigeye and yellowfin tuna are the two principal types of premium tuna which we catch and sell. In the three years ended 31 December 2011, 2012 and 2013, as a percentage of our total premium tuna revenue, bigeye tuna accounted for approximately 82%, 75% and 78%, respectively, and yellowfin tuna accounted for approximately 11%, 17% and 16%, respectively.

REGULATORY OVERVIEW

The current catch limit regime under the RFMOs

(a) Catch limit regime under the IATTC

Bigeye catch limits

According to the stock assessment conducted by IATTC in 2013, the bigeye stock is not overfished and overfishing was not occurring on average in the three years ended 31 December 2012. According to Frost & Sullivan, the majority of the bigeye catch volume in the EPO is attributable to Japan, Taiwan, China and Korea in recent years. Currently the four countries/regions, namely Japan, Taiwan, China and Korea, are subject to specific bigeye catch limits allocated by IATTC. Apart from these four countries/regions, all other members and cooperating non-members of IATTC also undertake to ensure that the total annual catches of bigeye tuna by their longline vessels in the convention area during 2009-2016 do not exceed the greater of 500 metric tonnes or their respective catches of bigeye tuna in 2001. The following table sets forth the actual catch volumes and catch limits of bigeye tuna in the EPO for longline fishery for relevant countries/regions for the years indicated.

Tonnes	2005		2006		2007		2008		2009		2010		2011		2012		2013		2014	2015	2016
	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Limit	Limit
Taiwan.....	7,953	6,441	7,953	6,412	7,953	6,057	7,953	1,852	7,635	3,396	7,555	5,276	7,555	4,046	7,555	4,868	7,555	4,502	7,555	7,555	7,555
Korea.....	12,576	11,580	12,576	8,694	12,576	5,611	12,576	4,150	12,073	6,758	11,947	9,244	11,947	7,049	11,947	6,892	11,947	8,322	11,947	11,947	11,947
Japan.....	34,076	19,113	34,076	16,235	34,076	13,977	34,076	14,908	32,713	15,490	32,372	15,847	32,372	12,500	32,372	12,983	32,372	14,254	32,372	32,372	32,372
China.....	2,639	2,104	2,639	709	2,639	2,324	2,639	2,379	2,533	2,481	2,507	2,490	2,507 ⁽¹⁾	5,451	2,507	4,388	2,507	N/A ⁽²⁾	2,507	2,507	2,507
Total.....	57,244	39,238	57,244	32,050	57,244	27,969	57,244	23,289	54,954	28,125	54,381	32,857	57,381	29,046	57,381	29,131	57,381	28,357	57,381	57,381	57,381

Source: IATTC and Frost & Sullivan

Notes:

- 3,000 tonnes of unused catch limits was transferred to China from Japan in 2011. Such transfer from Japan to China was recognised by the IATTC and was legally implemented, even though there was no formal approval by IATTC. Neither our Directors nor our maritime legal advisers, Liaoning Haida Law firm, are aware of such transfer having subsequently been withdrawn. Japan has also in both 2012 and 2013 proposed the adoption of a formal mechanism for the temporary transfer of unused bigeye catch limits between member states/regions by the IATTC. No such mechanism had been adopted by the IATTC as at the Latest Practicable Date. Based on these factors, and its discussions with relevant PRC regulators, our maritime legal advisers, Liaoning Haida Law Firm, are of the view that such transfer will continue to be effective in the coming few years.
- For the first quarter of 2013, the catch volume of China was 1,279 tonnes, while, the catch volume by China for the rest of 2013 is not available, according to IATTC.

Bigeye catch limits are normally renewed by IATTC every three years. The bigeye catch limit allocated to China by IATTC for 2014 to 2016 remains at the same level as that in 2013.

No yellowfin catch limits

As advised by our maritime legal advisers, Liaoning Haida Law Firm, there is no catch limit currently applicable to longline vessels which fish for yellowfin tuna adopted by IATTC. According to the stock assessment conducted by IATTC in 2012, there is no overfishing with respect to yellowfin tuna in the EPO.

REGULATORY OVERVIEW

Sanction mechanism for non-compliance of catch limits

As advised by our maritime legal advisers, Liaoning Haida Law Firm,

- the IATTC has resolved that it may consider development of a scheme of sanctions and incentives as well as a mechanism for their application to improve compliance by all member countries/regions to be submitted to the IATTC for consideration and possible adoption; and
- there is currently no sanction mechanism for non-compliance with bigeye catch limits by member countries/regions adopted by IATTC. With respect to IATTC, the introduction of any sanction mechanism which entails the adoption of a new treaty or a treaty amendment, or entails the imposition of more stringent catch limits and their allocation would require the consent of all of the members. The introduction of any other sanction mechanism may not require all members' consent.

Please also refer to “– Transfer of catch limits” below.

(b) Catch limit regime under the WCPFC

Bigeye catch limits

According to the 2011 stock assessment conducted by WCPFC, overfishing of bigeye stock is occurring but the bigeye stock is not overfished in the WCPO. The following table sets forth the actual catch volumes and catch limits of bigeye tuna in the WCPO for longline fishery for relevant countries/regions for the years indicated.

Tonnes	2005		2006		2007		2008		2009		2010		2011		2012		2013	
	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual
Taiwan	16,125	15,498	16,125	14,295	16,125	14,760	16,125	15,229	14,513	13,319	12,900	11,552	11,288	11,275	11,288	12,727	11,288	N/A
Korea	21,449	15,622	21,449	12,489	21,449	10,054	21,449	17,001	19,304	15,231	17,159	13,862	15,014	15,282	15,014	18,823	15,014	N/A
Japan	28,100	23,021	28,100	25,685	28,100	26,076	28,100	19,534	25,290	16,650	22,480	14,565	19,670	16,616	19,670	12,259	19,670	N/A
China	11,748	7,520	11,748	13,378	11,748	10,535	11,748	10,789	11,748	15,289	11,748	13,924	11,748	11,139	10,673	11,324	10,673	N/A
Sub-total	77,422	61,661	77,422	65,847	77,422	61,425	77,422	62,553	70,855	60,489	64,287	53,903	57,720	54,312	56,645	55,133	56,645	N/A
Others ⁽¹⁾	15,176	12,161	15,176	15,897	15,176	19,369	15,176	17,476	14,566	18,347	14,566	13,315	14,148	19,172	14,566	16,352	18,455	N/A
Total	92,598	73,822	92,598	81,744	92,598	80,794	92,598	80,029	85,421	78,836	78,853	67,218	71,868	73,484	71,211	71,485	75,100	N/A

Source: WCPFC and Frost & Sullivan

Note:

1. Others include Australia, Belize, EU, Indonesia, New Zealand, Philippines, and U.S.A.

REGULATORY OVERVIEW

At its regular session in December 2013, the WCPFC renewed the bigeye catch limits it allocated to its member countries/regions as indicated in the table below. In addition, according to the WCPFC, where a member country/region exceeds its catch limit in any year, the amount of such excess shall be deducted from the catch limit for that country/region for the following year. The renewed catch limits represent a substantial decrease from previous levels, based on concerns of maintaining the sustainability of bigeye tuna resources in the WCPO in light of the 2012 assessment that overfishing of bigeye tuna stock is occurring.

	2013	2014	2015	2016	2017
Tonnes	Limit	Limit	Limit	Limit	Limit
Japan	19,670	19,670	18,265	18,265	16,860
China	10,673	9,398	8,224	8,224	7,049
Korea	15,014	15,014	13,942	13,942	12,869
Taiwan	11,288	11,288	10,481	10,481	9,675
Indonesia	5,889	5,889	5,889 ⁽²⁾	5,889 ⁽²⁾	5,889 ⁽²⁾
USA	3,763	3,763	3,554	3,554	3,345
Each of 17 member countries/regions ⁽¹⁾	N/A	2,000	2,000	2,000	2,000

Notes:

1. According to WCPFC, each member of the WCPFC that caught less than 2,000 tonnes of bigeye in 2004 shall also ensure that their bigeye tuna catch volume does not exceed 2,000 tonnes in each year from 2014 to 2017. There are 17 member countries/regions that caught less than 2,000 tonnes of bigeye tuna in 2004, namely, Australia, Belize, Cook Islands, Federated States of Micronesia, Fiji, French Polynesia, Kiribati, Marshall Islands, Nauru, New Caledonia, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Spain, Tonga.
2. According to WCPFC, the bigeye catch limits allocated to Indonesia for 2015 – 2017 is provisional and maybe subject to revision following data analysis and verification.

No yellowfin catch limits

As advised by our maritime legal advisers, Liaoning Haida Law Firm, there is no catch limit currently applicable to yellowfin tuna adopted by WCPFC. According to the stock assessment conducted by WCPFC in 2012, there is no overfishing of yellowfin tuna in the WCPO and the yellowfin stocks in the WCPO are not currently overfished, but the stocks are currently being fished at capacity. As such, WCPFC has encouraged its member countries/regions to take measures not to increase their catches of yellowfin tuna. At its regular session in December 2013, the WCPFC members agreed to take measures not to increase catches by their longline vessels of yellowfin tuna in WCPO; in addition, at its 2014 regular session, the WCPFC will formulate and adopt appropriate limits for its members, based on recommendations from its scientific committee, and taking into account other conservation and management measures for yellowfin tuna and will also formulate and adopt any in-season reporting requirements needed to support full implementation of these limits. Please refer to “Risk Factors – Risks Relating to our Business – Tuna stocks are limited and commercial tuna fishing is subject to restrictions. The implementation of more stringent measures to control catch limits or other additional measures designed to limit tuna fishing activities by RFMOs could materially and adversely affect our business, financial condition and results of operations.” in this [REDACTED] for further details.

REGULATORY OVERVIEW

Sanction mechanism for non-compliance of catch limits

As advised by our maritime legal advisers, Liaoning Haida Law Firm,

- the WCPFC has resolved to establish an intersessional working group to develop a process to establish a range of responses to non-compliance by the member countries/regions, including with respect to the catch limit regime, during the period from 2014 to 2017. However, WCPFC has not yet proposed the adoption of any sanction mechanism in respect of member states' compliance with catch limits; and
- there is currently no sanction mechanism for non-compliance with bigeye catch limits by member countries/regions adopted by WCPFC. With respect to WCPFC, the introduction of any sanction mechanism which entails the adoption of a new treaty or a treaty amendment, or entails the imposition of more stringent catch limits and their allocation would require the consent of all of the members. The introduction of other kinds of sanction mechanism may not require all members' consent; and
- even though the actual bigeye catch volume of vessels under the Chinese flag exceeded the catch limit allocated by WCPFC in 2006, 2009, 2010 and 2012, China has not been and will not, under any sanction system which may be adopted in the future, be subject to any penalties for such historical non-compliance.

(c) *Catch limit regime under the ICCAT*

Bigeye catch limits

According to the 2010 stock assessment conducted by ICCAT, the bigeye stock is no longer at an overfished state in the Atlantic Ocean. As advised by our maritime legal advisers, Liaoning Haida Law Firm, ICCAT imposes a bigeye catch limit for all types of fishing gear (including longline and purse seine) on its respective members. The following table set forth the actual catch volumes and catch limits of bigeye tuna in the Atlantic Ocean for all types of fishing gear (including longline and purse seine) for relevant countries/regions for the years indicated.

	2005		2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		
	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual	
Japan.....	27,000	14,026	26,000	15,735	25,000	17,993	25,000	16,684	25,000	16,395	23,000	15,205	20,611	12,306	20,611	15,062	20,611	N/A		20,611	20,611		
Taiwan.....	16,500	11,984	16,500	2,965	16,500	12,116	16,500	10,418	16,500	13,252	16,500	13,189	15,583	13,732	15,583	10,805	15,583	N/A		15,583	15,583		
China.....	5,400	6,200	5,700	7,200	5,900	7,399	5,900	5,686	5,900	4,973	7,900 ⁽¹⁾	5,489	8,572 ⁽²⁾	3,720	8,502 ⁽³⁾	3,231	8,502	N/A		8,502	8,502		
Korea.....	Nil	770	Nil	2,067	Nil	2,136	Nil	2,599	Nil	2,134	2,100	2,646	1,983	2,762	1,983	1,908	1,983	N/A		1,983	1,983		
Sub-total.....	48,900	32,980	48,200	27,967	47,400	39,644	47,400	35,387	47,400	36,754	49,500	36,529	46,749	32,520	46,679	31,006	46,679	N/A		46,679	46,679		
Others ⁽⁴⁾	32,500	27,526	32,500	28,884	32,500	32,366	32,500	25,452	32,500	34,755	32,500	29,498	32,678	32,696	32,748	25,938	32,748	N/A		32,748	32,748		
Total.....	81,400	60,506	80,700	56,851	79,900	72,010	79,900	60,839	79,900	71,509	82,000	66,027	79,427	65,216	79,427	56,944	79,427	N/A		79,427	79,427		

Source: ICCAT and Frost & Sullivan

Note:

1. China was allocated 5,900 tonnes of bigeye tuna catch limits (for all types of fishing gear) in 2010, meanwhile, ICCAT authorised the transfer of bigeye tuna catch limits from Japan to China in the amount of 2,000 tonnes in 2010; therefore, the bigeye tuna catch limits for China in 2010 amounted to 7,900 tonnes in total.

REGULATORY OVERVIEW

2. China was allocated 5,572 tonnes of bigeye tuna catch limits (for all types of fishing gear) in 2011, meanwhile, ICCAT authorised the transfer of bigeye tuna catch limits from Japan to China in the amount of 3,000 tonnes in 2011; therefore, the bigeye tuna catch limits for China in 2011 amounted to 8,572 tonnes in total.
3. China was allocated 5,572 tonnes of bigeye tuna catch limits (for all types of fishing gear) annually from 2012 to 2015, meanwhile, ICCAT authorised (i) the transfer of bigeye tuna catch limits from Japan to China in the amount of 3,000 tonnes annually from 2012 to 2015, and (ii) the transfer of bigeye tuna catch limits (for all types of fishing gear) from China to Ghana in the amount of 70 tonnes annually from 2012 to 2015; therefore, the bigeye tuna catch limits for China amounted to 8,502 tonnes in total for each year from 2012 to 2015.
4. Others include European Union, Ghana, Panama and Philippines.

The bigeye catch limit allocated to China by ICCAT for 2014 and 2015 remains at the same level as that in 2013.

No yellowfin catch limits

As advised by our maritime legal advisers, Liaoning Haida Law Firm, there is no specific catch limit currently applicable to China in the Atlantic Ocean in relation to yellowfin tuna adopted by ICCAT; and no proposal has been tabled historically for the imposition of catch limits on China in relation to yellowfin tuna by ICCAT.

According to the stock assessment conducted by the ICCAT in 2010, the yellowfin tuna in the Atlantic Ocean is overfished but overfishing is not occurring. For tuna conservation purposes, the ICCAT has set an annual total allowable catch (TAC) for yellowfin in the Atlantic Ocean of 110,000 tonnes for 2012 to 2015, which shall remain in place until the ICCAT revises it based on scientific advice. The yellowfin TAC applies to all types of fishing gear (including longline and purse seine). As advised by our maritime legal advisers, Liaoning Haida Law Firm, (i) the yellowfin TAC in the Atlantic Ocean is by nature a recommendation; (ii) there is no sanction mechanism in place for exceeding the yellowfin TAC; and (iii) the ICCAT does not allocate any yellowfin TAC to its members. According to Frost & Sullivan, the actual catch volume of yellowfin tuna in the Atlantic Ocean in 2012 was 101,866 tonnes, below the TAC.

Sanction mechanism for non-compliance of catch limits

As advised by our maritime legal advisers, Liaoning Haida Law Firm, according to the ICCAT, if any member exceeds its bigeye catch limit during any two consecutive management periods, the ICCAT will recommend appropriate measures, which may include, but are not limited to, a reduction in the catch limit for the member equal to a minimum of 125% of the excess harvest; and where necessary, the ICCAT will recommend a sanction on relevant members by adopting trade restrictions, which will be import restrictions on the bigeye tuna and consistent with each ICCAT member's international obligations. The ICCAT will decide the duration and conditions of such trade restrictions. Also, according to the ICCAT, the amount by which the actual catch volume is below or exceeds an annual catch limit for any member in any year may be added to or shall be deducted from its annual catch limit in the specified adjustment year(s).

As advised by our maritime legal advisers, Liaoning Haida Law Firm, no sanction measures have been implemented by the ICCAT due to China having exceeded the bigeye catch limits imposed by the ICCAT in 2005 and 2007.

REGULATORY OVERVIEW

(d) Transfer of bigeye catch limits

There are unused catch limits for certain countries. There has been a significant reduction in the number of vessels registered with OPRT since 2004, from 1,454 vessels in March of that year to 1,013 vessels in March 2014. In particular, according to Frost & Sullivan, there has been a decline in the number of vessels registered in Japan, with a transition of ownership of vessels from Japanese owners to owners in other jurisdictions, such as the PRC. This has meant that the Japanese market, the world's biggest market for premium tuna according to Frost & Sullivan, is increasingly dependent on imported tuna, and in particular, on tuna supplied by vessels owned by PRC owners. As a result, in circumstances where the overall number of vessels has been declining and there are restrictions on the construction of new vessels, Japan and other countries have had significant unused bigeye catch limits in recent years. Japan has demonstrated support for the transfer of unused catch limits and ownership of vessels to Chinese owners. For example, Japan approved the transfer of ownership of vessels from Japanese to Chinese owners, evidenced by the approval of the Company's previous purchase of four Japanese vessels in 2013. Japan has also transferred catch limits to China for the EPO and Atlantic Ocean.

IATTC

There are unused bigeye catch limits in the EPO. In 2010, 2011 and 2012, the total unused catch limits in the EPO were 21,524 tonnes, 25,335 tonnes and 25,250 tonnes, respectively, accounting for 39.6%, 46.6% and 46.4% of the total allocated catch limits. As advised by our maritime legal advisers, Liaoning Haida Law Firm, currently, IATTC acknowledges the transfer of unused bigeye catch limits between its member countries/regions and such transfer is not prohibited.

In 2011, China procured the transfer to it of 3,000 tonnes unused bigeye catch limit in the EPO from Japan, which was recognised by IATTC and was legally implemented even though there was no formal approval by IATTC. As advised by our maritime legal advisers, Liaoning Haida Law Firm, China's actual bigeye catch volumes in the EPO did not exceed the catch limits allocated by IATTC in each of the historical years from 2005 to 2012 after taking into account such transfer. However, if the IATTC were to take an alternative view, such that the transfer of the 3,000 tonnes of unused catch limits from Japan to China in 2011 was only effective for 2011 and not thereafter, then vessels under the Chinese flag would have exceeded the applicable catch limit in the EPO in 2012. As advised by our maritime legal advisers, Liaoning Haida Law Firm, China has not been and will not, under any sanction system which may be adopted in the future, be subject to any penalties for such historical non-compliance.

In both 2012 and 2013, Japan proposed that IATTC establish a bigeye catch limit transfer mechanism for the longline fishery to facilitate such transfers among member countries/regions, similar to that which exists for purse seine fishery. Such proposal had not yet been approved by IATTC as at the Latest Practicable Date.

WCPFC

We are not aware that WCPFC has authorised any transfer of bigeye tuna catch limits among its member countries/regions; or any transfer of bigeye tuna catch limits has been implemented between WCPFC member countries/regions.

REGULATORY OVERVIEW

ICCAT

As advised by our maritime legal advisers, Liaoning Haida Law Firm, ICCAT authorised the transfer of bigeye tuna catch limits (for all types of fishing gear) from Japan to China in the amount of 2,000 tonnes in 2010 and in the amount of 3,000 tonnes in 2011 and annually from 2012 to 2015. In addition, as advised by our maritime legal advisers, Liaoning Haida Law Firm, ICCAT authorised the transfer of bigeye tuna catch limits (for all types of fishing gear) from China to Ghana in the amount of 70 tonnes annually from 2012 to 2015. Therefore, the total allowed bigeye catch limit of China under ICCAT effectively increased from 7,900 tonnes in 2010 to 8,502 tonnes annually from 2012 to 2015.

Conclusions

Based on the above, our maritime legal advisers, Liaoning Haida Law Firm, are of the opinion that the bigeye catch limits allocated by RFMOs to their respective member states are not binding on individual fishing companies or vessels in China; therefore, we are not (i) exposed to the possibility of any potential penalty from the WCPFC, or, if applicable, the IATTC in respect of our past catch volumes under the bigeye catch limit regime; and (ii) subject to specific bigeye catch limits adopted by RFMOs, including the WCPFC, the IATTC and the ICCAT.

Furthermore, given that neither WCPFC nor IATTC have any sanction mechanism currently in place for the enforcement of breaches by their member states of catch limits allocated to them, we believe that the risk that the WCPFC or IATTC impose any sanction against the PRC government in respect of the catch limit regime would be remote in the near future.

(e) Catch limits for other major species of tuna we catch in areas which we operate

The remaining proportion of the premium tuna we caught during the Track Record Period mainly comprised of swordfish. In addition, albacore was a major source of our revenue from common tuna during the Track Record Period.

For the 17 vessels that we own and operate, there are no applicable catch limits for swordfish and albacore in the areas in which we fish according to Haida.

For the seven vessels that we currently manage, upon completion of their acquisition and transfer of their flag to China, the following catch limits imposed by ICCAT will apply: (i) the total allowable catch (TAC) of North Atlantic Swordfish shall be 13,700 tonnes for 2014, 2015 and 2016. China is subject to an annual catch limit of 75 tonnes for 2014-2016; and (ii) the annual total catch limit for North Atlantic Albacore for all members is 28,000 tonnes for each of the years from 2012 to 2016. An annual catch limit of 200 tonnes for North Atlantic Albacore is imposed on China.

As advised by our maritime legal advisers, Liaoning Haida Law Firm, China did not exceed any of the above catch limits imposed by ICCAT in 2011 and 2012. There is no data on the Nominal Annual Catch for 2013 published by ICCAT as at the Latest Practicable date. Our Directors believe that the catch limit regimes for swordfish and albacore adopted by the RFMOs are not material to our operations, particularly taking into account the revenue contribution from swordfish and albacore during the Track Record Period.

Policies and measures adopted by the Chinese government

The Chinese government has adopted a policy of encouraging the development of its pelagic fishing industry through the adoption of a variety of measures, including favourable tax and tariff policies for the industry. Please refer to "Regulatory Overview – Taxation" for further details.

REGULATORY OVERVIEW

As advised by our maritime legal advisers, Liaoning Haida Law Firm, it is the member countries/regions' responsibility to monitor and ensure the compliance with the catch limit requirements of RFMOs; and the Chinese government has not imposed any bigeye catch limit with respect to individual fishing companies or vessels and restricts the overall catch volume of bigeye tuna by vessels under the Chinese flag by, among other things, (i) restricting the construction of new ultra-low temperature longline tuna fishing vessels registered in China; (ii) requiring longline fishing companies to maintain the Deep Sea Fishery Enterprise Qualification (遠洋漁業企業資格) and Deep Sea Fishery Project Approval (遠洋漁業項目批文); (iii) requiring companies to obtain a High Seas Fishing Catch Licence (公海漁業捕撈許可證) for each fishing vessel engaged in fishing operations in the high seas; and (iv) the issuance of statistical certificates of origin for overseas sales of bigeye tuna caught by Chinese fishing companies. Please refer to the section headed "PRC Law" below for further details.

In addition, the Chinese government has been making efforts to comply with the allocated catch limit while supporting its fishing industry by, among other things, procuring the transfer of unused bigeye catch limits from peer member states to China, as discussed above.

As advised by our maritime legal advisers, Liaoning Haida Law Firm,

- China has not been subject to any penalties or warnings by RFMOs in respect of the catch volume of tuna in the past;
- there is no proposal tabled by the Chinese authorities for the imposition of any bigeye catch limits on individual fishing companies or vessels or the adoption of any closed periods for longline fishing similar to those currently adopted for purse seine fishing vessels;
- it is unlikely that significant changes would be made to the existing regulatory regime imposed by the Chinese government in respect of the pelagic tuna fishing industry in the foreseeable future;
- any more stringent bigeye catch limits or the introduction of a sanction mechanism which entails the adoption of a new treaty or a treaty amendment, or entails the imposition of more stringent catch limits could not therefore be adopted by either WCPFC or IATTC absent the approval of the Chinese government, which is supportive of its pelagic fishing industry.

As at the Latest Practicable Date, we were not aware that the PRC government is considering the imposition of any catch limit on individual longline tuna fishing companies or vessels or limitation on the number of vessels registered in China to ensure China's compliance with the catch limit requirements of the RFMOs. Please refer to the paragraph headed "The current catch limit regime under the RFMOs – Catch limit regime under the WCPFC – Bigeye catch limit" in this section for further details.

The Group's compliance with catch limit requirements of the RFMOs

In respect of the international conventions, as advised by our maritime legal advisers, Liaoning Haida Law Firm,

- the bigeye catch limits are allocated by RFMOs to their respective member countries/regions, and are not binding on individual fishing companies or vessels in China;

REGULATORY OVERVIEW

- in the event of any breach of international conventions by a fishing company, the RFMOs would need to first notify the PRC authorities of any breach of their requirements by the Company and such PRC authorities would in turn notify the relevant PRC fishing company; and
- there has been no such notifications made to the Chinese authorities by any RFMO in respect of our compliance with its requirements.

In addition, our Directors confirm that we have not received any notifications from either the RFMOs or the MOA or the Dalian Fishery Administration, in respect of our compliance with applicable international conventions. Therefore, our Directors believe that we are in compliance with applicable international conventions.

In respect of applicable PRC rules, according to the confirmation letter issued by the Dalian Fishery Administration, we are in compliance with applicable PRC laws and regulations relating to fishery administration and was not subject to any penalties.

In addition, our Directors confirm that we have not received any complaints or protests from the Dalian Fishery Administration in respect of its compliance with applicable PRC rules.

According to our maritime legal advisers, Liaoning Haida Law Firm, for the tuna caught by the seven fishing vessels that we currently operate under the vessel management arrangement, their actual catch volume is consolidated into the total catch volume of Japan for the purposes of applicable catch limits as these vessels are registered under the Japanese flag. The catch volume of these seven vessels will be calculated into the total catch volume of China if and when we complete the acquisition of these vessels from the Japanese ship-owners with effect from the date of completion.

Future catch limit regime under the RFMOs

We cannot assure you that the relevant RFMOs will not implement more stringent measures under the catch limit regime by, among other things, (i) reducing or further reducing the bigeye catch limits allocated to China; (ii) adopting specific catch limits for their member countries/regions in relation to other species of tuna, in particular, the yellowfin tuna; or even (iii) establishing a sanction mechanism for non-compliance with bigeye catch limits by their respective member countries/regions.

However, as advised by our maritime legal advisers, Liaoning Haida Law Firm,

- with respect to IATTC and WCPFC, any more stringent bigeye catch limits to be allocated, or any catch limits on yellowfin or other tuna species to be adopted would be subject to a consensus among all member countries/regions;
- the Chinese government's policies towards the pelagic fishing industry in China will likely influence the approach taken by the Chinese government in future negotiations of catch limits and any proposed sanction mechanism within the RFMOs, of which it is a member, to accommodate the development of China's ultra-low temperature longline tuna fishing industry.

REGULATORY OVERVIEW

If more stringent catch limit requirements were to be imposed by the RFMOs or PRC authorities in the Pacific Ocean in the future impacting our existing operations, to mitigate any potential impact of such regulatory developments, we have other options available to us to sustain our business. These include (i) deploying some of our fishing vessels to other fishing areas, in particular the Atlantic Ocean and/or Indian Ocean, and continuing to target a similar catch mix as we currently adopt. We have experience of operating fishing vessels in the Atlantic Ocean, operating seven fishing vessels in the Atlantic Ocean pursuant to vessel management agreements since September 2013. We also gained experience in operating our fishing vessels in the Indian Ocean by conducting an exploratory fishing project as sponsored by the MOA from 2007 to 2010; (ii) fishing for other species of tuna (in particular, increasing our catch volume of yellowfin tuna) or a combination of these methods. We have extensive experience in catching yellowfin tuna, which has been one of the principal species of premium tuna we caught and sold during the Track Record Period; and/or (iii) engaging in downstream operations such as ultra-low temperature tuna processing business and cooperating with wholesalers to expand sales in China, which will enable us to capture more revenue-generating opportunities along the industry value chain. Please refer to "Business – Licences and Approvals – Tuna conservation and management by international organizations – Catch limits adopted by RFMOs" for further details. Please refer to "Risk Factors – Risks Relating to Our Business – Tuna stocks are a limited natural resource and commercial tuna fishing is subject to restrictions. The implementation of more stringent measures to control catch limits or other additional measures designed to limit tuna fishing activities by RFMOs or the PRC government could materially and adversely affect our business, financial condition and results of operations".

Restriction on the number of vessels

Among the RFMOs, ICCAT imposes restriction on the number of vessels in the Atlantic Ocean on certain members. As advised by our maritime legal advisers, Liaoning Haida Law Firm, China is required by ICCAT to restrict the number of Chinese longline fishing vessels in the Atlantic Ocean to 45. According to ICCAT, there were 24 Chinese longline fishing vessels operating in the Atlantic Ocean in 2012 and the longline was the only fishing gear used by Chinese vessels operating in the Atlantic Ocean. Currently there are 31 Chinese longline fishing vessels registered with ICCAT. We believe that among the 31 registered vessels, certain vessels do not currently operate in the Atlantic Ocean. For example, one of our vessels, Tianxiang 7, which is also registered with ICCAT, currently operates in the Pacific Ocean. According to Frost & Sullivan, the number of longline fishing vessels registered with ICCAT by Japan, Korea, Taiwan and Philippines all exceeded the limit on the number of longline vessels in the Atlantic Ocean imposed by ICCAT on these countries/ regions as at the Latest Practicable Date. We are not aware of any other vessels currently in the application and approval process with the MOA of transferring vessels to operate in the Atlantic Ocean. In addition, as advised by our maritime legal advisers, Liaoning Haida Law Firm, China is required by IOTC to restrict the number of Chinese fishing vessels operating in the Indian Ocean to the number registered in 2003 in the IOTC Record of Vessels¹, and on 13 June 2014 there were 41 Chinese fishing vessels approved to operate in the Indian Ocean.

As advised by our maritime legal advisers, Liaoning Haida Law Firm, neither IATTC nor WCPFC impose any restrictions on the number of vessels operating in their respective convention area. However, the WCPFC requires each member country/region to undertake to manage the number of authorisation issued to its vessels to fish and the level of fishing effort commensurate with the fishing opportunities available to that member country/region in the convention area.

¹ There were 93 Chinese vessels registered in 2003 in the IOTC Record of Vessels. This limitation of number of vessels shall be commensurate with the corresponding overall gross tonnage and where vessels are replaced, the overall gross tonnage shall not be exceeded.

REGULATORY OVERVIEW

Closed seasons for fishing

As advised by our maritime legal advisers, Liaoning Haida Law Firm, fishing for, or supported activities to fish for bigeye and yellowfin tuna in association with objects that could affect fish aggregation, including FADs, are prohibited by ICCAT from 1 January to 28 February each year in the following area in the Atlantic Ocean:

- Northern limit: African coast
- Southern limit: Parallel 10° South latitude
- Western limit: Meridian 5° West longitude
- Eastern limit: Meridian 5° East longitude

As none of the vessels we operate are engaged in activities in association with objects that could affect fish aggregation and we do not operate any vessels in such area, such closed season imposed by ICCAT would not have any impact on our fishing operations. Save for the above, as advised by our maritime legal advisers, Liaoning Haida Law Firm, there is no other closed period adopted for longline bigeye and yellowfin tuna fishing in the Atlantic Ocean.

As advised by our maritime legal advisers, Liaoning Haida Law Firm, neither IATTC nor WCPFC impose any closed seasons on longline vessels, which fish for bigeye and yellowfin tuna, in their respective convention area.

Registration of fishing and carrier vessels

As advised by our maritime legal advisers, Liaoning Haida Law Firm, IATTC, WCPFC and ICCAT require the fishing and carrier vessels to be registered with them in order to conduct fishing operations in their convention areas; however, these RFMOs do not require registration of vessel management arrangements for fishing vessels.

IATTC maintains a list of longline fishing vessels larger than 24 meters overall length (the "LSTLFV"), which is considered to be the positive list of IATTC. Fishing vessels not included in the LSTLFV are deemed not to be authorised to fish for, retain on board, tranship or land tuna and tuna-like species in the EPO. The Commission shall also establish and maintain a record of carrier vessels authorised by their respective flag members and cooperating non-members to receive tuna and tuna-like species and sharks at sea from LSTLFV in the convention area. Carrier vessels not on this record are deemed not to be authorised to receive tuna and tuna-like species and sharks in at-sea transshipment operations. Carrier vessels authorised for at-sea transshipment shall be required to install and operate a vessel monitoring system.

WCPFC maintains its own record of vessels authorised to conduct fishing operations in the convention area beyond the national jurisdiction of the member of the commission whose flag the vessel is flying. Such vessels include any vessel used or intended for use for the purpose of fishing, including, support ships, carrier vessels and any other vessels directly involved in fishing operations. Such record is

REGULATORY OVERVIEW

known as the WCPFC Record of Fishing Vessels (the "Record"), which is considered to be the positive list of WCPFC. Any vessel not included in the Record is deemed not to be authorised to fish for, retain on board, tranship or land highly migratory fish stocks in the convention area beyond the national jurisdiction of its flag state. Any vessel that violates this prohibition may be considered for IUU (illegal, unreported, and unregulated) listing.

ICCAT maintains a record of vessels of 20 meters in length overall or greater ("large scale fishing vessels" or "LSFVs"), which are authorised to operate in the ICCAT convention area; LSFVs not entered on this record are deemed not to be authorised to fish for, retain on board, tranship or land tuna or tuna-like species in the ICCAT convention area. The Commission also establishes and maintain a record of carrier vessels authorised to receive tuna and tuna-like species in the convention area from LSFVs. Any carrier vessels not entered on the record are deemed not to be authorized to receive tuna and tuna-like species in transshipment operations. Carrier vessels authorized for at-sea transshipment shall be required to install and operate a vessel monitoring system.

Regional observer programme

As advised by our maritime legal advisers, Liaoning Haida Law Firm, IATTC, WCPFC and ICCAT appoint observers to monitor the fishing activities and tuna transshipment of the vessels registered with these RFMOs and ensure compliance with RFMOs requirements.

Pursuant to the resolutions adopted by IATTC, each member and cooperating non-member shall ensure that all its carrier vessels that tranship at sea have on board an observer. The observer shall be appointed by the IATTC to place them on board the fishing vessels and shall be granted access to personnel and areas of registered fish vessels necessary to carry out their duties including, among other things: (i) checking the validity of the fishing vessel's authorisation or license to fish for tuna and tuna-like species and sharks in the convention area; (ii) checking and recording the total quantity of catch on board, and the quantity to be transferred to the carrier vessel; (iii) in the case of an indication that there are any violations involving the fishing vessel, immediately reporting the violations to the master of the carrier vessel. (iv) checking that the vessel monitoring system is functioning, and examining the logbook, (v) verifying whether any of the catch on board resulted from transfers from other vessels, and checking the documentation on such transfers and (vi) recording the results of these duties on the fishing vessel in the observer's report. Relevant fishing companies and/or fishing vessels should cooperate with observers so as to enable the observers to carry out their duties. In addition, the observers shall have the obligations to, on carrier vessels, (i) monitor the carrier vessels' compliance with the relevant conservation and management measures adopted by the Commission, (ii) issue daily reports of the carrier vessels' transshipment activities, (iii) establish general reports compiling the information collected and provide the captains the opportunity to include therein any relevant information, (iv) submit to the Commission the aforementioned general reports within 20 days from the end of the period of observation and (v) exercise any other functions as defined by the Commission. Observers shall also be allowed to board carrier vessels to monitor the carrier vessel's compliance with relevant conservation and management measures adopted by the commission.

Pursuant to the *WCPF Convention*, the observers under the regional observer programme shall collect catch data and other sufficient data, monitor the implementation of conservation and management measures adopted by the Commission and report their findings to the Commission. The operator of every fishing vessel registered with WCPFC and each member of the crew shall allow and assist any person identified

REGULATORY OVERVIEW

as an observer under the regional observer programme, among other things, to: (i) embark at a place and time agreed; (ii) have full access to and use of all facilities and equipment on board which the observer may determine is necessary to carry out his or her duties; (iii) remove samples; (iv) disembark at an agreed place and time; and (v) carry out all duties safely. The operator shall record and report vessel position, catch of target and non-target species and other relevant fisheries data as required.

The secretariat of the ICCAT shall appoint the observers who should be on board the fishing vessels registered with ICCAT to monitor the fishing vessels' compliance with the relevant conservation and management measures adopted by the commission and to carry out their duties, including, among other things, (i) record and report upon the fishing activities carried out; (ii) observe and estimate catches and verify entries made in the logbook; (iii) sight and record vessels which may be fishing in contravention of commission conservation and management measures; (iv) verify the position of the vessel when engaged in catching activity; and (v) carry out scientific work such as collecting data when required by the commission. Pursuant to recommendation by ICCAT, an ICCAT observer shall be authorised to be on board each carrier vessel transshipping at sea and/or receiving transshipment in the ICCAT area to verify that transhipped quantities are consistent with the reported catch in the ICCAT transshipment declaration. Vessels shall be prohibited from commencing or continuing transshipping in the ICCAT area without an ICCAT regional observer on board, except in cases of force majeure duly notified to the ICCAT secretariat. Other duties of the observers include: (i) monitoring the carrier vessels' compliance with the relevant conservation and management measures adopted by the Commission, (ii) issuing daily reports of the carrier vessels' transshipping activities, (iii) establishing general reports compiling the information collected and providing the captains the opportunity to include therein any relevant information; (iv) submitting to the Commission the aforementioned general reports within 20 days from the end of the period of observation; and (v) exercising any other functions as defined by the Commission.

Requirements imposed by OPRT

OPRT is an international non-governmental organisation, established in Tokyo in December 2000, with the purpose of promoting responsible tuna fisheries for ensuring the sustainable use of tuna resources and the development of tuna fisheries in accordance with international and social responsibility. OPRT works in cooperation with the Food and Agriculture Organisation of the United Nations (FAO) and RFMOs. Its members include tuna longline producers from various countries and regions, including Japan, Taiwan, the PRC and Fiji, as well as trade and public interest organisations. The China Overseas Fisheries Association (中國遠洋漁業協會), as a member of OPRT, supervises PRC companies operating longline tuna fishing vessels.

OPRT also maintains a positive list of registered ultra-low temperature longline fishing vessels. Ultra-low temperature longline fishing vessels are required to be registered with OPRT in order for the tuna caught by such vessels to be sold to customers in Japan, the world's largest market for premium tuna. OPRT limits the number of vessels registered with it by consensus with its members. The number of OPRT registered vessels declined from 1,454 in March 2004 to 1,013 as of March 2014.

Right of Navigation and Operation of Fishing vessel within Various Area of the Sea

On 10 December, 1982, *the United Nations Convention on the Law of the Sea* (聯合國海洋法公約) (the "UNCLOS") was concluded and opened for signature on the Third United Nations Conference on the Law of the Sea held in Montego Bay, Jamaica. The UNCLOS entered into force on 16 November 1994. The

REGULATORY OVERVIEW

Chinese government deposited its instrument of accession on 7 June 1996 and the Convention entered into force for China on 7 July 1996. The UNCLOS prescribes the rights of navigation for ships in territorial sea, exclusive economic zone, straits used for international navigation, archipelagic waters and the high seas. Foreign merchant ships, including fishing vessels, enjoy the right of innocent passage through the territorial sea of a State, the archipelagic waters of an archipelagic State and straits used for international navigation which comply with the conditions laid down in the UNCLOS. Innocent passage means passage of vessels without prejudicial to the peace, good order or security of a State. The coastal state may not hamper the innocent passage of foreign ships through the territorial sea. However, such state may adopt laws and regulations which detail the ability of the coastal state to control innocent passage. These laws, which must be in conformity with international law, can deal with (i) the safety of navigation and the regulation of maritime traffic, (ii) the protection of navigational aids and facilities and other facilities or installations, (iii) the protection of cables and pipelines, (iv) the conservation of the living resources of the sea, (v) the prevention of infringement of the fisheries laws and regulations of the coastal state, (vi) the preservation of the environment of the coastal state and the prevention, reduction and control of pollution thereof, (vii) marine scientific research and hydrographic surveys and (viii) the prevention of infringement of the customs, fiscal, immigration or sanitary laws and regulations of the coastal. Foreign merchant ships, including fishing vessels, also enjoy the right of transit passage in straits between one part of the high seas or another exclusive economic zone and another part of the high seas or another exclusive economic zone and the right archipelagic sea lanes passage in the archipelagic sea lanes within the archipelagic waters allocated by the archipelagic states.

Both rights of transit passage mean the exercise of the freedom of navigation solely for the purpose of continuous and expeditious transit of such straits and sea lanes. Except that for the right of transit passage, if the strait is formed by an island of a state bordering the strait and its mainland, transit passage shall not apply if there exists seaward of the island a route through the high seas or through an exclusive economic zone of similar convenience with respect to navigational and hydrographical characteristics. States bordering straits and archipelagic states may adopt laws and regulations relating to the transit passage through straits and sea lanes on several areas which include, with respect to fishing vessels, the prevention of fishing and the storage of fishing gear. In the exclusive economic zone of a state and the high seas, all merchant ships shall enjoy the freedom of navigation, but with due regard for the interest of other states in their exercise of such freedom, and also with due regard for the rights under the UNCLOS with respect to activities in the seabed, ocean floor and subsoil thereof beyond the limits of national jurisdiction. The legal status of the internal waters is the same as of the land territory of a coastal State and the coastal State shall exercise her full sovereignty over the internal waters. Therefore, except for Article 8(2), the UNCLOS did not prescribe any rules of navigation for internal waters going vessels, and the coastal States shall have the right to establish their own rules. It is usually provided by states that foreign ships are not allowed to enter into internal waters of the coastal State without approval. After obtaining such approval, foreign merchant vessels, including fishing vessels, may enter into the designated ports or places and perform relevant operations, such as loading/discharging cargoes, loading in fuels/materials and repairing ships.

With regard to the area within which fishing vessels can engage in fishing activities, in accordance with the UNCLOS, foreign fishing vessels are not allowed to engage in fishing activities in the internal waters or territorial seas of a State. In the exclusive economic zones of a State, foreign fishing vessels are not allowed to engage in fishing activities, unless such activities are performed in accordance with some relevant agreements or other arrangements and subject to the laws and regulations of the coastal State. On the high seas, ships of any State shall enjoy the freedom of fishing, subject to a variety of treaties,

REGULATORY OVERVIEW

agreements or arrangements regarding the conservation and management of living resources on the high seas. At present, the relevant treaties and agreements adopted by China mainly include: (1) the *Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea of 10 December 1982 Relating to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks* (關於執行《聯合國海洋法公約》有關養護和管理跨界魚類種群和高度洄游魚類種群的規定的協定) which was ratified on 4 August 1995 and adopted by the Chinese government on 6 November 1996; (2) the *Convention on the Conservation of Antarctic Marine Living Resources* (南極海洋生物資源養護公約) which was ratified on 20 May 1980, entered into force on 7 April 1982, adopted by Chinese government on 19 September 2006 and entered into force in China on 19 October, 2006; and (3) the four conventions establishing IATTC, WCPFC, ICCAT and IOTC, respectively. Please refer to “Regulatory Overview – International Law – requirements imposed by RFMOs” for further details.

Prevention of Ship-Source Pollution

China is a contracting party of the *International Convention for the Prevention of Pollution from Ships, 1973 as modified by the Protocol 1978* (經1978年議定書修訂的1973年國際防止船舶造成污染公約) (the “**MARPOL 73/78**”) and brought all six annexes into force, among which the following four annexes apply to fishing vessels, Annex I *Regulations for the Prevention of Pollution by Oil*, Annex IV *Regulations for the Prevention of Pollution by Sewage from Ships*, Annex V *Regulation for Prevention of Pollution by Garbage from Ships* and Annex VI *Regulations for the Prevention of Air Pollution from Ships*. Therefore, fishing vessels of Chinese Nationality, which have complied with the scope of applications stipulated by each Annex shall hold the appropriate certificate or instrument specified by each Annex. Such fishing vessels shall also manage, dispose and discharge various pollutants on board in accordance with the stipulations in each Annex. Apart from the MARPOL 73/78, China has also promulgated several domestic laws and regulations which explicitly provide punishment measures for breaching the provisions to emit pollutants from ships or to cause pollution accidents from ships. Such laws and regulations include but are not limited to the *Marine Environmental Protection Law of PRC* (中華人民共和國海洋環境保護法), which was last amended on 25 December 1999 and effective as of 1 April 2000, the *Regulations on Administration of Prevention and Control of Pollution to the Marine Environment by Vessels* (防治船舶污染海洋環境管理條例), which was promulgated on 9 September 2009 and effective as of 1 March 2010, the *Provisions of PRC on Supervisory and Administrative Sanctions of the Navigation in Fishery Ports* (中華人民共和國漁業港航監督行政處罰規定) which was promulgated by the MOA and effective as of 13 June 2000.

According to the aforesaid domestic laws and regulations, where the vessel engaged in navigation under the jurisdiction of the PRC breaches the provisions to emit the pollutants or to cause pollution accidents, or the vessel engages in operations in the areas beyond the sea areas under the jurisdiction of the PRC but causes pollution to the sea areas under the jurisdiction of the PRC, such vessel may be ordered to make rectification within a time limit, given a warning or a fine, and criminal responsibility may be affixed if serious consequences are caused. China is also a contracting state to the *Convention on the Prevention of Marine Pollution by Dumping of Waste and other Matter of 1972* (1972年防止傾倒廢物及其他物質污染海洋公約). According to this Convention, the *Marine Environmental Protection Law of People’s Republic of China and the Regulations of the PRC on Control over Waste-dumping to the Ocean* (中華人民共和國海洋傾廢管理條例) which was promulgated on 6 March 1985 and last amended on 8 January 2011, substances forbidden to be dumped from fishing vessels include, for example fishing nets and ropes that are made of plastics or other persistent synthetic materials which may float or may remain in suspension in the sea in such a manner as to interfere materially with fishing, navigation or other legitimate uses of the sea. Any fishing vessel discharging pollutants or dumping waste in violation of the

REGULATORY OVERVIEW

aforesaid laws and regulations may be given a warning or a fine, and the vessels' master or crew members who are directly responsible for the violation shall be provisionally suspended or their certificates shall be revoked, and criminal responsibility may be imposed if serious consequences are caused.

Civil Liability for Bunker Oil Pollution Damage

China is a contracting party of the International Convention on Civil Liability for Bunker Oil Pollution Damage (國際燃油污染損害民事責任公約) (the "Bunker Convention"), which entered into force on 21 November 2008. The Chinese government deposited its instrument of accession on 9 December 2008 and the Bunker Convention entered into force for China on 9 March 2009. The Bunker Convention applies to seagoing fishing vessels, so all seagoing fishing vessels registered in a contracting state to the Bunker Convention and those seagoing fishing vessels causing bunker oil pollution damage in the territory (including territorial sea) or the exclusive economic zone (or, if a state has not established such a zone, in an area beyond and adjacent to the territorial sea of that state determined by that state in accordance with international law and extending not more than 200 nautical miles from the baselines from which the breadth of its territorial sea is measured) of a contracting state to the Bunker Convention must comply with all the relevant rules prescribed therein. According to the Bunker Convention, ship-owners, including the registered owners, bareboat charterers, managers and operators of the vessels, are strictly liable for pollution damage from bunker oil spillage. According to the Bunker Convention, a ship with gross tonnage of 1,000 or more is required to carry on board a certificate of insurance or other financial security in respect of civil liability for bunker oil pollution damage showing that insurance or other financial security is in place. Member states are entitled to, subject to the provisions of the Bunker Convention, determine the conditions of issue and validity of the certificates. On 16 February 2013, the Notice on Implementation of the 'International Convention on Civil Liability for Bunker Oil Pollution Damage' for Pelagic Fishing Vessels (關於遠洋漁船統一實施《國際燃油污染損害民事責任公約》的通知) was promulgated by the Fishery Administration of the MOA, requiring all Chinese pelagic fishing vessels with gross tonnage of 1,000 or more to carry a certificate of insurance or other financial security in respect of civil liability for bunker oil pollution damage on board.

Preventing Collision and Safety of Navigation

China is a contracting party to the *Convention on the International Regulations for Preventing Collisions at Sea, 1972* (1972年國際海上避碰規則公約), which entered into force on 15 July 1977, was approved by the Chinese government on 7 January 1980 and entered into force in China on the same day. This convention, together with its attachment, *the International Regulations for Preventing Collisions at Sea, 1972* ("COLREGS"), have been accepted by most of the coastal states around the world. The COLREGS prescribes the steering and sailing rules for those vessels sailing upon the high sea and other waters connected therewith. It also prescribes the lights and shapes and sound and light signals that should be equipped and displayed by various ships. The COLREGS apply to fishing vessels, so all fishing vessels sailing upon the high sea and other sea areas under the jurisdiction of a contracting state to this Convention must comply with all the rules prescribed therein. In particular, there are special provisions prescribed in the COLREGS in relation to lights, shapes and light signals which fishing vessels are required to follow.

REGULATORY OVERVIEW

PRC LAW

Regulations regarding Foreign Investment in Fishery Industry

The Catalogue of Industries for Guiding Foreign Investment Industries (Amended in 2011) (外商投資產業指導目錄 (2011年修訂)) (the “**Catalogue**”) which was promulgated on 24 December 2011 and effective as of 30 January 2012, lists the industries in the categories of foreign investment encouraged industries, foreign investment restricted industries and foreign investment prohibited industries. Industries not listed in the Catalogue are generally open to foreign investment unless specifically prohibited or restricted by other PRC laws and regulations. Deep sea fishing and the wholesale of fresh fishery products are not listed in the Catalogue, which means foreign investment is permitted in these industries in accordance with PRC laws and regulations.

Regulations regarding Ocean Fishery Industry

Our tuna fishing business is regulated by various government authorities, including the MOA and its subordinates such as Register of Fishing Vessel of the PRC (中華人民共和國漁業船舶檢驗局) and Dalian Fishery Administration.

Overall Industry Planning and Guidance

Pursuant to the Interim Provisions on the Promotion of Industrial Restructuring (促進產業結構調整暫行規定) promulgated by the State Council and effective as of 2 December 2005, the NDRC issued the Catalogue for Guiding Industrial Restructuring (產業結構調整指導目錄), which designates three categories of industries, namely the encouraged category, the restricted category and the eliminated category. Any type of business that does not fall under the encouraged category, restricted category or eliminated category and meets the provisions of the relevant laws, regulations and policies, is considered a permitted industry. The Catalogue for Guiding Industrial Restructuring is generally applicable to all types of enterprises within China. Under the current version of the Catalogue for Guiding Industrial Restructuring, which was effective as of 1 June 2011 and amended on 16 February 2013, deep sea fishing is listed under the encouraged category.

The Role of the Ministry of Agriculture

MOA is in charge of the administration of national deep sea fishery, its responsibilities include but not limited to, approving the deep sea fishery project, certifying the deep sea enterprise qualification, issuing the fishery catch license, conducting the registration for the fishing vessels’ ownership and nationality, and inspecting the fishing vessels.

Deep Sea Fishing

Pursuant to the *Administrative Provisions on the Deep Sea Fishery* (遠洋漁業管理規定) (the “**Provisions**”) which was promulgated on 18 April 2003 and amended on 1 July 2004, (i) the enterprise (1) which registers in the industrial and commercial administration of the PRC and obtains the independent legal personality, (2) which owns lawful fishing vessel appropriate for deep sea fishing, (3) which has the economic strength to undertake the operation of the project and accidental risks and good credit standing,

REGULATORY OVERVIEW

(4) which has full-time management personnel with over three years experience in deep sea fishery production and management who well know deep sea policies, relevant laws and regulations and situations abroad, and (5) which does not have the record that its deep sea fishery enterprise qualification was disqualified by the MOA in the past three years before applying for the project, and whose principal of enterprise and project principal do not have a record of working as the principal of an enterprise and project principal in an enterprise whose deep sea fishery enterprise qualification was disqualified by the MOA in the past three years before applying for the project, may engage in deep sea fishery and apply for a Deep Sea Fishery Project (遠洋漁業項目) to the fishery administrative department at provincial level which will submit it to the MOA for approval after its examination and verification; (ii) the enterprise whose deep sea fishery project has been approved by the MOA and been operated shall be granted the Deep Sea Fishery Enterprise Qualification (遠洋漁業企業資格) and be issued the Certificate of Deep Sea Fishery Enterprise Qualification (遠洋漁業企業資格證書) if (1) the status of its production and operation is normal, and (2) it complies with relevant laws and regulations including the Provisions and no illegal circumstances have occurred in the enterprise. The enterprise with the certificate of deep sea enterprise qualification shall enjoy the supporting policies promulgated by the State according to relevant regulations; and (iii) the deep sea fishery enterprise qualification and the deep sea fishery project shall be examined annually by the MOA. The MOA will issue a new certificate of the deep sea fishery enterprise qualification to the enterprise which passes the examination.

Pursuant to the *Fishery Law of PRC* (中華人民共和國漁業法) which was promulgated on 20 January 1986 and last amended on 28 December 2013, the Administrative Provisions on Permission of Fishing (漁業捕撈許可管理規定) which was promulgated on 23 August 2002 and last amended on 31 December 2013, and the *Provisions*, the State implements fishing licence system on fishery industry. The High Seas Catch Fishing Licence (公海漁業捕撈許可證), which is the licence for fishing operation on the high seas, shall be issued by the MOA, and shall be examined bi-annually by the MOA or the authorised department of fishery administration at or above the county level in the place where the applicant or the enterprise is located. Deep sea fishing vessels operated on the High Seas shall obtain the Chinese nationality, fly the Chinese flag, operate in accordance with the approval documents of the Deep Sea Fishery Project and the area of fishing, category of fishing method and duration of fishing as stipulated in the High Seas Fishing Licence, and abide by the international treaties or agreements to which the PRC is a signatory or has entered.

Fishing Vessel Registration

Pursuant to the *Maritime Code of the PRC* (中華人民共和國海商法) which was promulgated on 7 November 1992 and effective as of 1 July 1993, and the *Measures for Fishing Vessel Registration of the PRC* (中華人民共和國漁業船舶登記辦法) which was promulgated on 22 October 2012 and last amended on 31 December 2013, the acquisition, transfer or termination of the ownership of a fishing vessel shall be registered with the fishing port superintendency administration (the “**registration administration**”); no acquisition, transfer or termination of the ownership of a fishing vessel shall be effective against a third party unless registered. Subject to approval, a Registration Certificate of the Ownership of Fishing Vessel (漁業船舶所有權登記證書) and a Certificate of Fishery Vessel’s Nationality (漁業船舶國籍證書) will be issued to the applicant by the registration administration. The owner of a fishing vessel or those authorised thereby may mortgage the fishing vessel. The mortgage of a fishing vessel shall be registered with the registration administration jointly by the mortgagee and the mortgagor. No mortgage may be effective against a third party unless registered. Subject to approval, the registration administration will record the mortgage in registration certificate of the ownership of and the register of the fishing vessel and issue a Registration Certificate of the Mortgage of Fishing Vessel (漁業船舶抵押權登記證書) to the mortgagee.

REGULATORY OVERVIEW

Inspection of Fishing Vessel

Pursuant to the *Regulations of the PRC on Fishing Vessels Inspection* (中華人民共和國漁業船舶檢驗條例) which was promulgated by the State Council on 27 June 2003 and effective as of 1 August 2003, the State applies compulsory inspection to all fishing vessels that are registered or are to be registered in the PRC, with the exception of fishing support vessels engaged in international voyages. The compulsory inspection of fishing vessels is classified into initial inspection (初次檢驗), operational inspection (營運檢驗) and interim inspection (臨時檢驗). The fishing vessel inspection agencies are in charge of the compulsory inspection.

Initial inspection of a fishing vessel refers to the comprehensive inspection of a fishing vessel conducted by the fishing vessel inspection agency before such vessel is put into operation. The owner or operator of any of the following fishing vessels shall apply for an initial inspection: (1) newly constructed fishing vessels; (2) adapted fishing vessels (including fishing vessels converted from non-fishing vessels and fishing vessels engaged in ocean-going operation converted from fishing vessels engaged in domestic operation); and (3) imported fishing vessels. The fishing vessel inspection agency shall issue a fishing vessel inspection certificate (漁業船舶檢驗證書) to the fishing vessel passing the preliminary inspection.

Operational inspection of a fishing vessel refers to the conventional inspection of a fishing vessel in operation conducted by the fishing vessel inspection agency. The owner or operator of a fishing vessel in operation shall apply for the operational inspection within the time limit specified by the competent fishery administrative department of the State Council.

Interim inspection of a fishing vessel refers to the unconventional inspection of a fishing vessel in operation that comes under certain special circumstances conducted by the fishing vessel inspection agency. Where a fishing vessel comes under any of the following circumstances, its owner or operator shall apply for an interim inspection: (1) failing to return to its port of registration in time due to the invalidity of its inspection certificate; (2) being ordered to be inspected due to non-compliance with the relevant requirements of the laws and regulations on safety of waterborne traffic or environmental protection; or (3) other special circumstances specified by the competent fishery administrative department of the State Council.

Manning of Fishing Vessel and Qualification of Crew

Pursuant to the *Maritime Code of the PRC*, and the Provisions on Issuing Certificates for Ocean Fishery Crew of the PRC (中華人民共和國海洋漁業船員發證規定) which was promulgated on 27 March 2006 and effective on 1 September 2006, the crew of a deep sea fishing vessel shall be trained by qualified professional training agencies examined and approved by the MOA, pass the examination organised by the fishing supervision and administration departments authorised by the MOA, and obtain the professional training certificates for fishery crew (漁業船員專業訓練合格證) (the “**Professional Training Certificate**”); the professional crew of a deep sea fishing vessel with duties shall obtain the appropriate certificates of competency for a professional fishing vessel crew (漁業船舶職務船員適任證書) (the “**Certificate of Crew with Duties**”); the Chinese crew engaged in international voyages must possess a Seaman’s Book (海員證) and other relevant certificates issued by the harbour superintendency authorities of the PRC; the deep sea fishery enterprise shall apply for the Seaman’s Books for its crew.

REGULATORY OVERVIEW

Control over the Number of Ultra-Low Temperature Longline Tuna Fishing Vessels

In November 2012, the general office of the Ministry of Agriculture of the PRC issued the *Notice on Strengthening the Management of Construction and Replacement of Deep Sea Fishing Vessels* (《農業部辦公廳關於加強遠洋漁船更新改造管理工作的通知》), which announced that the construction of new ultra-low temperature longline tuna fishing vessels would no longer be approved as of November 2012, except to replace existing ultra-low temperature longline tuna fishing vessels.

Importation and Exportation of Goods

Pursuant to the *Foreign Trade Law of the PRC* (中華人民共和國對外貿易法) (the “**Foreign Trade Law**”) which was last amended on 6 April 2004 and became effective as at 1 July 2004, and the *Measures for the Archive Filing and Registration of Foreign Trade Business Operators* (對外貿易經營者備案登記辦法) (the “**Measures**”) which were promulgated on 25 June 2004 and became effective as at 1 July 2004, foreign trade dealers engaged in the import and export of goods or technologies shall register with MOFCOM or its authorised bodies unless laws, regulations and MOFCOM do not require such registration. Where foreign trade dealers fail to register as required, the Customs authority shall not process the procedures of declaration, examination and release of the imported and exported goods.

Pursuant to the *Administrative Provisions on the Registration of Customs Declaration Agents by the PRC Customs Authorities* (中華人民共和國海關報關單位註冊登記管理規定), which was promulgated and effective on 13 March 2014 “consignor or consignee of export or import goods” means any legal person, other organisation or individual that directly imports or exports goods within the territory of the PRC. Consignors or consignees of import or export goods shall go through registration formalities with their local Customs authorities in accordance with the applicable provisions. After going through the registration formalities with Customs authorities, consignors or consignees of import or export goods may handle their own declarations at any customs port or any other places where customs supervisory affairs are concentrated within the customs territory of the PRC. And a PRC Customs Declaration Registration Certificate for Consignor or Consignee of Import or Export Goods is permanently valid, but the Consignor or Consignee shall submit an annual report regarding its registration information before 30 June every year.

Taxation

Enterprise Income Tax

Pursuant to the *Enterprises Income Tax Law of the PRC* (中華人民共和國企業所得稅法) (the “**EIT Law**”), which was promulgated on 16 March 2007 and effective as at 1 January 2008, and the *Regulation on the Implementation of the Enterprise Income Tax Law of the People’s Republic of China* (中華人民共和國企業所得稅法實施條例) (the “**Implementation Regulation**”), which was promulgated on 6 December 2007 and effective as at 1 January 2008, the PRC adopts a uniform income tax rate of 25% for enterprises in the PRC (including foreign-invested enterprises) except for those enterprises which are entitled to certain tax preferences. Enterprises’ proceeds from deep sea fishing are exempted from enterprise income tax.

Under the EIT Law, enterprises are classified as either resident enterprises or non-resident enterprises. A resident enterprise refers to an enterprise that is incorporated under PRC law, or that is incorporated under the law of a jurisdiction outside the PRC with its de facto management organisation

REGULATORY OVERVIEW

located within the PRC. Under the Implementation Regulation, “de facto management organisation” is defined as the organisation of an enterprise through which substantial and comprehensive management and control over the manufacturing and business operations, personnel, accounting and properties of the enterprise are exercised. A non-resident enterprise refers to an enterprise that is incorporated under the law of a jurisdiction outside PRC with its de facto management organisation located outside of the PRC, but which has either set up institutions or establishments in the PRC or it has income originating from the PRC without setting up an institution or establishment in the PRC.

Value-Added Tax and Import Tariff

Pursuant to *the Provisional Regulation of the PRC on Value-added Tax (amended in 2008)* (中華人民共和國增值稅暫行條例) (2008修訂) (the “**VAT Regulation**”), which was promulgated in 1993, amended in 2008 and effective as at 1 January 2009, all units and individuals engaged in the sale of goods, provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC are taxpayers of VAT, and shall pay VAT in accordance with the VAT Regulation except for those that are entitled to a tax preference. Pursuant to the *Notice of the General Office of the State Council on Forwarding the Certain Opinions of the Ministry of Agriculture on Adjusting Agricultural Production Structure Currently* (國務院辦公廳轉發農業部關於當前調整農業生產結構若干意見的通知), which was promulgated and effective as at 29 July 1999, and the *Administrative Measures for Exemption from Tax for Deep Sea Fishery Enterprise to Ship Back the Fishery Products Caught by It* (遠洋漁業企業運回自捕水產品不徵稅的暫行管理辦法), which was promulgated on 29 May 2000 and effective as at 1 July 2000, the fishery products caught, in the high seas or foreign waters according to relevant treaties and shipped back by the deep sea enterprise in the PRC with the certificate of deep sea fishery enterprise qualification are considered as domestic products and exempted from import VAT and import tariff.

Regulations regarding Labour Protection

Pursuant to *the Labour Law of the PRC* (中華人民共和國勞動法) and *the Labour Contract Law of the PRC* (中華人民共和國勞動合同法), which was effective as at 1 January 1995 (amended in 2009) and 1 January 2008 (amended in 2012), respectively, labour contracts shall be concluded if relationships are to be established between the employer and the employees. The employer shall not require the employees to work beyond the stipulated time limit and shall timely provide the wages which are no lower than local standards on minimum wages to the employees. The employer shall establish and perfect their system for safety and sanitation, strictly abide by the rules and standards on safety and sanitation set by the State, and educate employees in safety and sanitation. The employer shall provide employees with safety and sanitation conditions meeting stipulations by the State and necessary articles of protection, and carry out regular health examination for employees engaged in work with occupational hazards.

Pursuant to *the Social Insurance Law of PRC* (中華人民共和國社會保險法) which was promulgated on 28 October 2010 and effective as at 1 July 2011, an employer shall register with the local social insurance agency in accordance with the provisions of the Social Insurance Law of PRC. Moreover, an employer shall declare and make social insurance contributions in full and on time. Employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance schemes. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees on a pro rata basis. Employees shall participate in work-related injury insurance and maternity insurance schemes. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees.

REGULATORY OVERVIEW

As required under *the Regulation of Insurance for Labour Injury* (工傷保險條例), which was effective as at 1 January 2004 and amended in 2010, *the Provisional Insurance Measures for Maternity of Employees* (企業職工生育保險試行辦法) which was effective as at 1 January 1995, *the Interim Regulation on the Collection and Payment of Social Insurance Premiums* (社會保險費徵繳暫行條例) which was effective as at 22 January 1999 and *the Interim Provisions on Registration of Social Insurance* (社會保險登記管理暫行辦法), which was effective as at 19 March 1999, enterprises are obliged to undertake registration with the competent authorities of social insurance and provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance.

Pursuant to *the Regulations on Management of Housing Provident Fund* (住房公積金管理條例), which were promulgated on 3 April 1999 and amended in 2002, enterprises shall register at the competent administrative centre of the housing provident fund and then, upon the examination by such administrative centre of housing provident fund, undergo the procedures of opening housing provident fund accounts for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit housing provident funds for their employees in the full amount.

Regulations regarding Environmental Protection

Pursuant to *the Environmental Protection Law of the PRC* (中華人民共和國環境保護法), which was effective as at 26 December 1989, enterprises that cause environmental pollution and other public nuisance shall adopt effective measures to avoid and control the pollution and damage caused to the environment, such as waste gas, waste water, waste residues, dust and noise generated during manufacturing or other activities. Enterprises and institutions discharging pollutants shall report to and register with the competent environmental protection authorities in accordance with the provisions of the environmental protection authority under the State Council. The relevant authorities are authorised to impose various types of penalties on the persons or entities in violation of the environmental regulations. The penalties which could be imposed include the issuance of a warning, suspension of operation or the installation and use of preventive facilities which are incomplete and fail to meet the prescribed standard, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against office-in-charge, suspension of business operations or shut-down of the enterprise or institution. Fines could also be levied together with these penalties.

Regulations regarding Food Safety

Pursuant to *the Food Safety Law of PRC* (中華人民共和國食品安全法), promulgated on 28 February 2009 and became effective as at 1 June 2009, a licensing system is adopted for the operation of food product distribution, according to which food distributors shall apply for a Food Distribution License (食品流通許可證). According to *the Implementing Regulations for the Food Safety Law of the PRC* (中華人民共和國食品安全法實施條例) and *the Administrative Measures for Food Distribution License* (食品流通許可證管理辦法), which became effective as at 20 July and 30 July 2009, respectively, food distributors shall obtain Food Distribution Licenses from the industry and commerce registration and shall not commence such business without obtaining the Food Distribution License. The valid term of the Food Distribution License is three years and the food distributors shall apply to the original issuing authority for renewing within 30 days prior to the expiry date of the Food Distribution License.

REGULATORY OVERVIEW

Foreign Exchange

The principal regulations governing foreign currency exchange in the PRC are *the Foreign Exchange Administrative Regulations* (外匯管理條例) (the “**Regulations**”) which was promulgated by the State Council and last amended in 2008. Under the Regulations, the RMB is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the State Administration of Foreign Exchange (the “**SAFE**”) is obtained. Under *the Administration Rules of Settlement, Sale and Payment of Foreign Exchange* (結匯、售匯及付匯管理規定), which was promulgated by the People’s Bank of China on 20 June 1996, foreign investment enterprises in the PRC generally may purchase foreign exchange without the approval or review of SAFE for trade and service related foreign exchange transactions by providing commercial documents evidencing these transactions. They may also retain foreign exchange, under current account items. However, the relevant PRC government authorities may limit or eliminate the ability of foreign investment enterprises to purchase and retain foreign currencies in the future. Foreign investment enterprises are permitted to remit their profits or dividends in foreign currencies out of their foreign exchange accounts or exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

Reorganisation

As advised by our PRC legal advisers, Commerce & Finance Law Offices, in connection with each stage of the Reorganisation in respect of the onshore subsidiaries, we have obtained the relevant approvals, permits and registration, if required, under PRC laws and regulations. Please refer to the section headed “History, Development and Reorganisation” in this [REDACTED] for further details.

JAPANESE LAW

Import of Tuna into Japan

Pursuant to *the Foreign Exchange and Foreign Trade Act* (Act No. 228 of 1949, as amended) (外國為替及び外國貿易法), any person who intends to import goods into Japan may be required to obtain import approval. *Import Trade Control Order* (Cabinet Order No. 414 of 29 December 1949, as amended) (輸入貿易管理令) and the lists published by METI thereunder specify the goods which are required to obtain the approval or the prior confirmation from the METI. According to the lists, the approval from METI is required to import certain types of tuna including bluefin tuna, southern bluefin tuna and bigeye tuna caught in certain areas specified by the list, and the prior confirmation from METI is required to import certain tuna, including frozen bigeye tuna and swordfish tuna, into Japan.

Act on Special Measures for Strengthening Conservation and Management of Tuna Resources (Act No. 101 of 1996, as amended) (まぐろ資源の保存及び管理の強化に関する特別措置法) also imposes certain obligations regarding the import of certain types of tuna into Japan. Under the Act, importers and shipping companies are required to submit a report to the Fisheries Agency regarding the import and shipping of tuna. In case that tuna is imported from China, a certificate issued by the relevant Chinese authority needs to be submitted. In exchange for the submission of such report and certificate, the Fisheries Agency issues a confirmation letter which certifies, among others, that tuna was caught by an officially admitted fishing vessel. The confirmation letter is a necessary document to request the prior confirmation from the METI mentioned above.

REGULATORY OVERVIEW

Under *the Food Sanitation Law* (Act No. 233 of 1947, as amended) (食品衛生法), a person who intends to import foods including tuna for the purpose of marketing or to use in business is required to make a notification to the Minister of Health, Labour and Welfare in order to ensure food safety in Japan.

Organisation for the Promotion of Responsible Tuna Fisheries (“OPRT”) is an international non-governmental organisation established in Tokyo on 8 December 2000, with the purpose to link the oceans with the consumers and promote the sustainable use of tuna. It comprises tuna longline producers from various countries including Japan and China as well as organisations of traders, distributors and consumers and public interest organisations in Japan. The OPRT is striving to develop tuna fisheries in a way to fulfill international and social responsibility in cooperation with the FAO and regional tuna resource management organisations responsible for each area of the world’s oceans.

Export of fishing vessels from Japan

METI and the Fisheries Agency are the supervising government agencies relevant to the export of fishing vessels from Japan. Any person who intends to export fishing vessels from Japan is required to obtain prior approval from the Fisheries Agency as a first step. The director of the Fisheries Agency will issue a certificate regarding the approval of the transfer of a fishing vessel. Then, pursuant to *the Foreign Exchange and Foreign Trade Act and Export Trade Control Order* (Cabinet Order No. 378 of 1 December 1949) (輸出貿易管理令), the relevant person seeking to export a fishing vessel from Japan needs to obtain export approval from METI to export the fishing vessel. A certified copy of the register of fishing vessels and the agreement regarding the export of fishing vessel are required to be submitted in order to obtain such approval.

HISTORY, DEVELOPMENT AND REORGANISATION

INTRODUCTION

We are a leading ultra-low temperature longline premium tuna fishing company in the PRC. Our Company was incorporated in the Cayman Islands on 24 October 2011, and as a result of the Reorganisation, became the holding company of our Group with our business being conducted mainly through our major operating PRC subsidiary, namely, Dalian Ocean Fishing. Our history can be traced back to the establishment of Dalian Ocean Fishing in 2000. Upon its establishment Mr. Li Zhenyu, the chairman of the Board and chief executive officer of our Company, enjoyed all the relevant shareholders rights and obligations.

Business Milestones

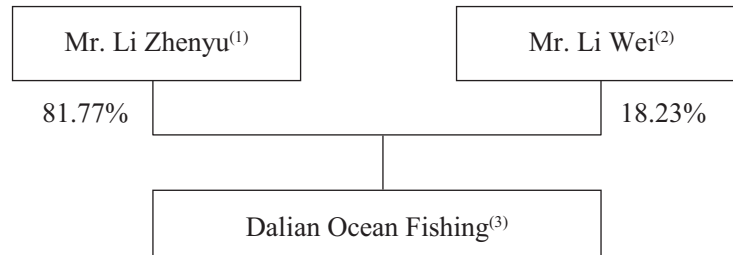
The table below sets out the key milestones in the development of our business:

<u>Year</u>	<u>Event</u>
2000	Dalian Ocean Fishing, our major operating PRC subsidiary, was established to engage in catching and sales of tuna, and owned and operated three ultra-low temperature longline fishing vessels.
2004	The construction of two new ultra-low temperature longline fishing vessels was completed, increasing our fleet to five vessels in total.
2005	The construction of additional two new ultra-low temperature longline fishing vessels was completed, increasing our fleet to seven vessels in total.
2012	We ranked as the largest ultra-low temperature longline premium tuna fishing company in the PRC in terms of revenue and sales volume by weight in 2012 according to Frost & Sullivan. In January 2012, we began to operate four Japanese ultra-low temperature longline fishing vessels, which we subsequently acquired in 2013, pursuant vessel management arrangements, details of which are set out in the paragraph headed "Our fleet – Vessel management arrangement" in the section headed "Business" in this [REDACTED].
2013	We completed the acquisition of six Chinese ultra-low temperature longline fishing vessels from Independent Third Parties by February 2013, increasing our fleet to 13 in total. We completed the acquisition of four Japanese ultra-low temperature longline fishing vessels from Independent Third Parties in April 2013, increasing our fleet to 17 in total. The vessel management arrangements relating to these four Japanese fishing vessels were thereby terminated. In September 2013, we began to operate additional seven Japanese ultra-low temperature longline fishing vessels pursuant to vessel management arrangements, details of which are set out in the paragraph headed "Our fleet – Vessel management arrangement" in the section headed "Business" in this [REDACTED]. As such, our fleet increased to 24 vessels in total.

HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

The following chart sets forth the corporate structure of our Group immediately prior to the Reorganisation:



Notes:

- (1) Pursuant to the confirmation letters of acting in concert signed by Mr. Li Zhenyu and Ms. Li Li on 5 March 2012 and 6 April 2012, Mr. Li Zhenyu and Ms. Li Li have been acting in concert in relation to management and ownership of our Group, including exercising the voting rights attached to the relevant interests held by them, daily management of our Group and sharing the benefits arising from the relevant interests held by them, starting from January 2008.
- (2) The 18.23% equity interest in Dalian Ocean Fishing was held by Mr. Li Wei on trust for Mr. Li Zhenyu. For details of the trust arrangement, please refer to the paragraph headed "Corporate History" in this section.
- (3) Historically, Dalian Ocean Fishing held a 5.1% equity interest in Dalian Investment from 18 February 2003 to 18 March 2003, and held a 40% equity interest in Dalian Investment from 19 March 2003 to 7 March 2012, in each case, on trust for Mr. Li Zhenyu pursuant to a trust agreement dated 18 February 2003 between Mr. Li Zhenyu and Dalian Ocean Fishing. For details of the trust arrangement, please refer to the paragraph headed "Corporate History" in this section.

CORPORATE HISTORY

Dalian Ocean Fishing was the only company comprising our Group before the Reorganization. Details of the shareholding history of Dalian Ocean Fishing before the Reorganisation were as follows:

(1) Shareholding History of Dalian Ocean Fishing

Dalian Ocean Fishing was established on 28 April 2000 as a limited liability company in the PRC with an initial registered capital of RMB10,000,000 and was held as to 95% by Jinfeng Trading, and 5% by Dalian Ocean, respectively. Pursuant to a trust agreement between Jinfeng Trading and Mr. Li Zhenyu dated 5 March 2000 and a supplement trust agreement dated 6 September 2000, the 95% equity interest in Dalian Ocean Fishing was held by Jinfeng Trading on trust for Mr. Li Zhenyu for commercial reasons. The initial registered capital of RMB9,500,000 paid by Jinfeng Trading was ultimately contributed by Mr. Li Zhenyu from his own funds generated from his apparel export businesses. The initial registered capital of RMB500,000 paid by Dalian Ocean was ultimately contributed by Mr. Li Zhenyu and the relevant shareholder's rights and obligations were enjoyed by Mr. Li Zhenyu.

Jinfeng Trading, an Independent Third Party, was an enterprise established in the PRC on 10 July 1992. Dalian Ocean, an Independent Third Party, was a limited liability company established in the PRC on 2 June 1988 and deregistered on 23 November 2010.

HISTORY, DEVELOPMENT AND REORGANISATION

On 18 September 2000, the registered capital of Dalian Ocean Fishing was increased to RMB36,000,000. Such increase in the registered capital was contributed by way of the injection of Longxing 601, an ultra-low temperature longline fishing vessel, registered under Jinfeng Trading and Dalian Ocean and was beneficially owned by Mr. Li Zhenyu. Immediately after such increase in its registered capital, the equity interest of Dalian Ocean Fishing remained held as to 95% by Jinfeng Trading (on trust for Mr. Li Zhenyu) and 5% by Dalian Ocean, respectively. The shareholder's rights and obligations regarding such 5% equity interest are enjoyed by Mr. Li Zhenyu.

On 29 October 2004, the registered capital of Dalian Ocean Fishing was further increased to RMB87,780,000. Such increase in registered capital was contributed by Mr. Li Zhenyu by way of settling the then aggregate outstanding loans of RMB51,780,000 owed by Dalian Ocean Fishing to Mr. Li Zhenyu. Immediately after such increase in registered capital, the equity interest of Dalian Ocean Fishing was held as to 58.99% by Mr. Li Zhenyu, 38.96% by Jinfeng Trading (on trust for Mr. Li Zhenyu) and 2.05% by Dalian Ocean.

On 17 June 2005, Dalian Ocean entered into an equity transfer agreement with Mr. Li Wei, Mr. Li Zhenyu's brother-in-law, pursuant to which Dalian Ocean transferred its 2.05% equity interest in Dalian Ocean Fishing to Mr. Li Wei for a consideration of RMB1,800,000, which was determined with reference to the then registered capital of Dalian Ocean Fishing. As the initial and subsequent capital contributions made by Dalian Ocean to the registered capital of Dalian Ocean Fishing on 28 April 2000 and 18 September 2000 in the amount of RMB500,000 and RMB1,300,000 were contributed by Mr. Li Zhenyu, the consideration for the transfer of the 2.05% equity interest was off-set. Immediately after such equity transfer, the equity interest of Dalian Ocean Fishing was held as to 58.99% by Mr. Li Zhenyu, 38.96% by Jinfeng Trading (on trust for Mr. Li Zhenyu) and 2.05% by Mr. Li Wei, respectively. Pursuant to a trust agreement dated 17 June 2005 entered into by Mr. Li Zhenyu and Mr. Li Wei, the 2.05% equity interest in Dalian Ocean Fishing was held by Mr. Li Wei on trust for Mr. Li Zhenyu because Mr. Li Zhenyu intended not to continue to use Dalian Ocean as a trustee to hold equity interest in Dalian Ocean Fishing on his behalf in the future.

On 22 March 2006, Jinfeng Trading entered into an equity transfer agreement with Mr. Li Wei and Mr. Li Weihu, an Independent Third Party and a friend of Mr. Li Zhenyu, pursuant to which Jinfeng Trading transferred 16.18% and 22.78% equity interest in Dalian Ocean Fishing to Mr. Li Wei and Mr. Li Weihu, for a consideration of RMB14.2 million and RMB20 million, respectively. Immediately after such equity transfer, the equity interest of Dalian Ocean Fishing was held as to 58.99% by Mr. Li Zhenyu, 22.78% by Mr. Li Weihu and 18.23% by Mr. Li Wei, respectively. Both Mr. Li Wei and Mr. Li Weihu held such equity interest in Dalian Ocean Fishing on trust for Mr. Li Zhenyu pursuant to trust agreements dated 17 June 2005 and 22 March 2006, respectively. As confirmed by Mr. Li Zhenyu, such trust arrangements were made with a view to maintain the flexibility of the shareholding structure of Dalian Ocean Fishing.

In anticipation of the possible future restructuring of our Group, on 19 August 2010, Mr. Li Zhenyu entered into an equity transfer agreement with Mr. Li Weihu, pursuant to which Mr. Li Weihu agreed to transfer 22.78% equity interest in Dalian Ocean Fishing to Mr. Li Zhenyu at a consideration of RMB20 million, which was determined with reference to the then registered capital of Dalian Ocean Fishing. As there was no change in beneficial ownership of equity interest being transferred, such consideration was off-set and no cash payment is made. Immediately after completion of such equity transfer on 24 August 2010, the equity interests of Dalian Ocean Fishing were held as to 81.77% by Mr. Li Zhenyu and 18.23% by Mr. Li Wei, respectively, and the trust arrangement between Mr. Li Weihu and Mr. Li Zhenyu was terminated.

HISTORY, DEVELOPMENT AND REORGANISATION

(2) Dalian Investment

Historically, Dalian Ocean Fishing held 40% equity interest in Dalian Investment from 21 March 2003 to 7 March 2012, in each case, on trust for Mr. Li Zhenyu pursuant to a trust agreement dated 18 February 2003 between Mr. Li Zhenyu and Dalian Ocean Fishing. Such trust arrangement was made because the then government authority administrating Dalian Investment, namely Dalian Science and Technology Bureau, preferred corporate entities to become the shareholders of Dalian Investment.

Dalian Investment is a limited liability company established in the PRC and was held as to 30% by Dalian Production Promotion Centre (an Independent Third Party), 30% by Liaoning Technology Venture Investment Company (an Independent Third Party) and 40% by Dalian Longtai as at the Latest Practicable Date. The business of Dalian Investment is private equity investment.

REORGANISATION

In preparation for the Listing, our Group underwent the Reorganisation which involved the following major steps:

(1) Incorporation of the offshore companies

(a) Incorporation of Tuna Holdings as investment holding company of our Shareholder

On 30 September 2011, Tuna Holdings was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares having a par value of US\$1.00 each. Upon its incorporation, 50,000 shares were allotted and issued to Ms. Li Li, credited as fully paid. As a result, Tuna Holdings became a shareholder of our Company.

(b) Incorporation of our Company as the listing vehicle of our Group

On 24 October 2011, our Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$50,000 divided into 5,000,000 Shares having a par value of HK\$0.01 each. Upon its incorporation, one Share was allotted and issued, credited as fully paid, to the subscriber, which was transferred to Tuna Holdings on the same day. On the same day, a total of 99 Shares of our Company were allotted and issued to Tuna Holdings, credited as fully paid.

(c) Incorporation of Tuna Investment as our intermediate holding company

On 11 November 2011, Tuna Investment was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares having a par value of US\$1.00 each. Upon its incorporation, 50,000 shares were allotted and issued to our Company, credited as fully paid, as a result of which Tuna Investment became a direct wholly-owned subsidiary of our Company.

(d) Incorporation of Tuna Investment (HK) as our intermediate holding company

On 13 December 2011, Tuna Investment (HK) was incorporated in Hong Kong. Upon its incorporation, 10,000 shares were allotted and issued to Tuna Investment, credited as fully paid, as a result of which Tuna Investment (HK) became an indirect wholly-owned subsidiary of our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

(2) *Restructuring of our PRC subsidiaries*

(a) **Termination of trust arrangement relating to Dalian Investment**

Historically, Dalian Ocean Fishing held 40% equity interest in Dalian Investment on trust for Mr. Li Zhenyu. With a view to terminating such trust arrangement, on 8 March 2012, Dalian Ocean Fishing, under the instruction of Mr. Li Zhenyu, entered into an equity transfer agreement with Dalian Longtai, pursuant to which Dalian Ocean Fishing agreed to transfer 40% equity interests in Dalian Investment (which was held on trust for Mr. Li Zhenyu) to Dalian Longtai for a consideration of RMB40,000,000 which was determined with reference to the then registered capital of Dalian Investment. As there was no change in beneficial ownership of equity interest being transferred, such consideration was off-set and no cash payment was made. Dalian Longtai is a limited liability company established on 29 November 2011 in accordance with the laws of the PRC and held as to 95% by Mr. Li Zhenyu and 5% by Ms. Sun Lihua, who held such equity interests on trust for Mr. Li Zhenyu. Upon completion of this transfer, Dalian Ocean Fishing no longer held any equity interest in Dalian Investment.

(b) **Transfer of equity interests in Dalian Ocean Fishing**

On 14 March 2012, as part of a family arrangement, Mr. Li Wei, under the instruction of Mr. Li Zhenyu, entered into an equity transfer agreement with Ms. Li Yingchun (sister of Mr. Li Zhenyu), pursuant to which Mr. Li Wei agreed to transfer 18.23% equity interest in Dalian Ocean Fishing (which was held on trust for Mr. Li Zhenyu pursuant to two trust agreements dated 17 June 2005 and 22 March 2006, respectively, between Mr. Li Zhenyu and Mr. Li Wei) to Ms. Li Yingchun at a consideration of RMB16 million, which was determined with reference to the then registered capital of Dalian Ocean Fishing. As there was no change in beneficial ownership of the equity interest being transferred, such consideration was off-set and no cash payment was made. As part of a family arrangement, the 18.23% equity interest in Dalian Ocean Fishing was held by Ms. Li Yingchun on trust for Mr. Li Zhenyu pursuant to a trust agreement dated 12 March 2012 between Mr. Li Zhenyu and Ms. Li Yingchun.

On 16 March 2012, as requested by Maguro, the potential [REDACTED] investor at that time, Ms. Li Yingchun, under the instruction of Mr. Li Zhenyu, entered into an equity transfer agreement with Ms. Sun Lihua (Mr. Li Zhenyu's mother) to transfer 18.23% equity interests in Dalian Ocean Fishing (which was held on trust for Mr. Li Zhenyu) to Ms. Sun Lihua at a consideration of RMB16 million, which was determined with reference to the then registered capital of Dalian Ocean Fishing. As there was no change in beneficial ownership of the equity interest being transferred, such consideration was off-set and no cash payment was made. As part of a family arrangement, the 18.23% equity interest in Dalian Ocean Fishing was held by Ms. Sun Lihua on trust for Mr. Li Zhenyu pursuant to a trust agreement dated 15 March 2012 between Mr. Li Zhenyu and Ms. Sun Lihua.

On 22 March 2012, to facilitate the Reorganisation, Mr. Li Zhenyu and Ms. Sun Lihua entered into an equity transfer agreement with Dalian Longtai, pursuant to which each of Mr. Li Zhenyu and Ms. Sun Lihua agreed to transfer 81.77% and 18.23% equity interest in Dalian Ocean Fishing to Dalian Longtai at a consideration of RMB71.78 million and RMB16 million, respectively, which were determined with reference to the then registered capital of Dalian Ocean Fishing. Such considerations were paid by 12 August 2013.

HISTORY, DEVELOPMENT AND REORGANISATION

Upon the establishment of Jinxing Information on 24 April 2012 and to complete the Reorganisation, on 15 May 2012, Dalian Longtai entered into an equity transfer agreement with Jinxing Information, pursuant to which Dalian Longtai agreed to transfer its 100% equity interest in Dalian Ocean Fishing to Jinxing Information for a consideration of RMB87,780,000, which was determined with reference to the then registered capital of Dalian Ocean Fishing. Such consideration was fully paid by 10 July 2013.

(c) Establishment of Jinxing Trading by Tuna Investment (HK)

On 20 March 2012, Jinxing Trading was established as a wholly foreign owned company in the PRC with an initial registered capital of US\$6,000,000, which had been fully paid by Tuna Investment (HK) by 20 June 2012.

(d) Establishment of Jinxing Information by Jinxing Trading

On 24 April 2012, Jinxing Information was established as a limited liability company in the PRC by Jinxing Trading with an initial registered capital of RMB500,000, which had been fully paid by Jinxing Trading by 17 April 2012.

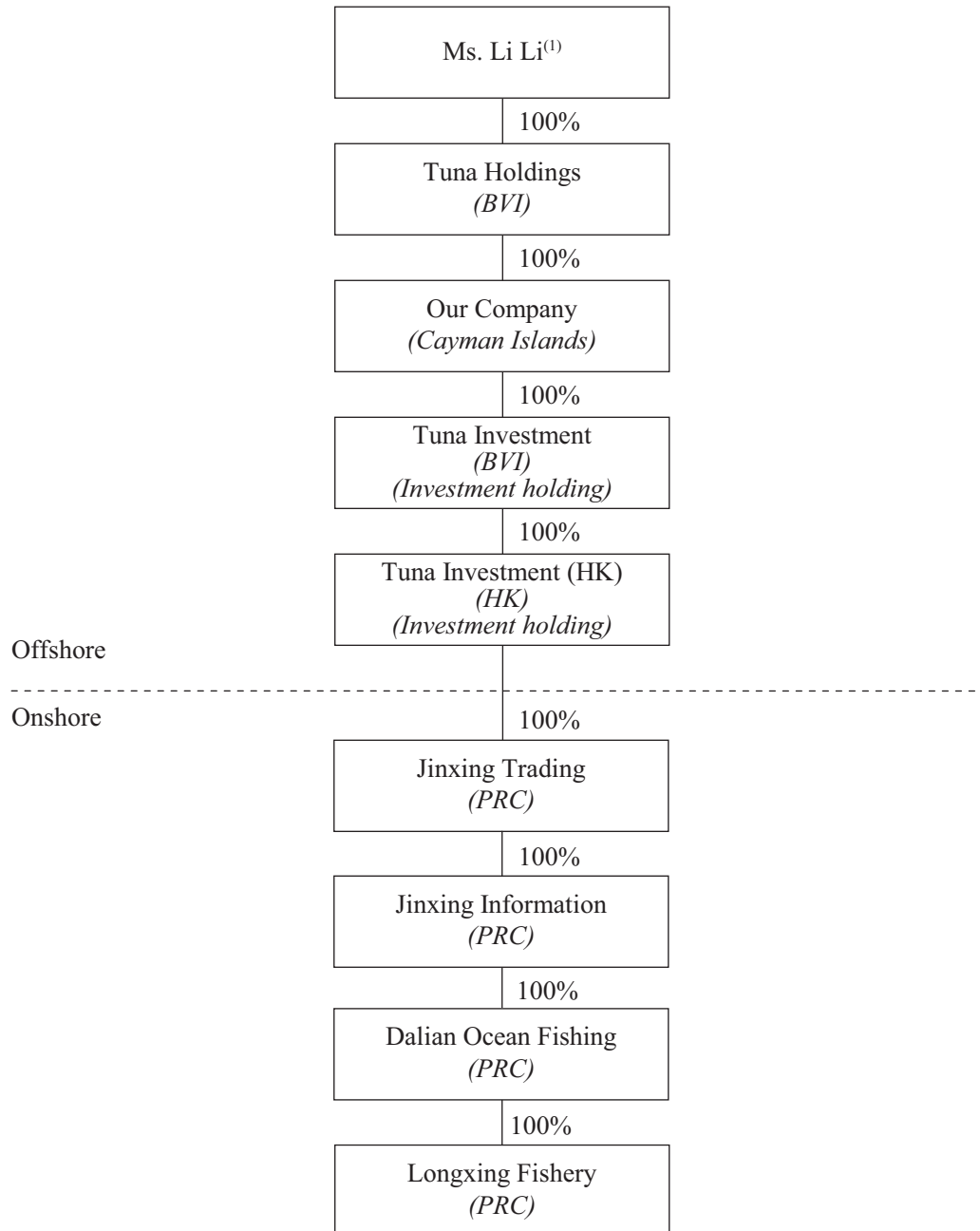
(e) Establishment of Longxing Fishery

On 25 May 2012, Longxing Fishery was established as a limited liability company in the PRC by Dalian Ocean Fishing with an initial registered capital of RMB950,000. The registered capital of Longxing Fishery was fully paid by Dalian Ocean Fishing by 25 May 2012.

Upon completing the above steps of the Reorganisation, our Company became the holding company of the members of our Group.

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets forth the corporate structure of our Group immediately following the completion of the above steps of the Reorganisation:



Note:

- (1) Pursuant to the confirmation letters of acting in concert signed by Mr. Li Zhenyu and Ms. Li Li on 5 March 2012 and 6 April 2012, Mr. Li Zhenyu and Ms. Li Li have been acting in concert in relation to management and ownership of our Group, including exercising the voting rights attached to the relevant interests held by them, daily management of our Group and sharing the benefits arising from the relevant interests held by them, starting from January 2008.

(f) Increase of registered capital of Jinxing Trading

On 6 July 2012, the registered capital of Jinxing Trading was further increased to US\$8,100,000, which had been fully paid by Tuna Investment (HK) by 20 June 2012.

HISTORY, DEVELOPMENT AND REORGANISATION

(g) Increase of registered capital of Jinxing Information

On 11 July 2012, the registered capital of Jinxing Information was increased to RMB50,500,000, which had been fully paid by Jinxing Trading by 6 July 2012.

(h) Increase of registered capital of Longxing Fishery

On 5 September 2012, the registered capital of Longxing Fishery was further increased from RMB950,000 to RMB1,000,000. Such increase in registered capital had been fully paid by Dalian Longtai by 30 August 2012. Immediately after the registered capital increase, the equity interests of Longxing Fishery were held as to 95% by Dalian Ocean Fishing and as to 5% by Dalian Longtai.

(i) Establishment of Dalian Jinyuanfeng

On 28 December 2012, Dalian Jinyuanfeng was established as a wholly foreign owned company in the PRC by Tuna Investment (HK) with an initial registered capital of RMB5,000,000.

The first installment of the registered capital of RMB1,000,000 had been fully paid but not within the required timeframe. Our PRC legal advisers, Commerce & Finance Law Offices, confirmed that Dalian Jinyuanfeng will unlikely be penalised by the relevant government authority and the delay in contributing such registered capital will not affect the subsistence of Dalian Jinyuanfeng because (i) such registered capital had been fully paid up on 26 April 2013, and (ii) Dalian Economic and Technology Development District Economic and Trade Committee (大連經濟技術開發區經濟貿易局) has confirmed that such delay in contributing the registered capital will not affect the validity of Dalian Jinyuanfeng's subsistence. For further details, please refer to "Business – Legal Proceedings and Non-Compliance" in this [REDACTED].

(j) Increase of registered capital of Jinxing Trading

On 8 May 2013, the registered capital of Jinxing Trading was further increased to US\$14,100,000 which had been fully paid by Tuna Investment (HK) by 3 July 2013.

On 5 August 2013, the registered capital of Jinxing Trading was further increased to US\$62,000,000, approximately US\$41,000,000 of which had been paid by Tuna Investment (HK) by 23 July 2013.

(3) *Subscription of shares of our Company by Tuna Holdings*

On 24 May 2012, Tuna Holdings subscribed for additional 76 ordinary new Shares of our Company at par value by cash payable in full upon allotment. Immediately after such subscription, 176 ordinary Shares were held by Tuna Holdings.

HISTORY, DEVELOPMENT AND REORGANISATION

(4) [REDACTED] investment made by Maguro

On 25 May 2012, Maguro, Ms. Li Li, Tuna Holdings, Tuna Investment, Tuna Investment (HK), Jinxing Trading, Jinxing Information, Dalian Ocean Fishing and our Company entered into a subscription and shareholder agreement (the "Subscription and Shareholder Agreement"), pursuant to which Maguro subscribed for 24 ordinary new Shares at a subscription price of US\$8,000,000.

(5) [REDACTED] investment made by Ares Ocean and Sure Source

On 19 June 2013, Ares Ocean, Sure Source, Maguro, Ms. Li Li, Mr. Li Zhenyu, Tuna Holdings and our Company entered into a subscription agreement (the "Subscription Agreement"), pursuant to which Ares Ocean and Sure Source agreed to subscribe for 40.29 and 8.06 ordinary new Shares at the subscription price of US\$25,000,000 and US\$5,000,000, respectively. Pursuant to the Subscription Agreement, the terms of the Subscription and Shareholder Agreement were terminated upon the closing of the Subscription Agreement (i.e. on 27 June 2013) except for certain clauses, including the clauses relating to representation and warranties, effect of termination, confidentiality and publication, indemnity, and the charge created thereunder. Immediately following the completion of such subscriptions, a total of 248.35 Shares of our Company were held as to 70.88% by Tuna Holdings, as to 9.66% by Maguro, as to 16.22% by Ares Ocean and as to 3.24% by Sure Source, respectively.

On 27 June 2013, an Investors Rights Agreement (the "Investors Rights Agreement"), a Right of First Refusal and Co-Sale Agreement (the "ROFR Agreement") and a Profit Guaranty Agreement (the "Profit Guaranty Agreement") were entered into by the foregoing parties.

For details of the [REDACTED] investments made by Maguro, Ares Ocean and Sure Source, please refer to the paragraph headed "[REDACTED] Investments" in this section below.

Our PRC legal advisers, Commerce & Finance Law Offices, has confirmed that (i) we have obtained the relevant approvals and permits, if required, under PRC laws and regulations in connection with each stage of the Reorganisation in respect of the onshore subsidiaries; (ii) each step of the Reorganisation in respect of the onshore subsidiaries has been legally completed; and (iii) all the above trust arrangements in relation to the shareholding history of our PRC subsidiaries did not violate any PRC laws and regulations.

[REDACTED] INVESTMENTS

In order to finance the expansion of our business and to enhance our Group's management efficiency by introducing advanced corporate governance experience, we entered into arrangements for three [REDACTED] investments in May 2012 and June 2013 respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

Further details of the investment of each of our [REDACTED] investors are set out below:

Name of the [REDACTED] investor:	Maguro	Ares Ocean	Sure Source
Background of [REDACTED] investor:	<p>Maguro is an investment holding company incorporated on 20 April 2012 under the laws of the BVI and is wholly-owned by New Hope Agriculture and Food Fund II, L.P. which is in turn controlled by its general partner, New Hope Agriculture and Food Fund II, GP, Ltd., a limited liability company incorporated in the Cayman Islands. New Hope Agriculture and Food Fund II, L.P. is an investment fund focusing on investment opportunities relating to agriculture and food. To the best knowledge, information and belief of our Directors, other than Maguro's investment in our Company and Mr. Tang Xun's directorship in our Group, Maguro and its ultimate shareholder are independent of and not connected with our Directors, chief executive or substantial shareholders or any of our subsidiaries or their respective associates.</p>	<p>Ares Ocean is an exempted limited partnership registered on 3 June 2013 under the laws of the Cayman Islands and an investment holding company which is controlled by its general partner, ACOF Asia Management, L.P., which is in turn controlled by its general partner, Ares Management (Cayman), Ltd., a limited liability Company incorporated in the Cayman Islands. Ares Ocean is affiliated with Ares Management LLC, an investment adviser registered with the US Securities and Exchange Commission. Ares Management LLC is headquartered in Los Angeles, with professionals located across the US, Europe, Asia and Australia. To the best knowledge, information and belief of our Directors, other than Ares Ocean's investment in our Company and Ms. Sui Wei's directorship in our Group, Ares Ocean and its ultimate shareholder are independent of and not connected with our Directors, chief executive or substantial shareholders or any of our subsidiaries or their respective associates.</p>	<p>Sure Source is a limited liability company incorporated on 17 November 2010 under the laws of BVI and held as to 99% by Mr. Liu Yonghao and as to 1% by Mr. Zhang Guokun. Mr. Liu Yonghao also holds 62.34% equity interests in New Hope Group Co., Ltd., which is a limited partner of New Hope Agriculture and Food Fund II, L.P. with an investment percentage of 6.8%. To the best knowledge, information and belief of our Directors, other than Sure Source's investment in our Company in our Group, Sure Source and its ultimate shareholder are independent of and not connected with our Directors, chief executive or substantial shareholders or any of our subsidiaries or their respective associates.</p>
Strategic benefits to our Company:	<p>To finance the expansion of our business and to enhance our Group's management efficiency by introducing advanced corporate governance experience.</p>		

HISTORY, DEVELOPMENT AND REORGANISATION

Name of the [REDACTED] investor:	Maguro	Ares Ocean	Sure Source
Date of agreements:	The Subscription and Shareholder Agreement was entered into on 25 May 2012 and was subsequently terminated on 27 June 2013, save for certain clauses as described in the paragraph headed "Reorganisation" in this section.	The Subscription Agreement was entered into on 19 June 2013; the Investors Rights Agreement, the ROFR Agreement and the Profit Guaranty Agreement were entered into on 27 June 2013.	
Consideration paid:	US\$8,000,000	US\$25,000,000	US\$5,000,000
Basis of determination of the consideration:	By reference to the net profit of our Group in 2011.	After arm's length negotiation based on the expected growth of our Group.	
Payment date of the consideration:	29 May 2012	27 June 2013	27 June 2013
Investment cost per Share:	HK\$[REDACTED]	HK\$[REDACTED]	HK\$[REDACTED]
Discount to the [REDACTED]:	[REDACTED]%	[REDACTED]%	[REDACTED]%
Use of proceeds from the investment:	All the proceeds from the above [REDACTED] investment have been utilized for acquisition of Chinese ultra-low temperature longline fishing vessels in 2013.	Part of the proceeds from the above [REDACTED] investments have been utilized (i) for acquisition of new vessels and (ii) as working capital of our Group. Remaining proceeds from the above [REDACTED] investments are expected to be utilized as working capital of our Group.	

HISTORY, DEVELOPMENT AND REORGANISATION

Name of the [REDACTED] investor:	Maguro	Ares Ocean	Sure Source
Shareholding in our Company upon completion of the [REDACTED] (taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme):	7.25%	12.17%	2.43%

Lock-up: The Shares held by Maguro, Ares Ocean and Sure Source will be subject to a six-month lock-up period upon our Listing.

Public float: Other than Ares Ocean which will be regarded as a substantial shareholder (as defined in the Listing Rules) of our Company upon completion of the [REDACTED], the Shares held by Maguro and Sure Source will be counted as part of the public float as Maguro and Sure Source (i) are not connected persons of our Company; (ii) their acquisition of Shares in our Company was not financed directly or indirectly by any connected person of our Company; and (iii) are not accustomed to take instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of Shares of our Company registered in its name or otherwise held by it.

Special rights: **(1) Board representation rights:**

Each of Maguro and Ares Ocean is entitled to appoint, remove or replace one Director. As at the Latest Practicable Date, Maguro and Ares Ocean have exercised their board representation rights and appointed their representatives on the board of our Company, namely Mr. Tang Xun and Ms. Sui Wei, respectively.

(2) Information and inspection rights:

- (a) Our Company shall deliver to each [REDACTED] investor, among others, (i) certain periodic financial information of our Group; (ii) a capitalisation table of our Company and each of our existing PRC subsidiaries; and (iii) copies of notices of any material liabilities incurred by or threatened against, and any material lawsuit or other material claim filed or threatened against any member of our Group.
- (b) Each [REDACTED] investor is entitled to visit and inspect properties and examine the books of account and records of any member of our Group, and discuss the affairs, finances and accounts of such companies with the directors, officers, employees, and advisers of such companies.

HISTORY, DEVELOPMENT AND REORGANISATION

Name of the [REDACTED] investor:	Maguro	Ares Ocean	Sure Source
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(3) *Liquidation preference:*

(a) Non-participation preference

In the event of a liquidation, dissolution, or winding up of our Company, before any distribution or payment shall be made to the original shareholders of our Company, each [REDACTED] investor shall be entitled to receive, on parity with each other, an amount per ordinary Share equal to its original per Share subscription price and a rate of return of twenty percent (20%) per annum on its original per Share subscription price, (i) plus all dividends declared but unpaid with respect thereto, (ii) minus all dividends received by such [REDACTED] investor, and (iii) minus all amounts such [REDACTED] investor received from Ms. Li Li, Mr. Li Zhenyu and Tuna Holdings pursuant to any profit guaranty arrangement. If, upon any such liquidation, distribution or winding up, the assets of our Company shall be insufficient to make payment of the foregoing amounts in full on all Shares held by all [REDACTED] investors, then such assets shall be distributed among the [REDACTED] investors, ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon.

(b) Liquidation on trade sale

In the event that a trade sale is proposed, our Company shall send written notice to Ares Ocean and Maguro of the terms of such trade sale.

Upon a trade sale, all proceeds resulting to our Company or its ordinary shareholders therefrom shall be distributed in accordance with the relevant rules provided by the Investors Rights Agreement. In the event that our Company fails to comply with the relevant requirements provided by the Investors Rights Agreement, our Company shall either (i) cause the closing of the trade sale to be postponed until such requirements are complied with, or (ii) terminate such trade sale.

HISTORY, DEVELOPMENT AND REORGANISATION

Name of the [REDACTED] investor:	Maguro	Ares Ocean	Sure Source
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(4) Right of first refusal and co-sale rights:

Upon a proposed sale of equity securities held by a shareholder, each [REDACTED] investor is entitled to purchase all or any portion of such equity securities to be sold. Alternatively, each [REDACTED] investor is entitled to participate in such proposed sale by selling a certain number of Shares together with the original seller of Shares to the proposed buyer. The number ratio of Shares that each [REDACTED] investor is entitled to purchase shall be the product obtained by multiplying the aggregate number of the Shares proposed to be sold by a fraction, of which the number of equity securities (assuming the exercise, conversion and exchange of all ordinary Share equivalents) owned by such [REDACTED] investor on the date of the transfer notice shall be the numerator and the total number of equity securities (assuming the exercise, conversion and exchange of all ordinary Share equivalents) held by all [REDACTED] investors on the date of the transfer notice shall be the denominator.

(5) Put options:

- (a) As long as each [REDACTED] investor holds ordinary Shares of our Company and before the occurrence of the Listing, it has the right to exercise an option to require Tuna Holdings to purchase or the Company to redeem (as applicable) all or a portion of the ordinary Shares held by such [REDACTED] investor for an amount equal to the put option price.
- (b) Each of the following events shall constitute a put option event, provided, however, that an event described in paragraph (i), (ii) and (iii) below only becomes a put option event if not fully remedied (if the same if remediable) by our Group, Tuna Holdings, Tuna Investment, Tuna Investment (HK), Ms. Li Li or Mr. Li Zhenyu within thirty (30) business days after the date on which a [REDACTED] investor delivers a written notice to our Company specifying the event to be remedied:
 - (i) any member of our Group or any of Tuna Holdings, Tuna Investment, Tuna Investment (HK), Ms. Li Li or Mr. Li Zhenyu materially breaches any provision of a transaction document and such breach has not been remedied within 30 days;

HISTORY, DEVELOPMENT AND REORGANISATION

Name of the [REDACTED] investor:	Maguro	Ares Ocean	Sure Source
	(ii)		any action is taken by any member of our Group or Tuna Holdings, Tuna Investment, Tuna Investment (HK), Ms. Li Li or Mr. Li Zhenyu in contravention of applicable laws, orders, regulations, or requirements of any stock exchange or securities authority and such contravention results in a material adverse event;
	(iii)		any action is taken by any member of the Group, Tuna Holdings, Tuna Investment, Tuna Investment (HK), Ms. Li Li or Mr. Li Zhenyu that has a material adverse effect on our Company's ability to consummate the Listing;
	(iv)		if our Company is unable to meet agreed performance targets; or
	(v)		the Listing of our Company does not occur on or before 31 December 2016.

Each of the [REDACTED] investors has waived any rights it may have against Tuna Holdings and our Company pursuant to the put option events (i) to (iv) above and against our Company pursuant to the put option event (v) above.

(6) *Pre-emptive rights:*

If at any time after the date of the Subscription Agreement and prior to the Listing, our Company proposes to sell and issue any new securities, each [REDACTED] investor shall have pre-emptive right in proportion to its shareholding in our Company.

(7) *Profit guaranty:*

As provided by the Profit Guaranty Agreement, the [REDACTED] investors have the right to receive cash indemnity from Tuna Holdings if our Company fails to meet the profit guaranty amounts for the year ended 31 December 2013 ("**2013 Profit Guaranty**") or the year ending 31 December 2014 ("**2014 Profit Guaranty**"). The cash indemnity amount is determined pursuant to the Profit Guaranty Agreement with reference to the 2013 Profit Guaranty or 2014 Profit Guaranty (as the case maybe).

With respect to the 2013 Profit Guaranty, the [REDACTED] investors have waived their rights under the Profit Guaranty Agreement.

With respect to the 2014 Profit Guaranty, the [REDACTED] investors have also waived the rights under the Profit Guaranty Agreement on the basis that a Qualified Public Offering (as defined in the Subscription Agreement) occurs.

HISTORY, DEVELOPMENT AND REORGANISATION

Name of the [REDACTED] investor:	Maguro	Ares Ocean	Sure Source
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(8) Anti-dilution rights:

- (a) Our Company shall not issue new securities to any person with terms and conditions (price, rights or otherwise) that are more favorable than the terms and conditions granted to a [REDACTED] investor without such [REDACTED] investor's prior written consent.
- (b) If new securities with a lower per Share purchase price are issued with such [REDACTED] investor's consent, then simultaneously with such issuance, the [REDACTED] investor shall be entitled to require Mr. Li Zhenyu, Ms. Li Li, Tuna Holdings or our Company to (i) increase the number of Shares held by it at no additional cost to the [REDACTED] investor, or (ii) pay cash to such [REDACTED] investor so that the cost of the [REDACTED] investor to acquire the same percentage of our Company's Shares shall be reduced to the cost of such new securities.
- (c) If the new securities with any more favorable terms and conditions are issued with such [REDACTED] investor's consent, then simultaneously with such issuance, the [REDACTED] investor shall automatically receive such more favorable terms and conditions with respect to the Shares held by such [REDACTED] investor.

(9) Other minority protection rights:

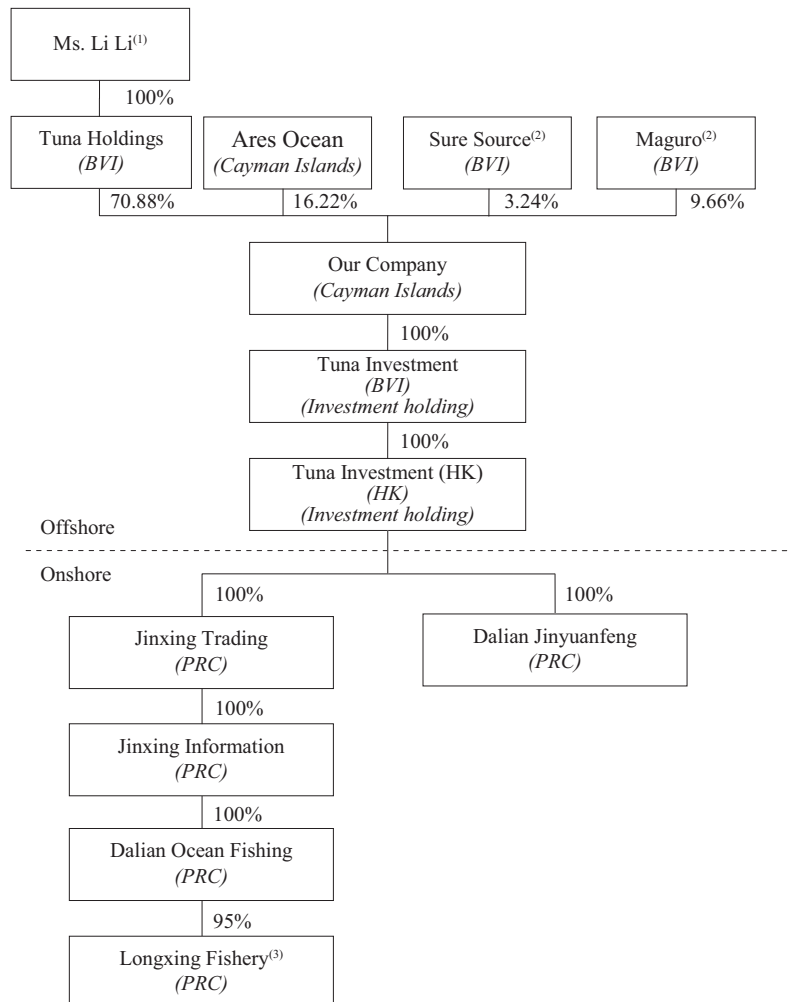
Certain reserved matters require (i) prior written approval of Ares Ocean and Maguro; or (ii) prior approval of the directors of our Company appointed by Maguro and Ares Ocean.

Termination of the special rights:	All the special rights granted to Maguro, Ares Ocean and Sure Source will be discontinued upon our Listing.
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The Sole Sponsor has reviewed the relevant information and documentation related to the investments made by Maguro, Ares Ocean and Sure Source and the waiver of put option rights and cash indemnity rights by each of the [REDACTED] investors as described in paragraphs (5) and (7) above, respectively. On this basis, the Sole Sponsor confirms that the investments made by Maguro, Ares Ocean and Sure Source (i) are in compliance with Guidance Letter HKEx-GL29-12, as such [REDACTED] investments were completed on 29 May 2012 and 27 June 2013, respectively, at least 28 clear days before the date of the submission of the listing application form by the Company; and (ii) have followed the rules and principles set out in the Guidance Letter HKEx-GL43-12, and all relevant information relating to such [REDACTED] investments has been disclosed in this [REDACTED] in accordance with the disclosure requirements therein.

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets forth the corporate structure of our Group immediately after the Reorganisation but prior to the completion of the Capitalisation Issue and the [REDACTED]:



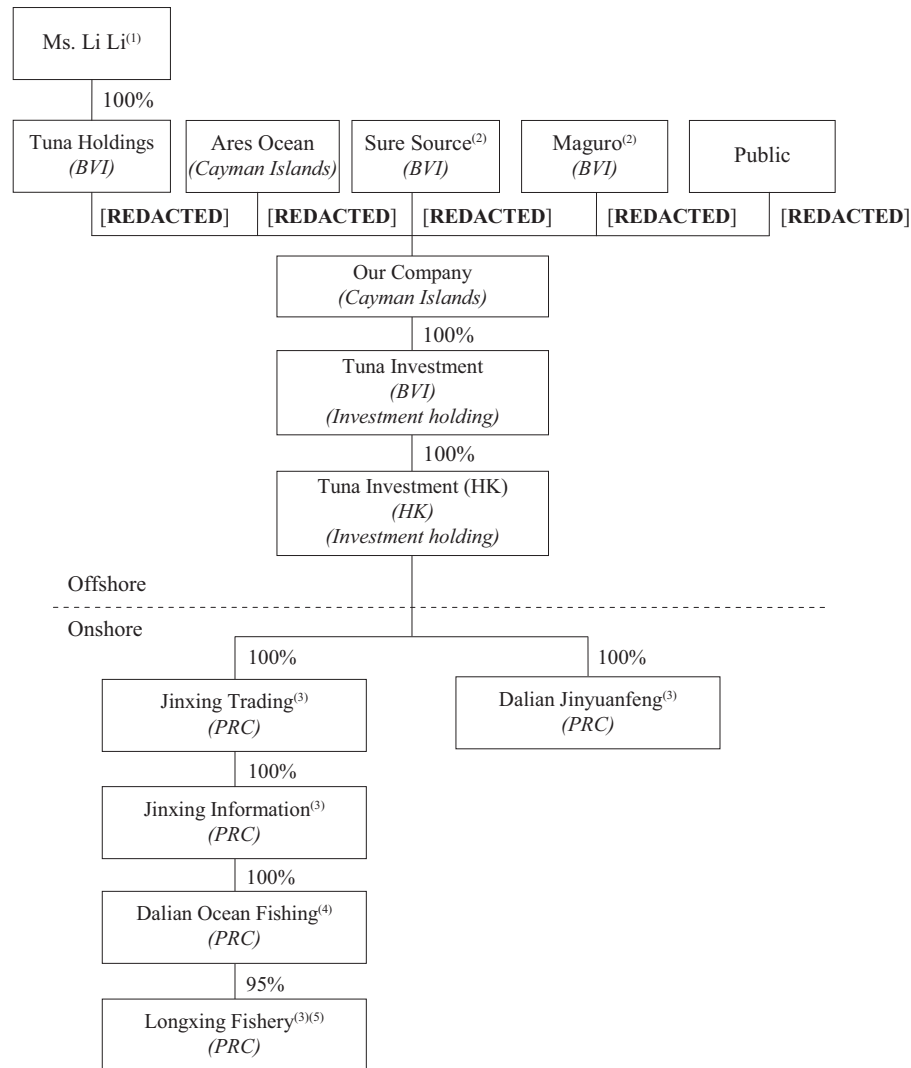
Notes:

- (1) Pursuant to the confirmation letters of acting in concert signed by Mr. Li Zhenyu and Ms. Li Li on 5 March 2012 and 6 April 2012, Ms. Li Li and Mr. Li Zhenyu have been acting in concert in relation to management and ownership of our Group, including exercising the voting rights attached to the relevant interests held by them, daily management of our Group and sharing the benefits arising from the relevant interests held by them, starting from January 2008.
- (2) Sure Source is held as to 99% by Mr. Liu Yonghao who also holds 62.34% equity interests in New Hope Group Co., Ltd., which is the limited partner of New Hope Agriculture and Food Fund II, L.P. with an investment percentage of 6.8%, which is the sole shareholder of Maguro.
- (3) The 5% equity interests in Longxing Fishery was held by Dalian Longtai, which was held as to 95% by Mr. Li Zhenyu, a Director of the Company, and as to 5% by Ms. Sun Lihua, mother of Mr. Li Zhenyu, who held such equity interests on trust for Mr. Li Zhenyu.

HISTORY, DEVELOPMENT AND REORGANISATION

(6) Capitalisation Issue and [REDACTED]

The following chart sets forth the corporate structure of our Group immediately following completion of the Capitalisation Issue and [REDACTED] (taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme):



Notes:

- (1) Pursuant to the confirmation letters of acting in concert signed by Mr. Li Zhenyu and Ms. Li Li on 5 March 2012 and 6 April 2012, Ms. Li Li and Mr. Li Zhenyu have been acting in concert in relation to management and ownership of our Group, including exercising the voting rights attached to the relevant interests held by them, daily management of our Group and sharing the benefits arising from the relevant interests held by them, starting from January 2008.
- (2) Sure Source is held as to 99% by Mr. Liu Yonghao who also holds 62.34% equity interests in New Hope Group Co., Ltd., which is the limited partner of New Hope Agriculture and Food Fund II, L.P. with an investment percentage of 6.8%, which is the sole shareholder of Maguro.
- (3) These companies were established for business development of our Group. For details of these subsidiaries, please refer to the paragraph headed "Further information about our Group – 3. Further information about our PRC establishments" in Appendix IV to this [REDACTED].

HISTORY, DEVELOPMENT AND REORGANISATION

- (4) Dalian Ocean Fishing is our major subsidiary which has commenced its business since April 2000. As at the Latest Practicable Date, Dalian Ocean Fishing was principally engaged in catching and sales of tuna.
- (5) The 5% equity interests in Longxing Fishery was held by Dalian Longtai, which was held as to 95% by Mr. Li Zhenyu, a Director of the Company, and as to 5% by Ms. Sun Lihua, mother of Mr. Li Zhenyu, who held such equity interests on trust for Mr. Li Zhenyu.

M&A RULES

According to the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (the "M&A Rules") (關於外國投資者併購境內企業的規定) which were jointly promulgated by the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, the CSRC, the State Administration of Taxation, the State Administration for Industry and Commerce and the SAFE and became effective on 8 September 2006 and re-issued by the Ministry of Commerce in June 2009, where a domestic natural person intends to takeover his/her related domestic company through an offshore company which he/she lawfully established or controls, the take over shall be subject to the examination and approval of the Ministry of Commerce; and where a domestic natural person holds equity in a domestic company through an offshore special purpose company by takeover with the consideration of shares of the offshore special purpose company, any transaction involving the overseas listing of that special purpose company shall be subject to CSRC's approval.

There is no takeover as defined in the M&A Rules during the process of the Reorganisation as described above. Our PRC legal advisers, Commerce & Finance Law Offices, have advised that the Reorganisation is subject to "Interim Provisions on Domestic Investments by Foreign Investment Enterprises" and other applicable PRC laws and regulations, instead of the M&A Rules. Therefore we are not required to obtain approvals from the CSRC and the Ministry of Commerce.

CIRCULAR 75

According to the Notice of SAFE on Relevant Issues Relating to Foreign Exchange Control on Financing and Round-trip Investments by Domestic Residents Through Offshore Special Purpose Vehicles (the "Circular 75") (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) promulgated by the SAFE on 21 October 2005 and became effective on 1 November 2005, domestic residents establishing or taking control of a special purpose company abroad and domestic enterprises receiving round-trip investments from funds raised by an offshore special purpose company controlled by domestic residents are required to effect foreign exchange registration with the local foreign exchange bureau.

Our PRC legal advisers, Commerce & Finance Law Offices, after consulting the SAFE Dalian branch, have advised that Ms. Li Li, who possesses the nationality of St. Kitts and Nevis, and Mr. Li Zhenyu, who has not held any Share of the Company do not fall within the definition of a "domestic resident" as defined in the Circular 75. We have consulted the SAFE Dalian branch which advised that persons like Ms. Li Li and Mr. Li Zhenyu are not required to make such SAFE registration.

BUSINESS

OVERVIEW

We are a leading ultra-low temperature longline premium tuna fishing company in the PRC. Founded in 2000, we were among the early entrants into the PRC ultra-low temperature longline tuna fishing industry. According to Frost & Sullivan, we were the largest ultra-low temperature longline premium tuna fishing company in the PRC in terms of revenue and sales volume by weight in 2013, and the second largest in terms of number of self-owned vessels as at 31 December 2013. As at the Latest Practicable Date, we operated a fleet of 24 ultra-low temperature longline fishing vessels, including 17 self-owned fishing vessels and seven Japanese fishing vessels which we do not own but operate pursuant to vessel management arrangements. Our fleet was substantially larger than the fleets of the majority of our Japanese, Taiwanese and Korean peers, which had fewer than ten ultra-low temperature longline tuna fishing vessels as at 31 December 2013, according to Frost & Sullivan.

We focus on catching and selling premium tuna, which have a significantly higher market price than common tuna and are primarily used in high-end sashimi. The supply of premium tuna globally, especially in Japan, is insufficient according to Frost & Sullivan, primarily as a result of the declining number of operating ultra-low temperature longline tuna fishing vessels specially designed for catching premium tuna. From 2011 to 2013, we were the largest Chinese supplier of premium tuna to the Japanese market, which was our primary market and the world's largest market for premium tuna for the same period, according to Frost & Sullivan. Consumption of premium tuna in Japan amounted to approximately 0.3 million tonnes in 2013, representing approximately 69.8% of the tuna consumed in Japan in terms of consumption volume, according to MAFF. We have increased our sales to the Chinese market from 2011 to 2013 to diversify our customer base and capitalise on the developing market for premium tuna in the PRC, where income and consumption levels have been increasing in recent years. According to Frost & Sullivan, the consumption volume in the PRC of bigeye and yellowfin tuna, the two principal types of premium tuna, grew significantly from 2,000 tonnes in 2006 to 11,200 tonnes in 2013, representing a CAGR of 27.9%. With concerns over food quality and safety continuing to be prevalent in the PRC, we believe that our track record as a supplier of premium tuna to Japan, where food safety regulations are perceived to be more stringent, will enhance our competitiveness vis-à-vis other competitors in the PRC marketplace.

The Chinese government supports the Chinese pelagic fishing industry, as demonstrated by the government's 12th Five-year Plan (FYP) ("十二五"規劃) for marine economy development. In addition, there are various favourable tax and tariff policies for the pelagic fishing industry from which we also benefit, including exemption from PRC Enterprise Income Tax, import VAT and import tariff.

We operate our owned and managed fishing vessels in the Pacific Ocean and the Atlantic Ocean in remote areas on two to three years' voyages. We exclusively employ the longline fishing method in our fishing operations. Longline fishing is a passive type of fishing technique that makes use of a main line with many shorter branch fishing lines, fitted with baited hooks and attached along the main line. As compared to purse seine fishing, the other principal tuna fishing method, longline fishing typically catches premium tuna of larger size and is perceived as being a more environmentally friendly fishing method than purse seine fishing as purse seine fishing is more likely to result in a larger amount of by-catches of immature and juvenile tuna, which causes serious damage to fishery resources, according to Frost & Sullivan. All of the longline fishing vessels that we operate, including the seven managed vessels, are

BUSINESS

equipped with ultra-low temperature freezers that are capable of maintaining temperatures of minus 55 degrees Celsius or lower to maintain the freshness of our tuna for extended periods of time. These fishing vessels also deploy advanced equipment for monitoring ocean water temperature, current movements and other environmental factors relevant to fish migration.

In early 2013, we acquired ten fishing vessels, including six vessels acquired from sellers in the PRC and four vessels acquired from sellers in Japan. We operated such four Japanese vessels pursuant to vessel management arrangements from January 2012 to April 2013 before we completed the acquisition of these vessels. We believe that our acquisition experience provides us with a distinct advantage over potential new market entrants in terms of enhanced industry profile and reputation among potential vessel sellers and regulators, familiarity with applicable regulations and channels for recruiting and training qualified captains and crew, and we are thus well-positioned to identify and realise additional acquisition opportunities in the future to support our continued growth. From September 2013 to the Latest Practicable Date, we operated an additional seven Japanese vessels pursuant to vessel management arrangements with a term of three years. The sales of tuna caught by these vessels are recorded as our revenue as was the case for the sales of tuna caught by the four vessels we previously operated pursuant to vessel management arrangements. We have entered into sale and purchase agreements to acquire these seven Japanese fishing vessels. We currently target completing the acquisition of these vessels in the second half of 2014, subject to obtaining all relevant approvals from both the Chinese and Japanese governments.

In 2011, 2012, 2013 and the three months ended 31 March 2014, our revenue amounted to RMB215.1 million, RMB303.2 million, RMB380.9 million and RMB132.1 million, respectively, and our gross profit was RMB151.3 million, RMB177.7 million, RMB201.6 million and RMB73.5 million for the same periods. Our net profit was RMB116.5 million and RMB138.6 million in 2011 and 2012, respectively. Our net profit in 2013, which included the adverse effect of non-recurring and non-cash charge of the interest on puttable instruments of RMB9.7 million, was RMB138.9 million. Our net profit in the three months ended 31 March 2014 was RMB51.4 million, as compared to RMB22.1 million for the same period in 2013.

OUR COMPETITIVE STRENGTHS

We believe that the following principal strengths have contributed to our success.

We are a leading ultra-low temperature longline premium tuna fishing company in the PRC with a proven track record of fleet operation and expansion

We were the largest ultra-low temperature longline premium tuna fishing company in the PRC in terms of revenue and sales volume by weight in 2013 and the second largest in terms of number of self-owned vessels as at 31 December 2013, according to Frost & Sullivan. Our revenue accounted for approximately 22.2% of the total revenue generated by the ultra-low temperature longline premium tuna fishing industry in the PRC in 2013, according to Frost & Sullivan. As at the Latest Practicable Date, we operated a fleet of 24 ultra-low temperature longline fishing vessels, including 17 self-owned fishing vessels and seven Japanese fishing vessels which we do not own but have operated pursuant to vessel management arrangements. Our fleet was substantially larger than the fleets of the majority of our Japanese, Taiwanese and Korean peers, which had fewer than ten ultra-low temperature longline tuna fishing vessels as at 31 December 2013, according to Frost & Sullivan. We believe that having a sizable fleet is a major advantage in the ultra-low temperature longline tuna fishing industry.

BUSINESS

During the Track Record Period, we increased the number of our self-owned vessels from seven in 2011 to 17 in 2013. In early 2013, we acquired ten fishing vessels, including six vessels acquired from sellers in the PRC and four vessels acquired from sellers in Japan. In addition to our 17 self-owned vessels, from September 2013 to the Latest Practicable Date, we operated seven Japanese vessels pursuant to vessel management agreements with a term of three years. We have entered into sale and purchase agreements to acquire these seven Japanese fishing vessels and currently target completing the acquisition of these seven vessels in the second half of 2014, subject to obtaining all relevant approvals from both the Chinese and Japanese governments.

We believe that we have strong management capability for the operation of our fleet and our expanded fleet will further enable us to realise increased economies of scale through the reduction of average supply costs and transshipment costs for our operations. Our headquarters is responsible for the procurement of supplies for all the 24 vessels that we operate, and is able to negotiate favourable prices by leveraging our large fleet. In addition, we have entered into a strategic cooperation agreement with one of our major carriers, according to which the carrier has undertaken to provide us with transshipment services on more favourable terms than to our competitors. We also coordinate our self-owned vessels at sea to share spare parts. To keep these vessels in good working condition, we generally load at least two sets of replacement equipment and parts for vital onboard systems for each of our self-owned vessels prior to departure. When the replacement equipment and parts are depleted on one vessel, we coordinate among vessels of our fleet at sea for the use of such items while replacement items are being ordered. We believe this is a benefit of a large fleet as it lowers our transportation cost of equipment and parts for our vessels and minimises the possibility of interruption to our fishing operations.

In addition to increasing our catch capacity and enhancing our economies of scale over the Track Record Period, we have gained experience of acquiring vessels, including going through the complicated and multi-staged regulatory approval processes. We believe that our acquisition experience provides us with a distinct advantage over potential new market entrants in terms of enhanced industry profile and reputation among potential vessel sellers and regulators, familiarity with applicable regulations, and channels for recruiting and training qualified captains and crew and we are thus well-positioned to identify and realise additional acquisition opportunities in the future to support our continued growth.

We are the largest Chinese supplier of premium tuna to Japan and are well positioned to capture opportunities in the growing Chinese market

We focus on catching premium tuna primarily for use in high-end sashimi. The supply of premium tuna globally, especially in Japan, is insufficient overall according to Frost & Sullivan, primarily as a result of the declining number of operating ultra-low temperature longline tuna fishing vessels specially designed for catching premium tuna. The price of premium tuna is three to four times higher than that of common tuna. All of the longline fishing vessels that we operate are specifically designed for catching higher-value types of tuna and are equipped with ultra-low temperature freezers that are capable of maintaining temperatures of minus 55 degrees Celsius or lower to maintain the freshness of such tuna for extended periods of time. We sold 2,741.4 tonnes, 4,364.8 tonnes, 7,145.3 tonnes and 2,610.4 tonnes of premium tuna in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively, from which we recorded revenues of RMB180.7 million, RMB251.9 million, RMB317.1 million and RMB127.2 million, respectively, and achieved gross profit margin and net profit margin of 52.9% and 36.5%, respectively, in 2013. Our gross profit margin and net profit margin were 55.6% and 38.9%, respectively, in the three months ended 31 March 2014, compared with 50.9% and 31.5% in the three months ended 31 March 2013.

BUSINESS

We primarily sell our premium tuna to the Japanese market, which was the world's largest market for premium tuna during the Track Record Period, and we were the largest Chinese supplier of premium tuna to the Japanese market in terms of revenue from 2011 to 2013, according to Frost & Sullivan. According to Frost & Sullivan, consumption of premium tuna in Japan amounted to approximately 0.3 million tonnes in 2013, representing approximately 69.8% of the tuna consumed in Japan in terms of consumption volume. The premium tuna consumption value in Japan is expected to reach approximately 206.4 billion Yen in 2017, increasing at a CAGR of 0.7% from 2013 to 2017, according to Frost & Sullivan. We recorded revenue from sales to the Japanese market of RMB173.0 million, RMB224.2 million, RMB274.3 million and RMB116.7 million for 2011, 2012, 2013 and the three months ended 31 March 2014, respectively, representing 80.4%, 73.9%, 72.0% and 88.4% of our total revenue, respectively, for the same periods.

In addition to the Japanese market, we have increased our sales to the growing Chinese market over the Track Record Period to diversify our customer base and capitalise on the developing market for premium tuna in the PRC, where income and consumption levels have been increasing in recent years. According to Frost & Sullivan, per capita annual expenditure of urban households on food in the PRC has increased at a CAGR of approximately 11.7% from 2006 to 2012. According to Frost & Sullivan, the consumption volume in the PRC of bigeye and yellowfin tuna, the two principal types of premium tuna, grew significantly from 2,000 tonnes in 2006 to 11,200 tonnes in 2013, representing a CAGR of 27.9%. This was mainly due to the improving living standards, increasing purchasing power of the mainland Chinese population and the resultant increase in the consumption of luxury fishery products and acceptance of tuna by Chinese residents, as well as the improving ultra-low temperature infrastructure required to transport and store sashimi tuna in the PRC, according to Frost & Sullivan. However, premium tuna consumption is still at a nascent stage in China. According to Frost & Sullivan, bigeye and yellowfin tuna consumption in the PRC is likely to increase at a CAGR of 23.0% from 2013 to 2017 to reach 25,648 tonnes as of 2017, over two times the level in 2013, and Frost & Sullivan expects a high growth rate for the consumption volume at least in the next decade in China. With concerns over food quality and safety continuing to be prevalent in the PRC, we believe that our track record as a supplier of premium tuna in Japan, where food safety regulations are perceived to be more stringent, will enhance our competitiveness vis-à-vis other competitors in the PRC marketplace. Our sales to the Chinese market has increased from 202.2 tonnes in 2011 to 1,692.8 tonnes in 2013. With the growing popularity of premium tuna in China, we believe we are well-positioned to capitalise on the rising demand for premium tuna in China.

We operate in an industry with high barriers to entry

The ultra-low temperature longline tuna fishing industry in which we operate has many barriers to entry, including among other things, the stringent regulatory restrictions, large capital investment and high quality control requirement. According to Frost & Sullivan, due to high barriers to entry, fewer than 30 companies in the PRC are capable of ultra-low temperature longline tuna fishing operations as of 31 December 2013.

The ultra-low temperature longline tuna fishing industry in which we operate is heavily-regulated. Fishing vessels are required to be registered with OPRT in order to sell the tuna caught by such vessels to the Japanese market. OPRT limits the number of longline fishing vessels registered with it and the number of ultra-low temperature longline tuna fishing vessels registered with OPRT has declined from 1,454 as of March 2004 to 1,013 as of March 2014, according to Frost & Sullivan. All of our 24 vessels that we operate have been registered with OPRT, which we believe has positioned us well in the ultra-low temperature longline tuna fishing industry.

BUSINESS

As most of our premium tuna is sold for raw consumption as high-end sashimi, we must meet stringent quality requirements. We maintain an effective quality control system for our fishing vessels to ensure that our tuna meet the stringent requirements of our customers and applicable food safety regulations. During the Track Record Period, the majority of our sales were made to the Japanese market. We developed our quality control system based on our Japanese customer's requirements as well as the food safety regulations in Japan. Our quality control system specifies the standard handling, processing and freezing procedures for our tuna catches on board our fishing vessels. We have also developed handling procedures to minimise superficial damage to our tuna such as bruising, as the external appearance of the tuna is an important factor in determining the price of premium tuna upon sale. We believe that our consistent delivery of high quality tuna has helped us to maintain a good reputation and working relationship with our customers.

We have a modern, technologically advanced and efficiently managed fleet

We have a modern, technologically advanced fleet of 24 longline tuna fishing vessels, including 17 self-owned fishing vessels and seven Japanese fishing vessels which we do not own but have operated pursuant to vessel management arrangements. These 24 vessels are capable of operating at remote fishing grounds over an extended period of two to three years without the need to call at seaports. All these fishing vessels utilise ultra-low temperature freezers capable of maintaining temperatures of minus 55 degrees Celsius or lower to maintain the freshness of the tuna for extended periods of time. In addition, preliminary tuna processing activities can be conducted directly on each fishing vessel. All these fishing vessels are equipped with facilities for monitoring ocean water temperature, current movements and other environmental factors relevant to tuna migration and are also equipped with highly sophisticated fish finding technology to identify the size, the location and density of fishing schools, allowing the vessels to optimise the catch volume and value.

Our personnel at our headquarters are able to utilise global positioning satellite mapping technology to monitor the location of each of our self-owned fishing vessels at sea. We have devoted efforts to keeping our self-owned fishing vessels well-maintained to extend their operating lives. When conducting periodic inspections and regular maintenance of the vessels, we strictly follow stringent maintenance standards. Our crew members also regularly inspect and maintain key equipment and parts for our vessels during each voyage. We believe that having a well-maintained fleet contributes to our operating efficiency because it reduces down time and enables us to maintain our operations at sea for extended periods of time without the need to return to port for extensive repairs and maintenance.

We leverage our extensive experience, know-how and technology in carrying out our research and development strategy to improve our operating efficiency. During our over 13 years of operation, our captains and other crew members have developed the skills for effective job performance and have developed fishing know-how through regular internal exchanges of experience acquired from fishing operations. For example, by adjusting the composition of the bait we use and improving the baiting techniques, we were capable of adjusting the catch volumes and controlling the types of common tuna, while continuing to focus on catching premium tuna. We have also earned recognition in connection with our research on tuna resources. For example, we were awarded the Science Technology Achievement Certificate (科學技術成果證書) by Shanghai Science and Technology Commission (上海市科學技術委員會) in 2008 in recognition of our research on study and development of tuna resources in the EPO and Indian Ocean.

BUSINESS

We have a stable and growing team of experienced captains and senior crew members

We believe that being able to recruit and retain qualified captains and crew members is vitally important to success in the ultra-low temperature longline tuna fishing industry. We have a chief captain for our fleet who is responsible for the overall management of the fishing operations of our self-owned vessels. With the support of our headquarters, the captains of our self-owned vessels, led at sea by the chief captain, analyse and utilise environmental, navigational and fishing migratory data to locate schools of tuna and to increase catch yields. The quality of our tuna is highly dependent on our crew's experience and capability in efficiently and appropriately processing it. Proficient processing maintains the tuna's quality, which directly impacts the selling price.

From our inception, we have devoted our efforts to encouraging highly experienced personnel to join and remain with us by providing career development opportunities and benefits. We staffed all of the ten fishing vessels, which we acquired in early 2013, with captains that we had trained and promoted internally. As at the Latest Practicable Date, we had a total of 25 qualified captains, most of whom had over 10 years of experience operating deep sea fishing vessels. Our captain attrition rate was zero during the Track Record Period.

We have provided the following career opportunities and benefits to our captains and crew:

- Training and internal promotion: Prior to departure for voyages, we provide captains and crew members with systematic in-house training on our policies and procedures as well as on longline fishing techniques and processing and freezing procedures to ensure they are able to develop their knowledge and skills for the operation of ultra-low temperature longline tuna fishing vessels. We are dedicated to developing our team of captains through internal promotions and apprenticeships.
- Incentives and teamwork: We have implemented an incentive scheme under which our captains and crew are motivated to improve the size and quality of fishing yields. Such incentives include bonuses that are payable to captains based on their leadership, communication and management ability, individual vessel's performance as well as the overall fleet's performance. More importantly, we strive to promote teamwork among our fishing vessels to leverage the scale of our fleet, which we believe is a major competitive advantage.
- Other benefits: We provide opportunities for captains and crew to maintain contact with their families by telephone or email during their voyages. To take care of the families of our captains, we also help some of them secure job or education opportunities.

We have long-standing and well established relationships with our customers, suppliers and carriers

We have established long-standing relationships with our customers. Our business relationships with a majority of our customers during the Track Record Period exceed six years. More importantly, we have an established business relationship of over 13 years with Toyo Reizo, our largest customer during the Track Record Period, which is the largest premium tuna importer in Japan according to Frost & Sullivan and a subsidiary of Mitsubishi Corporation. We believe our stable relationship with Toyo Reizo has been developed on the basis of mutual respect and trust and through our significant industry experience, stringent quality controls and track record of reliable delivery over the 13 years.

BUSINESS

We also have established business relationships with suppliers of bunker fuel, vessel equipment, fishing gear and bait, as well as carriers. Our relationships with our suppliers are important as we depend on them for timely deliveries, in most cases remotely at sea, for the efficient operation of our fishing vessels. In line with what we believe is industry practice, we have not entered into any long-term agreements with our major suppliers, although we have been cooperating with many of our major suppliers for more than five years. Furthermore, there are a limited number of major carriers in the industry, and transshipment vessels are required to be registered with relevant RFMOs in order to conduct transshipment activities in their respective convention area. We have established business relationships with several major carriers in the fishing areas where we operate. In particular, we have entered into a strategic cooperation agreement with one of our carriers, pursuant to which the carrier has undertaken to provide us transshipment services on more favourable terms than to our competitors.

We believe that maintaining good relationships with our customers, suppliers and carriers has helped us to build up our credibility in the ultra-low temperature longline tuna fishing industry, which has proved helpful in forging new relationships with other players in the industry and gaining the trust of potential sellers of fishing vessels.

We have substantial operating experience and an experienced and highly qualified management team with a proven track record

Founded in 2000, we were among the early entrants into the PRC ultra-low temperature longline tuna fishing industry. With over 13 years of operational experience in the ultra-low temperature longline tuna fishing industry and the strong business relationships with key industry players we have developed, we have accumulated significant industry knowledge and extensive technical and managerial expertise through the operation and acquisition of our fishing vessels, participation in ocean fishing survey work and the collection and analysis of extensive data, such as location of fishing grounds, fish migration patterns and seasonal variations, which we consider give us a competitive advantage. We believe that our accumulated knowledge and extensive experience have enabled us to improve our catch yields and operating efficiency and will support our continued success going forward.

Our management team has extensive technical and managerial expertise in the longline tuna fishing industry as well as valuable business relationships with key customers and suppliers. Our chairman of the Board, the Chief Executive Officer and an executive Director, Mr. Li Zhenyu, is responsible for the overall strategic planning and business operation and development of our Group, and has over 18 years of experience in the ocean fishing industry with over 16 years experience in the operation and management of ultra-low temperature longline fishing vessels. Ms. Gao Bo, our executive Director, has significant experience in investment and financial matters, and is responsible for the listing and financing matters, business and strategic planning of the Group. Mr. Ge Shuqing, the chief captain, is responsible for the overall management of the fishing operations and coordination of our vessels at sea, and has over 18 years of experience as a captain in ocean fishing industry. We believe that the combination of our management team's experience and expertise in the longline tuna fishing industry has been integral to our success and will continue to be a key component of our future development. In early 2013, our senior management team successfully completed the acquisition of ten additional fishing vessels. We believe that our senior management team's experience in identifying potential acquisition targets, negotiating the transactions, obtaining government approvals and integrating the additional fishing vessels into our enlarged fleet will be especially useful going forward as we seek to engage in additional acquisitions as part of our overall growth strategy.

BUSINESS

OUR BUSINESS STRATEGIES

Our primary objective is to further strengthen our leading position in the industry and provide our shareholders with attractive returns through growth and efficiency. To achieve our development goals, we are pursuing the following strategies.

Expand our fleet through acquisitions of fishing vessels to further consolidate our industry leadership position

We plan to continue to expand our fleet through acquisition of fishing vessels in the future. We have entered into sale and purchase agreements to acquire the seven Japanese fishing vessels which we do not own but have operated since September 2013 pursuant to vessel management arrangements. We currently target completing the acquisition of these seven vessels in the second half of 2014, subject to obtaining all relevant approvals from both the Chinese and Japanese governments. We believe that the experience we have gained from our previous acquisitions of ten vessels, including going through complicated and multi-staged regulatory approval processes, together with our enhanced industry profile and reputation as a result of our expanded scale, position us well to identify and realise additional acquisition opportunities to support our future growth.

Due to stringent licensing requirements that impose strict limits on the total number of the longline tuna fishing vessels in operation, acquiring existing longline fishing vessels with ultra-low temperature freezer storage is our primary avenue for expanding our fishing fleet. Going forward, we intend to acquire additional fishing vessels to further expand our fishing capabilities, increase the volume of our catch and diversify our fishing grounds. We believe the industry immigration from Japan to China creates unique opportunities for us to expand our fleet through acquisition of vessels from vessel owners in Japan. We believe that by expanding the size of our fleet we will not only increase our revenue and market share, but also further improve our operating efficiency through enhanced economies of scale and efficient coordination and management. We believe that our credibility among industry players as well as our knowledge and experience in securing the relevant government approvals, our established channels for recruiting and training captains and crew and our experience in successfully integrating additional vessels into our fleet will enable us to successfully carry out our expansion plans in the future.

Explore other fishing regions

As we expand our fleet, we would consider expanding and diversifying our operations to the Indian Ocean. In preparation for our future expansion to the Indian Ocean, we studied, among other things, the tuna resources and the fishing grounds in the Indian Ocean and conducted exploratory fishing operations there. We also operated one of our fishing vessels in the Indian Ocean from September 2007 to February 2010 on an exploratory fishing project sponsored by the MOA. We currently have four captains who have experience of fishing operations in the Indian Ocean.

In addition, we will continue to accumulate our experience to operate in the Atlantic Ocean. For the seven Japanese vessels that we currently operate in the Atlantic Ocean pursuant to vessel management arrangements, we have retained the Japanese captain and other crew members of each vessel during the management term and have assigned five of our captains and five of our senior crew members to work onboard these vessels to supervise their fishing operations and report to our management at our headquarters in Dalian, Liaoning, the PRC in order to develop our operating knowledge and experience in

BUSINESS

the region. These assigned captains and senior crew members are expected to learn specific fishing know-how required for operation in the Atlantic Ocean from the Japanese captains to prepare them for taking over the operation of these vessels if and when we complete the acquisition of these vessels, as we plan to continue to operate these vessels in the Atlantic Ocean upon completion of the acquisition of these vessels. We would consider promoting two of these assigned senior crew members to captain if and when we complete the acquisitions of these vessels so that we would have seven experienced captains to operate these vessels in the region. We may also consider deploying a chief captain in the Atlantic Ocean to coordinate the fishing operations of the vessels there in the future. In addition, for these seven managed vessels in the Atlantic Ocean, we currently procure supplies of all of our key necessities including bunker fuel, vessel equipment, fishing gear and bait from the existing suppliers of these vessels. In the meantime, we have identified three other suppliers of bunker fuel, vessel equipment and bait, respectively, and are in discussions with them for potential cooperation in our future operations in the Atlantic Ocean if and when we complete the acquisition of the seven managed vessels. We have also built up relationship with the current transshipment carrier for these managed vessels. We believe that the experience accumulated and the relationship with the suppliers and carrier will set up a solid foundation for our further expansion in the Atlantic Ocean.

Going forward, we intend to further expand our fishing capabilities and explore opportunities in the Atlantic Ocean and the Indian Ocean, through the acquisition of fishing vessels with existing licences to fish there, so as to increase the volume of our catch and diversify our fishing grounds. We believe that our credibility among industry players as well as our knowledge and experience in securing financing and the relevant government approvals, our established channels for recruiting and training captains and crew and our experience in successfully integrating additional vessels into our fleet will enable us to successfully carry out our geographic expansion plans in the future.

Leverage increasing demand for high quality tuna in the Chinese market to expand sales in the PRC

We intend to continue to increase our sales to the Chinese market to capitalise on the developing market for premium tuna there and take advantage of rising income and consumption levels. Driven by the improving living standards of PRC consumers, the demand for premium tuna in the PRC is expected to grow, according to Frost & Sullivan. With the improving ultra-low temperature infrastructure in the PRC, bigeye and yellowfin tuna consumption in the PRC is to continue growing at a CAGR of 23.0% from 2013 to 2017 to reach 25,648 tonnes as of 2017, over two times the level in 2013, according to Frost & Sullivan. With improving living standards, Frost & Sullivan forecasts the annual per capita tuna consumption in the PRC will reach approximately 18.48 g by 2017, growing at a CAGR of 22.3% from 2013 to 2017.

We believe that our existing sales presence in the PRC market positions us well to increase our sales to the Chinese market. We expanded our customer base in the PRC during the Track Record Period. Leveraging the strength of our established channels, we intend to focus on increasing our sales to these established customers and in the meantime seek new customers in the PRC. To ensure stable transshipment service to the PRC, we entered into a strategic cooperation agreement with one of our major carriers in July 2013, according to which the carrier will use its reasonable efforts to arrange transshipment and delivery of our tuna to certain designated ports, including the ports in the PRC. In order to further expand our sales presence in the PRC, we have set up a dedicated sales department in June 2013 to focus on the development of the PRC market and plan to further expand and strengthen our sales department. We have also formulated plans to enhance sales and marketing training to our existing sales personnel. Furthermore, we plan to strengthen our brand image in the PRC to facilitate the sales of our tuna in the PRC by using our

BUSINESS

registered trademark “金沐” in sales and marketing there. We intend to establish cooperative arrangements with wholesalers in the PRC for the sales of our tuna and we are in preliminary discussion with such wholesalers on the terms of cooperation. We believe that these strategies will enable us to broaden and diversify our customer base, capitalise on growing Chinese market demand and provide opportunities for sales growth.

Expand into downstream business activities to maximise the value of our tuna

As we expand our fleet we plan to increase deliveries of our tuna to the Chinese market. Currently, one of the key constraints in the PRC for the development of the market for sashimi tuna is the lack of processing facilities equipped with ultra-low temperature freezing equipment. We intend to seek appropriate options to exploit this opportunity through the establishment of our own tuna processing business in the PRC, which we consider presents strong synergies with our existing business to expand our customer base in the PRC. We plan to leverage our industry contacts and stable supply of tuna caught by our fleet of longline vessels, to establish a tuna processing facility in the PRC, either ourselves or through collaboration with experienced industry players, to slice and package high quality tuna caught by our vessels for sale in the China market as sashimi. We intend to procure from international tuna processing companies appropriate processing technology and expertise. As this is a new business line for us, we plan to recruit appropriately experienced management and staff, with a view to selling processed tuna products to distributors in the PRC for onward sale to customers including restaurants, supermarkets and other retail outlets. As at the Latest Practicable Date, we were in preliminary discussions with industry players in the PRC as well as potential overseas technology partners to evaluate opportunities for future cooperation. We intend to fund our expansion into the tuna processing business by using approximately 20% of the net proceeds of the [REDACTED].

In the longer run, we may also invest in or acquire an ultra-low temperature tuna transportation business, which are ancillary to tuna processing business. In addition, we may consider exploring other opportunities to better utilise tuna resources, e.g., using tuna to produce health food, cosmetic or other products. We believe our involvement in downstream operations will enable us to capture more revenue-generating opportunities along the industry value chain. When appropriate opportunities arise, we may consider complementing our organic growth by pursuing a disciplined and targeted acquisition strategy. We will focus on opportunities in downstream business activities that will help better utilise our tuna supplies. As of the Latest Practicable Date, we had not entered into any letter of intent or agreement for such acquisition nor identified any definite acquisition target.

Further streamline our business and improve our operating efficiency

We will continue to streamline our business and improve our operating efficiency to cement our leading position in the industry. We plan to upgrade our central control platform in Dalian through the installation of upgraded or additional advanced equipment and devices, which we believe will further improve the overall planning and management of our fishing activities. We plan to enhance our chief captain programme by deploying additional regional head-captains to better manage our expanded fleet, and coordinate, via our central control platform, the collaboration among sub-fleets managed by multiple regional head-captains.

BUSINESS

We also plan to reduce operating costs and expenses through further refinements to the management of our expanded fleet. Efficiently scheduling deliveries of supplies to and transshipment from our expanded fleet of vessels may allow our suppliers and carriers to more efficiently ship supplies or tuna between our vessels at our fishing grounds and the destination port. Therefore, we believe that our expanded fleet will provide us with opportunities to procure supplies and transshipment services on more competitive terms.

We will continue to leverage our extensive experience, know-how and technology in carrying out our research and development strategy, which aims to achieve operational improvements and cost reductions. We seek to continually improve the performance of the existing equipment on our vessels, such as the navigation and transmission equipment, steering engine controls, and the propulsion equipment. The advanced communication and navigation equipment and fishing-aid equipment we use, such as fish detectors, are primarily made in Japan. We will continue to invest in advanced new equipment to keep pace with industry developments. In addition, we will continue to collaborate with certain domestic research institution in the PRC, which our Directors believe provide us with an insight into industry trends and emerging new technologies, enabling us to enhance the efficiency of our fishing operations as well as our ability to predict the migration patterns of tuna. Our research and development investments will continue to focus on areas such as improving baiting techniques and increasing the overall catch yield of our fleet.

Continue to develop and recruit qualified captains and crew

We believe that maintaining a team of well-trained captains and other crew members is critical to our growth. The ultra-low temperature longline tuna fishing industry is undergoing a major generational shift, in which many of the experienced seafarers, particularly those in Japan, are retiring, according to Frost & Sullivan. However, we understand that fewer young people in China and other regions where we may decide to recruit captains and other crew members are joining or intend to join the fishing industry due to different preferred lifestyles and attitudes. As a result, ultra-low temperature longline tuna fishing companies are facing challenges in recruiting and retaining qualified captains and crew to replace the retiring captains and crew.

In view of these challenges, we will continue to implement and improve our efforts to retain and develop our captains and crew and provide them with suitable incentives and benefits. We will continue to maintain high standards in hiring as we execute our growth strategy. As we expand our fleet, additional captains and crew will be needed to operate our new fishing vessels. We plan to meet the need for additional captains and crew through internal training, external recruitment, referrals and strategic cooperation with Independent Third Party labour agencies. We believe that our strong reputation in the ultra-low temperature longline tuna fishing industry and the recent expansion of our fleet will assist us in attracting additional captains and crew. In the meantime, we have been developing and plan to continue to develop a team of future captains through internal promotions and apprenticeships. We will also develop our chief captain programme to fully capitalise on our expanded fleet and further encourage collaboration among vessels to enhance economies of scale. We will also explore other methods to incentivise and retain our captains and crew, improve their standard of living while at sea and enhance our caring programs for the crews' families. We believe our motivated captains and crew team will provide a solid foundation for our future growth.

BUSINESS

Enhance our corporate governance and internal controls

We intend to adopt best practices and industry standards for corporate governance and internal control. We have engaged, and intend to engage for at least 12 months after the Listing, a reputable third-party internal control consultant specialising in risk advisory and internal control related services, to continually review and enhance our internal control system. We intend to enhance our internal management by further defining the responsibilities of each operating unit to ensure orderly and efficient operations. We aim to enhance our overall financial and cost control while preserving flexibility and efficiency of our operations. Our senior management will review and monitor our procurement and supply activities and related party transactions on a regular basis. In addition, we intend to continue to enhance our cash flow position by remaining cautious in our decision making with respect to operations and investment, especially our investment decision for acquisition of fishing vessels. Furthermore, we intend to refine our internal evaluation and reward system to promote professionalism, initiative and team spirit among our crew members and to cultivate our corporate culture, which in turn will enhance our productivity and competitiveness.

OUR BUSINESS MODEL

We catch and sell premium tuna and common tuna used for human consumption in the form of sashimi. We primarily sell our tuna to the Japanese market, which was the world's largest market for premium tuna from 2011 to 2013, according to Frost & Sullivan. In addition, we have increased our sales to the Chinese market to capitalise on the developing market for premium tuna in the PRC, where income and consumption levels have been increasing in recent years.

We currently operate a fleet of 24 ultra-low temperature longline tuna fishing vessels, which are all equipped with ultra-low temperature freezers capable of maintaining temperatures of minus 55 degrees celsius or lower to maintain the freshness of tuna for extended periods of time. We exclusively employ the longline fishing method in our fishing operations. The longline fishing method makes use of a main line with many shorter branch fishing lines, fitted with baited hooks, attached along the main line to catch fish. We process the tuna that we catch on board the fishing vessels and store the tuna in onboard ultra-low temperature freezers. We generally arrange for Independent Third Party carriers to deliver our tuna to the designated port for sale to our customers according to the quantity of tuna stored on our vessels and the schedule of the transshipment vessels. As compared to purse seine fishing, longline fishing typically catches a higher proportion of premium tuna, which have a relatively higher market price and are primarily used in sashimi.

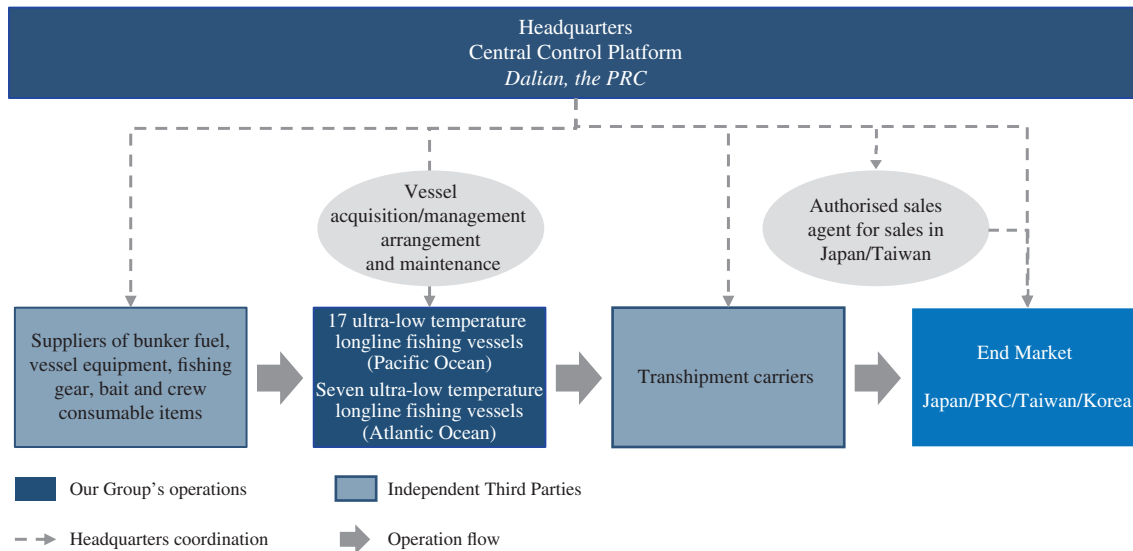
Our fishing vessels remain at sea for an extended period of two to three years. To maximise our vessels' operating efficiency, bunker fuel, vessel equipment, fishing gear, bait and crew consumable items such as food are generally delivered either directly to our fishing fleet at sea or to Dalian port where we load our vessels before they set off for each fishing voyage. Our headquarters in Dalian, the PRC, coordinates with Independent Third Party carriers for transshipment of our catches to ports for delivery to our customers. Our headquarters regularly communicates with our fishing vessels to manage and direct their fishing operations.

Our customers mainly comprise pelagic fish importers, most of whom in turn sell to wholesalers, restaurants, supermarkets and other retail outlets in Japan, the PRC, Taiwan and Korea. We derive revenue from the sales of tuna to our customers in Japan and Taiwan through an authorised sales agent, and directly

BUSINESS

to our customers in the PRC and Korea. Japan is our largest market. Revenue derived from the sales to the Japanese market was RMB173.0 million, RMB224.2 million, RMB274.3 million and RMB116.7 million for 2011, 2012, 2013 and the three months ended 31 March 2014, respectively, representing 80.4%, 73.9%, 72.0% and 88.4% of our total revenue, respectively, for the same periods. Revenue derived from the sales to the Chinese market was RMB8.7 million, RMB41.3 million, RMB54.0 million and RMB12.4 million for 2011, 2012, 2013 and the three months ended 31 March 2014, respectively, representing 4.1%, 13.6%, 14.2% and 9.4% of our total revenue, respectively, for the same periods. We also sold our tuna to customers in Taiwan and Korea during the Track Record Period.

The diagram below illustrates the key aspects of our operations.

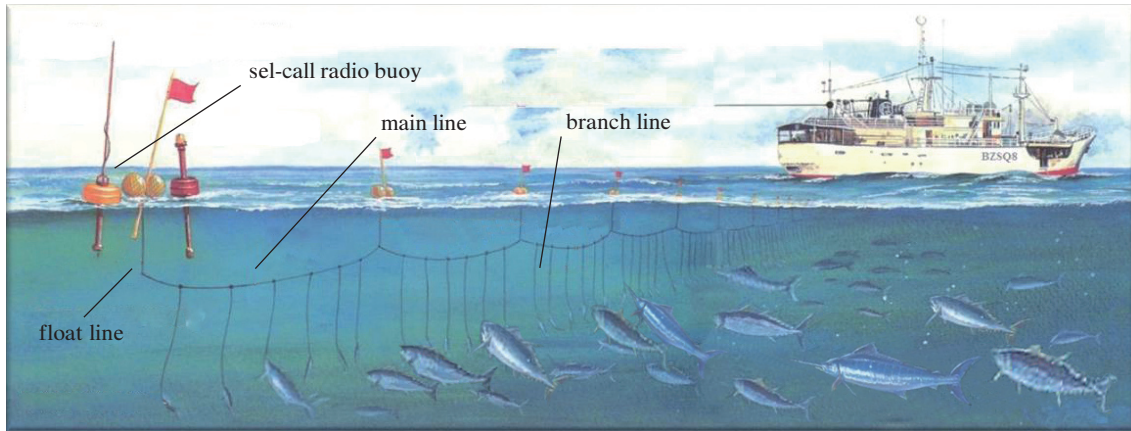


ULTRA-LOW TEMPERATURE LONGLINE FISHING

Longline fishing and purse seine fishing are the two major methods used for tuna fishing in the world, accounting for approximately 75% of the world's total tuna catch volume, according to Frost & Sullivan. Longline fishing is a passive fishing technique that utilises a long main line fitted with numerous branch lines to catch fish. Longline fishing typically catches a higher proportion of premium tuna of larger size, which have a relatively higher market price and are primarily used in high-end sashimi. In comparison, under the purse seine method, the tuna are surrounded by a net from the sides and from underneath, as a result, purse seine fishing is more likely to result in a larger amount of by-catches of immature and juvenile tuna, which causes serious damage to fishery resources. Therefore, longline fishing is widely recognised as a more environmentally friendly fishing method that minimises the impact on fishery resources and other marine species. In addition, according to Frost & Sullivan, most of the catches by purse seine are common tuna which have a relatively lower market value and are primarily used for canned tuna, even though purse seine produces a larger catch volume per vessel compared with that of longline fishing.

BUSINESS

We exclusively employ the longline fishing method in our fishing operations. The diagram below illustrates the longline tuna fishing process.



Fishing process of self-owned vessels

The principal steps of our longline tuna fishing process are summarised below. It usually takes one day for the whole tuna fishing process, from baiting and setting the fishing line, to processing the fish caught and storage. We then repeat the process daily, other than days when we conduct the transshipment of our catches and supplies, when we do not conduct fishing activities.

- ***Selection of fishing grounds***

We currently operate 17 self-owned vessels in the Pacific Ocean located between 20° N and 20° S latitude, and 170° W and 120° W longitude. We select fishing grounds according to our analysis of various factors, including the season, water currents, temperature and the relevant species' migratory patterns. We utilise equipment on our vessels to monitor ocean water temperatures and current movements, as well as global positioning satellite mapping technology to monitor and predict tuna migration patterns and trajectories in order to enable our fishing vessels to position themselves to maximise catch yield. Our headquarters personnel use global positioning satellite mapping technology to monitor the location of our fishing vessels operating at sea. Our captains, with the support of our headquarters, analyse and utilise environmental, navigational, and fishing migratory data to locate schools of tuna.

In March 2011, Japan was hit by one of the strongest earthquakes on record which was followed by a major tsunami. As a result, large parts of the northeast of Japan were devastated. The tsunami caused a nuclear meltdown at the Fukushima Daiichi Nuclear Power Plant. We do not believe that we were adversely affected by the earthquake and tsunami because we operate in fishing grounds in remote areas far from the Japanese coast.

- ***Setting of main line, baiting and shooting***

Fishing is generally carried out daily, subject to weather conditions. The longline fishing method entails using a main line of approximately 130 km to 150 km in length fitted with over 3,000 branch lines of approximately 45 to 50 m in length at intervals of approximately 45 to 50 m along the main line. Each branch line is affixed with a baited hook and attached to the main line. We bait our hooks with mackerel

BUSINESS

and squid, which is loaded at port in Dalian before departure or delivered to our fishing vessels at sea by our suppliers. Our bait is usually kept frozen in our freezer pending use while our vessels are at sea. We shoot the float line into the sea using a line setting device called a "shooter". Shooting is done from the stern (or rear) of our vessels. Shooting is carried out at dawn, taking into account water currents, wind conditions, tides, and water temperature as well as the amount of plankton in the relevant fishing grounds. A baited hook is attached to the end of each branch line. We deploy sel-call radio buoys at certain intervals along the main line to mark the position of our main line and to regulate the fishing depth. Shooting usually takes five to six hours. The fishing vessel then waits in the vicinity of the sel-call radio buoy at the end of the longline for several hours before hauling in the line.

Based on their experience and analysis of information on fishing grounds, our captains and crew members have the ability to influence the composition of our tuna catches by selecting fishing grounds, adjusting the baiting techniques (mainly by changing the depth of baiting) and the mix of baits they use.

- ***Hauling***

Hauling involves drawing in the main line. Hauling usually commences three to five hours after we complete shooting. We locate the longline using the sel-call radio buoy at the end of the float line. The fishing vessel moves into position at an angle to the main line to aid hauling. The line is hauled by an automated line hauler and the main line is coiled on the deck for storage during hauling. Caught tuna are detached from the hooks of the branch lines and placed on the deck for processing as the line is drawn in. Inspections are carried out to check for wear of the main line, branch lines and hooks. Worn out lines are replaced before rewinding into the storage drum. Branch lines are detached and coiled and kept separately. The hauling operation of the longline takes approximately 14 to 15 hours.

- ***Processing***

When caught tuna are detached from the branch line and placed on deck, a senior crew member processes the tuna under the supervision of a chief officer, going through a series of steps, including removing the fish tail and internal organs, rinsing, weighing and sorting according to type, size and meat quality. The processed tuna are then packed with ice of approximately 2% by weight of each fish body by submerging them in water for about three to five seconds.

Tuna's quality as food is highly dependent on the crew's experience and capability in efficiently and appropriately processing the tuna. Our senior personnel have undergone quality control training according to our quality control system to ensure that our tuna meets our customers' required standards as well as food safety regulations in Japan. Our customer in Japan provides guidance to us in respect of tuna processing, freezing and storage. We have adopted standard handling procedures to minimise superficial damage, such as bruising, and maintain tuna quality, which directly affects the selling price.

- ***Freezing and storage***

To maintain its freshness, the processed tuna is stored in the freezing room on each of our vessels according to internal guidelines. The processed tuna are frozen by air blast in our ultra-low temperature freezers for over 36 hours depending on the size and species until the core temperature of the tuna reaches minus 40 degrees Celsius and are then stored in storage rooms at temperatures of minus 55 degrees Celsius or lower.

BUSINESS

- ***Transshipment and sales***

The catch volume of each fishing vessel is reported to our chief captain, who in turn reports to our headquarters in Dalian on a regular basis. The daily catch volume of each vessel is typically approximately one or two tonnes. We normally arrange for carriers to deliver our tuna to the landing port for sale to our customers according to the amount of tuna stored on board our vessels and the schedule of the transshipment vessels. The carriers will directly receive the entire cargo of the fishing vessels at the fishing grounds and tranship the cargo to the relevant seaport for sale to our customers. To save transshipment costs, our fishing vessels discharge a portion of our catches at the seaports in Tianjin, Yantai and Dalian in the PRC or at the seaport in Shimizu in Japan when they return from a voyage. Our tuna are tied with coloured strings prior to transshipment so that our tuna are distinguishable from other companies' tuna during transshipment and sale. Before transshipping, the carriers will also randomly check the temperature of the tuna cargo for quality control purposes.

During transshipment, observers appointed by IATTC and WCPFC, who supervise transshipment in their respective convention areas, conduct spot checks to verify all the information reported by the transshipment vessels to confirm compliance with the applicable rules of these organisations.

Management of seven Japanese vessels

We currently operate seven Japanese fishing vessels in the Atlantic Ocean pursuant to vessel management arrangements. In general, there is no material difference between operating in Pacific Ocean and Atlantic Ocean in terms of the experience required for the captains and crew members, though knowledge of the conditions of the specific fishing grounds is required. Please refer to "Business – Management and Operation of Our Fleet" in this [REDACTED] for further details of our management of these seven vessels.

Observers appointed by ICCAT supervise the transshipment of our tuna to transshipment vessels in the Atlantic Ocean in substantially the same manner as the observers appointed by IATTC and WCPFC do in the EPO and WCPO. For details of the vessel management arrangements, please refer to "Business – Our Fleet – Vessel management arrangements" in this [REDACTED].

OUR TUNA CATCHES

Tuna is an important commercial fish that can be consumed raw in the form of sashimi, a Japanese delicacy consisting of fresh fish, sliced into thin pieces. As tuna is a natural source of DHA, a form of omega-3 fatty acid that has been associated with brain development and other health benefits, it is also used in the production of health supplements. Please refer to the section headed "Industry Overview" in this [REDACTED].

The tuna that we catch and sell comprises premium tuna and common tuna. We focus on catching premium tuna for use in sashimi. Premium tuna, mainly including bigeye tuna, yellowfin tuna, swordfish and marlin, is primarily consumed as sashimi and has a significantly higher sales price than common tuna. Common tuna can also be consumed as sashimi; however, common tuna has a lower selling price than premium tuna. Bigeye and yellowfin tuna are the two principal species of premium tuna we catch and sell, the sales of which accounted for over 90% of our total premium tuna revenue during the Track Record Period. As advised by our maritime legal advisers, Liaoning Haida Law Firm, bigeye catch limits are

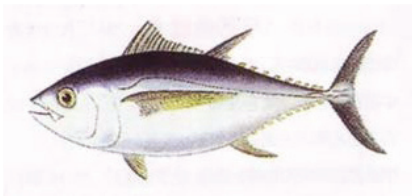
BUSINESS

allocated by relevant RFMOs to their respective member countries/regions, including China, in the Pacific Ocean and the Atlantic Ocean, however, there is no specific catch limit currently applicable to yellowfin tuna adopted by relevant RFMOs in the Pacific Ocean and the Atlantic Ocean. Please refer to "Regulatory Overview – International Law – Requirements imposed by RFMOs" in this [REDACTED] for further details.

Certain details of the major varieties of premium tuna caught by our fishing vessels are set out below.

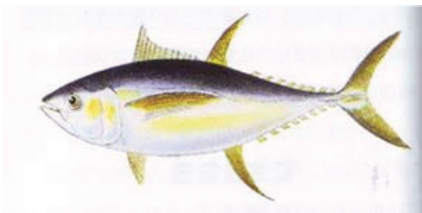
Premium tuna varieties

Bigeye tuna (*Thunnus obesus*)



The bigeye tuna usually has a maximum length of up to 206 cm and a maximum weight of up to 170.3 kg.

Yellowfin tuna (*Thunnus albacares*)



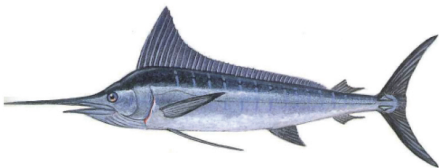
The yellowfin tuna usually has a maximum length of up to 208 cm and a maximum weight of up to 176.4 kg.

Swordfish (*Xipias gladius*)



The swordfish usually has a maximum length of up to 445 cm and a maximum weight of up to 540 kg.

Marlin (*Tetrapturus audax*)



The marlin usually has a maximum length of up to 350 cm and a maximum weight of up to 200 kg.

* Note: We do not fish for or sell bluefin tuna as specific licences are required, which we do not have.

BUSINESS

The following table sets out our sales volume and revenue derived from the sales of premium tuna and common tuna in different geographic markets for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2011		2012		2013		2013		2014	
	Volume (tonnes)	Revenue (RMB'000)	Volume (tonnes)	Revenue (RMB'000)	Volume (tonnes)	Revenue (RMB'000)	Volume (tonnes)	Revenue (RMB'000) (unaudited)	Volume (tonnes)	Revenue (RMB'000)
Premium tuna....	2,741.4	180,698	4,364.8	251,898	7,145.3	317,101	1,402.3	56,355	2,610.4	127,246
– Japan	2,624.6	172,970	3,707.4	212,634	5,972.9	270,763	1,087.7	44,211	2,357.6	114,811
– China.....	116.8	7,728	657.4	39,264	1,172.0	46,338	314.6	12,144	252.8	12,435
Common tuna ...	2,535.5	34,358	2,664.7	51,298	3,652.4	63,824	777.4	13,778	331.4	4,863
– Japan	–	–	540.4	11,517	243.0	3,583	40.4	589	133.1	1,933
– China.....	85.4	970	156.9	2,015	520.4	7,673	198.5	3,393	–	–
– Taiwan.....	2,450.1	33,388	1,967.4	37,766	2,889.2	52,568	538.5	9,796	–	–
– Korea.....	–	–	–	–	–	–	–	–	198.3	2,930
Total.....	<u>5,276.9</u>	<u>215,056</u>	<u>7,029.5</u>	<u>303,196</u>	<u>10,797.7</u>	<u>380,925</u>	<u>2,179.7</u>	<u>70,133</u>	<u>2,941.8</u>	<u>132,109</u>

The following table sets out our revenue and average selling prices for premium tuna in Japan, in Japanese Yen, for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2011		2012		2013		2013		2014	
	Revenue	Average selling price	Revenue	Average selling price	Revenue	Average selling price	Revenue	Average selling price	Revenue	Average selling price
	(JPY million)	(JPY/kg)	(JPY million)	(JPY/kg)	(JPY million)	(JPY/kg)	(JPY million)	(JPY/kg)	(JPY million)	(JPY/kg)
	(unaudited)									
	<u>2,137.5</u>	<u>814.4</u>	<u>2,738.8</u>	<u>738.7</u>	<u>4,377.3</u>	<u>732.9</u>	<u>672.9</u>	<u>618.7</u>	<u>1,925.0</u>	<u>816.5</u>

Please refer to “Financial Information – Principal Income Statement Components – Revenue” in this [REDACTED] for further details of our average selling prices for premium tuna in Japan during the Track Record Period and “Industry Overview – Price Trends – Price of premium tuna in the Japanese market” in this [REDACTED] for the future price trends of premium tuna in Japan.

OUR FLEET

As at the Latest Practicable Date, we operated a fleet of 24 ultra-low temperature longline fishing vessels, including 17 self-owned vessels and seven Japanese fishing vessels which we do not own but operate pursuant to vessel management arrangements. Of our 17 self-owned vessels, we acquired ten in early 2013, including six vessels acquired from sellers in the PRC and four vessels acquired from sellers in Japan. As advised by our PRC legal advisers, Commerce & Finance Law Offices, our ownership of the 17 ultra-low temperature longline fishing vessels is valid and in compliance with the PRC laws. Based on the advice from our Japanese legal advisers, we believe that we complied with the procedures required under the Japanese laws and regulations relating to the export of fishing vessels from Japan.

BUSINESS

All of the fishing vessels that we operate are specifically designed for ultra-low temperature longline fishing and are equipped with ultra-low temperature freezers capable of maintaining temperatures of minus 55 degrees Celsius or lower to maintain the freshness of our tuna for extended periods of time. These fishing vessels are capable of conducting fishing operations at remote fishing grounds over an extended period of two to three or more years without the need to call at seaports and are equipped with equipment for monitoring ocean water temperature, current movements and other environmental factors relating to fish migration, as well as automatic line-setting and hauling devices imported from Japan. Please refer to “– Licences and Approvals” in this section for further details of our compliance with the relevant rules and regulations.

A summary of the characteristics of the 17 fishing vessels that we own is set out below.

Vessel name	Length (meters)	Registered tonnage		Method of acquisition	Time of acquisition	Time of construction	Service	Place of construction	Flag state
		Gross ⁽¹⁾	Net ⁽²⁾				life (years)		
Longxing 601	47.99	486	176	Purchase ⁽³⁾	2000	1990	24	Korea	China
Longxing 602	43.61	343	120	Purchase	2000	1986	28	Japan	China
Longxing 603	47.00	395	225	Purchase	2000	1984	30	Japan	China
Longxing 605	48.60	626	204	New build	2004	2004	10	China	China
Longxing 606	48.60	626	204	New build	2004	2004	10	China	China
Longxing 607	48.60	626	204	New build	2005	2004	10	China	China
Longxing 608	48.60	626	204	New build	2005	2004	10	China	China
Tianyu 7	46.75	579	223	Purchase	February 2013	2004	10	China	China
Tianyu 8	46.75	579	223	Purchase	February 2013	2004	10	China	China
Tianxiang 7	46.90	577	243	Purchase	February 2013	1984	30	Japan	China
Tianxiang 8	49.15	622	190	Purchase	February 2013	1989	25	Taiwan	China
Tianxiang 16	47.30	573	199	Purchase	February 2013	1997	17	Taiwan	China
Tianxiang 18	49.61	619	270	Purchase	February 2013	1986	28	Japan	China
Longxing 609	47.99	577	231	Purchase	April 2013	1990	24	Japan	China
Longxing 610	49.15	619	264	Purchase	April 2013	1987	27	Japan	China
Longxing 611	49.23	577	231	Purchase	April 2013	1991	23	Japan	China
Longxing 612	49.19	619	245	Purchase	April 2013	1991	23	Japan	China

(1) Gross tonnage is calculated based on “the moulded volume of all enclosed spaces of the vessel” and is used to determine things such as a vessel’s crew requirements, registration fees and port dues.

(2) Net tonnage is based on a calculation of the volume of all cargo spaces of the vessel. It indicates a vessel’s revenue earning space (i.e. cargo-holding space) and is a function of the moulded volume of all cargo spaces of the vessel.

(3) Longxing 601 was contributed to us as capital by Jinfeng Trading and Dalian Ocean in September 2000. Please refer to “History – Shareholding History” for further details.

The additional seven Japanese fishing vessels that we operate pursuant to the vessel management arrangement have a total registered gross tonnage of 4,039 tonnes and a total registered net tonnage of 1,671 tonnes, and an average age of 23 years.

BUSINESS

Vessel management arrangements

All our existing vessel management arrangements were with respect to Japanese vessels that we intend to acquire and were for the period prior to the completion of our acquiring ownership of these vessels. From 1 September 2013 to the Latest Practicable Date, we operated seven Japanese fishing vessels pursuant to management agreements, which were entered into between Tuna Investment, our BVI subsidiary, and the two Japanese ship-owners of the seven Japanese fishing vessels on substantially the same terms on 22 August 2013. Below are details of the vessel management arrangements.

- **Management term:** The management term is from the date of delivery by the ship-owners to us effective from 1 September 2013 until the termination of the management agreement as agreed on 31 August 2016 unless otherwise agreed by the ship-owners and us. We and the ship-owners plan to terminate the management agreements upon the completion of the transfer of the vessel ownership to us.
- **Management service:** We engage in the management of the seven fishing vessels, including, among other things, directing the fishing operations, and maintenance of the vessels and arranging for supplies, such as bunker fuel, vessel equipment and parts, fishing gear and bait.
- **Sale of tuna catch and sharing of proceeds:** We have the power to sell the fish caught by the fishing vessels. The tuna will be sold in the name of the ship-owners, and the ship-owners are responsible for collecting the sales proceeds from the customers. We were entitled to share sales proceeds, including a fixed portion and a variable portion calculated on a per vessel and per sale basis which is equal to 80% of the balance of tuna sales proceeds from these seven fishing vessels above the aggregate of the fixed portion, the management costs we incurred and sales expenses. The remaining sales proceeds are payable to the vessel owner.
- **Management costs and sales expenses:** The management costs paid by us included, among other things, costs of bunker fuel, vessel equipment and parts, fishing gear, and bait, crew wages as well as insurance fees, for which we were entitled to reimbursement. The Japanese ship-owners paid sales expenses including transshipment costs and other expenses incurred relating to the sales of tuna.

Based on the advice from our Japanese legal advisers, we believe that the vessel management agreements, pursuant to which we operated seven Japanese fishing vessels as at the Latest Practicable Date, are valid and enforceable under the Japanese laws and regulations. However, the relevant Japanese authorities may have different views from ours relating to the validity or enforceability of such vessel management agreements as there is no judicial precedent nor guidelines from the relevant authorities relating to the validity or enforceability of these agreements. According to our maritime legal advisers, Liaoning Haida Law Firm, for the tuna caught by these seven Japanese fishing vessels, their actual catch volume is included into the total catch volume of Japan for the purposes of applicable catch limits as these vessels are registered under the Japanese flag.

We record proceeds received from the sales of tuna caught by these vessels as revenue and certain management costs as cost of sales and selling and distribution expenses for vessels under management arrangements. Since commencement of vessel management arrangements in September 2013, we recorded proceeds from sales of tuna caught by these vessels as revenue in the amount of RMB29.2 million and RMB42.7 million in 2013 and the three months ended 31 March 2014, respectively.

BUSINESS

For the four fishing vessels we acquired from Japanese sellers in early 2013, we had operated these vessels pursuant to vessel management arrangements since January 2012 on terms similar to those for the seven Japanese fishing vessels as disclosed above. Based on the advice from our Japanese legal advisers, we believe that the vessel management agreement, pursuant to which we operated these four Japanese fishing vessels, was valid and enforceable under the Japanese laws and regulations. However, the relevant Japanese authorities may have different views from ours relating to the validity or enforceability of such vessel management agreements as there is no judicial precedent nor guidelines from the relevant authorities relating to the validity or enforceability of these agreements. We terminated such arrangement in April 2013 upon the completion of our acquisition of these vessels. During the management term, we recorded proceeds from the sales of tuna caught by these vessels as revenue in the amount of RMB95.3 million and RMB22.8 million in 2012 and 2013, respectively, and we recorded certain management costs as cost of sales and selling and distribution expenses in the corresponding periods.

Vessel acquisitions

Among the 17 self-owned vessels, ten were acquired by us and became a part of our fleet in 2013, including six fishing vessels acquired from Independent Third Party sellers in the PRC as well as four fishing vessels acquired from Independent Third Party sellers in Japan.

Acquisition of six PRC fishing vessels

We acquired six fishing vessels from sellers in the PRC pursuant to sale and purchase agreements, which were entered into between Dalian Ocean Fishing, our PRC subsidiary, and the respective Chinese ship-owners, who are Independent Third Parties, on 1 April 2012. The salient terms of the sale and purchase agreements are summarised as follows:

- **Vessels and other assets:** The sellers agreed to transfer the fishing vessels and related materials, including, among other things, bunker fuel, vessel equipment and spare parts, fishing gear and bait.
- **Payment terms:** The consideration for our acquisition of the vessels was payable in instalments. An initial payment of 15% of the purchase price was payable within four months from the execution of the sale and purchase agreements. The ownership transfer procedures were initiated upon payment of 70% of the purchase price. Upon completion of the ownership transfer procedures, the remaining portion of the purchase price of the six fishing vessels was fully settled.
- **Handover:** The sellers undertook to hand over the fishing vessels in a seaworthy operating condition on a delivery date as agreed between the sellers and us. Other assets were also transferred to us at the time of delivery, including bunker fuel, spare parts, bait and fishing gear.
- **Transfer of ownership:** The sellers were obligated to assist us in obtaining all approvals and completing transfer formalities for the fishing vessels. The ownership of the fishing vessels was transferred upon completion of all transfer formalities when we became the registered owner of the fishing vessels.
- **Representations and warranties:** The sellers undertook to us that they had legitimate ownership of the fishing vessels free from all mortgages, pledges, liens, third party rights and encumbrances whatsoever as at the respective completion date.

BUSINESS

- Taxes and fees: Both parties undertook to bear their respective taxes and fees in relation to the transaction, according to PRC laws.

By February 2013, the ownership transfer procedures were completed and we became the registered owner of the six fishing vessels.

Acquisition of Japanese fishing vessels

We acquired four fishing vessels from sellers in Japan pursuant to sale and purchase agreements, which were entered into between Dalian Ocean Fishing, our PRC subsidiary, and the respective Japanese ship-owners, who are Independent Third Parties, on 15 October 2012, after obtaining Japanese export approvals. In addition, on 14 April 2014, Dalian Ocean Fishing also entered into two sale and purchase agreements to acquire seven fishing vessels from their respective Japanese ship-owners, who are Independent Third Parties. The terms of the sale and purchase agreements for acquiring the seven Japanese fishing vessels are substantially the same as those for acquiring the above four Japanese fishing vessels, and the salient terms of these sale and purchase agreements are summarised as follows:

- Vessels and other assets: The sellers agreed to transfer the fishing vessels and certain production materials, including bunker fuel, spare parts, bait, fishing gear and crew consumable items.
- Payment terms: We were required to pay cash consideration for our acquisition of the vessels in two instalments via telegraphic transfer. One instalment was/is payable on or before a specified date upon conclusion of the sale and purchase agreements and the other instalment was/is payable within 60 days of the date of delivery of the vessels. Upon completion of ownership transfer procedures, the purchase price of the four fishing vessels was fully settled.
- Handover: The sellers were required to hand over the vessels and related equipment and ensure that the vessels were in seaworthy condition. For the four fishing vessels we already acquired, the hand-over place was at Port of Suva, Fiji, and for the seven vessels to be acquired, the hand-over will be conducted at any port or High Sea in Atlantic Ocean at our option within an agreed period of time.
- Transfer of ownership and change of vessels' nationality: Both parties undertook to apply to their respective government for certificates relating to the change of vessels' nationality at their own expense and to effect the transfer of ownership of the vessels.
- Representations and warranties: The sellers undertook to us that they had legitimate ownership of the fishing vessels free from all mortgages, pledges, liens, third party rights and encumbrances as at the respective completion date.
- Taxes and fees: We undertook to pay all Chinese taxes and fees in connection with the import and registration formalities in China, and the sellers undertook to pay the Japanese taxes and fees in connection with their exportation and disposition of the vessels in Japan.

In April 2013, the ownership transfer procedures for the four Japanese fishing vessels were completed and we became the registered owner of the four fishing vessels. For the seven Japanese fishing vessels we operate under vessel management arrangements, we currently target completing ownership transfer

BUSINESS

procedures in the second half of 2014, subject to obtaining all relevant approvals from both the Chinese and Japanese governments. The aggregate consideration for these seven vessels and certain related production materials is estimated to be approximately RMB200 million. As at the Latest Practicable Date, we had paid RMB116.9 million as part of the acquisition consideration to the Japanese ship-owners of these seven vessels which was paid after 31 March 2014 and funded from cash generated from operations and bank borrowings.

Acquisition process

Due to the stringent licensing requirements that impose strict limits on the total number of ultra-low temperature longline tuna fishing vessels, acquiring existing ultra-low temperature longline vessels with relevant licences and registration is our primary avenue for expanding our fishing fleet. The acquisition process usually includes the following steps:

Selection criteria for target vessels

We prescribe strict selection criteria for the fishing vessels we seek to acquire. We look for fishing vessels that are capable of conducting ultra-low temperature longline fishing operations at remote fishing grounds over an extended period of time without the need to call at seaports. The main characteristics of such fishing vessels are their freezing capacity, large storage area, and equipment specifically designed for longline fishing. We also place emphasis on whether the vessel has obtained all required licences to conduct ultra-low temperature longline fishing operations, the duration of use as well as the condition and standard of maintenance of the vessel. All the fishing vessels that we purchase should be duly registered with OPRT in order for the tuna caught by these vessels to be sold to Japan, and with relevant RFMOs in order for such vessels to conduct fishing operations in their respective convention areas. We believe we are able to identify potential targets in the PRC based on our experience and connections in the industry. For the vessels we acquire from sellers in Japan, we utilise information provided by our customer in Japan and other channels of information to identify potential target vessels.

Conducting due diligence

We conduct due diligence on the target vessels with potential sellers. We normally conduct a background investigation with the potential seller with regard to its commercial and financial records and examine all licences and certificates to verify the potential seller's ownership of the target vessel and financial creditworthiness. For the acquisition of a Japanese vessel, we examine an evaluation report issued by an independent professional of the relevant ship registration society to verify the condition and performance of the vessel. To the extent feasible, we visit the target vessel, usually while at sea, and test the main engine and key equipment on board.

Negotiating and entering into sale and purchase agreements with the seller

We directly negotiate the terms of the sale and purchase agreement with a potential seller. The price is determined primarily based on the main characteristics and condition of the vessel as well as its maintenance condition. For vessels acquired from sellers in Japan, prior to signing the agreements, the sellers are required to obtain approvals from the Fisheries Agency and METI to export fishing vessels. The approval process in Japan entails submitting certified copies of the register of the vessels and the application regarding the export of the vessels to the relevant governmental authorities. Our decision

BUSINESS

whether to proceed with an acquisition is usually made based upon internal discussion and consensus among our senior management. We generally settle the payment for the vessels in instalments via telegraphic transfer pursuant to the terms of the relevant sale and purchase agreement and upon receipt of payment instructions from the seller.

Obtaining approvals and completing formalities

The application and approval process with the MOA for the acquisition of a PRC vessel and a Japanese vessel usually takes approximately one month and two to three months, respectively. For vessel acquisitions from sellers in the PRC, we are required to obtain a Fishing Vessel and Equipment Quota Approval (漁業船網工具指標批准書) from the MOA for each acquired fishing vessel as well as other required registrations. For vessels acquired from sellers in Japan, we are also required to obtain approvals and licences to import fishing vessels. For details of the approvals and formalities relating to acquisition of fishing vessels, please refer to the "Regulatory Overview" section of this [REDACTED].

Handover of the vessel

The seller delivers possession of the vessel to us at an agreed time and location where we conduct a full inspection and stocktake of the vessel and all related materials, including but not limited to bunker fuel, spare parts, bait, and fishing gear. We will then carry out maintenance of the vessel as necessary to ensure the vessel is seaworthy and in satisfactory operating condition.

The time required to complete the acquisition process, commencing from the conclusion of a sale and purchase agreement, varies depending on whether we are acquiring a PRC registered vessel or an overseas registered vessel. Based on our previous experience, it takes us approximately four months to complete the process for a PRC vessel; while it takes us six to nine months to complete the process for a Japanese vessel.

Future plans

We have gained considerable experience of acquiring vessels from our recent acquisitions of six fishing vessels from PRC sellers and four fishing vessels from Japanese sellers, as well as our previous acquisition of a Korean vessel. Leveraging on such experience, we have acquired expertise in successfully navigating the complicated and multi-stage regulatory processes involved. These acquisitions have also enhanced our industry profile and reputation as a result of our increased fleet scale. We believe that these factors position us well to identify and realise additional acquisition opportunities to support our future growth.

We have not sold any of our fishing vessels in the past and do not plan to sell any of our fishing vessels in the future. Going forward, we intend to continue to expand our fishing capabilities through the acquisition of fishing vessels with existing registrations and licences in order to increase our catch volume. As set out in the section headed "Business – Our Fleet – Acquisition of Japanese fishing vessels" above, we have entered into sale and purchase agreements to acquire the seven Japanese fishing vessels which we do not own but have operated since September 2013 pursuant to vessel management arrangements. We currently target completing the acquisition of these seven vessels in the second half of 2014, subject to obtaining all relevant approvals from both the Chinese and Japanese governments. In the meantime, we are in the course of evaluating three vessels owned by owners in the PRC, the acquisition of which is expected to be completed in 2015. We had not entered into any sale and purchase agreements or memorandum of

BUSINESS

understanding with respect to the acquisition of these vessels as at the Latest Practicable Date. Please refer to "Business – Our Fleet – Acquisition process", "Business – Licences and Approvals" and "Regulatory Overview" in this [REDACTED] for our selection criteria and relevant approvals required and the process for acquisition of vessels.

The total estimated capital expenditures to be incurred in relation to the expansion of our fleet is approximately RMB200 million (which includes RMB116.9 million already paid as part payment of the acquisition consideration for the seven Japanese vessels we currently operate under management arrangements) and RMB150 million in 2014 and 2015, respectively. The RMB116.9 million payment was funded from cash generated from operations and bank borrowings. The remaining projected capital expenditures for 2014 and 2015 are expected to be funded by cash generated from operations, bank borrowings, and proceeds from the [REDACTED]. We plan to use approximately 50% of the proceeds from the [REDACTED] to further expand our fleet, by acquiring additional ultra-low temperature longline tuna fishing vessels and for purchasing new equipment to refit these vessels and procuring supplies for these vessels. Please refer to the section headed "Future Plans and Use of Proceeds" for further details.

The payback period for an acquired vessel represents the time that it takes for the accumulated profit less accumulated expenses (mainly including cost of sales, selling and distribution expenses, administration expenses and finance costs) of the vessel to cover the relevant capital expenditure. We estimate that the average payback period for an acquired fishing vessel is approximately three to four years.

We plan to manage and expand our operating capacity in a cost-efficient manner by leveraging our experience in managing our existing fleet. We believe that by further expanding the size of our fleet we will not only increase our sales revenue and market share, but also further increase our operating efficiency through enhanced economies of scale. We expect to staff the acquired vessels with captains and other crew members that we promote internally and train ourselves, as well as new captains and other crew members we recruit in the industry. We will also continue to provide our captains and other crew members with training on catching and processing tuna to maintain a skilled employee pool. We believe that the existing suppliers and transshipment carriers for our self-owned and managed vessels have sufficient capacity to provide bunker fuel, vessel equipment, fishing gear, bait and transshipment services that we require to facilitate our operation capacity expansion. We will continue to examine our suppliers' capacity and product and service quality to ensure that they will be able to support our operation capacity growth as well as seek opportunities to engage additional suppliers to diversify our supplier pool. With respect to the increasingly stringent bigeye catch limit requirements that may be adopted by RFMOs, we have other options which would be available to us to mitigate the potential impact of bigeye catch limits and sustain our business in the long run. Please refer to "Business – Licences and Approvals – Tuna conservation and management by international organisations – Catch limit adopted by RFMOs", "Risk Factors – Risks Relating to Our Business – Tuna stocks are a limited natural resource and commercial tuna fishing is subject to restrictions. The implementation of more stringent measures to control catch limits or other additional measures designed to limit tuna fishing activities by RFMOs or the PRC government could materially and adversely affect our business, financial condition and results of operations", and "Regulatory Overview – International Law – Requirements imposed by RFMOs – Catch limit" in this [REDACTED] for further details.

BUSINESS

MANAGEMENT AND OPERATION OF OUR FLEET

Our headquarters in Dalian, Liaoning, the PRC, oversees the operations of our 17 self-owned vessels. Our management is responsible for the overall planning of the fishing activities of these vessels. We utilise global positioning satellite mapping technology to monitor the location of each of our self-owned fishing vessels operating at sea. We have a chief captain who is responsible for the overall management of the fishing operations and coordination of our self-owned vessels at sea. The captain of each of these vessels is required to report their catch volume to the chief captain on a regular basis and share other information regarding operating conditions to enable the chief captain to coordinate our vessels accordingly. Our headquarters communicates on a regular basis with the chief captain by satellite radio and facsimile. The chief captain, in turn, communicates our instructions to the other captains of our self-owned vessels. Our headquarters will also give instructions to the chief captain and other captains, as needed, to further improve operating efficiency. We plan to enhance our chief captain programme by deploying additional regional-head-captains to better manage our vessels operating in the Pacific Ocean, and coordinate, via our central control platform, the collaboration among sub-fleets managed by multiple regional head-captains.

Personnel in our headquarters also engage in resource planning and supply chain management, liaison with sales agents and customers, human resource related functions and market research activities for pricing for sales of premium tuna and common tuna to customers. They also manage the purchase and delivery of supplies of bunker fuel, vessel equipment, fishing gear, bait and crew consumable items from suppliers. As our suppliers and carriers need to deliver supplies and tranship our tuna on location at our fishing grounds in the Pacific Ocean, our headquarters and our chief captain seek to efficiently schedule supplies to and transhipment from a number of our vessels simultaneously. This may enable our suppliers and carriers to ship more supplies to us or tranship more tuna from our vessels to our customers during each voyage between the port and our fishing grounds, allowing us to benefit from resulting economies of scale. The expansion of our fleet with the recent addition of ten new vessels has enabled us to achieve incremental economies of scale, enhancing our operating efficiency.

For the seven Japanese fishing vessels, which we operated pursuant to vessel management arrangements in the Atlantic Ocean, we have retained the Japanese captain and other crew members of each of these vessels during the management term. Directly instructed by each Japanese captain, these fishing vessels conduct fishing activities in their original fishing grounds as they did before the commencement of the vessel management arrangements. In the meantime, we have assigned five of our captains and five of our senior crew members to work onboard these vessels to supervise their fishing operations and report to our management at our headquarters in Dalian, Liaoning, the PRC in order to develop our operating knowledge and experience in the region. These assigned captains and senior crew members learn specific fishing know-how required for operations in the Atlantic Ocean from the Japanese captains to prepare for taking over the operation of these vessels if and when we complete the acquisition of these vessels, as we plan to continue to operate in the Atlantic Ocean upon completion of their acquisition. We will consider promoting two of these assigned senior crew members to captain if and when we complete the acquisitions of these vessels so that we would have seven experienced captains to operate these vessels in the region. We may also consider deploying an additional chief captain in the Atlantic Ocean to coordinate the fishing operations of the vessels there in the future.

BUSINESS

Personnel in our headquarters coordinate the purchase and delivery of supplies for our managed vessels and also arrange for the carriers to tranship the tuna from these vessels to designated ports. We currently procure supplies of all of our key necessities including bunker fuel, vessel equipment, fishing gear and bait from the existing suppliers of the seven vessels. In the meantime, we have identified three other suppliers of bunker fuel, vessel equipment and bait, respectively, and are in discussions with them for potential cooperation in our future operations in the Atlantic Ocean. We use the transshipment services provided by the existing carriers of the seven vessels, who also provide us such service in the Pacific Ocean.

VESSEL MAINTENANCE

Maintenance of vessels includes minor and routine maintenance undertaken by the vessel crew at sea during the fishing voyage and major maintenance operations in dry-dock undertaken by shipyard workers and our crew members.

We perform maintenance and repairs on our vessels to extend their operating lives. Minor and routine maintenance for our self-owned and managed vessels is carried out by the mechanics onboard each vessel at sea. The mechanics conduct regular inspections of the main engine, the steering engine, the refrigeration systems, the navigation and transmission equipment and other equipment critical to our fishing operations, and carry out necessary maintenance and repairs accordingly. We have three mechanics on board each vessel. To keep our fishing vessels in good working condition, prior to departure we generally load at least two sets of replacement equipment and parts for vital onboard systems for each of our fishing vessels. Further, when the replacement equipment and parts are depleted on one vessel, our vessels are generally able to coordinate with one another for the use of such items while replacement items are being ordered, leveraging the economies of scale of our fleet size. During the Track Record Period, our fishing vessels, including managed vessels, did not encounter any unscheduled returns to port for maintenance that resulted in interruption of fishing operations of any vessel for over three months.

Major maintenance operations are performed when the vessels return from the fishing grounds and usually take between three and four months to complete, during which time the vessels will not conduct fishing operations. We usually send eight to ten of our crew members for the coming voyage to work with the shipyard workers for the major maintenance operations so that our crew members get more familiar with the working condition of the vessel and are better prepared for the coming voyage. Such crew members typically include a chief engineer, a second engineer, a third engineer as well as other crew members. Major maintenance may include, for example, washing, unloading and thoroughly surveying the vessel and examining all the equipment onboard, greasing the equipment, performing engine maintenance, cleaning the rust and painting the hull of the vessel, washing out the cold storage hold, and repairing any damage that occurred during the previous voyage. We conduct a thorough pre-sailing inspection of the key equipment of each vessel, for example, the fire fighting equipment and alarm systems, the lifesaving equipment, the navigation and transmission equipment, steering engine controls, and the propulsion equipment. The frequency with which we perform major maintenance depends on the duration of a voyage for a fishing vessel and the age of the vessel. We adjust the term of voyage of each vessel according to the condition and age of the vessel. We believe that having a well maintained fleet is important because it enables us to maintain our operations at sea for extended periods of time without the need to return to port for extensive repairs and maintenance, maximising the period during which we can conduct our fishing operations.

BUSINESS

When a vessel returns to port from a voyage for major maintenance, we replenish the vessel with new fishing gear, a substantial portion of which is usually amortised in the same year. Furthermore, a vessel will not generate revenue when being maintained at port. In 2011, 2012, 2013 and the three months ended 31 March 2014, we had one, three, four and nil fishing vessels returning to port for major maintenance. To ensure that the number of vessels under maintenance as a percentage of all vessels will be more stable each year, we have established a vessel maintenance schedule. Of our 17 self-owned vessels, eight and eight vessels are scheduled to return to port in 2014 and 2015, respectively. For the seven Japanese vessels which we operated pursuant to vessel management arrangements since September 2013, we plan that these vessels will call at a convenient port to their area of operation in the Atlantic Ocean for major maintenance and replenish of supplies, if and when we complete the acquisition of these vessels, which we currently expect will be in the second half of 2014. With the further expansion of our fleet, our Directors believe that the proportionate impact of an individual vessel not being in operation on our revenue and costs of repair and maintenance and fishing gear would be more stable in the future.

During the Track Record Period, we engaged a shipyard for major maintenance operations, which was one of our related parties. Starting from 2013, we engaged another Independent Third Party shipyard to carry out major maintenance of our vessels in port.

Generally, the expected service life of an ultra-low temperature longline tuna fishing vessel such as our vessels would be approximately 35 years, depending on how a vessel is maintained.

We continue to monitor the status of our vessels and would consider scheduling the replacement of old vessels on an "as needed" basis. However, we believe we take a careful approach to maintain our vessels to extend their service life.

ENVIRONMENTAL PROTECTION

Our operations are subject to the environmental protection laws and regulations of the PRC as well as various requirements stipulated under international conventions to which China is a party. For example, with respect to conservation of tuna resources, the RFMOs impose catch limits on their member states, including China. Please refer to "Regulatory Overview – International Law", "Risk Factors – Tuna stocks are limited and commercial tuna fishing is subject to restrictions. The implementation of more stringent measures to control catch limits or other additional measures designed to limit tuna fishing activities by RFMOs could materially and adversely affect our business, financial condition and results of operations". Furthermore, public concerns over the sustainability of tuna resources may cause the RFMOs and/or various countries/regions to take steps to restrict tuna fishing activities or otherwise contemplate increased regulation of our industry. Given the nature of tuna as a natural resource, the tuna fishing industry may also be subject to attention and focus from environmental non-governmental organisations, which may impact the public perception of the industry, consumer preferences or the demand for tuna products. Any of these events may materially and adversely affect our business, reputation, financial condition or results of operations.

We are also required to comply with requirements in respect of, among other things, the discharge of oil, sewage, air pollution and rubbish. Please refer to "Regulatory Overview – Maritime Laws and Regulations – Prevention of Ship-source Pollution" in this [REDACTED]. Failure to comply with such requirements may result in warnings, fines and other penalties, including the suspension or dismissal of the persons responsible. For the risks relating to environmental damage, please refer to "Risk Factors – Risks Relating to Our Business – Inherent risks associated with maritime operations may materially and adversely affect our business, financial position and results of operations."

BUSINESS

All waste from our vessels is discharged into the seas according to the environmental requirements under PRC law and international conventions, including applicable laws regulating pollution as a result of our use of bunker fuels at sea. Our Directors confirm that we did not incur any material amount of expenses for the purposes of compliance with applicable environmental laws and regulations during the Track Record Period, and we do not expect to incur material expenses in compliance with applicable environmental laws and regulations in the future. Our Directors confirm that we have complied with relevant environmental laws and regulations during the Track Record Period. Our Group was not subject to any fines or administrative action involving non-compliance with any relevant environmental regulations during the Track Record Period, nor are our Directors aware of any threatened or pending action by the competent governmental authorities.

LICENCES AND APPROVALS

Our ultra-low temperature longline tuna fishing operations are subject to various PRC laws and regulations as well as various other requirements imposed by international organisations or stipulated under international conventions to which China is a party. A summary of the applicable requirements is set out below. Please refer to "Regulatory Overview" for further details of these requirements.

Requirements under PRC laws and regulations

The table below sets forth the details of the material licenses/approvals required under PRC laws and regulations for our Company to engage in ultra-low temperature longline tuna fishing operations as at the Latest Practicable Date:

<u>Licenses/approvals required</u>	<u>Issuance Authority</u>	<u>Expiry date</u>
Certificate of Deep Sea Fishery Enterprise Qualification (遠洋漁業企業資格證書)	the MOA	31 March 2015

BUSINESS

The table below sets forth the details of the material licenses/approvals required under PRC laws and regulations for our self-owned fishing vessels to conduct fishing activities as at the Latest Practicable Date:

Vessel	Fishery Vessel's Ownership Certificate (漁業船舶所有權 登記證書) ⁽¹⁾		Fishery Vessel's Nationality Certificate (漁業船舶國籍證書) ⁽¹⁾		High Seas Fishing Catch Licence (公海漁 業捕撈許可證) ⁽²⁾		Deep Sea Fishery Project Approvals (遠洋漁業項目批文) ⁽³⁾	
	Issuance date	Expiry date	Issuance date	Expiry date	Issuance date	Expiry date	Issuance date	Expiry date
	Longxing 601	1/6/2012	N/A	8/21/2012	8/16/2017	4/1/2013	3/31/2016	N/A ⁽⁴⁾
Longxing 602	1/6/2012	N/A	1/6/2012	11/21/2016	3/20/2014	3/31/2017	3/20/2014	6/30/2014
Longxing 603	1/6/2012	N/A	2/25/2011	2/24/2016	3/20/2014	3/31/2017	3/20/2014	12/31/2014
Longxing 605	1/6/2012	N/A	1/6/2012	11/21/2016	3/20/2014	3/31/2017	3/20/2014	9/30/2014
Longxing 606	1/6/2012	N/A	1/6/2012	11/21/2016	3/20/2014	3/31/2017	3/20/2014	9/30/2014
Longxing 607	1/6/2012	N/A	8/6/2013	8/5/2018	3/20/2014	3/31/2017	3/20/2014	12/31/2014
Longxing 608	1/6/2012	N/A	8/6/2013	8/5/2018	3/20/2014	3/31/2017	3/20/2014	12/31/2014
Longxing 609	4/3/2013	N/A	4/3/2013	4/2/2018	4/16/2013	3/31/2016	3/20/2014	3/31/2015
Longxing 610	4/3/2013	N/A	4/3/2013	4/2/2018	4/16/2013	3/31/2016	3/20/2014	3/31/2015
Longxing 611	4/3/2013	N/A	4/3/2013	4/2/2018	4/16/2013	3/31/2016	3/20/2014	3/31/2015
Longxing 612	4/3/2013	N/A	4/3/2013	4/2/2018	4/16/2013	3/31/2016	3/20/2014	3/31/2015
Tianyu 7	2/1/2013	N/A	2/1/2013	1/28/2018	2/27/2013	6/30/2015	3/20/2014	3/31/2015
Tianyu 8	2/1/2013	N/A	2/1/2013	1/31/2018	2/27/2013	6/30/2015	3/20/2014	3/31/2015
Tianxiang 7	1/31/2013	N/A	1/31/2013	1/28/2018	4/10/2013	3/31/2016	3/20/2014	3/31/2015
Tianxiang 8	2/7/2013	N/A	2/7/2013	1/28/2018	2/27/2013	6/30/2015	3/20/2014	9/30/2014
Tianxiang 16	2/1/2013	N/A	2/1/2013	1/28/2018	2/27/2013	6/30/2015	3/20/2014	3/31/2015
Tianxiang 18	2/1/2013	N/A	2/1/2013	1/28/2018	2/27/2013	6/30/2015	3/20/2014	3/31/2015

(1) Issued by the Supervision Authority of Fishery Harbour of Liao Ning, PRC (中華人民共和國遼寧漁港監督局).

(2) Issued by Fishing Harbor Supervision Authority of the PRC (中華人民共和國漁政局) and MOA.

(3) Issued by the MOA.

(4) We are still in the course of renewing the Deep Sea Fishery Project Approvals for Longxing 601 and expect to obtain such approval in July 2014. As advised by our PRC legal advisers, Commerce & Finance Law Offices, if we meet all statutory conditions and requirements required by relevant PRC laws, regulations, rules and/or competent authorities, they are not aware of any foreseeable material legal impediment for us to renew such approval.

Our Directors confirm that we have obtained the relevant registrations, licences and permits which are required for us to operate our business in all material respects, and we have not experienced any difficulties renewing any registrations, licences and permits upon expiry during the Track Record Period.

As advised by our maritime legal advisers, Liaoning Haida Law Firm, no approvals or licences from the Chinese government are required for our operation of the seven Japanese vessels pursuant to vessel management arrangements; the two Japanese ship-owners are responsible for maintaining relevant licences issued by the Japanese government.

BUSINESS

Tuna conservation and management by international organisations

Tuna is a naturally recurring resource. International organisations have been established to ensure the sustainable use of tuna resources and the sustainability of the tuna fishing industry. As a result of increasing concern over the sustainability of tuna resources, the RFMOs have been taking steps or are otherwise contemplating increased regulation of our industry. Below are the primary measures adopted by international organisations to preserve tuna stocks with respect to the longline fishery:

Restriction on the number of fishing vessels by OPRT

As advised by our maritime legal advisers, Liaoning Haida Law Firm, ultra-low temperature longline fishing vessels are required to be registered with OPRT in order for the tuna caught by such vessels to be sold to the customers in Japan, the world's largest market for premium tuna. As confirmed by our maritime legal advisers, Liaoning Haida Law Firm, all of the vessels that we operate, including the seven managed vessels, have been duly registered with the OPRT. Please refer to "Regulatory Overview" for further details of OPRT and its requirements.

Catch limits adopted by RFMOs

As at the Latest Practicable Date, we operated 17 self-owned vessels in the EPO and the WCPO, and an additional seven Japanese vessels pursuant to vessel management arrangements in the Atlantic Ocean, therefore, our fishing operations were subject to the management and supervision of IATTC, WCPFC and ICCAT, respectively.

As advised by our maritime legal advisers, Liaoning Haida Law Firm, bigeye catch limits are allocated by WCPFC, IATTC and ICCAT to their respective member countries/regions, including China; and there is no specific catch limit currently applicable to yellowfin tuna adopted by IATTC, WCPFC and ICCAT, though certain RFMOs are considering the possibility of implementing such limits in the future. Please refer to "Regulatory Overview – International law – Requirements imposed by RFMOs – Catch limits" in this [REDACTED] for further details of the catch limit regime and specific limits under relevant RFMOs. In China, rules applicable to individual Chinese fishing companies and fishing vessels are implemented by the government in order for China to abide by the bigeye catch limits allocated to it by the RFMOs. As advised by our maritime legal advisers, Liaoning Haida Law Firm, the Chinese government has not imposed any bigeye catch limit with respect to individual fishing companies or vessels and restricts the overall catch volume of bigeye tuna by vessels under the Chinese flag by, among other things, restricting the construction of new vessels and imposing a system of licences and certificates on fishing companies in the PRC. Please refer to "Regulatory Overview – PRC law" in this [REDACTED] for further details.

As advised by our PRC legal advisers, Commerce & Finance Law Offices, we have been in compliance with such applicable PRC laws and regulations that are implemented by the PRC government for its compliance with the catch limit regime under WCPFC and IATTC to obtain the approvals and licenses for fishing in the high sea. As advised by our maritime legal advisers, Liaoning Haida Law Firm, we have been in compliance with the applicable requirements of relevant RFMOs.

BUSINESS

As advised by our maritime legal advisers, Liaoning Haida Law Firm, even though (i) the actual bigeye catch volume of vessels under the Chinese flag exceeded the catch limit allocated by WCPFC in 2006, 2009, 2010 and 2012, and (ii) if the IATTC were to take the view that the transfer of the 3,000 tonnes of unused catch limits from Japan to China in 2011 was only effective for 2011 and not thereafter, the actual catch volume of vessels under the Chinese flag would have exceeded the catch limit allocated by IATTC in 2012, China has not been and will not, under any sanction system which may be adopted in the future, be subject to any penalties for such historical non-compliance, as there is currently no sanction mechanism for non-Compliance with bigeye catch limits by member countries/regions adopted by WCPFC or IATTC (if applicable); further, the bigeye catch limits allocated by RFMOs to their respective member countries/regions are not binding on individual fishing companies or vessels in China; therefore, we are not subject to specific bigeye catch limits adopted by the RFMOs, including WCPFC, IATTC and ICCAT, and we are not exposed to the possibility of any potential penalty from WCPFC or IATTC (if applicable) in respect of our past catch volumes under the bigeye catch limit regime. Furthermore, our Company and our Directors are of the view that the historic breaches by China of the bigeye catch limits imposed by WCPFC and, if applicable, IATTC, will not have any material implications on the Group's operations. Based on the due diligence conducted by the Sole Sponsor, and in particular, its review of the legal opinions of the legal advisers to the Company on maritime and PRC laws, its interviews with the relevant authorities and its review of the documents, information and confirmations provided by the Company and its Directors, the Sole Sponsor is of the view that the historic breaches by China of the bigeye catch limits imposed by WCPFC and, if applicable, IATTC, will not have any material implications on the Group's operations.

Our Directors confirm that we had not received any complaints or protests against us by any non-governmental organisations for exceeding the catch limits imposed by WCPFC and, if applicable, IATTC as at the Latest Practicable Date. Based on the due diligence conducted by the Sole Sponsor, its review of the legal opinions, interviews with the relevant authorities, the documents, information and confirmations provided by the Company and its Directors, the Sole Sponsor is of the view that there had not been any complaints or protests against the Group by any non-governmental organisations as at the Latest Practicable Date.

According to our maritime legal advisers, Liaoning Haida Law Firm, for the tuna caught by the seven fishing vessels we currently operate under vessel management arrangements, their actual catch volume is included into the total catch volume of Japan for the purposes of applicable catch limits as these vessels are registered under the Japanese flag.

At its regular session in December 2013, the WCPFC renewed the bigeye catch limits it allocated to its member countries/regions, including China. The bigeye catch limit allocated to China will be reduced from 10,673 tonnes in 2013 to 9,398 tonnes in 2014 and 8,224 tonnes in 2015 and 2016, and will be further reduced to 7,049 tonnes in 2017. According to the WCPFC, the amount by which any member country/region exceeds its catch limit in any year shall be deducted from the catch limit for the following year for that member country/region. WCPFC members agree to take measures not to increase catches by their longline vessels of yellowfin tuna and, in addition, in its 2014 regular session, the WCPFC will formulate and adopt appropriate limits for its members, based on recommendations from its scientific committee, and taking into account other conservation and management measures for yellowfin tuna and will also formulate and adopt any in-season reporting requirements needed to support full implementation of these limits. As at the Latest Practicable Date, we were not aware that the Chinese authorities would implement any more stringent measures in the PRC in response to the reduced bigeye catch limits allocated by WCPFC to China from 2014 to 2017.

BUSINESS

Currently, we plan to continue to operate in the Pacific Ocean and the Atlantic Ocean in substantially the same manner as we presently operate. However, if more stringent catch limit requirements were to be imposed by the RFMOs or the Chinese government impacting our existing operations, to mitigate any potential impact of such regulatory developments, we have other options available to us to sustain our business. These include (i) deploying some of our fishing vessels to other fishing areas, in particular the Atlantic Ocean and/or Indian Ocean, while continuing to target a similar catch mix as we currently adopt and/or (ii) fishing for other species of tuna, in particular, increasing our catch volume of yellowfin tuna, or a combination of these methods.

- ***Deploying some of our fishing vessels to the Atlantic Ocean and/or Indian Ocean***

We have operated seven Japanese vessels in the Atlantic Ocean pursuant to vessel management arrangements since September 2013. We have assigned our own captains and senior crew members onboard these vessels to learn specific fishing know-how required for operations in the Atlantic Ocean from the Japanese captains to prepare for taking over the operation of these vessels if and when we complete the acquisition of these vessels, as we plan to continue to operate these vessels in the Atlantic Ocean upon completion of the acquisition of these vessels. We also gained operating experience in the Indian Ocean by conducting exploratory fishing operations for a period of over two years as sponsored by the MOA. In addition, we have experience in transferring fishing vessels between different oceans. As advised by our maritime legal advisers, Liaoning Haida Law Firm, they are not aware of any foreseeable regulatory impediment for us to obtain the approvals required for transferring our vessels between the Pacific, Atlantic and Indian Oceans subject to compliance with the limit on the number of longline vessels operating in the Atlantic Ocean and the Indian Ocean imposed by relevant RFMOs. In addition, while there are catch limits on bigeye tuna in the Atlantic Ocean that China has not breached in 2008-2012 (2013 data is not available as at the Latest Practicable Date), there are no allocated catch limits imposed in the Indian Ocean¹. There are also no catch limits imposed on yellowfin tuna in the Atlantic Ocean and Indian Ocean¹. We may incur higher operating costs and expenses, in particular transshipment costs, when we operate in the Atlantic Ocean. We consider that we would be well placed to obtain approval for the transfer of certain of our vessels to the Atlantic Ocean in light of our scale, proven record of regulatory compliance and operating experience in different oceans. Based on our experience, the Directors believe that the process of transferring fishing vessels between different oceans would not have a material impact on our fishing operations, business and financial condition.

- ***Fishing for other species of tuna (in particular, increasing our catch volume of yellowfin tuna)***

Bigeye tuna and yellowfin tuna are the two principal species of premium tuna that we catch and sell. In the three years ended 31 December 2011, 2012, 2013 and the three months ended 31 March 2014, as a percentage of our total premium tuna revenue, bigeye tuna accounted for approximately 82%, 75%, 78% and 76%, respectively, and yellowfin tuna accounted for approximately 11%, 17%, 16% and 20%, respectively. If more stringent bigeye catch limits were to be imposed in the future in the Pacific Ocean and Atlantic Ocean, we consider that we would be able to fish for increased volumes of other species of tuna, primarily yellowfin tuna, to offset the relevant reduction in bigeye tuna catch volume. As advised by our maritime legal advisers, Liaoning Haida Law Firm, there are no allocated catch limits currently applicable to yellowfin tuna in the EPO, the WCPO, the Atlantic Ocean or the Indian Ocean. We are capable of catching and selling increased volumes of yellowfin tuna, as we have extensive fishing experience for yellowfin tuna in the Pacific Ocean, which was one of the principal species of premium tuna that we caught and sold during the Track Record Period. Based on our experience, the fishing grounds for

¹ IOTC passed resolutions in 2012 on its plan to adopt allocation quota system or other relevant measures for yellowfin and bigeye tuna. IOTC Scientific Committee recommended in 2009 that the aggregate catch volume of yellowfin tuna and bigeye tuna should not exceed their respective maximum sustainable yield of 300,000 tonnes and 110,000 tonnes, respectively.

BUSINESS

bigeye and yellowfin tuna in the Pacific Ocean, the Atlantic Ocean and the Indian Ocean are substantially the same as those for bigeye tuna. In general, there is no material difference in terms of the fishing methods required for catching bigeye and yellowfin tuna, though the crew members need to adjust the baiting techniques (mainly by changing the depth of baiting) and the mix of baits they use in order to increase the volume of yellowfin tuna caught. In addition, there is no difference in terms of the processing, freezing and storage methods and procedures as well as the sales markets for both species of tuna.

In terms of our overall strategy to address any such regulatory developments, we would, as our primary strategy, seek to redeploy certain of our vessels to other oceans, where we would seek to continue to fish for a similar mix of bigeye, yellowfin and other species of tuna as we currently fish for. We consider this approach to be entirely feasible from a regulatory point of view, as (i) there remain unused bigeye catch limits for China from 2008 to 2012 in the Atlantic Ocean, while there are no allocated catch limits in the Indian Ocean; (ii) as advised by our maritime legal advisers, Liaoning Haida Law Firm, there is no proposal tabled by the Chinese authorities for the imposition of any bigeye catch limits on individual fishing companies or vessels or the adoption of any closed periods for longline fishing similar to those currently adopted for purse seine fishing vessels; (iii) as advised by our maritime legal advisers, Liaoning Haida Law Firm, there is no regulatory impediment to the transfer of vessels between the Pacific, Atlantic and Indian Oceans (save, in the case of the transfer of vessels to the Atlantic Ocean and the Indian Ocean, for a limit on the total number of vessels there under the Chinese flag). The re-deployment of vessels to the Atlantic Ocean on this basis may result in higher operating costs, in particular, transshipment fees, which may in turn affect our profit margin.

We have not currently determined how many vessels we would re-deploy, and would do so in an appropriate number, based on the extent and impact of any regulatory change, but, for the reasons outlined above, we do not anticipate that this would entail a substantial overall re-deployment of our fleet. In addition, to a certain extent, we would seek to fish for a greater volume of yellowfin tuna as well as the vessel re-deployment strategy. There is no catch limit currently applicable to longline vessels which fish for yellowfin tuna in the Atlantic Ocean and the Indian Ocean. In addition to higher operating costs as discussed above, fishing for a greater volume of yellowfin tuna, and reducing bigeye catch volume, would have a further impact on profitability given different sales prices, assuming equivalent catch volumes. However, we would intend to take steps to increase overall catch volume in such a case to mitigate any negative profitability impact. As a business sustaining strategy, this would be very much a secondary option for us, used in combination with re-deployment of vessels and maintenance of a similar catch profile. As a result, we anticipate that any resulting profitability impact would, when considered overall in the context of the different strategies adopted by us in combination, not be material.

Other requirements of RFMOs

In addition to the catch limits, RFMOs also have other mechanisms with respect to the management of the tuna fishing activities in their respective fishing areas, including the vessel registration requirements and regional observer programmes. We are required to have our fishing vessels registered with these organisations, as applicable, in order to conduct fishing operations and transshipment activities, and all our fishing operations and transshipment activities in the respective area are required to comply with relevant requirements imposed by the corresponding organisation. As advised by our maritime legal advisers, Liaoning Haida Law Firm, our business operations in the Pacific Ocean and the Atlantic Ocean are in compliance with requirements by WCPFC, IATTC and ICCAT, respectively. Please refer to "Regulatory Overview" for further details.

BUSINESS

The table below summarises the registrations of our self-owned vessels in OPRT as well as the RFMOs as at the Latest Practicable Date:

Vessel	WCPFC	IATTC	ICCAT	OPRT
Longxing 601	✓	✓	–	✓
Longxing 602	✓	✓	–	✓
Longxing 603	✓	✓	–	✓
Longxing 605	✓	✓	–	✓
Longxing 606	✓	✓	–	✓
Longxing 607	✓	✓	–	✓
Longxing 608	✓	✓	–	✓
Longxing 609	✓	✓	–	✓
Longxing 610	✓	✓	–	✓
Longxing 611	✓	✓	–	✓
Longxing 612	✓	✓	–	✓
Tianyu 7	✓	✓	–	✓
Tianyu 8	✓	✓	–	✓
Tianxiang 7	✓	–	✓	✓
Tianxiang 8	✓	✓	–	✓
Tianxiang 16	✓	✓	–	✓
Tianxiang 18	✓	✓	–	✓

Our Directors confirm that we have complied with relevant registration requirements since commencement of our operations. As advised by our maritime legal counsel, Liaoning Haida Law Firm, we have complied with the relevant registration requirements since commencement of our operations. Please refer to “Regulatory Overview” in this [REDACTED] for further details of the regulatory environment in respect of our fishing operations.

All of the seven Japanese fishing vessels that we currently operate pursuant to the vessel management arrangement are registered with OPRT and ICCAT, as advised by our maritime legal advisers, Liaoning Haida Law Firm.

CUSTOMERS AND SALES

Sales process

We sell our premium tuna and common tuna to our customers in Japan, the PRC, Taiwan and Korea. Our customers mainly comprise pelagic fish importers, most of whom in turn sell fish to wholesalers, restaurants, supermarkets and other retail outlets. We do not enter into long-term sales contracts with our customers, who purchase from us on an order by order basis. The terms of sale are recorded in a sales confirmation, which includes the type of tuna sold, grade of tuna, gross and net weight and price. Delivery is generally made by Independent Third Party carriers at our expense. We purchase insurance for the cargo in transit. The risk of loss passes to the carriers when the cargo passes the rail of the carriers’ vessels. After receipt of the cargo by our customers, payment is tendered via telegraphic transfer either directly to us or to our authorised sales agent, who then remit payment to us. We normally grant a credit period of up to 90 days to our customers. With respect to the vessel management arrangements, the sales of the tuna caught were made under the name of the Japanese ship-owners. Please refer to the section headed “Business – Our Fleet – Vessel management arrangements” for further details.

BUSINESS

Our sales to our customers in Japan and Taiwan are facilitated by an authorised sales agent. Our sales process for the Japanese market is summarised below:

- **Fishing operations:** We process the tuna we catch onboard our owned or managed fishing vessels. The processed tuna is frozen to maintain its freshness. We normally arrange for carriers to deliver our tuna to the designated seaport for sale to our customers according to the amount of tuna stored on our vessels and the schedules of the transshipment vessels.
- **Transshipment:** We sign a shipping confirmation with a carrier, which is an Independent Third Party. The carrier takes out cargo insurance and handles place of origin certification, the cost of which is born by us. The carrier randomly inspects the goods before transshipment and then delivers the goods to the designated seaport.
- **Landing, sorting, weighing and storing:** For sales of tuna to our customer in Japan, when the carrier delivers the goods at the designated seaport, the fish are unloaded and sorted by the customer's staff according to the type and weight of the fish, with the presence of our staff and/or our authorised sales agent. As a general practice, tuna are also inspected at landing by Shin Nihon Kentei Kyokai (新日本検定協會), an independent general marine surveyors association, which offers inspection services prior to tuna entering the Japanese market, at our customer's cost. The fish are then loaded onto freezer trucks and delivered to the storage facility, where the whole truck is weighed. After unloading the fish at the storage facility, the truck is again weighed. The fish are then moved to ultra-low temperature freezers. Import documentation is handled upon arrival at the storage facility. Our authorised sales agent will assist with handling the relevant entry formalities and documentation.
- **Negotiation:** We negotiate the selling price through our authorised sales agent or directly with the buyer who inspects the tuna at the seaport. The authorised sales agent will handle the preparation of the sales confirmation and other documentation for the sale. If the sales agent negotiates the selling price or other terms on our behalf, they will seek our approval before confirming these terms.
- **Sales confirmation and payment:** Upon agreement of the price, a sales confirmation is issued. We are responsible for the shipping and insurance costs. Normally, the agent collects the sales amount from our customer in Japan and payment is thereafter tendered to us within 60 days after the issuance of sales confirmation by telegraphic transfer from the agent who deducts its agent's commission, unloading charges and duties and other tax it has paid to the relevant government authorities on our behalf.

Our sales process for customers in Taiwan is similar to the sales process for our customer in Japan described above, except that the authorised sales agent does not engage in the negotiation of price, which is handled directly by us.

Our sales process for customers in the PRC is similar to that for customers in overseas markets described above, except that (i) we do not engage a sales agent to sell tuna to our customers in the PRC, and (ii) rather than signing a sales confirmation, we and the customer will sign a sales contract after the tuna has been delivered at the designate port. Tuna are delivered to our Chinese customers at designated seaports; or to Independent Third Party logistics companies engaged by our Chinese customers upon

BUSINESS

landing. The logistics companies will then deliver the fish to our customers in the PRC upon our instruction, the cost of which are borne by our customers in the PRC. Sometimes, our fishing vessels will discharge our catches at domestic seaports when they return from a fishing voyage, in which case we do not engage transshipment carriers. When the goods arrive at the designated seaport, we negotiate directly with the buyer who inspects the tuna at the seaport. Upon agreement of the sales price, the sales confirmation is issued and the buyer arranges for collection of the cargo from the seaport at their own cost. Payment is tendered to us by telegraphic transfer directly from the buyer. Our sales process for Korean customer is similar to that for customers in China.

Authorised sales agent

As a customary trading practice, foreign fishing companies' sales of tuna in Japan are usually brokered by authorised sales agents. We engage one sales agent for all of our sales to the Japanese market other than sales of tuna caught by the vessels we operate pursuant to vessel management arrangements. We are responsible for identifying customers and negotiating sales with them, while the authorised sales agent is responsible for, among other things, completion of import formalities, assisting in price negotiations, arranging for cargo discharge and the collection of sales proceeds from the customer on our behalf. We compensate our authorised sales agent, who is an Independent Third Party, by way of a sales commission.

We have entered into an agency agreement with our authorised sales agent in Japan. The salient terms of the sales agency agreement are as follows:

- **Scope of agency:** The authorised sales agent is required, among other things, to handle formalities and procedures in relation to the importation of tuna to the Japanese market, receive our representatives attending the tuna sales in Japan, assist us in the price negotiations with the buyer and arrange for cargo discharge.
- **Payment:** The authorised sales agent is responsible for receiving payments from the customer on our behalf and then transferring the sales amount to our designated bank account after deducting its sales commission and other expenses incurred. The authorised sales agent may be authorised by us to directly pay vendors for bunker fuel, spare parts, fishing gear, bait and other costs.
- **Credit policy:** Before 31 December 2013, the receivables from the authorised sales agent is unsecured, non-interest bearing, and repayable on demand. In practice, we typically gave the authorised sales agent a credit period of 60 days, commencing from the date of issuance of the sales confirmation. In order to improve our internal control, we formalised our credit arrangement by including the credit terms into the new agent agreement executed in December 2013. From 1 January 2014, our authorised sales agent is granted a credit limit of RMB 120 million or in equivalent foreign currency; and a credit period of 60 days, commencing from the date of issuance of the sales confirmation. In the case of late payment by the sales agent, we have the right to claim interest at 8% per annum and compensation for our relevant costs incurred for debt recovery. We have the right to adjust the credit limit and/or credit period via a written notice. Such credit policy effective from the beginning of 2014 is substantially the same as our practice in the three years ended 31 December 2013.
- **Sales commission:** The authorised sales agent is entitled to a commission of 0.5% of our total sales amount net of all tariffs and taxes, including but not limited the sales tax, consumption tax and value added tax in Japan.

BUSINESS

- **Non-competition:** Without our consent in writing, our authorised sales agent should not represent, sell, distribute or promote the sales of any tuna products in Japan on behalf of itself or any other third party.
- **Indemnity:** Our authorised sales agent agrees to indemnify us for any direct and/or indirect loss and/or damage incurred as a result of the agent's failing to discharge any of its obligations under the agency agreement.
- **Term:** This agreement has been renewed several times and currently the term of the agreement is from 1 January 2014 to 31 December 2015 and shall be extended for another 12 months upon expiration unless notice in writing is given by any party to the contrary.

We have an established business relationship with our authorised sales agent in Japan of over 13 years. The amounts we paid to the authorised sales agent were RMB1.0 million, RMB1.4 million, RMB1.4 million and RMB0.6 million in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. Our Directors confirm that we did not experience any disputes with our sales agent that have resulted in a material impact to our business operations during the Track Record Period.

Though it is not a customary trading practice to engage authorised sales agents for imports of tuna in other markets, we engage the same agent for sales to our customers in Taiwan.

Pricing

The selling price of our tuna is determined according to the type, quality and weight of the catches and the relevant prevailing market conditions. Our sales are generally priced on a "CIF" basis in which the cost of insurance and freight are born by us. Payments are subsequently made by our customers to us directly or to our sales agent in the respective overseas markets of the sale. The currency of payment for sales to the Japanese market is Japanese Yen, the currency of payment for sales to the Chinese market is Renminbi, and the currency of payment for our sales in Taiwan and Korea is US dollars. Even when our sales are denominated in currencies other than Japanese Yen, sales prices are usually determined with reference to the prevailing tuna prices in Japan, the world's largest market for premium tuna. Our average selling price per kg of premium tuna in the Japanese market were JPY814.4, JPY738.7, JPY732.9 and JPY816.5 for 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. Please refer to the paragraphs headed "Tuna prices" and "Composition of our catches and timing of sale" under "Financial Information – Factors Affecting our Financial Condition and Results of Operations" for further information regarding the factors affecting tuna prices. Our Directors confirm that there was no seasonality in our selling prices during the Track Record Period.

Marketing

Our sales of tuna to the Japanese and Taiwan markets are facilitated by our authorised sales agent, and we do not have our own sales and marketing personnel for those markets. For our sales of tuna to our customers in the PRC market, Mr. Li Zhenyu, our chairman and executive Director, together with another manager, were responsible for communicating with our customers in the PRC. In order to further expand our sales presence in the PRC, we set up a dedicated sales department in June 2013 which currently has two sales personnel to focus on our development in the PRC market.

In addition, we intend to establish cooperative arrangements with wholesalers who focus on distributing tuna to Japanese restaurants in the PRC. We have identified and are in preliminary discussions with some wholesalers to agree on the terms of such cooperative arrangements.

BUSINESS

Our Directors confirm that there was no seasonality in our sales during the Track Record Period. However, our sales may fluctuate due to certain other factors such as our vessel maintenance schedule and the timing of sale of our tuna which can depend on the timing of delivery to port by our transshipment carriers.

Our markets

Japan is our largest market. We also sell our premium tuna and common tuna in the PRC. While we primarily sold our tuna to the Japanese market during the Track Record Period, we intend to continue to increase our sales to the Chinese market to capitalise on the developing market for premium tuna in the PRC. In addition, we sell common tuna to Taiwan. In the future, we may explore other markets depending on market conditions.

	Year ended 31 December						Three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Japan.....	172,970	80.4	224,151	73.9	274,346	72.0	44,800	63.9	116,744	88.4
The PRC.....	8,698	4.1	41,279	13.6	54,011	14.2	15,537	22.1	12,435	9.4
Taiwan.....	33,388	15.5	37,766	12.5	52,568	13.8	9,796	14.0	–	–
Korea.....	–	–	–	–	–	–	–	–	2,930	2.2
Total.....	<u>215,056</u>	<u>100.0</u>	<u>303,196</u>	<u>100.0</u>	<u>380,925</u>	<u>100.0</u>	<u>70,133</u>	<u>100.0</u>	<u>132,109</u>	<u>100.0</u>

Customers

Our customers mainly comprise pelagic fish importers, most of whom in turn sell fish to wholesalers, restaurants, supermarkets and other retail outlets in Japan, the PRC, Taiwan and Korea. We sold tuna to a total of four, five, four and three customers in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. We sell tuna to a single customer in the Japanese market, who is the largest premium tuna importer in Japan according to Frost & Sullivan, and have a long term and stable relationship with us of over 13 years. Please refer to the paragraph headed "Relationship with our largest customer" below for further details. In our other markets, we sell to a limited number of customers.

We do not enter into long-term sales agreements with our customers, which we believe is in line with industry practice. Before accepting any new customer, we assess the credibility of the potential customer based on information we obtain from our connections in the industry and then decide the credit limits we grant to that customer. We generally allow credit periods of up to 90 days for our customers. Our Directors confirm that we did not experience any disputes with our customers which resulted in a material impact on our business during the Track Record Period.

As at the Latest Practicable Date, none of our Directors or their respective associates, and none of our existing Shareholders who (to the knowledge of our Directors) own more than 5% of our issued Shares, had any interest in any of our five largest customers. Our customers during the Track Record Period were all Independent Third Parties.

BUSINESS

RELATIONSHIP WITH OUR LARGEST CUSTOMER

Our primary market is Japan, which was the world's largest market for premium tuna during the Track Record Period, according to Frost & Sullivan. According to Frost & Sullivan, consumption of premium tuna in Japan amounted to approximately 0.3 million tonnes in 2013, representing approximately 69.8% of the tuna consumed in Japan.

As a customary trading practice, restaurants, supermarkets and other retail outlets in Japan normally do not purchase tuna directly from foreign tuna fishing companies; instead, they trade with tuna importers in Japan, according to Frost & Sullivan. A tuna importer in Japan is required to be authorised by MAFF and METI of Japan to engage in the business of tuna importation. There are five leading importers in Japan accounting for around 70% of the total premium tuna import volume in 2013, according to Frost & Sullivan. Although foreign tuna fishing companies may trade with two or more tuna importers from Japan, it is common industry practice for each foreign tuna fishing company to only sell its tuna to one of these Japanese importers, according to Frost & Sullivan.

Relationship with Toyo Reizo

Toyo Reizo is the largest premium tuna importer in Japan. It is a subsidiary of Mitsubishi Corporation, a global integrated business enterprise that develops and operates businesses across many industries including environmental and infrastructure businesses, industrial finance, energy, metals, machinery, chemicals and food. Mitsubishi Corporation has entrusted all its tuna businesses, including procurement, processing and sales, to Toyo Reizo. Toyo Reizo has been the largest premium tuna importer in Japan in recent years and has access to a large network of restaurants, supermarkets and other wholesalers and retail outlets in Japan, according to Frost & Sullivan. Toyo Reizo has wide business coverage and a strong position in the Japanese tuna industry, and in addition to trading, it is also engaged in tuna storage and logistics, processing, and product distribution. According to Frost & Sullivan, Toyo Reizo's market share in terms of import volume of premium tuna into Japan was estimated at 28.2% in 2013.

We have had an established business relationship with Toyo Reizo, developed through mutual respect and trust, of over 13 years. We believe such long-term relationship is valued by the Japanese business culture. Toyo Reizo was our largest customer during the Track Record Period. Our volume of sales to Toyo Reizo was 2,624.6 tonnes, 3,707.4 tonnes and 6,215.8 tonnes in 2011, 2012 and 2013, respectively. We derived revenue from sales to Toyo Reizo of RMB173.0 million, RMB224.2 million and RMB274.3 million in 2011, 2012 and 2013, representing 80.4%, 73.9% and 72.0% of our total revenue in the same periods. Our volume of sales to Toyo Reizo was 2,490.7 tonnes in the three months ended 31 March 2014, from which we derived revenue of RMB116.7 million, accounting for 88.4% of our total revenue as compared to 63.9% in the same period in 2013, primarily because (i) we reached a commercial understanding with the Japanese ship-owners of the seven managed vessels we operate in the Atlantic Ocean at the time of entering into the relevant management agreements to sell the tuna caught by these vessels to these ship-owners' existing customer for premium tuna in Japan, being Toyo Reizo; (ii) we had seven Japanese vessels operated under management arrangements in the three months ended 31 March 2014, compared to four Japanese vessels during the same period 2013, and the four vessels operated under such arrangements in the three months ended 31 March 2013 generated less revenue per vessel in that period partly due to their calling at port during the first quarter of 2013 to replenish supplies and facilitate the due diligence in preparation for the Listing; and (iii) we had two fishing vessels which returned to port in the PRC in the

BUSINESS

three months ended 31 March 2013 for scheduled maintenance and these two vessels sold the tuna they carried to customers in the PRC, while we had no fishing vessel which returned to port in the PRC during the same period in 2014, impacting our sales in the PRC in that period.

We believe that we are an important supplier of premium tuna to Toyo Reizo. Based on the data provided by Frost & Sullivan, we estimate that our export of premium tuna to Toyo Reizo accounted for approximately 14.8% of its total premium tuna import volume in 2012. We expect our sales volume to Toyo Reizo to increase as a result of the expansion of our fleet. We believe we will be able to maintain and enhance our status as an important supplier of premium tuna to Toyo Reizo, given our credibility and longstanding relationship with Toyo Reizo, our increasing sales volume and the fact that the supply of premium tuna in Japan has been overall insufficient to meet demand in recent years, according to Frost & Sullivan.

With the objective of enhancing our mutually beneficial strategic collaboration, we entered into a memorandum of understanding ("MOU") with Mitsubishi Corporation and Toyo Reizo in August 2013. According to the MOU (i) Mitsubishi Corporation and Toyo Reizo acknowledge our status as an important supplier of premium tuna and our high level of operational efficiency in the industry, and state that they intend to increase the purchase volume of tuna from us as our catch volume increases as a result of the expansion of our fleet; (ii) the parties endeavour to develop their long-term collaboration, and agree to arrange regular visits and meetings to foster greater communication regarding the premium tuna market, demand and supply in that market as well as future trends; and (iii) Toyo Reizo will provide regular training programs in respect of tuna processing, freezing and storage for our captains and other crew members.

Reasons for maintaining and enhancing our relationship with Toyo Reizo

We believe our cooperative relationship with Toyo Reizo is mutually beneficial to both our Company and Toyo Reizo. Partnering with the leading premium tuna importer in Japan gives us access, through Toyo Reizo, to a large network of restaurants, supermarkets and other wholesalers and retail outlets in Japan. This relationship also enhances our market reputation, facilitates our quality control efforts and gives us access to information on market trends.

Toyo Reizo also benefits from the relationship by having a stable supply of high-quality premium tuna, given that (i) there has been an insufficient supply of premium tuna in Japan in recent years as a result of the declining number of ultra-low temperature longline fishing vessels operating out of Japan which are specifically designed for catching premium tuna, according to Frost & Sullivan; and (ii) Mitsubishi Corporation and Toyo Reizo acknowledged our status as an important supplier of premium tuna and our high level of operational efficiency in the industry in the MOU they entered with us in August 2013. With our expanded fleet, we believe our cooperative relationship will be further valued by Toyo Reizo. In addition, we have developed our quality control system pursuant to Toyo Reizo's requirements, and we believe that our ability to consistently supply high quality tuna has helped us to maintain a good reputation and working relationship with Toyo Reizo.

BUSINESS

No undue reliance

Our Directors are of the view that we are not unduly reliant on sales to Toyo Reizo as:

- (i) The risk of reliance is not specific to our Company given the industry background of premium tuna importation in Japan.

Foreign tuna fishing companies normally sell tuna to Japan through tuna importers. There are limited premium tuna importers in Japan, with the leading five premium tuna importers accounting for around 70% of the total import volume in 2013, according to Frost & Sullivan. Toyo Reizo is the largest premium tuna importer in Japan with a market share in terms of import volume of premium tuna into Japan estimated at 28.2% in 2013, according to Frost & Sullivan. It is common industry practice for each foreign tuna fishing company to only sell its tuna to one Japanese importer, according to Frost & Sullivan.

- (ii) Given our credibility and track record as a supplier of premium tuna to the Japanese market for over 13 years and the quality of our premium tuna, our directors are of the view that we would be able to find substitute customers in Japan.

Insufficient supply of premium tuna in Japan: the Directors believe it would not be difficult for the Company to sell its tuna to other customers in Japan as the supply of premium tuna in Japan has been insufficient as a result of the declining number of ultra-low temperature longline fishing vessels in operation according to Frost & Sullivan. As the number of ultra-low temperature longline fishing vessels registered with OPRT would not significantly increase, total catch volumes would not be expected to substantially increase. Thus, even if Toyo Reizo was to replace the Company's supply of tuna with supply from other companies, the Directors consider that this would open other options for the Company to sell tuna to other customers in Japan.

Established market acceptance in Japan: the Company has a proven and consistent track record as a supplier of premium tuna to Toyo Reizo, the largest premium tuna importer in Japan, of over 13 years, and the Directors believe that the Company has established a good reputation in Japan for its ability to supply high quality premium tuna. The Directors believe that the Company has been well accepted by the Japanese market and would therefore be able to identify and secure other tuna importers in Japan to purchase its tuna if Toyo Reizo reduced its purchase volume from the Company. For example, in October 2013, the Company received a letter from another tuna importer in Japan, in which it expressed its willingness to purchase tuna from the Company and offered a price for the purchase of its tuna which was comparable to the price offered by Toyo Reizo at the time; and

While the Directors are confident that the Company would be able to sell its tuna to other importers in Japan, as illustrated above, the Company values its good working relationship with Toyo Reizo. Accordingly, the Company has decided not to sell tuna to other importers in Japan.

BUSINESS

- (iii) We have experience of selling to customers in other countries/regions, including Taiwan and Korea and expanded our sales in the PRC through the adoption of the following measures:
- we have since July 2013 engaged carriers to deliver our tuna to the PRC to ensure stable supplies of tuna to our Chinese customers. Historically, we mainly sold to customers in PRC the tuna that we carried on our vessels when returning to ports in the PRC, which restricted the volume of tuna delivered to the PRC market due to the low frequency of delivery. In July 2013, we entered into a strategic cooperation agreement with one of our major carriers, according to which the carrier will use reasonable efforts to arrange transshipment and delivery of our tuna to our designated ports, including ports in the PRC. We believe such strategic relationship will facilitate stable and increasing supplies of our tuna to the PRC;
 - we have set up a dedicated sales department with currently two sales personnel in June 2013 to focus on the development of the PRC market and plan to further expand and strengthen our sales department.

Measures to mitigate customer concentration risks

While we expect to continue to derive a substantial portion of our revenue from sales to Toyo Reizo, we plan to further expand our sales in the PRC with the following strategies and plans:

- (i) we will focus on increasing our sales to our established customers in the PRC market;
- (ii) we plan to further expand and strengthen our sales team. In particular, we plan to, in the coming six months, recruit a sales director with extensive experience and expertise in sales and marketing, responsible for leading our sales department and overseeing the implementation of our expansion plans in the PRC market. We also plan to hire an additional two to four experienced sales personnel, and we are in the course of identifying suitable candidates. We have also formulated plans to enhance sales and marketing training to our existing sales personnel;
- (iii) we plan to strengthen our brand image to facilitate sales of our tuna in the PRC. We completed the registration of “金沐” trademark in the PRC in August 2013. Going forward, we will use this registered trademark in sales and marketing to strengthen our brand image and recognition among consumers;
- (iv) we intend to establish cooperative relationships with wholesalers in the PRC, who will sell our tuna to restaurants, hotels, and other retail outlets through their established networks in the PRC. We have identified and are in preliminary discussions with some wholesalers to agree on the terms of such cooperative arrangements; and
- (v) we plan to establish our own tuna processing business, which will enable us to provide processed tuna to distributors, thus expanding our customer base.

BUSINESS

For the competitive landscape in the PRC, please refer to "Business – Competition" for further details. According to Frost & Sullivan, due to the high entry barriers, such as vessel registration with OPRT and other licences; high capital investment and limited number of qualified captains and other talented crew members, fewer than 30 companies in the PRC are capable of ultra-low temperature longline tuna pelagic fishery. However, according to Frost & Sullivan, the ultra-low temperature longline tuna fishing industry in the PRC is still highly competitive. Please refer to "Risk Factors – Risks relating to our business – we operate in a highly competitive industry" for further details.

Conclusion

Our Directors are of the view that we are capable of maintaining our business in the future in light of the relationship with our largest customer for the reasons set forth below:

- the consumption value of premium tuna in Japan is predicted to increase from 2013 to 2017 with a CAGR of 0.7%, with consumption of bigeye and yellowfin in the PRC expected to grow at a CAGR of 23.0% from 2013 to 2017, according to Frost & Sullivan. There are strict limits on the total number of ultra-low temperature longline fishing vessels in operation and there has been an insufficient supply of premium tuna in Japan as a result of the declining number of operating vessels registered to supply the Japanese market, according to Frost & Sullivan. With our increasing fleet size, we expect to become a more important tuna supplier to Toyo Reizo. We believe these factors would also assist us in identifying alternative customers in the Japanese market if we had to do so.
- Considering (i) the growth of our revenue attributable to the sales of tuna in the PRC since 2011; (ii) expected demand growth for premium tuna in the PRC, with bigeye and yellowfin tuna consumption in the PRC expected to grow at a CAGR of 23.0% from 2013 to 2017, according to Frost & Sullivan; (iii) the enhanced marketing and sales strategies that we have implemented and intend to implement, our directors believe that we will be able to expand our sales in the PRC.

Based on the due diligence it has conducted, its review of the documents, information and confirmation provided by the Company and its Directors and the views and reasoning of the Directors set out in this [REDACTED], the Sole Sponsor is of the view that the Company's reliance on Toyo Reizo would not render it unsuitable for Listing as its business relationship with Toyo Reizo conforms to the principles set out in Listing Decision HKEx-LD107-1.

PROCUREMENT, SUPPLIES AND SUPPLIERS

The major supplies we procure for our operations are bunker fuel, vessel equipment, fishing gear, bait as well as certain crew consumable items such as food. We usually stock up our vessels before departure from port at Dalian. Our fishing vessels usually replenish their bunker fuel and on-board provisions and necessities at the fishing grounds where we operate and we try to arrange loading of supplies so that it coincides with the transshipment of our catches to minimise interruption to our fishing operations. We have established centralised purchasing procedures for all purchase orders. For replenishment of supplies for our vessels at the fishing grounds, our fishing vessel captains contact our headquarters staff to approve and arrange their purchases. Our headquarters staff review and approve our captains' requests, after considering the reasonableness of the proposed quantity and the price of the supplies. Usually such review and approval

BUSINESS

will be completed within three days and personnel in our headquarters in Dalian will then negotiate contracts with relevant suppliers and engage carriers for transshipment services. We seek to coordinate the timing of supplies to our vessels at sea to capture economies of scale from our large fleet.

Supplies

During the Track Record Period, we mainly purchased bunker fuel, vessel equipment, fishing gear, bait as well as crew consumable items for our fishing operations. Below is a summary of these supplies:

- **Bunker fuel:** Bunker fuel is the fuel used in our fishing vessels. Among our cost of sales, bunker fuel accounted for 44.7%, 46.4%, 44.1% and 40.2% in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. Please refer to "Financial Information – Period to Period Comparison of Results of Operations – Sensitivity analysis – Bunker fuel price" in this [REDACTED] for an analysis of the sensitivity of our cost of sales, selling and distribution expenses, gross and net profit during the Track Record Period to fluctuations in bunker fuel prices.
- **Vessel equipment and parts:** The vessel equipment and parts we use in our fishing operations mainly include marine engine spare parts as well as freezers, air compressors, and navigation equipment.
- **Fishing gear:** The fishing gear we use in our fishing operations mainly includes main lines, branch lines, hooks and buoys.
- **Bait:** Tuna is an omnivorous species. We use a variety of types of bait in fishing, such as mackerel and squid.
- **Crew consumable items:** As our crew members live onboard our fishing vessels throughout the duration of their fishing voyages, they require supplies of basic living needs such as food, water and other daily use items.

Purchasing process

The following is a summary of our purchasing process for our key supplies:

- **Bunker fuel:** During the Track Record Period, we obtained bunker fuel from ten suppliers primarily based in Taiwan, Korea and the PRC. Bunker fuel suppliers usually directly transport bunker fuel to our fishing vessels at sea, and also to our vessels in Dalian before departing for a fishing voyage. The cost of the bunker fuel we purchase is dependent on prevailing oil prices. We generally tender payment by telegraphic transfer in advance of delivery. Please refer to "Risk Factors – Risks Relating to Our Business – An increase in bunker fuel prices may reduce our profitability" in this [REDACTED].

BUSINESS

- Vessel equipment and parts: During the Track Record Period, we purchased vessel equipment and parts from ten suppliers based in Japan, Taiwan, Hong Kong, the PRC and Korea. Personnel in our headquarters place orders with our vessel equipment suppliers. Suppliers then normally make deliveries of vessel equipment and parts to our designated ports and, under certain circumstances, we arrange third parties to deliver vessel equipment and parts to our vessels at sea. We generally tender payment by telegraphic transfer in advance of delivery.
- Fishing gear: During the Track Record Period, we purchased fishing gear from three suppliers based in Taiwan, the PRC and Korea, respectively. Personnel in our headquarters place orders with our fishing gear suppliers. Deliveries are then received at our designated ports in Dalian and loaded on our vessels at port, or delivered by the suppliers to our vessels at sea. We generally tender payment by telegraphic transfer within seven days after delivery.
- Bait: During the Track Record Period, we purchased bait from five suppliers primarily based in the PRC and Taiwan. Personnel in our headquarters place orders with our bait suppliers. Deliveries are received either directly to our vessels at sea, or at our designated ports in Dalian where we load our vessels before departing for a fishing voyage. We generally tender payment by telegraphic transfer in advance of delivery.
- Crew consumable items: We purchase the crew consumable items from supermarkets and stock up on the crew consumable items to the extent possible prior to the fishing vessels' departure. We also receive deliveries of food and water and other items that are consumed more frequently to our vessels at sea.

We generally pay our suppliers in US dollars, Renminbi and Japanese Yen for the supplies we procure for our operations. The purchase prices are typically set at a fixed price by way of purchase orders. The purchase prices of bunker fuel, vessel equipment and parts, fishing gear and bait were relatively stable during the Track Record Period. We seek to achieve purchase cost control by purchasing in bulk for multiple vessels, leveraging on our sizable fleet. We currently do not enter into future contracts or engage in other financial risk management strategies to hedge against the price volatility of the supplies used in our fishing operations, which our Directors believe is in line with industry practice. As tuna prices are usually determined with reference to the prevailing tuna prices in Japan, we are generally not be able to pass on cost increases to our customers. We may not be able to anticipate and react to any changes in the cost of supplies by adjusting the prices of tuna that we catch and sell in the future. Please refer to "Risk Factors – Risks Relating to Our Business – Our operations are susceptible to increases in purchase costs of the supplies, which could adversely affect our business, financial condition, and results of operations" in this [REDACTED].

BUSINESS

Our suppliers

Our suppliers primarily include suppliers of bunker fuel, vessel equipment, fishing gear and bait. Purchases from our five largest suppliers accounted for 87.2%, 87.5%, 65.9% and 95.5% of our total purchases for 2011, 2012, 2013 and the three months ended 31 March 2014, respectively, and purchases from our largest supplier accounted for 35.5%, 45.7%, 28.0% and 55.5% of our total purchases for the same periods. Our largest supplier was a bunker fuel supplier in 2011 and another bunker fuel supplier in 2012, 2013 and the three months ended 31 March 2014. The supplier concentration percentage appears relatively high in the three months ended 31 March 2014 compared with 2011 to 2013, primarily because (i) we generally make purchases from fewer suppliers in a quarter compared to a year, (ii) in the three months ended 31 March 2014, we procured a relatively large quantity of bunker fuel and bait supplies for the seven vessels we operated under vessel management arrangements, and these supplies were procured from one bunker fuel supplier and one bait supplier, and (iii) in the first quarter of 2014, none of our vessels returned to port for maintenance, and so we did not record any material purchases of equipment or fishing gear in the period. Our Directors confirm that none of our Directors, our Controlling Shareholders or their respective associates held any interest in our five largest suppliers during the Track Record Period.

Our suppliers during the Track Record Period were all Independent Third Parties, except for Dalian Changhai Shipyard Co., Ltd. (大連長海船廠有限公司) which provided us certain vessels maintenance services in 2011 and 2012, details of which are set out in the section headed "Relationship with Controlling Shareholders" in this [REDACTED]. We have a stable and established business relationship of over five years with each of our largest suppliers in each year during the Track Record Period. Our Directors are of the view that we are not over reliant on any single supplier as we have alternative suppliers which we can use who offers comparable quality and prices for each of our major supplies. We have been cooperating with many of our major suppliers for more than five years. We evaluate and monitor each of our suppliers based on a number of factors including quality, delivery, payment terms, pricing and other standards. We do not enter into long-term supply contracts with our suppliers, which our Directors believe is consistent with the common industry practice. However, we have established long-term business relationships with our key suppliers to ensure the stable and timely delivery of bunker fuel, vessel equipment, fishing gear and bait. During the Track Record, we did not encounter any shortage or delay in the supplies for our fishing operations. Please refer to "Risk Factors – We rely on a limited number of suppliers and carriers" in this [REDACTED] for further details of the risks in relation to the limited number of our suppliers.

HEDGING STRATEGY

We are exposed to foreign exchange risk. Our sales are mainly denominated in Japanese Yen and, to a lesser extent, US dollars and Renminbi, and our expenses are incurred in a number of currencies, including Renminbi, US dollars, and Japanese Yen. Please refer to "Risk Factors – Risks Relating to Our Business – Our business may be negatively affected by fluctuations in exchange rates" in this [REDACTED].

We did not hedge foreign currency exposure as at the Latest Practicable Date. We do not plan to hedge foreign currency exposure in the immediate future. However, we may consider hedging any significant future foreign currency exposure using instruments such as foreign exchange forward contracts, which is only for business hedging purposes rather than for investment or speculation purposes. Before proceeding with any hedging activities, we will hire personnel with relevant experience to monitor our future hedging activities and work with our internal control consultant to establish corresponding risk control measures.

BUSINESS

LOGISTICS

The supplies used in our fishing operations are usually delivered directly to our fishing vessels at sea. We engage Independent Third Party carriers to ship our tuna from our fishing vessels at sea to the designated port. The freight charge payable by us to the carrier is primarily based on the weight of the cargo, which is measured at the time of loading, and reflects prevailing market freight charges. We or our agent generally settles the payment with our carriers within one month after the cargo arrives on shore. We do not enter into long-term delivery contracts with our carriers, which our Directors believe is consistent with the common industry practice. The transshipment service contract is typically signed on an order-by-order basis. This gives us the flexibility to use different carriers, depending on their availability at any given time. There are a limited number of major carriers in the industry, and transshipment vessels are required to be registered with relevant RFMOs in order to conduct transshipment activities in their respective convention areas. We have established business relationships with several major carriers in the Pacific Ocean and the Atlantic Ocean, where we operate. The carrier would normally charge higher transshipment fees when transshipping to Japan from the Atlantic Ocean as opposed to the Pacific Ocean due to the relatively longer distance. Our Directors confirm that during the Track Record Period, we did not experience any material loss due to disputes with our carriers or due to loss or damage of our tuna during the transportation process.

Independent Third Party carriers tranship the tuna from our fishing vessels at sea to the ports designated by our customers. The Independent Third Party carriers, before loading our tuna, will randomly spot check the temperature of our fish to ensure its quality. Our catches are tagged for identification purposes before their transshipment and are stored separately from the tuna of other fishing companies on the carriers' vessels. The fees charged by carriers are usually paid from the sales amounts collected from our customers to whom we sell our tuna at the designated port.

Through our over 13 years of operations in the ultra-low temperature longline tuna fishing industry, we have accumulated experience in efficiently arranging logistics, including scheduling shipments of supplies and tuna in accordance with our vessels' voyage patterns, choosing appropriate shipment timing and location to minimise interruption to our fishing operations and efficiently arranging carriers to ship supplies and tuna products, and sometimes crew members, during their round trips between our vessels and the port.

INVENTORY

All the supplies we procure for our operations and the tuna we catch and process are generally stored on board our fishing vessels pending consumption or transshipment, as appropriate. Such supplies and tuna are not recorded as inventory in our financial statements, which is in line with the industry practice. Therefore, we do not have any inventory provisioning policy.

BUSINESS

QUALITY ASSURANCE

As our tuna may be consumed raw, we must meet stringent quality requirements under applicable rules and regulations in our target markets. Accordingly, we maintain an effective quality control system on board our fishing vessels to ensure that the quality of our tuna meets the requirements of our customers and applicable rules and regulations, in particular food safety regulations. During the Track Record Period, the majority of our sales were made to the Japanese market. We developed our quality control system based on our Japanese customer's requirements as well as the food safety regulations in Japan. Our quality control system specifies the standard handling, processing and freezing procedures for our tuna on board our fishing vessels. We have also developed handling procedures to minimise superficial damage such as bruising, as the external appearance of tuna is an important factor in determining the price of premium tuna for sashimi. Tuna's quality as food is highly dependent on the crew's experience and capability in efficiently and appropriately processing the tuna. Our senior personnel on board each vessel are responsible for the quality control of the tuna we sell. A senior crew member onboard a vessel processes the tuna under the supervision of a chief officer. Those senior personnel have many years of experience in fishing operations and regularly undergo quality control training to ensure that our tuna meets our customers' required standards as well as applicable food safety regulations. In addition, our management at our headquarters in Dalian, Liaoning, the PRC closely communicate with our customers to ensure that customers' feedback and requirements are closely followed and we provide customers with high quality tuna in a consistent manner. Our customer in Japan also provides guidance to our captains and other crew members in respect of tuna processing, freezing and storage.

All of our vessels utilise ultra-low temperature freezers enabling us to maintain the freshness of our tuna for extended periods of time. Our crew members onboard each vessel conduct regular inspections of the key equipment of each vessel, especially the ultra-low temperature longline freezers, to ensure appropriate freezing and storage of the tuna we catch. In Japan, our cargos are required to pass quality inspections jointly conducted by representatives of our authorised sales agent and our customer as well as by Independent Third Party inspectors upon arrival at designated ports. We believe that our consistent delivery of high quality tuna has helped us maintain a strong working relationship with our customers.

Our senior crew members onboard the vessels examine the supplies delivered to our fishing vessels at sea and inform the staff at our headquarters in Dalian, Liaoning, the PRC of the delivery. They conduct quality inspections by way of sample checks of the vessel equipment and parts, fishing gear, as well as bait.

We usually do not provide warranty with respect to our tuna.

SALES RETURNS

We generally do not offer any sales return or refund to our customers, which our Directors believe is in line with industry custom. If we receive a complaint from a customer in relation to any defects of our tuna, we will investigate the complaint and strive to resolve it to the customer's reasonable satisfaction. If we decide that such defect is the responsibility of our Group and a refund is the most appropriate solution, then we will refund to the customer the purchase price. During the Track Record Period, we did not receive any material complaint in relation to, or rejection of, our tuna from our customers and did not make any refund.

BUSINESS

RESEARCH AND DEVELOPMENT

We leverage our extensive experience, know-how and technology in carrying out our research and development strategy to improve our operating efficiency. We from time to time collaborate with Shanghai Ocean University (上海海洋大學), formerly known as Shanghai Fisheries University (上海水產大學), to conduct research on the tuna resources in relevant fishing areas where we operate or where we currently do not operate but would consider deploying some of our vessels in the future. Our Directors believe that our collaboration with such institution provides us with insights into industry trends and emerging new technologies, enabling us to enhance the efficiency of our fishing operations as well as our ability to predict the migration patterns of tuna, which are crucial to our fishing operations. We have been collaborating with Shanghai Ocean University in research on the tuna resources in the Pacific Ocean and the Indian Ocean. For example, we entered into a service agreement with Shanghai Ocean University in September 2013 for research on albacore in the Pacific Ocean with a term of ten months, pursuant to which Shanghai Ocean University assigns certain personnel conduct research at sea onboard our fishing vessels and provides us with a report in relation to their research in various aspects, including, among other things, the albacore stocks in the Pacific Ocean and conservation measure adopted by relevant RFMOs; the specific fishing and processing techniques in respective of albacore; the bait and baiting techniques for catching albacore in the Pacific Ocean; as well as the sales and market demand of albacore. We pay service fee to Shanghai Ocean University, meanwhile, we provide accommodation to the personnel assigned by Shanghai Ocean University who work onboard our vessels and bear the cost incurred thereof.

In recent years, our research and development efforts have been focused on areas such as improving baiting techniques to catch more common tuna without affecting our output of premium tuna, adjusting hauling angles of the longline to enhance our output, and utilising fuel additives to improve fuel efficiency and save cost.

We have obtained a number of awards in recognition of our research on tuna resources, the details of which are listed as follows:

- The Second Class of Sciences and Technology Progress Award (科技進步二等獎) issued by China Aquatic Technology Research Institute (中國水產科學研究院) in 2009 for our research on the study and development of tuna resources in the EPO and Indian Ocean;
- Science Technology Achievement Certificate (科學技術成果證書) issued by Shanghai Science and Technology Commission (上海市科學技術委員會) in 2008 for our research on the study and development of tuna resources in the EPO and Indian Ocean; and
- The Second Class of Science and Technology Progress Award (科技進步二等獎) issued by the Chinese Ministry of Education (中華人民共和國教育部) in 2008 for our research on study and development of high seas fishery resources.

BUSINESS

COMPETITION

According to Frost & Sullivan, we were the largest ultra-low temperature longline premium tuna fishing company in the PRC in terms of revenue and sales volume by weight in 2013. According to Frost & Sullivan, the total revenue generated by the ultra-low temperature longline premium tuna fishing industry in the PRC amounted to approximately RMB1,427.4 million in 2013, of which our revenue accounted for approximately 22.2%. According to Frost & Sullivan, the ultra-low temperature longline premium tuna fishing industry in the PRC is dominated by the top ten players, which accounted for approximately 79.0% of the total market share in the PRC in 2013 in terms of revenue. In our markets, we face competition from competing fishing vessels operated by both domestic competitors as well as international competitors from countries or regions such as Japan and Taiwan. Our fleet was substantially larger than the fleets of the majority of our Japanese, Taiwanese and Korean peers, which had fewer than ten ultra-low temperature longline tuna fishing vessels as at 31 December 2013, according to Frost & Sullivan.

According to Frost & Sullivan, our major competitors in the PRC in terms of number of vessels, sales volume or revenue in the longline tuna fishing industry include Zhejiang Ocean Family Co., Ltd.* (浙江大洋世家股份有限公司), China National Fishery Corporation Overseas Fishery Co., Ltd.* (中水集團遠洋股份有限公司), and Liaoning Kimliner Ocean Fishing Co., Ltd.* (遼寧金輪遠洋漁業有限公司). According to Frost & Sullivan, as of 31 December 2013, Taiwan had the largest number of OPRT registered ultra-low temperature longline tuna fishing vessels at 323 vessels, whereas Japan ranked second with 245 vessels. The degree of industry concentration in Japan and Taiwan is lower than that in the PRC. In Taiwan, over 91% of the OPRT registered vessels were the sole vessel registered by their respective owners, and the largest fleet held by a single registered owner was only four OPRT registered vessels. In Japan, over 84% of the vessels were registered to companies with fewer than four vessels in total, and the largest fleet held by a single registered owner was only seven registered vessels, according to Frost & Sullivan. In contrast, the 11 largest companies in the PRC held 79.5% of the country's 116 OPRT registered vessels, with each of them holding at least six OPRT registered vessels.

We believe we compete principally on the basis of our experience, reputation, the skill of our captains and crew, sales volume, the size of our fleet as well as on the basis of our long-term relationships with our customers, suppliers and carriers and in-depth understanding of the markets in which we sell our tuna. Our management team and key crew members are veterans in the longline tuna fishing industry with a deep-rooted understanding of the industry and operational experience. Our tuna satisfy all stringent food safety requirements in our target markets and we believe that our reputation is highly recognised by our customers. We have established long-term partnerships with our authorised sales agent in Japan, our customers and suppliers, which help us to better understand customer needs and facilitate our sales in the Japanese market.

According to Frost & Sullivan, due to high entry barriers, fewer than 30 companies in the PRC are capable of ultra-low temperature longline tuna pelagic fishery as at 31 December 2013. The major barriers of entry in the ultra-low temperature longline tuna pelagic fishery industry are summarised as follows:

- **Registrations and Licences:** OPRT limits the number of longline fishing vessels registered with it. China also restricts the number of ultra-low temperature longline fishing vessels. In November 2012, the general office of the MOA issued the Notice on Strengthening the Management of *Construction and Replacement of Deep Sea Fishing Vessels* (《農業部辦公廳

BUSINESS

關於加強遠洋漁船更新改造管理工作的通知》), which announced that construction of new ultra-low temperature longline tuna fishing vessels would no longer be approved as of November 2012, except to replace existing ultra-low temperature longline tuna fishing vessels. In addition to licence restrictions on constructing new vessels, the operation of longline tuna fishing is also subject to other licensing requirements.

- **Capital investment:** Ultra-low temperature longline tuna pelagic fishery is a capital intensive industry. In general, a new ultra-low temperature longline tuna pelagic fishing vessel with a gross tonnage of 350 tonnes costs approximately RMB70 million. Advanced fishing equipment for the fishing vessels, such as fish detection and monitoring equipment, also requires significant investment.
- **Talent and Experience:** Longline tuna pelagic fishery is a talent intensive industry that requires the entire crew to be highly skilled and organised. The experience of the crew, and in particular that of the captain, can be crucial to a successful catch and the processing of the tuna caught. The captains' experience also plays an important role in successfully locating and tracking schools of tuna. In addition, there are a limited number of qualified captains in the market. As an established player, we believe that we are well positioned to attract captains and other crew members to meet our growing needs.

Please refer to the section headed "Industry Overview" in this [REDACTED] for a detailed description of the competitive landscape of the ultra-low temperature longline tuna fishing industry.

STAFFING ARRANGEMENTS

Our fishing operations are mainly carried out by personnel who work onboard our fishing vessels at sea. Our fishing operations are supported by personnel in our headquarters.

Each fishing voyage requires a minimum commitment of two to three years for our captains and crew. The captains and other crew members generally remain on board the fishing vessels for the entire duration of the voyage. In the event that a crew member needs to return to shore, for example, due to unexpected illness, we typically make arrangements with other vessels, such as our Independent Third Party carriers or suppliers, to return the crew member to shore, or notify the fishing vessel to dock at the nearest port to ensure the affected crew member can receive appropriate medical attention in the case of emergency. As work onboard the vessels is specialised, traditional working arrangements are not well-suited to the nature of seafaring work. To better accommodate the unique circumstances of the longline tuna fishing industry, we have obtained approval from the relevant labour administrative authorities required for our working-hour arrangements for captains and crew members.

BUSINESS

The following table sets out a breakdown of employees for our headquarters and our vessels as at the date indicated:

Role	Number as at		
	31 December 2012	31 December 2013	the Latest Practicable Date
Headquarters			
Management	11	11	11
Procurement	4	4	4
Administration	16	23	25
<i>Headquarters subtotal</i>	31	38	40
Fishing operations			
Captains	8	25	25
Senior crew members ⁽¹⁾	30	86	86
Other crew members	118	371	371
<i>Fishing operations subtotal</i>	156	482	482
Total personnel	<u>187</u>	<u>520⁽²⁾</u>	<u>522</u>

(1) Senior crew members include chief engineer (輪機長), second engineer (大管輪), third engineer (二管輪), first officer (大副) and second officer (二副), all of whom shall obtain Certificate of Crew with Duties (漁業船舶職務船員適任證書). Please refer to "Regulatory Overview – PRC Law – Regulations regarding Ocean Fishery Industry" for further details.

(2) For the captains and other crew members of the seven Japanese vessels (other than the captains and senior crew members we assigned to work onboard these vessels), which we operate pursuant to vessel management arrangements, we do not treat them as our employees, however, the wages incurred for such crew members are accounted as part of our cost of sales, in the same way as the wages incurred for the crew members of our self-owned vessels.

The number of our captains and crew members increased in the first quarter of 2013 as we acquired ten ultra-low temperature longline fishing vessels in early 2013. Therefore, the wages incurred as our cost of sales increased by 55.9%, from RMB16.7 million in 2012 to RMB26.0 million in 2013, and increased by 196.1%, from RMB3.4 million in the three months ended 31 March 2013 to RMB10.1 million in the same period in 2014. We have promoted ten of our existing experienced and well-trained senior crew members to captains and have recruited and retained other crew members to staff the ten fishing vessels, which we acquired in early 2013.

Remuneration, training and recruitment

We enter into labour contracts with our employees, including captains and other crew members. Our employees' remuneration packages include base salary, productivity bonuses and other benefits.

From our inception, we have devoted our efforts to recruit and retain highly qualified personnel. We have provided the following career opportunities and benefits to our captains and other crew members:

- Training and internal promotion: Prior to departure on a fishing voyage, we provide captains and other crew members with systematic in-house training on our policies and procedures as well as on longline fishing technology and processing and freezing procedures to ensure they are able to develop their knowledge and skills for the operation of ultra-low temperature longline tuna fishing vessels. We are dedicated to developing our team of captains through internal promotions and apprenticeships.

BUSINESS

- Incentives and teamwork: We have implemented an incentive scheme under which our captains and other crew members are motivated to improve the size and quality of fishing yields. Such incentives include bonuses that are payable to captains based on their leadership, communication and management ability, individual vessel's performance as well as the overall fleet's performance. More importantly, we promote teamwork among our fishing vessels to leverage the scale of our fleet, which we believe is a major competitive advantage.
- Other benefits: We provide opportunities for captains and other crew members to maintain contact with their families by phone or email during their voyages. To take care of certain families of our captains, we also help some of them secure job or education opportunities.

We believe that the above measures have enabled us to catch more tuna, which in turn improve our tuna quality and operating efficiency. Moreover, owing in part to our efforts, our captain attrition rate was zero during the Track Record Period.

Our Directors believe that we have a good working relationship with our employees. During the Track Record Period, we did not experience any significant problems with our employees or disruption to our operations due to labour disputes.

OCCUPATIONAL HEALTH AND WORKPLACE SAFETY

We are subject to PRC laws and regulations as well as international standards on occupational health and workplace safety; accordingly, we have adopted our own occupational health and safety rules.

All our captains and other crew members must undertake a physical examination before departure for each fishing voyage. We maintain supplies of medicine onboard each fishing vessel. While there are no medical personnel onboard, our crew members have received medical and survival training. If any of our crew members suffer from a non-emergency illness requiring professional medical attention, we normally arrange with our carriers or suppliers, who tranship our tuna or replenish our supplies at sea, to return the crew member to shore; while in case of an emergency, we will notify the fishing vessel to dock at the nearest port to ensure the affected crew member can receive appropriate medical attention as soon as possible. We believe we have taken sufficient measures to assure the crew's health.

We also implement strict safety control regulations and policies. We provide safety education to employees and have established stringent safety protocols during our tuna fishing and processing processes, with which our crew members engaged in fishing operations are required to comply. Our captains conduct safety inspections on their respective fishing vessel at sea on a regular basis to eliminate potential safety hazards. We also provide insurance against death or injury resulting from work-related accidents to our captains. Accidents that occur on board the vessels are usually handled by our crew members on the spot, while, in case of an emergent or serious accident, the captains are generally required to immediately report to personnel at our headquarters, who will notify relevant vessels to dock at the nearest port or liaise with our carrier or suppliers nearby at sea to provide assistance in handling such emergent accidents.

During the Track Record Period, we complied with relevant PRC workplace safety regulatory requirements in all material respects and did not encounter any accidents or receive any claims or complaints with respect to workplace safety which materially and adversely affected our operations.

BUSINESS

INSURANCE

We maintain insurance policies for liabilities arising from certain key aspects of our operations, which we believe are in line with the industry norm. We have obtained "total loss cover" hull insurance policies for all of our vessels. These hull insurance policies provide for an allowance in general average, salvage expenses, collision liability and partial losses arising from grounding and stranding. In addition, we carry liability insurance in respect of the death or dismemberment of crew members at sea. During the Track Record Period, we did not incur any material claims arising from injuries or loss of crew members during operations at sea.

In general, our sales are made on CIF terms. Under CIF terms, we are responsible for obtaining cargo insurance for our tuna covering the period from the point when tuna cargoes are delivered to Independent Third Party carriers until the delivery to the destination seaports. Such cargo insurance costs are passed on to our customers.

Although we believe that we have purchased insurance in line with the industry norm, given the nature of our operations and business, our assets and turnover may exceed the amount of our insurance coverage. Consistent with what we believe to be the customary practice in the PRC, we do not carry any business interruption or environmental liability insurance. We will continue to review and assess our risk exposure and make necessary and appropriate adjustments to our insurance coverage in line with our business needs and with industry practice with respect to insurance in the PRC. As at the Latest Practicable Date, we had not made any material claims under our insurance policies and have not experienced any material business interruptions since we commenced operations.

INTELLECTUAL PROPERTY RIGHTS

Our success depends in part on our ability to use and develop our know-how and other intellectual property without infringing the intellectual property rights of third parties. We have accumulated extensive technical know-how and proprietary data through our longtime operations in the ultra-low temperature longline tuna fishing industry. We have also adopted standard methods and procedures to process the tuna we catch, with which our crew members are required to comply. We consider such know-how, data, processes and procedures to be our trade secrets. We recognise the importance of protecting and enforcing our intellectual property rights. We have entered into agreements with our senior management, captains and other key crew members, under which they have the obligation not to disclose our trade secrets to any third parties.

In order to develop a consistent corporate brand for our Group, we have registered a trademark in respect of our corporate brand in Hong Kong. The trademark is a combination design and character mark consisting of our logo accompanied by the words "Tuna Fishing" (金槍魚釣). In addition, we completed the registration of "金沐" trademark in the PRC in August 2013. As at the Latest Practicable Date, we did not have any patents or copyrights in the PRC or elsewhere.

As at the Latest Practicable Date, no litigation or claims in respect of violations of intellectual property rights was known to our Directors to be pending or threatened against any member of our Group and no infringement on our Group's intellectual property rights was known to our Directors.

For further details of our intellectual properties rights, please refer to the section headed "Intellectual property rights" in Appendix IV "Statutory and General Information" to this [REDACTED].

BUSINESS

PROPERTIES

As at the Latest Practicable Date, we did not own any properties but leased five properties in the PRC in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As the Company does not have any property interest that forms part of non-property activities and has a carrying amount of 15% or more of our total assets, this [REDACTED] is exempted from compliance with the requirements of Chapter 5 of the Listing Rules and section 342(1) (b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, both of which require a valuation report with respect to all of the Group's interests in land or buildings.

As at the Latest Practicable Date, we leased office space for our headquarters in Dalian, Liaoning, the PRC from Ms. Li Li, one of our Controlling Shareholders, with an aggregate gross floor area of approximately 514 square metres at an annual rental of RMB204,000. For further details of the lease, please refer to the section headed "Connected Transaction" in this [REDACTED]. As at the Latest Practicable Date, we also leased four properties from Independent Third Parties with an aggregate gross floor area of approximately 80 square metres which are used as offices in Dalian. The lessors of these properties have provided full and complete real estate title certificates for these properties evidencing their ownership of these properties, and the leases have been registered with relevant PRC authorities.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

Legal proceedings

As at the Latest Practicable Date, no member of our Group was involved in any litigation or arbitration that could have a material adverse effect on our Group's business, financial condition and results of operations, taken as a whole, and to the best knowledge of our Directors, there was no pending or threatened litigation, arbitration or claim of material importance against any member of our Group.

Historically, Dalian Ocean Fishing and Mr. Li Zhenyu, one of our Controlling Shareholders, were involved in two lawsuits: (i) in 2002, Dalian Ocean Fishing provided a guarantee for a loan to a third party, who was an acquaintance of Mr. Li Zhenyu, in the amount of RMB2.0 million. Due to the default by the borrower in repaying the loan, the lender brought a lawsuit against Dalian Ocean Fishing in 2005 and later applied for a court order restricting Mr. Li Zhenyu from travelling abroad. In 2010, pursuant to a settlement agreement between Dalian Ocean Fishing and the lender, Mr. Li Zhenyu fully repaid the outstanding balance of the loan; (ii) in 2006, Dalian Ocean Fishing and Mr. Li Zhenyu provided a joint guarantee for a loan to a related party in the amount of RMB1.37 million. Due to the default by the borrower in repaying the loan, the lender brought lawsuit against Dalian Ocean Fishing and Mr. Li Zhenyu in 2011, following which Dalian Rishang Trading Co., a company ultimately controlled by Mr. Li Zhenyu, fully repaid the outstanding amount of the loan in 2012 pursuant to a settlement agreement between Mr. Li Zhenyu and the lender. The lender has since discharged Dalian Ocean Fishing of all liabilities under the loan agreement.

Non-compliance

During the due diligence process for the purpose of the Listing, certain historical non-compliance incidents were identified. Based on the advice from our PRC legal advisers, Commerce & Finance Law Offices, our Directors are of the view that these non-compliance incidents would not have any material adverse impact on our operations and financial condition. We set out below the non-compliance incidents our Group was involved in during the Track Record Period. Save as disclosed below, we had complied with the laws and regulations applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

Description of the non-compliance incident	Reason for the non-compliance	Rectification action and enhanced internal control measures to prevent future reoccurrences	Legal consequences and potential impact on our operations and financial condition
<p>Advances made to related party companies</p> <p>During the Track Record Period, we made advances to certain related party companies, which are ultimately beneficially controlled by Mr. Li Zhenyu, one of our Controlling Shareholders. These advances were all non-trade in nature, unsecured, interest free and repayable on demand. As at 31 December 2011, 2012, 2013 and 31 March 2014, the outstanding balances of such advances to those related party companies were approximately RMB474.1 million, nil, nil and nil. Mr. Li Zhenyu, the chairman of our Board, an executive Director and chief executive officer of our Company, acting in his capacity as the general manager of Dalian Fishing, was in charge of making such advances to related party companies during the Track Record Period.</p>	<p>These related party companies are engaged in vessel construction and maintenance, yacht building and sales, as well as other businesses. In order to satisfy the temporary cash requirements of these related parties to support their business development, we made the advances to them. When making such advances, we were not aware that such activities were not in compliance with relevant PRC laws or regulations.</p>	<p><i>Rectification action:</i></p> <p>Upon identification of the non-compliance in May 2012, we immediately ceased making advances to any company and began rectifying it by demanding the related parties to repay the outstanding balance of the advances provided by us. By November 2012, all advances were duly repaid by relevant related parties.</p> <p><i>Enhanced internal control measures:</i></p> <ul style="list-style-type: none"> We have announced a clear policy (implemented since August 2013) statement to all our staff that making advances to or from non-financial institutions is forbidden and that no Directors or senior management may approve any advances made to or from non-financial institutions and our Directors and senior management attended a training on relevant PRC laws and regulations; We have established a "Related Party Transaction Management Policy" (implemented since January 2013), setting out a definition for related party, pricing principles for related party transactions, authorisation and monitoring procedures, and disclosure requirements under the Listing Rules. Pursuant to the policy, all proposed related party transactions must be submitted to the Board for approval; 	<p>Our PRC legal advisers, Commerce & Finance Law Offices are of the view that we would not be penalised for the advances made to related party companies; and based on the following reasons, such incident (which is a common practice in the PRC) would not be a legal impediment to our operation:</p> <ul style="list-style-type: none"> According to the "General Rules on Credit" (貸款通則) promulgated by the PBOC and other rules, the Group would not be subject to any penalty for the advances made to the related party companies. As stipulated in the "General Rules on Credit", the PBOC may impose a maximum penalty of up to five times the income generated by a non-financial institution from making loans to a company; however, the advances the Group made to related party companies were all interest-free and the Group had not generated any income from such advances. As at the Latest Practicable Date, the Group had not been penalised by PBOC for making such advances. Our PRC legal advisers, Commerce & Finance Law Offices, consulted and obtained confirmation from PBOC Dalian Branch that PBOC would not impose any penalty on the Group for making such advances. All the advances had been fully settled by November 2012.

BUSINESS

Description of the non-compliance incident	Reason for the non-compliance	Rectification action and enhanced internal control measures to prevent future reoccurrences	Legal consequences and potential impact on our operations and financial condition
	<ul style="list-style-type: none"> <li data-bbox="311 638 694 1117">We have established "Board Meeting Procedures" (implemented since January 2013), pursuant to which all related party transactions must be approved by at least half of the Directors who are non-related parties. The interested Director(s) must abstain from voting at the relevant board meetings in respect of such transactions and will not be counted in the quorum. If less than three non-related Directors attend the relevant board meeting, such related party transaction will be submitted to the shareholder meeting for approval; 	<ul style="list-style-type: none"> <li data-bbox="311 1117 694 1596">We have put in place a "Related Party Checklist" (implemented since January 2013), which includes names of all of our related parties to facilitate the identification of related parties; <li data-bbox="869 1117 1197 1596">We have implemented since August 2013 a disciplinary policy which provides that Directors, senior management and other employees who do not comply with the above policy will be subject to various disciplinary actions, including penalties; <li data-bbox="1061 1117 1141 1596">Our internal audit department⁽¹⁾ will be responsible for the implementation of these policies; and <li data-bbox="1173 1117 1249 1596">Our audit committee will monitor and supervise the implementation of these policies. 	<ul style="list-style-type: none"> <li data-bbox="311 1596 422 1970">All the advances that the Group made to its related party companies were used in normal operations and not for any illegal purpose. <li data-bbox="454 1596 534 1970">We ceased making any advances to third parties upon identification of such incident in May 2012. <li data-bbox="566 1596 694 1970">Mr. Li Zhenyu, one of our Controlling Shareholders, has agreed to indemnify the Company for any penalties or other losses which it may incur as a result of this incident. <li data-bbox="726 1596 885 1970">Based on the above, (i) we did not make any provisions in our accounts in respect of such non-compliance incidents, (ii) we do not consider that these incidents would have a material operational or financial impact on our Company.

BUSINESS

Description of the non-compliance incident	Reason for the non-compliance	Rectification action and enhanced internal control measures to prevent future reoccurrences	Legal consequences and potential impact on our operations and financial condition
<p>Failure to pay social insurance and housing provident funds for certain employees in full and in a timely manner</p> <p>We failed to make full contribution to the social insurance and housing provident funds for certain of our crew members in a timely manner during the Track Record Period. During the Track Record Period, the amount of unpaid social insurance fund contribution was RMB63,736.13 as confirmed by relevant social insurance authorities, and the unpaid housing provident fund contribution was estimated at RMB694,000. Our human resources department was responsible for this historical non-compliance incident.</p>	<p>Reason for the non-compliance</p> <p>Some of our junior crew members do not reside in Dalian and only work with us for one voyage of two to three years. Those junior crew members are unwilling that we contribute to their social insurance and housing provident funds as they deem this would reduce their disposable income. Based on the above and considering that we provided them free accommodation onboard our fishing vessels, we did not contribute to the social insurance and housing provident funds for those junior crew members.</p> <p>Such non-compliance arose mainly because of our misinterpretation of relevant PRC laws and regulations⁽¹⁾ and a lack of communication with relevant competent authorities.</p>	<p>Rectification action and enhanced internal control measures to prevent future reoccurrences</p> <p><i>Rectification action:</i></p> <p>Upon reception of a rectification notice from relevant competent social insurance authority, we communicated with the authority and understood that it's compulsory to contribute to our employees' social insurance fund despite the specific industry in which we operate.</p> <p>We had settled the outstanding social insurance contribution with the total amount of RMB63,736.13, as confirmed by the relevant competent social insurance authority in a confirmation letter issued on 31 July 2013.</p> <p>Except for the unpaid housing provident funds in the amount of RMB694,000, as at the Latest Practicable Date, we were making full contribution of social insurance and housing provident fund for all of our employees. For such unpaid housing provident funds, we are not able to pay according to existing relevant local rules, given certain previous employees who were entitled to such funds had left us and could not be reached as of Latest Practicable Date. We therefore made a provision of RMB694,000 for such unpaid housing provident fund in our accounts.</p> <p><i>Enhanced internal control measures:</i></p> <ul style="list-style-type: none"> We have established a written policy for the payment of the employee social insurance and housing provident fund contribution (implemented since August 2013), which stipulates the implementation and review procedures for contributions of social insurance and housing provident funds; relevant laws and regulations on social insurance and housing provident fund contribution are attached to this written policy, which the human resources manager will update on a quarterly basis; we have also arranged for all our staff to attend training on the policy and relevant PRC laws and regulations; 	<p>Legal consequences and potential impact on our operations and financial condition</p> <p>Our PRC legal advisers, Commerce & Finance Law Offices, are of the view that it is unlikely that we would be penalised for such non-compliance incident; and based on the following reasons, the failure to pay in full social insurance and housing provident fund contributions for certain employees would not be a legal impediment to our operation:</p> <ul style="list-style-type: none"> We have settled the outstanding social insurance contribution with the total amount of RMB 63,736.13, as confirmed by the competent social insurance authority in a confirmation letter issued on 31 July 2013. The competent social insurance authority issued a letter on 31 July 2013 confirming that no administrative penalties would be imposed on the Group for the late payment of social insurance funds⁽²⁾. As advised by our PRC legal advisers, Commerce & Finance Law Offices, we may be required by the relevant housing provident fund authority to make the outstanding contributions of RMB694,000 to the housing provident funds. As we had made a provision for the unpaid housing provident funds contribution during the Track Record Period and the amount involved was small, the Directors believe that it would not have a material adverse impact on our business even if we were asked to pay the unpaid housing provident fund contribution. As at the date of Latest Practicable Date, save as disclosed, we were making full contribution of social insurance and housing provident fund for all of our employees and will continue to contribute to the employee social welfare schemes pursuant to the relevant PRC laws and regulations.

BUSINESS

Description of the non-compliance incident	Reason for the non-compliance	Rectification action and enhanced internal control measures to prevent future reoccurrences	Legal consequences and potential impact on our operations and financial condition
	<ul style="list-style-type: none"> The employee roster has been and will be updated on a monthly basis and maintained by the human resources clerk, and the human resources manager will review the roster on a monthly basis; 	<ul style="list-style-type: none"> The competent housing provident fund authority issued a letter on 6 August 2013 confirming that no administrative penalties would be imposed on the Group for the underpayment of housing provident fund. 	
	<ul style="list-style-type: none"> We have implemented since January 2013 a two-level review procedure on the monthly payroll, contribution calculation and actual fund payment to ensure full payment of relevant contributions to the employees' compensation and benefits in accordance with relevant PRC laws and regulations and the executed labour contracts; 	<ul style="list-style-type: none"> Mr. Li Zhenyu, has agreed to indemnify the Company for any penalties or other losses which it may incur as a result of the incident. 	
	<ul style="list-style-type: none"> Our financial controller, Ms. Yu Ning (于宁), who has over six years' experience as an auditor in a large reputable accounting firm, is responsible for the implementation of these policies; and 	<ul style="list-style-type: none"> Based on the above, we do not consider that this incident would have a material operational or financial impact on our Company. 	
	<ul style="list-style-type: none"> An executive Director, Ms. Gao Bo, is responsible for monitoring and supervising the implementation of these policies. 		

BUSINESS

Description of the non-compliance incident	Reason for the non-compliance	Rectification action and enhanced internal control measures to prevent future reoccurrences	Legal consequences and potential impact on our operations and financial condition
<p>Failure to pay the first instalment of the registered capital of the registered capital of Dalian Jinyuanfeng upon establishment was RMB5 million. The first instalment of the registered capital of Dalian Jinyuanfeng of RMB1 million had not been paid up in full by Tuna Investment (HK) within the required timeframe, i.e. within 90 days since 28 December 2012 when the business license of Dalian Jinyuanfeng was issued. The first instalment of the registered capital of Dalian Jinyuanfeng was paid up in full by Tuna Investment (HK) on 26 April 2013, according to a capital verification report issued on 3 May 2013. Our financial department was responsible for this historical non-compliance incident.</p>	<p>Reason for the non-compliance</p> <p>The registered capital of Dalian Jinyuanfeng is contributed by Tuna Investment (HK), a company incorporated in Hong Kong. Historically, a foreign company was required to contribute to its invested company in the PRC by foreign currency. In recent years, relevant government authorities have granted approvals on a case by case basis for foreign companies to make the relevant contribution in Renminbi. Tuna Investment (HK) obtained government approval for contributing the registered capital to Dalian Jinyuanfeng by remittance of Renminbi from overseas. Since this is a relatively new practice in Dalian, the remittance took longer to complete than we had initially expected, which led to a slight delay in the payment.</p>	<p>Rectification action and enhanced internal control measures to prevent future reoccurrences</p> <p>As advised by our internal control consultant, this incident, resulted from a delay in completing the procedures with the local authorities, was beyond the control of the Group and was a single incident not directly related to the deficiencies of our internal controls.</p> <p>However, in order to enhance our monitoring mechanism, we assigned in August 2013 our financial controller, Ms. Yu Ning, to supervise the Group's financing activities by, among other things:</p> <ul style="list-style-type: none"> • monitoring the capital increase or reduction procedures of the subsidiaries within the Group and all relevant correspondences and documents, including the capital verification reports, would be reviewed by the financial controller; and • reviewing any financing activities of the Group involving capital flow. 	<p>Legal consequences and potential impact on our operations and financial condition</p> <p>Our PRC legal advisers, Commerce & Finance Law Offices, are of the view that it is unlikely that we would be penalised for such non-compliance incident; and based on the following reasons, the failure to pay the first instalment of the registered capital of Dalian Jinyuanfeng in a timely manner would not be a legal impediment to our operation:</p> <ul style="list-style-type: none"> • the local MOFCOM issued a letter on 14 August 2013 confirming that the late payment of the first instalment of the registered capital by Tuna Investment (HK) would not affect its previous approval for the establishment and the existence of Dalian Jinyuanfeng.⁽³⁾ • Mr. Li Zhenyu, has agreed to indemnify the Company for any penalties or other losses which it may incur as a result of these incidents. <p>Based on the above, (i) we did not make any provisions in our accounts with respect to this non-compliance incident and (ii) we do not consider that this incident would have a material operational or financial impact on our Company.</p>

BUSINESS

Note:

1. We established our internal audit department in March 2014, which is responsible for the implementation of the enhanced internal control measures. Mr. Lu Jun (陸俊), who has over five years' experience in audit and internal control as an assistant manager in a large reputable accounting firm, is in charge of the operation of our internal audit department.
2. According to the relevant PRC laws,
 - the employer who fails to pay the social insurance fees fully or on time will be ordered to settle the unpaid contribution within the prescribed time limit, and such employer will be charged an additional late payment fine of 0.05% per day calculated from the date when the amount becomes overdue, and in the event that such employer fails to pay the unpaid contribution within the prescribed time limit as required by relevant administrative authorities, the fine with the amount of one to three times the unpaid contributions will be imposed on such employer.
 - the employer who fails to pay the housing provident or does not fully pay the housing provident fund will be ordered to pay the unpaid requisite housing provident fund within the prescribed time limit as required by the relevant administrative authorities, and in the event that such employer fails to make payment within the prescribed time limit, the relevant administrative authorities are entitled to apply for enforcement orders from the people's court.
3. According to the then relevant PRC laws which was no longer in effect as at the Latest Practicable Date, the relevant commerce regulatory authority may revoke the approval previously granted to a foreign-owned enterprise for its establishment in the event that such enterprise fails to contribute registered capital on time.

For further details on the qualification and experience of the personnel, who are responsible for monitoring the implementation of the enhanced internal control measures, please refer to the section headed "Directors, Senior Management and Employees" in this [REDACTED].

Taking into account the following matters, our Directors are of the view that the non-compliance incidents and the internal controls issues identified by our internal controls consultant summarised in the section headed "Business Internal Control, Risk Management and Corporate Governance" below will not affect the competence, integrity and character of the Directors as required under Rule 3.08 and 3.09 of the Listing Rules:

- As advised by our PRC legal advisers, Commerce & Finance Law Offices, (i) we would not be penalised for the advances made to the related party companies, and (ii) it is unlikely that we would be penalised for our failure to make full contributions to the social insurance and housing provident funds for certain employees in a timely manner and our failure to settle the first investment contribution to Dalian Jinyuanfeng within the required timeframe.
- Our Directors did not intentionally cause our Group to breach any of the applicable laws and regulations, and the non-compliance incidents did not involve any dishonesty or fraud on the part of our Directors;
- We were previously a private company; in preparation for the Listing, we appointed three non-executive Directors and three independent non-executive Directors, respectively, to ensure that the Board committee structure and composition are in compliance with the relevant requirements of the Listing Rules; and our Directors attended the training sessions conducted by our Hong Kong legal advisers, Orrick, Herrington & Sutcliffe, regarding the on-going obligations and duties of directors of a publicly listed company on the Main Board of the Stock Exchange, including connected transactions and code on corporate governance practices;

BUSINESS

- Our Directors have shown their willingness and commitment to ensure our compliance in the future based on the fact that we: (a) took rectification actions immediately upon identification of the non-compliance incidents; (b) had fully settled all advances made during the Track Record Period by November 2012; (c) implemented enhanced internal control measures to prevent future reoccurrence of such incidents; (d) engaged the internal control consultant to perform agreed-upon-procedures in relation to the internal control systems; (e) appointed a dedicated financial controller to monitor the activities of our finance department; (f) established the audit committee, comprising three independent non-executive Directors, to review and supervise internal control system; (g) engaged external legal advisers to advise on compliance with relevant laws and regulations; and (h) engaged a compliance adviser to advise on compliance after Listing;
- Our Directors confirm that there has been no reoccurrence of such incidents since the implementation of the enhanced internal control measures and up to the Latest Practicable Date; and
- Mr. Li Zhenyu, the chairman of the Board and an executive Director, established our Group in 2000. Under his leadership and by virtue of his competence and efforts, our Group has established a proven track record in the ultra-low temperature longline premium tuna fishing industry in the PRC. Please refer to the section headed "Directors, Senior Management and Employees" for further details.

Based on (i) the due diligence it has conducted in relation to the non-compliance incidents and the due diligence it has conducted in respect of the internal controls of the Company referred to in the section headed "Business – Internal Control, Risk Management and Corporate Governance" below, (ii) its review of relevant documents, information and confirmation by us, and (iii) our Directors' views and reasoning set out above, the Sole Sponsor is of the view that the non-compliance incidents identified in this [REDACTED] did not and would not impugn on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules.

INTERNAL CONTROL, RISK MANAGEMENT AND CORPORATE GOVERNANCE

Internal control

In preparation for the Listing, in March 2012, we engaged a reputable independent external consulting firm to serve as our internal control consultant to review selected areas of our internal controls in order to improve our internal control policies and to fulfil certain of our obligations in assisting the Sole Sponsor's due diligence under the Listing Rules. Our internal control consultant conducted relevant reviews on the basis of agreed-upon procedures in four stages in March to April 2012, May to June 2013, October to November 2013 and May to June 2014. The scope of review of the internal control consultant included certain agreed-upon procedures in the following areas: (i) corporate level controls, such as risk identification and assessment policies, internal control self-assessment procedures, fraud detection and prevention procedures, sufficiency of internal audit policies and procedures, and composition and competency of our Board and committees; and (ii) business process level controls, such as purchases and payments, sales documentation, management of invoices and receipts, management of credit period, material fixed assets, cash flow management and human resources.

BUSINESS

In addition to the historical non-compliance as disclosed in this section, a summary of the key internal control deficiencies identified by our internal controls adviser is set out below:

- A sale to our customer in Japan in March 2013 was not recognised in our internal financial records until April 2013, primarily because our business department did not pass on the sales confirmation to the finance department until they received the original sales confirmation in April 2013. Subsequently we have strengthened our internal control procedures by requiring our business department to pass on the faxed sales confirmation to our finance department upon receipt; and
- In accordance with our internal procedures, we only enter into transaction documents and record a sale in our internal financial records following delivery of the tuna to our PRC customer. In September 2013, after tuna transshipment, a sales employee entered into transaction documents with a PRC customer prior to actual delivery to the customer in response to the customer's request to set the price for the sale early. Subsequently, delivery occurred later than expected primarily due to unexpected delay of transshipment vessel. The entering into of the transaction documents was approved by Mr. Zhang Xuegang, a director of our Company and a member of our senior management responsible for our sales at the time. Based on the transaction documentation provided by the sales employee, our finance department recorded the sale in our internal accounting records prior to delivery in compliance with our then applicable internal accounting policies.

As a result of the incident, we implemented enhanced internal control processes for the documentation and recording of our sales to customers in the PRC by (i) requiring our business department to confirm in writing the arrival of the transshipment vessel in the port of delivery; and (ii) requiring our finance department to independently verify delivery of our tuna products prior to recording a sale in our financial records, by checking the computer records of the PRC customs authority available on its website. In addition, Mr Li Zhenyu has taken on responsibility for the overall supervision of our sales department. We also provided further training to our business and finance departments. At the time we promptly restricted Mr. Zhang's authority in respect of further sales. It was subsequently mutually agreed that Mr. Zhang would step down as a director, but would remain as a member of senior management responsible for research and development and vessel management. The sales employee's authority was also immediately rescinded.

These incidents did not have any impact on our audited consolidated financial results for 2013.

During the initial internal control review, our internal control consultant provided some recommendations for our management's consideration to enhance and rectify the deficiencies identified in our internal control system, which included certain remedial measures in respect of the historical non-compliance and deficiencies as disclosed in this section. We conducted follow-up reviews with the assistance of our internal control consultant in October 2013 and May 2014, which focused on the status of implementation of the recommended remedial actions in the areas where deficiencies and weaknesses were identified, in particular, the internal control consultant has reviewed documentation for each of our sales since October 2013 and has not identified any similar incident to those identified above. We have also established our risk management policies and procedures, including, among other things, the identification, evaluation and analysis of risks in relation to our management and operations.

Based on the results of the follow-up review, our internal control consultant is satisfied that we have implemented new or revised internal control policies and procedures in response to those areas where deficiencies and weaknesses were identified.

BUSINESS

Our Directors believe that our internal control policies, procedures and systems during the Track Record Period were able to meet our operations needs at that time and our internal control deficiencies had not affected our track record results. After considering the recommended remedial actions, our Directors (including our independent non-executive Directors) are of the view that we have adequate internal control procedures and policies in place and we are able to comply with the internal control requirements under Rule 3A.15(5) of the Listing Rules.

Based on (i) the due diligence enquiries conducted by the Sole Sponsor in relation to our internal control policies and procedures, (ii) the review of the internal control related documents, information and confirmation provided by us, (iii) our Directors' views and reasoning set out in this [REDACTED], (iv) its discussion with the internal control consultant (v) the results of the follow-up review mentioned above, and (vi) the remediation measures adopted by us, the Sole Sponsor is satisfied that our Group has established policies, procedures and systems which should be adequate and effective under Rule 3A.15(5) of the Listing Rules.

In addition to the specific enhanced internal control measures with respect to the historical non-compliance, we have taken and will take the following actions to ensure future compliance with relevant laws and regulations:

- We have engaged and will engage for at least 12 months after the Listing, an internal control consultant to review selected areas of our Group's internal controls. The internal control consultant has assisted us in establishing and implementing our enhanced internal control policies and procedures and will conduct regular reviews to ensure the effective implementation of our internal control policies after Listing;
- we have improved our existing internal control framework by adopting a set of internal control manuals and policies, including the corporate governance manual, which covers corporate governance, risk management, operations, legal matters, finance and audit; we are already adhering to these policies and will continue to do so after the Listing;
- we have arranged and will continue to arrange for our Directors and senior management to attend training on applicable laws and regulations, including the Listing Rules, provided by our legal advisers, and will also strengthen the training for our employees on compliance matters in order to develop a corporate compliance culture and to enhance employee compliance perception and responsibility;
- we have established an audit committee, comprising three independent non-executive Directors, to review and monitor our internal control system;
- we have designated Ms. Gao Bo, an executive Director, to oversee our compliance matters, and Mr. Yu Guang, vice general manager, to assist in handling compliance matters. Ms. Gao Bo will, with the support of Mr. Yu Guang and our external professional advisers including our PRC legal advisers, our Hong Kong legal advisers and our compliance adviser, conduct regular reviews and make recommendations to our Board in respect of our policies and practices on corporate governance, review and monitor our policies and practices on compliance with any requirements, directions and regulations that may be prescribed by our Board or imposed by the Listing Rules or other applicable laws and regulations;

BUSINESS

- we have appointed a compliance adviser to advise us on compliance matters in accordance with the Listing Rules upon Listing;
- we will appoint a qualified Hong Kong law firm as our Hong Kong legal advisers to advise us on compliance with the Listing Rules and the applicable Hong Kong laws and regulations and provide annual update training to our Directors and senior management on the Listing Rules and corporate governance matters;
- we will appoint a qualified PRC law firm as our PRC legal advisers to advise us on compliance with the applicable PRC laws and regulations;
- we will be updated with relevant laws and regulations and seek advice from professionals before making decisions on business and operations of our Group for compliance with relevant regulatory requirements; and
- we will communicate with relevant government departments or authorities on a regular basis to ensure proper understanding of relevant rules.

Risk management

We currently have risk management policies and guidelines in place. Our established risk management policies and procedures include, among other things, the identification, evaluation and analysis of risks in relation to our management and operations. The following table sets out some of the primary risks our business faces and our existing risk management measures:

Risk Identified	Our Risk Management Measures and Procedures
Management of account receivables	<ul style="list-style-type: none">• We have appointed a financial controller to perform regular checks with respect to our customers and submit formal report to our Board regularly.• Our sales and finance managers will review and verify our customers' credibility and our sales to them.• The credit limit amount and credit period granted to any of our customers are determined based on the (i) credibility of that customer based on past transactions with us and their settlement history; and (ii) total annual amount of tuna supplied to that customer by us in the previous years.• We have reviewed the agency agreement with our authorised sales agent incorporated terms based on our risk management requirements.

BUSINESS

<u>Risk Identified</u>	<u>Our Risk Management Measures and Procedures</u>
Management of our crew members at sea	<ul style="list-style-type: none">• We set strict recruitment criteria and conduct two-level interview procedures for recruitment of captains and other crew members.• Our captains and other crew members are required to attend various trainings arranged for by our headquarters before setting off for each fishing voyage.• We have established and implemented guideline in relation to the conducts of our captains and other crew members at sea.• We assigned a chief captain to manage and coordinate our vessels at sea, who is required to report to our headquarters on a regular basis by satellite radio and facsimile.• Our internal audit personnel and our audit committee will assist our Board in providing an independent view of the effectiveness of, among other things, risk management systems.

There are various other risks to our business and industry. Please refer to the section headed "Risk Factors" in this [REDACTED] for further details.

Corporate governance

We recognise the importance of good corporate governance in management and internal control procedures and will adopt the following measures to safeguard the interests of our Shareholders:

- our Articles provide that, except in certain limited circumstances, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his associates have a material interest, nor shall such Directors be counted in the quorum present at the meeting. As such, our Controlling Shareholders shall not vote or be counted in the quorum in respect of any proposals involving the Controlling Shareholders or any of their affiliates;
- we are committed to the principle that our Board should include a balanced composition of executive and independent non-executive Director. We believe our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interest of our public Shareholders;
- we intend to ensure that any transaction that is proposed between us and connected persons will comply with chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent shareholders' approval requirements of those rules; and
- in addition, if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisers at the cost of our Company to advise them on matters relating to any non-competition agreement or on any business opportunities which may be referred to us by our Controlling Shareholders.

FINANCIAL INFORMATION

OVERVIEW

We are a leading ultra-low temperature longline premium tuna fishing company in the PRC. Founded in 2000, we were among the early entrants into the PRC ultra-low temperature longline tuna fishing industry. According to Frost & Sullivan, we were the largest ultra-low temperature longline premium tuna fishing company in the PRC in terms of revenue and sales volume by weight in 2013, and the second largest in terms of number of self-owned vessels as at 31 December 2013. Our revenue accounted for approximately 22.2% of the total revenue generated by the ultra-low temperature longline premium tuna fishing industry in the PRC in 2013, according to Frost & Sullivan.

We focus on catching and selling premium tuna, which have a significantly higher market price than common tuna and are primarily used in high-end sashimi. We primarily sell our tuna to the Japanese market, the world's largest market for premium tuna during the Track Record Period, and we were the largest Chinese supplier of premium tuna to Japan from 2011 to 2013, according to Frost & Sullivan. According to Frost & Sullivan, consumption of premium tuna in Japan amounted to approximately 0.3 million tonnes in 2013, representing approximately 69.8% of the tuna consumed in Japan in terms of consumption volume. We have also implemented plans to gradually increase our sales to customers in the PRC to capitalise on the developing market for premium tuna in the PRC, where income and consumption levels have been increasing in recent years.

As at the Latest Practicable Date, we operated a fleet of 24 ultra-low temperature longline fishing vessels including 17 fishing vessels we owned and operated ourselves and seven Japanese fishing vessels which we do not own but have operated pursuant to vessel management arrangements since September 2013. We also operated four Japanese vessels pursuant to vessel management arrangements from January 2012 to April 2013 before we completed the acquisition of these vessels. We record the sales of tuna caught by vessels under the vessel management arrangement as our revenue. Please refer to the section headed "Business – Our Fleet – Vessel management arrangements" for further details.

In 2011, 2012 and 2013, our revenue amounted to RMB215.1 million, RMB303.2 million and RMB380.9 million, respectively, and our gross profit was RMB151.3 million, RMB177.7 million and RMB201.6 million for the same periods. Our net profit was RMB116.5 million and RMB138.6 million in 2011 and 2012, respectively. Our net profit in 2013, which included the adverse effect of non-recurring and non-cash charge of the interest on certain puttable instruments of RMB9.7 million, was RMB138.9 million. Our revenue, gross profit and net profit in the three months ended 31 March 2014 were RMB132.1 million, RMB73.5 million and RMB51.4 million, respectively, as compared to RMB70.1 million, RMB35.7 million and RMB22.1 million in the same period in 2013. Please refer to the paragraph headed "Principal Income Statement Components – Finance costs" in this section for further details.

FINANCIAL INFORMATION

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow for each of the years ended 31 December 2011, 2012, 2013 and the three months ended 31 March 2014 include the results and cash flows of the companies comprising our Group as if the current group structure had been in existence throughout the Track Record Period or since their respective date of incorporation or establishment where this is a shorter period and in accordance with the respective equity interests in the individual companies attributable to the existing shareholders throughout the Track Record Period. Our consolidated statements of financial position as at 31 December 2011, 2012, 2013 and 31 March 2014 have been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence as at those dates and in accordance with the respective equity interest in the individual companies attributable to existing shareholders as at those dates.

Basis of consolidation

Our Company was incorporated in the Cayman Islands on 24 October 2011 as an exempted company with limited liability. Prior to the incorporation of our Company and the completion of the Reorganisation, our Group's business was carried out by the main subsidiary, Dalian Ocean Fishing. Upon the completion of the Reorganisation, our Company became the holding company of the subsidiaries now comprising the Group. For details, please refer to the section headed "History, Development and Reorganisation" in this [REDACTED].

Our Group's Reorganisation represents business combinations involving entities under common control of the Controlling Shareholders. For the purpose of our consolidated financial information contained in this [REDACTED], the Reorganisation is considered as a business combination under common control in a manner similar to the principles of merger accounting under the Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those discussed below.

Size and maintenance schedule of our fleet

The size of our fleet has a significant impact on our results of operations in the following two aspects:

- We believe we are able to catch more tuna with a greater number of fishing vessels, and as a result, are able to sell more tuna, which will have a positive impact on our revenue.
- The expansion of the size of our fleet increases operating costs as we need to incur more costs for bunker fuel, depreciation, fishing gear, vessel equipment and parts, and bait. We also need to increase our labour force and incur more cost for crew consumable items for the additional fishing vessels as we expand the size of our fleet. All these are important components of, and have a significant impact on, our costs of sales.

FINANCIAL INFORMATION

As at the Latest Practicable Date, we operated a fleet of 24 ultra-low temperature longline fishing vessels. Ten of these fishing vessels became a part of our fleet in early 2013, including six fishing vessels acquired from sellers in the PRC and four fishing vessels acquired from sellers in Japan which four vessels we previously operated from January 2012 to April 2013 pursuant to a vessel management agreement. From September 2013 to the Latest Practicable Date, of these 24 vessels we operated seven Japanese vessels pursuant to two vessel management agreements, each with a term of three years. During the management term of the fishing vessels we operate pursuant to vessel management agreements, we record the sales of tuna caught by these vessels as our revenue and certain management costs as cost of sales and selling and distribution expenses. Compared to the cost of sales for our own vessels, for the vessels we operate under vessel management arrangements, our cost of sales includes a fee for the right to use the vessels payable to vessel owners, but excludes depreciation costs with respect to these vessels. Our ability to successfully operate our newly acquired fishing vessels and managed vessels and to control costs will materially affect our business, financial condition and results of operations. In the future, we plan to further expand our fleet by acquiring more ultra-low temperature longline tuna fishing vessels.

In addition, the fishing operations of our vessels are normally interrupted for a period of three to four months in between successive two to three-year voyages due to the need for major maintenance, which reduces our overall sales volume and revenue and increases our vessel equipment expenses for the affected period. We had one, three and four fishing vessels returning to port for scheduled maintenance in 2011, 2012 and 2013, respectively. In addition, we had five fishing vessels calling at ports during first and second quarters of 2013 to replenish supplies and facilitate the due diligence in preparation for the Listing. We had two and nil fishing vessels returning to port for scheduled maintenance in the three months ended 31 March 2013 and 2014. Our revenue, cost and expenses have fluctuated and will continue to fluctuate partly due to variations in the number of vessels undergoing maintenance in the same periods.

Tuna prices

Tuna prices are determined by the overall supply and demand of the market. Fluctuations in market prices of premium tuna in Japan have a significant impact on the pricing of our premium tuna and our revenues as (i) tuna prices are usually determined with reference to the prevailing tuna prices in Japan, based on the species and size of the tuna, the world's largest market for premium tuna; and (ii) the majority of our sales of premium tuna was made to the Japanese market during the Track Record Period. For example, sales of premium tuna to the Japanese market accounted for 80.4%, 70.1% and 71.1% of our revenue in 2011, 2012 and 2013, respectively. Sales of premium tuna to the Japanese market accounted for 63.0% and 86.9% of our revenue in the three months ended 31 March 2013 and 2014, respectively.

Supply of tuna is subject to a variety of factors, including, among other things, the total number of operating ultra-low temperature longline tuna fishing vessels, the tuna stocks and relevant regulations in relation to the industry, including catch limits adopted by RFMOs. Fluctuations in the supply of tuna have affected and will continue to affect tuna prices. For example, the average selling price of premium tuna in Japan declined from the last quarter of 2012 primarily as a result of a sudden increase in the supply of premium tuna from the Indian Ocean to Japan and a resultant increased inventory of premium tuna in Japan since the last quarter of 2012. Thereafter, such average selling price remained relatively stable until July 2013 and started to rise in August 2013 when the market absorbed the impact of the sudden increase in supply of tuna and the resultant increased inventory of premium tuna. The average selling price of premium

FINANCIAL INFORMATION

tuna in Japan continued to rise in the first quarter of 2014. Our average selling prices of premium tuna in Japan generally fluctuated in line with the market prices of premium tuna in Japan during the Track Record Period. The following table sets out a breakdown of our average selling prices of premium tuna and common tuna for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	(unaudited)				
Premium tuna (RMB/kg)	65.9	57.7	44.4	40.2	48.7
– Premium tuna sold to					
Japan (JPY/kg).....	814.4	738.7	732.9	618.7	816.5
Common tuna (RMB/kg)	13.6	19.3	17.4	17.7	14.7

The consumption volume of premium tuna in Japan is predicted to decrease from 2013 to 2017 with a negative CAGR of 1.0%, however, the consumption value of premium tuna in Japan is predicted to stay stable or increase slightly in the next five years, according to Frost & Sullivan. In addition, Frost & Sullivan forecasts that the consumption volume in the PRC of bigeye and yellowfin tuna, the two principal types of premium tuna, is likely to continue growing at a CAGR of 23.0% from 2013 to 2017, to reach 25,648 tonnes as of 2017, over two times the level in 2013. We plan to increase our sales to the PRC market to diversify our customer base and capitalise on the expected growth opportunity.

Composition of our catches and timing of sale

Our revenue is also greatly influenced by the composition of our catches. We sell both premium and common tuna. As premium tuna command significantly higher prices than common tuna, the composition of the tuna caught and sold by us will have a significant impact on our revenues. The following table sets out a breakdown of our sales volume and revenue of premium tuna and common tuna for the periods indicated:

	Year ended 31 December									Three months ended 31 March					
	2011			2012			2013			2013			2014		
	Volume	Revenue	% of Revenue	Volume	Revenue	% of Revenue	Volume	Revenue	% of Revenue	Volume	Revenue	% of Revenue	Volume	Revenue	% of Revenue
(tonnes)	(RMB'000)	(%)	(tonnes)	(RMB'000)	(%)	(tonnes)	(RMB'000)	(%)	(tonnes)	(RMB'000)	(%)	(tonnes)	(RMB'000)	(%)	
(unaudited)															
Premium tuna	2,741.4	180,698	84.0	4,364.8	251,898	83.1	7,145.3	317,101	83.2	1,402.3	56,355	80.4	2,610.4	127,246	96.3
Common tuna	2,535.5	34,358	16.0	2,664.7	51,298	16.9	3,652.4	63,824	16.8	777.4	13,778	19.6	331.4	4,863	3.7
Total	5,276.9	215,056	100.0	7,029.5	303,196	100.0	10,797.7	380,925	100.0	2,179.7	70,133	100.0	2,941.8	132,109	100.0

We derived revenue of RMB180.7 million, RMB251.9 million, RMB317.1 million and RMB127.2 million from sales of premium tuna, and RMB34.4 million, RMB51.3 million, RMB63.8 million and RMB4.9 million from sales of common tuna in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. Our revenue derived from sales of common tuna decreased by RMB8.9 million in the three months ended 31 March 2014 compared to the three months ended 31 March 2013 primarily because sales of more common tuna have been scheduled in the second quarter of 2014 due to transshipment schedule. For 2012 and 2013 and the three months ended 31 March 2014, the above revenue includes sales

FINANCIAL INFORMATION

of tuna caught by our self-owned vessels and managed vessels. We had from time to time adjusted the volume of the common tuna that we catch based on the profitability of common tuna during the Track Record Period, taking into account changes in operating costs, such as prices of bunker fuel.

Timing of sale has an impact on the timing of our recognition of revenue and cost, as revenue is recognised after the legal title to our catches has been transferred to our customers. Our fishing vessels operate in remote areas in the Pacific Ocean and the Atlantic Ocean on two to three years' voyages. As our fishing vessels have limited storage capacity, we normally arrange for the tuna to be transhipped to a seaport for sale according to the amount of tuna stored on our vessels and the schedules of the transshipment vessels. If transshipment takes place late in a year/period, and the sales process is not finalised until the next year/period, the revenue and related cost of sales would be recognised in the year/period when the sales process is finalised. This has resulted and is expected to continue to result in fluctuations in our revenue and cost of sales from period to period.

Fluctuations in the Japanese Yen and US dollar

While our reporting currency is Renminbi, our sales are mainly denominated in Japanese Yen and, to a lesser extent, Renminbi and US dollars. Our sales to the Japanese market amounted to JPY2,137.5 million, JPY2,885.7 million, JPY4,433.7 million and JPY1,958.0 million for 2011, 2012, 2013 and the three months ended 31 March 2014, respectively, representing 80.4%, 73.9%, 72.0% and 88.4% of our revenue for the same periods. For the same periods, our sales to the PRC market, denominated in Renminbi, accounted for 4.1%, 13.6%, 14.2% and 9.4% of our revenue, and our sales to Taiwan, denominated in US dollars, accounted for 15.5%, 12.5%, 13.8% and nil of our revenue. In the three months ended 31 March 2014, our sales to Korea, denominated in US dollars, accounted for 2.2% of our revenue. We did not sell to Korea from 2011 to 2013. Even when our sales are denominated in currencies other than Japanese Yen, sales prices are usually determined with reference to the prevailing tuna prices in Japan, the world's largest market for premium tuna, during the Track Record Period, according to Frost & Sullivan. Going forward, we expect to continue to derive a vast majority of our income denominated in or otherwise affected by the Japanese Yen. Therefore, the depreciation of the Japanese Yen against the Renminbi would result in a decrease in our revenues, income and profit margin measured in terms of Renminbi. In order to mitigate the adverse impact of the depreciation of the Japanese Yen on our financial performance, we plan to further expand our sales in the PRC and may consider entering into hedging arrangements to reduce the exposure to foreign exchange risk, which we have not used before.

Our expenses are incurred in a number of currencies, including Renminbi, US dollars, and Japanese Yen. Any future increases in the value of Japanese Yen or US dollars relative to Renminbi may increase our expenses. Certain of our trade and other receivables, consideration set aside for the acquisition of fishing vessels from Japanese sellers, restricted bank balances, bank balances and cash, trade and other payables and bank borrowings are denominated in foreign currencies, including US dollars, Japanese Yen and Hong Kong dollars, which exposes us to foreign currency risk. We incur transactional and translational foreign currency gains or losses from our operations. We recorded exchange losses of RMB0.8 million, RMB1.3 million and RMB4.9 million in 2011, 2012 and 2013, respectively. We recorded an exchange gain of RMB3.2 million in the three months ended 31 March 2014. Please refer to "Risk Factors – Risks Relating to Our Business – Our business may be negatively affected by fluctuations in exchange rates and foreign exchange controls" in this [REDACTED].

FINANCIAL INFORMATION

Bunker fuel prices

Bunker fuel represents a significant portion of our cost of sales. For 2011, 2012, 2013 and the three months ended 31 March 2013 and 2014, we incurred bunker fuel costs of RMB28.5 million, RMB58.3 million, RMB79.1 million, RMB15.6 million and RMB23.6 million, respectively, representing 44.7%, 46.4%, 44.1%, 45.3% and 40.2% of our cost of sales, for the same periods. Fluctuations in bunker fuel prices have a direct impact on our costs of bunker fuel. In addition, fluctuation in bunker fuel prices may also impact the transshipment service fees charged by our carriers. Any increases in transshipment service fees as a result of increased bunker fuel prices may impact the types of tuna that we target, catch and sell. When transshipment service fees increase, we have in the past changed our baits and baiting techniques to deliberately reduce our catch volume of certain types of common tuna with relatively lower unit selling prices, which are no longer cost-efficient to catch.

Bunker fuel prices were relatively stable during the Track Record Period and are forecasted to decrease in the coming five years, according to CME (Chicago Mercantile Exchange). The cost of bunker fuel is subject to many economic and political factors that may impact global oil prices and are beyond our control, including political instability in oil-producing regions. We currently do not purchase oil futures or otherwise hedge against fluctuations in the cost of bunker fuel. We cannot predict future price trends for fuel or the degree of any price volatility. Any significant increase in the prices of bunker fuel that we are unable to timely pass on to our customers will increase our costs of sales and selling and distribution expenses. Please refer to "Risk Factors – Risks Relating to Our Business – An increase in bunker fuel prices may reduce our profitability" in this [REDACTED].

Government policies

Government policies have an impact on our results of operations. The Chinese government has adopted a policy of encouraging the development of its pelagic fishing industry and has implemented favourable tax and tariff policies for the industry. Dalian Ocean Fishing, the principal operating subsidiary of our Company, is currently entitled to government support in the form of exemptions from PRC Enterprise Income Tax, import VAT and import tariffs in respect of its deep sea fishing operations. We also received government grants of RMB13.8 million, RMB20.6 million, RMB23.8 million, nil and nil in 2011, 2012, 2013 and the three months ended 31 March 2013 and 2014, respectively, in relation to, among other things, our operations in the ocean fishery industry. They were typically granted around the middle of each year and partly contributed to fluctuation in our results of operations from period to period. There is no assurance that we will be able to continue to enjoy such preferential treatments, subsidies, incentives and favourable support on the same terms, or at all in the future. In addition, the tuna species we fish for are subject to a number of conservation measures for the purpose of ensuring the sustainability of tuna stocks, including catch limits adopted by RFMOs and limits on the number of longline tuna fishing vessels registered with OPRT. Please refer to "Risk Factors – Risks Relating to Our Business – We currently enjoy certain PRC government incentives. Expiration of, or changes to, these incentives could materially and adversely affect our business, financial condition, results of operations and prospects", "Risk Factors – Risks Relating to Our Business – Tuna stocks are limited and commercial tuna fishing is subject to restrictions. The implementation of more stringent measures to control catch limits or other additional measures designed to limit tuna fishing activities by RFMOs could materially and adversely affect our business, financial condition and results of operations" and "Regulatory Overview – International Law – Requirements imposed by RFMOs – Catch Limits" and "Business – Licences and Approvals – Tuna conservation and management by international organisations – Catch limit adopted by RFMOs" in this [REDACTED].

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition and results of operations as included in this [REDACTED] is based on the financial statements prepared in accordance with the significant accounting policies set forth in note 4 of Section E of the accountants' report set out in Appendix I to this [REDACTED]. Critical accounting policies are those that require our management to exercise judgment in applying assumptions and making estimates that would yield materially different results if our management applied different assumptions or made different estimates. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from our estimates. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. We believe the following critical accounting policies involve the most significant judgments in the preparation of our consolidated financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered and legal title is passed, at which time all the following conditions are satisfied:

- our Group has transferred to the buyer the significant risks and rewards of ownership;
- our Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to our Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In practice, we recognise our revenue when a sales confirmation has been duly executed after our tuna caught is unloaded at the designated seaport and delivered to storage facilities.

During the Track Record Period, we operated some fishing vessels pursuant to vessel management arrangements. Our Directors considered whether we acted as a principal or agent in these arrangements and whether it was appropriate to recognise the revenue from these transactions on a gross or net basis. In making the judgment, our Directors considered the detailed criteria for the recognition of revenue from the sale of goods under the relevant accounting policy, in particular, whether we had the primary responsibility for providing the goods. Following detailed consideration, our Directors are satisfied that we act as a principal and the revenue and corresponding cost of sales is presented on a gross basis.

FINANCIAL INFORMATION

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are not recognised until there is reasonable assurance that our Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which our Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that our Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Depreciation is recognised so as to write off the cost of property, plant and equipment, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

As at 31 December 2011, 2012, 2013 and 31 March 2014, the carrying amount of property, plant and equipment amounting to RMB122.4 million, RMB112.8 million, RMB395.6 million and RMB386.8 million, respectively, was determined after charging depreciation on a straight-line basis over the estimated useful life of these assets. Our management reviews the estimated useful lives of these assets at the end of the reporting period. Typically, a new vessel will have a useful life of 20 years upon the date it is delivered to us. As for second-hand vessels that we acquire, our management will determine its remaining useful life after taking into account, among other things, the industry practice, the actual useful lives of similar nature and function and maintenance condition. Our management has determined that the useful lives set forth in note 4 of Section E of the accountants' report set out in Appendix I to this [REDACTED] remain appropriate.

FINANCIAL INFORMATION

Estimated impairment of trade and other receivables

Trade and other receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method less impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

Our Group does not require collateral or other security against our trade and other receivables. Our Group performs ongoing evaluation of the financial conditions of our trade and other receivables. When the balances would not be settled as expected, our Group would impair the balances and make necessary provision therefore.

The identification of bad and doubtful debts on trade and other receivables requires the use of judgment and estimates of expected future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. Our Directors are satisfied that this risk is minimal and no allowance for doubtful debts was provided during the three years ended 31 December 2013 and the three months ended 31 March 2014.

Deferred expenditures

Expenses incurred which are directly attributable to activities carried out for the purpose of harvesting and catching tuna and other marine catches during the fishing voyages are deferred in the consolidated statement of financial position and released to the profit or loss as expenses when the tuna are sold and revenue is recognised for the sale. Expenses on each fishing voyage are deferred to the extent that there is reasonable probability of recovery from sale of tuna and other marine catches from that fishing voyage. When revenue is recognised after our tuna has been transhipped to the designated seaport and sales confirmation is finalised, cost of sales will be recognised on a first-in, first-out basis. When it is probable that the costs incurred or to be incurred on a fishing voyage will exceed the estimated value of the catches, the expected loss is recognised as an expense in profit or loss immediately.

Impairment of tangible assets

At the end of the reporting period, we review the carrying amounts of our tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

FINANCIAL INFORMATION

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

SUMMARY RESULTS OF OPERATIONS

The following table sets forth selected information derived from our consolidated statement of profit or loss and other comprehensive income for the periods indicated.

	Year ended 31 December			Three months ended 31 March 2014	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	215,056	303,196	380,925	70,133	132,109
Cost of sales	(63,752)	(125,534)	(179,369)	(34,410)	(58,624)
Gross profit	151,304	177,662	201,556	35,723	73,485
Other income	15,272	21,974	26,135	356	4,786
Selling and distribution expenses	(29,827)	(43,059)	(47,008)	(8,855)	(16,641)
Administrative expenses	(4,152)	(4,031)	(4,657)	(1,046)	(1,989)
Other expenses	(2,111)	(5,062)	(14,436)	(1,485)	(3,973)
Finance costs	(13,990)	(8,860)	(22,717)	(2,609)	(4,313)
Profit before tax	116,496	138,624	138,873	22,084	51,355
Income tax expenses	—	—	—	—	—
Profit for the year	<u>116,496</u>	<u>138,624</u>	<u>138,873</u>	<u>22,084</u>	<u>51,355</u>

FINANCIAL INFORMATION

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

Our revenue is derived from the sale of tuna to our customers. In practice, we recognise our revenue when a sales confirmation has been duly executed after our tuna caught is unloaded at the designated seaport and delivered to storage facilities. Please refer to "Business – Customers and Sales – Sales process" in this [REDACTED] for further details of our sale process for the Japanese, PRC, Taiwan and Korean markets. Our tuna, including both premium tuna and common tuna, is used for human consumption primarily in the form of sashimi. Our customers mainly comprise pelagic fish importers, most of whom in turn sell tuna to wholesalers, supermarkets, restaurants or other retail outlets in Japan, the PRC, Taiwan and Korea. Japan is continue to be our largest market.

We derive our revenue from self-owned fishing vessels and fishing vessels that we operate pursuant to vessel management arrangements. As at the Latest Practicable Date, we operated a fleet of 24 ultra-low temperature longline fishing vessels. Ten of these fishing vessels became a part of our self-owned fleet in early 2013, including six fishing vessels acquired from sellers in the PRC in February 2013 and four fishing vessels acquired from sellers in Japan in April 2013. We operated the four Japanese fishing vessels from January 2012 to April 2013 pursuant to a vessel management arrangement. From September 2013 to the Latest Practicable Date, of these 24 vessels, we operated seven Japanese vessels pursuant to two vessel management agreements, each with a term of three years. We have entered into sale and purchase agreements with the current owners to purchase these vessels, subject to obtaining regulatory approval. The following table sets forth a breakdown of our revenue by self-owned fishing vessels and fishing vessels operated pursuant to vessel management agreements for the periods indicated.

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from sales of					
– Premium tuna	180,698	251,898	317,101	56,355	127,246
– Self-owned fishing vessels	180,698	176,174	271,121	45,075	84,531
– Fishing vessels operated pursuant to vessel management agreements ..	–	75,724	45,980	11,280	42,715
– Common tuna	34,358	51,298	63,824	13,778	4,863
– Self-owned fishing vessels	34,358	31,674	57,777	9,338	4,863
– Fishing vessels operated pursuant to vessel management agreements ..	–	19,624	6,047	4,440	–
	<u>215,056</u>	<u>303,196</u>	<u>380,925</u>	<u>70,133</u>	<u>132,109</u>

FINANCIAL INFORMATION

The following table sets out our sales volume and revenue derived from the sales of premium tuna and common tuna in different geographic markets for the periods indicated:

	Year ended 31 December						Three months ended 31 March 2014			
	2011		2012		2013		2013		2014	
	Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue
	(tonnes)	(RMB'000)	(tonnes)	(RMB'000)	(tonnes)	(RMB'000)	(tonnes)	(RMB'000)	(tonnes)	(RMB'000)
	(unaudited)									
Premium tuna	2,741.4	180,698	4,364.8	251,898	7,145.3	317,101	1,402.3	56,355	2,610.4	127,246
– Japan	2,624.6	172,970	3,707.4	212,634	5,972.9	270,763	1,087.7	44,211	2,357.6	114,811
– China	116.8	7,728	657.4	39,264	1,172.4	46,338	314.6	12,144	252.8	12,435
Common tuna	2,535.5	34,358	2,664.7	51,298	3,652.4	63,824	777.4	13,778	331.4	4,863
– Japan	–	–	540.4	11,517	242.8	3,583	40.4	589	133.1	1,933
– China	85.4	970	156.9	2,015	520.4	7,673	198.5	3,393	–	–
– Taiwan	2,450.1	33,388	1,967.4	37,766	2,889.2	52,568	538.5	9,796	–	–
– Korea.....	–	–	–	–	–	–	–	–	198.3	2,930
Total	5,276.9	215,056	7,029.5	303,196	10,797.7	380,925	2,179.7	70,133	2,941.8	132,109

The following table sets out our revenue and average selling prices of premium tuna in Japan, in Japanese Yen, for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2011		2012		2013		2013		2014	
	Revenue	Average selling price	Revenue	Average selling price	Revenue	Average selling price	Revenue	Average selling price	Revenue	Average selling price
	(JPY million)	(JPY/kg)	(JPY million)	(JPY/kg)	(JPY million)	(JPY/kg)	(JPY million)	(JPY/kg)	(JPY million)	(JPY/kg)
	(unaudited)									
	2,137.5	814.4	2,738.8	738.7	4,377.3	732.9	672.9	618.7	1,925.0	816.5

Tuna prices are usually determined with reference to the prevailing tuna prices in Japan, the world's largest market for premium tuna. During the Track Record Period, the average selling price of premium tuna in Japan underwent a decline from the last quarter of 2012 and remained at a relatively low level until July 2013 when the price started to rise significantly. In 2012, there was a sudden increase in the supply of premium tuna from the Indian Ocean to Japan, which resulted in a relatively high inventory of premium tuna in Japan from the last quarter of 2012 up to July 2013. Consequently, the average selling price of premium tuna in Japan declined from the last quarter of 2012 and remained at a relatively low level up to July 2013 and started to rise in August 2013 when the market absorbed the impact of the sudden increase in supply of tuna and the resultant increased inventory of premium tuna. In line with the market price, our average selling price of premium tuna per kg in Japan declined from JPY814.4 in 2011 to JPY738.7 in 2012. Our average selling price of premium tuna per kg in Japan was JPY732.9 in 2013, which was overall relatively stable compared with 2012. The premium tuna price in Japan continued to rise in the first quarter of 2014 and consequently, our average selling price of premium tuna per kg in Japan was JPY 816.5 in the three months ended 31 March 2014. Please refer to "Industry Overview – The Japanese Tuna Market – Tuna consumption in Japan" in this [REDACTED] for further details. In addition, the average exchange rate of Japanese Yen against Renminbi, which affects the amount of revenue we record in Renminbi, was 12.3:1, 12.6:1, 15.8:1 and 16.9:1 in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively.

FINANCIAL INFORMATION

Please refer to "Period to Period Comparison of Results of Operations – Sensitivity analysis" in this section for an analysis of the sensitivity of our revenue, gross and net profit during the Track Record Period to fluctuations in the average selling price of tuna and the exchange rate of the Japanese Yen against the Renminbi.

Our sales were derived from our customers in different geographic markets. The following table sets forth a breakdown of our revenue by geographical market for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Japan	172,970	80.4	224,151	73.9	274,346	72.0	44,800	63.9	116,744	88.4
The PRC	8,698	4.1	41,279	13.6	54,011	14.2	15,537	22.1	12,435	9.4
Taiwan	33,388	15.5	37,766	12.5	52,568	13.8	9,796	14.0	–	–
Korea.....	–	–	–	–	–	–	–	–	2,930	2.2
Total	215,056	100.0	303,196	100.0	380,925	100.0	70,133	100.0	132,109	100.0

Our revenue derived from Japan as a percentage of our total revenue decreased from 2011 to 2012 and further decreased in 2013 as we increased sales to the PRC and Taiwan. Our revenue derived from the PRC increased from 2011 to 2012 and further increased from 2012 to 2013 as a result of our strategy to develop the Chinese market for premium tuna. Our revenue derived from Japan as a percentage of our total revenue was 88.4% in the three months ended 31 March 2014 as compared to 63.9% in the three months ended 31 March 2013, primarily because (i) we reached a commercial understanding with the Japanese ship-owners of the seven managed vessels we operate in the Atlantic Ocean at the time of entering into the relevant management agreements to sell the tuna caught by these vessels to these ship-owners' existing customer for premium tuna in Japan, being Toyo Reizo; (ii) we had seven Japanese vessels operated under management arrangements in the three months ended 31 March 2014, compared to four Japanese vessels during the same period 2013, and the four vessels operated under such arrangements in the three months ended 31 March 2013 generated less revenue per vessel in that period partly due to their calling at port during the first quarter of 2013 to replenish supplies and facilitate the due diligence in preparation for the Listing; and (iii) we had two fishing vessels which returned to port in the PRC in the three months ended 31 March 2013 for scheduled maintenance and these two vessels sold the tuna they carried to customers in the PRC, while we had no fishing vessel which returned to port in the PRC during the same period in 2014, impacting our sales in the PRC in that period.

Cost of sales

Our tuna are caught by our own vessels and vessels operated under vessel management arrangements. For our own vessels, our cost of sales primarily consists of costs of bunker fuel, depreciation, fishing gear, wages for our employees, repair and maintenance of our vessels, bait, insurance, consumables and other miscellaneous costs. Compared to cost of sales for our own vessels, our cost of sales for the vessels we operate under vessel management arrangements includes a fee for the right to use the vessels which is payable to vessel owners, but excludes depreciation costs with respect to these vessels. Other elements of cost of sales for the vessels we operate under vessel management arrangements are the same as those of our self-owned vessels.

FINANCIAL INFORMATION

The following table sets out a breakdown of our cost of sales and such costs as a percentage of the total cost of sales for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Cost of Sales										
Bunker fuel	28,484	44.7	58,252	46.4	79,112	44.1	15,587	45.3	23,552	40.2
Depreciation	13,742	21.6	10,087	8.0	30,796	17.2	5,272	15.3	8,769	15.0
Wages	9,685	15.2	16,682	13.3	26,008	14.5	3,402	9.9	10,073	17.2
Repair and maintenance	3,455	5.4	12,664	10.1	11,260	6.3	3,356	9.8	665	1.1
Bait	4,090	6.4	7,832	6.2	10,065	5.6	1,107	3.2	8,496	14.5
Fishing gear	2,030	3.2	7,041	5.6	4,874	2.7	1,481	4.3	28	0.0
Use right fee payable to vessel owners ⁽¹⁾ ...	–	–	8,491	6.8	2,949	1.6	–	–	3,672	6.3
Insurance	1,472	2.3	1,724	1.4	4,086	2.3	749	2.2	1,298	2.2
Consumables	240	0.4	2,365	1.9	5,499	3.1	1,765	5.1	1,704	2.9
Miscellaneous	554	0.8	396	0.3	4,720	2.6	1,691	4.9	367	0.6
Total	<u>63,752</u>	<u>100.0</u>	<u>125,534</u>	<u>100.0</u>	<u>179,369</u>	<u>100.0</u>	<u>34,410</u>	<u>100.0</u>	<u>58,624</u>	<u>100.0</u>

Note:

- (1) Use right fee payable to vessel owners refers to the amounts payable to the owners of the Japanese fishing vessels which we operate pursuant to the vessel management arrangements. Such amounts are linked to tuna sales proceeds with relevant costs and expenses deducted and were settled after the sales of tuna took place based on the costs and expenses incurred for relevant operating days.

Bunker fuel was the largest component of our cost of sales during the Track Record Period, amounting to RMB28.5 million, RMB58.3 million and RMB79.1 million in 2011, 2012 and 2013, respectively, representing 44.7%, 46.4% and 44.1% of our cost of sales for the same periods. For the three months ended 31 March 2013 and 2014, we recorded cost of bunker fuel of RMB15.6 million and RMB23.6 million, representing 45.3% and 40.2% of our cost of sales, respectively. The increase in the cost of bunker fuel from 2011 to 2013, and from the three months ended 31 March 2013 to the three months ended 31 March 2014, was primarily due to the increase in the number of fishing vessels we operated.

We recorded depreciation of RMB13.7 million, RMB10.1 million, RMB30.8 million, RMB5.3 million and RMB8.8 million in 2011, 2012, 2013 and the three months ended 31 March 2013 and 2014, respectively. The increase of depreciation in 2013 compared to 2012, and in the three months ended 31 March 2014 compared to that in the three months ended 31 March 2013, was primarily due to our acquisition of additional fishing vessels.

FINANCIAL INFORMATION

Our crew members accounted for a substantial majority of our total headcount during the Track Record Period. The wages incurred (including the wages incurred in 2012 and 2013 for the crew members of our managed vessels, who were not treated as our employees) increased from RMB9.7 million in 2011 to RMB16.7 million in 2012, and further increased to RMB26.0 million in 2013, primarily due to an increase in the number of our crew members following the expansion of our fleet and an increase in the average wages of our crew. Primarily due to the same reason, the wages incurred increased from RMB3.4 million in the three months ended 31 March 2013 to RMB10.1 million in the three months ended 31 March 2014. For details of the number and remuneration, bonus and training scheme of our employees, please refer to "Business – Staffing Arrangements" in this [REDACTED].

Our cost of bait increased from RMB4.1 million in 2011 to RMB7.8 million in 2012 and further increased to RMB10.1 million in 2013 mainly as a result of the increase in the number of our fishing vessels as explained above. Our cost of bait increased by RMB7.4 million from RMB1.1 million in the three months ended 31 March 2013 to RMB8.5 million in the three months ended 31 March 2014, mainly because we replenished the seven vessels operated under vessel management arrangements in the Atlantic Ocean between September 2013 and 31 March 2014 and we did not recognise the bait consumed as cost until we sold the tuna caught by the seven vessels under vessel management arrangements in the three months ended 31 March 2014.

Other income

Other income mainly comprises government grants, interest income and exchange gains. Other income was RMB15.3 million, RMB22.0 million, RMB26.1 million and RMB4.8 million in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively, representing 7.1%, 7.2%, 6.9% and 3.6% of our revenue in the same periods, respectively.

Selling and distribution expenses

Our selling and distribution expenses mainly comprise transshipment service fees, customs duties, commission fees payable to our authorised sales agents incurred in connection with our sales of tuna, and miscellaneous expenses primarily including insurance expenses. The following table sets out a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Transshipment										
service fees	22,135	74.2	32,152	74.7	35,407	75.3	6,796	76.7	13,203	79.3
Customs duties	6,190	20.8	7,768	18.0	8,967	19.1	1,519	17.2	2,678	16.1
Commission fees	976	3.3	1,393	3.2	1,430	3.0	224	2.5	584	3.5
Miscellaneous	526	1.7	1,746	4.1	1,204	2.6	316	3.6	176	1.1
Total	29,827	100.0	43,059	100.0	47,008	100.0	8,855	100.0	16,641	100.0

Our selling and distribution expenses were RMB29.8 million, RMB43.1 million, RMB47.0 million and RMB16.6 million in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively, representing 13.9%, 14.2%, 12.3% and 12.6% of our revenue in the same periods, respectively.

FINANCIAL INFORMATION

Administrative expenses

Administrative expenses consist primarily of expenses for our staff other than crew members, office expenses and other miscellaneous expenses. The following table sets out a breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Staff expenses	1,253	30.2	1,803	44.7	2,544	54.6	456	43.6	603	30.3
Office expenses and others ⁽¹⁾	2,899	69.8	2,228	55.3	2,113	45.4	590	56.4	1,386	69.7
Total	<u>4,152</u>	<u>100.0</u>	<u>4,031</u>	<u>100.0</u>	<u>4,657</u>	<u>100.0</u>	<u>1,046</u>	<u>100.0</u>	<u>1,989</u>	<u>100.0</u>

Note:

- (1) Others primarily include travel expenses, entertainment expenses, depreciation and consulting fee paid to Shanghai Ocean University.

In 2011, 2012, 2013 and the three months ended 31 March 2014, our administrative expenses were RMB4.2 million, RMB4.0 million, RMB4.7 million and RMB2.0 million, respectively, representing 1.9%, 1.3%, 1.2% and 1.5% of our revenue for the same periods, respectively.

Other expenses

Other expenses mainly represent our expenses relating to Listing and exchange losses/gains. For 2011, 2012 and 2013, our other expenses were RMB2.1 million, RMB5.1 million and RMB14.4 million, respectively, representing 1.0%, 1.7% and 3.8% of our revenue for the same periods, respectively. In the three months ended 31 March 2014, we recorded other expenses of RMB4.0 million, representing 3.0% of our revenue for the same period.

Finance costs

Our finance costs represent interest on bank borrowings and other finance costs. Other finance costs include interest accrued on puttable ordinary shares, and guarantee fees payable to Independent Third Party guarantee companies. Interest accrued on puttable ordinary shares represents the historical contingent interest accrued on certain investors' investment amount that we shall pay to them upon occurrence of certain triggering events. Interest accrued on puttable ordinary shares is a non-cash and non-recurring expense. Since such investors have waived their right to exercise the put option in certain events, the interest on puttable shares ceased to accrue from October 2013. For further details, please refer to the section headed "History, Development and Reorganisation – [REDACTED] Investments" in this [REDACTED]. Guarantee fees payable to Independent Third Party guarantee companies represent the fees that we pay to these companies in relation to their provision of guarantees for our bank borrowings. In 2011, 2012, 2013 and the three months ended 31 March 2014, our finance costs were RMB14.0 million, RMB8.9 million, RMB22.7 million and RMB4.3 million, respectively, representing 6.5%, 2.9%, 6.0% and 3.3% of our revenue for the same periods, respectively. Our effective interest rates per annum were 4.8% to 8.5%, 5.9% to 8.5%, 5.0% to 7.8% and 5.0% to 7.8% in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively.

FINANCIAL INFORMATION

Income Tax Expenses

Income tax expenses represent amounts of PRC enterprise income tax payable by us. We were not subject to Hong Kong profit tax or any income tax in the Cayman Islands or the BVI during the Track Record Period.

Dalian Ocean Fishing, our Company's principal operating subsidiary, is mainly engaged in deep sea fishing operations. Pursuant to the applicable tax laws and regulations in the PRC, Dalian Ocean Fishing is exempt from PRC enterprise income tax in respect of its deep sea fishing operations. Accordingly, the effective tax rate for Dalian Ocean Fishing's deep sea fishing operation was nil during the Track Record Period. During the Track Record Period, our other PRC subsidiaries did not have operations other than holding investments, and did not have any taxable incomes.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three months ended 31 March 2014 compared to three months ended 31 March 2013

Revenue

We derived revenue from 24 fishing vessels in the three months ended 31 March 2014 compared to 17 (including seven self-owned vessels, another six vessels acquired during the three months ended 31 March 2013 and four vessels that we then operated under management arrangements) in the three months ended 31 March 2013. Our revenue increased from RMB70.1 million in the three months ended 31 March 2013 to RMB132.1 million in the three months ended 31 March 2014 primarily as a result of an increase in the revenue derived from sales of premium tuna, partly offset by a decrease in the revenue derived from sales of common tuna:

Premium tuna: Our revenue derived from sales of premium tuna increased by 125.8% from RMB56.4 million in the three months ended 31 March 2013 to RMB127.2 million in the three months ended 31 March 2014 primarily due to (i) a 86.2% increase in our sales volume of premium tuna from 1,402.3 tonnes in the three months ended 31 March 2013 to 2,610.4 tonnes in the three months ended 31 March 2014 mainly as a result of increased catch volume of premium tuna attributable to the increase in the number of our operated vessels from 17 (including six vessels acquired during the three months ended 31 March 2013, which had only been operated during part of such period) in the three months ended 31 March 2013 to 24 in the three months ended 31 March 2014; furthermore, we had fewer vessels in operation in the three months ended 31 March 2013 primarily because during that period, we had five fishing vessels calling at port to replenish supplies and facilitate the due diligence in preparation for the Listing, and two fishing vessels returning to port for scheduled maintenance; (ii) an increase in our average selling price of premium tuna in Japan from 618.7 JPY/kg in the three months ended 31 March 2013 to 816.5 JPY/kg in the same period of 2014, which is in line with the market price trend; which was partly offset by the depreciation of the Japanese Yen against the Renminbi from 14.8:1 in the three months ended 31 March 2013 to 16.9:1 in the same period of 2014. Please refer to "Financial Information – Principal Income Statement Components – Revenue" for further details of the average selling price of premium tuna.

FINANCIAL INFORMATION

With respect to our own vessels, revenue derived from sales of premium tuna increased by 87.5% from RMB45.1 million in the three months ended 31 March 2013 to RMB84.5 million in the three months ended 31 March 2014, due to a 53.0% increase in sales volume of premium tuna from 1,151.4 tonnes in the three months ended 31 March 2013 to 1,761.3 tonnes in the three months ended 31 March 2014, combined with a 22.6% increase in average selling price from RMB39.1/kg in the three months ended 31 March 2013 to RMB48.0/kg in the three months ended 31 March 2014 as explained above.

Revenue derived from sales of premium tuna from vessels operated under the vessel management arrangements increased by 278.6% from RMB11.3 million in the three months ended 31 March 2013 to RMB42.7 million in the three months ended 31 March 2014, mainly because of the increase in the sales volume of premium tuna primarily due to our having more fishing vessels in operation under vessel management arrangements in the three months ended 31 March 2014 compared to the same period in 2013 as explained above and an increase in the average selling price of premium tuna in the three months ended 31 March 2014 compared to the same period in 2013.

Common tuna: Our revenue derived from sales of common tuna decreased by 64.7% from RMB13.8 million in the three months ended 31 March 2013 to RMB4.9 million in the three months ended 31 March 2014, primarily due to a 57.4% decrease in sales volume of common tuna from 777.4 tonnes in the three months ended 31 March 2013 to 331.4 tonnes in the three months ended 31 March 2014 mainly because (i) more sales of our caught common tuna have been scheduled in the second quarter of 2014 primarily due to the schedule of transshipment vessels, and (ii) a decrease in the average selling price of common tuna from RMB17.7/kg to RMB14.7/kg over the same period primarily due to the sales of a higher proportion of lower price common tuna in the three months ended 31 March 2014 and the depreciation of Japanese Yen against Renminbi in the three months ended 31 March 2014 compared to the same period in 2013.

With respect to our own vessels, revenue derived from sales of common tuna decreased by 47.9% from RMB9.3 million in the three months ended 31 March 2013 to RMB4.9 million in the three months ended 31 March 2014, primarily due to (i) a 35.3% decrease in sales volume of common tuna from 512.0 tonnes in the three months ended 31 March 2013 to 331.4 tonnes in the three months ended 31 March 2014 primarily because the sales of common tuna caught by our own vessels have been scheduled in the second quarter; and (ii) a decrease in the average selling price for common tuna from RMB17.7/kg in the three months ended 31 March 2013 to RMB14.7/kg in the same period in 2014 as explained above.

Revenue derived from sales of common tuna from vessels operated under the vessel management arrangements decreased from RMB4.4 million in the three months ended 31 March 2013 to nil in the three months ended 31 March 2014, and the sales volume of common tuna decreased from 265.4 tonnes in the three months ended 31 March 2013 to nil in the three months ended 31 March 2014, primarily because sales of our caught common tuna under management arrangements have been scheduled in the second quarter of 2014 and no sales has been made in the three months ended 31 March 2014.

Cost of sales

We incurred cost of sales for 24 fishing vessels (including 17 vessels we owned and operated ourselves and seven vessels we operated pursuant to vessel management arrangements) in the three months ended 31 March 2014 compared to 17 (including seven vessels we owned and operated ourselves for the whole period, and four vessels we operated pursuant to vessel management arrangements for the whole period and six vessels acquired during the three months ended 31 March 2013, which had only been operated during part of such period) in the three months ended 31 March 2013.

FINANCIAL INFORMATION

Cost of sales increased by 70.4% from RMB34.4 million in the three months ended 31 March 2013 to RMB58.6 million in the three months ended 31 March 2014 primarily due to (i) a 51.1% increase in bunker fuel costs from RMB15.6 million in the three months ended 31 March 2013 to RMB23.6 million in the three months ended 31 March 2014, primarily due to the increased number of vessels that we operated; (ii) a 66.3% increase in depreciation costs from RMB5.3 million in the three months ended 31 March 2013 to RMB8.8 million in the three months ended 31 March 2014, primarily because we had 17 self-owned vessels in the three months ended 31 March 2014 as compared to seven in the same period in 2013 (excluding six vessels acquired during the three months ended 31 March 2013, which had only been operated during part of such period); (iii) a 196.1% increase in wages for our crew from RMB3.4 million in the three months ended 31 March 2013 to RMB10.1 million in the three months ended 31 March 2014 primarily due to an increase in the number of our crew members following expansion of our fleet as explained above; and (iv) a RMB7.4 million increase in bait from RMB1.1 million in the three months ended 31 March 2013 to RMB8.5 million in the three months ended 31 March 2014 primarily because we replenished the seven vessels operated under the vessel management arrangements in the Atlantic Ocean from September 2013 to 31 March 2014 and we did not recognise the bait consumed as cost until we sold the tuna caught by the seven vessels under vessel management arrangements in the three months ended 31 March 2014. In addition, less bait was consumed in the three months ended 31 March 2013 as two vessels were back in Dalian port for major maintenance. For details of the number and remuneration of our employees, please refer to "Business – Staffing Arrangements" in this [REDACTED]. The increase in cost of sales was partly offset by a decrease in repair and maintenance, and fishing gear. A large amount of such costs incur when we replenish a vessel that returns to port in Dalian port for major maintenance and none of our vessels returned to Dalian port in the three months ended 31 March 2014 as compared to two vessels which returned to Dalian port in the same period in 2013.

Gross profit and gross profit margin

Gross profit increased by 105.7% from RMB35.7 million in the three months ended 31 March 2013 to RMB73.5 million in the three months ended 31 March 2014, mainly as a result of a 88.4% increase in revenue, partly offset by a 70.4% increase in cost of sales from the three months ended 31 March 2013 to the three months ended 31 March 2014 due to the factors described above. Our gross profit margin increased from 50.9% in the three months ended 31 March 2013 to 55.6% in the three months ended 31 March 2014 primarily due to a 21.3% increase in our average selling price of premium tuna from RMB40.2/kg to RMB48.7/kg.

Other income

Other income increased significantly from RMB0.4 million in the three months ended 31 March 2013 to RMB4.8 million in the three months ended 31 March 2014 primarily due to (i) RMB3.2 million of exchange gains in the three months ended 31 March 2014 as a result of the appreciation of Japanese Yen against Renminbi from the end of 2013 to 31 March 2014 as our trade receivables are mainly denominated in Japanese Yen; and (ii) bank fixed deposit interest income of RMB1.3 million as a result of our pledged bank deposits of RMB122 million since late 2013.

FINANCIAL INFORMATION

Selling and distribution expenses

Selling and distribution expenses increased by 87.9% from RMB8.9 million in the three months ended 31 March 2013 to RMB16.6 million in the three months ended 31 March 2014 primarily due to (i) a 94.3% increase in transshipment service fees from RMB6.8 million in the three months ended 31 March 2013 to RMB13.2 million in the three months ended 31 March 2014 mainly as a result of an increase in sales volume in the three months ended 31 March 2014 as compared to the three months ended 31 March 2013 and transshipment service fee rates for the seven vessels we operated in the three months ended 31 March 2014 pursuant to vessel management arrangements in the Atlantic Ocean were a bit higher than that for our other vessels operated in other fishing grounds; and (ii) a 76.3% increase in customs duties and handling fees from RMB1.5 million in the three months ended 31 March 2013 to RMB2.7 million in the three months ended 31 March 2014 mainly as a result of an increase in the sales value of premium tuna we sold to Japan.

Administrative expenses

Administrative expenses increased from RMB1.0 million in the three months ended 31 March 2013 to RMB2.0 million in the three months ended 31 March 2014 primarily due to (i) payment of a one-off consulting fee of RMB0.4 million to Shanghai Ocean University to conduct research on tuna resources; and (ii) an increase in staff expenses from RMB0.5 million in the three months ended 31 March 2013 to RMB0.6 million in the three months ended 31 March 2014 mainly as a result of the increase in the number of our managerial and administrative staff.

Other expenses

Other expenses increased from RMB1.5 million in the three months ended 31 March 2013 to RMB4.0 million in the three months ended 31 March 2014 primarily due to an increase in the Listing expenses from RMB1.3 million in the three months ended 31 March 2013 to RMB4.0 million in the three months ended 31 March 2014.

Finance costs

Our finance costs increased from RMB2.6 million in the three months ended 31 March 2013 to RMB4.3 million in the three months ended 31 March 2014 primarily due to an increase in the interest on bank borrowing from RMB2.6 million in the three months ended 31 March 2013 to RMB4.2 million in the three months ended 31 March 2014 as a result of bank loans we borrowed in late 2013.

Profit before taxation and net profit

Profit before taxation and net profit increased by 132.5% from RMB22.1 million in the three months ended 31 March 2013 to RMB51.4 million in the three months ended 31 March 2014 primarily as a result of the factors discussed above. Our net profit margin increased from 31.5% in the three months ended 31 March 2013 to 38.9% in the three months ended 31 March 2014, primarily due to the increase in our gross profit margin from 50.9% to 55.6% during the same period.

FINANCIAL INFORMATION

Pursuant to the applicable tax laws and regulations in the PRC, Dalian Ocean Fishing, our principal operating subsidiary mainly engaged in deep sea fishing operations, is exempted from PRC enterprise income tax in respect of its deep sea fishing operations. Accordingly, the effective tax rate for Dalian Ocean Fishing's deep sea fishing operations was nil in the three months ended 31 March 2013 and 2014, and therefore profit before taxation was equal to our net profit.

Year ended 31 December 2013 compared to Year ended 31 December 2012

Revenue

We derived revenue from 24 fishing vessels in 2013 compared to 11 in 2012. Our fleet included seven vessels that we did not own but operated under management arrangements since September 2013. Our revenue increased from RMB303.2 million in 2012 to RMB380.9 million in 2013 primarily as a result of:

Premium tuna: Our revenue derived from sales of premium tuna increased by 25.9% from RMB251.9 million in 2012 to RMB317.1 million in 2013 primarily due to a 64.0% increase in our sales volume of premium tuna from 4,364.8 tonnes in 2012 to 7,145.3 tonnes in 2013 mainly as a result of (i) our operation of six additional fishing vessels acquired from sellers in the PRC since early 2013; and (ii) our operation of seven additional fishing vessels operated under vessel management arrangement since September 2013; which were partially offset by the depreciation of the Japanese Yen against the Renminbi from 12.6:1 in 2012 to 15.8:1 in 2013, causing our average selling price of premium tuna to decrease from RMB57.7 per kg in 2012 to RMB44.4 per kg in 2013. Please refer to "Principal Income Statement Components – Revenue" in this section for further details of the average selling price of premium tuna.

With respect to our own vessels, revenue derived from sales of premium tuna increased by 53.9% from RMB176.2 million in 2012 to RMB271.1 million in 2013, due to a 103.3% increase in sales volume of premium tuna from 3,049.3 tonnes in 2012 to 6,200.4 tonnes in 2013 as explained above, which was partly offset by a 23.1% decrease in average selling price as explained above.

Revenue derived from sales of premium tuna from the vessels operated under the vessel management arrangement decreased by 39.3% from RMB75.7 million in 2012 to RMB46.0 million in 2013, primarily because (i) we acquired four fishing vessels which we operated from January 2012 to April 2013 pursuant to vessel management agreements and thereafter accounted for their revenues as revenues derived from our own vessels; and (ii) the seven Japanese vessels we operated pursuant to two vessel management agreements did not begin selling tuna until the fourth quarter of 2013.

Common tuna: Our revenue derived from sales of common tuna increased by 24.4% from RMB51.3 million in 2012 to RMB63.8 million in 2013 primarily due to a 37.1% increase in sales volume of common tuna from 2,664.7 tonnes in 2012 to 3,652.4 tonnes in 2013 mainly because (i) we operated six additional fishing vessels acquired from sellers in the PRC since early 2013, and (ii) certain tuna caught in late 2012 was sold in early 2013; which factors were partly offset by a 9.5% decrease in average selling price per kg from RMB19.3 in 2012 to RMB17.4 in 2013.

With respect to our own vessels, revenue derived from sales of common tuna increased by 82.4% from RMB31.7 million in 2012 to RMB57.8 million in 2013, primarily due to a 89.4% increase in sales volume of common tuna from 1,729.0 tonnes in 2012 to 3,275.0 tonnes in 2013 as we operated six additional fishing vessels acquired from sellers in the PRC since early 2013.

FINANCIAL INFORMATION

Revenue derived from sales of common tuna from the vessels operated under the vessel management arrangement decreased by 69.2% from RMB19.6 million in 2012 to RMB6.0 million in 2013, primarily due to a 59.7% decrease in sales volume of common tuna from 935.7 tonnes in 2012 to 377.4 tonnes in 2013 mainly because the seven Japanese vessels we operated pursuant to two vessel management agreements vessels did not begin selling tuna until the fourth quarter of 2013.

Cost of sales

We incurred cost of sales for 24 fishing vessels in 2013 compared to 11 in 2012.

Cost of sales increased by 42.9% from RMB125.5 million in 2012 to RMB179.4 million in 2013 primarily due to (i) a 205.3% increase in depreciation costs from RMB10.1 million in 2012 to RMB30.8 million in 2013, primarily as we expanded our fleet by the acquisition of ten additional fishing vessels in early 2013 including six fishing vessels from PRC sellers and four fishing vessels from Japanese sellers. Such four vessels were operated under vessel arrangements until April 2013; (ii) a 35.8% increase in bunker fuel costs from RMB58.3 million in 2012 to RMB79.1 million in 2013 primarily due to our operation of six additional fishing vessels acquired from sellers in the PRC in early 2013, and our operation of seven additional fishing vessels operated under the vessel management arrangements since September 2013; and (iii) a 55.9% increase in wages for crew members from RMB16.7 million in 2012 to RMB26.0 million in 2013 primarily due to an increase in the number of crew members following expansion of our fleet of owned and managed vessels as explained above and an increase in the average wages of crew members. For details of the number and remuneration of our employees, please refer to "Business – Staffing Arrangements" in this [REDACTED].

The increase in cost of sales was partly offset by:

- (i) a decrease in the fishing gear from RMB7.0 million in 2012 to RMB4.9 million in 2013, as we procured smaller quantities of fishing gear in 2013 primarily as a result of our decision to leverage our expanded fleet by maintaining a lower level of stocks on individual fishing vessels. For each procurement, a substantial portion of gear procured is usually amortised in the same year, and the procurement of smaller quantities of gear in 2013 resulted in a decrease in fishing gear cost; and
- (ii) a decrease in the fee for the right to use the vessels payable to vessel owners from RMB8.5 million in 2012 to RMB2.9 million in 2013 as we only operated vessels pursuant to vessel management agreements in the first and fourth quarters of 2013.

Gross profit and gross profit margin

Gross profit increased by 13.4% from RMB177.7 million in 2012 to RMB201.6 million in 2013, mainly as a result of a 25.6% increase in revenue, partly offset by a 42.9% increase in cost of sales from 2012 to 2013 due to the factors described above. Our gross profit margins decreased from 58.6% in 2012 to 52.9% in 2013, primarily due to (i) the depreciation of the Japanese Yen against the Renminbi from 12.6:1 in 2012 to 15.8:1 in the 2013, since 73.9% and 72.0% of our total revenue was derived from sales to our customer in Japan denominated in Japanese Yen in 2012 and 2013, respectively, in addition, the depreciation of Japanese Yen also affected our sales in other markets as sales prices in those markets are usually determined with reference to the prevailing tuna prices in Japan; (ii) an increase in depreciation

FINANCIAL INFORMATION

costs with respect to our vessels primarily due to our acquisition of ten additional fishing vessels in early 2013 including six fishing vessels from PRC sellers and four fishing vessels from Japanese sellers; and (iii) five fishing vessels calling at ports in 2013 for replenishing supplies and facilitating the [REDACTED]-related due diligence coupled with four vessels returning to port for scheduled maintenance in 2013 compared to three vessels in 2012.

Other income

Other income increased by 18.9% from RMB22.0 million in 2012 to RMB26.1 million in 2013 primarily due to a 14.7% increase in government grants from RMB21.9 million in 2012 to RMB25.2 million in 2013.

Selling and distribution expenses

Selling and distribution expenses increased by 9.2% from RMB43.1 million in 2012 to RMB47.0 million in 2013 primarily due to a 10.1% increase in transshipment service fees from RMB32.2 million in 2012 to RMB35.4 million in 2013, mainly as a result of an increase in the sales volume of premium tuna, and a 15.4% increase in customs duties from RMB7.8 million in 2012 to RMB9.0 million in 2013 mainly as a result of an increase in the sales value of tuna we sold to Japan and Taiwan.

Although our sales volume of premium tuna and common tuna significantly increased from 2012 to 2013, our transshipment service fees as a percentage of the selling and distribution expenses remained relatively stable from 2012 to 2013, primarily because (i) our transshipment service fees are primarily denominated in Japanese Yen and the average exchange rate of the Japanese Yen against the Renminbi depreciated from 12.6:1 in 2012 to 15.8:1 in 2013; and (ii) we obtained discounts in the transshipment service fees from our carriers by leveraging the expansion of our fleet.

Administrative expenses

Administrative expenses increased by 15.5% from RMB4.0 million in 2012 to RMB4.7 million in 2013 primarily due to a 41.1% increase in staff expenses from RMB1.8 million in 2012 to RMB2.5 million in 2013.

Other expenses

Other expenses increased by 185.2% from RMB5.1 million in 2012 to RMB14.4 million in 2013 primarily due to (i) an increase in fees we paid to the professional advisers in relation to the Listing; and (ii) exchange losses as a result of the depreciation of the Japanese Yen against the Renminbi in 2013 compared to 2012.

Finance costs

Our finance costs increased significantly from RMB8.9 million in 2012 to RMB22.7 million in 2013 primarily due to the interest accrued on puttable instruments of RMB9.7 million in 2013 as a result of our issuance of ordinary shares with a put option, which put option was waived in certain events in October 2013 and did not result in accrual of any additional interest since October 2013.

FINANCIAL INFORMATION

Net profit and net profit margin

Our net profit was RMB138.6 million in 2012, relatively stable compared with RMB138.9 million in 2013. The increase in our gross profit as explained above was largely offset by an increase in our finance costs as explained above and an increase in the expenses in connection with the Listing. Our net profit margin decreased from 45.7% in 2012 to 36.5% in 2013, primarily due to a decrease in our gross profit margin as explained above, the incurrence of non-recurring and non-cash charge of the interest on certain puttable instruments and an increase in the expenses in connection with the Listing.

Pursuant to the applicable tax laws and regulations in the PRC, Dalian Ocean Fishing, our principal operating subsidiary mainly engaged in deep sea fishing operations, is exempted from PRC enterprise income tax in respect of its deep sea fishing operations. Accordingly, the effective tax rate for Dalian Ocean Fishing's deep sea fishing operations was nil in 2012 and 2013, and therefore profit before taxation was equal to our net profit.

Year ended 31 December 2012 Compared to Year ended 31 December 2011

Revenue

We operated 11 fishing vessels, including four under vessel management arrangements in 2012, compared to seven in 2011. Revenue increased by 41.0%, from RMB215.1 million for 2011 to RMB303.2 million for 2012 primarily as a result of:

Premium tuna: Our revenue derived from sales of premium tuna increased by 39.4% from RMB180.7 million for 2011 to RMB251.9 million for 2012 primarily due to a 59.2% increase in sales volume of premium tuna from 2,741.4 tonnes in 2011 to 4,364.8 tonnes in 2012. The increase in sales volume was primarily attributable to our operation of the four Japanese vessels, the sales of which we recognised as revenue in 2012, pursuant to the vessel management arrangements as well as the timing of sale, as certain revenues recognised in early 2012 related to tuna caught in late 2011. The increase in revenue derived from sales of premium tuna was partly offset by a 12.4% decrease in average selling price per kg of premium tuna from RMB65.9 in 2011 to RMB57.7 in 2012, primarily due to (i) the market price declined primarily as a result of the increased supply of premium tuna to the Japanese market, mainly due to a sudden increase in catch volume of tuna by third parties in the Indian Ocean as explained in the paragraph headed "Principal income statement components – revenue" in this section, and (ii) depreciation of the Japanese Yen against RMB from 12.3:1 in 2011 to 12.6:1 in 2012.

With respect to our seven owned vessels, revenue derived from sales of premium tuna decreased by 2.5% from RMB180.7 million for 2011 to RMB176.2 million for 2012, due to a 12.3% decrease in the average selling price per kg of premium tuna from RMB65.9 in 2011 to RMB57.7 in 2012 as explained above, partly offset by an 11.2% increase in sales volume of premium tuna from 2,741.4 tonnes in 2011 to 3,049.4 tonnes in 2012 primarily due to the timing of sale, as certain revenues recognised in early 2012 related to tuna caught in late 2011.

FINANCIAL INFORMATION

Revenue derived from sales of premium tuna from the four Japanese vessels operated under the vessel management arrangements was RMB75.7 million in 2012.

Common tuna: Our revenue derived from sales of common tuna increased by 49.3% from RMB34.4 million for 2011 to RMB51.3 million for 2012 primarily due to a 42.1% increase in average selling price per kg of common tuna from RMB13.6 in 2011 to RMB19.3 in 2012 as a result of our change in baits and baiting techniques to deliberately reduce our catch volume of certain types of common tuna with relatively lower unit selling prices. The increase in revenue derived from sales of common tuna was also due to a 5.1% increase in sales volume of common tuna from 2,535.5 tonnes in 2011 to 2,646.7 tonnes in 2012. Even though we deliberately reduced our catch volume of certain types of common tuna with relatively lower unit selling prices, our sales volume of common tuna increased from 2011 to 2012 primarily due to our operation of the four Japanese vessels pursuant to the vessel management arrangements.

With respect to our seven owned vessels, revenue derived from sales of common tuna decreased from RMB34.4 million in 2011 to RMB31.7 million in 2012, primarily due to a 31.8% decrease in sales volume from 2,535.5 tonnes in 2011 to 1,729.0 tonnes in 2012 partly offset by a 35.2% increase in average selling price per kg of common tuna from RMB13.6 in 2011 to RMB18.3 in 2012, as we deliberately reduced our catch volume of certain types of common tuna with relatively lower unit selling prices as explained above.

Revenue derived from sales of common tuna from the four Japanese vessels operated under the vessel management arrangements was RMB19.6 million in 2012.

Cost of sales

We operated 11 fishing vessels, including four under vessel management arrangements in 2012 compared to seven in 2011.

Cost of sales increased by 96.9%, from RMB63.8 million for 2011 to RMB125.5 million for 2012, primarily as a result of (i) a 104.5% increase in bunker fuel costs from RMB28.5 million in 2011 to RMB58.3 million in 2012, primarily attributable to our operation of the four Japanese vessels pursuant to the vessel management arrangements; (ii) a 266.5% increase in repair and maintenance costs from RMB3.5 million in 2011 to RMB12.7 million in 2012 and a 246.8% increase in fishing gear expenses from RMB2.0 million in 2011 to RMB7.0 million in 2012, primarily due to our operation of the four Japanese vessels pursuant to the vessel management arrangements and three vessels returning to port for maintenance in 2012 compared to one vessel in 2011. When our vessels return to port, we conduct major maintenance and replenish them with new fishing gear, a substantial portion of which is usually amortised in the same year. The increase in cost of sales was partly offset by a 26.6% decrease in depreciation costs from RMB13.7 million in 2011 to RMB10.1 million in 2012, primarily due to the full depreciation of certain older fishing vessels in 2011.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Gross profit increased by 17.4% from RMB151.3 million in 2011 to RMB177.7 million in 2012, mainly as a result of a 41.0% increase in revenue primarily due to an increase in sales volume of premium tuna as explained above, partly offset by a 96.9% increase in cost of sales from 2011 to 2012 due to the factors described above.

Our gross profit margin decreased from 70.4% in 2011 to 58.6% in 2012, primarily due to (i) a decrease in our average selling price per kg of premium tuna in Japan from JPY814.1 in 2011 to JPY738.7 in 2012, which was mainly attributable to the market price decline as a result of the increased supply of premium tuna to the Japanese market due to a sudden increased catch volume of tuna in the Indian Ocean from the last quarter of 2012 to early 2013; (ii) the depreciation of the Japanese Yen against the Renminbi from 12.3:1 in 2011 to 12.6:1 in 2012; and (iii) the fact that three of our fishing vessels returned to port in 2012 compared to one vessels in 2011, resulting in more repair and maintenance and fishing gear expenses and a corresponding reduction in the level of operations of those vessels while they underwent maintenance.

Other income

Other income increased by RMB6.7 million, or 43.9%, from RMB15.3 million in 2011 to RMB22.0 million for 2012, primarily as a result of a 44.6% increase in government grants from RMB15.2 million in 2011 to RMB21.9 million in 2012.

Selling and distribution expenses

Selling and distribution expenses increased by 44.4% from RMB29.8 million in 2011 to RMB43.1 million in 2012, primarily as a result of a 45.3% increase in transshipment service fees from RMB22.1 million in 2011 to RMB32.2 million in 2012 primarily due to a significant increase in sales volume of premium tuna in 2012 primarily attributable to our operation of the four Japanese vessels pursuant to vessel management arrangements, and a 25.5% increase in customs duties from RMB6.2 million in 2011 to RMB7.8 million in 2012 primarily due to increases in customs duties for our sales of tuna to customers in Taiwan which our Taiwan customers required us to pay in 2012. Previously this expense had been paid by the customers.

Administrative expenses

Administrative expenses remained relatively stable, at RMB4.2 million in 2011 and RMB4.0 million in 2012. The staff expenses incurred for our staff other than crew members increased from RMB1.3 million in 2011 to RMB1.8 million in 2012, and was partially offset by the decrease in office expenses and others from RMB2.9 million in 2011 to RMB2.2 million in 2012.

FINANCIAL INFORMATION

Other expenses

Other expenses increased by RMB3.0 million, or 139.8%, from RMB2.1 million in 2011 to RMB5.1 million in 2012 due to an increase in fees we paid to the professional advisers in relation to the Listing.

Finance costs

Our finance costs decreased by RMB5.1 million, or 36.7%, from RMB14.0 million in 2011 to RMB8.9 million in 2012 primarily due to (i) a decrease in interest expenses from 2011 to 2012 as a result of a decrease in outstanding bank borrowings, and (ii) a decrease in guarantee fees as a result of a decrease in bank borrowings guaranteed by Independent Third Party guarantee companies.

Net profit and net profit margin

Our net profit increased by 19.0% from RMB116.5 million in 2011 to RMB138.6 million in 2012, primarily due to an increase in our gross profit as explained above. Our net profit margin decreased from 54.2% in 2011 to 45.7% in 2012, primarily due to a decrease in our gross profit margin as explained above.

Pursuant to the applicable tax laws and regulations in the PRC, Dalian Ocean Fishing, our principal operating subsidiary mainly engaged in deep sea fishing operations, is exempted from PRC enterprise income tax in respect of its deep sea fishing operations. Accordingly, the effective tax rate for Dalian Ocean Fishing's deep sea fishing operations was nil in 2011 and 2012, and therefore profit before taxation was equal to our net profit.

Sensitivity analysis

Exchange Rate

The following table illustrates the sensitivity of our revenue, gross and net profit during the Track Record Period to fluctuations in the exchange rate of the Japanese Yen against the Renminbi.

	For the year ended 31 December			For the three months ended
	2011	2012	2013	31 March 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Original revenue	215,056	303,196	380,925	132,109
Change in revenue				
– Assuming 5% depreciation/appreciation	(8,648)/8,648	(11,208)/11,208	(12,727)/12,727	(5,984)/5,984
– Assuming 10% depreciation/appreciation	(17,297)/17,297	(22,415)/22,415	(25,453)/25,453	(11,967)/11,967
Original gross profit	151,304	177,662	201,556	73,485
Percentage change in gross profit				
– Assuming 5% depreciation/appreciation	(5.7%)/5.7%	(6.3%)/6.3%	(6.3%)/6.3%	(8.1%)/8.1%
– Assuming 10% depreciation/appreciation	(11.4%)/11.4%	(12.6%)/12.6%	(12.6%)/12.6%	(16.3%)/16.3%
Original net profit	116,496	138,624	138,873	51,355
Percentage change in net profit				
– Assuming 5% depreciation/appreciation	(6.2%)/6.2%	(6.6%)/6.6%	(7.5%)/7.5%	(10.0%)/10.0%
– Assuming 10% depreciation/appreciation	(12.3%)/12.3%	(13.2%)/13.2%	(15.0%)/15.0%	(20.1%)/20.1%

FINANCIAL INFORMATION

Average Selling Price of Tuna

The following table illustrates the sensitivity of our revenue, gross and net profit during the Track Record Period to fluctuations in the average selling price of tuna.

	For the year ended 31 December			For the three months ended
	2011	2012	2013	31 March 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Original revenue	215,056	303,196	380,925	132,109
Change in revenue				
– Assuming 5% decrease/increase	(10,753)/10,753	(15,160)/15,160	(19,046)/19,046	(6,605)/6,605
– Assuming 10% decrease/increase.....	(21,506)/21,506	(30,320)/30,320	(38,093)/38,093	(13,211)/13,211
Original gross profit.....	151,304	177,662	201,556	73,485
Percentage change in gross profit				
– Assuming 5% decrease/increase	(7.1%)/7.1%	(8.5%)/8.5%	(9.4%)/9.4%	(9.0%)/9.0%
– Assuming 10% decrease/increase.....	(14.2%)/14.2%	(17.1%)/17.1%	(18.9%)/18.9%	(18.0%)/18.0%
Original net profit.....	116,496	138,624	138,873	51,355
Percentage change in net profit				
– Assuming 5% decrease/increase	(9.2%)/9.2%	(10.9%)/10.9%	(13.7%)/13.7%	(12.9%)/12.9%
– Assuming 10% decrease/increase.....	(18.5%)/18.5%	(21.9%)/21.9%	(27.4%)/27.4%	(25.7%)/25.7%

Bunker Fuel Price

Fluctuations in the bunker fuel price mainly result in changes to our cost of sales and selling and distribution expenses. Historically, we were generally unable to pass on increases in the bunker fuel price to our customers. The following table illustrates the sensitivity of our cost of sales, selling and distribution expenses, gross and net profit during the Track Record Period to fluctuations in bunker fuel price.

	For the year ended 31 December			For the three months ended
	2011	2012	2013	31 March 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Original cost of sales	63,752	125,534	179,369	[58,624]
Change in cost of sales				
– Assuming 5% decrease/increase.....	(1,424)/1,424	(2,913)/2,913	(3,840)/3,840	(1,178)/1,178
– Assuming 10% decrease/increase.....	(2,848)/2,848	(5,825)/5,825	(7,680)/7,680	(2,355)/2,355
Original selling and distribution expenses	29,827	43,059	47,008	16,641
Change in selling and distribution expenses				
– Assuming 5% decrease/increase.....	(1,107)/1,107	(1,608)/1,608	(1,770)/1,770	(660)/660
– Assuming 10% decrease/increase.....	(2,214)/2,214	(3,215)/3,215	(3,541)/3,541	(1,320)/1,320
Original gross profit	151,304	177,662	201,556	73,485
Percentage change in gross profit				
– Assuming 5% decrease/increase	0.9%/(0.9%)	1.6%/(1.6%)	1.9%/(1.9%)	1.6%/(1.6%)
– Assuming 10% decrease/increase	1.9%/(1.9%)	3.3%/(3.3%)	3.8%/(3.8%)	3.2%/(3.2%)
Original net profit.....	116,496	138,624	138,873	51,355
Percentage change in net profit				
– Assuming 5% decrease/increase	2.2%/(2.2%)	3.3%/(3.3%)	4%/(4%)	3.6%/(3.6%)
– Assuming 10% decrease/increase	4.3%/(4.3%)	6.5%/(6.5%)	8.1%/(8.1%)	7.2%/(7.2%)

FINANCIAL INFORMATION

The sensitivity analyses above assume the change only relates to one variable, while other variables remain unchanged.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and our capital expenditure requirements. Since our establishment, our working capital needs and capital expenditure requirements have been financed through a combination of shareholders' equity, cash generated from operations and bank borrowings.

The following table is a summary of our consolidated statement of cash flow for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash inflow from					
operating activities	87,375	100,981	19,904	15,731	49,760
Net cash (used in)/from					
investing activities	(133,614)	226,920	(298,589)	(67,410)	(13)
Net cash from (used in)					
financing activities	41,564	(300,182)	375,028	68,165	25,000
Net increase/(decrease) in					
cash and cash equivalents ...	(4,675)	27,719	96,343	16,486	74,747
Cash and cash equivalents at					
beginning of year/period	5,127	452	28,171	28,171	124,514
Cash and cash equivalents at					
end of year/period	452	28,171	124,514	44,657	199,261

Cash flow from operating activities

We derive our cash inflow from operations principally from the receipt of payments for the sale of tuna. Our cash outflow used in operations is principally for the purchase of bunker fuel, fishing gear, vessel equipment and bait, as well as wages for our employees. During the Track Record Period, our net cash flow from operating activities represented profit before tax for the year adjusted for finance costs, depreciation of property, plant, and equipment, and amortisation of deferred revenue and changes in working capital.

For the three months ended 31 March 2014, our net cash generated from operating activities amounted to RMB49.8 million, primarily due to cash inflow from operating activities before movements in working capital of RMB64.1 million (reflecting profit before taxation after adjustments of certain items); which was partly offset by an increase in deferred expenditures of RMB8.2 million mainly due to an increase in our purchase of bunker fuel and bait with the expansion of our fleet.

FINANCIAL INFORMATION

For the year ended 31 December 2013, our net cash generated from operating activities amounted to RMB19.9 million, primarily due to cash inflow from operating activities before movements in working capital of RMB191.1 million (reflecting profit before taxation after adjustments of certain items); which was partly offset by (i) an increase in payment of deposits for vessel management services of RMB73.2 million primarily for the seven fishing vessels operated under vessel management arrangements since September 2013; (ii) an increase in trade and other receivables of RMB66.8 million primarily due to an increase in receivables from our sales agent in Japan as a result of our increased sales value with expansion of our fleet and our increased sales of tuna in the fourth quarter of 2013 when prices of premium tuna in Japan increased, which resulted in increased receivables as at 31 December 2013; and (iii) an increase in deferred expenditures of RMB28.0 million mainly due to an increase in our purchase of bunker fuel and bait with the expansion of our fleet.

For the year ended 31 December 2012, our net cash generated from operating activities amounted to RMB101.0 million, primarily due to cash inflow from operating activities before movements in working capital of RMB156.3 million (reflecting profit before taxation after adjustments of certain items), which were partly offset by an increase in trade and other receivables of RMB46.3 million as our sharing of certain revenue under the vessel management arrangement in 2012 was not settled until 2013.

For the year ended 31 December 2011, our net cash generated from operating activities amounted to RMB87.4 million, primarily due to cash inflow from operating activities before movements in working capital of RMB142.3 million (reflecting profit before taxation after adjustments of certain items), which was partly offset by an increase in deposits of RMB38.7 million in connection with our vessel management arrangements starting from early 2012 and an increase in trade and other receivables of RMB8.4 million due to increased sales of tuna.

Cash flow from/used in investing activities

Our cash outflow used in investing activities is primarily for the purchase of property, plant, and equipment in connection with our fishing operations, and amounts advanced to related parties. We derive our cash inflow from investing activities principally from repayment of certain amount due from our shareholders or related parties.

For the three months ended 31 March 2014, we recorded minimal net cash outflow from investing activities.

For the year ended 31 December 2013, we recorded net cash outflow from investing activities of RMB298.6 million primarily due to pledged bank deposits of RMB122.1 million, payment of the remaining consideration for our purchase of ten fishing vessels and bank deposits for entrusted loans of RMB87.2 million.

For the year ended 31 December 2012, we recorded net cash inflow from investing activities of RMB226.9 million primarily due to a net decrease in amount due from related parties in the amount of RMB474.1 million which was repaid in 2012, partly offset by payment of RMB197.1 million as deposit for our purchase of ten fishing vessels.

For the year ended 31 December 2011, we recorded net cash outflow used in investing activities of RMB133.6 million, which was primarily due to a net increase in amount due from related parties in the amount of RMB133.5 million.

FINANCIAL INFORMATION

For further details of the amounts due from related parties during the Track Record Period, please refer to "Related Party Transactions" in this section of this [REDACTED].

Cash flow from/used in financing activities

We derive our cash inflow from financing activities principally from the proceeds from bank borrowings, proceeds from capital contributions and refunding of pledged bank deposits. Our cash outflow used in financing activities relates primarily to our repayments of bank borrowings and payment of dividends.

For the three months ended 31 March 2014, we recorded net cash inflow from financing activities of RMB25.0 million primarily due to proceeds from bank borrowings in the amount of RMB100.0 million, partly set off by repayments of bank borrowings in the amount of RMB75.0 million.

For the year ended 31 December 2013, we recorded net cash inflow from financing activities of RMB375.0 million primarily due to proceeds from bank borrowings in the amount of RMB252.7 million, proceeds from our issuance of shares of RMB184.0 million and proceeds from entrusted loans of RMB87.2 million, partly offset by repayment of bank borrowings in the amount of RMB97.0 million and deemed distribution of RMB37.8 million to our then shareholders pursuant to the Reorganisation, which was part of the consideration for the acquisition of 100% equity interests in Dalian Ocean Fishing from Dalian Longtai. For further details, please refer to the section headed "History, Development and Reorganisation – Corporate History" in this [REDACTED].

For the year ended 31 December 2012, we recorded net cash outflow used in financing activities of RMB300.2 million, which consisted principally of dividends paid to the then shareholders of Dalian Ocean Fishing of RMB340.0 million, repayments of bank borrowings of RMB147.0 million and deemed distribution of RMB50.0 million to our then shareholders pursuant to the Reorganisation which was part of the consideration for the acquisition of 100% equity interests in Dalian Ocean Fishing from Dalian Longtai, partly offset by proceeds from bank borrowings in the amount of RMB87.0 million, proceeds from our issuance of shares of RMB50.6 million and consideration of RMB50.1 million paid by Dalian Longtai for its subscription of equity interests issued by Longxing Fishery.

For the year ended 31 December 2011, we recorded net cash inflow from financing activities of RMB41.6 million, which consisted principally of proceeds from bank borrowings in the amount of RMB240.0 million, advance from related parties of RMB9.5 million and refunding of pledged bank deposits of RMB8.4 million, partly offset by repayment of bank borrowings in the amount of RMB216.3 million.

Going forward, we intend to satisfy our liquidity requirements using a combination of the proceeds from the [REDACTED], cash flow generated from operations, and bank loans. Our ability to obtain adequate financing may be limited by our financial condition and results of operations and liquidity of international and domestic financial markets.

FINANCIAL INFORMATION

To the extent that our capital requirements exceed our capital resources, we will be required to seek additional debt or equity financing or to defer planned expenditures. Our ability to obtain external financing in the future and the cost of such financing are subject to a variety of uncertainties, including but not limited to potential changes in monetary policies with respect to bank interest rates and lending policies. For example, the recent cash crunch in China has resulted in a loss of liquidity and a rapid rise of short term lending rates, which has impaired the ability of many private enterprises to secure sufficient financing on a timely basis and at a reasonable cost. Please refer to "Risk Factors – We may not have sufficient capital for the expansion of our business" in this [REDACTED] for further details.

INDEBTEDNESS

Our outstanding balance of bank borrowings as at 31 December 2011, 2012, 2013 and as at 31 March and 30 April 2014 was RMB172.0 million, RMB112.0 million, RMB268.1 million, RMB293.7 million and RMB343.5 million, respectively.

The following table sets forth a breakdown of our bank borrowings by maturity date as at the dates indicated:

	As at 31 December			As at 31 March	As at 30 April
	2011	2012	2013	2014	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Bank borrowings					
– Secured	80,000	80,000	246,142	246,745	296,500
– Guaranteed					
– by related parties ⁽¹⁾	40,000	25,000	–	–	–
– by third party and related parties ⁽¹⁾ ...	45,000	–	–	–	–
– by Independent Third Party guarantee companies and related parties ⁽¹⁾	7,000	7,000	7,000	7,000	7,000
Unsecured and unguaranteed.....	–	–	15,000	40,000	40,000
	<u>172,000</u>	<u>112,000</u>	<u>268,142</u>	<u>293,745</u>	<u>343,500</u>
Carrying amounts repayable:					
– On demand or within one year	172,000	32,000	162,000	187,000	236,553
– More than one year, but within two years	–	80,000	106,142	106,745	106,947
	<u>172,000</u>	<u>112,000</u>	<u>268,142</u>	<u>293,745</u>	<u>343,500</u>

Note:

- (1) As at 31 December 2011, Mr. Li Zhenyu, our controlling shareholder, Dalian Changhai Shipyard Co.,Ltd. (大連長海船廠有限公司) and Dalian Investment provided guarantees for our bank borrowings. As at 31 December 2012, only Mr. Li Zhenyu provided guarantees for our bank borrowings. As at the Latest Practicable Date, guarantees provided by related parties for our bank borrowings were all expired or released by the relevant banks.

FINANCIAL INFORMATION

Our bank borrowings carry effective interest rate per annum as follows:

	As at 31 December			As at
				31 March
	2011	2012	2013	2014
	%	%	%	%
Variable interest rate borrowings	4.8-8.5	5.9-8.5	5.0-7.8	5.0-7.8

We have variable-rate bank borrowings which carry interest rates at the PBOC Benchmark rates plus a premium for our bank borrowings denominated in RMB and at the LIBOR plus a premium for our bank borrowings denominated in USD or JPY.

As at 31 December 2011, 2012 and 2013 and 31 March and 30 April 2014, our bank borrowings denominated in currencies other than RMB were nil, nil, RMB106.1 million, RMB106.7 million and RMB156.5 million, respectively.

As at 30 April 2014, all of our banking facilities were utilised. The following sets out a summary of the material covenants of our Group's outstanding bank borrowings.

Under our outstanding RMB bank borrowings, our subsidiary borrower, Dalian Ocean Fishing has agreed, among other things, not to take following actions without first obtaining the lenders' prior consent:

- carry out merger, division, reorganisation, restructuring, or planned public offering;
- sell, lease, transfer or dispose of any material properties or assets in any way;
- enter into joint venture agreements or carry out any material investment;
- effect any share transfer or transfer any material assets;
- materially increase debt financing or carry more material indebtedness over collaterals; and
- other actions that may materially and adversely affect the borrower's or guarantor's ability to perform their obligations under the loan agreements.

Under our outstanding USD bank borrowings, our subsidiary borrowers, Tuna Asia Pacific Investment Limited and Dalian Ocean Fishing, have agreed, among other things, not to take following actions without first obtaining the lender's prior consent:

- create any encumbrance over all or any of its present or future undertakings, assets, rights or revenues with several exceptions such as those existing as at and disclosed in writing to the lender prior to the date of the loan agreement;
- borrow or raise money or credit from other lenders or incur other indebtedness except in the ordinary course of its business;
- issue any further shares or alter any rights attaching to its issued shares;

FINANCIAL INFORMATION

- make or declare any dividend or other distribution in respect of any financial year; and
- merge or consolidate with any other entity.

During the Track Record Period and up to the Latest Practicable Date, we had not breached any material covenant under the loan agreements, or defaulted on any loan payment.

As at the Latest Practicable Date, we had mortgaged 11 of our ultra-low temperature longline tuna fishing vessels and pledged our bank deposits to secure our bank borrowings. As at 31 December 2011, 2012, 2013 and 31 March 2014 and 30 April 2014, the secured bank borrowings amounted to RMB80.0 million, RMB80.0 million, RMB246.1 million, RMB246.7 million and RMB296.5 million, respectively, and the counter-guarantees supported by mortgages of our fishing vessels amounted to RMB7.0 million, RMB7.0 million, RMB7.0 million and RMB7.0 million, respectively. As at 31 December 2011, 2012, 2013 and 31 March 2014 and 30 April 2014, the carrying value of the fishing vessels mortgaged was RMB122.3 million, RMB112.3 million, RMB280.9 million, RMB274.9 million and RMB272.7 million, respectively. As at 31 December 2011, 2012, 2013 and 31 March 2014 and 30 April 2014, the amount of bank deposits pledged to secure our bank borrowings were nil, nil, RMB122.1 million, RMB122.1 million and RMB171.7 million, respectively.

Save as disclosed in the paragraph headed "Indebtedness" in this section of this [REDACTED], we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 30 April 2014. We confirm that there has not been any material change in our indebtedness position since 30 April 2014.

CAPITAL EXPENDITURES

Our capital expenditures primarily consist of deposits paid for acquiring vessels and expenditures on fishing vessels and related equipment. In 2011, 2012, 2013 and the three months ended 31 March 2014, we incurred capital expenditures in the amounts of RMB134,000, RMB197.1 million, RMB89.3 million and RMB13,000, respectively. The following tables sets out our capital expenditures during the Track Record Period:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Deposits paid for acquiring vessels	–	196,629	–	–	–
Fishing vessels and related equipment	121	107	88,477	67,410	–
Furniture, fixtures, and office equipment	13	409	862	–	13
Total	<u>134</u>	<u>197,145</u>	<u>89,339</u>	<u>67,410</u>	<u>13</u>

FINANCIAL INFORMATION

Our capital expenditure was RMB197.1 million in 2012 primarily due to a deposit paid for acquisition of ten fishing vessels. Our capital expenditure was RMB89.3 million in 2013 primarily due to payment of the balance of the consideration for the acquisition of the ten fishing vessels.

We have entered into sale and purchase agreements to acquire the seven Japanese fishing vessels which we do not own but have operated since September 2013 pursuant to vessel management arrangements. We currently target completing the acquisition of these vessels in the second half of 2014, subject to obtaining all relevant approvals from both the Chinese and Japanese governments.

We expect to incur capital expenditures of approximately RMB200.0 million (including RMB116.9 million already incurred as at the Latest Practicable Date) and RMB150.0 million in 2014 and 2015, respectively, primarily for the purchase of fishing vessels. Other than the amount already incurred, the remaining capital expenditures are expected to be funded by cash generated from operations, bank borrowings and proceeds from the [REDACTED]. The estimated amounts of expenditures set out above may vary from the actual amounts of expenditures for a variety of reasons, including changes in market conditions, competition and other factors.

Our current plan with respect to future capital expenditures is subject to change based on the evolution of our business plan, including potential acquisitions, the progress of our capital projects, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures. Our ability to obtain additional funding in the future is subject to a variety of uncertainties including our future results of operations, economic, political and other conditions in the PRC, PRC government policies relating to our industry and relevant rules and regulations in the PRC and Hong Kong regarding debt and equity financing. Other than as required by law, we do not undertake any obligation to publish updates of our capital expenditure plans. See "Forward-looking Statements" in this [REDACTED].

COMMITMENTS

Capital commitments

As at 31 December 2011, 2012, 2013 and the three months ended 31 March 2014, we had aggregate capital commitments as follows.

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Capital expenditures in respect of acquisition of property, plant and equipment				
– contracted for but not provided in the consolidated financial statements.....	–	32,220	–	–
– approved by the board but not contracted for	–	–	164,616	166,107

The capital commitments of RMB32.2 million as at 31 December 2012 were related to our purchase of ten fishing vessels.

FINANCIAL INFORMATION

The capital commitments of RMB164.6 million and RMB166.1 million as at 31 December 2013 and 31 March 2014 were related to our proposed acquisition of the seven fishing vessels currently operated under vessel management arrangements as approved by our Board but had not been contracted for. We entered into sales and purchase agreements for these seven vessels in April 2014.

Lease commitments

Our lease commitments are primarily related to rental payable by us in connection with operating leases entered into with a related party. The following table sets out our lease commitments for the periods indicated:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Lease commitments				
Minimum lease payments paid or payable to a related party under operating leases.....	30	10	493	442
Total	<u>30</u>	<u>10</u>	<u>493</u>	<u>442</u>

The following table sets out the breakdown of our lease commitments as at the respective balance sheet dates:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year.....	20	10	204	204
Over one year but within two years, inclusive.....	10	–	204	204
Over two years but within three years, inclusive.....	–	–	85	34
Total	<u>30</u>	<u>10</u>	<u>493</u>	<u>442</u>

LISTING EXPENSES

During the Track Record Period, we incurred Listing expenses of RMB24.8 million (RMB18.5 million of which were recognised in our consolidated statement of profit or loss and other comprehensive income as other expenses and RMB6.3 million of which will be deducted from share premium upon the Listing). We expect to incur additional Listing expenses of approximately RMB46.2 million upon completion of the Listing, of which approximately RMB31.8 million is to be accounted for as a deduction from share premium upon Listing, and the remaining RMB14.4 million are expected to be recognised in our consolidated statement of profit or loss and other comprehensive income as other expenses after the Track Record Period. Our Directors do not expect these expenses to have a material adverse impact on our financial results for the year ending 31 December 2014.

FINANCIAL INFORMATION

NET CURRENT ASSETS

Details of our current assets at each of the balance sheet dates for the periods indicated are as follows:

	As at 31 December			As at 31 March	As at 30 April
	2011	2012	2013	2014	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Trade and other receivables	504,210	115,133	154,265	154,917	108,877
Deferred expenditures	19,519	18,067	46,039	54,284	74,200
Bank balances and cash	452	28,171	124,514	199,261	153,974
	<u>524,181</u>	<u>161,371</u>	<u>324,818</u>	<u>408,462</u>	<u>337,051</u>
Current liabilities					
Trade and other payables	29,915	66,487	28,416	26,658	21,518
Borrowings	172,000	32,000	162,000	187,000	236,553
Deferred income	1,377	1,377	1,377	1,377	1,377
	<u>203,292</u>	<u>99,864</u>	<u>191,793</u>	<u>215,035</u>	<u>259,448</u>
Net current assets	<u>320,889</u>	<u>61,507</u>	<u>133,025</u>	<u>193,427</u>	<u>77,603</u>

We had net current assets of RMB77.6 million as at 30 April 2014 compared to net current assets of RMB193.4 million as at 31 March 2014, primarily due to (i) a decrease of RMB45.3 million in bank balances and cash from RMB199.3 million as at 31 March 2014 to RMB154.0 million as at 30 April 2014; (ii) an increase of RMB49.6 million in short-term borrowings from RMB187.0 million as at 31 March 2014 to RMB236.6 million as at 30 April 2014; and (iii) a decrease of RMB46.0 million in trade and other receivables from RMB154.9 million as at 31 March 2014 to RMB108.9 million as at 30 April 2014 primarily due to collection of certain trade receivables from our customers and sales agent. We used the cash from the above bank balances and cash, trade and other receivables collected, and increased bank borrowings to make the installment payment of the acquisition consideration of the seven Japanese vessels we currently operate under management arrangements.

We had net current assets of RMB193.4 million as at 31 March 2014 compared to net current assets of RMB133.0 million as at 31 December 2013, primarily due to (i) an increase of RMB74.7 million in bank balances and cash from RMB124.5 million as at 31 December 2013 to RMB199.3 million as at 31 March 2014 primarily due to increased cash generated from operating activities in connection with our sales in 2013; which was partly offset by an increase of RMB25.0 million in borrowings from RMB162.0 million as at 31 December 2013 to RMB187.0 million in the first three months ended 31 March 2014.

We had net current assets of RMB133.0 million as at 31 December 2013 compared to net current assets of RMB61.5 million as at 31 December 2012, primarily due to (i) an increase of RMB96.3 million in bank balances and cash from RMB28.2 million as at 31 December 2012 to RMB124.5 million as at 31 December 2013 primarily due to increased sales derived from our expanded fleet; (ii) a decrease of RMB38.1 million in trade and other payables from RMB66.5 million as at 31 December 2012 to RMB28.4 million as at 31 December 2013 primarily due to settlement of our payables to a related party of RMB37.8 million for equity transfer representing part of the consideration for 100% equity interests in Dalian Ocean Fishing that we acquired from Dalian Longtai; and (iii) an increase of RMB39.1 million in trade and other receivables from RMB115.1 million as at 31 December 2012 to RMB154.3 million as at 31 December 2013

FINANCIAL INFORMATION

primarily due to an increase in receivables from our sales agent in Japan as a result of our increased sales with expansion of our fleet and our increased sales of tuna in the fourth quarter of 2013 when prices of premium tuna in Japan increased; which were partly offset by an increase of RMB130.0 million in short-term borrowings from RMB32.0 million as at 31 December 2012 to RMB162.0 million as at 31 December 2013 primarily due to our increased working capital requirement with expansion of our fleet.

Our net current assets decreased to RMB61.5 million as at 31 December 2012 from RMB320.9 million as at 31 December 2011, primarily due to (i) a decrease of RMB389.1 million in trade and other receivables from RMB504.2 million as at 31 December 2011 to RMB115.1 million as at 31 December 2012 primarily as a result of a decrease of RMB474.1 million in non-trade receivables from related parties primarily due to declaration and payment of dividends of RMB340.0 million by Dalian Ocean Fishing to its then shareholder in 2012; and (ii) an increase of RMB36.6 million in trade and other payables from RMB29.9 million as at 31 December 2011 to RMB66.5 million as at 31 December 2012 as a result of payables to related parties for equity transfer of RMB50.0 million, which was part of the consideration for 100% equity interests in Dalian Ocean Fishing that we acquired from Dalian Longtai. The decrease in our net current assets was partly offset by a decrease of RMB140.0 million in short-term borrowings from RMB172.0 million as at 31 December 2011 to RMB32.0 million as at 31 December 2012 primarily as a result of repayment of certain short-term borrowings. Meanwhile, we increased our long-term borrowings to replace part of the above short-term borrowings.

DEFERRED EXPENDITURES

Our deferred expenditures are primarily incurred when we purchase bunker fuel and bait and are released to expenses when revenue is recognised for the sale. As at 31 December 2011, 2012, 2013 and 31 March 2014, our balances of deferred expenditures were RMB19.5 million, RMB18.1 million, RMB46.0 million and RMB54.3 million, respectively. Our deferred expenditures decreased from 2011 to 2012 primarily because four vessels preparing to return to port had a very small balance of unamortised bunker fuel and bait as at the end of 2012. Our deferred expenditures increased from 31 December 2012 to 31 December 2013 and further increased to 31 March 2014 primarily because we purchased more bunker fuel and bait with expansion of our fleet.

FINANCIAL INFORMATION

TRADE AND OTHER RECEIVABLES ANALYSIS

The table below sets out our trade and other receivables as at the respective balance sheet dates:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables.....	–	16,988	36,033	42,897
Other receivables				
– Related parties.....	474,065	–	–	–
– Receivables from a sales agent	29,399	16,552	73,361	40,641
– Receivables from the Owners of Managed Vessels under vessel management agreements.....	–	39,845	23,024	48,546
– Deposits for vessel management agreement	–	38,660	–	–
– Prepayments for purchase.....	584	33	3,728	2,988
– Other deposits and prepayments.....	162	3,055	18,119	19,845
	<u>504,210</u>	<u>115,133</u>	<u>154,265</u>	<u>154,917</u>

Trade receivables primarily related to the sales of premium tuna and common tuna, including sales made in connection with the vessel management arrangements. Other receivables primarily relate to receivables from related parties, receivables from our sales agent, receivables from ship-owners under vessel management arrangements, deposits paid by us under the vessel management arrangements and other deposits and prepayments. Our sales to customers in Japan and Taiwan are facilitated by an authorised sales agent, who assists us, among other things, in the negotiation of selling price and preparation of the sales confirmation.

Our customers typically tender to our authorised sales agent the proceeds from our sales after deduction of transshipment charges, customs duties and other relevant charges. Our authorised sales agent then tenders to us the remaining proceeds after deduction of its commission. The balances of other receivables from the authorised sales agent as of 31 December 2011, 2012, 2013 and 31 March 2014 represented the cash balances that had been collected by our authorised sales agent but not yet paid to us. As at the Latest Practicable Date, we have collected such cash balance fully from our authorised sales agent.

Our aggregate trade and other receivables decreased from RMB504.2 million as at 31 December 2011 to RMB115.1 million as at 31 December 2012, primarily due to a decrease in other receivables from related parties as a result of collection of such receivables, partly offset by (i) an increase in trade receivables relating to sales in connection with our vessel management arrangements and (ii) a reclassification of deposits for vessel management arrangements from non-current assets to other receivables. Our aggregate trade and other receivables increased from RMB115.1 million as at 31 December 2012 to RMB154.3 million as at 31 December 2013, primarily due to an increase in receivables from our sales agent as a result of our increased sales value with expansion of our fleet and our increased sales of tuna in the fourth quarter of 2013 when prices of premium tuna in Japan increased, which resulted in increased receivables from our

FINANCIAL INFORMATION

sales agent as at December 2013, partly offset by a decrease in deposit for vessel management agreement which had been converted to payment we made to acquire the four Japanese vessels we previously operated pursuant to a vessel management arrangements. Our aggregate trade and other receivables remained relatively stable as at 31 March 2014 as compared to that as at 31 December 2013.

As at the Latest Practicable Date, approximately RMB105.6 million, or 80.0%, of the outstanding balance of trade receivables, receivables from a sales agent and receivables from the owners of managed vessels under vessel management agreements as at 31 March 2014 had been settled.

For further details of other receivables from related party, please refer to "Related Party Transactions" in this section.

The following table sets out our average trade receivables turnover days for the periods indicated:

	Year ended 31 December			Three months ended
				31 March
	2011	2012	2013	2014
Average trade receivables turnover days ⁽¹⁾	42.4	61.9	98.6	91.3

Note:

- (1) Average trade receivables turnover days are computed as the average of the beginning and ending trade receivables balances plus the average of the beginning and ending receivables from sales agent and plus receivables from vessel owners under vessel management arrangements, for the year/period, divided by revenue for the period, multiplied by 365 days for a year or 90 days for the quarter in respect of periods indicated.

Before accepting any new customer, we gather and assess the credit information of the potential customer in considering the customers' quality and determining the credit limits for that customer. We generally allow credit periods of up to 90 days for our customers. Average trade receivable turnover days increased from 42.4 days in 2011 to 61.9 days in 2012, primarily because we entered into a vessel management arrangement with the registered Japanese ship-owners under which such ship-owners have a longer payment period. Average trade receivable turnover days increased from 61.9 days in 2012 to 98.6 days in 2013, primarily due to an increase in other receivables from our sales agent as a result of our increased sales with expansion of our fleet and our increased sales of tuna in the fourth quarter of 2013 when prices of premium tuna in Japan increased. Our average trade receivable turnover days remained relatively stable in the three months ended 31 March 2014 as compared to 2013.

FINANCIAL INFORMATION

The following table sets out the ageing analysis of our trade receivables as at the respective balance sheet dates:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	–	16,988	29,761	42,897
Over 3 months.....	–	–	6,272	–
	–	16,988	36,033	42,897
	=	=	=	=

We did not provide any allowance on the past due receivables as, in the opinion of our Directors, there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. We do not hold any collateral over these balances and as at the Latest Practicable Date, 88.8% of these balances have been subsequently received.

Our trade receivables are denominated in Japanese Yen, US dollars and Renminbi. The following table sets out a breakdown of our trade receivables denominated in foreign currencies as at the respective balance sheet dates.

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Currency:				
USD	–	–	8,139	–
Japanese Yen	–	16,988	21,622	30,465
	–	16,988	29,761	30,465
	=	=	=	=

Our trade receivables denominated in US dollars as at 31 December 2013 were primarily related to sharing of revenue under the vessel management arrangements.

FINANCIAL INFORMATION

TRADE AND OTHER PAYABLES ANALYSIS

The table below sets out our trade and other payables as at the respective balance sheet dates:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables.....	476	6,111	5,975	419
Advance from customer.....	9,000	–	–	–
Payroll and staff costs payables	10,529	11,684	13,257	14,643
Amount due to related party for equity transfer.....	–	37,780	–	–
Other payables				
– related party.....	9,475	9,808	114	165
– non-related party.....	435	1,104	9,070	11,431
Total trade and other payables	29,915	66,487	28,416	26,658

Trade payables primarily related to the purchases of bunker fuel, vessel equipment and bait from our suppliers. Payroll and staff costs mainly consisted of salaries, wages, bonus and other accrued benefits. Other payables primarily include payables due to related parties, which were primarily used to support our deposit payments to Japanese vessel owners relating to the proposed vessels purchase. Our aggregate trade and other payables increased from RMB29.9 million as at 31 December 2011 to RMB66.5 million as at 31 December 2012, primarily reflecting (i) payables due to related parties for equity transfer of RMB37.8 million representing part of the consideration for 100% equity interests in Dalian Ocean Fishing that we acquired from Dalian Longtai, and (ii) an increase in trade payables as the purchase of certain bunker fuel in 2012 was not settled in that year. Our aggregate trade and other payables decreased from RMB66.5 million as at 31 December 2012 to RMB28.4 million as at 31 December 2013, primarily reflecting (i) settlement of payables due to related parties of RMB37.8 million in respect of the acquisition of 100% equity interests in Dalian Ocean Fishing as explained above; and (ii) a decrease in other payables of RMB9.7 million to related parties primarily due to repayment of certain payables to related parties. Our aggregate trade and other payables remained relatively stable as at 31 March 2014 as compared to that as at 31 December 2013. For further details of other receivables from related party, please refer to “Related Party Transactions” in this section.

The following table sets out the ageing analysis of our trade payables at the respective balance sheet dates:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Age				
Within one year	311	5,904	5,673	150
Over one year but within two years	36	191	302	269
Over two years but within three years	1	–	–	–
Over three years.....	128	16	–	–
Total trade payables	476	6,111	5,975	419

FINANCIAL INFORMATION

Payment terms with our suppliers are on an average credit period of 30 days from the time after the goods are delivered to us. However, certain suppliers of bunker fuel usually require us to make prepayment for our purchase. The following table sets out our average trade payables turnover days for the Track Record Period:

	Year ended 31 December			Three months ended 31 March
	2011	2012	2013	2014
Average trade payables turnover days ⁽¹⁾	2.8	9.6	12.3	5.0

Note:

- (1) Average trade payables turnover days are computed as the average of the beginning and ending trade payables balances for the year/period, divided by the cost of sales in the year, multiplied by 365 days or 90 days for the relevant year/period.

Our average trade payables turnover days during the Track Record Period were mainly affected by our payment for bunker fuel and bait which accounted for a majority of our supplies in terms of value. Our average trade payables turnover days increased from 2011 to 2012 as purchases of certain bunker fuel close to the end of 2012 was not settled in that year. Our average trade payables turnover days increased from 2012 to 2013 primarily because certain suppliers granted us a credit term for purchase of bunker fuel due to our increased purchases with expansion of our fleet. Our average trade payables turnover days decreased from the year ended 31 December 2013 to the three months ended 31 March 2014 primarily because for the Japanese vessels under vessel management arrangements, we used their original suppliers whose credit period is shorter than those granted by our suppliers.

As at 31 March 2014, most of the outstanding balances of our trade payables as at 31 December 2013 had been settled.

RELATED PARTY TRANSACTIONS

We consider the following persons are our related parties, Ms. Li Li and Mr. Li Zhenyu, Dalian Investment, Dalian Changhai Shipyard Co., Ltd., Dalian Global Yachting Manufacture (INTL) Co., Ltd., Dalian Rishang Trading Co., Ltd., Dalian Zhongtianying Real Estate Development Co., Ltd., Dandong Xinming Trading Co., Ltd., and Dalian Longtai Investment Co., Ltd. Dandong Marine Vessels Equipment Industry Park Investment and Development Co., Ltd. is also regarded as our related party, as a company ultimately controlled by Mr. Li Zhengyu, but we did not enter into any transactions directly with Dandong Marine Vessels Equipment Industry Park Investment and Development Co., Ltd. All outstanding balances between us and our related parties were fully settled as at 31 December 2013.

Dalian Changhai Shipyard Co., Ltd. provided vessels maintenance services to us, for which we paid RMB0.1 million, nil, nil and nil in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. Ms. Li Li leased offices to us, for which we paid RMB20,000, RMB20,000, RMB129,000 and RMB51,000 in 2011, 2012, 2013 and the three months ended 31 March 2014, respectively. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole, and that these

FINANCIAL INFORMATION

transactions would not materially distort our track record results or make the historical results not reflective of our future performance. Save as disclosed in the paragraph headed "Related Party Transactions" in this section, we had no other significant transactions with related parties during the Track Record Period.

As at 31 December 2011, 2012, 2013 and 31 March 2014, we had other non-trade amounts due from related parties of RMB474.1 million, nil, nil and nil, respectively. The following table shows our balances of amounts due from related parties as at the respective balance sheet dates:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables:				
• Mr. Li Zhenyu	–	–	–	–
• Dalian Changhai Shipyard Co., Ltd.....	163,779	–	–	–
• Dalian Global Yachting Manufacture (INTL) Co., Ltd.....	56,599	–	–	–
• Dalian Rishang Trading Co., Ltd.....	214,740	–	–	–
• Dalian Zhongtianying Real Estate Development Co., Ltd.	7,947	–	–	–
• Dandong Xinming Trading Co., Ltd.	31,000	–	–	–
	<u>474,065</u>	=	=	=

Such related parties were set up to conduct other businesses ultimately controlled by Mr. Li Zhenyu. These businesses principally comprised the construction and operation of a shipyard, a yacht-building and sale business and an industrial park project for further shipyard development in Liaoning province, conducted through Dalian Changhai Shipyard Co., Ltd, Dalian Global Yachting Manufacture (INTL) Co., Ltd and Dandong Marine Vessels Equipment Industry Park Investment and Development Co. Ltd., respectively.

Dalian Changhai Shipyard Co., Ltd. was incorporated in December 2005 and was primarily engaged in vessel construction and maintenance. It was previously held, on trust for Mr. Li Zhenyu, as to 25%, 25% and 50% by Ms. Liu Yanyan, Mr. Gu Xinglian and Mr. Yang Wenxiang, respectively. Mr. Li Zhenyu disposed of his equity interest in Dalian Changhai Shipyard Co., Ltd. to two Independent Third Parties, which disposal was completed in October 2012.

Dalian Global Yachting Manufacture (INTL) Co., Ltd. was incorporated in April 2005. It is currently held, on trust for Mr. Li Zhenyu, as to 46.3%, 22.7% and 5% by Ms. Li Yingchun, Ms. Liu Xinxin and Mr. Zhang Xuegang, respectively. The remaining 26% equity interest is held by an Independent Third Party. Dalian Global Yachting Manufacture (INTL) Co., Ltd. is engaged in yacht building and sales.

Dandong Marine Vessels Equipment Industry Park Investment and Development Co., Ltd. was incorporated in August 2008. It is held as to 92.5% by Mr. Li Zhenyu. Dandong Marine Vessels Equipment Industry Park Investment and Development Co., Ltd. is primarily engaged in a further shipyard development project.

FINANCIAL INFORMATION

The remaining companies include:

- two trading companies, Dalian Rishang Trading Co., Ltd. held as to 95% by Mr. Li Zhenyu and 5% by Ms. Liu Xinxin on trust for Mr. Li Zhenyu, and Dandong Xinming Trading Co., Ltd. held on trust for Mr. Li Zhenyu, as to 14% and 86% by Ms. Chen Xin and Mr. Li Ming, respectively;
- Dalian Zhongtianying Real Estate Development Co., Ltd., a real estate investment business held on trust for Mr. Li Zhenyu, as to 15%, 80% and 5% by Mr. Li Yuntang, Ms. Liu Xinxin and Ms. Li Yingchun, respectively; and
- Dalian Longtai, a company currently held as to 95% and 5% by Mr. Li Zhenyu and Ms. Sun Lihua, respectively, established principally to hold a 5% equity interest in Longxing Fishery. Dalian Longtai did not engage in other businesses since its incorporation.

None of the above five companies engaged in any material business during the Track Record Period.

Mr. Li Zhenyu, acting in his capacity as general manager of Dalian Ocean Fishing, was in charge of making such advances to related parties during the Track Record Period. Decisions to make such advances were recorded in certain internal minutes of Dalian Ocean Fishing. Since Dalian Ocean Fishing and such related parties were under Mr. Li Zhenyu's common control, Mr. Li Zhenyu intended to, by making such advances, utilise Dalian Ocean Fishing's cash flow to support other businesses in which related parties were engaged.

All of these amounts were unsecured, interest free and had no specific repayment terms but were repayable on demand. We did not enter into any formal loan agreement with Mr. Li Zhenyu and other related parties, as we and such other related parties were under Mr. Li Zhenyu's common control during the Track Record Period. We understand that the related parties mainly used such advances for the purposes of funding capital expenditure needs in relation to the construction and expansion of three projects in Liaoning province, which included a shipyard project, a yacht-building project and an industrial park project for a further shipyard development, all of which were ultimately controlled by Mr. Li Zhenyu. We did not make any further such advances after the closing of the [REDACTED] investment made by Maguro in July 2012. As a result, we requested the repayment of all such outstanding balances by the end of 2012. All such outstanding balances were fully settled in 2012 by way of cash injections made by Mr. Li Zhenyu and such related parties. We do not plan to make similar advances to our related parties in the future.

Our PRC legal advisers, Commerce & Finance Law Offices, has advised us that the advances between those companies and us were not in compliance with the "General Rules on Credit" (貸款通則) promulgated by the PBOC, which state that (i) only companies with requisite qualifications and licenses may engage in the provision of advances to other entities, (ii) such activities are prohibited by the PBOC, and (iii) the PBOC may impose a maximum fine of up to five times the illegal income received by the providers of such advances on such provider. Given that the above loans were interest-free, used in the normal operations and not for any illegal purpose and fully settled and that we had not generated any income from such advances, our PRC legal advisers, Commerce & Finance Law Offices, after consulting the PBOC Dalian Branch, is of the opinion that we will not be subject to any penalty imposed by the PBOC. For the risks relating to such non-compliance, please refer to "Risk Factors – Risks Relating to Our Business – We may be subject to government penalties as a result of advances made to related parties during the Track Record Period" in this [REDACTED]. Mr. Li Zhenyu has agreed to indemnify our Company for any penalties or other losses which we may incur as a result of such historical non-compliance.

FINANCIAL INFORMATION

In 2012, we started to further tighten our internal controls in our preparation for the proposed investments by Maguro and the proposed Listing on the Stock Exchange. Please refer to the section headed "Business – Internal Control Review" in this [REDACTED] for details of the specific internal controls measures adopted to prevent recurrence of similar incidents in the future.

As at 31 December 2011, 2012, 2013 and 31 March 2014, we had non-trade amounts due to related parties of RMB9.5 million, RMB47.6 million, RMB0.1 million and RMB0.2 million, respectively. As at 31 December 2011 and 2012, we had non-trade amounts due to Mr. Li Zhenyu in the amount of RMB9.5 million, as Mr. Li Zhenyu made advances to us supporting our deposit payments to Japanese fishing vessels owners relating to the proposed vessel purchase in 2012 and early 2013. As at 31 December 2012, we had non-trade amounts due to Ms. Li Li in the amount of RMB0.3 million as Ms. Li Li paid certain expenses for us in 2012. The above advances were fully repaid by us as at 31 December 2012. As at 31 December 2012, we had non-trade amounts due to Dalian Longtai in the amount of RMB37.8 million, representing the remaining consideration due to Dalian Longtai as a result of the Reorganisation, which we fully settled in 2013. As at 31 December 2013, we had non-trade amounts due to Ms. Li Li in the amount of RMB0.1 million, representing office rental payable to Ms. Li Li.

KEY FINANCIAL RATIOS

	As at/for the year ended December 31,			As at/for the three months ended 31 March	
	2011	2012	2013	2013 (unaudited)	2014
Gross profit margin ⁽¹⁾	70.4%	58.6%	52.9%	50.9%	55.6%
Net profit margin before interest and tax ⁽²⁾	59.9%	48.6%	42.4%	35.2%	42.1%
Net profit margin ⁽³⁾	54.2%	45.7%	36.5%	31.5%	38.9%
Return on assets ⁽⁴⁾	19.1%	24.0%	20.0%	N/A	21.6%
Return on equity ⁽⁵⁾	28.6%	37.5%	31.7%	N/A	32.7%
Current ratio ⁽⁶⁾	2.6	1.6	1.7	N/A	1.9
Debt to equity ratio ⁽⁷⁾	0.4	0.3	0.2	N/A	0.1
Interest coverage ratio ⁽⁸⁾	10.5	17.0	7.2	9.5	13.2
Gearing ratio ⁽⁹⁾	0.5	0.7	0.5	N/A	0.5

Notes:

- (1) Gross profit margin represents our gross profit divided by revenue for the year/period.
- (2) Net profit margin before interest and tax represents our profit before interest and tax divided by revenue for the year/period.
- (3) Net profit margin represents net profit for the year/period divided by revenue for the year/period.
- (4) Return on assets represents net profit for the year/period divided by average of the beginning and ending of the total assets excluding bank deposits for entrusted loan within our Group.
- (5) Return on equity represents net profit for the year/period divided by the average of the beginning and ending of the equity attributable to the equity holder of our Company at the beginning and the end of the year/period.
- (6) Current ratio represents current assets divided by current liabilities as at the end of the year/period.
- (7) Debt to equity ratio represents net debt divided by total equity as at the end of the year/period. Net debt includes all borrowings less bank balances and cash.
- (8) Interest coverage ratio represents profit before interest and tax divided by interest expenses for the year/period.
- (9) Gearing ratio represents total liability excluding entrusted loan within our Group divided by total equity as at the end of the year/period.

FINANCIAL INFORMATION

Gross profit margin

In 2011, 2012, 2013 and the three months ended 31 March 2014, our gross profit margin was 70.4%, 58.6%, 52.9% and 55.6%, respectively. Our gross profit margin increased from 50.9% in the three months ended 31 March 2013 to 55.6% in the three months ended 31 March 2014, primarily due to a 21.3% increase in our average selling price of premium tuna from RMB40.2/kg to RMB48.7/kg. Our gross profit margin decreased from 2012 to 2013, primarily due to (i) the depreciation of the Japanese Yen against the Renminbi from 12.6:1 in 2012 to 15.8:1 in the 2013, since 73.9% and 72.0% of our total revenue was derived from sales to our customer in Japan denominated in Japanese Yen in 2012 and 2013, respectively, in addition, the depreciation of Japanese Yen also affected our sales in other markets as sales prices there are usually determined with reference to the prevailing tuna prices in Japan; (ii) an increase in depreciation costs with respect to our vessels primarily due to our acquisition of ten fishing vessels in early 2013 including six fishing vessels from PRC sellers and four fishing vessels from Japanese sellers; and (iii) five fishing vessels calling at ports in 2013 for replenishing supplies and facilitating the [REDACTED]-related due diligence coupled with four vessels returning to port for scheduled maintenance in 2013 compared to three vessels in 2012. Our gross profit margin decreased from 2011 to 2012, primarily due to (i) a decrease in our average selling price per kg of premium tuna in Japan from JPY814.1 in 2011 to JPY738.7 in 2012, which was mainly attributable to the market price decline as a result of the increased supply of premium tuna to the Japanese market due to a sudden increased catch volume of tuna in the Indian Ocean from the last quarter of 2012 to early 2013; (ii) the depreciation of the Japanese Yen against the Renminbi from 12.3:1 in 2011 to 12.6:1 in 2012; and (iii) the fact that three of our fishing vessels returned to port in 2012 compared to one vessels in 2011, resulting in more repair and maintenance costs and fishing gear expenses and a corresponding reduction in the level of operations of those vessels while they underwent maintenance.

Net profit margin before interest and tax

In 2011, 2012, 2013 and the three months ended 31 March 2014, our net profit margin before interest and tax was 59.9%, 48.6%, 42.4% and 42.1%, respectively. Our net profit margin before interest and tax increased from 35.2% in the three months ended 31 March 2013 to 42.1% in the three months ended 31 March 2014 primarily due to an increase in our gross profit margin as explained above. Our net profit margin before interest and tax decreased from 2012 to 2013, primarily due to a decrease in our gross profit margin as explained above and an increase in the expenses in connection with the Listing. Our net profit margin before interest and tax decreased from 2011 to 2012, primarily due to a decrease in our gross profit margin as explained above.

Net profit margin

In 2011, 2012, 2013 and the three months ended 31 March 2014, our net profit margin was 54.2%, 45.7%, 36.5% and 38.9%, respectively. Our net profit margin increased from 31.5% in the three months ended 31 March 2013 to 38.9% in the three months ended 31 March 2014 primarily due to an increase in our gross profit margin as explained above. Our net profit margin decreased from 2012 to 2013, primarily due to a decrease in our gross profit margin as explained above, an increase in our finance costs as a result of incurrence by us of non-recurring and non-cash charge of the interest on certain puttable instruments and an increase in the expenses in connection with the Listing. Our net profit margin decreased from 2011 to 2012, primarily due to a decrease in our gross profit margin as explained above.

FINANCIAL INFORMATION

Return on assets

In 2011, 2012, 2013 and the three months ended 31 March 2014, our return on assets was 19.1%, 24.0%, 20.0% and 21.6%, respectively. The increase in return on assets from 2011 to 2012 was mainly due to a 19.0% increase in our net profit and a 5.1% decrease in average assets primarily due to our settlement of amounts due from related parties. The decrease in return on assets from 2012 to 2013 was primarily as a result of the significant increase in average assets primarily due to our acquisition of ten fishing vessels in early 2013.

Return on equity

In 2011, 2012, 2013 and the three months ended 31 March 2014, our return on equity was 28.6%, 37.5%, 31.7% and 32.7%, respectively. The increase in return on equity from 2011 to 2012 was mainly due to a 19.0% increase in net profit and a 9.3% decrease in average equity attributable to our equity holder as we declared and paid dividends of RMB340.0 million in 2012, partly offset by capital contributions to us by certain investors and capital contribution to Longxing Fishery by its minority shareholder. The decrease in return on equity from 2012 to 2013 was mainly due to the issue of shares to certain investors. For further details, please refer to the section headed "History, Development and Reorganisation – [REDACTED] Investments" in this [REDACTED].

Current ratio

As at 31 December 2011, 2012, 2013 and 31 March 2014, our current ratio was 2.6, 1.6, 1.7 and 1.9, respectively. The decrease in current ratio from 31 December 2011 to 31 December 2012 was mainly due to a 69.2% decrease in current assets primarily as a result of our declaration and payment of dividends of RMB340.0 million to offset the amount due to related parties. Our current ratio remained relatively stable from 31 December 2012 to 31 December 2013.

Debt to equity ratio

As at 31 December 2011, 2012, 2013 and 31 March 2014, our debt to equity ratio was 0.4, 0.3, 0.2 and 0.1, respectively. Our debt to equity ratio remained relatively stable during the Track Record Period.

Interest coverage ratio

In 2011, 2012, 2013 and the three months ended 31 March 2014, our interest coverage ratio was 10.5, 17.0, 7.2 and 13.2, respectively. The increase in interest coverage ratio from 2011 to 2012 was mainly due to a 14.4% increase in profit before interest and tax and a decrease in our finance costs mainly due to a decrease in outstanding bank borrowings. The decrease in interest coverage ratio from 2012 to 2013 was primarily due to a significant increase in our finance costs as explained above. The increase in interest coverage ratio from 9.5 in the three months ended 31 March 2013 to 13.2 in the three months ended 31 March 2014 was primarily due to the increase in profit before interest and tax outpacing the increase in the interest expense.

FINANCIAL INFORMATION

Gearing ratio

As at 31 December 2011, 2012, 2013 and 31 March 2014, our gearing ratio was 0.5, 0.7, 0.5 and 0.5, respectively. The increase in gearing ratio from 2011 to 2012 was mainly due to the reduction in equity as a result of the distribution of dividends to our controlling shareholders in 2012. The decrease in gearing ratio from 2012 to 2013 was primarily due to the increase in equity as a result of capital injection from certain investors.

WORKING CAPITAL

Our Directors believe that after taking into account the financial resources presently available to us, including banking facilities and other internal resources, and the estimated net proceeds of the [REDACTED], we have sufficient working capital for our working capital requirements in the next 12 months from the date of this [REDACTED]. Apart from the [REDACTED], we currently do not have any external financing plans.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we have not entered into any off-balance sheet transactions.

CONTINGENT LIABILITIES

As at 31 December 2011, 2012, 2013 and 31 March and 30 April 2014, we had no contingent liabilities.

We are currently not involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving our Group. If our Group is involved in any material legal proceedings in the future, and based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated, we would then record a contingent liability.

DISTRIBUTABLE RESERVES

As at 31 March 2014, we had distributable reserves of RMB212.0 million which consisted of share premium, partly offset by accumulated losses. Our distributable reserves are available for distribution to our equity holders.

DIVIDEND AND DIVIDEND POLICY

Dalian Ocean Fishing declared and paid dividends of RMB340.0 million to its then shareholders in 2012.

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Our Shareholders will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our discretion.

FINANCIAL INFORMATION

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Our Directors confirm that there has not been any share subdivision, share consolidation, and declaration and payment of dividend since 31 March 2014 up to the date of this [REDACTED].

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENTS

Set forth below are certain developments after the end of the Track Record Period regarding our business:

- As of the Latest Practicable Date, we had paid RMB116.9 million to the Japanese ship-owners of the seven vessels we operate under vessel management arrangements as part of the acquisition consideration for these vessels.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the "Financial Information – Recent Developments" section above, our Directors confirm that, up to the date of this [REDACTED], there has been no material adverse change in the financial or trading position or prospects of us since 31 March 2014 and there is no event since 31 March 2014 which would materially affect the information shown in the accountants' report set out in Appendix I to this [REDACTED].

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only and it may not give a true picture of our net tangible assets following the [REDACTED]. The following unaudited pro forma adjusted net tangible assets is set out here to illustrate the effect of the [REDACTED] on our net tangible assets as at 31 March 2014 as shown in the accountants' report, the text of which is set out in Appendix I to this [REDACTED], and adjusted as described below. The unaudited pro forma adjusted net tangible assets statement does not form part of the accountants' report.

	Audited consolidated net tangible assets of our Group as at 31 March 2014	Estimated net proceeds from the [REDACTED] ⁽¹⁾	Unaudited pro forma net tangible assets	Unaudited pro forma net tangible assets per Share ⁽²⁾	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB)	HK\$
Based on an [REDACTED] of HK\$[REDACTED] perP Share.....	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share.....	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The estimated net proceeds from the [REDACTED] are based on the [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per Share, after deduction of the underwriting fees and other related expenses payable by us. No account has been taken of the Shares which may fall to be issued upon the exercise of the Over-allotment Option. For the purpose of the estimated net proceeds from the [REDACTED], the translation of RMB into HK dollars was made at the rate of [●], the exchange rate prevailing on [●] set by the PBOC for foreign exchange transactions.
- (2) The unaudited pro forma net tangible asset per Share is arrived at after the adjustment for the estimated net proceeds from the [REDACTED] payable to us as described in Note (1) and on the basis that a total of [REDACTED] Shares were in issue as at [REDACTED] 2014 (including Shares in issue as at the date of this [REDACTED] and those Shares to be issued pursuant to the [REDACTED]).

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Interest rate risk

Our fair value interest rate risk relates primarily to our pledged bank deposits. We are also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly, bank balances and cash and bank borrowings which carried at prevailing market interest rates. It is our policy to keep our borrowings at floating rate of interests so as to minimise the fair value interest rate risk. We currently do not use any derivative contracts to hedge our exposure to interest rate risk. However, our Directors will consider hedging significant interest rate risk should the need arise.

FINANCIAL INFORMATION

If interest rates on bank balances had been 5 basis points higher/lower, interest rates on floating rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the potential effect on post-tax profit is as follows:

	Year ended 31 December			Three months ended 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Post-tax profit would decrease by.....	860	546	1,278	342

In the opinion of our Directors, the above sensitivity analysis is unrepresentative of the inherent interest rate risk as the year/period end exposures do not reflect the exposure during the Track Record Period.

We do not have any exposure on interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the holding of foreign currency denominated assets and liabilities will affect our position as a result of a change in foreign currency exchanges rates. Certain of our trade and other receivables, bank balances and cash, trade and other payables and bank borrowings are denominated in foreign currencies, which may expose us to foreign currency risk.

The carrying amounts of our foreign currency denominated monetary assets and monetary liabilities at the end of each respective reporting period are as follows:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
US dollars.....	38,959	92,475	252,810	231,317
Japanese Yen.....	29,100	24,468	28,945	36,104
Hong Kong dollars.....	–	1,257	1,096	258
Total assets	68,059	118,200	282,851	267,679
Liabilities				
US dollars.....	–	5,342	107,873	106,745
Hong Kong dollars.....	–	–	684	–
Total liabilities.....	–	5,342	108,557	106,745

FINANCIAL INFORMATION

We are mainly exposed to the currency risks of US dollars, Japanese Yen and HK dollars. The following table sets forth a sensitivity analysis with respect to a 10% increase in RMB against US dollar, Japanese Yen and HK dollars which represents the management's assessment of the reasonable possible change in foreign exchange rates. A positive number below indicates a decrease in post-tax profit where RMB appreciates by 10% against relevant foreign currencies.

	Year Ended 31 December			Three months ended 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Post-tax profit related US dollars, would decrease by.....	<u>3,896</u>	<u>8,713</u>	<u>14,494</u>	<u>12,457</u>
Post-tax profit related Japanese Yen, would decrease by.....	<u>2,910</u>	<u>2,447</u>	<u>2,895</u>	<u>3,610</u>
Post-tax profit related HK dollar, would decrease by.....	<u>-</u>	<u>126</u>	<u>41</u>	<u>26</u>

For a 10% depreciation of the RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit after taxation. In the opinion of the directors of our Directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposures do not reflect the exposure during the Track Record Period.

Please refer to "Risk Factors – Risks Relating to Our Business – Our business may be negatively affected by fluctuations in exchange rates and foreign exchange controls" in this [REDACTED], "Factors Affecting Our Financial Condition And Results Of Operations – Fluctuations in the Japanese Yen and US dollar" and "Sensitivity Analysis" in this section.

Credit risk

Our maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2011, 2012, 2013 and 31 March 2014 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, our Directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, our Directors review the recoverability of each trade debt at the end of each of the reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our credit risk is significantly reduced.

As at 31 December 2011, 2012, 2013 and 31 March 2014, we had concentration of credit risk as (i) our trade receivables of nil, RMB17.0 million, RMB36.0 million and RMB42.9 million, respectively, were derived from our top five customers; (ii) RMB29.4 million, RMB16.6 million, RMB73.4 and RMB40.6 million, respectively, were receivables from our authorised sales agent; (iii) nil, RMB39.8 million, RMB23.0 million and RMB48.5 million, respectively, were derived from nil, three, two and two ship-owners, respectively, pursuant to the vessel management arrangements; and (iv) nil, RMB38.7 million and nil, respectively were deposits paid for vessel management arrangements paid to nil, one, two and nil ship-owners, respectively. In order to minimise the credit risk, our Directors continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure

FINANCIAL INFORMATION

or even to recover the overdue debts. In addition, as payment from our major customer in Japan is usually tendered to us through a sales agent, we may also be subject to credit risk relating to such sales agent. Please refer to "Risk Factors – Risks Relating to Our Business – We rely on an authorised sales agent for the collection of portion of our revenue from our customer in Japan" in this [REDACTED].

The credit risk on bank balances is limited because the counterparties are reputable financial institutions.

Liquidity risk

In managing our liquidity risk, we maintain a balance between continuity of funding and the flexibility through the use of borrowings. We closely monitor the liquidity position and expect to have adequate sources of funding to finance our operations.

The following table sets forth our remaining contractual maturity for our non-derivative financial liabilities as at 31 December 2011, 2012, 2013 and 31 March 2014.

	Weighted average interest rate	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities								
<u>As at 31 December 2011</u>								
Trade and other payables	–	20,480	–	–	–	–	20,480	20,480
Variable rates interest borrowings	6.50	165,740	7,099	–	–	–	172,839	172,000
		<u>186,220</u>	<u>7,099</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>193,319</u>	<u>192,480</u>
<u>As at 31 December 2012</u>								
Trade and other payables	–	65,383	588	–	–	–	65,971	65,971
Variable rates interest borrowings	6.59	1,878	36,720	81,722	–	–	120,320	112,000
Entrusted loan within the Group	0.35	–	–	–	50,525	–	50,525	50,000
		<u>67,261</u>	<u>37,308</u>	<u>81,722</u>	<u>50,525</u>	<u>–</u>	<u>236,816</u>	<u>227,971</u>
<u>As at 31 December 2013</u>								
Trade and other payables	–	19,346	1,677	–	–	–	21,023	21,023
Variable rates interest borrowings	3.37	77,289	87,515	116,561	–	–	281,365	268,142
Entrusted loan within the Group	0.35	–	–	50,525	88,065	–	138,590	137,150
		<u>96,635</u>	<u>89,192</u>	<u>167,086</u>	<u>88,065</u>	<u>–</u>	<u>440,978</u>	<u>426,315</u>
<u>As at 31 March 2014</u>								
Trade and other payables	–	15,227	750	–	–	–	15,977	15,977
Variable rates interest borrowings	4.60	89,413	103,708	116,561	–	–	309,682	293,745
Entrusted loan within the Group	0.35	–	–	50,525	88,065	–	138,590	137,150
		<u>104,640</u>	<u>104,458</u>	<u>167,086</u>	<u>88,065</u>	<u>–</u>	<u>464,249</u>	<u>464,872</u>

Bank loans with a repayment on demand clause are included in the "less than 3 months" column in the above table. As at 31 December 2011, the aggregate carrying amount of these bank loans amounted to RMB125.0 million. For the outstanding amount of these bank loans as at the Latest Practicable Date, the lender thereof undertook not to exercise discretionary rights to demand immediate repayment.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the [REDACTED] (assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme), Tuna Holdings will hold [REDACTED]% of the total issued share capital of our Company. Tuna Holdings is wholly owned by Ms. Li Li. Pursuant to the confirmation letters of acting in concert signed by Mr. Li Zhenyu and Ms. Li Li on 5 March 2012 and 6 April 2012, Mr. Li Zhenyu and Ms. Li Li have been acting in concert in relation to management and ownership of our Group, including exercising the voting rights attached to the relevant interests held by them, daily management of our Group and sharing the benefits arising from the relevant interests held by them, starting from January 2008. Tuna Holdings, Ms. Li Li and Mr. Li Zhenyu are, directly or indirectly, entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company. Accordingly, each of Tuna Holdings, Ms. Li Li and Mr. Li Zhenyu will be regarded as our Controlling Shareholder under the Listing Rules immediately after completion of the Capitalisation Issue and the [REDACTED].

As at the Latest Practicable Date, apart from our Group, Ms. Li Li did not have any interest in any other companies, and Mr. Li Zhenyu had interests in the following companies:

Company Name	Percentage of Interest Held by Mr. Li Zhenyu	Core Business Scope
Dalian Investment ⁽¹⁾	40%	Private equity investment
Dalian Zhongtianying Real Estate Development Co., Ltd. (大連中天盈房地產開發有限公司) ⁽²⁾	100%	No actual business conducted
Dalian Longtai ⁽³⁾	100%	No actual business conducted

Notes:

- (1) Dalian Investment was held as to 30% by Dalian Production Promotion Centre, 30% by Liaoning Technology Venture Investment Company and 40% by Dalian Longtai. For details regarding Dalian Investment, please refer to the paragraph headed "Corporate History – (2) Dalian Investment" in the section of "History, Development and Reorganisation" in this [REDACTED].
- (2) Dalian Zhongtianying Real Estate Development Co., Ltd. was established as a limited liability company under the PRC laws on 16 April 2004 with a registered capital of RMB10,000,000. Pursuant to a trust agreement dated 2 August 2007 entered into among Ms. Liu Xinxin, Mr. Li Yuntang, Ms. Li Yingchun (sister of Mr. Li Zhenyu), and Mr. Li Zhenyu, the 100% equity interest in Dalian Zhongtianying Real Estate Development Co., Ltd. was held as to 80% by Ms. Liu Xinxin, 15% by Mr. Li Yuntang and 5% by Ms. Li Yingchun on trust for Mr. Li Zhenyu for commercial reasons. Ms. Liu Xinxin and Mr. Li Yuntang are friends of Mr. Li Zhenyu and are Independent Third Parties.
- (3) Dalian Longtai was held as to 95% by Mr. Li Zhengu and 5% by Ms. Sun Lihua, the mother of Mr. Li Zhenyu, on trust for Mr. Li Zhenyu. For details regarding Dalian Longtai and such trust arrangement, please refer to the paragraph headed "Reorganisation – (2) Restructuring of our PRC subsidiaries" in the section of "History, Development and Reorganisation" in this [REDACTED].

As confirmed by Mr. Li Zhenyu, the above-mentioned trust arrangements for item (2) to item (3) were established for commercial reasons.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As we are principally engaged in catching and sales of tuna, our Directors are of the view that (i) there is a clear delineations between our principal businesses and the businesses of the above companies owned by our Controlling Shareholders; and (ii) the businesses of the above companies owned by our Controlling Shareholders do not, directly or indirectly, compete with the business of our Group.

As confirmed by our Controlling Shareholders, except for their respective interests in our Group and the interests in non-Group companies as disclosed above, our Controlling Shareholders had no interest in any other companies as at the Latest Practicable Date which (i) held interests in our business during the Track Record Period and ceased to hold such interests after the Reorganisation; or (ii) may, directly or indirectly, compete with the business of our Group.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders (being Tuna Holdings, Ms. Li Li and Mr. Li Zhenyu) has entered into the Deed of Non-Competition in favour of our Company, pursuant to which our Controlling Shareholders have undertaken to our Company (for itself and for the benefit of its subsidiaries) that they would not, and would procure that their associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate in or be interested or engaged in or hold (in each case whether as a shareholder, partner, agent, director, trustee, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the "**Restricted Business**").

The above non-competition undertaking does not apply to:

- (a) any interests in the shares of any member of our Group; or
- (b) interests in the shares of a company other than our Group which shares are listed on a recognised stock exchange provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
 - (ii) the total number of the shares held by the Controlling Shareholders and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of that company and such Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and their respective associates in aggregate; or
 - (iii) the Controlling Shareholders and/or their respective associates do not have the control over the board of such company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The "restricted period" stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; and (ii) in relation to each Controlling Shareholder, the relevant Controlling Shareholder or any of their associate still holds directly or indirectly any equity interest in our Company and (iii) the Controlling Shareholders and/or their respective associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company.

Options for New Business Opportunities

Each of the Controlling Shareholders has undertaken to procure that, during the restricted period, if any business opportunity is offered to any of the Controlling Shareholders or its/his/her respective associates which falls within the scope of the Restricted Business, the Controlling Shareholders will immediately notify or cause their associates to notify ("**Offer Notice**") our Company of such business opportunity, and will assist our Company (and/or its subsidiaries) to obtain such business opportunity on the same terms as those offered to them or their associates, or on more favorable terms or on terms acceptable to our Company (and/or its subsidiaries).

The Controlling Shareholders will be entitled to pursue such business opportunity only if (i) the Controlling Shareholders and/or their respective associates have given an Offer Notice to our Company in relation to the terms and detailed information with respect to their investment, participation and engagement in and/or operation of such business opportunity; and (ii) such business opportunity as offered by the third party has first been offered to our Company (for itself and for the benefit of its subsidiaries), including: (a) the terms of offer between our Company (for itself and for the benefit of its subsidiaries) and the third party; or (b) the terms on which our Company (and/or its subsidiaries) to engage in the Restricted Business with the Controlling Shareholders and/or their respective associates, and our Company, after review and approval by the independent non-executive Directors or at any general meeting of Shareholders (if applicable), where the Controlling Shareholders shall abstain from voting, has confirmed that our Company (and/or its subsidiaries) does not intend to invest in, conduct, operate or participate in such business opportunity and has made relevant written confirmation to the Controlling Shareholders, and the major terms on which the Controlling Shareholders and/or their respective associates invest in, conduct, operate or participate in such business opportunity subsequently will not be more favorable than those terms offered to our Company.

Options for Acquisitions

For any new business opportunity of the Controlling Shareholders, which has been offered to, but has not been taken up by, our Company (and/or its subsidiaries) and has been retained by the Controlling Shareholders, which falls within the scope of the Restricted Business ("**New Business**"), each of the Controlling Shareholders has undertaken to grant us the option ("**Options for Acquisition**") which is exercisable at any time during the term of the restricted period, subject to relevant applicable laws and regulations, to purchase at one or more times any equity interest, assets or other interests which form part/or all of the New Business as described above, or to operate the New Business by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive rights in accordance with applicable laws and regulations and/or a prior legally binding document (including but not limited to articles of association and shareholders' agreement), our Options for Acquisition shall be subject to such third-party rights. In this case, the Controlling Shareholders will use its/his best efforts to procure the third party to waive its pre-emptive rights.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Controlling Shareholders shall procure their respective associates (excluding our Company and its subsidiaries) to comply with the Options for Acquisition granted to our Company (for itself and the benefit of its subsidiaries) by the Controlling Shareholders above.

The consideration shall be determined following negotiation between the parties under the fair and reasonable principle according to the valuation conducted by a third-party professional valuer and the mechanism and procedure provided by the applicable laws and regulations.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the Options for Acquisition. When considering whether or not to exercise the Options for Acquisition, the independent non-executive Directors will form their views based on a range of factors, including but not limited to, business scale, business prospect, estimated profitability, investment value and permits and approval requirements.

Pre-emptive Rights

Each of the Controlling Shareholders has undertaken that, during the term of the restricted period, if it intends to transfer, sell, lease or license or otherwise transfer or permit to use any of the interest in the New Business to a third party, the Controlling Shareholders shall notify us by written notice ("**Selling Notice**") in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or license and any information which may be reasonably required by our Company to make a decision. We shall reply to the Controlling Shareholders within 30 days after receiving the Selling Notice. Each of the Controlling Shareholders has undertaken that until it receives the reply from our Company, it shall not notify any third party of the intention to transfer, sell, lease or license such New Business. If the Company decides not to exercise the pre-emptive rights ("**Pre-emptive Rights**") or if our Company does not reply to the Controlling Shareholders within the agreed time period, the Controlling Shareholders are entitled to transfer, sell, lease or license the business to a third party pursuant to the terms stipulated in the Selling Notice.

The Controlling Shareholders shall procure their respective associates (excluding our Company and its subsidiaries) to comply with the Pre-emptive Rights.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the Pre-emptive Rights. When the Controlling Shareholders and/or their respective associates deliver to us the Selling Notice, we will report to our independent non-executive Directors within seven days of receipt for their consideration before reverting to the Controlling Shareholders and/or their respective associates within the 30 days period from the date of receiving such Selling Notice. When considering whether or not to exercise the Pre-emptive Rights, the independent non-executive Directors will form their views based on a range of factors, including but not limited to, business scale, business prospect, estimated profitability, investment value and permits and approval requirements.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Exceptions

In the event that the Board or general meeting of Shareholders resolves that it is appropriate for the Controlling Shareholders and/or their respective associates and our Company (and/or its subsidiaries) to jointly invest in, conduct, operate or participate in the business opportunity offered by such third party as mentioned under the paragraph headed "Options for New Business Opportunities" above, and if our Company gives written invitation, the Controlling Shareholders and/or their respective associates may together with our Company (and/or its subsidiaries), jointly invest in, conduct, operate or participate in the business opportunity subject to the provisions of the Listing Rules and any requirement from the Stock Exchange (including but not limited to the obtaining of approval from the independent non-executive Directors and independent Shareholders of the Company and/or other approvals).

In addition, in any one of the following circumstances, the Controlling Shareholders and/or their respective associates may hold or own business identical with or similar to the Restricted Business, as well as the shares or any other securities of any company ("**Listed Company**") listed on any stock exchange recognized by the laws of the relevant countries (including a stock exchange recognised by the laws and regulations of the PRC):

- (a) the latest audited financial statements of the Listed Company prepared in accordance with the relevant accounting standards and systems (if the Listed Company has prepared unconsolidated financial statements and consolidated financial statements simultaneously, then such consolidated financial statements) show that the turnover of those business identical with or similar to Restricted Business accounts for no more than 10% of the total consolidated turnover of each of the Company and the Listed Company, or the net assets of such business accounts for no more than 10% of the total consolidated assets of each of the Company and the Listed Company; or
- (b) the total number of the shares held by the Controlling Shareholders and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of such Listed Company, and the Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of such Listed Company, and at any time there should exist at least another shareholder of the Listed Company whose shareholding in such Listed Company is higher than the total number of shares held by the Controlling Shareholders and/or their respective associates in aggregate.

Further Undertaking

Each of the Controlling Shareholders has further undertaken that:

- (a) upon the request of our independent non-executive Directors, it will provide all information necessary for our independent non-executive Directors to review the Controlling Shareholders' and their respective associates' (excluding our Company and its subsidiaries) compliance with and enforcement of the Deed of Non-Competition;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) it agrees that we disclose the decision made by the independent non-executive Directors related to the compliance with and enforcement of the Deed of Non-Competition in our annual report, or by way of announcement; and
- (c) it will make a declaration to our Company and our independent non-executive Directors annually regarding its compliance with the Deed of Non-Competition for us to disclose in our annual report.

The Controlling Shareholders have been informed that our Company will also adopt the following procedures to make sure that the undertakings under the Deed of Non-Competition are observed by the Controlling Shareholders:

- (a) we will provide to our independent non-executive Directors the Offer Notice and Selling Notice (as the case may be) within seven days of receipt;
- (b) our independent non-executive Directors will report in our announcement or annual report after Listing (a) their findings on the compliance by the Controlling Shareholders and/or their respective associates of the Deed of Non-Competition and (b) any decision made pursuant to the Options for Acquisitions and Pre-emptive Rights granted to the Company and the basis of such decision; and
- (c) the Directors consider that the independent non-executive Directors have sufficient experience in assessing whether or not to take up the new business opportunities or exercise the Pre-emptive Rights. In any event, the independent non-executive Directors may appoint financial adviser or professional expert to provide advice, at the cost of the Company, in connection with the exercise or non-exercise of the Options for Acquisitions and Pre-emptive Rights under the Deed of Non-Competition.

Indemnity

In the event that any of the Controlling Shareholders is in violation of any undertakings in the Deed of Non-competition, or any representation made under the Deed of Non-competition is untrue, incorrect or misleading, such Controlling Shareholder agrees to indemnify our Company and its subsidiaries for all losses (including but not limited to loss of business) incurred by the same as a result of such violation.

DIRECTORS

Each of our Directors confirms that he or she is not interested in any business apart from our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business. Moreover, pursuant to their respective service agreements, our executive Directors will not at any time during their terms of service with our Group without the prior written consent of the Board be or become a director of any company (other than our Company or any other member of our Group) or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on our business independently of the Controlling Shareholders and their respective associates:

Management Independence

Our Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. Mr. Li Zhenyu, our Controlling Shareholder, is one of our executive Directors and also the chairman of the Board. His daughter, Ms. Li Li, our Controlling Shareholder, is a non-executive Director of our Company. Ms. Li Li is also a director of Tuna Holdings. Since Tuna Holdings was incorporated for Ms. Li Li to hold the relevant interests in our Group and no actual business activity was conducted by Tuna Holdings, her directorship in Tuna Holdings will not affect her role as a non-executive Director in and the management independence of our Company. Save as disclosed above, there is no other overlapping directorship between our Controlling Shareholders and our Company.

Each of our Directors is aware of his/her fiduciary duties as a Director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders following the completion of the Listing.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to its own business needs. The bank account we hold is independent of the accounts held by our Controlling Shareholders and any of their associated companies. We have our internal control and accounting systems, accounting and finance department, independent treasury function for receipts and payments, and independent access to third party financing. Therefore, there is no financial dependence on our Controlling Shareholders. Our Directors have confirmed that all the amounts due from or due to our Controlling Shareholders (if any) will be fully settled before the Listing. Our Directors also confirm that, save as disclosed in this [REDACTED], the guarantees provided by or given to our Controlling Shareholders (if any) will be fully released before the Listing. In the circumstances, we believe we are capable of obtaining financing from Independent Third Parties without reliance on our Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational Independence

We entered into contracts with our clients mainly under the name of Dalian Ocean Fishing and conduct the business activities by our own staff. Our Group has established our own organisational structure comprised of individual departments, each with specific area of responsibilities. Our Group has also established various internal control procedures to facilitate the effective operation of our business. Our Directors confirm that we are able to operate independently from our Controlling Shareholders after Listing.

Therefore, we believe that we are capable of carrying on our business independently of the Controlling Shareholders and their respective associates. Our Directors confirmed that our Group will not enter into any transactions of similar nature with our connected persons and their respective associates after the Listing that will affect our operational independence.

CONNECTED TRANSACTION

EXEMPTED CONTINUING CONNECTED TRANSACTION

Dalian Ocean Fishing, a subsidiary of our Group, has entered into a lease (the "**Lease**") with Ms. Li Li, a connected person of our Company, and the Lease will continue after the Listing, thereby constituting a continuing connected transaction of our Group under the Listing Rules. The Lease will be exempt from the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules pursuant to Rule 14.33(3) of the Listing Rules, as it is conducted on normal commercial terms and each of the applicable percentage ratios for the proposed annual caps in respect of the Lease is less than 0.1% on an annual basis. Details of the Lease are set out below:

Connected Person

The relevant connected person, with whom Dalian Ocean Fishing has entered into the exempted continuing connected transaction, is Ms. Li Li. As at the Latest Practicable Date, Ms. Li Li is a Controlling Shareholder and a non-executive Director of our Company. Accordingly, Ms. Li Li is a connected person of our Company.

The Lease

On 1 January 2014, Dalian Ocean Fishing entered into the Lease with Ms. Li Li, pursuant to which Dalian Ocean Fishing shall lease the second and the fifth floors, Unit 5, No.3 Building, Huale Housing Estate, Zhongshan District, Dalian, Liaoning Province, PRC with a total gross area of approximately 514 square meters, from Ms. Li Li for office use at a rent of RMB204,000 per year from 1 January 2014 to 31 December 2016.

Our Directors confirm that the Lease has been entered into during the ordinary and usual course of our business, on normal commercial terms that are fair and reasonable and in the interests of our Shareholders as a whole. The rent under the Lease has been agreed between the relevant parties by reference to the prevailing market rental rates at the time when the Lease was entered into.

Historical Transaction Amounts

For each of the three years ended 31 December 2011, 2012 and 2013, the rent paid as minimal cost by Dalian Ocean Fishing to Ms. Li Li in respect of the lease of the same property were RMB20,000, RMB20,000 and RMB129,000, respectively.

Annual Caps

Our Directors anticipate that the annual cap for the rent payable by Dalian Ocean Fishing to Ms. Li Li under the Lease will be approximately RMB204,000 for each of the years ending 31 December 2014, 2015 and 2016. The annual caps were determined with reference to the rent payable by Dalian Ocean Fishing to Ms. Li Li under the Lease.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital of our Company immediately after completion of the Capitalisation Issue and the [REDACTED] will be as follows:

Authorised share capital:	HK\$
5,000,000,000 Shares	50,000,000

Assuming the Over-allotment Option is not exercised at all (and without taking into account of any Shares which may be issued upon exercise of options which may be granted under the Share Option Scheme), the share capital of our Company immediately after completion of the Capitalisation Issue and the [REDACTED] will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the [REDACTED]:	Aggregate nominal value of Shares (HK\$)	Approximate percentage of issued share capital (%)
248.35 Shares in issue immediately before the Capitalisation Issue and the [REDACTED]	2.4835	0.000041
[REDACTED] Shares to be issued under the Capitalisation Issue	[REDACTED]	[REDACTED]
[REDACTED] Shares to be issued under the [REDACTED] (assuming the Over-allotment Option is not exercised at all)	[REDACTED]	[REDACTED]
[REDACTED] Shares in total	[REDACTED]	[REDACTED]

Assuming the Over-allotment Option is exercised in full (and without taking into account of any Shares which may be issued upon exercise of options which may be granted under the Share Option Scheme), the share capital of our Company immediately after completion of the Capitalisation Issue and the [REDACTED] will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the [REDACTED]:	Aggregate nominal value of Shares (HK\$)	Approximate percentage of issued share capital (%)
248.35 Shares in issue immediately before the Capitalisation Issue and the [REDACTED]	2.4835	0.000040
[REDACTED] Shares to be issued under the Capitalisation Issue	[REDACTED]	[REDACTED]
[REDACTED] Shares to be issued under the [REDACTED] (assuming the Over-allotment Option is exercised in full)	[REDACTED]	[REDACTED]
[REDACTED] Shares in total	[REDACTED]	[REDACTED]

SHARE CAPITAL

RANKING

The [REDACTED] and the Shares that may be issued pursuant to exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this [REDACTED], and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this [REDACTED], save for entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on [REDACTED] 2014. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in the paragraph headed "Share Option Scheme" in Appendix IV to this [REDACTED].

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the [REDACTED] (but excluding any Shares which may be issued pursuant to the Over-allotment Option); and (b) the aggregate nominal value of the share capital of our Company which may be repurchased by our Company under the Repurchase Mandate.

Our Directors may, in addition to the Shares which they are authorised to issue under the General Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Scheme. The aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this General Mandate will not be reduced by the allotment and issue of such Shares.

This General Mandate will expire at the earliest of:

- (i) the conclusion of our Company's next annual general meeting, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which our Company is required by any applicable law or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of the General Mandate, please refer to the paragraph headed "Resolutions in writing of our Shareholders passed on [●]" in Appendix IV to this [REDACTED].

SHARE CAPITAL

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following the completion of the Capitalisation Issue and the [REDACTED] (but excluding any Shares of our Company which may be issued upon the exercise of the Over-allotment Option).

This Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Repurchase by our Company of its own securities" in Appendix IV to this [REDACTED].

This Repurchase Mandate will expire at the earliest of:

- (i) the conclusion of our Company's next annual general meeting, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which our Company is required by any applicable law or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting.

whichever occurs first.

For further information about the Repurchase Mandate, please refer to the paragraph headed "Resolutions in writing of our Shareholders passed on [REDACTED]" in Appendix IV to this [REDACTED].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, each of the following persons as at 31 March 2014 and will, immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account of the Shares that may be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme) have interests or short positions in any Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of our Group:

Name	Capacity/nature of interest	As at [10 June] 2014		Upon Listing	
		Number and class of Securities ⁽¹⁾	Approximate Shareholding percentage (%)	Number and class of Securities ⁽¹⁾	Approximate Shareholding percentage (%)
Tuna Holdings	Beneficial owner	176 Shares	70.88%	[REDACTED]	[REDACTED]
		(L)			
Ms. Li Li ⁽²⁾	Interest in a controlled corporation	176 Shares	70.88%	[REDACTED]	[REDACTED]
		(L)			
Mr. Li Zhenyu ⁽³⁾	Person acting in concert	176 Shares	70.88%	[REDACTED]	[REDACTED]
		(L)			
Ares Ocean ⁽⁴⁾	Beneficial owner	40.29 Shares	16.22%	[REDACTED]	[REDACTED]
		(L)			
ACOF Asia Management, L.P. ⁽⁴⁾	Interest in a controlled corporation	40.29 Shares	16.22%	[REDACTED]	[REDACTED]
		(L)			
Ares Management (Cayman) Ltd. ⁽⁴⁾	Interest in a controlled corporation	40.29 Shares	16.22%	[REDACTED]	[REDACTED]
		(L)			
Maguro ⁽⁵⁾	Beneficial owner	24 Shares (L)	9.66%	[REDACTED]	[REDACTED]
New Hope Agriculture and Food Fund II, L.P. ⁽⁵⁾	Interest in a controlled corporation	24 Shares (L)	9.66%	[REDACTED]	[REDACTED]
		(L)			
New Hope Agriculture and Food Fund II, GP, Ltd. ⁽⁵⁾	Interest in a controlled corporation	24 Shares (L)	9.66%	[REDACTED]	[REDACTED]
		(L)			

Notes:

- (1) The letter "L" denotes a person's long position in our Shares.
- (2) Ms. Li Li is the legal and beneficial owner of the entire issued share capital of Tuna Holdings and is deemed to be interested in the Shares held by Tuna Holdings. Ms. Li Li is the daughter of Mr. Li Zhenyu.
- (3) By virtue of Mr. Li Zhenyu acting in concert with Ms. Li Li, Mr. Li Zhenyu is deemed to be interested in Ms. Li Li's interests in our Company.
- (4) Ares Ocean is controlled by its general partner, ACOF Asia Management, L.P., which is in turn controlled by its general partner, Ares Management (Cayman), Ltd.. Accordingly, ACOF Asia Management, L.P. and Ares Management (Cayman) Ltd. are deemed to be interested in the Shares held by Ares Ocean.
- (5) Maguro is wholly-owned by New Hope Agriculture and Food Fund II, L.P. which is in turn controlled by its general partner, New Hope Agriculture and Food Fund II GP, Ltd.. Accordingly, New Hope Agriculture and Food Fund II, L.P. and New Hope Agriculture and Food Fund II GP, Ltd. are deemed to be interested in the Shares held by Maguro.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, our Directors are not aware of any person (who is not a Director or Chief Executive Officer of our Company) who, as at 31 March 2014 and will, immediately following completion of the Capitalisation Issue and the [REDACTED] (but without taking into account Shares which may be taken up or acquired under the [REDACTED] and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group other than our Company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SUMMARISED INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Name	Age	Position	Date of Joining the Group	Appointment Date as Director	Roles and Responsibilities	Relationship with other Directors and Senior Management
Mr. LI Zhenyu	49	Chairman, executive Director and chief executive officer	April 2000	24 October 2011	Overall strategic planning and business development of the Group, supply, sales and marketing; chairman of the nomination committee	Father of Ms. Li Li
Ms. GAO Bo	39	Executive Director	August 2010	27 June 2013	Investors relationship management, business, strategic planning and monitoring and supervising the implementation of certain enhanced internal controls policies of the Group	None
Ms. LI Li	24	Non-executive Director	October 2011	24 October 2011	Non-executive Director	Daughter of Mr. Li Zhenyu
Ms. SUI Wei	33	Non-executive Director	June 2013	27 June 2013	Non-executive Director	None
Mr. TANG Xun	32	Non-executive Director	May 2012	28 May 2012	Non-executive Director	None
Mr. XU Liuxiong	57	Independent non- executive Director	August 2013	7 August 2013	Member of audit committee and remuneration committee	None
Mr. WONG Yik Chung, John	47	Independent non- executive Director	August 2013	13 August 2013	Chairman of audit committee and remuneration committee and member of nomination committee	None

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Date of Joining the Group	Appointment Date as Director	Roles and Responsibilities	Relationship with other Directors and Senior Management
Mr. LI Yunbo.....	43	Independent non- executive Director	August 2013	7 August 2013	Member of audit committee, remuneration committee and nomination committee	None

Senior Management

Name	Age	Position	Date of Joining the Group	Appointment Date as senior management	Roles and Responsibilities	Relationship with other Directors and senior management
Mr. GE Shuqing	47	Chief captain	November 2000	7 August 2013	Overall management of the vessel operation at sea	None
Mr. FOK Chi Hang ...	44	Chief financial officer	January 2014	6 January 2014	Overall financial management	None
Mr. ZHANG Xuegang.....	42	Vice General Manager	December 2003	15 May 2014	Research and development and vessel management of the Group	None
Mr. YU Guang	59	Vice general manager	April 2000	7 August 2013	Internal control management	None

DIRECTORS

The Board consists of eight members, three of whom are independent non-executive Directors. The powers and duties of the Board include convening shareholders' meetings and reporting the Board's work at shareholders' meetings, implementing resolutions passed at shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of share capital as well as exercising other powers, functions and duties as conferred by Articles of Association.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Mr. LI Zhenyu (勵振羽), aged 49, is the chairman of the Board, an executive Director and the chief executive officer of our Company, mainly responsible for the overall management and operation, strategic development and planning, supply, sales and marketing of our Group. Mr. Li Zhenyu was appointed as a Director of our Company on 24 October 2011 and was appointed as chairman of the Board, an executive Director and the chief executive officer of our Company on 7 August 2013. Mr. Li Zhenyu has also served as a director and the general manager of Dalian Ocean Fishing, Jinxing Information, Jinxing Trading, Longxing Fishery and Dalian Jinyuanfeng since April 2000, April 2012, June 2012, September 2012 and November 2012, respectively. Prior to joining our Group, Mr. Li served as an employee of Hong Kong and Shanghai Banking Corporation, Dalian Representative Office (香港上海滙豐銀行大連辦事處) from December 1989 to August 1992. From September 1992 to November 1999, Mr. Li served as the chairman and the general manager of Jinfeng Trading. Mr. Li did not hold any directorships in listed companies in the last three years. Mr. Li has over 14 years of experience in the operation and management of longline fishing vessels with ultra-low temperature freezer storage. Mr. Li is the father of Ms. Li Li.

Ms. GAO Bo (高勃), aged 39, is an executive Director of our Company, mainly responsible for investors relationship management, business and strategic planning and monitoring the implementation of certain enhanced internal controls policies of the Group. Ms. Gao was appointed as a Director of our Company on 27 June 2013 and was appointed as an executive Director on 7 August 2013. She joined our Group in February 2010 and has served as a vice general manager of Dalian Ocean Fishing since 18 August 2010. Prior to joining our Group, she was an employee of ING Baring Capital (China) Management Limited (霸菱投資(中國)基金管理有限公司) from November 1997 to August 1999 and was an employee of BCEA Management Private Limited (霸菱亞洲投資基金管理有限公司) from April 2002 to October 2005. Ms. Gao served as the associate director of MUS Roosevelt Capital Advisers (HK) Limited (菱日羅斯福資本顧問(香港)有限公司) from March 2007 to August 2010. Ms. Gao did not hold any directorships in listed companies in the last three years. Ms. Gao has over 10 years of experience in investment and financial matters. Ms. Gao received her bachelor's degree in English from Beijing Foreign Studies University (北京外國語大學) in the PRC in 1997. She obtained her master's degree in international financial markets in 2001 from Southampton University in England.

Non-executive Directors

Ms. LI Li, aged 24, is a non-executive Director of our Company. She joined our Group and was appointed as a Director of our Company on 24 October 2011. On 7 August 2013, she was appointed as a non-executive Director. Ms. Li Li did not hold any directorships in listed companies in the last three years. Ms. Li obtained a bachelor's degree in maritime law in 2012 from Dalian Maritime University (大連海事大學) in the PRC. Ms. Li Li is the daughter of Mr. Li Zhenyu.

Ms. SUI Wei (隋煒), aged 33, is a non-executive Director and was appointed as the Director of our Company on 27 June 2013 and was appointed as a non-executive Director of our Company on 7 August 2013. She joined our Group in June 2013. Prior to joining our Group, Ms. Sui served as a senior consultant at Roland Berger Strategy Consultants (Shanghai) Co., Ltd. (羅蘭貝格管理諮詢(上海)有限公司) from July 2002 to April 2006, as the associate director of 3i Asia Pacific plc (3i投資亞太有限公司) from May 2006 to December 2008, and as the vice president of Ares Investment Advisors (Shanghai) Co., Ltd. (銳盛投資諮詢(上海)有限公司) from April 2010 till now. Ms. Sui did not hold any directorships in listed companies in the last three years. She has had about 7 years experience in private equity investment. She is a member

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

of the Association of Chartered Certified Accountants and obtained the Certificate of Chartered Financial Analyst in 2006. Ms. Sui obtained a bachelor's degree in accounting in 2002 from School of Management of Fudan University (復旦大學) in the PRC.

Mr. TANG Xun (湯珣), aged 32, is a non-executive Director of our Company. He was appointed as a Director of our Company on 28 May 2012 and was appointed as a non-executive Director of our Company on 7 August 2013. He joined our Group in May 2012. Prior to joining our Group, Mr. Tang worked at New Hope Group Co., Ltd. (新希望集團有限公司), a private equity investment company from November 2010 to July 2011. Mr. Tang has served as an executive director of Beijing Hosen Investment Management, LLP. (北京厚生投資管理中心(有限合夥)), a private equity investment company since August 2011. Mr. Tang obtained a bachelor's degree in Japanese from the Beijing International Studies University (北京第二外國語學院) in the PRC in 2004 and a master's degree in political economics from Graduate School of Peking University (北京大學研究生院) in the PRC as an on-job postgraduate student in 2012.

Independent non-executive Directors

Mr. XU Liuxiong (許柳雄), aged 57, was appointed as an independent non-executive Director of our Company on 7 August 2013. Prior to joining our Group, Mr. Xu has served as a doctoral adviser and a professor of fishing science at Shanghai Ocean University (上海海洋大學) since 2000, and served as the vice chairperson of the Scientific Committee of Indian Ocean Tuna Commission (印度洋金槍魚委員會) in 2003 and 2004. Also, Mr. Xu has been an external expert of the board of directors of Shanghai Fisheries General Corp. (Group) (上海水產集團總公司) since July 2008, a member of the East China Sea Ocean Fishing Equipment and Method Management Committee of the Regional Bureau of East China Sea Fishery Management, Ministry of Agriculture of PRC (農業部東海區漁政局東海區海洋捕撈漁具漁法管理委員會) since September 2010, the deputy director of the Fishing Equipment Expert Committee of the Ministry of Agriculture of PRC (農業部捕撈漁具專家委員會) since March 2011. Mr. Xu served as a member of the 10th Council of Chinese Society for Oceanology and Limnology (中國海洋湖沼學會第十屆理事會) in 2012. Mr. Xu has over 13 years of experience in ocean fishing. Mr. Xu obtained his bachelor's degree in ocean fishing from Shanghai Fisheries College (上海水產學院) (which is currently known as Shanghai Ocean University) in the PRC in 1981. He obtained a master's degree of science in fishery, agriculture and pathology in 1987 from the University of Rhode Island in the United States.

Mr. WONG Yik Chung, John (黃翼忠), aged 47, was appointed as an independent non-executive Director of the Company on 13 August 2013. Prior to joining our Group, Mr. Wong had consecutively served at PricewaterhouseCoopers, Ernst & Young and Deloitte & Touche Corporate Finance Limited. Mr. Wong had also served as a partner and managing director of Vantage Consulting Group from April 2003 to June 2005 and a director of TMF Group (China), a accounting, corporate secretarial and human resource services Company, from July 2005 to December 2007.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wong also holds or had held directorships in the following listed companies:

Name of listed company	Securities exchange and stock code	Position held	Term of office
EcoGreen Fine Chemicals Group Limited (中怡精細化工集團有限公司).....	the Stock Exchange, 2341	Independent non-executive director	From February 2004 to present
CDW Holdings Limited.....	Main Board of Singapore Exchange Limited, D38	Independent director	From August 2004 to December 2011
Golden Resources Development International Limited (金源米業國際有限公司)	the Stock Exchange, 677	Independent non-executive director	From September 2004 to present
Western Securities Co., Ltd. (西部證券股份有限公司).....	Shenzhen Stock Exchange, 002673	Independent director	From December 2007 to present
Yang Guang Co., Ltd. (陽光新業地產股份有限公司).....	Shenzhen Stock Exchange, 000608	Independent director	From November 2008 to present
Beijing North Star Company Limited (北京北辰實業股份有限公司).....	the Stock Exchange, 588	Independent non-executive director	Since May 2009
Biosino Bio-Technology and Science Incorporation (中生北控生物科技股份有限公司)..	the Stock Exchange, 8247	Independent non-executive director	Since May 2011
Perfect Optronics Limited (圓美光電有限公司).....	the Stock Exchange, 8311	Independent non-executive director	Since January 2014

Mr. Wong has extensive experience in financial management and capital investment. Mr. Wong graduated from University of Melbourne in Australia with a bachelor's degree in business, majoring in accounting, economics and securities laws.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. LI Yunbo (李雲波), aged 43, was appointed as an independent non-executive Director of our Company on 7 August 2013. He has served as a senior partner and a managing partner of Beijing JunZeJun Law Offices (北京君澤君律師事務所) since May 2004, mainly focusing on legal affairs related to financial institutions and financial market. Mr. Li did not hold any directorships in listed companies in the last three years. Mr. Li has over 14 years of experience in legal affairs. He obtained the PRC lawyer's practice certificate on 10 April 1997. Mr. Li graduated from the Beijing International Studies University (北京第二外國語學院) with a bachelor's degree in English in 1994. He also obtained a master's degree in law from the China University of Political Science and Law (中國政法大學) in the PRC in 1999, and a doctor's degree in finance from the Renmin University of China (中國人民大學) in the PRC in 2009.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, (i) each director has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; and (ii) there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. GE Shuqing (葛術青), aged 47, is the chief captain of our Company, mainly responsible for the overall management of the Group's vessel operation at sea. Mr. Ge joined our Group in November 2000. He worked as the chief captain of Dalian Ocean Fishing in January 2006 and became the chief captain of our Company on 7 August 2013. Prior to joining our Group, he served as a captain of Liaoning Province Dalian Ocean Fishery Group of Corporations (遼寧省大連海洋漁業集團公司) from June 1985 to March 2000. Mr. Ge has over 18 years of experience in ocean fishing. He obtained a renewed captain qualification of fishing vessels in 2012. Mr. Ge does not possess any college diploma.

Mr. FOK Chi Hang (霍志恒), aged 44, is the chief financial officer of our Company, mainly responsible for our Group's overall financial management. He joined our Group as the chief financial officer of our Company on 6 January 2014. Prior to joining our Group, Mr. Fok joined Coopers & Lybrand (Hong Kong) as an audit semi-senior in April 1994 and was a senior at the time of leaving Coopers & Lybrand (Hong Kong) in April 1999. He had also worked in KPMG since August 1999 and was a partner at the time of leaving KPMG in September 2013. Over the course of his career, Mr. Fok has accumulated nearly 20 years of extensive experience in auditing, accounting, financial management and management consultancy. Mr. Fok became an associate member of The Hong Kong Institute of Certified Public Accountants (HKICPA) in October 1995 and became a fellow member of The Association of Chartered Certified Accountants (ACCA) in November 2000. Mr. Fok graduated from The Chinese University of Hong Kong in Hong Kong in 1993 with a bachelor degree of science.

Mr. ZHANG Xuegang (張學剛), aged 42, is a vice general manager of our Company. He was appointed as a vice general manager of our Dalian Ocean Fishing in October 2006, mainly responsible for the supply and sales and is responsible for the Group's research and development and vessel management as at the Latest Practicable Date. He was appointed as a Director of our Company on 6 June 2013 and was appointed as an executive Director on 7 August 2013, and resigned his position as Director on 16 May 2014. Mr. Zhang served as a director of Dalian Ocean Fishing from 22 March 2012 to 16 May 2014. He joined our Group in December 2003 and served as the general manager assistant of Dalian Ocean Fishing from December 2003 to October 2006, before serving as a vice general manager starting from October

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

2006. Prior to joining our Company, Mr. Zhang served as a manager of St. Vincent Yuan Da Shipping Limited (聖文森特遠大船務公司) from July 1994 to October 1998, and then as a manager of Dalian Yuanda Deep Sea Fisheries Co., Ltd. (大連遠大遠洋漁業有限公司) from October 1998 to November 2003. Mr. Zhang did not hold any directorships in listed companies in the last three years. Mr. Zhang has over 19 years of experience in the business of shipping and fishery and over 15 years of experience in construction and operation of tuna fishing vessels. Mr. Zhang obtained a bachelor's degree in maritime administration in 1994 from Dalian Maritime University (大連海事大學) in the PRC.

Mr. YU Guang (于光), aged 59, is the vice general manager of our Company. He was appointed as the vice general manager of our Company on 7 August 2013, mainly responsible for internal control management. Mr. Yu has joined our Group in April 2000 and served as general manager assistant of Dalian Ocean Fishing from April 2000 to June 2003. From June 2003 to March 2012, he served as vice general manager of Dalian Ocean Fishing, mainly responsible for domestic bank credit and financing. He has served as the vice general manager mainly responsible for internal control management since March 2012. Prior to joining our Group, Mr. Yu was an employee of Industrial and Commercial Bank of China Limited, Dalian Shahekou Branch (中國工商銀行大連沙河口支行) from July 1984 to December 1998. Mr. Yu has over 27 years of experience in banking and financial matters. Mr. Yu obtained a junior college degree in mathematics from Mathematics Department of Liaoning Normal University (遼寧師範大學數學系) in 1981, and a junior college degree in financial management from Liaoning Radio and TV University (遼寧廣播電視大學) in 1989. Mr. Yu obtained his master's degree in enterprise management from Jilin University (吉林大學) in 1999.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, none of our senior management has held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

JOINT COMPANY SECRETARIES

Mr. KAM Yiu Shing, Tony (甘耀成), aged 52, is a joint company secretary of the Company. He was nominated by Fast Access International Limited, an external service provider engaged by our Company, as a joint company secretary of our Company. He obtained a master degree in business administration from Monash University in Australia. Mr. Kam is a fellow of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants, an associate of the Institute of Chartered Accountants in England and Wales, associate of and certified tax adviser registered under the Taxation Institute of Hong Kong, and council member of the Society of Chinese Accountants & Auditor. Mr. Kam has been practicing as a certified public accountant since 1993. Before joining our Group, Mr. Kam worked as the company secretary of Gorient (Holdings) Limited (協裡控股有限公司) which subsequently changed its name to Carico Holdings Limited (中汽資源投資有限公司) and now having its name known as Sinopoly Battery Limited (中聚電池有限公司) (listed on the Stock Exchange, stock code: 0729) and Bloomage BioTechnology Corporation Limited (華熙生物科技股份有限公司) (listed on the Stock Exchange, stock code: 0963), from March 2005 to May 2007 and from March 2008 to May 2009, respectively.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. JIANG Quan (姜全), aged 32, is a joint company secretary of our Company and joined the Group in March 2012. Prior to joining our Group, Mr. Jiang worked as general manager assistant in Beijing Ruizhi Sike Science and Technology Development Co., Ltd. (北京睿智思科科技發展有限公司) from January 2010 to February 2012. Mr. Jiang received a bachelor's degree of computer science and technology from Tsinghua University in 2005, and a secondary bachelor's degree of economics from Peking University in the PRC in 2009. He has over two years' corporate affairs related experience.

BOARD COMMITTEE

Audit committee

Our Company established an audit committee on [REDACTED] 2014 with its written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to make recommendations to the board on the appointment, reappointment and removal of the external auditor review the financial statement and significant financial adjustment and oversight our financial reporting system and internal control procedures.

Our audit committee consists of three members, being Mr. Wong Yik Chung, John, Mr. Li Yunbo and Mr. Xu Liuxiong. Mr. Wong Yik Chung, John currently serves as the chairman of our audit committee.

Remuneration committee

Our Company established a remuneration committee on [REDACTED] 2014 with its written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, and to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

Our remuneration committee consists of three members, being Mr. Wong Yik Chung, John, Mr. Li Yunbo and Mr. Xu Liuxiong. Mr. Wong Yik Chung, John currently serves as the chairman of our remuneration committee.

Nomination committee

Our Company established a nomination committee on [REDACTED] 2014 with its written terms of reference in compliance with the Listing Rules. The primary duties of the nomination committee are to review the Board structure make recommendations to our Board regarding candidates to fill vacancies on our Board.

Our nomination committee consists of three members, being Mr. Li Zhenyu, Mr. Wong Yik Chung, John and Mr. Li Yunbo. Mr. Li Zhenyu currently serves as the chairman of our nomination committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

During the years ended 31 December 2011, 2012, 2013 and the three months ended 31 March 2014, the aggregate amount of compensation paid (including basic salary, share-based compensation and retirement based contribution) by us to its five highest paid individuals were approximately RMB820,000, RMB806,000, RMB1,048,000 and RMB335,000, respectively.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The executive Directors are also employees of our Group and receive, in their capacity as employees of our Group, compensation in the form of salaries and other allowances and benefits in kind. We reimburse our Directors for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in relation to the operations of our Group.

During the years ended 31 December 2011, 2012, 2013 and the three months ended 31 March 2014, the aggregate amount of compensation paid (including basic salary, share-based compensation and retirement based contribution) by us to our Directors were approximately RMB69,000, RMB69,000, RMB264,000 and RMB88,000, respectively.

Our Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of our Group. In addition to the fees, salaries, housing allowances, other allowances, benefits in kind or bonuses, our Company has conditionally adopted the Share Option Scheme, pursuant to which our Directors' remuneration shall include the options to be granted under the Share Option Scheme.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five largest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors, past Directors or the five highest paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Group.

None of our Directors waived any emoluments for any of the last three years. Save as disclosed in this paragraph headed "Compensation of Directors and senior management", no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

DEVIATION OF PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

According to the provision A.2.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules, the roles of the chairman of the Board and the chief executive officer should be separate and should not be performed by the same individual.

Mr. Li Zhenyu currently holds the position of the chairman of the Board and the chief executive officer of our Company. He is the founder of the Group and has over 14 years of experience in the operation and management of longline fishing vessels with ultra-low temperature freezer storage. The Board believes that vesting roles of both chairman of the Board and the chief executive officer in Mr. Li provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business strategies and decisions.

The Board also considers that the current structure of vesting the roles of the chairman of the Board and the chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE ADVISER

Our Company has appointed First Shanghai Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction pursuant to Chapter 14 and Chapter 14A of the Listing Rules, is contemplated, including but not limited to Share issues and Share repurchases;
- (3) if our Company proposes to use the proceeds of the [REDACTED] in a manner different from that detailed in this [REDACTED] or if our Group's business activities, developments or results deviate from any forecast, estimate or other information in this [REDACTED]; and
- (4) if the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the paragraph headed "Our strategies" of the section headed "Business" in this [REDACTED] for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$[REDACTED] million from the [REDACTED], assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range set forth on the cover of this [REDACTED]. We intend to use such net proceeds as follows:

- Approximately HK\$[REDACTED] million or [REDACTED], will be used to further expand our fleet, including acquiring additional ultra-low temperature longline tuna fishing vessels, purchasing new equipment to refit these vessels and procuring supplies for these vessels. We are in the course of evaluating three vessels owned by owners in the PRC, with a view to completing their acquisition in 2015. We had not entered into any sale and purchase agreements or memorandum of understanding with respect to the acquisition of these three vessels as at the Latest Practicable Date. Please refer to "Business – Our Fleet – Future plans" in this [REDACTED] for further details;
- Approximately HK\$[REDACTED] or [REDACTED], will be used to establish our ultra-low temperature tuna processing business in China. As of the Latest Practicable Date, we had not entered into any letter of intent or agreement for any such acquisition nor identified any definite acquisition target;
- Approximately HK\$[REDACTED] million or [REDACTED], will be used to develop the Chinese market for sales of our tuna, including recruiting senior managers and marketing and sales staff and engaging in marketing activities to strengthen our brand to expand our tuna sales in the Chinese market;
- Approximately HK\$[REDACTED] million or [REDACTED], will be used to further develop our operation infrastructure, primarily by enhancing and upgrading our central control platform at our headquarter in Dalian, Liaoning Province, the PRC; and
- Approximately HK\$[REDACTED] million or [REDACTED], will be used to provide funding for our working capital and other general corporate purposes.

In the event that the [REDACTED] is set at the high-end or low-end of the proposed [REDACTED] range or the Over-allotment Option is exercised, our intended use of proceeds will be increased or decreased on a pro-rata basis.

To the extent that the net proceeds of the [REDACTED] are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

CORNERSTONE INVESTOR

[REDACTED]

UNDERWRITING

HONG KONG UNDERWRITERS

[REDACTED]

UNDERWRITING ARRANGEMENTS AND EXPENSES

[REDACTED]

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on [REDACTED]. Pursuant to the Hong Kong Underwriting Agreement, we are [REDACTED] on the terms and subject to the conditions of this [REDACTED] and [REDACTED].

Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein (including any additional Shares which may be made available pursuant to the exercise of [REDACTED]), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly or jointly and severally to subscribe or procure subscribers for their respective applicable proportions of [REDACTED] which are being offered but are not taken up under [REDACTED] on the terms and subject to the conditions of this [REDACTED], [REDACTED] and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

Undertakings to the Stock Exchange pursuant to the Listing Rules

By our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (the **First Six-Month Period**) (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to [REDACTED] (including pursuant to the exercise of [REDACTED]), any exercise of the options which may be granted under the Share Option Scheme or any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

The [REDACTED]

In connection with the [REDACTED], it is expected that we will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally but not jointly or jointly and severally agree to procure purchasers for or failing which to purchase, the [REDACTED]. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the [REDACTED] will not proceed.

Over-allotment Option

Under the International Underwriting Agreement, our Company is expected to grant to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, the Over-allotment Option, exercisable within 30 days from the last day for lodging applications under the [REDACTED] (the last day for exercise of the Over-allotment Option being [REDACTED] 2014) to require us to allot and issue up to [REDACTED] additional Shares, representing approximately [REDACTED] of the initial [REDACTED], at the same price per [REDACTED] under the [REDACTED], to, among other things, cover [REDACTED] in the [REDACTED], if any.

[REDACTED]

Underwriting Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of [REDACTED]% on the [REDACTED] of the [REDACTED] initially offered under the [REDACTED] out of which they will pay any sub-underwriting commission. The International Underwriters will receive an underwriting commission of [REDACTED]% on the [REDACTED] of the [REDACTED] offered under the [REDACTED]. In addition, we may pay to the Sole Global Coordinator (for its account only) a discretionary incentive fee of up to [REDACTED]% of the [REDACTED] multiplied by the total number of [REDACTED] (subject to the Over-allotment Option).

The aggregate commissions and fees, together with listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the [REDACTED] are estimated to amount to approximately HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative [REDACTED] range and assuming that the Over-allotment Option is not exercised) in total and are payable by us.

UNDERWRITING

Hong Kong Underwriters' Interests in our Company

Save for its obligations under the Hong Kong Underwriting Agreement and as disclosed in this [REDACTED], none of the Hong Kong Underwriters has any shareholding interests in our Company or any other member of our Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any other member of our Group.

Following completion of [REDACTED], the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Buyers of [REDACTED] sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to [REDACTED].

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

APPENDIX I

ACCOUNTANTS' REPORT

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, for the purpose of incorporation in this [REDACTED].

Deloitte.
德勤

德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

[•]

The Directors
China Tuna Industry Group Holdings Limited
Deutsche Securities Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to China Tuna Industry Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2013 and the three months ended 31 March 2014 (the "Track Record Periods"), for inclusion in the [REDACTED] of the Company dated [•] [REDACTED] (the "[REDACTED]") in connection with the [REDACTED] and listing (the "Listing") of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 24 October 2011. Pursuant to a group reorganisation (the "Group Reorganisation") as more fully explained in the paragraphs headed "Reorganisation" in the Section "History, Development and Reorganisation" to the [REDACTED], the Company became the holding company of the Group on 15 May 2012.

Particulars of the Company's subsidiaries as at the end of each reporting period and the date of this report are as follows:

Name of subsidiary	Place and date of establishment/incorporation	Issued and fully paid share capital/registered capital at the date of this report	Attributable equity interest held by the Company as at				Date of this report	Principal activities
			31 December		31 March			
			2011	2012	2013	2014		
			%	%	%	%		
<i>Directly held by the Company</i>								
Tuna Asia Pacific Investment Limited ("Tuna BVI")	The British Virgin Islands (the "BVI") 11 November 2011	United States Dollars ("USD") 50,000	100	100	100	100	100	Investment holding and operation of third party fishing vessels and sale of fish
<i>Indirectly held by the Company</i>								
Tuna Asia Pacific Investment (HK) Limited ("Tuna HK")	Hong Kong 13 December 2011	Hong Kong Dollars ("HK\$") 10,000	100	100	100	100	100	Investment holding

APPENDIX I

ACCOUNTANTS' REPORT

Name of subsidiary	Place and date of establishment/incorporation	Issued and fully paid share capital/registered capital at the date of this report	Attributable equity interest held by the Company as at				Date of this report	Principal activities
			31 December		31 March			
			2011	2012	2013	2014		
			%	%	%	%		
大連錦興貿易有限公司* (Dalian Jinxing Trading Co., Ltd. [#] ("Jinxing Trading"))	The People's Republic of China (the "PRC") 20 March 2012	USD62,000,000	N/A	100	100	100	100	Investment holding
大連金源豐貿易有限公司* (Dalian Jinyuanfeng Trading Co., Ltd. [#] ("Jinyuanfeng Trading"))	The PRC 28 December 2012	Renminbi ("RMB") 5,000,000	N/A	100	100	100	100	Dormant
大連錦興信息諮詢有限公司* (Dalian Jinxing Information Consulting Co., Ltd. [#] ("Jinxing Information"))	The PRC 24 April 2012	RMB50,500,000	N/A	100	100	100	100	Investment holding
大連遠洋漁業金槍魚釣有限公司* (Dalian Ocean Fishing Co., Ltd. [#] ("Dalian Ocean Fishing"))	The PRC 28 April 2000	RMB87,780,000	100	100	100	100	100	Operation of fishing vessels and sale of fish
大連隆興漁業信息諮詢有限公司* (Dalian Longxing Fishery Information Consulting Co., Ltd. [#] ("Longxing Fishery"))	The PRC 25 May 2012	RMB1,000,000	N/A	95	95	95	95	Dormant

The English name is for identification purpose only.

* Domestic limited liability company.

APPENDIX I

ACCOUNTANTS' REPORT

The Company and its subsidiaries have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company and Tuna BVI since their incorporation as there is no requirement for statutory financial statements in the jurisdictions where they were incorporated.

The financial statements of Tuna HK since its incorporation to 31 December 2012 and for the year ended 31 December 2013 prepared under Hong Kong Financial Reporting Standards were audited by Lo and Kwong C.P.A. Company Limited, certified public accountants registered in Hong Kong.

The statutory financial statements of Jinxing Trading, Jinyuanfeng Trading, Jinxing Information, Dalian Ocean Fishing and Longxing Fishery were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. They were audited by the following firms of certified public accountants registered in the PRC.

<u>Name of subsidiary</u>	<u>Financial years ended</u>	<u>Certified Public Accountants</u>
Jinxing Trading.....	From the date of establishment to 31 December 2012	遼寧海天會計師事務所
	31 December 2013	大連中匯會計師事務所
Jinxing Information.....	From the date of establishment to 31 December 2012	大連瑞華會計師事務所
	31 December 2013	大連中匯會計師事務所
Dalian Ocean Fishing	31 December 2011 and 2012	大連萬隆天信會計師事務所
	31 December 2013	大連中匯會計師事務所
Longxing Fishery.....	From the date of establishment to 31 December 2012	大連瑞華會計師事務所
	31 December 2013	大連中匯會計師事務所
Jinyuanfeng Trading.....	31 December 2013	大連中匯會計師事務所

No statutory audited financial statements have been prepared for Jinyuanfeng Trading since its establishment to 31 December 2012 as it was newly established.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Periods set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in note 2 of Section E of the Financial Information. No adjustments are considered necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the [REDACTED].

APPENDIX I

ACCOUNTANTS' REPORT

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issuance. The directors of the Company are responsible for the contents of the [REDACTED] in which this report is included. It is our responsibility to compile the financial information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of Section E of the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2011, 2012 and 2013 and 31 March 2014, and of the Company as at 31 December 2011, 2012 and 2013 and 31 March 2014, and of the consolidated results and consolidated cash flows of the Group for each of the Track Record Periods.

The comparative consolidated statement of profit or loss and other comprehensive income consolidated, statement of cash flows and consolidated statement of changes in equity of the Group for the three months ended 31 March 2013 together with the notes thereon have been extracted from the Group's unaudited consolidated financial information for the same period (the "31 March 2013 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review on 31 March 2013 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 31 March 2013 Financial Information consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 31 March 2013 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 March 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

APPENDIX I

ACCOUNTANTS' REPORT

I. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December			Three months ended 31 March	
		2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Revenue	6	215,056	303,196	380,925	70,133	132,109
Cost of sales.....		(63,752)	(125,534)	(179,369)	(34,410)	(58,624)
Gross profit		151,304	177,662	201,556	35,723	73,485
Other income	8	15,272	21,974	26,135	356	4,786
Selling and distribution expenses		(29,827)	(43,059)	(47,008)	(8,855)	(16,641)
Administrative expenses....		(4,152)	(4,031)	(4,657)	(1,046)	(1,989)
Other expenses.....	10	(2,111)	(5,062)	(14,436)	(1,485)	(3,973)
Finance costs	9	(13,990)	(8,860)	(22,717)	(2,609)	(4,313)
Profit before tax	11	116,496	138,624	138,873	22,084	51,355
Income tax expenses.....	13	—	—	—	—	—
Profit and total comprehensive income for the year/period attributable to owners of the Company		<u>116,496</u>	<u>138,624</u>	<u>138,873</u>	<u>22,084</u>	<u>51,355</u>
Earnings per share – basic (RMB cents).....	15	[●]	[●]	[●]	[●]	[●]
Earnings per share – diluted (RMB cents).....	15	<u>[●]</u>	<u>[●]</u>	<u>[●]</u>	<u>[●]</u>	<u>[●]</u>

APPENDIX I

ACCOUNTANTS' REPORT

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

NOTES	THE GROUP				THE COMPANY				
	As at 31 December			As at	As at 31 December			As at	
	2011	2012	2013	31 March	2011	2012	2013	31 March	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
NON-CURRENT ASSETS									
Property, plant and equipment	16	122,399	112,765	395,554	386,765	-	-	-	-
Deposits paid	17	38,660	196,629	73,163	73,163	-	-	-	-
Bank deposits for entrusted loans within the Group	18	-	50,000	137,150	137,150	-	-	-	-
Investment in a subsidiary	19	-	-	-	-	-	50,684	216,275	216,275
Pledged bank deposits . .	20	-	-	122,100	122,100	-	-	-	-
		<u>161,059</u>	<u>359,394</u>	<u>727,967</u>	<u>719,178</u>	<u>-</u>	<u>50,684</u>	<u>216,275</u>	<u>216,275</u>
CURRENT ASSETS									
Trade and other receivables	21	504,210	115,133	154,265	154,917	-	1,903	11,639	12,953
Deferred expenditures . .	22	19,519	18,067	46,039	54,284	-	-	-	-
Bank balances and cash . .	23	452	28,171	124,514	199,261	-	256	3,282	1,696
		<u>524,181</u>	<u>161,371</u>	<u>324,818</u>	<u>408,462</u>	<u>-</u>	<u>2,159</u>	<u>14,921</u>	<u>14,649</u>
CURRENT LIABILITIES									
Trade and other payables .	24	29,915	66,487	28,416	26,658	-	7,040	15,185	18,879
Borrowings	25	172,000	32,000	162,000	187,000	-	-	-	-
Deferred income	26	1,377	1,377	1,377	1,377	-	-	-	-
		<u>203,292</u>	<u>99,864</u>	<u>191,793</u>	<u>215,035</u>	<u>-</u>	<u>7,040</u>	<u>15,185</u>	<u>18,879</u>
NET CURRENT ASSETS (LIABILITIES)									
		<u>320,889</u>	<u>61,507</u>	<u>133,025</u>	<u>193,427</u>	<u>-</u>	<u>(4,881)</u>	<u>(264)</u>	<u>(4,230)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES									
		<u>481,948</u>	<u>420,901</u>	<u>860,992</u>	<u>912,605</u>	<u>-</u>	<u>45,803</u>	<u>216,011</u>	<u>212,045</u>
CAPITAL AND RESERVES									
Paid in/share capital . . .	28	-	1	1	1	-	1	1	1
Reserves	29	465,653	273,432	601,608	652,963	-	45,802	216,010	212,044
Equity attributable to owners of the Company		465,653	273,433	601,609	652,964	-	45,803	216,011	212,045
Non-controlling interests .		-	2,550	2,550	2,550	-	-	-	-
TOTAL EQUITY		<u>465,653</u>	<u>275,983</u>	<u>604,159</u>	<u>655,514</u>	<u>-</u>	<u>45,803</u>	<u>216,011</u>	<u>212,045</u>
NON-CURRENT LIABILITIES									
Borrowings	25	-	80,000	106,142	106,745	-	-	-	-
Entrusted loans within the Group	18	-	50,000	137,150	137,150	-	-	-	-
Deferred income	26	16,295	14,918	13,541	13,196	-	-	-	-
		<u>16,295</u>	<u>144,918</u>	<u>256,833</u>	<u>257,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>481,948</u>	<u>420,901</u>	<u>860,992</u>	<u>912,605</u>	<u>-</u>	<u>45,803</u>	<u>216,011</u>	<u>212,045</u>

APPENDIX I

ACCOUNTANTS' REPORT

C. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							Non-controlling interests	Total
	Paid in/share capital	Share premium	Special reserve	Capital reserve	Statutory surplus reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000 (see note (a) below)	RMB'000 (see note (b) below)	RMB'000 (see note (c) below)	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2011 ...	–	–	87,780	2,600	42,634	216,143	349,157	–	349,157
Profit and total comprehensive income for the year..	–	–	–	–	–	116,496	116,496	–	116,496
Transfer	–	–	–	–	1,256	(1,256)	–	–	–
As at 31 December 2011 and 1 January 2012.....	–	–	87,780	2,600	43,890	331,383	465,653	–	465,653
Profit and total comprehensive income for the year..	–	–	–	–	–	138,624	138,624	–	138,624
Acquisition of a subsidiary under the Group									
Reorganisation	–	–	(87,780)	–	–	–	(87,780)	–	(87,780)
Issue of shares.....	1	50,610	–	–	–	–	50,611	–	50,611
Share issue cost.....	–	(1,175)	–	–	–	–	(1,175)	–	(1,175)
Capital contribution from non-controlling interests of subsidiaries	–	–	–	47,500	–	–	47,500	2,550	50,050
Dividend to then shareholder.....	–	–	–	–	–	(340,000)	(340,000)	–	(340,000)
As at 31 December 2012 and 1 January 2013.....	1	49,435	–	50,100	43,890	130,007	273,433	2,550	275,983
Profit and total comprehensive income for the year..	–	–	–	–	–	138,873	138,873	–	138,873
Transfer of ordinary shares to puttable ordinary shares (note 27)	–	(49,435)	–	(10,868)	–	–	(60,303)	–	(60,303)
Derecognition of liability component of puttable ordinary shares (note 27)	–	238,738	–	10,868	–	–	249,606	–	249,606

APPENDIX I

ACCOUNTANTS' REPORT

	Attributable to owners of the Company								
	Paid in/share capital	Share premium	Special reserve	Capital reserve	Statutory surplus reserve	Retained earnings	Total	Non- controlling interests	Total
	RMB'000	RMB'000	RMB'000 (see note (a) below)	RMB'000 (see note (b) below)	RMB'000 (see note (c) below)	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December									
2013	1	238,738	–	50,100	43,890	268,880	601,609	2,550	604,159
Profit and total comprehensive income for the period	–	–	–	–	–	51,355	51,355	–	51,355
As at 31 March 2014 ..	<u>1</u>	<u>238,738</u>	<u>–</u>	<u>50,100</u>	<u>43,890</u>	<u>320,235</u>	<u>652,964</u>	<u>2,550</u>	<u>655,514</u>
As at 1 January 2013 ..	1	49,435	–	50,100	43,890	130,007	273,433	2,550	275,983
Profit and total comprehensive income for the period	–	–	–	–	–	22,084	22,084	–	22,084
As at 31 March 2013 (unaudited)	<u>1</u>	<u>49,435</u>	<u>–</u>	<u>50,100</u>	<u>43,890</u>	<u>152,091</u>	<u>295,517</u>	<u>2,550</u>	<u>298,067</u>

Notes:

a. Special reserve

Special reserve of the Group as at 31 December 2011 represented the amount of paid-in capital of Dalian Ocean Fishing. As set out in note 2 in the Financial Information, the Group acquired the entire equity interest of Dalian Ocean Fishing pursuant to the Group Reorganisation in the year ended 31 December 2012.

b. Capital reserve

Capital reserve included the following:

- a.) Capital surplus of the Group's subsidiaries:
- b.) Effect from the reclassification of certain ordinary shares of the Company from an equity instrument to a liability; and
- c.) Effect from capital injection by Dalian Longtai Venture Capital Investment Company (大連隆泰創業投資有限責任公司) ("Dalian Longtai") for 5% equity interest in Longxing Fishery.

c. Statutory surplus reserve

As stipulated by the relevant laws and regulations for enterprises established in the PRC, Dalian Ocean Fishing, a subsidiary of the Company, is required to maintain a statutory surplus reserve fund which is non-distributable. The appropriation to such reserve is made out of net profit after tax of the statutory financial statements of Dalian Ocean Fishing. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

As at 31 December 2011, the statutory surplus reserve reached 50% of the registered capital of the entity, and accordingly no transfer was made thereafter.

APPENDIX I

ACCOUNTANTS' REPORT

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
OPERATING ACTIVITIES					
Profit before tax.....	116,496	138,624	138,873	22,084	51,355
Adjustments for:					
Finance costs	13,990	8,860	22,717	2,609	4,313
Exchange gains (losses) related to foreign currency loans	(609)	-	-	-	-
Depreciation of property, plant and equipment.....	13,800	10,150	30,890	5,297	8,802
Amortisation of deferred income	(1,377)	(1,377)	(1,377)	(345)	(345)
Operating cash flows before movements in working capital.....	142,300	156,257	191,103	29,645	64,125
Decrease (increase) in deferred expenditures.....	2,014	1,452	(27,972)	(6,583)	(8,245)
(Increase) decrease in trade and other receivables..	(8,389)	(46,328)	(66,843)	(32,223)	(7,438)
Payment of deposits for vessel management services.....	(38,660)	-	(73,163)	-	-
Increase (decrease) in trade and other payables.....	4,100	(1,540)	9,403	27,501	5,028
Cash generated from operations.....	101,365	109,841	32,528	18,340	53,470
Finance costs paid	(13,990)	(8,860)	(12,624)	(2,609)	(3,710)
NET CASH FROM OPERATING ACTIVITIES ...	87,375	100,981	19,904	15,731	49,760
INVESTING ACTIVITIES					
Deposit paid and purchases of property, plant and equipment	(134)	(197,145)	(89,339)	(67,410)	(13)
Advance to related parties	(359,407)	(180,715)	-	-	-
Repayment from related parties	225,927	654,780	-	-	-
Placement of bank deposits for entrusted loans.....	-	(50,000)	(87,150)	-	-
Pledged bank deposits placed	-	-	(122,100)	-	-
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(133,614)	226,920	(298,589)	(67,410)	(13)
FINANCING ACTIVITIES					
Proceeds from bank borrowings.....	240,000	87,000	252,708	85,000	100,000
Repayments of bank borrowings.....	(216,341)	(147,000)	(97,000)	(10,000)	(75,000)
Proceeds from entrusted loans	-	50,000	87,150	-	-
Pledged bank deposits refunded.....	8,430	-	-	-	-
Advance from related parties	9,475	333	-	-	-
Repayment to related parties	-	-	(9,694)	(6,835)	-
Proceeds from issue of puttable ordinary shares....	-	50,611	183,990	-	-
Expenses on issue of puttable ordinary shares.....	-	(1,176)	(4,346)	-	-
Deemed distribution to owners pursuant to the Group Reorganisation	-	(50,000)	(37,780)	-	-
Capital contribution from non-controlling interests of subsidiaries	-	50,050	-	-	-
Dividends paid.....	-	(340,000)	-	-	-
NET CASH FROM (USED IN) FINANCING ACTIVITIES	41,564	(300,182)	375,028	68,165	25,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,675)	27,719	96,343	16,486	74,747
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	5,127	452	28,171	28,171	124,514
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD,					
Represented by bank balances and cash	452	28,171	124,514	44,657	199,261

APPENDIX I

ACCOUNTANTS' REPORT

E. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 24 October 2011. Its immediate holding company is China Tuna Industry Holdings Limited ("Tuna Holdings"), a company incorporated in BVI. Tuna Holdings is wholly owned by Ms. Li Li. Ms. Li Li and Mr. Li Zhenyu (勵振羽) (father of Ms. Li Li) confirmed that they have been acting in concert for the purpose of controlling the Group throughout the Track Record Periods. Accordingly, Ms. Li Li and Mr. Li Zhenyu are the beneficial owners and controlling shareholders of the Group.

The address of the registered office and the principal place of business of the Company are set out in Section "Corporate Information" to the [REDACTED].

The Financial Information of the Group is presented in RMB, the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the Company and the principal subsidiaries).

The Group is engaged in sales of fish and other marine catches from its harvesting and fishing activities and provision of vessel management services.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Group Reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 15 May 2012 as a result of Jinxing Information acquiring from Dalian Longtai, which is controlled by Mr. Li Zhenyu and wholly owned by Mr. Li Zhenyu not forming part of the Company, the entire equity interest in Dalian Ocean Fishing, the major operating subsidiary of the Group which was under the common control of Ms. Li Li and Mr. Li Zhenyu, for cash consideration of RMB87,780,000.

As such acquisition involved business combination under common control of Ms. Li Li and Mr. Li Zhenyu, the principle of merger accounting has been applied. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2011 and 2012 have been prepared on the basis as if the Company had been in existence and had always been the holding company of the Group for the years ended 31 December 2011 and 2012 or since the respective dates of their incorporation/establishment, where it is a shorter period.

The consolidated statements of financial position of the Group as at 31 December 2011 have been prepared to present the assets and liabilities of the companies now comprising of the Group as if the current group structure had been in existence at that date, taking into consideration the respective dates of their incorporation/establishment, where applicable.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information of the Group for the Track Record Periods, the Group has consistently applied the International Accounting Standards ("IASs") and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB which are effective for the Group's financial year beginning on 1 January 2014 throughout the Track Record Periods.

At the date of this report, IASB has issued the following new standards, amendments or interpretation which are not yet effective. The Group has not early adopted these standards, amendments or interpretation in the preparation of the Financial Information for the Track Record Periods.

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ²
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle ³
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle ¹
IFRS 9	Financial Instruments ²
IFRS 14	Regulatory Deferral Accounts ⁴
IFRS 15	Revenue from Contracts with Customers ⁶

APPENDIX I

ACCOUNTANTS' REPORT

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- ¹ Effective for annual periods beginning on or after 1 July 2014
 - ² Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
 - ³ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
 - ⁴ Effective for first annual IFRS financial statements beginning on or after 1 January 2016
 - ⁵ Effective for annual periods beginning on or after 1 January 2016
 - ⁶ Effective for annual periods beginning on or after 1 January 2017

The directors of the Company consider that the application of the new and revised standards, amendments and interpretation will have no material impact on the Group's financial performance and positions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with accounting policies set out below which conform with IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for derivative financial instruments which are carried at fair value, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has the rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

All of the above three criteria must be met when the Company determines that it has control over an investee. The Company reassesses whether or not it controls an investee if facts and circumstances indicates that there are changes to one or more of the three elements of control listed above.

APPENDIX I

ACCOUNTANTS' REPORT

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributable to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The business combinations under common control are accounted for in accordance with merger accounting. In applying merger accounting, the Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statements of financial position at cost less accumulated impairment losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered and legal titles have passed, at which time all the following conditions are satisfied.

- the Group has transferred to the buyer the significant risks and rewards of ownership;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

APPENDIX I

ACCOUNTANTS' REPORT

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

APPENDIX I

ACCOUNTANTS' REPORT

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants, whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment held for use in the supply of goods or for administration purpose, are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Deferred expenditures

Expenses incurred which are directly attributable to activities carried out for the purpose of harvesting and catching fish and other marine catches during the fish voyages are deferred in the consolidated statement of financial position and released to the profit or loss as expenses when the fish and other marine catches are sold and revenue is recognised for the sale. Expenses on each fish voyage are deferred to the extent that there is reasonable probability of recovery from sale of fish and other marine catches from that fish voyage. When it is probable that the costs incurred or to be incurred on a fish voyage will exceed the estimated value of the catches, the expected loss is recognised as an expense in profit or loss immediately.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits, bank balances and cash and bank deposits for entrusted loans within the Group) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

APPENDIX I

ACCOUNTANTS' REPORT

Impairment of financial assets

The financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit terms of the customers, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at fair value through profit or loss ("FVTPL")

The Group's financial liabilities at FVTPL represent those that are held for trading.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities (including borrowings, trade and other payables and puttable instruments) are subsequently measured at amortised cost, using the effective interest method.

APPENDIX I

ACCOUNTANTS' REPORT

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis and is included in finance costs.

Derivative financial instruments

Derivative financial instruments that do not qualify for hedge accounting are deemed as financial assets or liabilities held for trading and measured at fair value. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Obligation arising from a put option on shares written to investors

Put option written to investors, which will be settled other than by exchange of fixed amount of cash for a fixed number of shares in a subsidiary is treated as derivative and is recognised at fair value upon initial recognition. Any changes of fair value in subsequent reporting dates are recognised in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial assets to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Where a modification of contractual terms results in the derecognition of an equity instrument and initial recognition of a liability instrument without exchange of consideration, the financial liability is measured at its fair value upon initial recognition and any difference between the previous carrying amount recognised in equity and the fair value of the financial liability is recognised as an adjustment within equity.

Where a modification of contractual terms results in the derecognition of a liability instrument and initial recognition of an equity instrument without exchange of consideration, the carrying amount of the liability extinguished is accounted for as a contribution from shareholders and is recognised directly in equity without recognition of a gain in profit or loss.

Impairment of tangible assets and investment in a subsidiary

At the end of the reporting period, the Group and the Company review the carrying amounts of its tangible assets and investment in a subsidiary, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

APPENDIX I

ACCOUNTANTS' REPORT

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition

Note 7 describes vessel management arrangement business. During the Track Record Periods, the Group entered into three vessel management agreements with independent third parties separately. Pursuant to the agreements, the Group operates the vessels and sells the tuna catches under the name of the independent third parties. Under these arrangements, the directors of the Company were required to consider whether the Group acted as a principal or agent in these arrangements and it was appropriate to recognise the revenue from these transactions on a gross or net basis.

In making their judgment, the directors of the Company considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS18 *Revenue* and, in particular, whether the Group had the primary responsibility for providing the goods, the Group has inventory risk before or after the customer order, the Group has latitude in establishing price, and the Group bears the customer's credit risk for the amount of trade receivables from the customer. Following the detailed consideration, the directors of the Company are satisfied that the Group has exposure to the significant risk and rewards associated with the sales of fish caught under the vessel management agreements, and therefore, the Group acts as a principal and the revenue and corresponding cost of sales is presented on gross basis in the Financial Information.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated useful lives and residual values of property, plant and equipment

As at 31 December 2011, 2012 and 2013 and 31 March 2014, the carrying amount of property, plant and equipment amounting to RMB122,399,000, RMB112,765,000, RMB395,554,000 and RMB386,765,000, respectively, have been determined after charging depreciation on a straight-line basis over the estimated useful lives of these assets. This estimation is based on the management's experience of the actual useful lives of property, plant, and equipment of similar nature and function, taking into account their estimated residual values. Details are set out in note 16. The depreciation charge will increase where useful lives are less than previously estimated. Management reviewed the estimated useful lives and residual values of these assets at the end of the reporting period and has determined that the useful lives as stated in note 16 remain appropriate at the end of each reporting period.

Estimated impairment of trade and other receivables

As explained in note 4, trade and other receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method less impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The Group does not require collateral or other security against its trade and other receivables. The Group performs ongoing evaluation of the financial conditions of the Group's trade and other receivables and when the balances would not be settled as expected, the Group would impair the balances and make necessary provision therefor.

The identification of bad and doubtful debts on trade and other receivables requires the use of judgment and estimates of expected future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. The directors of the Company are satisfied that this risk is minimal and no allowance for doubtful debts was provided during the Track Record Periods.

APPENDIX I

ACCOUNTANTS' REPORT

6. REVENUE

Revenue represents the amounts received and receivable for sales of goods to customers during the Track Record Periods.

7. SEGMENT INFORMATION

The Group operates and manages its business as a single operating segment that includes the sales of fish and other marine catches from its harvesting and fishing activities. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews revenue analysis by major products and the results of the Group for the year/period as a whole prepared in accordance with accounting policies of the Group when making decisions about allocating resources and assessing performance of the Group. As no other discrete financial information is available for assessment of performance of different products, only entity-wide disclosures are presented.

The following table sets forth a breakdown of the Group's revenue by major products during the Track Record Periods:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue from sales of:					
– Premium tuna					
– own vessels	180,698	176,174	271,121	45,075	84,531
– under vessel management agreement (note)	–	75,724	45,980	11,280	42,715
– Common tuna					
– own vessels	34,358	31,674	57,777	9,338	4,863
– under vessel management agreement (note)	–	19,624	6,047	4,440	–
	<u>215,056</u>	<u>303,196</u>	<u>380,925</u>	<u>70,133</u>	<u>132,109</u>

Note: The Group has entered into a vessel management agreement with three independent third parties (the "2011 Vessel Owners") in November 2011 and another two vessel management agreements with two independent third parties (the "2013 Vessel Owners") in August 2013 (the 2011 Vessel Owners and the 2013 Vessel Owners are collectively referred to as the "Owners"). Pursuant to the agreements, the Group operates the vessels of the Owners and sells the tuna catches under the name of the Owners during the Track Record Periods.

Information about geographical areas

Other than the deposits paid for acquiring vessels and the Group's fishing vessels and related equipment which are strategically deployed in the fishing grounds in the Pacific Ocean and the Atlantic Ocean amounting to RMB122,269,000, RMB308,918,000, RMB394,393,000 and RMB385,656,000 as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively, in aggregate, all of the Group's remaining non-current assets (excluding financial instruments) amounting to RMB130,000, RMB476,000, RMB1,161,000 and RMB1,109,000 in aggregate as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively, are located in the PRC and accordingly, no geographical information has been presented.

The following table sets forth a breakdown of the Group's revenue based on locations of the external customers (where the fishes are delivered):

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Revenue:					
– Japan	172,970	224,151	274,346	44,800	116,744
– The PRC	8,698	41,279	54,011	15,537	12,435
– Taiwan	33,388	37,766	52,568	9,796	–
– Korea	–	–	–	–	2,930
	<u>215,056</u>	<u>303,196</u>	<u>380,925</u>	<u>70,133</u>	<u>132,109</u>

APPENDIX I

ACCOUNTANTS' REPORT

Information about major customers

The following table sets forth a breakdown of the Group's customer of the corresponding year contributing over 10% of the Group's total revenue:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales to:					
– Customer A					
– own vessels	172,970	137,622	226,324	33,085	74,029
– managed vessels	–	86,529	48,022	11,715	42,715
	<u>172,970</u>	<u>224,151</u>	<u>274,346</u>	<u>44,800</u>	<u>116,744</u>
– Customer B					
– own vessels	33,388	28,947	48,563	5,791	–
– managed vessels	–	8,819	4,005	4,005	–
	<u>33,388</u>	<u>37,766</u>	<u>52,568</u>	<u>9,796</u>	<u>–</u>
– Customer C					
– own vessels	*	38,770	50,636	12,161	*
	<u>–</u>	<u>38,770</u>	<u>50,636</u>	<u>12,161</u>	<u>–</u>

* The revenue from Customer C was less than 10% of the Group's total revenue for the year ended 31 December 2011 and the three months ended 31 March 2014.

8. OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income	92	31	977	11	1,287
Exchange gains	–	–	–	–	3,154
Government grant:					
– Release of deferred income (see note 26)	1,377	1,377	1,377	345	345
– Others (note)	13,803	20,566	23,781	–	–
	<u>15,180</u>	<u>21,943</u>	<u>25,158</u>	<u>345</u>	<u>345</u>
	<u>15,272</u>	<u>21,974</u>	<u>26,135</u>	<u>356</u>	<u>4,786</u>

Note: The amounts represent discretionary government subsidies received from the relevant PRC government bureaus as incentives or subsidies for the Group's ocean fishery operation.

APPENDIX I

ACCOUNTANTS' REPORT

9. FINANCE COSTS

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest on bank borrowings wholly repayable within five years	12,263	8,685	12,883	2,609	4,213
Interest accrued on puttable ordinary shares	–	–	9,659	–	–
Guarantee fee paid to independent third party guarantee companies . . .	1,727	175	175	–	100
	<u>13,990</u>	<u>8,860</u>	<u>22,717</u>	<u>2,609</u>	<u>4,313</u>

10. OTHER EXPENSES

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Listing expenses	1,315	3,715	9,504	1,308	3,973
Exchange losses	796	1,347	4,932	177	–
	<u>2,111</u>	<u>5,062</u>	<u>14,436</u>	<u>1,485</u>	<u>3,973</u>

11. PROFIT BEFORE TAX

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Staff cost (including directors' emoluments):					
– Salaries and other benefits	10,064	17,726	27,162	3,719	10,174
– Retirement benefit scheme contributions	637	733	1,114	131	493
	<u>10,701</u>	<u>18,459</u>	<u>28,276</u>	<u>3,850</u>	<u>10,667</u>
Depreciation of property, plant and equipment	13,800	10,150	30,890	5,297	8,802
Deferred expenditures recognised as cost	37,919	85,236	102,804	21,238	32,696
Repair and maintenance	140	553	2,508	293	46
Fees to the Owners	–	8,491	2,949	–	3,672
Auditors' remuneration	10	30	30	–	–
Minimum lease payment	20	20	129	51	51
	<u>100,020</u>	<u>133,665</u>	<u>165,436</u>	<u>30,428</u>	<u>56,124</u>

APPENDIX I

ACCOUNTANTS' REPORT

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of the emoluments paid or payable to directors of the Company during the Track Record Periods are as follows:

	Directors' fees	Salaries and allowance	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Year ended 31 December 2011:				
Executive directors:				
– Mr. Li Zhenyu	–	–	–	–
– Ms. Gao Bo	–	59	10	69
Non-executive directors:				
– Ms. Li Li	–	–	–	–
	–	59	10	69
	=	=	=	=
Year ended 31 December 2012:				
Executive directors:				
– Mr. Li Zhenyu	–	–	–	–
– Ms. Gao Bo	–	59	10	69
Non-executive directors:				
– Ms. Li Li	–	–	–	–
– Mr. Tang Xun	–	–	–	–
	–	59	10	69
	=	=	=	=
Year ended 31 December 2013:				
Executive directors:				
– Mr. Li Zhenyu	–	143	22	165
– Ms. Gao Bo	–	78	21	99
Non-executive directors:				
– Ms. Li Li	–	–	–	–
– Ms. Sui Wei	–	–	–	–
– Mr. Tang Xun	–	–	–	–
Independent non-executive directors:				
– Mr. Xu Liuxiong	–	–	–	–
– Mr. Wong Yik Chung	–	–	–	–
– Mr. Li Yunbo	–	–	–	–
	–	221	43	264
	=	=	=	=

APPENDIX I

ACCOUNTANTS' REPORT

	Directors' fees	Salaries and allowance	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Three months ended 31 March 2014:				
Executive directors:				
– Mr. Li Zhenyu	–	42	8	50
– Ms. Gao Bo	–	30	8	38
Non-executive directors:				
– Ms. Li Li	–	–	–	–
– Ms. Sui Wei	–	–	–	–
– Mr. Tang Xun	–	–	–	–
Independent non-executive directors:				
– Mr. Xu Liuxiong	–	–	–	–
– Mr. Wong Yik Chung	–	–	–	–
– Mr. Li Yunbo	–	–	–	–
	–	72	16	88
	=	=	=	=
Three months ended 31 March 2013: (unaudited)				
Executive directors:				
– Mr. Li Zhenyu	–	19	3	22
– Ms. Gao Bo	–	15	2	17
Non-executive directors:				
– Ms. Li Li	–	–	–	–
– Mr. Tang Xun	–	–	–	–
	–	34	5	39
	=	=	=	=

Note: Mr. Li Zhenyu is also the chief executive of the Group and his emoluments disclosed above included those for services rendered by him as the chief executive.

During the Track Record Periods, no directors waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the directors of the Company as inducement to join or upon joining the Group or as compensation for loss of office.

(b) Employees' emoluments

The five highest paid individuals were not directors of the Company for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, respectively.

The emoluments of top five individuals during the Track Record Periods were as follows:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries and other benefits	802	776	974	206	295
Retirement benefit scheme contributions . . .	18	30	74	40	40
	820	806	1,048	246	335
	=	=	=	=	=

The emoluments of each of the five highest paid individuals during the Track Record Periods were within HK\$1,000,000 (approximately RMB786,000 equivalent) each year/period.

During the Track Record Periods, no remuneration was paid by the Group to any of the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

APPENDIX I

ACCOUNTANTS' REPORT

13. INCOME TAX EXPENSES

The Company and its subsidiary incorporated in the Cayman Islands and the BVI are exempted under the tax laws of the Cayman Islands and the BVI.

No provision for Hong Kong, Japan, Taiwan or Korea profits tax has been made as the Group did not have any assessable profit arising in the jurisdictions for the Track Record Periods.

Dalian Ocean Fishing, a subsidiary of the Company, is engaged in the operation of harvesting and fishing activities at international water. The directors of the Company are not aware of any tax burden there and accordingly, the directors of the Company consider that Dalian Ocean Fishing is not liable for any tax in international water. In addition, pursuant to the relevant tax rules and regulation applicable in the PRC, Dalian Ocean Fishing is exempted for PRC enterprise income tax in respect of its harvesting and fishing activities and accordingly, the applicable tax rate of Dalian Ocean Fishing was nil during the Track Record Periods.

In accordance with the PRC tax circular (Guoshuihan [2008] 112) effective from 1 January 2008, PRC withholding income tax at the rate of 10% is applicable to dividends payable by the Company's PRC operating subsidiaries based on their profits generated from 1 January 2008 onwards to their "non-resident" investors who do not have an establishment or place of business in the PRC. As at 31 December 2012 and 2013 and 31 March 2014, the aggregate amount of temporary differences associated with the undistributed earnings of the PRC subsidiaries amount to approximately RMB89,459,000, RMB221,107,000 and RMB254,023,000, respectively, for which deferred tax liabilities have not been recognised since completion of the Group Reorganisation. No deferred tax liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

14. DIVIDENDS

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Dividends	=	<u>340,000</u>	=	=	=

Dalian Ocean Fishing paid dividends of RMB340,000,000 to the then shareholder prior the Group Reorganisation during the year ended 31 December 2012.

The rate of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

15. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the Track Record Periods is as follows:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Earnings					
Earnings for the purpose of basic earnings per share (profit for the year/period attributable to owners of the Company)	116,496	138,624	138,873	22,084	51,355
Add: Interest expense attributable to puttable ordinary shares (note 9)	=	=	<u>9,659</u>	=	=
Earnings for the purpose of diluted earnings per share	<u>116,496</u>	<u>138,624</u>	<u>148,532</u>	<u>22,084</u>	<u>51,355</u>
	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	<u>[●]</u>	<u>[●]</u>	<u>[●]</u>	<u>[●]</u>	<u>[●]</u>

APPENDIX I

ACCOUNTANTS' REPORT

The weighted average number of ordinary shares for the purpose of basic earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of diluted earnings per share as follows:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	[●]	[●]	[●]	[●]	[●]
Effect of dilutive puttable ordinary shares . .	[●]	[●]	[●]	[●]	[●]
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	[●]	[●]	[●]	[●]	[●]

[The weighted number of shares for the purpose of basic and diluted earnings per share calculation has been adjusted retrospectively to reflect the bonus issue of 76 ordinary shares to Tuna Holdings in May 2012 and the capitalisation issue of 449,999,751.65 ordinary shares as set out in Appendix IV to the [REDACTED].]

16. PROPERTY, PLANT AND EQUIPMENT

	Fishing vessels and related equipment	Furniture, fixtures and office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
As at 1 January 2011	244,287	488	195	244,970
Additions	121	13	–	134
As at 31 December 2011 and 1 January 2012 . .	244,408	501	195	245,104
Additions	107	409	–	516
As at 31 December 2012 and 1 January 2013 . .	244,515	910	195	245,620
Additions	312,817	862	–	313,679
As at 31 December 2013 and 1 January 2014 . .	557,332	1,772	195	559,299
Additions	–	13	–	13
As at 31 March 2014	557,332	1,785	195	559,312
ACCUMULATED DEPRECIATION				
As at 1 January 2011	108,397	385	123	108,905
Provided for the year	13,742	39	19	13,800
As at 31 December 2011 and 1 January 2012 . .	122,139	424	142	122,705
Provided for the year	10,087	45	18	10,150
As at 31 December 2012 and 1 January 2013 . .	132,226	469	160	132,855
Provided for the year	30,713	161	16	30,890
As at 31 December 2013 and 1 January 2014 . .	162,939	630	176	163,745
Provided for the period.	8,737	62	3	8,802
As at 31 March 2014	171,676	692	179	172,547
CARRYING AMOUNTS				
As at 31 December 2011.	122,269	77	53	122,399
As at 31 December 2012	112,289	441	35	112,765
As at 31 December 2013	394,393	1,142	19	395,554
As at 31 March 2014	385,656	1,093	16	386,765

APPENDIX I

ACCOUNTANTS' REPORT

The above items of property, plant and equipment after taking into account of their estimated residual values, are depreciated on a straight-line basis over the following periods:

Fishing vessels and related equipment	7 to 20 years
Furniture, fixtures and office equipment	5 to 10 years
Motor vehicles.	10 years

As at 31 December 2011, 2012 and 2013 and 31 March 2014, the Group pledged its property, plant and equipment with carrying value of approximately RMB112,878,000, RMB105,001,000, RMB275,702,000 and RMB270,145,000, respectively, to banks to secure its banking facilities, and RMB9,391,000, RMB7,288,000, RMB5,185,000 and RMB4,759,000 respectively, for the counter-guarantee to independent third party guarantee companies for the guarantees provided for the Group's bank facilities.

17. DEPOSITS PAID

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits paid for acquiring vessels	–	196,629	–	–
Deposits for vessel management agreement.	38,660	–	73,163	73,163
	<u>38,660</u>	<u>196,629</u>	<u>73,163</u>	<u>73,163</u>

In November 2011, the Group entered into a vessel management agreements with the 2011 Vessel Owners, pursuant to which the Group was entitled to manage four fishing vessels from 1 January 2012 for a three-year period and paid deposits of USD6,080,000 (equivalent to RMB38,660,000) to the 2011 Vessel Owners. The Group took control of the four managed fishing vessels since January 2012.

In October 2012, the Group entered into three vessel purchase agreements with the 2011 Vessel Owners for the four managed fishing vessels at cash consideration of Japanese Yen ("JPY") 792,740,000 (equivalent to RMB62,223,000). The Group made the payment of JPY792,740,000 to the 2011 Vessel Owners in October and November 2012. The vessel management agreement was automatically terminated and the deposits for the vessel management agreement was refunded to the Group upon the termination of the vessel management agreement in April 2013.

As at 31 December 2012, the Group has paid RMB196,629,000 to independent third parties vendors to acquire fishing vessels. The total purchase consideration is RMB228,849,000. The acquisitions of vessels were completed in 2013.

In August 2013, the Group entered into two vessel management agreements with the 2013 Vessel Owners, pursuant to which the Group was entitled to manage seven fishing vessels from 1 September 2013 for a three-year period. In September and October 2013, the Group paid deposits of USD12,000,000 (equivalent to RMB73,163,000), in accordance with the terms of the two vessel management agreements, to another Japanese company related to the 2013 Vessel Owners as requested by the 2013 Vessel Owners. The Group took control of the seven managed fishing vessels since September 2013.

In April 2014, the Group entered into two vessel purchase agreements with the 2013 Vessel Owners for the seven managed fishing vessels at cash consideration of USD19,000,000 (equivalent to RMB116,890,000). The Group made the payment of USD19,000,000 to the 2013 Vessel Owners in April 2014. The proposed purchases of the seven managed fishing vessels are subject to the approval of the relevant governmental authorities. The two vessel management agreements will be automatically terminated and the deposits for the two vessel management agreements will be refunded to the Group upon the termination of the two vessel management agreements.

APPENDIX I

ACCOUNTANTS' REPORT

18. BANK DEPOSITS FOR ENTRUSTED LOANS WITHIN THE GROUP/ENTRUSTED LOANS WITHIN THE GROUP

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Bank deposits for entrusted loans within the Group/entrusted loans within the Group.	–	<u>50,000</u>	<u>137,150</u>	<u>137,150</u>

Certain subsidiaries within the Group entered entrusted loan agreements with banks to transfer funds within the Group with maturity dates ranging from October 2015 to August 2016. The amounts from the lending companies were recorded as bank deposits for entrusted loans within the Group and the amounts received by the borrowing companies were recorded as entrusted loans within the Group.

The Group currently does not have a legally enforceable right to set off these bank deposits with the entrusted loans.

19. INVESTMENT IN A SUBSIDIARY

As at 31 December 2012 and 2013 and 31 March 2014, the Company's investment in a subsidiary represented the investment cost in the subsidiary, Tuna BVI.

20. PLEDGED BANK DEPOSITS

As at 31 December 2013 and 31 March 2014, the Group's pledged bank deposits which hold as a security for the long-term bank borrowings of the Group carried fixed interest rates of 3.75% per annum.

21. TRADE AND OTHER RECEIVABLES

The Group:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	–	16,988	36,033	42,897
Other receivables:				
– Related parties (note 37(c)(i))	474,065	–	–	–
– Receivables from a sales agent (note (a))	29,399	16,552	73,361	40,641
– Receivables from the Owners under vessel management agreements (note (b))	–	39,845	23,024	48,546
– Deposits for vessel management agreement (note (c))	–	38,660	–	–
– Prepayments for purchase	584	33	3,728	2,988
– Other deposits, prepayments and receivables (note (d))	<u>162</u>	<u>3,055</u>	<u>18,119</u>	<u>19,845</u>
	<u>504,210</u>	<u>115,133</u>	<u>154,265</u>	<u>154,917</u>

The Company:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables:				
– Other deposits and prepayments (note (d))	–	<u>1,903</u>	<u>11,639</u>	<u>12,953</u>

The trade receivables at the end of each reporting period comprise amounts receivable from the sales of goods during the Track Record Periods.

The balance is unsecured, non-interest bearing, and repayable on demand.

APPENDIX I

ACCOUNTANTS' REPORT

There is no contractual credit term granted by the Group to the customers. The Group generally collected its trade receivables within 30 days to 90 days after invoice date. The aged analysis of the Group's trade receivables presented based on invoice date as at the end of each of the reporting period is as follows:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	–	16,988	29,761	42,897
Over 3 months	–	–	6,272	–
	–	16,988	36,033	42,897
	=	=	=	=

The management closely monitor those trade receivables over 90 days to ensure the collectability. Aging of trade receivables which are over three months but not impaired are as follows:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Over 3 months	–	–	6,272	–
	=	=	=	=

The Group did not provide any allowance on the past due receivables as, in the opinion of the directors of the Company, there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

The Group's trade receivables denominated in currencies other than RMB, the functional currency of the relevant group companies, were as follows:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Currency:				
USD	–	–	8,139	–
JPY	–	16,988	21,622	30,465
	–	16,988	29,761	30,465
	=	=	=	=

Note:

- (a) The Group's sales to its customers in Japan and Taiwan are facilitated by an authorised sales agent, who supports the Group on the negotiation of selling price and handle preparation of the sale confirmation and other documentation of the sale. Sales proceeds are tendered to the authorised sales agent from the Group's customers after deduction of transshipment charges, custom duties and other relevant charges paid by the Group's customers on the behalf of the authorised sales agent. Payment from the authorised sales agent is tendered to the Group, upon the Group's request, after deduction of its commission. The balances of receivables from the authorised sales agent as at 31 December 2011, 2012 and 2013 and 31 March 2014 represent the sales proceeds that have been collected by the authorised sales agent but not yet paid to the Group.

The aged analysis of the Group's other receivables due from the sales agent at the end of each of the reporting period is as follows:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	2,943	16,552	30,143	–
Over 1 month but within 2 months	26,456	–	10,367	34,522
Over 2 months but within 3 months	–	–	17,938	6,119
Over 3 months	–	–	14,913	–
	29,399	16,552	73,361	40,641
	=	=	=	=

By 31 December 2013, the balance of other receivables from the authorised sales agent is unsecured, non-interest bearing, and repayable on demand. From 1 January 2014, the authorised sales agent is granted a credit period of 60 days, commencing from the date of issuance of the sales confirmation. In the case of late payment by the authorised sales agent, the Group has the right to claim interest at 8% per annum, accrued for the past due period. The balance of other receivables from the authorised sales agent remained unsecured from 1 January 2014.

APPENDIX I

ACCOUNTANTS' REPORT

Ageing of other receivables due from the sales agent which are past due but not impaired:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Over 2 months but within 3 months	–	–	–	6,119
	=	=	=	=

- (b) Pursuant to the vessel management agreements entered into with the Owners during the Track Record Periods, the Group operates the vessels and sells the tuna catches under the name of the Owners in Japan. Sales proceeds are tendered to the Owners from the Group's customers. Payment from the Owners is tendered to the Group, upon the Group's request, after deduction of transshipment charges and other relevant charges paid by the Owners and management fees. The balances of receivables from the Owners as at 31 December 2011, 2012 and 2013 and 31 March 2014 represent the sales proceeds that have been collected by the Owners but not yet paid to the Group, net of the above mentioned charges and management fees.

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	–	24,038	23,024	34,422
Over 2 months but within 3 months	–	4,596	–	–
Over 3 months	–	11,211	–	14,124
	–	39,845	23,024	48,546
	=	=	=	=

The balance is unsecured, non-interest bearing, and repayable on demand.

- (c) Deposits for vessel management agreement were reclassified as a current asset at 31 December 2012 as it is refundable upon termination of such agreement in 2013.
- (d) Included in the Group's balance as at 31 December 2013 and 31 March 2014 were prepayments related to the listing of the Company's shares of RMB5,480,000 and RMB6,794,000, respectively, and prepaid vessel insurance of RMB1,272,000 and RMB979,000, respectively.

Included in the Company's balances as at 31 December 2013 and 31 March 2014 were prepayments related to the listing of the Company's shares of RMB5,480,000 and RMB6,794,000, respectively, and amounts due from subsidiaries of RMB6,159,000 and RMB6,159,000, respectively. The balance of amounts due from subsidiaries is unsecured, non-interest bearing, and repayable on demand.

22. DEFERRED EXPENDITURES

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	21,533	19,519	18,067	46,039
Expenditures paid/payable during the year/period.	35,905	83,784	130,776	40,941
Charge to profit or loss (see note 11)	(37,919)	(85,236)	(102,804)	(32,696)
Balance at end of the year/period.	19,519	18,067	46,039	(54,284)
	=	=	=	=

The amount represents costs incurred for harvesting and fishing, and is expected to be recovered through subsequent sales of fish and other marine catches.

APPENDIX I

ACCOUNTANTS' REPORT

23. BANK BALANCES AND CASH

As at 31 December 2011, 2012 and 2013 and 31 March 2014, the Group's bank balances carried floating interest rates ranging from 0.36% to 0.5%, 0.35% to 0.5% and 0.35% to 0.385% per annum, respectively.

The Group's bank balances denominated in currencies other than RMB, the functional currency of the relevant group companies, were as follows:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Currency:				
USD	–	3,052	76,041	71,076
JPY	–	1,847	6,404	3,530
HK\$	–	1,257	1,096	258
	–	6,156	83,541	74,864
	=	=	=	=

The Group's bank balances and cash which are denominated in RMB are not freely convertible in the international market. The remittance of RMB out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

The Company's bank balances denominated in currencies other than RMB, the functional currency of the relevant group companies, were as follows:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Currency:				
USD	–	256	2,319	1,571
HK\$	–	–	933	95
	–	256	3,252	1,666
	=	=	=	=

24. TRADE AND OTHER PAYABLES

The Group:

	Note	As at 31 December			As at 31 March
		2011	2012	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	(a)	476	6,111	5,975	419
Advance from a customer		9,000	–	–	–
Staff costs payable		10,529	11,684	13,257	14,643
Amount due to a related party for equity transfer (note 37(c)(i))	(b)	–	37,780	–	–
Other payables					
– Related parties (note 37(c)(i))		9,475	9,808	114	165
– Non-related parties		435	1,104	9,070	11,431
		29,915	66,487	28,416	26,658
		=	=	=	=

The Company:

		As at 31 December			As at 31 March
		2011	2012	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to subsidiaries		–	6,726	14,077	16,946
Amounts due to related parties	(c)	–	314	114	165
Amounts due to non-related parties		–	–	994	1,768
		–	7,040	15,185	18,879
		=	=	=	=

All these other payables of the Company are unsecured, interest-free and repayable on demand.

APPENDIX I

ACCOUNTANTS' REPORT

Notes:

(a) Trade payables

The Group's trade payables principally comprise amounts outstanding for trade purchases. Payment terms with suppliers are on a credit period of 30 days from the time when the goods are received from suppliers.

The aged analysis of the Group's trade payables presented based on invoice date as at the end of each of the reporting period is as follows:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	311	5,904	5,673	150
Over one year but within two years	36	191	302	269
Over two years but within three years	1	–	–	–
Over three years	128	16	–	–
	<u>476</u>	<u>6,111</u>	<u>5,975</u>	<u>419</u>

The Group's trade payables denominated in currencies other than RMB, the functional currency of the relevant group companies, were as follows:

Currency:	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
USD	–	5,342	1,731	–
	<u>–</u>	<u>5,342</u>	<u>1,731</u>	<u>–</u>

(b) Amount due to a related party for equity transfer

Pursuant to the Group Reorganisation, Dalian Longtai, a related party of the Group, transferred 100% equity interest of Dalian Ocean Fishing to the Group at a total cash consideration of RMB87,780,000 during the year ended 31 December 2012. RMB50,000,000 and RMB37,780,000 was paid to Dalian Longtai in 2012 and 2013, respectively.

(c) Represented amounts due to Ms. Li Li, a non-executive director of, and one of the beneficial owners with control over, the Company.

25. BORROWINGS

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings				
– Secured by the Group's assets	80,000	80,000	246,142	246,745
– Unsecured and guaranteed				
– by related parties	40,000	25,000	–	–
– by third party and related parties	45,000	–	–	–
– by independent third party guarantee companies and related parties	7,000	7,000	7,000	7,000
– Unsecured and unguaranteed	–	–	15,000	40,000
	<u>172,000</u>	<u>112,000</u>	<u>268,142</u>	<u>293,745</u>
Carrying amounts repayable:				
– On demand or within one year	172,000	32,000	162,000	187,000
– More than one year, but within two years	–	80,000	106,142	106,745
	<u>172,000</u>	<u>112,000</u>	<u>268,142</u>	<u>293,745</u>
Less: Amounts due within one year shown under current liabilities	<u>172,000</u>	<u>32,000</u>	<u>162,000</u>	<u>187,000</u>
	<u>–</u>	<u>80,000</u>	<u>106,142</u>	<u>106,745</u>

As at 31 December 2011, 2012 and 2013 and 31 March 2014, the Group pledged its bank deposits (see note 20) and property, plant and equipment (see note 16), to secure the Group's bank borrowings of RMB80,000,000, RMB80,000,000, RMB246,142,000 and RMB246,745,000, respectively.

APPENDIX I

ACCOUNTANTS' REPORT

Counter-guarantees were provided by the Group for its bank borrowings guaranteed by independent third party guarantee companies as follows:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowing under counter-guarantees secured – by the pledge of Group's property, plant and equipment (note 16)	7,000	7,000	7,000	7,000

Details of guarantees or counter-guarantees provided by related parties are set out in note 37(d).

As at 31 December 2011, two term loans of RMB35,000,000 and RMB10,000,000 with original contractual maturity dates on 13 February 2014 and 7 March 2014, respectively, were classified as current liabilities as the term loan agreements contained a repayment on demand clause. The loan was early repaid by the Group during the year ended 31 December 2012.

The Group's bank borrowings carry effective interest rate per annum as follows:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	%	%	%	%
Effective interest rates (per annum):				
Variable interest rate borrowings	4.8-8.5	5.9-8.5	5.0-7.8	5.0-7.8

The Group has variable-rate bank borrowings which carry interest rates at the People's Bank of China Benchmark rates plus a premium denominated in RMB and at the London InterBank Offered Rate ("LIBOR") plus a premium denominated in USD.

The Group's bank borrowings denominated in currencies other than RMB, the functional currency of the relevant group companies were as follows:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
USD	–	–	106,142	106,745

26. DEFERRED INCOME

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income in respect of government grant:				
– Balance at beginning of the year/period . . .	19,049	17,672	16,295	14,918
– Release to profit or loss	(1,377)	(1,377)	(1,377)	(345)
– Balance at end of the year/period	17,672	16,295	14,918	14,573

The amount represents government grant received from the relevant PRC government bureau relating to the construction of the Group's vessels for harvesting and fishing operation. The deferred income is recognised in profit or loss on a systematic basis over the estimated useful life of the related vessels.

APPENDIX I

ACCOUNTANTS' REPORT

The following is the analysis of the deferred income for financial reporting presentation purposes:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income is analysed as following:				
– Current liability	1,377	1,377	1,377	1,377
– Non-current liability	16,295	14,918	13,541	13,196
	<u>17,672</u>	<u>16,295</u>	<u>14,918</u>	<u>14,573</u>

27. PUTTABLE INSTRUMENTS

I. Issue of puttable ordinary shares in May 2012

Pursuant to the share subscription agreement dated 25 May 2012 (the "Agreement A") entered into among an independent third party investor ("Investor A") and Tuna Holdings, Ms. Li Li, Tuna BVI, Tuna HK, Jinxing Trading, Jinxing Information, Dalian Ocean Fishing, and the Company, the Company issued an aggregate of 24 ordinary shares of HK\$0.01 each to Investor A, for a cash consideration of USD8 million (equivalent to RMB50,611,000). Certain clauses in the Agreement A granted Investor A put option rights requiring Tuna Holdings and/or Ms. Li Li to repurchase all or a portion of Investor A's shares in the Company upon the occurrence of put option events as defined in the Agreement A. In such events, Tuna Holdings and/or Ms. Li Li have the right to choose to request the Company to redeem all or a portion of shares upon Investor A's request. Certain clauses in the Agreement A also granted Investor A put option rights requiring the Company to redeem all or a portion of Investor A's shares (at discretion of Investor A) in the Company upon the occurrence of put option events.

The Agreement A also contains a profit guaranty clause, pursuant to which Tuna Holdings and Ms. Li Li shall provide cash indemnity to the Investor A if the Group fails to meet the profit guaranty amounts for each of the four years ending 31 December 2014. The cash indemnity amount is determined pursuant to the profit guaranty clause with reference to the net profit of the Group for each of the four years ending 31 December 2014.

On the same date, both Tuna Holdings and Ms. Li Li confirmed that they would not choose to request the Company to redeem the shares if Investor A requests Tuna Holdings and/or Ms. Li Li to repurchase all or a portion of the shares issued to Investor A. On 28 May 2012, being the closing date of the Agreement A, Investor A also waived its put option rights requiring the Company to redeem all or a portion of the shares issued to Investor A. Accordingly, the relevant issue was treated as an equity issue transaction and the proceeds received from Investor A on 28 May 2012 after deducting share issuing cost was recorded as share premium in equity during the year ended 31 December 2012.

II. Issue of puttable ordinary shares in June 2013

Pursuant to a share subscription agreement dated 19 June 2013 (the "Agreement B") entered into among two investors ("Investor B" and "Investor C" respectively) and Investor A (Investor A, Investor B and Investor C are collectively referred as the "Investors"), Tuna Holdings, Ms. Li Li, Mr. Li Zhenyu (father of Ms. Li Li) (Tuna Holdings, Ms. Li Li, Mr. Li Zhenyu are collectively referred to as the "Founders") and the Company, the Company issued an aggregate of 48.35 ordinary shares of HK\$0.01 each to Investor B and Investor C, for an aggregate consideration of USD30,000,000 (equivalent to RMB183,990,000). Certain clauses in the Agreement B granted Investor B and Investor C put option rights requiring the Founders to repurchase or the Company to redeem all or a portion of Investor B's and Investor C's shares in the Company at the redeemed portion of the aggregate consideration of USD30,000,000 (equivalent to RMB183,990,000) compounded annual interest of 20% in case of the occurrence of any of the put option event a) to d) or of 15% in case of the occurrence of the put option event e) in the Agreement B, as set out below.

Pursuant to the Agreement B, put option events include:

- a) any of Tuna Holdings, entities within the Group, Ms. Li Li or Mr. Li Zhenyu materially breaches any provision of a transaction document and such breach has not been remedied within 30 days;
- b) any action is taken by any of Tuna Holdings, entities within the Group, Ms. Li Li or Mr. Li Zhenyu in contravention of applicable laws, orders, regulations, or requirements of any stock exchange or securities authority and such contravention results in a material adverse event;
- c) any action is taken by any of Tuna Holdings, entities within the Group, Ms. Li Li or Mr. Li Zhenyu that has a material adverse effect on the Company's ability to consummate a Qualified Public Offering (the closing of a firm commitment underwritten public offering of equity securities of the Company and the listing such equity securities of the Company on a reputable international stock exchange (including Stock Exchange, or any other stock exchange that is approved by the Board of Directors of the Company));

APPENDIX I

ACCOUNTANTS' REPORT

- d) if the Group is unable to meet the agreed performance target of 2013 or 2014 (the performance target is based on the net profit of the Group after adjustments of certain non-operating and non-cash income and expenses); or
- e) Qualified Public Offering of the Company does not occur on or before 31 December 2016.

An event described in paragraph a), b) and c) above only becomes a put option event if not fully remedied (if the same if remediable) by the Group, Tuna Holdings, Tuna BVI, Tuna HK, Ms. Li Li or Mr. Li Zhenyu within thirty (30) business days after the date on which the Investors deliver a written notice to the Group specifying the event to be remedied.

The put option is exercisable by Investor B and Investor C by written notice within six months after the occurrence of a put option event. The transfer of the put option shares shall be completed within 60 days after the date of the put option notice (the "Transfer Date"). The compounded annual interest is 15% for put option event e) or 20% for all other put option events for Investor B and Investor C.

On 27 June 2013, the Investors and Founders entered into a profit guaranty agreement, pursuant to which the Founders shall provide cash indemnity to the Investors if the Group fails to meet the profit guaranty amounts (as defined in the Agreement B) for each of the two years ending 31 December 2014. The cash indemnity amount is determined pursuant to the profit guaranty agreement with reference to the profit guaranty amounts. The profit guaranty amount is based on the net profit of the Group after adjustments of certain non-operating and non-cash income and expenses.

The put option which will be settled other than by the exchange of fixed amount of cash for a fixed number of shares of the Company is accounted for as a straight debt with embedded derivative financial instruments which are recognised at fair value in accordance with IAS 39 Financial Instruments: *Recognition and Measurement*. The fair value of the put option derivative is RMB6,646,000 at initial recognition.

The fair value of the put options to Investor B and Investor C upon initial recognition has been determined by using Black-Scholes option pricing model with the assistance of Jones Lang LaSalle Corporate Appraisal And Advisory Limited ("JLL"), an independent third party qualified appraiser located at 6/F, Three Pacific Place, 1 Queen's Road East, Hong Kong, with the following assumptions:

	<u>USD'000</u>
Exercise price	49,182
Share price	30,000
Time to maturity (i)	3.54 years
Risk free rate (ii)	0.75%
Volatility (iii)	36.52%
Dividend yield	0%
Probability of put option events occur	5%

- (i) Time to maturity was estimated at the remaining number of years until the expected exercise time as estimated by the directors of the Company.
- (ii) The risk free rate was estimated with reference to the Hong Kong Sovereign Curve.
- (iii) The volatility was estimated with reference to the historical volatilities of a number of listed companies engaged in similar business of the Group.

Apart from the above put option derivative, the Company also had an obligation to deliver share redemption amount to Investor B and/or Investor C upon the exercise of the put option rights by Investor B and/or Investor C if the condition set out in e) above is not satisfied, which was accounted for as financial liabilities at amortised cost with an original effective interest of 17.14% per annum. Assuming redemption amount at a compounded annual interest rate of 15% to be paid at 31 December 2016, the fair value of financial liability amounted to RMB177,345,000 at initial recognition.

APPENDIX I

ACCOUNTANTS' REPORT

III. Waiver of terms for shares issued to Investor A in June 2013

At the same time of entering into the Agreement B, Investor A waived all rights and claims as set out in the Agreement A and agreed to be bound by the provisions of the Agreement B, including the put option rights.

Upon the occurrence of the put option events as set out in the Agreement B, Investor A has put option rights requiring the Founders to repurchase or the Company to redeem all or a portion of Investor A's shares in the Company at principal amount of USD8,000,000 plus compounded annual interest of 20% from 28 May 2012 to the earlier of 30 June 2014 and the Transfer Date. If the Transfer Date is after 30 June 2014, the compounded annual interest rate is 20% from 28 May 2012 to 30 June 2014 and 15% from 1 July 2014 to the Transfer Date.

The abovementioned arrangement and waiver resulted in the derecognition of equity instrument as mentioned in Part I of this note and the initial recognition of a derivative financial instrument and a financial liability to deliver share redemption amount at fair value of RMB1,921,000 and RMB58,382,000 (at discount rate of 17.14%), respectively, and the difference of RMB10,868,000 between (a) the previous carrying amount recognised in equity of RMB49,435,000, and (b) the fair value of the derivative financial instrument and the financial liability, is recognised as an adjustment within equity.

The fair value of the put options to Investor A upon initial recognition at 19 June 2013 has been determined by using Black-Scholes option pricing model with the assistance of JLL with the following assumptions:

	USD'000
Exercise price	13,698
Share price	8,000
Time to maturity (i)	3.54 years
Risk free rate (ii)	0.75%
Volatility (iii)	36.52%
Dividend yield	0%
Probability of put option events occur	5%

- (i) Time to maturity was estimated at the remaining number of years until the expected exercise time as estimated by the directors of the Company.
- (ii) The risk free rate was estimated with reference to the Hong Kong Sovereign Curve.
- (iii) The volatility was estimated with reference to the historical volatilities of a number of listed companies engaged in similar business of the Group.

IV. Waiver of put option rights by Investors in October 2013

On 1 October 2013, the Investors waived their put option rights as mentioned in Part II and III of this note requiring the Company to redeem all or a portion of the Company's shares issued to the Investors without consideration exchanged, which resulted in the derecognition of previously recognised derivative financial instruments and financial liabilities with aggregate carrying amount of RMB249,606,000 and the adjustment of RMB10,868,000 within equity mentioned in Part III of this note at 1 October 2013 in relation to the share redemption amounts with a corresponding increase in share premium account in equity at the amount of RMB238,738,000.

Interest expense of RMB9,659,000 arising from the accretion of interest in relation to the share redemption amounts prior to the waiver mentioned above was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013.

In the opinion of the directors of the Company, the fair value of the derivative financial instruments at derecognition approximated to their fair value upon initial recognition.

APPENDIX I

ACCOUNTANTS' REPORT

28. PAID-IN/SHARE CAPITAL

The details of the Company's share capital as at 31 December 2011, 2012 and 2013 and 31 March 2014 are as follow:

		<u>Number of shares</u>	<u>Share capital</u>	
			HK\$'000	
Ordinary shares, at HK\$0.01 each				
Authorised:				
At date of incorporation and at 31 December 2011,				
2012 and 2013 and 31 March 2014	(a)	<u>5,000,000</u>		<u>50</u>
		<u>Number of</u>	<u>Share capital</u>	
		shares	HK\$'000	RMB'000
Issued:				
100 shares allotted and issued at date of				
incorporation on 24 October 2011	(a)	<u>100.00</u>	-	-
As at 31 December 2011		100.00	-	-
Issue of shares on 24 May 2012	(b)	<u>76.00</u>	1	1
Issue of shares on 25 May 2012	(c)	<u>24.00</u>	-	-
As at 31 December 2012		200.00	1	1
Issue of shares on 19 June 2013	(d)	<u>48.35</u>	-	-
As at 31 December 2013 and 31 March 2014 . .		<u>248.35</u>	1	1

The movements in the Company's authorised and issued ordinary share capital during the Track Record Periods are as follows:

- (a) The Company was incorporated in the Cayman Islands on 24 October 2011 with an authorised share capital of HK\$50,000, divided into 5,000,000 ordinary shares of HK\$0.01 each in the Company. At the date of incorporation, 100 shares of HK\$1 were allotted and issued as fully paid at par to Tuna Holdings.
- (b) On 24 May 2012, the Company issued 76 ordinary shares of HK\$0.01 each, credit as fully paid, to Tuna Holdings at par for cash.
- (c) As set out in note 27, pursuant to Agreement A, the Company issued an aggregate of 24 ordinary shares of HK\$0.01 each to Investor A, for a consideration of USD8,000,000 (equivalent to RMB50,611,000). At the same time Tuna Holdings pledged 88 ordinary shares of the Company to Investor A.
- (d) As set out in note 27, pursuant to Agreement B, the Company issued an aggregate of 48.35 ordinary shares of HK\$0.01 each to Investor B and Investor C, for a consideration of USD30,000,000 (equivalent to RMB183,990,000).

29. RESERVES OF THE COMPANY

	<u>Share premium</u>	<u>Capital reserve</u>	<u>Accumulated</u>	<u>Total</u>
	RMB'000	RMB'000	loss	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011, 31 December 2011 and				
1 January 2012	-	-	-	-
Loss for the year	-	-	(3,633)	(3,633)
Issue of shares	50,610	-	-	50,610
Share issue cost	<u>(1,175)</u>	-	-	<u>(1,175)</u>
At 31 December 2012	49,435	-	(3,633)	45,802
Loss for the year	-	-	(19,095)	(19,095)
Transfer of ordinary shares to puttable				
ordinary shares (note 27)	(49,435)	(10,868)	-	(60,303)
Derecognition of liability component of				
puttable ordinary shares (note 27)	<u>238,738</u>	<u>10,868</u>	-	<u>249,606</u>
At 31 December 2013	238,738	-	(22,728)	216,010
Loss for the period	-	-	(3,966)	(3,966)
As 31 March 2014	<u>238,738</u>	-	<u>(26,694)</u>	<u>212,044</u>

APPENDIX I

ACCOUNTANTS' REPORT

30. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC Government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the Track Record Periods are disclosed in note 11.

31. CAPITAL COMMITMENTS

At the end of each reporting period, the Group had the following capital commitments:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditures in respect of acquisition of property, plant and equipment:				
– contracted but not provided for	–	32,220	–	–
– approved by the board of directors but not yet contracted for	–	–	164,616	166,107
	–	32,220	164,616	166,107
	=	=	=	=

32. LEASE COMMITMENTS

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases entered into with a related party, Ms. Li Li (see note 37), which fall due as follows:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	20	10	204	204
Over one year but within two years, inclusive . .	10	–	204	204
Over two years but within three years, inclusive	–	–	85	34
	30	10	493	442
	=	=	=	=

Operating lease payments represent rentals payable by the Group for the Group's office premise. Leases are negotiated for lease terms of three years with fixed rental payments.

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

The amounts recognised for the bank deposits for entrusted loans within the Group and entrusted loans within the Group do not meet the criteria for offsetting in the Group's consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable upon an event of default.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged during the Track Record Periods.

The capital structure of the Group consists of net debt, which included borrowings net of cash and cash equivalents, puttable instrument and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues as well as the issue of new debts or the redemption of existing debts.

APPENDIX I

ACCOUNTANTS' REPORT

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets:</u>				
Loans and receivables (including cash and cash equivalents)	542,776	190,215	597,018	672,560
<u>Financial liabilities:</u>				
Liabilities measured at amortised cost	192,480	227,971	426,315	446,872

The Company:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets:</u>				
Loans and receivables (including cash and cash equivalents)	–	256	9,441	7,855
<u>Financial liabilities:</u>				
Liabilities measured at amortised cost	–	7,040	15,185	18,879

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, deposits paid, trade and other payables, borrowings, puttable instruments, bank deposits for entrusted loans within the Group, entrusted loans within the Group and bank balances and cash. The Company's financial instruments include trade and other payables, bank balances and cash. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged during the Track Record Periods.

(c) Market risk

The Group's activities expose it primarily to the market risks including interest rate risk (note 35(c)(i)) and foreign currency risk (note 35(c)(ii)). There has been no change to the Group's exposure to these market risks or the manner in which it manages and measures the risks during the Track Record Periods.

(i) Interest rate risk

The Group's fair value interest rate risk relates primarily to its pledged bank deposits. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and borrowings (note 25) which carried at prevailing market interest rates. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Company will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances and variable-rate bank borrowings at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole period.

The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the benchmark interest rate announced by the People's Bank of China or the LIBOR.

APPENDIX I

ACCOUNTANTS' REPORT

If interest rates on bank balances had been 5 basis points higher, interest rates on floating rate bank borrowings had been 50 basis points higher and all other variables were held constant, the potential effect on post-tax profit is as follows:

	Year ended 31 December			Three months ended 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Post-tax profit would decrease by	860	546	1,278	342

There would be an equal and opposite impact on the above post-tax results, should the aforesaid interest rates be lower instead of higher in the above sensitivity analysis.

In the opinion of the directors of the Company, the sensitivity analysis for the Group is unrepresentative of the inherent interest rate risk as the year/period end exposures do not reflect the exposure during the relevant periods.

The Company does not have any significant exposure on interest rate risk.

(ii) Foreign currency risk management

Foreign currency risk is the risk that the holding of foreign currency denominated assets and liabilities will affect the Group's and the Company's position as a result of a change in foreign currency exchanges rates. Certain trade and other receivables, bank balances and cash, trade and other payables and bank borrowings of the Group and the Company are denominated in foreign currencies, which details are set out in respective notes, and expose the Group and the Company to foreign currency risk.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

The Group:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
USD	38,959	92,475	252,810	231,317
JPY	29,100	24,468	28,945	36,104
HK\$	—	1,257	1,096	258
	<u>68,059</u>	<u>118,200</u>	<u>282,851</u>	<u>267,679</u>
Liabilities				
USD	—	5,342	107,873	106,745
HK\$	—	—	684	—
	<u>—</u>	<u>5,342</u>	<u>108,557</u>	<u>106,745</u>

The Company:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
USD	—	256	8,462	7,714
HK\$	—	—	949	111
	<u>—</u>	<u>256</u>	<u>9,411</u>	<u>7,825</u>

The Group is exposed to the currency of USD, JPY and HK\$. The Company is exposed to the currency of USD and HK\$.

The following table details the Group's sensitivity to a 10 percent increase in RMB against USD, JPY and HK\$ which represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis of the Group's includes outstanding foreign currency denominated monetary items and adjusts their translation for a 10 percent change in foreign currency rates at the end of each reporting period; and

APPENDIX I

ACCOUNTANTS' REPORT

A positive number below indicates a decrease in post-tax profit where RMB strengthen 10% against relevant foreign currencies.

The Group:

	Year ended 31 December			Three months ended 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Post-tax profit related to USD, would decrease by	3,896	8,713	14,494	12,457
Post-tax profit related to JPY, would decrease by	2,910	2,447	2,895	3,610
Post-tax profit related to HK\$, would decrease by	-	126	41	26

The Company:

	Year ended 31 December			Three months ended 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Post-tax profit related to USD, would decrease by	-	26	846	771
Post-tax profit related to HK\$, would decrease by	-	-	95	11

For a 10% weakening of the RMB against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax profit.

In the opinion of the directors of the Company, the sensitivity analysis unrepresentative of the inherent foreign exchange risk as the year/period end exposures do not reflect the exposure during the relevant periods.

(d) Credit risk management

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations as at 31 December 2011, 2012 and 2013 and 31 March 2014 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the Company's and consolidated statements of financial position.

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors of the Company review the recoverability of each trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk in respect of trade and other receivables, including trade receivables, receivables from a sales agent, receivables from the 2013 Vessel Owners, deposits for vessel management agreements, details of these balances are set out in notes 17 and 21; the Company has concentration of credit risk in respect of amounts due from subsidiaries which are set out in note 21. In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or/and to recover the overdue debts.

The credit risk on bank balances and pledged bank deposits is limited because the counterparties are reputable financial institutions.

In addition, the Group was exposed to credit risk in relation to the receivable from related parties with carrying amount of RMB474,065,000 as at 31 December 2011, the total amount was settled in 2012.

APPENDIX I

ACCOUNTANTS' REPORT

(e) Liquidity risk management

In management of liquidity risk of the Group, the Group maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Group's operations.

The directors of the Company are of the opinion that, taking into accounts the cash flows from the operations, bank borrowings, unutilised banking facilities of approximately [●] currently available to the Group as at [●], the Group has sufficient working capital for its present obligations that is for at least the next twelve months commencing from 31 March 2014.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities as at 31 December 2011, 2012 and 2013 and 31 March 2014.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

The Group:

	Weighted average interest rate	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	over 3 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities								
<u>As at 31 December 2011</u>								
Trade and other payables	–	20,480	–	–	–	–	20,480	20,480
Variable rates interest borrowings	6.50	165,740	7,099	–	–	–	172,839	172,000
		<u>186,220</u>	<u>7,099</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>193,319</u>	<u>192,480</u>
<u>As at 31 December 2012</u>								
Trade and other payables	–	65,383	588	–	–	–	65,971	65,971
Variable rates interest borrowings	6.59	1,878	36,720	81,722	–	–	120,320	112,000
Entrusted loan within the Group	0.35	–	–	–	50,525	–	50,525	50,000
		<u>67,261</u>	<u>37,308</u>	<u>81,722</u>	<u>50,525</u>	<u>–</u>	<u>236,816</u>	<u>227,971</u>
<u>As at 31 December 2013</u>								
Trade and other payables	–	19,346	1,677	–	–	–	21,023	21,023
Variable rates interest borrowings	3.37	77,289	87,515	116,561	–	–	281,365	268,142
Entrusted loan within the Group	0.35	–	–	50,525	88,065	–	138,590	137,150
		<u>96,635</u>	<u>89,192</u>	<u>167,086</u>	<u>88,065</u>	<u>–</u>	<u>440,978</u>	<u>426,315</u>
<u>As at 31 March 2014</u>								
Trade and other payables	–	15,227	750	–	–	–	15,977	15,977
Variable rates interest borrowings	4.60	89,413	103,708	116,561	–	–	309,682	293,745
Entrusted loan within the Group	0.35	–	–	50,525	88,065	–	138,590	137,150
		<u>104,640</u>	<u>104,458</u>	<u>167,086</u>	<u>88,065</u>	<u>–</u>	<u>464,249</u>	<u>446,872</u>

APPENDIX I

ACCOUNTANTS' REPORT

The Company:

	Weighted average interest rate	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	over 3 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities								
<u>As at 31 December 2012</u>								
Trade and other payables	-	7,040	-	-	-	-	7,040	7,040
<u>As at 31 December 2013</u>								
Trade and other payables	-	15,185	-	-	-	-	15,185	15,185
<u>As at 31 March 2014</u>								
Trade and other payables	=	18,879	=	=	=	=	18,879	18,879

As at 31 December 2011, the Company has no financial liabilities.

The tables include both interest and principal cash flows, the undiscounted amount included above for variable rates interest borrowings are derived from interest rate curves at the year/period end of the reporting period.

Bank loans with a repayment on demand clause are included in the "Repayment or less than 3 months" time band in the above maturity analysis. As at 31 December 2011, the aggregate carrying amount of these bank loans amounted to RMB125,000,000. Taking into account the Group's financial position, management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment from the Group.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average interest rate	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings:							
As at 31 December 2011 . . .	7.46	43,034	13,982	9,177	127,461	193,654	172,000

(f) **Fair value of financial instruments**

The fair value of financial assets and financial liabilities except for derivative financial instrument are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using rates from observable current market transaction as input. The fair value of derivative financial instrument is calculated using option pricing model.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of each reporting period.

36. CONTINGENT LIABILITIES

As at the end of each reporting period, the Group has not provided any guarantees to banks in respect of credit facilities granted by the banks to other entities.

APPENDIX I

ACCOUNTANTS' REPORT

37. RELATED PARTY TRANSACTIONS

(a) Related parties of the Group

The directors of the Company consider that the following entities are related parties of the Group:

Beneficial owners with control over the Company

- 勵莉 Ms. Li Li
- 勵振羽 Mr. Li Zhenyu

Beneficially owned and controlled by Mr. Li Zhenyu

- 大連長海船廠有限公司 Dalian Changhai Shipyard Co., Ltd.* (note a below)
- 大連環球國際船舶製造有限公司 Dalian Global Yachting Manufacture (INTL) Co., Ltd.* (note b below)
- 大連日商貿易有限公司 Dalian Rishang Trading Co., Ltd.* (note b below)
- 大連中天盈房地產開發有限公司 Dalian Zhongtianying Real Estate Development Co., Ltd.*
- 丹東欣明貿易有限公司 Dandong Xinming Trading Co., Ltd.* (note b below)
- 大連隆泰創業投資有限責任公司 Dalian Longtai*

Beneficially owned and significant influenced by Mr. Li Zhenyu

- 大連科技風險投資基金有限公司 Dalian Science & Technology Venture Capital Fund Co., Ltd.*

Note a: Dalian Changhai Shipyard Co., Ltd. was disposed of in October 2012 by Mr. Li Zhenyu and therefore, was no longer a related party of the Group thereafter.

Note b: These entities were disposed of in November 2013 by Mr. Li Zhenyu and therefore were no longer related parties of the Group thereafter.

* The English names are for identification purpose only.

(b) Significant related party transactions

Save as disclosed in the Financial Information, the Group has the following transactions with related parties during the Track Record Periods:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Vessels maintenance expenses to Dalian Changhai Shipyard Co., Ltd	140	-	-	-	-
Office rental expenses to Ms. Li Li	20	20	129	32	51

During the year ended 31 December 2012, Dalian Longtai injected capital of RMB50,050,000 into Longxing Fishery for a 5% equity interest, resulting in a capital reserve of RMB47,500,000.

APPENDIX I

ACCOUNTANTS' REPORT

(c) *Balances with related parties*

(i) **Non-trade balances with related parties**

The Group has the following significant non-trade balances with related parties as at 31 December 2011:

	As at 31 December	Maximum amount during the			
		year ended 31 December		three months ended 31 March	
	2011	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables:					
– Mr. Li Zhenyu	–	22,615	325,045	–	–
– Dalian Changhai Shipyard Co., Ltd.	163,779	163,779	163,779	–	–
– Dalian Global Yachting Manufacture (INTL) Co., Ltd.	56,599	56,599	56,599	–	–
– Dalian Rishang Trading Co., Ltd.	214,740	221,617	214,740	–	–
– Dalian Zhongtianying Real Estate Development Co., Ltd.	7,947	7,947	7,947	–	–
– Dandong Xinming Trading Co., Ltd.	31,000	31,000	31,000	–	–
	<u>474,065</u>				

During the year ended 31 December 2012, the Group entered into an agreement with Mr. Li Zhenyu and the related parties, pursuant to which amounts due from the related parties of RMB393 million in aggregate were assigned to Mr. Li Zhenyu. Thereafter, the amount due from Mr. Li Zhenyu and the related parties was fully settled by cash.

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Other payable:				
– Mr. Li Zhenyu.	(9,475)	(9,471)	–	–
– Ms. Li Li	–	(335)	(114)	(165)
– Dalian Longtai.	–	(37,782)	–	–
	<u>(9,475)</u>	<u>(47,588)</u>	<u>(114)</u>	<u>(165)</u>

The balances with related parties are unsecured, interest-free and repayable on demand.

APPENDIX I

ACCOUNTANTS' REPORT

(d) *Guaranteed by related parties*

The bank borrowings and bank facilities of the Group (note 25) are guaranteed by the following parties with maximum guaranteed amount as follows:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
– Mr. Li Zhenyu	52,000	47,000	–	–
– Dalian Changhai Shipyard Co., Ltd.	45,000	–	–	–
– Dalian Science & Technology Venture Capital Fund Co., Ltd.	40,000	–	–	–
	<u>137,000</u>	<u>47,000</u>	<u>–</u>	<u>–</u>

As at 31 December 2011, the maximum guaranteed amounts provided by related parties were fully utilised by the Group. As at 31 December 2012, RMB7,000,000 of the maximum guaranteed amount provided by Mr. Li Zhenyu was utilised.

As set out in note 27, the Agreement A contains a profit guaranty clause, pursuant to which the Tuna Holdings and Ms. Li Li shall provide cash indemnity to the Investor A if the Group fails to meet the profit guaranty amounts for each of the four years ending 31 December 2014. The cash indemnity amount is determined pursuant to the profit guaranty clause with reference to the net profit of the Group for each of the four years ending 31 December 2014.

As set out in note 27, pursuant to the profit guaranty agreement entered between the Investors and the Founders on 27 June 2013, the Founders shall provide cash indemnity to the Investors if the Group fails to meet the profit guaranty amounts for each of the two years ending 31 December 2014 (the "Profit Guaranty"). The cash indemnity amount is determined pursuant to the profit guaranty agreement with reference to the profit guaranty amounts. The profit guaranty amount is based on the net profit of the Group after adjustments of certain non-operating and non-cash income and expenses.

The Investors and the Founders agreed on 28 March 2014 that the Investors have waived the rights under the Profit Guaranty.

(e) *Compensation of key management personnel*

The remuneration of directors and other members of key management of the Group during the Track Record Periods were as follows:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Directors' remunerations.	69	69	264	39	88
Other members of key management:					
Salaries and other benefits.	145	172	355	42	107
Retirement benefit scheme contributions.	24	28	54	7	19
	<u>238</u>	<u>269</u>	<u>673</u>	<u>88</u>	<u>214</u>

The remuneration of key management is determined with reference to the performance of individuals and market trends.

APPENDIX I

ACCOUNTANTS' REPORT

II. DIRECTORS' EMOLUMENTS

Save as disclosed in this report, no other remuneration has been paid or is payable by the Company or any of its subsidiaries to the Company's directors during the Track record Periods.

Under the arrangement currently in force, the aggregate amount of the directors' fees and emoluments for the year ending 31 December 2014 is estimated to be approximately RMB[2] million.

III. SUBSEQUENT EVENTS

Subsequent to 31 March 2014, the following significant events took place:

1. On 14 April 2014, a vessel purchase agreement was entered into between the Group and the 2013 Vessel Owners pursuant to which the Group agreed to buy the vessels and production materials in respect of the vessel management agreement entered into in August 2013 (see note 17). The first installment purchase price of the vessels amounts to USD19,000,000 (equivalent to RMB116,890,000), which was fully paid by the Group on 29 April 2014. The vessels shall be delivered to the Group by 31 October 2014, upon which (i) the remaining payment for production materials will be determined and paid and (ii) the vessel management agreements shall be terminated and the deposits for vessel management shall be refunded to the Group by the 2013 Vessel Owners.
2. [●]

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of companies now comprising of the Group have been prepared in respect of any period subsequent to 31 March 2014.

Yours faithfully,
[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this [REDACTED].

The information set out in this Appendix was prepared in accordance with Rule 4.29 of the Listing Rules and is for information purposes only and does not form part of the Accountants' Report prepared by the reporting accountants of our Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, as set out in Appendix I.

For illustrative purposes only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out here to provide prospective investors with further financial information on how the proposed listing might have affected the net tangible assets of the Group after the completion of the [REDACTED] as if the [REDACTED] had taken place on 31 March 2014.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this [REDACTED] and the Accountants' Report set out in Appendix I.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial position upon completion of the [REDACTED] or any future dates.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as of 31 March 2014 as shown in the Accountants' Report, the text of which is set out in Appendix I to this [REDACTED], adjusted as described below. It has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of 31 March 2014 (note 1)	Estimated net proceeds from the [REDACTED] (RMB in thousands) (note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share (note 3)	Unaudited pro forma adjusted consolidated net tangible assets per Share (note 4)
Based on an [REDACTED] of HK\$[REDACTED] per Share	652,964		[REDACTED]		
Based on an [REDACTED] of HK\$[REDACTED] per Share	652,964		[REDACTED]		

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as of 31 March 2014 is extracted from the Accountants' Report as set out in Appendix 1 to this [REDACTED], which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of 31 March 2014 of RMB652,964,000.
2. The estimated net proceeds from the [REDACTED] are based on indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares that may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been granted under the Share Option Scheme. The estimated net proceeds from the [REDACTED] are converted into Renminbi at an exchange rate of HK\$1 to RMB[●] set by PBOC for foreign exchange transactions prevailing as of the Latest Practicable Date. No representation is made that the Hong Kong Dollar amount has been, could have been or may be converted into Renminbi, or vice versa, at that rate or at any other rates or at all.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that [REDACTED] Shares are in issue assuming that the [REDACTED] and the Capitalisation Issue have been completed on 31 March 2014 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been or may be granted under the Share Option Scheme. No dividend was paid to shareholders by the Group subsequent to the Track Record Period and up to the Latest Practicable Date. The unaudited pro forma adjusted consolidated net tangible asset value per Share has not been adjusted to reflect any trading results of or transactions entered into by the Group subsequent to 31 March 2014.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at the rate of RMB[●] to HK\$1 set by PBOC for foreign exchange transactions prevailing as of the Latest Practicable Date.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 October 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles of Association were adopted on [REDACTED]. The following is a summary of certain provisions of the Articles of Association:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear Business Days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear Business Days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear Business Days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear Business Days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear Business Days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 15 November 2011.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. While a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 October 2011. Our Company has been registered in Hong Kong under Part XI of the Companies Ordinance (Chapter 32 of the Law of Hong Kong) as in force before 3 March 2014 as a non-Hong Kong company on 30 September 2013 and our principal place of business in Hong Kong is at Room 2204, 22/F, Fu Fai Commercial Centre, 27 Hillier Street, Hong Kong. Mr. Lam Shui Yuen of Room 2204, 22/F, Fu Fai Commercial Centre, 27 Hillier Street, Hong Kong, a Hong Kong resident, has been appointed as the authorised representative of our Company for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to the relevant laws of Cayman Islands and its constitution which comprises a memorandum of association and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of the Companies Law is set out in Appendix IV to this [REDACTED].

2. Changes in share capital of our Company

- (a) As of the date of incorporation of our Company on 24 October 2011, our authorised share capital was HK\$50,000 divided into 5,000,000 Shares having a par value of HK\$0.01 each. Upon its incorporation, 1 Share was allotted and issued, credited as full paid, to Codan Trust Company (Cayman) Limited as the initial subscriber, which was transferred to Tuna Holdings on the same day. On the same day, 99 Shares was allotted and issued, credited as full paid, to Tuna Holdings.
- (b) On 24 May 2012, 76 Shares were allotted and issued, credited as fully paid, to Tuna Holdings.
- (c) On 25 May 2012, 24 Shares were allotted and issued, to Maguro at a consideration of US\$8,000,000.
- (d) On 19 June 2013, 40.29 Shares and 8.06 Shares were allotted and issued to Ares Ocean and Sure Source at a consideration of US\$25,000,000 and US\$5,000,000, respectively.
- (e) Immediately following completion of the Capitalisation Issue and the [REDACTED] but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$[REDACTED] divided into [REDACTED] Shares, of which [REDACTED] Shares will be issued fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraph headed "Resolutions in writing of our Shareholders passed on [●]" of this Appendix and the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" of this [REDACTED], there has been no alteration in the share capital of our Company since its incorporation.

3. *Changes in share capital or registered capital of our subsidiaries*

The following alterations in the share capital or registered capital of each of our Company's subsidiaries took place within the two years immediately preceding the date of this [REDACTED]:

(a) **Jinxing Trading**

On 6 July 2012, the registered capital of Jinxing Trading was increased into US\$8,100,000 which had been fully paid by Tuna Investment (HK) by 20 June 2012.

On 8 May 2013, the registered capital of Jinxing Trading was further increased to US\$14,100,000 which had been fully paid by Tuna Investment (HK) by 3 July 2013.

On 5 August 2013, the registered capital of Jinxing Trading was further increased to US\$62,000,000 of which approximately US\$41,000,000 had been paid by Tuna Investment (HK) by 23 July 2013.

(b) **Dalian Jinyuanfeng**

On 28 December 2012, Dalian Jinyuanfeng was established as a wholly foreign owned company in the PRC with an initial registered capital of RMB5,000,000 and is wholly-owned by Tuna Investment (HK). The first installment of such registered capital of RMB1,000,000 had been fully paid by Tuna Investment (HK) by 26 April 2013.

(c) **Jinxing Information**

On 24 April 2012, Jinxing Information was established as a limited liability company in the PRC with an initial registered capital of RMB500,000 and is wholly-owned by Jinxing Trading. Such registered capital was fully paid by Jinxing Trading by 17 April 2012.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

On 11 July 2012, the registered capital of Jinxing Information was further increased into RMB50,500,000, which was fully paid by Jinxing Trading by 6 July 2012.

(d) Dalian Ocean Fishing

On 15 May 2012, Dalian Longtai entered into an equity transfer agreement with Jinxing Information, pursuant to which Dalian Longtai agreed to transfer its 100% equity interests in Dalian Ocean Fishing to Jinxing Information at a consideration of RMB87,780,000, which was fully paid by Jinxing Information by 10 July 2013.

(e) Longxing Fishery

On 25 May 2012, Longxing Fishery was established as a limited liability company in the PRC with an initial registered capital of RMB 950,000 and is wholly-owned by Dalian Ocean Fishing. Such registered capital was fully paid by Dalian Ocean Fishing by 25 May 2012.

On 3 September 2012, the registered capital of Longxing Fishery was further increased from RMB950,000 to RMB1,000,000. Such increase in registered capital was fully paid by Dalian Longtai by 30 August 2012. Upon such increase in registered capital, Longxing Fishery was held as to 95% by Dalian Ocean Fishing and 5% by Dalian Longtai.

Save as set out herein and in the paragraph headed "Reorganisation" in the section "History, Development and Reorganisation" in this [REDACTED], there has been no alteration in the share capital or registered capital of any of our subsidiaries of our Company within two years immediately preceding the date of this [REDACTED].

4. Resolutions in writing of our Shareholders passed on [●]

Written resolutions were passed by our Shareholders on [●] pursuant to which, among other matters:

- (a) our Company approved and adopted the Articles of Association;
- (b) conditional on (aa) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this [REDACTED]; (bb) the [REDACTED] having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this [REDACTED]; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this [REDACTED]:
 - (i) the authorised share capital of our Company was increased from HK\$50,000 divided into 5,000,000 Shares to HK\$[REDACTED] divided into [REDACTED] by the creation of further [REDACTED] Shares of par value of HK\$0.01 each;
 - (ii) the [REDACTED] and the Over-allotment Option were approved and the Directors were authorised to allot and issue of the [REDACTED] pursuant to the [REDACTED] and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph headed "Share option scheme" of this Appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at the Directors' absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;
- (iv) conditional on the share premium account of our Company being credited as a result of the [REDACTED], the Directors were authorised to capitalise HK\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on [REDACTED] 2014 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation;
- (v) a general unconditional mandate was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the [REDACTED] or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [REDACTED] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Companies Law or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first;
- (vi) a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

exercise of the Over-allotment Option until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

- (vii) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (v) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (vi) above.
- (c) Our Company approved the form and substance of each of the service agreements made between our executive Directors and us, and the form and substance of each of the appointment letters made between each of our independent non-executive Directors with us.

5. *Corporate reorganisation*

In preparation of the Listing, our Group underwent the Reorganisation. For details of the Reorganisation, please refer to the paragraph headed "Reorganisation" under the section headed "History, Development and Reorganisation" in this [REDACTED].

6. *Repurchase by our Company of its own securities*

This paragraph includes information required by the Stock Exchange to be included in this [REDACTED] concerning the repurchase by our Company of its own securities.

(a) **Shareholders' approval**

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by our Shareholders on [●], the Repurchase Mandate was given to the Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [REDACTED] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

(c) Reasons for repurchases

The Directors believe that it is in the best interest of our Company and the Shareholders for the Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this [REDACTED] and taking into account the current working capital position of our Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this [REDACTED]. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after the Listing, would result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. The Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this [REDACTED] and are or may be material:

- (a) an equity transfer agreement dated 15 May 2012 entered into between Dalian Longtai and Jinxing Information, pursuant to which Dalian Longtai agreed to transfer its 100% equity interests in Dalian Ocean Fishing to Jinxing Information for a consideration of RMB87,780,000;
- (b) a subscription and shareholder agreement dated 25 May 2012 entered into among Maguro, Ms. Li Li, Tuna Holdings, Tuna Investment, Tuna Investment (HK), Jinxing Trading, Jinxing Information, Dalian Ocean Fishing and our Company, pursuant to which Maguro subscribed for a total of 24 new Shares at a total subscription price of US\$8 million;
- (c) a subscription agreement dated 19 June 2013 entered into among Ares Ocean, Sure Source, Maguro, Ms. Li Li, Mr. Li Zhenyu, Tuna Holdings and our Company, pursuant to which Ares Ocean and Sure Source subscribed for 40.29 Shares and 8.06 Shares at the subscription price of US\$25 million and US\$5 million, respectively;
- (d) the Deed of Indemnity;
- (e) the Deed of Non-Competition; and
- (f) the Hong Kong Underwriting Agreement.



APPENDIX IV

STATUTORY AND GENERAL INFORMATION

2. Intellectual property rights of our Group

(a) Trade marks

As at the Latest Practicable Date, our Group is the registered proprietor and beneficial owner of the following trademarks:

No.	Trademark	Place of registration	Class	Registration number	Date of expiry
1		Hong Kong	29 ⁽¹⁾	302220867	12 April 2022
2		PRC	29 ⁽²⁾	10905568	13 August 2023

Notes:

- (1) The specific goods under class 29 in respect of which the trademark was registered are meat, fish, poultry and game, meat extracts, fruits and vegetables preserved, frozen, dried and cooked, jellies, jams, compotes; eggs; milk and milk products; edible oils and fats.
- (2) Approved products under class 29 are fish (not live), tuna, fish food system, pickled fish, dried fish, dried fish floss, salted fish, fishmeal for human consumption, edible gelatine and fish mousse.

(b) Domain Names

As at the Latest Practicable Date, our Group has the following registered domain name:

Domain Name	Date of registration	Date of expiry
chinatuna.com.cn	28 February 2012	28 February 2015

3. Further information about our PRC establishments

We have interest in the registered capital of various PRC subsidiaries. A summary of the corporate information of such PRC subsidiaries as at the Latest Practicable Date is set out as follows:

(a) Jinxing Trading

- | | |
|----------------------------------|--|
| (i) Name of the enterprise: | Dalian Jinxing Trading Co., Ltd. (大連錦興貿易有限公司) |
| (ii) Registered address: | No. 2-(4), Zone A, Tourism Culture Market, Economy and Technology Development District, Dalian, Liaoning Province, PRC |
| (iii) Date of its establishment: | 20 March 2012 |
| (iv) Economic nature: | Wholly-foreign owned enterprise |
| (v) Registered owner: | Tuna Investment (HK) |

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (vi) Registered capital: US\$62,000,000
- (vii) Attributable interest to our Group: 100%
- (viii) Term of operation: 20 years commencing on 20 March 2012 and expiring on 19 March 2032
- (ix) Business scope: The wholesale business of fresh seafood and marine equipments and accessories (excluding state trading commodities, and to fulfil the application obligations when involving commodities with quota and license)

(b) Dalian Jinyuanfeng

- (i) Name of the enterprise: Dalian Jinyuanfeng Trading Co., Ltd. (大連金源豐貿易有限公司)
- (ii) Registered address: No. 2-(4), Zone A, Tourism Culture Market, Economy and Technology Development District, Dalian, Liaoning Province, PRC
- (iii) Date of its establishment: 28 December 2012
- (iv) Economic nature: Wholly-foreign owned enterprise
- (v) Registered owner: Tuna Investment (HK)
- (vi) Registered capital: RMB5,000,000
- (vii) Attributable interest to our Group: 100%
- (viii) Term of operation: 20 years commencing on 28 December 2012 and expiring on 27 December 2032
- (ix) Business scope: The wholesale business of prepacked food, fresh seafood and marine equipments and accessories (excluding state trading commodities, and to fulfil the application obligations when involving commodities with quota and license)

(c) Jinxing Information

- (i) Name of the enterprise: Dalian Jinxing Information Consulting Co., Ltd. (大連錦興信息諮詢有限公司)
- (ii) Registered address: No. 2-(4), Zone A, Tourism Culture Market, Economy and Technology Development District, Dalian, Liaoning Province, PRC
- (iii) Date of its establishment: 24 April 2012
- (iv) Economic nature: limited liability company
- (v) Registered owner: Jinxing Trading
- (vi) Registered capital: US\$50,500,000
- (vii) Attributable interest to our Group: 100%
- (viii) Term of operation: 10 years commencing on 24 April 2012 and expiring on 23 April 2022
- (ix) Business scope: Social and economic consulting (excluding business prohibited by the laws and regulations, and to obtain permission when involving business limited by the laws and regulations)

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(d) Dalian Ocean Fishing

- (i) Name of the enterprise: Dalian Ocean Fishing Co. Ltd. (大連遠洋漁業金槍魚釣有限公司)
- (ii) Registered address: 2nd and 5th floors, Building No. 3-5, Huale Housing Estate, Zhongshan District, Dalian, Liaoning Province, PRC
- (iii) Date of its establishment: 28 April 2000
- (iv) Economic nature: limited liability company
- (v) Registered owner: Jinxing Information
- (vi) Registered capital: RMB87,780,000
- (vii) Attributable interest to our Group: 100%
- (viii) Term of operation: 20 years commencing on 28 April 2000 and expiring on 26 April 2020
- (ix) Business scope: Catching, processing (limited to field operation) and sales of offshore fishing; fishing technology consulting; fishing resources distribution; importation and exportation of goods and technology (excluding business prohibited by the laws and regulations, and to obtain permission when involving business limited by the laws and regulations)

(e) Longxing Fishery

- (i) Name of the enterprise: Dalian Longxing Fishery Information Consulting Co., Ltd. (大連隆興漁業信息諮詢有限公司)
- (ii) Registered address: Room 204, No. 1, Chuangxin Road, Tieshan Street, Lvshunkou District, Dalian, Liaoning Province, PRC
- (iii) Date of its establishment: 25 May 2012
- (iv) Economic nature: limited liability company
- (v) Registered owner: Dalian Ocean Fishing
Dalian Longtai
- (vi) Registered capital: RMB1,000,000
- (vii) Attributable interest to our Group: 95%
- (viii) Term of operation: 20 years commencing on 25 May 2012 and expiring on 24 May 2032
- (ix) Business scope: Fishing technology consulting services; sales of fishery supplies

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

1. Directors

(a) Particulars of Directors' service contracts

Executive Directors

Each of the executive Directors has entered into a service contract with our Company for a term of [three] years commencing from the Listing Date until terminated by not less than [three] months' notice in writing served by either party on the other. Each of the executive Directors is entitled to their respective basic salaries set out below.

The current basic annual salaries of the executive Directors payable under their service contracts are as follows:

<u>Name</u>	<u>Annual salary</u>
	(HK\$)
Mr. Li Zhenyu.....	[500,000]
Ms. Gao Bo.....	[500,000]

Non-executive Directors

Each of the non-executive Directors has entered into a service contract with our Company for a term of [three] years commencing from the Listing Date until terminated by not less than [three] months' notice in writing served by either party on the other. Each of the non-executive Directors is entitled to their respective basic salaries set out below.

The current basic annual salaries of the non-executive Directors payable under their service contracts are as follows:

<u>Name</u>	<u>Annual Salary</u>
	(HK\$)
Ms. Li Li.....	[100,000]
Ms. Sui Wei	[100,000]
Mr. Tang Xun.....	[100,000]

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Independent non-executive Directors

Each of the independent non-executive Directors has been appointed for an initial term of [two] years commencing from the Listing Date, which shall be renewed and extended automatically for successive terms of [one] year upon expiry of the then current term until terminated by either party giving not less than [three] months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of the independent non-executive Directors is entitled to a director's fee of HK\$[100,000] per annum. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) Directors remuneration

- (i) The aggregate emoluments paid and benefits in kind granted by us to the Directors in respect of the three financial years ended 31 December 2013 and the three months ended 31 March 2014 were RMB69,000, RMB69,000, RMB264,000 and RMB88,000, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by us to and benefits in kind receivable by the Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2014 are expected to be approximately RMB[2] million.
- (iii) None of the Directors or any past directors of any member of us has been paid any sum of money for each of the three years ended 31 December 2013 (i) as an inducement to join or upon joining us or (ii) for loss of office as a director of any member of us or of any other office in connection with the management of the affairs of any member of us.
- (iv) There has been no arrangement under which a Director has waived or agreed to any emoluments for each of the three years ended 31 December 2013.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(c) Interests and short positions of Directors in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following the Capitalisation Issue and the completion of the [REDACTED] and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the interests and short positions of the Directors in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

<u>Name of Director</u>	<u>Capacity/nature of interest</u>	<u>Number and class of securities⁽¹⁾</u>	<u>Approximate percentage of shareholding</u>
Ms. Li Li	Interest of a controlled corporation ⁽²⁾	[REDACTED] Shares (L)	[REDACTED]%
Mr. Li Zhenyu	Other ⁽³⁾	[REDACTED] Shares (L)	[REDACTED]%

Notes:

- (1) The letter "L" denotes the Directors' long position in the shares of our Company.
- (2) Tuna Holdings will hold [REDACTED] Shares, representing approximately [REDACTED]% of the total issued share capital of our Company. Tuna Holdings is owned as to 100% by Ms. Li Li and thus under the SFO, Ms. Li Li is deemed to be interested in the [REDACTED] Shares held by Tuna Holdings.
- (3) By virtue of Mr. Li Zhenyu acting in concert with Ms. Li Li, Mr. Li Zhenyu is deemed to be interested in Ms. Li Li's interests in our Company.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

2. Interest discloseable under the SFO and substantial shareholders

So far as is known to the Directors, immediately following completion of the [REDACTED] and the Capitalisation Issue (but without taking account of any Shares which may be taken up or acquired under the [REDACTED] and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed "Interests and short positions of Directors in the shares, underlying shares or debentures of our Company and our associated corporations" above, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Name of shareholder	Capacity/nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding
Tuna Holdings	Beneficial owner	[REDACTED] Shares (L)	[REDACTED]%
Ares Ocean ⁽²⁾	Beneficial owner	[REDACTED] Shares (L)	[REDACTED]%
ACOF Asia Management, L.P. ⁽²⁾	Interest in a controlled corporation	[REDACTED] Shares (L)	[REDACTED]%
Ares Management (Cayman) Ltd. ⁽²⁾	Interest in a controlled corporation	[REDACTED] Shares (L)	[REDACTED]%
Maguro ⁽³⁾	Beneficial owner	[REDACTED] Shares (L)	[REDACTED]%
New Hope Agriculture and Food Fund II, L.P. ⁽³⁾	Interest in a controlled corporation	[REDACTED] Shares (L)	[REDACTED]%
New Hope Agriculture and Food Fund II, GP, Ltd. ⁽³⁾	Interest in a controlled corporation	[REDACTED] Shares (L)	[REDACTED]%

Note:

- (1) The letter "L" denotes the person's long position in the shares of our Company.
- (2) Ares Ocean is controlled by its general partner, ACOF Asia Management, L.P., which is in turn controlled by its general partner, Ares Management (Cayman), Ltd.. Accordingly, ACOF Asia Management, L.P. and Ares Management (Cayman) Ltd. are deemed to be interested in the Shares held by Area Ocean.
- (3) Maguro is wholly-owned by New Hope Agriculture and Food Fund II, L.P. which is in turn controlled by its general partner, New Hope Agriculture and Food Fund II GP, Ltd.. Accordingly, New Hope Agriculture and Food Fund II, L.P. and New Hope Agriculture and Food Fund II GP, Ltd. are deemed to be interested in the Shares held by Maguro.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

3. *Disclaimers*

Save as disclosed in this [REDACTED]:

- (a) and taking no account of any Shares which may be taken up or acquired under the [REDACTED] or upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the [REDACTED] and the Capitalisation Issue will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (b) none of the Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (c) none of the Directors nor any of the parties listed in the paragraph headed "Qualifications of experts" below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this [REDACTED], acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the [REDACTED] either in his own name or in the name of a nominee;
- (d) none of the Directors nor any of the parties listed in the paragraph headed "Qualifications of experts" below is materially interested in any contract or arrangement subsisting at the date of this [REDACTED] which is significant in relation to business of our Group; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "Qualifications of experts" below:
 - (i) is interested legally or beneficially in any securities of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

OTHER INFORMATION

1. *Share Option Scheme*

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on [●].

(a) **Purpose**

The purpose of the Share Option Scheme is to motivate Eligible Persons (as defined in paragraph (b) below) to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executive, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

(b) **Who may join**

The Board may, at its discretion, offer to grant an option ("Option") to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to the following persons ("Eligible Persons"):

- (i) an Executive;
- (ii) a director or proposed director (including an independent non-executive director) of any member of the Group;
- (iii) a direct or indirect shareholder of any member of the Group;
- (iv) a supplier of goods or services to any member of the Group;
- (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;
- (vi) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and
- (vii) an associate of any of the foregoing persons.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(c) Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the date of listing of the Shares on the Main Board of the Stock Exchange (the "Scheme Mandate Limit") provided that:

- (i) the Company may at any time as the Board may think fit seek approval from its shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company shall not exceed 10% of the Shares in issue as at the date of approval by the shareholders of the Company in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send to its shareholders a circular containing the details and information required under the Listing Rules; and
- (ii) the Company may seek separate approval from its shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by the Company before such approval is obtained. The Company shall issue a circular to its shareholders containing the details and information required under the Listing Rules.

Notwithstanding the foregoing, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Group shall not exceed 30% of the Shares in issue from time to time (the "Maximum Limit"). The maximum numbers of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company shall certify in writing to the Board to be fair and reasonable in the event of any alteration to the capital structure of the Company in accordance with paragraph (m) below whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the share capital of the Company but shall not in any event exceed the limits imposed by the Listing Rules.

(d) Maximum number of options to any one individual

The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (including exercised and outstanding Options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the shareholders of the Company in general meeting with such Eligible Person and his associates abstaining from voting. The Company shall send a circular to its shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of the Company's shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

(e) Offer and grant of options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

(f) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant,

such further grant of options must be approved by shareholders of the Company.

Approval from the shareholders of the Company is required for any change in the terms of options granted to a participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(h) Offer period and number accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the Grantee together with a remittance in favour of our Company of HK\$1 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 28 days after the Offer Date (the "Acceptance Date"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

(i) Restrictions on the times of grant of Options

The Board shall not offer the grant of an Option to any Eligible Person:

- (i) after inside information has come to its knowledge until it has announced the information pursuant to the requirements of the Listing Rules; or
- (ii) during the period commencing one month immediately preceding the earlier of:
 - (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (b) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement provided that no Option may be granted during any period of delay in publishing a results announcement.

(j) Minimum holding period, vesting and performance target

The Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the option in respect of all or some of the option Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no performance target which need to be achieved by the grantee before the option can be exercised.

(k) Transferability of options

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered), except with the prior written consent of the Board from time to time. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such grantee.

(l) Exercise of option

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the Option Period in the manner as set out in this Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to the Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given.
- (ii) The exercise of any Option shall be subject to the members of the Company in general meeting approving any necessary increase in the authorised share capital of the Company.
- (iii) Subject as hereinafter provided, an Option may be exercised by the grantee at any time during the Option Period, provided that:
 - (aa) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;
 - (bb) in the event that the grantee ceases to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to the Group at the relevant time, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (cc) in the event that the grantee ceases to be an Executive by reason of his transfer of employment to an affiliate company, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined;
- (dd) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of the Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to the Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of the Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;
- (ee) the event that the grantee ceases to be an Executive by reason of the termination of his employment by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of culpable termination) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such service or notification;
- (ff) if a grantee being:
 - (i) an executive director of the Company ceases to be an Executive but remains a non-executive director, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or
 - (ii) a non-executive director of the Company ceases to be a director:
 - (1) by reason of Non-Executive Director Retirement, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (2) for reasons other than Non-Executive Director Retirement, his Option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(gg) if:

- (i) the Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Person; or
- (ii) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Option or which were the basis on which the Option was granted,

the Option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (i)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (ii)) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such notification or the date of such failure, non-satisfaction or non-compliance;

(hh) if a grantee (being a corporation):

- (i) has a liquidator or receiver appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee; or
- (ii) has suspended, ceased or threatened to suspend or cease business; or
- (iii) is unable to pay its debts; or
- (iv) otherwise becomes insolvent; or
- (v) suffers a change in its constitution, management, directors or shareholding which in the opinion of the Board is material; or
- (vi) commits a breach of any contract entered into between the grantee or its Associate(s) and any member of the Group,

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

the Option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or on the date of suspension or cessation of business or on the date when the grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by the Company that the said change in constitution, management, directors or shareholding is material or on the date of notification by the Company of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such occurrence;

- (ii) if a grantee (being an individual):
 - (i) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance or any other applicable law or has otherwise become insolvent; or
 - (ii) has made any arrangement or composition with his creditors generally; or
 - (iii) has been convicted of any criminal offence involving his integrity or honesty; or
 - (iv) commits a breach of any contract entered into between the grantee or his associate and any member of the Group,

the Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such occurrence;

- (jj) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of shareholders of the Company (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by the Company;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (kk) if a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company, the Company shall give notice thereof to the grantees who have Options unexercised at the same time as it despatches notices to all members or creditors of the Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:
- (i) the Option Period;
 - (ii) the period of two months from the date of such notice; or
 - (iii) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his Option;
- (ll) in the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(m) Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the Allotment Date or, if that date falls on a day when the register of members of the Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the Allotment Date or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date shall be before the Allotment Date.

A Share issued upon the exercise of an Option shall not carry rights until the registration of the Grantee (or any other person) as the holder thereof.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(n) Duration and administration of Share Option Scheme

Subject to the terms of this scheme, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date. Upon the expiry of the Share Option Scheme Scheme as aforesaid, no further Options will be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

The Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided in the Scheme) be final and binding on all parties. The Board may delegate any or all of its powers in relation to the Share Option Scheme to any of its committees.

(o) Lapse of option

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the period referred to paragraphs related to exercise of Option;
- (iii) subject to the period in paragraph (i) of "Exercise of Option" in this section, the date of the commencement of the winding-up of our Company;
- (iv) there is an unsatisfied judgement, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;
- (v) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in paragraph (i) of "Exercise of Option" in this section or paragraph (iv) above; or
- (vi) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(p) Adjustment

In the event of any alteration to the capital structure of the Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of the Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the Scheme; and/or
- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the Subscription Price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors appointed by the Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (c) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and
- (d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

(q) Cancellation of Options

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

- (a) the grantee commits or permits or attempts to commit or permit a breach of the restrictions on transferability of Option or any terms or conditions attached to the grant of the Option;
- (b) the grantee makes a written request to the Board for the Option to be cancelled; or
- (c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of the Company or a Subsidiary.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

(r) Termination of the Share Option Scheme

The Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

(s) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of the Company in general meeting, provided always that the amended terms of the Scheme shall comply with the applicable requirements of the Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme); (ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee; (iii) any change to the authority of the Board or any person or committee delegated by the Board to administer the day-to-day running of the Share Option Scheme; and (iv) any alteration to the aforesaid termination provisions.

(t) Conditions of the Share Option Scheme

- (i) The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:
 - (aa) the approval of all the shareholders of the Company for the adoption of the Share Option Scheme;
 - (bb) the approval of the Stock Exchange for the listing of and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme;
 - (cc) the commencement of dealing in the Shares on the Stock Exchange; and
 - (dd) the obligations of the Underwriters under the Underwriting Agreement(s), if any, becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

If the permission referred to in paragraph (q)(i)(bb) is not granted within two calendar months after the Adoption Date:

- (i) the Share Option Scheme will forthwith determine;
- (ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and
- (iv) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by the Company.

2. *Estate duty, tax and other indemnity*

Tuna Holdings, Ms. Li Li and Mr. Li Zhenyu (the "Indemnifiers") have entered into the Deed of Indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract is referred to in paragraph headed "Summary of material contracts" above) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing; and
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 March 2014;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 31 March 2014 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
- (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 March 2014; and
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 March 2014 or pursuant to any statement of intention made in this **[REDACTED]**; or
- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 March 2014 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, each of the Indemnifiers has also undertaken to us that he/it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

3. *Qualifications of experts*

The qualifications of the experts who have given opinions and/or whose names are included in this [REDACTED] are as follows:

<u>Name</u>	<u>Qualification</u>
Deutsche Securities Asia Limited	Deemed licensed under the SFO for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Conyers Dill & Pearman (Cayman) Limited.....	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices.....	Qualified PRC legal advisers
Liaoning Haida Law Firm	Qualified PRC legal advisers
Mori Hamada & Matsumoto	Qualified Japanese legal advisers
Frost & Sullivan	Independent industry consultant

4. *Consents of experts*

Each of Deutsche Securities Asia Limited, Deloitte Touche Tohmatsu, Conyers Dill & Pearman (Cayman) Limited, Commerce & Finance Law Offices, Liaoning Haida Law Firm, Mori Hamada & Matsumoto and Frost & Sullivan has given and has not withdrawn its written consent to the issue of this [REDACTED] with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

5. *Promoters*

There is no promoter of our Company.

6. *Preliminary expenses*

The estimated preliminary expenses of our Company are approximately HK\$50,000 and have been paid by us.

7. *Litigation*

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

8. *Sole Sponsor*

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this [REDACTED] (including any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS. The sponsor's fee is [REDACTED]. The Sole Sponsor is independent of our Company pursuant to Rule 3A.07 of the Listing Rules.

9. *Binding Effect*

This [REDACTED] shall have the effect, if [REDACTED] is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Cap. 32 Companies (WUMP) Ordinance so far as applicable.

10. *Taxation of holders of Shares*

(a) **Hong Kong**

Dealings in Shares registered on our Company's Hong Kong register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) **The Cayman Islands**

Under the present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) **Consultation with professional advisers**

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, the Directors or the other parties involved in the [REDACTED] can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

11. *Miscellaneous*

- (a) Save as disclosed in this [REDACTED]:
- (i) Except as disclosed in the section headed "History, Development and Reorganisation" in this [REDACTED] and the paragraph headed "Further Information about our Group" in this Appendix, within the two years immediately preceding the date of this [REDACTED], no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash.
 - (ii) Except as disclosed in the paragraphs headed "Share Option Scheme" in this Appendix, no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
 - (iii) Neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares.
 - (iv) Except as disclosed in the section head "History, Development and Reorganisation" in this [REDACTED], within the two years immediately preceding the date of this [REDACTED], no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group.
 - (v) Within the two years preceding the date of this [REDACTED], no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company.
 - (vi) None of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
 - (vii) We have no outstanding convertible debt securities.
 - (viii) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this [REDACTED].
- (b) The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2014 (being the date to which the latest combined financial statements of our Group were made up).

12. *Bilingual* [REDACTED]

The English language and Chinese language versions of this [REDACTED] are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this [REDACTED] and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the [REDACTED], the written consents referred to under the sub-paragraph headed "Consents of experts" under the paragraph headed "Other information" of Appendix IV to this [REDACTED], and certified copies of the material contracts referred to in the sub-paragraph headed "Summary of material contracts" under the paragraph headed "Further information about our business" of Appendix IV to this [REDACTED].

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Orrick, Herrington & Sutcliffe, 43/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong, during normal business hours from 9:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this [REDACTED]:

- (a) our Memorandum of Association and the Articles of Association;
- (b) the accountants' report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this [REDACTED];
- (c) the audited financial statements of the companies now comprising our Group for each of the years ended 31 December 2011, 2012 and 2013;
- (d) the report on the unaudited pro forma financial information of our Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this [REDACTED];
- (e) the Companies Law;
- (f) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of the Companies Law referred to in Appendix III to this [REDACTED];
- (g) the legal opinions prepared by Commerce & Finance Law Offices in respect of certain aspects of our Group and the properties leased by us in the PRC;
- (h) the material contracts referred to in the sub-paragraph headed "Summary of material contracts" under the paragraph headed "Further information about our business" in Appendix IV to this [REDACTED];
- (i) the written consents referred to in the sub-paragraph headed "Consents of experts" under the paragraph headed "Other information" in Appendix IV to this [REDACTED];
- (j) the rules of the Share Option Scheme; and
- (k) the service contracts referred to in the sub-paragraph headed "Directors" in the paragraph headed "Further information about Directors and Shareholders" in Appendix IV to this [REDACTED].