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中國海洋捕撈
CHINA OCEAN FISHING
HOLDINGS LIMITED

China Ocean Fishing Holdings Limited

中國海洋捕撈控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

ANNOUNCEMENT
INTERNAL CONTROL REVIEW

References are made to the announcements (the “**Announcements**”) of China Ocean Fishing Holdings Limited (the “**Company**”) dated 11 August 2017 and 18 August 2017. As disclosed in the Announcements, in respect of Loan No. 1 to 14, the Company did not make the necessary announcements in a timely manner. As such, the Company breached its disclosure obligation under Chapter 19 of The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**GEM Listing Rules**”).

To avoid any similar non-compliance of the notifiable transaction requirements under Chapter 19 of the GEM Listing Rules and as directed by the Stock Exchange, the Company engaged Gram Capital Limited (“**Gram Capital**”) to conduct a review of the Company’s internal controls for procuring Chapters 19 and 20 of the GEM Listing Rules compliance. The written report regarding the aforesaid matter (the “**Internal Control Review Report I**”) was submitted by Gram Capital Limited (“**Gram Capital**”) on 15 June 2018.

SCOPE OF REVIEW

As the independent internal control reviewer, Gram Capital conducted a detailed review on the internal control and compliance systems of the Company. As agreed by the directors of the Company (the “**Directors**”) and the Company, the review objectives in the Internal Control Review Report I included the followings:

- to perform the internal control review of the Company;
- to identify significant risks, inefficiencies and ineffectiveness on the Company’s internal control and compliance systems;
- to make recommendations for improvements; and
- to communicate review results with the board of Directors (the “**Board**”) and the management of the Company (the “**Management**”).

FINDINGS

Based on the results of the internal control review, Gram Capital considered that the Company failed to adopt high level controls in certain areas within the scope of review works and a number of risks had been identified. Set out below are the major findings and issues identified:

- (i) (a) The Company failed to publish announcements in a timely manner regarding provision of certain loans by a wholly-owned subsidiary of the Company in 2016 and 2017; (b) the Company failed to aggregate a series of acquisition of certain intangible assets in 2014; and (c) the Company failed to publish announcements in a timely manner regarding acquisition of certain listed companies’ shares in 2016. Therefore, Gram Capital considered that the Directors and Management were not reasonably familiar with the meaning of “Transaction” and “Aggregation of transactions” under the GEM Listing Rules.
- (ii) As the Company did not enter into any agreement with connected person in recent years, the Directors and Management may not be reasonably familiar with the meaning of “connected person” under the GEM Listing Rules. Apart from the reliance on the knowledge and belief of the Directors, there was also no formal procedure for the Company to identify connected person.
- (iii) The Company did not provide regular training on the GEM Listing Rules for the Directors and Management, in particular, Chapters 17, 19 and 20 of the GEM Listing Rules.
- (iv) Despite that the Company adopted internal control manual (April 2017 version), there was no clear established mechanism by which the Group’s transactions would be reported to the relevant compliance personnel for GEM Listing Rules compliance purposes.

- (v) The existing control manual for transactions of the Company had not been strictly followed.
- (vi) The Company did not have any internal checklists for examining/approving transactions of the Company.
- (vii) The Company did not have sufficient staff to handle the GEM Listing Rules' requirements for transactions. There were only two personnel involved in the monitoring of compliance issues and they took the primary responsibility to fulfill all GEM Listing Rules' requirements for transactions.

RECOMMENDATIONS

Set out below are the key recommendations made by Gram Capital:

- The Directors and Management have to attend GEM Listing Rules training to strengthen their understanding on the GEM Listing Rules, in particular Chapters 19 & 20 of the GEM Listing Rules.
- The Company should prepare a list of connected parties so as to identify and check for any connected transaction before dealing with the prospective customers/suppliers/vendor(s)/ purchaser(s). The Directors and Management should review such connected party transactions as identified if such transactions will be conducted frequently based on a monthly basis. The connected parties list should be updated quarterly and/or when there is a new appointment with the director or senior management.
- The Company must ensure that the internal control manual for transactions/advances would be strictly followed. Warnings/disciplinary actions should be given to the staff who does not follow the internal control manual.
- All transactions with possible GEM Listing Rules implications (in particular, advances and provision of loan) should be executed subject to prior examination by Company Secretary and approval of by Chief Executive Officer (if he/she is a director) or any executive Director (if Chief Executive Officer is not a director).
- In this respect, Gram Capital recommended that
 - 1) The form for proposed transaction (the “**Preliminary Transaction Form**”) should be filled out by the initiating staff each time for any proposed transaction (including acquisition/disposal of assets/company, provision/acceptance of services) and advance with monetary value over HK\$500,000 or cumulative annual monetary value over HK\$500,000 (e.g. entering into tenancy agreement). Such form should then be passed to relevant department head.

- 2) After reviewing the Preliminary Transaction Form, the department head should circulate the Preliminary Transaction Form to Company Secretary for his further action.
 - 3) After receiving the Preliminary Transaction Form, Company Secretary should fill in the transaction assessment form (the “**Transaction Assessment Form**”) and assess the notifiable/connected transaction implication. To facilitate timely completion of the Transaction Assessment Form, responsible staff were recommended to update the size tests calculation at least bi-weekly based on the updated financial information and size of market capitalisation of the Company.
 - 4) The Transaction Assessment Form should be completed and (i) passed to the Chief Executive Officer and Chairman within one day of receipt of the relevant Preliminary Transaction Form; and (ii) kept by the Company for record for at least three years.
 - 5) In the event that, based on the completed Transaction Assessment Form, the subject transaction constitutes notifiable/connected transactions for the Company, Company Secretary should provide such form for board of Directors’ discussion.
 - 6) With the assistance of professional parties, Company Secretary should complete the transaction procedure form (the “**Transaction Procedure Form**”) and discuss the same with the Board.
 - 7) After due consideration, the Board should direct Company Secretary to take necessary actions as set out under the Transaction Procedure Form for the subject transaction.
- To strengthen manpower allocation for GEM Listing Rules compliance function. In particular, Gram Capital considered that the newly appointed Compliance Officer should also be involved in the monitoring of compliance issue. Given their major responsibilities and heavy workload, the Company was recommended to appoint additional qualified staff involving in the monitoring of compliance issue.
 - The Company should consult its professional adviser each time before entering into a possible transaction.
 - The Company should notify and consult the Stock Exchange as soon as practicable as and when necessary.
 - The Company was recommended to appoint a compliance adviser on an ongoing basis for consultation on GEM Listing Rules compliance for at least one year.

As confirmed by the Directors, all these findings and recommendations were agreed by the Directors and Management. The Directors and Management also confirmed that they would fully implement Gram Capital's recommendations to strengthen and enhance the Company's internal control system.

Furthermore, the Company believes that by adopting the recommendations in the Internal Control Review Report I, the Directors and Management would be able to improve corporate governance within the Company and ensure the Company's compliance with Chapters 19 and 20 of the GEM Listing Rules.

A follow-up review will be conducted by Gram Capital and a further report on the progress of the implementation of the remedial measures of the Company proposed by Gram Capital will be issued by Gram Capital within a further period of two months after the issue of the Internal Control Review Report I.

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

Hong Kong, 29 June 2018

As at the date of this announcement, the executive Directors are Mr. Liu Rongsheng, Mr. Fan Guocheng and Ms. Wei Qing, the non-executive Director is Mr. Yang Yong and independent non-executive Directors are Mr. Pang Pui Hung, Paton, Ms. Li Yuen Fong, Michelle and Mr. Zhu Yifeng.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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