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Phone Answering

Machine: Thank you everyone for participating the conference call. Please wait.

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Male 1: Hello everyone, welcome participating the Pin Tan Marine Industry investors exchange meeting. All attendants should remain silence. After the host's speech, there will be time for questioning. Now let the host to give a speech.

Huang Er: Hello every investors, I am Huang Er, the oversea register of the Kuang Cheng Ltd. We are always optimistic towards the future and the development of the Marine Industry Ltd, and we have been monitoring the updates of the company. The day before yesterday, a small oversea institution launched a report. For us, such report is obviously alarmist information misleading the investors. Due to the public ignorance of the marine industry, such report has a huge effect on the stock price. In order to enhance the investors' knowledge of the actual operation of the company, and to reply the false criticisms on the company operation in the report, we have invited Mr. Wu We-Yang from the Pin Tan Marine Industry to communicate with everyone. Before the questioning section, we would like to invite the Chief Officer Yu to introduce the company operations and facts for clarification. Let's welcome the Chief Officer Yu

Chief Officer Yu: Ok ... thank you Hung Er. It is grateful for us to have such a conference call to communicate directly with our investors. Today ... we will firstly explain everything in the short report. Then we will introduce the future operation and the development of our company. Finally we will open to everyone for asking questions. Firstly, my executive team and I have read that short report carefully which was launched the day before yesterday.

Chief Officer Yu: Sincerely speaking, the quality of such short report is poor. It is not even worthy of a third grade. Nothing mentioned in the report is true. Everything in the report is fake. No claim is meaningful. The report uses several forged illustrations to discredit the company. Therefore, the executive team call for an emergent meeting with several objectives: firstly, in order to exposes the lies in the report, the company discloses the facts. At the same time ... er ... the company ... er ... will sue the institution for launching such short report when the time comes. Our lawyers have been studying the case. Now I'll introduce the current situation of the company for everyone.

Chief Officer Yu: Firstly, the report has ... mentioned ... mentioned a lots of things ... irrelevant to the listed company. So we don't want to involve in such a war of words. We don't need to state the obvious. Instead we just show all the factual information we have, so that the investors ... may judge on their owns. The investors may verify the assets and the liability ... of the

company by any means.

So ... in the report, there are several alarmist ... and deceiving statements. The report accuses the company for human trafficking ... (unclear) ... just some alarmist statements anyway. In fact ... our lawyers require us not to respond to such criticisms. Although the basis is owned by Mr. Zhou Xin-Rong, it is not within the framework of the listed company. So we do not mention it in the formal report. But I can talk about this issue in this conference call. Firstly, the two bases ... were established gradually ten years ago. Before the establishment of these bases, the residents on the island were living in primitive condition. There is no tap water, no clean water, no electricity ... it's just a primitive life. So once we had begun investing there, we built schools, hospitals, churches there so as to improve their ... cultural life. Their lives were ... dramatically improved. At the same time we built a power station and a water plant. Besides, in the bases, we built a manufacturing factory ... houses ... and even an airport. So, because of our investment, for the residents on the island, the living quality and the job opportunity are dramatically improved. The local residents are willing to co-operate with us and work for us. Let me give you an example. After the economic decline of Indonesia, many local workers suffered from a dramatic fall in income because there was no job. Therefore the local residents voluntarily went to Jakarta for demonstration in 2016. It was reported ... on the Jakarta Post, if my memory is correct. You may check it out if you want. In fact we ... have got only around 10 Chinese workers on the island. But there are more than 20 thousands Indonesian locals on the island. How can these Chinese workers ... to enslave the thousands of Indonesian locals there? It's just ... ridiculous.

Chief Officer Yu

Secondly, the shark fishing ... never occur. We don't even have any basic container for sharks. For sharks, dolphins and turtle fishing ... they need very different instrument. What we are using for fishing are trawlers ... and side-fishnets. We have also got gantries. These are all our major vessels for fishing, which are impossible for sharks fishing. However, we do have fished a few sharks. There are around hundreds types of sharks, some of which are not allowed to be fished, e.g. the great white shark and the basking shark. However many sharks are on the fishing allowed list. Every year we have fished only a few sharks, around hundreds of tones. All are fished legally. So the rumours of sharks, dolphins and turtle fishing are all ridiculous.

Chief Officer Yu

At the same time, the report itself is inconsistent. For example, the report said that our fishing ships are detained in Africa by the government because our fishing ... has caused a riot. There is a link there. But I believe that many investors ... who has seen such report do not click the link and take a look carefully. I suggest you to click the link. I have clicked and read it. What ... what is the link about? Two fishing ships ... are really detained in Africa, and the officers boarded our ships for investigation. We co-operated with the officers. The results of the investigation is that: none of our fishings (like oegopsina) are the fishes on the forbidden list like sharks or dolphins. So having stayed for two weeks there, our ships had got only an infringement notice because our licenses are overdue. It's just a very ... very minor incident. The link in the report tells a story different from the report itself. Overall I think ... the short report is full of mean steps. The intention is obvious. The report aims to go short on stock in the capital market and ... scare the investors so as to earn some money. Another point is ... according to the report, the major investor of the company embezzles

Chief Officer Yu

Chief Officer Yu

US\$900 million cash from the headquarter of the company. I ... I don't really want to talk about this issue. We're just using ... actually you may read our financial reports. In 2013, the company went public in USA. Now ...see the total cash we have. Where is the "RMB 900 million" ? Not to mention US\$900 million. How much is the total revenue of our company? From 2013 till now, the highest revenue we have ever earned was from Paris ... in 2014 ... which was just 86 million dollars. In 2015 and 2016 basically we have been suffering from losses. Where have we got US\$900 million in cash? The critic ... just ... just has no common sense in finance. The quality of the report is too poor.

For other defamations ... arguing that the company has no ship and no bill of entry ... we just don't want to talk too much on these defamations. The facts tell the truth. Yesterday our team took photos of all our 140 fishing ships. All are uploaded to our website. We have given you the link and you may see the photos on our website. Take a look at every photo. Use all means to verify the photos. See if the ships are real. At the same time we have provided the bills of entry ... of which the amount is numberless. Every entry of the inventory contains numberless bills of entry ... even more than 10 thousands for one entry. So ... we have no problem in entry. Every year ... usually before the end of the year, there will be a letter sent from the customs to us which prints all the declared items. Such printing is not artificial. Yesterday we saw a database on the top left corner of the bills of entry, which is ... similar to barcode. Every bill of entry has a unique code printed on the top left corner. With the data from the code the bills can be verified, which tells us where the fishings come from, where they are taxed ... because we are doing self subsistent fishing, we are tax-free. The fishes are from Indonesia. All ... information are clearly listed on it. We are not afraid of the investigation by any institution or investor.

Chief Officer Yu

So, basically ... the executive team's attitude to the short report is ... to give an effective response. This is not the first time that we are defamed. Last year we had ended a tribunal in USA. Before the tribunal the plaintiff told me if we could compensate him of US\$300 thousands, he would not sue us. But the attitude of the company was firm. We shall never surrender to the evil. So the company insisted to go to the court. We had spent around US\$1 million lawyer fee and we won the case 100%. The case ... had not even gone to the appeal court. The plaintiff accepted the judgement. So the attitude of our company to the short report is obvious. We will 100% sue the institution through ICC and the courts in USA. Our lawyers have been preparing for the case. Yesterday I had a conference call with the lawyers after the launch of the first short report. I had clearly ordered them to organise all evidence for the legal case properly. In the preparation, the lawyers discovered that this intuition had also defamed a local USA company in the year before last year. That company was suffering from a loss in the capital market as a result. The lawyers ... of such company has been investigating the institution for a year. They are going to sue the institution. So yesterday our lawyer team spoke to the lawyers of that company and has arranged a meeting tomorrow. They had a conference call yesterday. We offer to share evidence with each other ... (we'll share the evidence on the defamation against the Pin Tan Ltd) ... so that we can have a joint lawsuit against the institution. We are gathering other companies online who have also been defamed by the institution, and see if they may join our joint lawsuit. Such lawsuit is necessary for us. That's all the follow-up of the short report ... if you have any question, I will answer in detail.

Chief Officer Yu

In terms of operation, the company runs smoothly. We are going to launch our financial statement of the first quarter on next Monday. At the same time ... the EPS guidance the company gave was 8 to 10 cents per share. Hope everyone pays attention to it. Personally I am very confident. The future is optimistic. At the same time the company has already begun several development projects, including oversea merging. We have two target companies in South America with whom we are negotiating. At the same time ... we have some co-operative fishing projects with the local companies. Some of our ships may participate in shrimp fishing. These plans will be actualise in the second half of the year. I will try to inform you any update as soon as possible.

Chief Officer Yu

At the same time we have made a big progress in vertical corporation Last week we have signed a contract with the Shanghai City Shop Ltd (owned by the Fruit Day Ltd) and the Hong Li Chuan Ltd (a Shenzhen large residential developer). We establish a platform for the direct selling of our fishing products on retail shops and supermarket. Hong Li Chuan is going to use our fishing products as ingredients of the product research for their chain stores, airline meals and high-speed rail meals. The news will be formally announced to the market tonight. We expect that the Shanghainese may buy our products in the supermarket in the next quarter. We have been communicating with the two companies for several rounds and invited them to our company for field study, including viewing the fishing ships and the fishings in the customs, our storages and our products. At the same time the supermarket has got some inventories from us for sale testing. Before that we have never announced the news in the market. As we have already signed the contract, we are going to announce our progresses in the market gradually. Two parties ... actually, three parties ... are optimistic to the future of the co-operation. Let me give you an example ... let's talk about the sale of the beltfish in the Shanghai City Shop Ltd. The company sent five purchasers to our company today. The purchasing team told us that in the past their market quotation for beltfish is 26 dollars per kg of which the quality worths only two third of ours.

Chief Officer Yu

How much is our beltfish for purchasing? Just 8 to 10 dollars (per kg). So our strategy is to change the price ... for example today they come to us and bid for 26 dollars. We increase our price from 8 dollars to 18 dollars. Their purchasing cost is still 8 dollars cheaper which adds to their profits. Our sale revenue increases from 8 to 18 dollars. If we deduct the logistics costs like packaging ... which is about 2 dollars per kg. So our actual revenue per kg is 16 dollars. So our revenue rises from 8 to 16 dollars. As a result both parties enjoy an increase in profits. From our point of view, when the beltfish is sold at the price of 8 dollars, the profitability is around 30%, which means the revenue per kg is around 2.4 dollars. If the price increase by 8 dollars ... you can calculate how high our profitability would be. Of course, in the next quarter we expect to increase the sale amount gradually. By 2018 the sale amount is expected to rise dramatically.

Chief Officer Yu

Besides these two partners, we are now negotiating with the CEO of Makro. They are eager to purchase our products for 80 large chain stores in China. Their overall operation in China ... as they have explained to us ... the sale revenue per year is around US\$30 billion. The sale revenue per store per year is averagely US\$400 million. 20% out of the US\$30 billion is seafood product. That's why they are eager to communicate with us and their offers are very attractive. They offer to pay all fishing in cash without deferring and without return inwards. However their purchasing price is lower than ours and our partners'. We

Chief Officer Yu

are still evaluating their offers. If the price is high, the cashflow will be affected ... an increase in case implies an increase in profit. However, if a huge amount of products is sold to Makro, our credibility and profitability will increase in a degree smaller than that obtained from direct sales. So the company is evaluating.

Chief Officer Yu

These are our potential partners ... the negotiation is progressive ... there will be good news very soon. At the same time we are negotiating with Dia Supermarket in Shanghai. The future profitability is believed to be positive. Ok ... now let's the host to see if anyone has got any question. I'll answer in detail. Thank you.

Huang Er

Thank you the Chief Officer Yu. The Chief Officer Yu seldom takes a rest in these days as he is busy with this issue and has been attending several conferences. It's not an easy task ... So now we are open for question. Please input your investor phone number

Phone
Machine:

Hello everyone, if you'd like to ask a question, please click the voice option and wait. Click Answering the # button and the number 1. Then wait for the notification sound. After you have heard the sound, please ask your questions. Thank you.

(Noise)

Phone
Machine:

Hello everyone, if you'd like to ask a question, please click the voice option and wait. Click Answering the # button and the number 1. Then wait for the notification sound. After you have heard the sound, please ask your questions. Thank you.

Huang Er When you are preparing for questions, now I'd like to ... to quote a common question from the investors. Having seen the short reports, in order to avoid the war of words, we show them lots of data, including photos. The direct response is avoided. Why does the company ... use such a solution? Thank you.

 Such solution ... we undertake such solution because we are preparing for the lawsuit in future. Such strategy is suggested by our lawyers. We should avoid the war of words so as to not affect the tribunals. That's why the company shows lots of facts to refute the report. There is nothing true in the short report. Everything is fake in the report ... and ... the photos are fake. In order to ensure the success of the lawsuit, the company simply uses the facts to refute their defamation against us. For the human trafficking and enslaving in the bases ... the two bases are not within the framework of the listed company, we cannot speak on this issue. We concern our image in the capital market very much.

Chief Officer Yu

Huang Er Thank you the Chief Officer Yu.

Chief Officer Yu Ok ...

Male 1: Hello the host. Have you finished your question?

Huang Er Yes I have.

Phone Machine: Hello everyone, if you'd like to ask a question, please click the voice option and wait. Click Answering the # button and the number 1. Then wait for the notification sound. After you have heard the sound, please ask your questions. Thank you.

Phone Answering

Machine: Now let's Zhou Zi Min from the GF Fund Management Ltd to ask a question

Zhou Zi Min

Hi leader ... I would like to ask a question. According to the short report our company has sent US\$8.3 million to purchase 70 fishing ships. However the cost of ships manufacturing is just US\$1 million. It is doubtful whether there was a interest transfer. And the reply from the company is that we have taken photos of all our ships. The photos, however, fail to show how much a ship worths. How can we evaluate its instrumental value and see if there is any interest transfer? I would like to ask this question.

Chief Officer Yu

Ok. Thank you the Chairman Zhou for your question. The answer is ... let me give you an example. Recently I have been to New York and got a taxi ... a yellow taxi. I was interested in the taxi and asked the driver how much the taxi worths. The driver answered it worths US\$30 thousands but my taxi license worths US\$1 million. The overall price of the taxi is above US\$1 million. The key point here is the license. Fishing market is similar to taxi market. There are only 2460 oceanic fishing ships in China according to the latest statistics. Having developed in the industry for 30 years, we have got the license of oceanic fishing. So unlike the taxi in USA the number of the ships are not that many. But what is the value of the oceanic fishing license? Let me explain to you with an actual example. In 2015 we purchased 6 large fishing ships. The manufacturing cost per ship is 40 million dollars. For ship manufacturing ... either constructing a new ship or refurbishing an old ship ... the government offers several preferential policies.

Chief Officer Yu

Firstly, the national policy is to offer 30% subsidy for every new ship ... 30% of the manufacturing cost is 12 million dollars. Secondly, like the national government, many local governments offer 30% subsidy further. So there would be another 12 million dollars. Let us put aside the local subsidy as it varies with provinces (some have got subsidy while others haven't). So we have got 12 million dollars from the national government. Thirdly, the China

Development Bank must offer you 40% immediate loan for long term (15 years) with interest, which is 16 million dollars. After the manufacturing of the ship, the ship could be mortgaged in a commercial bank for loan, which is about 20 million dollars. So the manufacturing cost of a ship is just 40 million dollars while we have got 48 million cash. If there is local subsidy, we would have got 60 million. In other words, the ship manufacturing costs the company nothing and even provide the company a fund-raising opportunity. Secondly, the subsidy received for the large oceanic ships ... e.g. the crane ships ... if from RMB 7 million to 10 million per year. There is a new national policy. In the past there were subsidies for both oceanic and onshore fishing ships. Of course the subsidy for the latter is much lower. Latter the national government suppress the amount of onshore fishing as the government discouraged fishing. From 2015 the name of the subsidy is changed from oceanic fishing subsidy to international fishery resource subsidy. The name of the onshore fishing subsidy remains constant. The onshore fishing is discouraged but the oceanic fishing is strengthened. So the crane ships obtain 7 million to 10 million dollars of the International Fishery Resource Subsidy per year. The subsidy is available every year. So once we have got a license, we don't need to spend on ships manufacturing cost and we get funding, which brings us profit. That's ... the national subsidy. In other words, once we have got a license, we don't need to spend a penny. Even we are doing nothing for a year, as we have already got 10 million subsidy from the national government, we have earned at least 10 million. Not to mention the revenue from our fishing industry. Every year we fished around 20 million tones of Oegopsina. The current price of Oegopsina is around 20 to 30 thousand dollars. The cost of fishing is just RMB 20 million. So a crane ship earn at least 30 million per year. So it is impossible for the fishing ships to be sold on the manufacturing cost level. The price is calculated according to the operating conditions, revenue and price earning ratio. So the US\$1 million mentioned in the report is inaccurate.

Chief Officer Yu

The ships which costs only US\$1 million are smaller. They are known as half-oceanic fishing ships. In Indonesia we are using half-oceanic ships. The manufacturing cost of the half-oceanic ship is around US\$1.5 million, which equals to around RMB 10 million. The preferential policy is the same. There are subsidies. The valuation method of these ships are the same. The operating revenue should be counted. The report mixed up our oceanic ships with our half-oceanic ships. Of course, the estimated value of the fishing ships with a manufacturing cost of 40 million dollars are much higher. The report is just inaccurate. When we were purchasing the ships ... we invited the BMI Ltd for valuation. BMI provide valuation service for ... more than two thousand companies all over the world. BMI is a ... globally famous business valuation company. We purchased ships according to the BMI valuation. The 70 fishings ships mentioned before ... let me explain to you ... 46 out of 70 fishing ships were purchased on the first phase. The company went public in USA on 26 February 2013. When the company went public, there were two major business: construction and oceanic fishing. At that time Ping Tan had got only a few fishing ships ... just 20. The main business was construction. There was ... a fund-raising for the transportation business before several preparation works. The company was busy with preparing for going public.

Chief Officer Yu

Chief Officer Yu

In 2010 the company received US\$50 million investment. The major investors were NewMargin Ventures Ltd and some American institutional investors. At that time the

construction received funding with the valuation of US\$500 million. Since the estate market was performing well, the major revenue of the construction business was from land reclamation, and some revenue was generated from the river channels cleaning. So the profitability was very strong. At that time our construction company had 21 construction ships. However, the national government ended the construction project in 2013 (which had begun in 2008) and realised that the project was an error. From 2008 the construction industry was in upward trend until 2012 when the business shrank dramatically. Our construction ships decreased from 21 to 6. The overall scale, revenue and profit was less than 20% of those in 2011. So ... the chairman Zhou, with the suggestion from the investors and the investment banks, made several decisions. Firstly, fishing and construction are two very different industries which can hardly be analysed together on the same financial report. The company could not manage developing two industries... they should be separated.

Chief Officer Yu

The chairman Zhou ... thought that although the construction industry was our initial business, the contemporary loss was so severe. We could not let the investors to bear the loss. We had to protect the benefits of other shareholders. As the construction business had shrunk 80%, we sold out the business with the original value of US\$50 million in 2013. In other words the buyer exchanged the construction business with the fishing ships worthy of US\$50 million in total. The construction business scale overall was less than US\$10 million. The selling of the construction business aimed to protect the benefits of all shareholders.

The chairman Zhou ... is an ... ambitious man, running a very large business. In his corporation ... there have been a fishing business, which have also been a central business of the corporation. Also estate property business is a big business. Now we have got a land in Shenzhen to be developed into Shenzhen Fishermen Wharf. The market value of the land is about 30 billion dollars. You can find the relevant information online. We have signed a contract with the Er Shi Yi Ltd who help us for development and rebuilding. The project is going to start soon. Besides the corporation is still running construction business ... and Fujin Lu Qiao. Fujin Lu Qiao was purchased by our company in 2000s. It used to be a national enterprise established in 1951 which has been building several roads, tunnels and highways in China. It's a very good company owned by us. Besides ... we also have ... also some investment in financial assets. The corporation invested 2 billions on investment banks, including Xiamen International Bank, Fuzhou Rural Commercial Bank, Pin Tan Rural Commercial Bank and Fujian Haixia Bank. We are the shareholders of these banks. So the chairman Zhou's personal wealth is quite ... quite a lot. He has got around 100 billions property but remains humble. ... So ... that's ... that's all for the purchase of the fishing ships. The valuation was done by Jones Valuation Ltd in USA ... which was a major valuation Ltd. The valuation company was a consultant of the EU. When the Lehman Brothers Ltd bankrupted, they were in charge of the liquidation process.

Chief Officer Yu

Chief Officer Yu That's all about the question. Does the chairman Zhou has any other question?
The reason why I asked about the industry ... is there any international comparable case ...

Zhou Zi Min for the merging and purchasing of fishing ships?
For the fishing industry ... actually if we take a look at the oversea fishing industry ...
although it is not a mainline industry, there are several relevant merging and purchasing
activities oversea. Let me give you an example. Now we are negotiating with an Argentinian
enterprise which has 6 fishing ships, of which 4 are for Argentinian Lobster fishing, 1 for salty
water fish and 1 for Oegopsina. The total price quoted for all six fishing ships is US\$120
million ... I think the quoted price is a good reference. In the mainland China, only a few
companies work in this industry ... we are the second largest company, the largest company
is China National Fisheries Corp. CNFC focuses on the business in Africa. They have done
some purchasing, however ... as CNFC is a corporation of both ships manufacturing and
fishing, their "purchases" are merely left hand in, right hand out. So their price quotations
are not representative.

Chief Officer Yu I see ... you have mentioned that there are other professional auditing institutions involves
in the valuation of the purchase. Which kind of methods are they using? Present Earning
Value Method or Assets-Based Approaches?

Zhou Zi Min Er ... Present Earning Value Method. They are generally using the Present Earning Value
Method. They calculate the fishing volume per ship, for the manufacturing of the fishnets
and equipment determines the fishing volume of a ship. And when the ships are registered
in the Ministry of Agriculture ... there is a requirement on minimum fishing volumes. So ...
and, the historical records of fishing volumes ... or the average fishing volume per year are
also considered. The revenue is calculated according to the fishing volumes and the market
price. And the cost ... is calculated according to the structure of the fishery: 60% for oil and
20% for wages. The cost is estimated according to the public and the historical data available
on the market. The overall profit is calculated as such ... also, the subsidy is included. Then
we have the estimated value of the fishing ships.

Chief Officer Yu

Zhou Zi Min I see ... thank you the Chief Officer Yu.
Chief Officer Yu Thank you

Male 1: Does the Chairman Zhou has got any other questions?

Zhou Zi Min No

Male 1: OK

Phone Hello everyone, if you'd like to ask a question, please click the voice option and wait. Click
Machine: Answering the # button and the number 1. Then wait for the notification sound. After you have heard
the sound, please ask your questions. Thank you.

Male 1: Now let's welcome Mr Xiang Qian Jin from Xin Tian Environmental Technology Ltd to ask questions

Xiang Qian Jin: Hello Chief Officer Yu. I would like to ask about the tribunal. For you ... you said that the defamation related to the basses are not included in the framework of the listed company so we don't need to reply. However, I would like to give you some reference. The market is sometimes irrational. As there is an immoral image of the company, there may be a dramatic fall in the price of stocks. You've mentioned just now that actually some residents on the basses ... went to Jakarta for demonstration. I don't think telling such story is playing a war of words. It's just a fact. We simply list the facts and data for explanation. For ... let's put aside the lawsuit ... if you don't speak out, I think the issue gets worse. People think the company is immoral ... an immoral company must have some issues in financing. But the rumours are simply false. Firstly the basses are not owned by the listed company. Secondly the local residents are willing to work for the Pin Tan Ltd. I think we can speak out these facts. This is my opinion for your reference. For not every investor in the market are rational. Umm ... I see your point. I see your point, Chairman Xiang. Actually ... when I saw the report ... haha ... having been a chief financial officer for 4 years in the company, I know the company well and I have a strong passion with the company. My initial drafted reply might actually include more than the facts you have listed. However, the lawyers delete all of them. They don't allow us to talk about ... even the example in Africa as I have mentioned. I included the link and pointed out that the news from the link is contradictory with the report itself. However the lawyers said the laws in USA are complicated. We have no choice. We are consulted by not only our own lawyers, but also the lawyers of the USA SEC, tribunal lawyers, finance lawyers and lawyers with other specialities in a conference call. This is their requirement. We are only allowed to talk about the facts and that's all.

Chief Officer Yu

Xiang Qian Jin
Chief Officer Yu

Oh ...
Yes ...

Xiang Qian Jin

As a typical investor, whether you have said or not has a big impact on my understanding.

Chief Officer Yu

Definitely. So ... maybe I can talk about these issues in public conference calls. However, the lawyers are thinking from the perspective of lawsuit. I only have a few knowledge about the lawsuits in USA. So ... the chairmen Yu asked us to follow the advice from the lawyers. It may be better...

Xiang Qian Jin

But the lawsuit takes time. When the result is announced, probably many investors ... they are impatient to wait for the result.

Chief Officer Yu
Xiang Qian Jin

Yes
That's why we give you such an advice.

Ok ... thank you Chairman Xiang. I will forward your advice to the Board of Directors. What we are doing now is that, firstly, tells the facts, and secondly, do the business well. We are going to co-operate with ... several large enterprises, which shall increase the credibility of the company. So ... personally I will try my best to show the fundamentals of the company to the market, so that everyone may know us better.

Chief Officer Yu

Umm ... you have mentioned that you are negotiating with Makro who offers a purchasing price of our products lower than that offered by Shanghai City Shop Ltd, haven't you?

Xiang Qian Jin

Yes, because of the different mode of business. Makro is purchasing in package. They are proposing to purchase 1000 tones from us. There is deferred payment. When they get the inventory they will pay us directly. If we co-operate with the Shanghai City Shop Ltd, however, we will be a platform company. The inventory turnover is definitely lower than the co-operation with Makro. Here is a financial consideration. Do you understand?

Chief Officer Yu

Er...

Xiang Qian Jin

Therefore, in terms of profitability ... if we co-operate with the City Shop Ltd, the profitability will increase 4 times. If we co-operate with Makro, the profitability may increase 2.5 to 3 times. We are now calculating the financial cost: whether the revenue can ... cover our financial costs. We need to balance both sides. Maybe we shall distribute our inventory proportionally at the end. We may co-operate with several large supermarkets and restaurants at the same time ... that's our mode of operation.

Chief Officer Yu

The way of co-operation with Makro ... must have some reference from those among the large supermarkets. The profit they earned, however ... is definitely higher than your current co-operation proposals.

Xiang Qian Jin

Much much higher. 30 times higher than ours ... definitely. Why are their offered price so low? For Makro is a huge supermarket enterprise with a strong purchasing power. That's why there is a huge difference between their purchasing price and our selling price. Also, ... the oceanic fishing products are getting more recognition from the market. The products are free from pollution, unlike the seashore fishing where heavy metals pollutants prevail, while the fish-farming products contains many medicines and antibiotics. Oceanic fishing products are more healthy. The concept of Oceanic fishing products is very positive. Our currently proposed co-operation with Shanghai City Shop Ltd involves an exhibition section of oceanic fishery in the supermarket with all our fishings and a man-made iceberg, which is very beautiful. People will come and take a look and taste our food. This is a testing process: why can our fishing products attract everyone when our products enter the market? Because the products are beautiful. The process involves initial planning and identification code design. We are still working on a new identification code to record all the information: how to fish, how to transport, how to package. All the information would be shown on the code.

Chief Officer Yu

Xiang Qian Jin Mm...

Chief Officer Yu We are working on the planning at the moment.

We are actually very enthusiastic when we saw your plans, because several Chinese concepts companies listed on USA capital market have been suffering from severe losses due to the failure of reputing the unfriendly short reports. There are also some companies which merely focus on reputing the reports but forget about the stock price.

Xiang Qian Jin Mm ... actually, Chairman Xiang, we have been taking several active actions. Our attitudes are ... firstly, we are quite conservative, so we have to keep our promises. Our promises cannot be away from the investors' expectation. So you can see there are always follow-ups following our financial projections or the development plans that I have mentioned before the short report. We never cheat the investors or the institutions. If we have a claim we must actualise it. ... So, our next steps are ... firstly, the Chairman Zhou said that he would personally buy back the stocks from the market.

Chief Officer Yu

Huang Er Yes, he is going to buy back the stocks in the market.

Actually I had written down this issue in my first drafted reply, which was deleted by the lawyers because we are going to launch our financial report on next Monday and according to the laws in USA before the announcement of the financial report the stock exchange is stopped. Buying and selling stocks or even asking for stock exchange are not allowed.

Chief Officer Yu I understand what you have said. You know just now the price of many A share listed companies decreased dramatically and the companies leaders were urging for buy-back the stocks.

Xiang Qian Jin Our solution is ... different from many Chinese companies and oversea companies in USA. Someone just say without taking action. We take action before we say and follow up. So ... the overall feelings of the market are very different. At the same time ... what's happening now ... let me explain. Last year we have purchased a ... a newly manufactured fishing ship for Oegopsina. The first batch of fished Oegopsina, which is 2000 tones in total, have already been shipped back from Argentina. The total price of such 2000 tones of Oegopsina is around RMB 50 to 60 thousands. So I will arrange a tour for institutions, analysts and investor in June to our company and see our transportation ships. 2000 tones of Oegospina are fished for 3 months with the price around RMB 50 to 60 thousands. We are going to have a online livestream to show the process of duty declaration in the customs in Malé. We will shows the customs documents and let the visitors to communicate with the custom officers. Just see our transportation ship in person, then take some photos and upload

Chief Officer Yu

online. This is an active and positive response to the unfriendly short report.

Xiang Qian Jin Thank you Chief Officer Yu. You are all working hard.

Chief Officer Yu I wish Chairman Xiang may also visit Fuzhou in June to see our fishings, operations and taste our fresh fishing products. Fresh products taste different.

Xiang Qian Jin Good. Let me consider. Haha ...

Chief Officer Yu We will have a notice in advance and welcome to visit us. Alright?

Xiang Qian Jin Thank you.

Chief Officer Yu Welcome every investor who joins our conference call today to visit us, alright?

Xiang Qian Jin Ok, thank you.

Chief Officer Yu Thank you

Male 1: Chairman Xiang, have you got any other question?

Xiang Qian Jin No, thanks.

Male 1: Let's welcome Mr Li Huan-Xin from the Pin Tan Marine Industry Ltd to ask questions.
Hello Chief Officer Yu. I have read the short report and realised that you haven't responded to some accuses. For example, according to the report, Pin Tan has changed the auditor for three times and had made a tribunal in the court. In 2014 the company repeated purchasing for two times which led to a loss of US\$187 million. Could you please reply to these accuses?

Li Huan-Xin

Chief Officer Yu: Yes. That's alright. I think I have forgotten to address these issues. I am so sorry. Actually I haven't slept for 40 hours. I am busy and I had thought about this section but I just forgot. Thank you Chairman Li. Sorry Chairman Li ... it seems that there is an error on the introduction. Which institution are you from?

Li Huan-Xin: I am not representing any institution. I am an individual.

Chief Officer Yu: Individual investor? Alright. As I heard the name of our company in your introduction, so ... I thought there was an error. That's alright. Just now I didn't explain these issues because it is unnecessary. When did we change our auditor and when did we make a loss in business are all announced in the market. You may take a look. What the report said are fake. When we went public, our auditor was UHY. UHY is globally ranked no. 11th or 12th. It is a good auditor. However, after 2013 and 2014, we thought we need a bigger auditor for co-operation. So after consideration we chose BDO as our auditor. BDO is ranked no. 5th globally. The overall ... credibility and influence of BDO are higher than UHY. So in 2014 we chose BDO as our auditor instead. So the annual reports in 2014, 2015 and 2016 were audited by BDO. The report said that we have changed three auditors within 4 years does not make sense. Do you understand? You can check our notices. We changed our auditor from UHY to BDO and we are still co-operating with BDO.

Chief Officer Yu: So such an accuse is fake?

Li Huan-Xin: Everything in the report is fake. Everything is merely imagined. The fact is out there. You may spend only 5 minutes to check all the notices ... the annual audit report in 2014 is published by BDO. So are 2015 and 2016 and our next financial annual report. BDO has been publishing audit reports for three years. Where are the three auditors within 4 years?

Chief Officer Yu: It's just fake. When we went public we worked with UHY and then we changed into BDO.

Li Huan-Xin: Thank you Chief Officer Yu.

Chief Officer Yu: And the loss mentioned in the report is just ... fictional. Why did we repeat purchasing the same equipment? In 2014, UHY ... on the balance sheet, there was an asset of 180 million. UHY thought that such item should be put on one account while the BDO thought it should be put on another account. There was an adjustment on the balance sheet as a result. Such an adjustment is just a transfer of money from account A to account B. There is nothing lost. After the adjustment, actually our profit increased by millions US dollars. So the

malicious lawsuit against us that you have mentioned in 2015 ... was related to such an adjustment. A competitor took revenge on us by a lawsuit. Actually both cases are about the same issue with different perspectives. Now that we have employed BDO, we have to respect their auditing advices. That's why we've done the adjustment. The lawsuit attacks our adjustment on the balance sheet. The result was that we won the case in the court. The company had done nothing wrong in the adjustment. If there were any, we would not be able to win the case, would we? We know that we are innocent

(0:64:04)

I have a question to ask, most of our company's fishing boats are employed fishing boats. We may have to take the influence of the government of the other countries into account when operating these types of boats in other countries. Can you convert them into oceanic fishing boat?

Yes

Can they convert from each other?

Yes. This is actually possible, as long as the Ministry of Agriculture to do some changes in the project, there are some legal procedures to deal with. You already know that in November, we have transferred 13 boats to East Timor for fishing. Before we have 117 boats in Indonesia, after we transferred 13 boats, we have 104 boats left in Indonesia. Then we can actually transfer the 104 boats to other fish farms within two months, including Pakistan, East Timor, and West Africa. But why we didn't go? Mainly because China's State Council issued a document in 2013, which can be found online, I also shared in the XX, you can look at. This document mainly talks about few things, first, that is, no license would be issued for squid, tuna, and saury, that is, if we want to catch the three kinds of fish, it is impossible to get a new boat. Another point of importance is that may have an impact on us is that, no license is issued for Arafura in Indonesia. So now if we turn these 104 boats away, then we would not be able to go back to Indonesia, because no project will be approved. So the company has been confident of xx recovery, and we still have to wait. This is the main reason. We have been operating in Indonesia for 30 years, and we have two bases here, this is the unique condition. In addition, the resource in the Indonesia fishery is very rich, because it is near the equator, so we still do not want to give up this opportunity. These are the main reasons. Okay. Thank you so much.

No problem. I still hope answer everyone's questions directly. In fact, we can see the short-selling from two aspects, from one side, it has certain impact on the company, but we still have to had a positive explanation, I believe that through this matter, whether it is private investors or institutional investors, they will have a deeper understanding of the company's fundamentals. In the future, the stock will increase again. Personally, I am very confident.

Okay. Thank you.

Do you have any other question?

No.

Now let us invite Liu Wensheng from xx capital to ask questions.

Nice to meet you, I'm Liu Wensheng.

Nice to meet you.

I have two questions. Just now you mentioned that the company has done some attempted sales in several subsidiary supermarkets of Tiantian in Shanghai.

Right.

Because we are in Shanghai, I would like to ask that, what supermarkets in Shanghai you are doing sales now, so we can go to do some research, this is the first question. The second question is that I read this short-selling report, I have a feeling, it might be due to the Indonesian minister of fishery. Of course, this is just a feeling, then you just mentioned in the Q & A that Indonesia has not been opened, our company is also operating there for many years, so I can understand this. You said you transferred a part of the boats to East Timor. East Timor and Indonesia are relatively close, so can we transfer more of 104 boats to East Timor, but also use the base in Indonesia to do the follow-up support. Of course, I do not understand this, maybe the cost is higher, but it is better than just wait. The other problem is about Indonesia, it gives us the feeling that it is always changing, like change in governments, leadership or policy. This uncertainty in policy gives our company, including our company's investors a sense of instability, so what do you think about this? Thank you. I only have two questions.

Okay. First, thank you for your question. I'll answer your first question first. At that time, Tiantian Orchard purchased 2 tons of goods from us, including this croaker, octopus, pomfret, squid and so on, as attempted sales. They said the market response are great. I don't know which store they are selling, but this part of fish are sold out, this is the information I got. But never mind, after we made the announcement today, you can keep an eye on the further development. And once we have got relevant information, we will communicate with you. Is that okay? If you want to try our fish, we welcome to our investor meeting on June, to watch the unloading process of squid at the port. At that time, we will prepare some fishes for each of the investors who come to the meeting. Is that okay?

Okay. Thank you.

And then as to your second question actually the company has this consideration, and has been actively communicate with the government of East Timor, as well as our Chinese Ministry of Agriculture, and has already done some preparation. To tell the truth, our company has been in Indonesia for 30 years, and boss Zuo's personal relationship with the Indonesian government is very good, I can tell you very directly, because Indonesia has been a military government, all Navy generals, from one star to four star, are the boss' friends, including the President. Boss Zuo has very good relationship with current and previous president of Indonesia, and he is invited to have breakfast at the President's home every time he goes to Indonesia, so during the time we operate in Indonesia, we experienced three such things, this is the third time. The first two are solved in one or two months, so Indonesia is a relatively corrupt government, every time he Of the fishery minister is generally a decade of a general, every time he changed the time, will engage in such a thing, the main purpose is actually want to take this opportunity to receive some money. That this time the Minister of Susie took office it is actually the purpose, but she and the front of several fisheries ministers are not the same place, that is, her background, the first one can go to the Internet to understand, this person Primary school culture, is a woman, the body is tattoo, every day smoking, alcohol is very powerful. So that she is a rogue origin, she used to be a vegetable tyrants, that is, the market income protection fee this kind of, and then, she later engaged in the fishing trade, she bought and sold the fish in Indonesia, do this trade The So why is she so long, the

main thing she wants to pass the ban on the fish to raise the price, and earn more profits. So, she was in the process, then it actually said a lot of lies, gave a lot of error messages to Congress and the president. She was the first to fight the banner of it is the use of Indonesian nationalism, that our fish was stolen, and others did not license to us to steal, in this name, to check this, to stop. So we were actively engaged with this, but also support, because the theft of resources is affected, we have a regular license of enterprises in Indonesia fishing, for us regardless of the price of fish and resources, Are influential, so we are very supportive. The results to get the last thing, this thing, 15 years in November, Indonesia has announced that the official announcement, the end of the ban. First, the first step in her, in November 15th it is to Indonesia's own fishing boats open, you can catch. For those foreign investors, like our business, she was 15 years in November announced the introduction of a new fishery policy, and then, this re-open fishing. There are two aspects, one is this may be corresponding to increase some of the entry fee, and now every ship Indonesia's entry fee is 40,000 US dollars, may be up to fifty thousand when the time, anyway, will increase the corresponding The Then there are some other smaller details. So this is the Indonesian government's official announcement, we can go online to search, can be found. The result, the Susie is a variety of reasons to push, and now have not introduced a new fishing policy. So later, the Indonesian vice president went to investigate the following, because he has been talking about this aquatic industry in this industry is still very good fisheries industry, the annual development of the number of percent, the results of the vice president of the investigation later found completely Is the lie, most of the aquatic processing all stop production, and in the production of less than 30%, so, he did this vice president gave Susie wrote three letters, wrote three consecutive letters, asked She immediately resumed the fishing of foreign enterprises, so that the economy of Indonesia, ah, and the great impact on the work life of the people. It is also why our base has some of the local residents and our Indonesian staff to go to Jakarta to petition. The vice president to write to her is also open, are able to find on the Internet, we have the Ministry of Commerce and the Indonesian Embassy have reported that the local Indonesian also reported that we can check the Internet. And then later, it will start on the Susie to conduct an investigation, after the investigation found a large number of this fact, so she is actually through the bribery election up, the thing is to use the nationalism, and then this in the pocket The So now this thing, we have some information, the current Indonesian government may have to deal with her, to deal with her. Put her this out of the swap. Has been elected in addition to the three candidates, and these three candidates, are the boss's friends, so that this thing once the deal is finished, I believe that Indonesia will immediately begin to resume fishing. Because it is 15 years out of this country policy, but now is the development of new fishing system regulations, only. Waiting for this last step. Is such a state. But Liu always you a proposal that I will feedback to the left total, and our board, okay. So that they can hear your voice.

Sure. In addition, I'm thinking, thank you for inviting us to Fuzhou to watch the boat coming back on July, we are happy about this. On the other side, frankly, fish in open ocean are rarely seen, although we can see the photos of you go fishing on the official website, but at this moment, we don't really believe it, or we are in doubt. So, can you take some photos or videos of your processing plants and posted them online?

Sure.

Then we can be assured. That's the first point, the second point is, how do you do the sale in the supermarkets, under the name of some brand or under the name of Pingtan fishery. I remembered

I saw on your website you plan to use the name of Haiyue or Heyue, could you let us know? Thank you.

In fact we have two different voices internally. One is to use the brand we prepared previously, Haiyue, another is to do the sales online, through e-commerce, or use another name that is more attractive, to leave a deep impression on customers. We already found some professional teams to do help us do this, including the brand design and planning, but we have not decided yet. But, you can definitely see the videos of Pingtan fishery in the supermarkets in Shanghai, including the promotion videos of Pingtan fishery. We will make a decision on this. Currently we are doing sales under the brand owned by Pingtan.

So can I construe this as, before or in the future, in the supermarkets of Shanghai, or in metro, assuming you had reached an agreement with metro, if we do an investigation and go to buy the product, we can see the sea food are marked with signs such as this is provided by Pingtan open sea fishery or not?

Absolutely you can see it. It has no problem. The fishes we are providing are via open sea fishery, so although we have individual package, the package will say, this is from which company. Also we would have signs in the supermarket saying that where the fishes come from. Because Pingtan is the second largest fishery company in China, our main concept is that the fishes we provided are via open sea fishing, that is, these products are from deep sea, with high protein content and no pollution. So we would definitely have these kinds of promotions. Please be assured.

Okay. Thank you.

This is also part of our key strategy. Is that okay

Yes. Thank you.

Do you have any other question?

No now. Thank you.

Now let us invite private investor Wang Lituo to ask questions.

Thank you for coming to answer our questions in person these days. I would like to ask a question that may be of concern to individual investors. That is to say, the whole stock price of the company in the first quarter of the year is very eye-catching, so some individual investors may feel that why the company will pay so much attention to the performance of stock in the secondary market, can you, from the perspective of company executives, to help us personal investors to dispel the doubts. The second question is that from your personal perspective, or from the perspective of the company, why the organization chooses to issue such a short-selling report at this time, why they choose time, what motivations do they have?

Well, in fact, I do not understand before, because I see some personal investors online saying that why the CFO come out to do the road show and so on. I do not understand it at first, I asked Fang Le about this question, the oversea researcher of Fangzheng, why people have this doubt? Because I have been doing the CFO or executives in listed companies in US, I have less understanding in A shares. So people told me that if the executives of A share Company came out, people may feel that the company has a demand. Then I understand. In fact, in the United States, it is normal for CFO and management team to come out and do the roadshow, and the United States market, investors has a demand on things, that is, management team, especially CFO have to do such a road show of such non-financing nature once every quarter, to communicate with the market, if there is an accident, we also need to do lots of teleconferences, which is similar to communication we have today. So, this is the one of the responsibilities of CFO, so it is said that the capital market

in China and the US is not the same, because the United States, after all, is a free market, China use approval system, so in case of A-share listed, no matter what the enterprise is, the valuation will be very high, so I think this should be the main reason. In addition, from my personal point of view, this Pingtan ocean is the best companies I have ever thing, the cash flow is very good, the whole story, and its future demand for the product are all very good. As such a company, I think its valuation did not reach a really reasonable level, for me, it is an unacceptable fact. So in the work, I still hope that, including the future I will do a lot of work, so that the company's valuation will at least be at a reasonable level, which is CFO's responsibility. This is first point. What is your second question, I don't really remember. Can you talk about it again?

Why short selling agency like to do this at this time?

Right. Every short-selling organization, its biggest goal, is to force the company's auditors and CFO to resign, so the blow to the company is the most deadly. Including the first two days we see this Huishan dairy, once his report came out, the auditor immediately resigned, and his report cannot get out. And we also see that the Chinese business that does aluminum, his auditor also resigned, so it will generally choose the time when you issue the report. First, the window of management team is closed at this time, the report is in a relative low level, once it goes out, the management team cannot immediately start repurchase, the company cannot repurchase, because the window is closed, you cannot buy stocks. So after it shorts your stock, you cannot buy it, then it will make a scary story, it is an advantage. The second is that before your report come out, If the company really has problem, your auditor will resign. Like Huishan, it really says that the company has a problem, once its report comes out and checked by the auditor and found there is really a problem, then the auditor won't sign the report and the report cannot get out. So it will choose this time. We felt into the trap, but we can do nothing, because this is the United States law. We cannot do it now but immediately after the financial report comes out, after a few business days, the management team can start trading the stock. It is the US law. So after this, we will do this. And then our financial report will be released next Monday, as normal, according to our previously announced plan. So, from the other side, it proves that these things these organizations said are not true, because the auditors will check it after that, or do a research on it according to the procedures, and the report will be released if there is no problem. This, from another level, also shows that falsity of the short selling. This is basically the reason for this.

Ok, understand, in the total really made it very clear ah, that is, we may think we are in the secondary market is really rare to see you so dedicated CFO, some think this is more than they expected, and hope we The company accepted the test, the better and better.

Thank you.

That's fine. Do you have any other questions?

No. Thank you.

Hello, if you need to ask questions, please press the * 1 to hang up, please press the * key first, then press the number 1, please start to ask questions after hear the tone, thank you.

Hello, if you need to ask questions, please press the * 1 to hang up, please press the * key first, then press the number 1, please start to ask questions after hear the tone, thank you.

Now Let us invite Zhang Zhou from Shengzhen Puhua Capital to ask questions.

Nice to meet you.

Nice to meet you. Is it necessary for your team to put the fleet in Indonesia for so many years? Have these boats ever been deployed to other waters? In addition to what is said in the report,

that is, the boats in Indonesian are just made up, and yesterday they also posted pictures on the Internet, someone asked could you post some videos online? To lift everyone's doubts.

Sure. In fact, we have the videos of our base and we doing fishing on the website, you may not notice that. You can go directly to our website, and then look at this video. This video actually has two parts, the first part is shot in 2004, the effect is not very good now, but you can still see it clearly, this video was taken by the Indonesian television station, when they were doing interview on us. It was taken in 2004, when UAV is very rare, so they use a helicopter to do a lot of aerial photography, including our entire fishing process. Another section of the video is shot by use few years ago, the effect will be slightly better, you can also look at it, including the scene we were doing processing at the base and we went fishing. You can look at this one. And I just said in the conference call, we will do a live broadcast in June. We will invite a lot of institutional investors, and then we will send some invitation on XX to see if there are any retail investors or large Vs are interested, and then we will do some live broadcast at the scene, you can see our fish boat coming back, declaring at the custom and so on. We are arranging this. As to the fish boats in Indonesia, I have just said, we are confident that Indonesia can restore the fishing. At the same time, in November 2016, we has actually turned a number of ships to East Timor, and we have reached the cooperation agreement with several countries after that, if we now want to turn the boats away from Indonesia, it can be deployed to other waters and fish farms within two months. But now the board believes that Indonesia still has a great opportunity to open up, then at the same time, we are also actively preparing, if that does not work, we will turn them to other places, according to our plan. Is that okay Because once we send them to other places, just as we have just said, because of the document issued by the state council in 2013, they cannot go back, and we can no longer operate in the fish farm with such a rich source, in fact, it is a pity for the company, In the long run, in fact, I think the idea of the board still has some of its foresight .

Hello, I want to ask another question, that is, the report mentioned that Boss Zuo had cone some personal related transactions, I saw some of your response on XXX, it seems that you did not respond to this problem.

Other friends have asked the same question previously. I will explain to you in detail. Has he done any related transaction? Yes. In addition to the fishing boat I have just mentioned, the purchase of all fishing boats are assessed by the world's leading assessment company, and the transaction is done with fair value. In addition to this part, we have other related transaction. If new investors has looked at our 2016 annual report, they will find that the Boss Zuo has borne 30 billions of debt for the company in 2016, because the company did not operate before November, so there have been some shortage of funds in cash flow, Boss Zuo was not hesitate to put 30 billions of funds to the company, without asking for any interest. As of December 31, 2016, we can look at the annual report, the company still owes Boss Zuo, or the companies he controlled, a total of 18 billion yuan. So this is actually another part of the related party transactions. But it does not mean that the company is taking advantage of others, or Boss Zuo is taking advantage of the company, but help the companies to survive the difficult period

I also saw this。

En.

No the forth question, about the value of the boats. I have lots of questions on that. You also said on XX, about the production and maintenance cost of the boats. You said the main consideration is the value of the permits. I don't quite understand. Can you explain it more clearly?

Okay. First, let's say, you or your company wants to do open ocean boatping, you go to a boatyard, says you want a boat, it won't accept your order. Why? Because the government has requirement, you can build a boat only after you get the permit. That's the first point. The second, I'll use the same example, the six boats we purchased last year are oceanic type. The cost of production per boat is 40 million RMB. To build a boat, you can get 30 % of government subsidies, plus 40 percent of low interest loan for 15 years. In combination of 50 percent off discount for commercial loan, you can get 48 million yuan. if the local government you located at has the same subsidies, you can get another 30 percent for the cost of production. That is 60 million. So the cost of production per boat is 40 million, you don't have to spend any money, and you can get another 20 million. This kind of boat can also get government subsidies every year, named International fishery resource subsidy, this is only for open ocean industry. For these huge boats, the government subsidies are 7 million to 10 million every year, calculated based on the days of operation. That is, 20 thousand for each day of operation. This is the reason why once we go out for fishing, we stay outside for one and half to three years. We are operating 24 hours a day in the ocean. Therefore, once we get the license, even though you are not making any profit, you can get 10 millions of governmental subsidies. That's the value of license.

Can the 104 boats you berthed in Indonesia get governmental subsidies without operation?

Good question. Normally, we can receive about 20 billions of operational subsidies every year. The event in Indonesia is a political event. So even the 104 boats are not operating, it is specially approved by the government. These boats still get the subsidies, but not all. The government won't issue the subsidies as if you are operating 365 days per year, but we can still get three months of subsidies. Normally, one boat can get 1.5 millions of subsidies. So although the boat is not operating, the government will give one quarter of subsidies, that is 25 percent. We start to get the money from last year. It would be in the same mode in the future. This is specially approved by the national ministry of agriculture. So the 104 boats still have the subsidies, because this is not caused by our operation, but political reasons. The government do have a great support on the open ocean industry. As it is worrying about our ability to withstand the risk, the government is very supportive of us.

I venture to ask, can you disclose the special approval document by the Ministry of Agriculture online?

I cannot disclose that. Our company does not have the document. It was sent by the Ministry of Agriculture to the State department. After it was approved, the money is issued directly. It won't give such document directly to the companies, so we don't have the document. But we do receive the money. You can check it. The government have imposed strict supervision and control over the open ocean industry, because it receives huge amount of subsidies. If somebody gets the license, builds the boat, but does nothing more than let it berth somewhere in other countries, and it can receive 10 millions of subsidies every year, it would be a huge loss to the country. So it is the reason why it installed GPS in every boat, and use the satellite to monitor the boats, it is actually watching whether you are fishing or not. That's the reason. So the subsidies are sent from a special account of the state treasury to the bank account of the company who owns the boats. It cannot be sent to the third party. For example, the subsidies for the company are sent from account of the treasury department to the account of our company. It is prohibited to send the money to other accounts first and sent it back to the account of our company later or so. The process is audited in detail every year, and the amount of the money received is also inspected. So, if we receive the subsidies,

it means the boats are in operation, otherwise the money won't be sent to our account.

Thank you. That is the best state endorsement for you. I feel much relieved when hearing the words.

Thank you. Thank you for your support. Actually, you can find the amount of subsidies each company get online. It is in the public report of Fujian provincial treasury department. You can even find the auditor online. So if you are interested, you can search the information online, such as Fujian province International open sea operation subsidy. You can see amount six or seven companies are receiving the subsidies every year, and XX Yuanyang is one of it. And the amount of subsidies received is also on the website. These are public documents of the treasury department. You can see it. Is that okay? If you are really interested, you can check it and disclose it online. Actually I want to disclose it online before, but I am afraid that the others won't trust what I did. So I also hope that there could be a third party investor who can find and disclose the document. Is that okay?

Sure. And I have one final question. You are preparing to build a fish-processing plant for direct sale in the supermarkets. When it will be built?

In fact, the company has made the announcement in February. We have the photos, so the public can see that the plant is in construction. Our plan is that the construction will be completed in the end of this year or the early of next year and put into operation. However, it is Tiantian Orchard and Metro who find us through other relationships and ask if we can cooperate, rather than we are looking for them. In fact, our original plan is that the plant would be started in the second half of this year, and after the preparation in the early stage, the sale would start in the first half of the next year. But they come to us and offer the chance to cooperation. We are in a good relationship with Yonghui, who has once been our client and purchased from us. But we think that they are a little bit weak in doing the e-commerce, while Tiantian orchard has much greater influence in that aspect, so we take the initiative to start a series of negotiation with them, and we signed an agreement in the end. Overall, our plan has been brought forward, so how the company deal with that? Before our processing plant is completed, we would find a third party processing plant. It is quite easy to find. In Fujian and Guangdong, there are lots excellent processing plants like the one we have, they can help us do the processing part, such as packaging and division. After our plant has been completed, we will do it by our own. There should be a little bit increase after the change, but it won't be huge.

I understand. I am wondering, does Indonesia has anything like fishing off season

No. The geographic location of countries like China and India cannot compare with Indonesia. We have 12 boats in the bay of Bengal in Indonesia, which are specialized in catching hairtail. It has fishing off season in the third quarter of each year, you cannot go fishing for that season. This is the same for China. But Indonesia has no fishing off season at all. You can go fishing for the whole year, 12 months. Why it is like this? Because it is near the equator. It has higher temperature, so the reproduction and growing process of fishes there are very quick. Therefore, it does not need fishing off season.

It seems like you have strong confidence that the political events in Indonesia would be solved. You also said, if you see no hope, you would transfer the boats. But once the boats are gone, they won't be able to go back.

Right. So we are still considering to do it in batches. If we really need to do it, we will do it in batches. Just like before, we only transferred some of a dozen boats. If we have to do so, we would definitely do in batches. Unless Indonesia has ended its diplomatic relationship with China, and we have

absolutely no hope, we will transfer out all the boats. We will continue to watch how things are going after, if it is like now, it is going to the good direction, or the minister will be replaced, we will wait. If there is any change in the future, we may transfer part of the boats, like 20 or so, to do fishing in other regions, we can generate profits and revenues immediately. It is quite fast actually, because we are not at leisure or not considering other ways. And in fact, many countries, including the Embassy of China are all negotiating with them, and they have got a new fish farm. As long as we agree, we can go there immediately.