

**Shandong Zhonglu Oceanic Fisheries Co., Ltd.**  
**Annual Report for Year of 2016**

**March 2017**

## **Section I. Important Notice, Contents and Paraphrase**

**Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Shandong Zhonglu Oceanic Fisheries Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.**

**Chi Weizhen, Principal of the Company, Yue Juan, person in charge of accounting works and Lei Lixin, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2016 Annual Report is authentic, accurate and complete.**

**All directors are attended the Board Meeting for report deliberation.**

***China Securities Journal, Hong Kong Commercial Daily* and Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) are the media for information disclosure appointed by the Company, all information under the name of the Company disclosed on the above said media shall prevail, and Investors are advised to exercise caution of investment risks.**

**The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either.**

**Note: The Report is prepared in bilingual versions of Chinese and English respectively, in the event of any discrepancy in understanding the two aforementioned versions, the Chinese version shall prevail.**

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## Paraphrase

Items	Refers to	Contents
“The Company” or “Company”	Refers to	Shandong Zhonglu Oceanic Fisheries Co., Ltd.
“Shandong State-owned Assets Investment”	Refers to	Shandong State-owned Assets Investment Holding Company Limited
”Luxin Group”	Refers to	Shandong Luxin Investment Holding Company Limited
“SASACP”	Refers to	State-owned Assets Supervision and Administration Commission of Shandong Provincial Government
“CSRC”	Refers to	China Securities Regulatory Commission
“The report”	Refers to	Annual Report for 2016 compiled by the Company

## Section II Company Profile and Main Financial Indexes

### I. Company information

Short form of the stock	Zhonglu-B	Stock code	200992
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	山东省中鲁远洋渔业股份有限公司		
Short form of the Company (in Chinese)	中鲁远洋		
Foreign name of the Company (if applicable)	Shandong Zhonglu Oceanic Fisheries Company Limited		
Short form of foreign name of the Company (if applicable)	ZLYY		
Legal representative	Chi Weizhen		
Registrations add.	No. 29 Miaoling Rd. Laoshan District, Qingdao City, Shandong Province		
Code for registrations add	266061		
Offices add.	No. 43 Heping Rd. Jinan City, Shandong Province		
Codes for office add.	250014		
Company website	<a href="http://www.zofco.cn/">http://www.zofco.cn/</a>		
Email	zlzqb@163.com		

### II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Li Ming	Li Ying
Contacts add.	No. 43 Heping Rd. Jinan City, Shandong Province	No. 43 Heping Rd. Jinan City, Shandong Province
Tel.	0531-86553278	0531-86553276
Fax.	0531-86552906	0531-86552906
Email	zlzqb@163.com	zlzqb@163.com

### III. Information disclosure and preparation place

Newspaper appointed for information disclosure	In China: <i>China Securities Journal</i> ; overseas: <i>Hong Kong Commercial Daily</i>
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Website for annual report publish appointed by CSRC	http://www.cninfo.com.cn
Preparation place for annual report	Office of the Board、Shenzhen Stock Exchange

#### IV. Registration changes of the Company

Organization code	91370000863043102Y
Changes of main business since listing (if applicable)	No change.
Previous changes for controlling shareholders (if applicable)	No change.

#### V. Other relevant information

CPA engaged by the Company

Name of CPA	PKF Daxin Certified Public Accountants LLP
Offices add. for CPA	15/F College International Building, No.1 Zhichun Rd., Haidian District, Beijing
Signing Accountants	Zhang Lifa; Wu Zhixing

Sponsor engaged by the Company for performing continuous supervision duties in reporting period

Applicable  Not applicable

Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

Applicable  Not applicable

#### VI. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting error correction or not

Yes  No

	2016	2015	Changes over last year	2014
Operating income (RMB)	845,877,519.52	723,723,003.05	16.88%	598,380,696.80
Net profit attributable to shareholders of the listed company (RMB)	52,585,070.74	12,141,360.21	333.11%	15,367,992.51
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	47,095,370.03	14,060,740.19	234.94%	10,460,455.75
Net cash flow arising from operating activities (RMB)	87,435,723.19	55,443,390.22	57.70%	65,320,481.37
Basic earnings per share	0.20	0.05	300.00%	0.06

(RMB/Share)				
Diluted earnings per share (RMB/Share)	0.20	0.05	300.00%	0.06
Weighted average ROE	8.88%	2.16%	6.72%	2.81%
	End of 2016	End of 2015	Changes over end of last year	End of 2014
Total assets (RMB)	835,239,699.07	798,232,793.11	4.64%	797,490,171.48
Net assets attributable to shareholder of listed company (RMB)	617,662,263.72	565,708,222.79	9.18%	554,900,782.17

## VII. Difference of the accounting data under accounting rules in and out of China

### 1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable  Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS (International Accounting Standards) or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

### 2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable  Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

## VIII. Quarterly main financial index

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	202,905,282.77	204,985,511.01	214,890,752.05	223,095,973.69
Net profit attributable to shareholders of the listed company	4,544,723.07	7,015,647.51	8,938,008.08	32,086,692.08
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	3,977,964.50	4,165,848.77	8,358,560.18	30,592,996.58
Net cash flow arising from operating activities	18,594,382.21	-2,360,800.63	11,750,750.94	59,451,390.67

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial

index disclosed in the company's quarterly report and semi-annual report

Yes No

## IX. Items and amounts of extraordinary profit (gains)/loss

Applicable Not applicable

In RMB

Item	Amount in 2016	Amount in 2015	Amount in 2014	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	2,552,387.02	-4,260,148.37	-303,324.40	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	4,123,881.73	2,021,471.48	2,566,585.48	
Other non-operating income and expenditure except for the aforementioned items	-4,353.25	82,182.68	2,787,770.58	
Less: impact on income tax	194,279.09		130,889.73	
Impact on minority's equity (after-tax)	987,935.70	-237,114.23	12,605.17	
Total	5,489,700.71	-1,919,379.98	4,907,536.76	--

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

Applicable Not applicable

Item	Amount (RMB)	Reason
Fuel subsidies reckoned into current gains/losses listed in recurrent gains/losses	39,041,300.00	The subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business



## Section III Summary of Company Business

### I Main businesses of the company in the reporting period

Whether the company needs to comply with the disclosure requirements of the particular industry

No

Shandong Zhonglu Oceanic Fisheries Co., Ltd. is a comprehensive fishery enterprise integrated with ocean-going fishing, ocean refrigerated transport, and refrigeration, processing and trading of aquatic products, its main businesses involve all major aspects of the industry chain.

#### (I) Business introduction

##### 1. Ocean-going fishing

During the reporting period, the company has owned a total of 18 vessels for ocean-going fishing, including 2 large-scale tuna seiners, 14 large ultra-low temperature tuna long liners, and 2 medium-sized trawlers, which have been respectively working in the western-central Pacific Ocean, Indian Ocean, and Ghana sea area in the Atlantic Ocean. During the reporting period, the pattern of world's tuna resources have been changing, some fishery resources decline sharply, the company has adhered to the principle of combining deploying and retracting, operated scientifically, deployed reasonably, and positively implemented offshore production based on the fishing characteristics and the actual situation of offshore production. As for the long-line fishing, the company became more familiar with the distribution of the fishing waters along with the continuous exploration and in-depth development to the Indian Ocean, and maintained rather good production and management efficiency

As for the purse seine fishing, according to the industry environment and development situation, the company decisively took the measure that is to transfer the fishery to Ghana waters in Atlantic which has got supports from the Ministry of Agriculture, at present, two seines have reached the target fishing ground, one of which has started working, another is handling the pre-operation procedures; the transfer of fishery is expected to improve the company's tuna seine business situation. The fishing production of Ghana trawl project has reduced compared with the previous reporting period, mainly caused by the reduction of resources and aging of ships.

##### 2. Refrigerated transport

During the reporting period, the company has 8 ocean cold-storage boats for operation service and has taken various measures to complete the annual economic indicators. Firstly, actively adapt to the demands for international refrigerated shipping market, implement the measure of "Change the flag and transfer the native place" for the existing transport ships, which ensured the voyage, accepted by WCPF organization, eliminated the obstacles such as health permits of cargo transport in Europe, and further improved the competitiveness. Secondly, strictly control the cost accounting, and ensure all expenses, especially the overwhelming expenses are under surveillance all the time. Thirdly, take account of the non-operating income, especially focus on the exchange rate trend of US dollar against RMB, so as to make foreign exchange settlement at the appropriate time and greatly increase financial exchange gains. Fourthly, strengthen the risk management and control, and minimize the risk factor of uncertainty.

##### 3. Refrigeration processing trade

During the reporting period, the company refrigeration processing trade has been adhering to the policy of "mobilize the market", constantly improving the product forms, and expanding the sales channels. The first is to insist on internal absorption and external introduction, give full play to advantages of industrial clusters, resist the

risks and face the market development together with fishing industry, strengthen efforts to the return shipping and deep processing of tuna, form a processing industry chain by centering on Zhonglu food, and give a real play to the distributing centre as the deep-processing of deep-sea fishing products and cold-chain logistics base in Shandong Province and the tuna trading center of China, and have far-reaching significance to refine and strengthen the tuna industry chain. The second is to develop intensive processing and comprehensive utilization, improve the products' added value, and approach to the medium and low end consumer groups in the new product development and market development, etc. The third is to actively cultivate its own brand, enhance product promotion efforts with the help of relevant exhibition platform, and attract domestic and foreign high-quality customers to discuss cooperation.

## (II) Industry development

Overall, in 2016, the international and domestic economic situation was severe, and there was no big change compared with the previous year. Under the adverse economic and industry environment at home and abroad, the company decisively adjusted the purse seine business, transferred two seines to Ghana fishery in Atlantic, other business maintained steady growth or slightly declined, in general, joy is greater than sorrow. At present, compared with most enterprises in the same industry, especially with those enterprises having relatively simple business and incomplete industry chain, it is right that the company has been adhering to the policy of "evenly develop industrial chain and optimize asset structure", the company's relatively complete industrial chain and the reciprocity and complementation among each sector have played a huge role when the development of current offshore fishing industry is in a downturn.

## II. Major changes in main assets

### 1. Major changes in main assets

Major assets	Note of major changes
Equity assets	No major change.
Fixed assets	No major change.
Intangible assets	No major change.
Construction in progress	No major change.
Current assets	Increased 54.33 million Yuan from a year earlier, that is received 39.04 million Yuan for oil subsidy of 2016 at period-end

### 2. Main overseas assets

Applicable  Not applicable

## III. Core competitive-ness analysis

Whether or not the Company complies with disclosure requirement of the special industry

No

Shandong Zhonglu Oceanic Fisheries Company Limited is an outgoing comprehensive oceanic fishery enterprise, established in July 1999 with the approval from People's Government of Shandong province. We have completed industry chain and we are the leading enterprise of oceanic fishery for the Shandong Province.

As a comprehensive fishery enterprise, the company's core competitiveness is mainly reflected in the following aspects: Firstly, the company is a comprehensive fishery enterprise integrating deep-sea fishing, refrigerated transport, and refrigeration and processing and trading of aquatic products, its main business involves all key links of industry chain, and the businesses among all operating entities are highly related, possess the conditions for overall collaborative operation, and provides guarantee for strengthening and extending the industrial chain strategy; secondly, as one of the enterprises engaged in deep-sea fishing business at the earliest in China, the company starts the production and operation early with high starting point, and high-quality talents and assets. After more than ten years of professional management, the company has accumulated a large number of professional talents covering all fields of deep-sea fishing. For both vessel numbers, gross tonnage and profitability of current refrigerated transport fleet, the Company occupies the national leading level. We owns biggest super-low temperature cold storage and raw food processing factory in China. The advantage of tuna processing and trading ability are being strengthen by the Tuna Trading Center and new Tuna E-Trading Platform System; the 30000 tons variable-temperature cold storage and supporting facilities in tide refrigerated logistic center adopted many new technology, initiate cold storage establishment in China, and it will be the major growth point of profit in on-land business for the Company in future; Thirdly, deep-sea fishing, as the company's main business, is a constituent part of China's ocean strategy and the blue economic zone plan of Shandong Province to which the central government and governments at all levels pay high attention, and policy advantages are the important strategic resource for an enterprise's development and expansion. Our country implements a number of preferential policies for the development of deep-sea fishing for a long term, as the leading enterprise of deep-sea fishing in Shandong Province, the company will surely usher in new development opportunities under the strong support of various national and provincial supportive policies. Forthly, we opening a new purse net project in Ghana, the WCPFC of the western central pacific ocean and ICCAT of the Atlantic, management of the projects are improved day by day. Conform to th changes of management policies from organizations, continues adjusted business strategy of the Company, including fishing ground, the tuna seine will be growth in a favorable way.

The above mentioned factors were provided a powerful strategic support for the development of the Company; the Company will make good use of these strategic resources, creating innovative to accelerate the strategic transformation, and vigorously implement the industrial chain extension projects to upgrade the influence and complete in deep-sea fishing market in and out of China.

## Section IV Discussion and Analysis of Business

### I. Introduction

2016 is the first year of "13th Five Year Plan", during the reporting period, the company from top to bottom has been closely focusing on all tasks and objects determined at the beginning of the year in a very difficult situation, tenaciously struggling, striving to overcome the shortage of funds, lack of talents and other difficulties, and has achieved the time and task synchronization and successfully completed all budget targets.

#### (i) Review of the company's operation in the report period

1. Refrigerated transport leasing section: took "safety is efficiency, promote development by safety" as the guiding ideology, strengthened the inspection, guidance and assessment efforts to ships, avoided and reduced the occurrence of ship accident, guaranteed the ships' navigation days, while increased the self repair of ships, which not only saved costs, but also built up, trained and improved the technical level of the company's professionals, achieved operating income of 91,513,100 Yuan, a decrease of 1.2% on a year-on-year basis; achieved net profits of 19,121,600 Yuan, a decrease of 6% on a year-on-year basis.

2. Ocean-going fishing section: due to the sharp decline in the price of purse seine fish in 2015, in the situation of the longer the operation the greater the loss, the company adopted the temporary fishing-off measure, refurbished the two seines in 2016, realized the transitions from the Pacific to the Atlantic, achieved net profit of -9,731,600 Yuan, reduced losses of 31.67 million Yuan compared with the same period of last year. By strengthening cost management, reasonably arranging for production, and scientifically scheduling fishery, Tuna longline business achieved net profit of 34.67 million Yuan, an increase of 14.44 million Yuan on a year-on-year basis.

3. Aquatic products refrigeration processing trade section: committed to the development of new products, increased exports, and established destocking group to strengthen the inventory management and speed up inventory turnover, achieved operating income of 676 million Yuan during the reporting period, an increase of 17.36% on a year-on-year basis, net profit of 23.46 million Yuan, an increase of 28.13% on a year-on-year basis.

#### (II) General operation

In reporting period, the Company achieved business revenue of 845.8775 million Yuan, increased 16.88% compared last year's 723.723 million Yuan; total profit achieved 58.8482 million Yuan, increased 43.3298 million Yuan over that of 15.5184 million Yuan in last period with growth of 279.22%; net profit attributable to parent company amounted as 52.5851 million Yuan, an 333.11% growth over that of 40.4437 million Yuan at last year. Total assets amounted as 835.2397 million Yuan with 4.64% growth over that of period-begin. The total profit growth dramatically mainly because tuna purse seine reduce losses in the Period, and fish processing and cold storage business have a more growth in net profit from a year earlier.

## II. Main business analysis

### 1. Introduction

See "I. Introduction" in "Discussion and Analysis of Business".

## 2. Revenue and cost

### (1) Constitue of operation revenue

In RMB

	2016		2015		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total of operation revenue	845,877,519.52	100%	723,723,003.05	100%	16.88%
According to industries					
Seine tuna fishing	5,180,247.30	0.61%	16,648,918.64	2.30%	-68.89%
Longlines tuna fishing	68,475,554.71	8.10%	34,820,140.60	4.81%	96.66%
Boat rental	91,513,054.10	10.82%	92,625,139.80	12.80%	-1.20%
Other deep-sea fishing	10,304,142.94	1.22%	15,188,831.26	2.10%	-32.16%
Aquatic products refrigerated processing trade	661,507,107.61	78.20%	555,309,774.28	76.73%	19.12%
House rental	4,691,924.05	0.55%	5,070,648.88	0.70%	-12.87%
Waste income and others	4,205,488.81	0.50%	4,059,549.59	0.56%	10.35%
According to products					
Seine tuna fishing	5,180,247.30	0.61%	16,648,918.64	2.30%	-68.89%
Longlines tuna fishing	68,475,554.71	8.10%	34,820,140.60	4.81%	96.66%
Boat rental	91,513,054.10	10.82%	92,625,139.80	12.80%	-1.20%
Other deep-sea fishing	10,304,142.94	1.22%	15,188,831.26	2.10%	-32.16%
Aquatic products refrigerated processing trade	661,507,107.61	78.20%	555,309,774.28	76.73%	19.12%
House rental	4,691,924.05	0.55%	5,070,648.88	0.70%	-7.47%
Waste income and others	4,205,488.81	0.50%	4,059,549.59	0.56%	3.59%
According to region					
Japan	285,073,795.29	33.70%	247,103,891.96	34.14%	15.37%

China	300,038,378.94	35.47%	145,850,932.92	20.15%	105.72%
South Korea	32,022,697.43	3.79%	48,493,068.93	6.70%	-33.96%
Singapore	13,237,412.63	1.56%	13,451,408.35	1.86%	-1.59%
Taiwan	102,493,887.61	12.12%	198,229,835.18	27.39%	-48.30%
Ghana	14,347,425.72	1.70%	15,188,831.26	2.10%	-5.54%
Other	98,663,921.90	11.66%	55,405,034.45	7.66%	78.08%

**(2) About the industries, products, or regions accounting for over 10% of the company's operating income or operating profit**

Applicable Not applicable

Whether or not the Company complies with disclosure requirements of special industry

No

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Boat rental	91,513,054.10	69,062,513.50	24.53%	-1.20%	5.50%	-4.80%
Aquatic products refrigerated processing trade	661,507,107.61	630,454,488.58	4.69%	19.12%	19.56%	-0.35%
According to products						
Boat rental	91,513,054.10	69,062,513.50	24.53%	-1.20%	5.50%	-4.80%
Aquatic products refrigerated processing trade	661,507,107.61	630,454,488.58	4.69%	19.12%	19.56%	-0.35%
According to region						
China	300,038,378.94	191,472,550.43	36.18%	48.74%	2.21%	29.05%
Japan	285,073,795.29	257,933,715.72	9.52%	15.37%	8.78%	5.48%
Taiwan	102,493,887.61	74,984,039.46	26.84%	-28.01%	-46.91%	26.04%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

Applicable  Not applicable

**(3) Whether income from physical sales larger than income from labors or not**

Yes  No

Industries	Item	Unit	2016	2015	Increase/decrease y-o-y

Deep-sea fishing and re-processing	Sales volume	Ton	5,814	10,739	-45.86%
	Production	Ton	5,825	10,066	-42.13%
	Inventory	Ton	1,534	2,157	-28.88%
Aquatic products processing, refrigerator and others sales volume	Sales volume	Ton	18,469	12,975	42.34%
	Production	Ton	23,367	15,450	51.24%
	Inventory	Ton	4,371	1,196	265.47%

Reasons for y-o-y relevant data with over 30% changes

√Applicable □Not applicable

The main reason why the sales volume and production of ocean-going fishing and its re-processing industry are lower than the same period of last year is because the company's two seines temporarily took fishing off season, the production months in 2016 are less than 2015, and the production has significantly decreased, in general, there is no comparability; the sales volume, inventory and production of aquatic product processing, refrigeration and other sections are higher than the same period of last year, mainly because the company's subsidiary Zhonglu Foods Co., Ltd. Has increased the purchase amount in 2016 so that the amount of processing has greatly increased and the inventory has doubled.

#### (4) Fulfillment of the company's signed significant sales contracts up to this reporting period

□ Applicable √ Not applicable

#### (5) Constitute of operation cost

Industry classification

Industry classification

In RMB

Industry classification	Item	2016		2015		Y-o-y changes
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Seine tuna fishing	Access fishing fee	32,847.88	0.71%	20,856,578.32	42.44%	-99.84%
Seine tuna fishing	Raw material	284,557.19	6.17%	4,855,099.85	9.88%	-94.14%
Seine tuna fishing	Fuel power	887,587.30	19.24%	10,470,056.65	21.30%	-91.52%
Seine tuna fishing	Employee compensation	1,599,487.30	34.67%	6,033,513.68	12.28%	-73.49%
Seine tuna fishing	Depreciation charge	1,318,059.63	28.57%	5,224,397.12	10.63%	-74.77%
Seine tuna fishing	Other	490,559.19	10.63%	1,705,716.68	3.47%	-71.24%
Seine tuna fishing	Total	4,613,098.49	100.00%	49,145,362.30	100.00%	-90.61%
Longlines tuna	Access fishing	1,605,983.95	2.94%	726,897.47	2.65%	120.94%

fishing	fee					
Longlines tuna fishing	Raw material	15,523,773.54	28.42%	6,918,634.71	25.20%	124.38%
Longlines tuna fishing	Fuel power	14,626,043.32	26.78%	9,670,281.46	35.23%	51.25%
Longlines tuna fishing	Employee compensation	9,225,406.84	16.89%	5,425,074.90	19.76%	70.05%
Longlines tuna fishing	Depreciation charge	3,918,851.37	7.17%	2,143,601.95	7.81%	82.82%
Longlines tuna fishing	Other	9,718,908.55	17.79%	2,568,286.75	9.36%	278.42%
Longlines tuna fishing	Total	54,618,967.57	100.00%	27,452,777.24	100.01%	98.96%
Boat rental	Employee compensation	27,452,639.89	39.75%	26,416,951.95	40.36%	3.92%
Boat rental	Depreciation charge	9,995,678.65	14.47%	11,282,316.84	17.24%	-11.40%
Boat rental	Material	12,890,662.42	18.67%	9,579,036.06	14.63%	34.57%
Boat rental	Other	5,565,061.56	8.06%	5,698,212.12	8.70%	-2.34%
Boat rental	Insurance premium	4,232,481.15	6.13%	3,973,497.81	6.07%	6.52%
Boat rental	Fuel	5,247,961.59	7.60%	3,816,461.99	5.83%	37.51%
Boat rental	Repairs fee	1,592,330.61	2.31%	3,332,575.32	5.09%	-52.22%
Boat rental	Inspection fee	2,085,697.63	3.02%	1,361,709.54	2.08%	53.17%
Boat rental	Total	69,062,513.50	100.00%	65,460,761.63	100.00%	5.50%
Other deep-sea fishing	Fuel power	3,396,209.80	36.22%	6,343,893.43	45.94%	-46.46%
Other deep-sea fishing	Raw material	1,607,813.42	17.15%	1,527,842.47	11.06%	5.23%
Other deep-sea fishing	Labor charges	1,092,601.29	11.65%	2,490,827.59	18.04%	-56.14%
Other deep-sea fishing	Depreciation charge	634,964.98	6.77%	663,819.70	4.81%	-4.35%
Other deep-sea fishing	Other	2,644,837.84	28.21%	2,781,875.08	20.15%	-4.93%
Other deep-sea fishing	Total	9,376,427.33	100.00%	13,808,258.27	100.00%	-32.10%
Aquatic product	Direct materials	558,440,160.95	88.58%	463,471,303.38	87.89%	20.49%



processing						
Aquatic product processing	Packaging	11,737,782.79	1.86%	10,598,701.65	2.01%	10.75%
Aquatic product processing	Labor wage	24,005,569.26	3.81%	23,106,692.07	4.38%	3.89%
Aquatic product processing	Depreciation	4,636,574.72	0.74%	4,524,829.00	0.86%	2.47%
Aquatic product processing	Other	31,634,400.86	5.02%	25,623,237.78	4.86%	23.46%
Aquatic product processing	Total	630,454,488.60	100.00%	527,324,763.88	100.00%	19.56%
House rental	Labor charges	64,800.00	3.60%	64,800.00	3.43%	0.00%
House rental	Out-of-pocket expenses	26,647.10	1.48%	26,743.40	1.41%	-0.36%
House rental	Depreciation charge	1,218,665.52	67.71%	1,218,665.52	64.42%	0.00%
House rental	Electric charge	216,953.47	12.05%	269,248.31	14.23%	-19.42%
House rental	Repairs fee etc.	97,853.83	5.44%	132,332.71	7.00%	-26.05%
House rental	Heating fee	175,030.45	9.72%	179,814.10	9.51%	-2.66%
House rental	Total	1,799,950.37	100.00%	1,891,604.04	100.00%	-4.85%

Note

#### (6) Whether the changes in the scope of consolidation in Reporting Period

Yes  No

#### (7) Major changes or adjustment in business, product or service of the Company in Reporting Period

Applicable  Not applicable

#### (8) Major sales and main suppliers

Major sales of the Company

Total top five clients in sales (RMB)	405,481,241.02
Proportion in total annual sales volume for top five clients	47.94%
Ratio of related parties in annual total sales among the top five clients	0.00%

Information of top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
--------	------	-------------	----------------------------------

1	Hongkong Liantai Seafood	134,581,972.51	15.91%
2	F.C.F Fishery Co., Ltd.	91,513,054.10	10.82%
3	Japan Itochu	67,525,051.37	7.98%
4	Japan Daoshui	62,823,106.27	7.43%
5	Japan Wiki	49,038,056.77	5.80%
Total	--	405,481,241.02	47.94%

Other situation of main clients

Applicable  Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	298,072,193.13
Proportion in total annual purchase amount for top five suppliers	48.49%
Ratio of related parties in annual total sales among the top five suppliers	0.00%

Information of top five suppliers of the Company

Serial	Name	Purchases (RMB)	Proportion in total annual purchase
1	Yantai Beijing Ocean Fishery Co., Ltd.	146,754,337.78	23.88%
2	CNFC Overseas Fishery Co., Ltd.	54,925,050.54	8.94%
3	Shenzhen South Fishery Co., Ltd.	45,595,194.91	7.42%
4	Rongcheng Ocean Fishery Co., Ltd.	27,192,452.34	4.42%
5	Shenzhen Shengang Ocean Industry Co., Ltd.	23,605,157.56	3.84%
Total	--	298,072,193.13	48.49%

Other notes of main suppliers of the Company

Applicable  Not applicable

### 3. Expense

In RMB

	2016	2015	Y-o-y changes	Note
Sales expense	6,016,283.26	6,056,111.86	-0.66%	
Management expense	57,369,652.49	51,671,846.22	11.03%	
Financial expense	-6,330,453.36	433,236.30	-1,561.20%	More exchange earnings in the Period

### 4. R&D investment

Applicable  Not applicable

## 5. Cash flow

In RMB

Item	2016	2015	Y-o-y changes
Subtotal of cash in-flow from operation activity	945,613,387.44	856,059,135.23	10.46%
Subtotal of cash out-flow from operation activity	858,177,664.25	800,615,745.01	7.19%
Net cash flow from operation activity	87,435,723.19	55,443,390.22	57.70%
Subtotal of cash in-flow from investment activity	5,930,806.81	444,766.87	1,233.46%
Subtotal of cash out-flow from investment activity	32,045,019.74	18,051,688.49	77.52%
Net cash flow from investment activity	-26,114,212.93	-17,606,921.62	-48.32%
Subtotal of cash in-flow from financing activity	69,109,844.43	101,754,637.69	-32.08%
Subtotal of cash out-flow from financing activity	80,873,244.26	118,798,599.90	-31.92%
Net cash flow from financing activity	-11,763,399.83	-17,043,962.21	30.98%
Net increased amount of cash and cash equivalent	57,273,291.78	27,272,912.98	110.00%

Main factors of related data's significant changes on a year-on-year basis

√Applicable □Not applicable

1. The main reason why the net cash flow from operating activities increased over the last year is because the sales revenue of the current period is higher than the same period of last year;
2. The reason why the proportion of investing cash inflow is larger compared with that of last year is because the subsidiary shipping company has disposed of F / R vessel for refrigerated transport and received many cashes. The large proportion of investing cash outflow is due to the overhaul to seines Tailong 1 and Tailong 2, and the project funds of previous years paid by Yantai subsidiary.
3. The reason why the financing cash inflow and outflow is rather large is because the company has transacted a foreign exchange pledged loan with 100% cash deposit last year, paid and recovered cash deposit of 20,725,000 Yuan, and no such business occurred in this year.

The reasons for the significant difference between the net cash flow from the company's operating activities and the net profit of current year during the reporting period

√ Applicable □ Not applicable

1. Asset impairment loss, depreciation and amortization of fixed assets and intangible assets and financial expenses affect the net profits but not affect the operating cash flow project 30,688,276.34 Yuan, which makes the net profit is 30,688,276.34 Yuan less than the operating cash flow;
2. The inventory balance of 2016 has decreased by 31,943,609.43 Yuan compared with the inventory balance of 2015, resulting in an increase of operating cash flow of 31,943,609.43 Yuan;
3. The operating receivables of 2016 has increased by 32,385,780.43 Yuan compared to 2015, resulting in a decrease of operating cash flow of 32,385,780.43 Yuan; the above caused the differences between net profit and operating cash flow.

### III. Analysis of the non-main business

√Applicable □Not applicable

In RMB

	Amount	Ratio in total profit	Note	Whether be sustainable
Asset impairment	3,236,092.07	5.50%	The inventory decline was RMB 2,505,500, and bad debt reserves was RMB 730,600.	No sustainable.
Non-operating income	46,495,585.42	79.01%	The fuel subsidies was RMB 39,041,300, fisheries development assistance was RMB 3,197,500, and the other was government grand for deferred income etc.	Fuel subsidy will be sustainable if the fishing vessels only can operate normally at sea and the national oil subsidy policy doesn't change, the deferred income remains unchanged every year in the amortization period.
Non-operating expense	782,369.92	1.33%		No sustainable.

### IV. Assets and liability

#### 1. Major changes of assets composition

In RMB

	End of 2016		End of 2015		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	129,521,203.29	15.51%	72,428,421.94	9.07%	6.44%	

Account receivable	42,679,066.65	5.11%	26,746,955.58	3.35%	1.76%	
Inventory	154,636,414.05	18.51%	189,084,316.91	23.69%	-5.18%	
Investment real estate	32,338,392.18	3.87%	33,557,057.70	4.20%	-0.33%	
Long term equity investment					0.00%	
Fixed assets	415,683,489.86	49.77%	429,846,758.41	53.85%	-4.08%	
Construction in progress	4,066,989.68	0.49%	5,901,575.16	0.74%	-0.25%	
Short-term borrowing	54,961,454.59	6.58%	46,321,773.62	5.80%	0.78%	

## 2. Assets and liability measure by fair value

Applicable  Not applicable

## 3. Assets right restriction till end of reporting period

The Company has no assets restricted till end of the Period

## V. Investment

### 1. Overall situation

Applicable  Not applicable

### 2. The major equity investment obtained in Reporting Period

Applicable  Not applicable

### 3. The major non-equity investment doing in Reporting Period

Applicable  Not applicable

### 4. Financial assets investment

#### (1) Securities investment

Applicable  Not applicable

The company had no securities investment in the reporting period.

**(2) Derivative investment**

Applicable  Not applicable

The company had no derivative investment in the reporting period.

**5. Application of raised proceeds**

Applicable  Not applicable

The company had no application of raised proceeds in the reporting period.

**VI. Sales of major assets and equity****1. Sales of major assets**

Applicable  Not applicable

The Company had no sales of major assets in the reporting period.

**2. Sales of major equity**

Applicable  Not applicable

**VII. Analysis of main holding company and stock-jointly companies**

Applicable  Not applicable

Particular about main subsidiaries and stock-jointly companies net profit over 10%

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	Subsidiary	Food processing	75,593,300	313,414,892.72	163,289,869.38	665,712,596.42	22,673,428.99	22,258,892.35
Shandong Zhonglu Haiyan Oceanic Fishery Co., Ltd.	Subsidiary	Marine fishing	138,731,900	189,260,677.99	176,538,387.15	106,758,242.33	7,747,382.89	26,975,448.83
HABITAT INTERNATIONAL CORPORAT	Subsidiary	Refrigerated shipment	12,476,146	193,412,132.19	184,782,749.26	59,316,295.71	15,946,017.61	18,084,681.75

ION								
Shandong Zhonglu Fishery Shipping Co., Ltd.	Subsidiary	Refrigerated shipment	22,505,600	34,536,793.50	1,880,762.17	32,196,758.39	1,053,202.91	1,036,955.77

Particular about subsidiaries obtained or disposed in report period

Applicable  Not applicable

Notes of main holding company and stock-jointly companies

### VIII. Structured vehicle controlled by the Company

Applicable  Not applicable

### IX. Prospect for future development of the Company

The company will adhere to the policy of "Based on itself, give overall consideration, give full play to superiority, seek improvement in stability", give full play to its own advantages, insist on reforming and innovation, further improve quality and efficiency, actively cultivate new profit growth point, and promote enterprise's sustainable and rapid development. Focus on doing the followings:

(I) Production and management. Continue to adhere to the management concept of "One Body Two Wings", and strengthen safety production management. Further optimize and expand the ocean-going fishing, stably develop ocean-going refrigerated transport, consolidate market shares, optimize and strengthen processing trade, remove the products with high consumption, high cost, and low profit, focus on the development of high quality and high profit products, stabilize the international market, expand the domestic market, and further improve the domestic market shares.

(II) Scale construction. Strengthen the construction of the Atlantic purse seine project, comprehensively promote the implementation of tuna longline fishing boat construction, establish the detailed work plan for specific jobs, including the report of phased materials, shipyard inspection, and construction starting, etc., strengthen communication with shareholders, do everything possible to broaden the financing channels, comprehensively promote the relevant work, and further improve the scale and quality of the company's assets.

(III) Construction of talent. Further expand the channels of talent introduction, intensify the various talent training, introduce outstanding talent incentives, create a good atmosphere for innovation and entrepreneurship of a variety of talents, do a good job to keep people, focus on the training and selection of senior and middle management, and make the company's management younger and more professional.

(IV) Corporate culture construction. Further innovate thinking, organize relevant departments to systematically carry out the corporate culture construction, unify the staff's thoughts and values, intensify the work style, gather the staff strength, and enhance the staff's sense of identity, sense of pride and sense of belonging to the enterprise.

(V) Management system construction. Continue to promote the construction of internal control system, strictly follow the "corporate governance of listed companies", comprehensively improve the basic management level, strengthen management innovation, strive for development by refining the internal strength, and ask for efficiency to the management.

(VI) Strengthen the party organization building. Continue to strengthen two constructions. We must continue to strengthen the foundation party organization construction. Strengthen the leadership construction of grassroots

organizations, enhance the quality of members, and promote mutual unity. Strengthen the construction of grassroots party organizations, and build advanced models. Continue to promote the construction of the party conduct and of an honest and clean government. Implement accountability.

## X. Reception of research, communication and interview

### 1. In the report period, reception of research, communication and interview

√Applicable □Not applicable

Time	Way	Type	Basic situation index of investigation
2016-01-08	Telephone communication	Individual	Operation of the Company and no material required
2016-03-24	Field investigation	Individual	The Activity Review Record of IR on 24 March 2013 released on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
2016-08-04	Telephone communication	Individual	Operation of the Company and no material required
2016-08-18	Telephone communication	Individual	Operation of the Company and no material required
2016-08-19	Telephone communication	Individual	Operation of the Company and no material required
2016-09-08	Telephone communication	Individual	Operation of the Company and no material required
2016-09-19	Telephone communication	Individual	Operation of the Company and no material required
2016-10-09	Telephone communication	Individual	Operation of the Company and no material required
2016-10-17	Telephone communication	Individual	Operation of the Company and no material required
2016-11-07	Telephone communication	Individual	Operation of the Company and no material required
2016-11-11	Telephone communication	Individual	Operation of the Company and no material required
2016-11-12	Telephone communication	Individual	Operation of the Company and no material required
2016-11-14	Telephone communication	Individual	Operation of the Company and no material required
2016-11-16	Telephone communication	Individual	Operation of the Company and no material required
2016-11-22	Telephone communication	Individual	Operation of the Company and no



			material required
2016-12-01	Telephone communication	Individual	Operation of the Company and no material required
2016-12-05	Telephone communication	Individual	Operation of the Company and no material required
2016-12-06	Telephone communication	Individual	Operation of the Company and no material required
2016-12-09	Telephone communication	Individual	Operation of the Company and no material required
2016-12-16	Telephone communication	Individual	Operation of the Company and no material required
2016-12-28	Telephone communication	Individual	Operation of the Company and no material required
Reception (times)			21
Number of hospitality			0
Number of individual reception			21
Number of other reception			0
Disclosed, released or let out major undisclosed information	No		

## Section V. Important Events

### I. Profit distribution plan of common stock and capitalizing of common reserves plan

Formulation, Implementation and Adjustment of common stock Profit Distribution Policy Especially Cash Dividend policy during the Reporting Period

Applicable  Not applicable

Profit distribution plan (pre-plan) of common stock and capitalizing of common reserves plan (pre-plan) in latest three years (including the reporting period)

In latest three years, after cover the deficit of previous years, the retained profit at period-end still negative; being deliberated and approved by the Board and Shareholders' General Meeting, no profit distributed either. The Company has no plan of cash dividend distribution, no bonus distributed and capitalizing of common reserves either for year of 2016.

Cash dividend of common stock in latest three years (including the reporting period)

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Amount for cash bonus by other ways	Proportion for cash bonus by other ways
2016	0.00	52,585,070.74	0.00%	0.00	0.00%
2015	0.00	12,141,360.21	0.00%	0.00	0.00%
2014	0.00	15,367,992.51	0.00%	0.00	0.00%

The Company gains profits in reporting period and the retained profit of common stock shareholders provided by parent company is positive but no plan of cash dividend proposed of common stock

Applicable  Not applicable

### II. Profit distribution plan and capitalizing of common reserves plan for the Period

Applicable  Not applicable

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either for the year

### III. Implementation of commitment

#### 1. Commitments completed in Period and those without completed till end of the Period from actual controller, shareholders, related parties, purchaser and companies

Applicable  Not applicable

The Company has no commitments completed in Period and those without completed till end of the Period from actual controller, shareholders, related parties, purchaser and companies

## 2. Concerning assts or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast

Applicable  Not applicable

## IV. Non-operational fund occupation from controlling shareholders and its related party

Applicable  Not applicable

No non-operational fund occupation from controlling shareholders and its related party in period.

## V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for “Qualified Opinion” that issued by CPA

Applicable  Not applicable

## VI. Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year

Applicable  Not applicable

No particulars about the changes in aspect of accounting policy, estimates or calculation method in Period.

## VII. Major accounting errors within reporting period that needs retrospective restatement

Applicable  Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

## VIII. Compare with last year’s financial report; explain changes in consolidation statement’s scope

Applicable  Not applicable

No changes in consolidation statement’s scope for the Company in the period.

## IX. Appointment and non-reappointment (dismissal) of CPA

Accounting firm appointed

Name of domestic accounting firm	PKF Daxin Certified Public Accountants LLP
Remuneration for domestic accounting firm (in 10 thousand Yuan)	40
Continuous life of auditing service for domestic accounting firm	14

Name of domestic CPA	Zhang Lifa; Wu Zhixing
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Whether re-appointed accounting firms in this period or not

Yes  No

Appointment of internal control auditing accounting firm, financial consultant or sponsor

Applicable  Not applicable

Being approved by the Annual Shareholders' Meeting of 2015, PKF Daxin Certified Public Accountants LLP was engaged by the Company for auditing CPA of internal control for 2016, RMB 100,000 of remuneration being paid in the period.

## **X. Particular about suspended and delisting after annual report disclosed**

Applicable  Not applicable

## **XI. Bankruptcy reorganization**

Applicable  Not applicable

No bankruptcy reorganization for the Company in reporting period.

## **XII. Significant lawsuits and arbitrations of the Company**

Applicable  Not applicable

No significant lawsuits and arbitrations occurred in the reporting period.

## **XIII. Penalty and rectification**

Applicable  Not applicable

No penalty and rectification for the Company in reporting period.

## **XIV Integrity of the company and its controlling shareholders and actual controllers**

Applicable  Not applicable

The company and its controlling shareholders and actual controllers do not have a relatively large amount of due existing debt with court's effective judgments.

## **XV Implementation of the company's stock incentive plan, employee stock ownership plan or other employee incentives**

Applicable  Not applicable

During the reporting period, the company has no stock incentive plan, employee stock ownership plan or other employee incentives that have not been implemented.

## **XVI. Material related transactions**

### **1. Related transaction with daily operation concerned**

Applicable  Not applicable

No related transaction with daily operation concerned for the Company in reporting period.

### **2. Related transactions by assets acquisition and sold**

Applicable  Not applicable

No related transactions by assets acquisition and sold for the Company in reporting period.

### **3. Main related transactions of mutual investment outside**

Applicable  Not applicable

No main related transactions of mutual investment outside for the Company in reporting period

### **4. Contact of related credit and debt**

Applicable  Not applicable

No contact of related credit and debt for the Company in reporting period

### **5. Other material related transactions**

Applicable  Not applicable

No other material related transactions for the Company in reporting period

## **XVII. Major contract and implantation**

### **1. Trusteeship, contract and leasing**

#### **(1) Trusteeship**

Applicable  Not applicable

No trusteeship for the Company in reporting period

#### **(2) Contract**

Applicable  Not applicable

No contract for the Company in reporting period

#### **(3) Leasing**

Applicable  Not applicable

No leasing for the Company in reporting period

## 2. Major guarantee

Applicable  Not applicable

No guarantee for the Company in reporting period

## 3. Entrust others to cash asset management

### (1) Trust financing

Applicable  Not applicable

In ten thousand Yuan

Trustee	Is a related transaction or not	Kinds	Amount for trust financing	Start Date	Expiry	Determine way for remuneration	Principal actually recover in the period	Impairment provision (if applicable)	Anticipated income	Actual gains/losses in Period	Gains/losses actually recover in Period
CMB	No	Run Ze 124	700	2016-06-23	2016-09-23	According to the agreement	700		7.51	8.12	8.12
Total			700	--	--	--	700		7.51	8.12	--
Capital resources			Owned fund of the Company								
Accumulated overdue uncollected principal and interest			0								
Lawsuit involved (if applicable)			N/A								
Disclosure date for the notice of approval by the Board (if applicable)											
Disclosure date for the notice of approval by Shareholders' General Meeting (if applicable)											
Whether there is the trust financing in the future			Yes								

### (2) Entrusted loans

Applicable  Not applicable

The company had no entrusted loans in the reporting period.

#### 4. Other material contracts

Applicable  Not applicable

No other material contracts for the Company in reporting period

### XVIII. Social responsibility

#### 1. Execution of social responsibility of targeted poverty alleviation

Applicable  Not applicable

#### 2. Execution of other social responsibility

The Company always puts socially responsible and public welfare undertakings as one of the core value for the enterprise, and exercise corporate social responsibility through respecting employees' rights, prevent and control pollution, promoting sustainable use of resources, focusing and participating public welfare.

Listed company and its subsidiary belongs to the key pollution enterprise listed by Department of Environmental Protection

No

Whether the social responsibility report released

Yes  No

### XIX. Explanation on other significant events

Applicable  Not applicable

Name	Date of disclosed	Internet website and retrieval path for disclosed information
Resolution Notice of 14 <sup>th</sup> Meeting of 5 <sup>th</sup> Session of the Board	2016-3-5	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of 12 <sup>th</sup> Meeting of 5 <sup>th</sup> Session of the Board of supervisors	2016-3-5	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Summary of Annual Report for year of 2015	2016-3-5	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Notice of CFO Resignation	2016-3-5	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Notices of Annual Report 2015 Correcting	2016-4-1	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Performance pre-notice of Third Quarterly for year of 2016	2016-4-13	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of 15 <sup>th</sup> Meeting of 5 <sup>th</sup> Session of the Board	2016-4-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of 13 <sup>th</sup> Meeting of 5 <sup>th</sup> Session of the Board of supervisors	2016-4-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Summary of First Quarterly Report for year of 2016	2016-4-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

Declaration of the Independent Director Nominator (Jiang Lu)	2016-4-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Declaration of the Independent Director Nominator (Song Xiliang)	2016-4-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Declaration of the Independent Director Candidate (Jiang Lu)	2016-4-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Declaration of the Independent Director Candidate (Song Xiliang)	2016-4-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement of Holding the AGM of 2015	2016-4-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Prompted Notice of Holding the AGM of 2015	2016-5-13	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution of the AGM of 2015	2016-5-20	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of 1 <sup>st</sup> Meeting of 6 <sup>th</sup> Session of the Board	2016-5-20	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of 1 <sup>st</sup> Meeting of 6 <sup>th</sup> Session of the Board of supervisors	2016-5-20	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Performance pre-notice of half year of 2016	2016-7-14	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Summary of Semi-annual Report for year of 2016	2016-8-27	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of 3 <sup>rd</sup> Meeting of 6 <sup>th</sup> Session of the Board	2016-10-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Summary of Third Quarterly Report for year of 2016	2016-10-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Change of Residence and Article of Associal Amendemnt	2016-10-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Convening the First Extarordinary Shareholders General meeting of 2016	2016-10-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Prompted Bulleting of Convening the First Extarordinary Shareholders General meeting of 2016	2016-11-12	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of First Extarordinary Shareholders General meeting of 2016	2016-11-18	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resignation of Senior Executives	2016-12-16	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Completed Change of Residence in Industrial and Commerce Bureau	2016-12-31	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of 4 <sup>th</sup> Meeting of 6 <sup>th</sup> Session of the Board	2016-12-31	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## XX. Significant event of subsidiary of the Company

√Applicable □Not applicable

In reporting period, the Proposal of Purchasing Tuna Purse Seiner has being deliberated and approved by the 4th meeting of 6th session of the Board. The controlling subsidiary Shandong Zhonglu Haiyan Oceanic Fishery Co., Ltd. purchased 5 tuna purse seiners (owns ICCAT registration for fishing license). Found more in relevant notices released on <http://www.cninfo.com.cn> dated 31 December 2016



## Section VI. Changes in Shares and Particulars about Shareholders

### I. Changes in shares

#### 1. Changes in shares

In Share

	Before changes		(+,-)					After changes	
	Amount	Ratio	New issue	Bonus	Capitaliza tion of public reserve	Other	Subtotal	Amount	Ratio
I. Unlisted shares	128,071,320	48.13%						128,071,320	48.13%
1. Sponsor shares	128,071,320	48.13%						128,071,320	48.13%
Including: State-owned shares	127,811,320	48.04%						127,811,320	48.04%
Domestic corporate shares	260,000	0.10%						260,000	0.10%
II. Listed shares	138,000,000	51.87%						138,000,000	51.87%
2. Domestically listed foreign shares	138,000,000	51.87%						138,000,000	51.87%
III. Total shares	266,071,320	100.00%						266,071,320	100.00%

Reasons for share changed

 Applicable  Not applicable

Approval of share changed

 Applicable  Not applicable

Ownership transfer of share changed

 Applicable  Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

 Applicable  Not applicable

Other information necessary to disclose for the Company or need to disclosed under requirement from security regulators

 Applicable  Not applicable

**2. Changes of restricted shares**

Applicable  Not applicable

**II. Securities issue and listing****1. Security offering (without preferred stock) in Reporting Period**

Applicable  Not applicable

**2. Changes of total shares and shareholders structure as well as explanation on changes of assets and liability structure**

Applicable  Not applicable

**3. Existing internal staff shares**

Applicable  Not applicable

**III. Shareholders and actual controller****1. Number of shareholders of the Company and share-holding**

In Share

Total common stock shareholders in reporting period-end	12,042	Total common stock shareholders at end of last month before annual report disclosed	12,082	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note8)	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of unlisted outstanding shares held	Amount of listed outstanding shares held	Number of shares pledged/frozen	
							State of share	Amount
Shandong State-owned	State-owned legal person	33.07%	88,000,000		88,000,000			

Assets Investment Holding Co., Ltd							
Shandong Luxin Investment Holding Group Co., Ltd	State-owned legal person	14.18%	37,731,320		37,731,320		
Shenwan HongYuan (H.K.) Limited	Foreign legal person	3.46%	9,200,990			9,200,990	
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	2.51%	6,665,689			6,665,689	
Chen Tianming	Foreign nature person	2.16%	5,760,427			5,760,427	
Haitong International Securities Company Limited-Account Client	Foreign legal person	0.82%	2,180,900			2,180,900	
China Everbright Securities (H.K.) Co., Ltd.	Foreign legal person	0.78%	2,072,000			2,072,000	
China National Heavy Duty Truck Group Jinan Truck LLC	State-owned legal person	0.73%	1,950,000		1,950,000		
Wang Dongsheng	Foreign nature person	0.45%	1,209,502			1,209,502	
Qin Jun	Domestic nature person	0.41%	1,083,220			1,083,220	
Strategy investors or general legal person becomes top 10 shareholders due to rights issued (if applicable) (see note3)	Not applicable						
Explanation on associated relationship among the aforesaid shareholders	Shandong State-owned Assets Investment Holding Co., Ltd and Shandong Luxin Investment Holding Group Co., Ltd are provincial state-owned enterprises under the same stock controlling of Shandong Provincial Commission; China National Heavy Duty Truck Group Jinan Truck LLC is the sponsor shareholder of the Company and the above mentioned shareholders have no associated relationships or not belong to consistent actors regulated by <i>Management</i>						

	<i>Regulation of Information Disclosure on Change of Shareholding for Listed Companies.</i> Rests of the shareholders are the domestically listed foreign shareholders, and the Company is unknown whether there exists associated relationship or belongs to consistent actor regulated by “ <i>management method for acquisition of listed company</i> ” among the above said shareholders.		
Shareholding of top 10 circulated shareholders			
Shareholders	Amount of listed shares held at end of the Period	Type of shares	
		Type	Amount
Shenwan HongYuan (H.K.) Limited	9,200,990	Domestically listed foreign shares	9,200,990
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	6,665,689	Domestically listed foreign shares	6,665,689
Chen Tianming	5,760,427	Domestically listed foreign shares	5,760,427
Haitong International Securities Company Limited-Account Client	2,180,900	Domestically listed foreign shares	2,180,900
China Everbright Securities (H.K.) Co., Ltd.	2,072,000	Domestically listed foreign shares	2,072,000
Wang Dongsheng	1,209,502	Domestically listed foreign shares	1,209,502
Qin Jun	1,083,220	Domestically listed foreign shares	1,083,220
Yi Ying	1,078,200	Domestically listed foreign shares	1,078,200
Huang Jiayi	1,048,687	Domestically listed foreign shares	1,048,687
Zhang Xiufang	1,039,500	Domestically listed foreign shares	1,039,500
Expiation on associated relationship or consistent actors within the top 10	The Company is unknown whether there exists associated relationship or belongs to consistent actor regulated by “ <i>management method for acquisition of listed company</i> ” among		

un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	the above said shareholders.
Explanation on shareholders involving margin business about top ten common stock shareholders with un-restrict shares held(if applicable) (see note4)	Not applicable

Whether top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period

Yes  No

The top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held of the Company have no buy-back agreement dealing in reporting period.

## 2. Controlling shareholders

Nature of controlling shareholders: local state-owned holding

Type of controlling shareholders: legal person

Controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
Shandong State-owned Assets Investment Holding Co., Ltd	Li Guangqing	1994-03-25	91370000163073167C	Management of state-owned property right and disposal of non-performing assets that authorized by SDGZK; investment and management of industry projects; assets management and assets operation; entrust operation and investment consultant
Equity of other foreign/domestic listed company that controlled by and have joint-stock from controlling shareholder in reporting period	0.78% of China Merchants Bank; 0.94% of China United Network Communication Limited; 1.49% of Guangzhou Pubang Landscape Architecture Co., LTD; 1.03% of By-health Co., LTD; 18.96% of Zhongtong Bus Co., LTD; 2.25% of Luzheng Futures Co., LTD.			

Changes of controlling shareholder in reporting period

Applicable  Not applicable

No changes of controlling shareholder for the Company in reporting period.

### 3. Actual controller

Nature of actual controller: local state-owned assets management

Type of actual controller: legal person

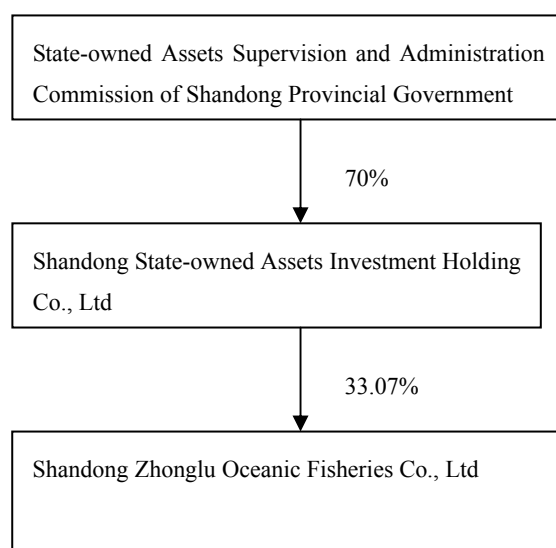
Actual controller	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
State-owned Assets Supervision and Administration Commission of Shandong Provincial Government	Zhang Bin	2004-06-18	N/A	Performing responsibilities of investors, monitoring the preserve and increase value for state-owned assets that supervised etc.
Equity of other foreign/domestic listed company that controlled by actual controller in reporting period	Not applicable			

Changes of actual controllers reporting period

Applicable  Not applicable

No changes of actual controllers for the Company in reporting period

Property right and controlling relationship between the actual controller and the Company is as follow:



Actual controller controlling the Company by entrust or other assets management

Applicable  Not applicable

**4. Particulars about other legal person shareholders with over 10% shares held**

√Applicable □Not applicable

Legal person shareholder	Legal person/person in charge of the unit	Date of foundation	Register capital	Main operation business or management activities
Shandong Luxin Investment Holding Group Co., Ltd	Ji Binchang	2002-01-31	3,000 million Yuan	Foreign investment (restricted industries by laws and regulations excluding) and management, investment consultant (securities and futures consultant excluding), assets management, trust operation, capital operation; guarantee; hotel management; leasing house and property management

**5. Limitation and reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects**

□ Applicable √ Not applicable

## **Section VII. Preferred Stock**

Applicable     Not applicable

The Company had no preferred stock in the reporting.



## Section VIII. Particulars about Directors, Supervisors and Senior Executives and Employees

### I. Changes of shares held by directors, supervisors and senior executives

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Increasing shares held in this period (Share)	Decreasing shares held in this period (Share)	Other changes (Share)	Shares held at period-end(Share)
Chi Weizhen	Chairman, GM	Currently in office	M	50	2016-05-19	2019-05-18	0	0	0	0	0
Lu Xiaonan	Director	Currently in office	M	43	2016-05-19	2019-05-18	0	0	0	0	0
Zhao Zhiguo	Director	Currently in office	M	53	2016-05-19	2019-05-18	0	0	0	0	0
Jiang Lu	Independent director	Currently in office	M	57	2016-05-19	2019-05-18	0	0	0	0	0
Song Xiliang	Independent director	Currently in office	M	51	2016-05-19	2019-05-18	0	0	0	0	0
Zhang Liqing	Chairman of Supervisory Committee	Currently in office	F	51	2016-05-19	2019-05-18	0	0	0	0	0
Hou Zhenkai	Supervisor	Currently in office	M	34	2016-05-19	2019-05-18	0	0	0	0	0
Shang Qinghua	Supervisor	Currently in office	F	46	2003-10-23	2019-05-18	0	0	0	0	0
Li Ming	Deputy GM, Secretary of the Board	Currently in office	M	51	2015-04-28	2019-05-18	0	0	0	0	0
Wang	Deputy	Currently	M	48	2016-03-	2019-05-	0	0	0	0	0

Huan	GM	in office			03	18						
Yue Juan	CFO	Currently in office	F	41	2016-03-03	2019-05-18	0	0	0	0	0	0
Li Wenyi	Chairman	Demission	M	60	2012-09-18	2016-05-19	0	0	0	0	0	0
Song Wenjian	Director, deputy GM	Demission	M	60	2007-04-26	2016-05-19	0	0	0	0	0	0
Zhang Chunxing	Director	Demission	M	49	2011-08-26	2016-05-19	0	0	0	0	0	0
Wang Hanmin	Independent director	Demission	M	56	2015-05-20	2016-05-19	0	0	0	0	0	0
Zhong Zhigang	Independent director	Demission	M	49	2010-06-10	2016-05-19	0	0	0	0	0	0
Liu Zhihui	Chairman of Supervisory Committee	Demission	M	51	2013-06-28	2016-05-19	0	0	0	0	0	0
Yang Gongmin	Supervisor	Demission	M	58	2010-06-10	2016-05-19	0	0	0	0	0	0
Zhang Weiping	CFO	Demission	M	60	2011-08-26	2016-03-03	0	0	0	0	0	0
Zhao Zhiguo	Deputy GM	Demission	M	53	2016-05-19	2016-12-14	0	0	0	0	0	0
Total	--	--	--	--	--	--	0	0	0	0	0	0

## II. Changes of directors, supervisors and senior executives

Name	Title	Type	Date	Reasons
Li Wenyi	Chairman	Departure on his term	2016-05-19	Departure on his term
Song Wenjian	Director, deputy GM	Departure on his term	2016-05-19	Departure on his term
Zhang Chunxing	Director	Departure on his term	2016-05-19	Departure on his term

Wang Hanmin	Independent director	Departure on his term	2016-05-19	Departure on his term
Zhong Zhigang	Independent director	Departure on his term	2016-05-19	Departure on his term
Liu Zhihui	Chairman of Supervisory Committee	Departure on his term	2016-05-19	Departure on his term
Yang Gongmin	Supervisor	Departure on his term	2016-05-19	Departure on his term
Zhang Weiping	CFO	Dismissal	2016-03-03	Retirement
Zhao Zhiguo	Deputy GM	Dismissal	2016-12-14	Demission for work change

### III. Post-holding

Professional background, major working experience and present main responsibilities in Company of directors, supervisors and senior executive at the present in latest five years

#### 1. Directors

Chi Weizhen, Master's degree, an engineer, was member of the CPC. He once served as GM of Haiyan Branch and the Company, and chairman of Shandong Zhonglu Haiyan Oceanic Co., Ltd. He serves as chairman, secretary of the PC and GM of the Company since 19 May 2016.

Lu Xiaonan, a MBA, master of economics and a member of the CPC. He was a deputy chief of resource environment audit office of the Auditing Office Nantepai Office, deputy GM of Shandong Dongyin Investment Co., Ltd., the deputy director of assets management department, director of risk management department and director of disciplinary inspection and supervision office of Shandong State-Owned Assets Holding Co., Ltd; now he serves as GM of the assets operation center of Shandong State-Owned Assets Holding Co., Ltd. He serves as director of the Company since 19 May 2016.

Zhao Zhiguo, senior economist, and a member of the CPC, he was took director of the comprehensive office and HR department of Shandong Development and Reform Commission; senior business manager of RD department, investment banks department and infrastructure fund management department of the Shandong International Trust Investment Co., Ltd.; the senior business manager of RD department of Shandong Luxin Investment Holding Co., Ltd.; senior business manager of infrastructure fund management office of Shandong International Trust Holding Co., Ltd; and expatriate deputy GM of Jiaoji Railway Passenger Dedicated Line Co., Ltd. he serves as director of the Company since 19 May 2016.

Jiang Lu, Bachelor of Laws and a senior lawyer. He was served as independent directors in Shandong Hengtong Chemical Co., Ltd. and Shandong Shanda WIT Science and Technology Co., Ltd; lawyer of Jinan Jingji Laws Firm, Shandong Yuanxin Law Firm and Partner of Jinan Jun Yi Da Law Firm; he currently works as a partner of Grandall Law Firm (Jinan). And serves as independent director of the Company since 19 May 2016.

Song Xiliang, a PHD, Prof. of Accountancy. He works as accounting professor in Shandong University of Finance and Economics, member of a council in Chinese Institute of Finance and Cost for Young and mid-career Professionals and Shandong Chamber of Accounting. He also works as independent directors in two listed companies- SACRED SUN (code: 002580) and Weihai Huadong Automation Co., Ltd. (code: 002248); he act as independent director of the Company since 19 May 2016.

## 2. Supervisor

Zhang Liqing, MBA, member of PC. She served as CFO in Shandong Gezhi Thermal Co., Ltd., CFO of Jinan Ginza Shopping Mall Co., Ltd, and Silver Plaza Group Co., Ltd., a director of auditing department of Shandong Commercial Group Corporation, the chief of information HQ of the Shandong Ginza Mall Co., Ltd., CFO of Shandong Freda Medicine Corporation and Shandong Pharmaceutical Academy of Sciences, a supervisor of Langchao Group Ltd, director of auditing department (discipline inspection dept.) in Shandong State-Owned Assets Investment Holding Co., Ltd; now she acts director of auditing dept. of Shandong State-Owned Assets Investment Holding Co., Ltd. she serves as chairman of supervisory committee of the Company since 19 May 2016.

Hou Zhenkai, master degree candidate, a lawyer. He worked as attorney of security business in Jindu Law Firm, staff of Risk Compliance Dept. (Legal Affairs Dept.)in Shandong Luxin Investment Holdings Group Co., Ltd. he serves as supervisor of the Company since 19 May 2016.

Shang Qinghua, member of the CPC with university degree, She served as deputy director of financial dept. of the Company for the last five years; now she serves as director of finance dept. of the Company and act as employee supervisor of the Company since October 2003.

## 3. Senior executive

Chi Weizhen, Master's degree, an engineer, was member of the CPC and member of the party committee of the Company. He once served as GM of the Company and Haiyan Branch; currently he serves as chairman of Shandong Zhonglu Haiyan Oceanic Co., Ltd. and serves as chairman, secretary of PC and GM of the Company since 19 May 2016.

Li Ming, an economist, member of the CPC with university degree and member of the party committee of the Company. He serves as deputy general manager of the Company since April 2007. And he served as deputy general manager and secretary of the board of director of the Company since April 2015.

Wang Huan, bachelor of economics with university degree. He worked as deputy GM of oceanic management dept. in Shandong Zhonglu Oceanic Fisheries Co., Ltd., business chief of the fishery in Ghana, chief of fishery in Gambia and GM of Shandong Zhonglu Aquatic Shipping Co., Ltd. now he work as chairman of Shandong Zhonglu Aquatic Shipping Co., Ltd and deputy GM of the Company since 3 March 2016.

Yue Juan, senior accountant with university degree, she worked as accountant and project manager of Shandong Luxin Industrial Group Co., Ltd.; accountant and project manager of Shandong International Trust Investment Co.,

Ltd.; project manager, GM of financial dept, and deputy GM of financial dept. of Shandong Luxin Culture Media Investment Group Co., Ltd.; she serves as CFO of the Company since 3 March 2016.

Post-holding in shareholder's unit

Applicable Not applicable

Name	Name of shareholder's units	Position	Start dated of office term	End date of office term	Whether receiving remuneration from shareholder's units or not
Lu Xiaonan	Shandong State-owned Assets Investment	GM of capital operation center			Y
Zhang Liqing	Shandong State-owned Assets Investment	Director of audit dept.			Y
Hou Zhenkai	Luxin Group	Deputy director of risk of compliance dept. (legal dept.)			Y

Post-holding in other unit

Applicable Not applicable

Name	Name of other units	Position	Start dated of office term	End date of office term	Whether receiving remuneration from other units or not
Jiang Lu	Grandall (Jinan) Law Firm	Partner			Y
Song Xiliang	Shandong University of Finance	Professor of Accounting			Y

Punishment of securities regulatory authority in recent three years to the company's current and outgoing directors, supervisors and senior management during the reporting period

Applicable  Not applicable

#### IV. Remuneration for directors, supervisors and senior executives

Decision-making procedures, recognition basis and payment for directors, supervisors and senior executives

In accordance with relevant requirement and regulation of "Code of Corporate Governance for Listed Companies" from CSRC, the remuneration plan for directors, supervisors and senior executives of the Company was proposed by remuneration and appraisal committee of the Board, and being deliberated by 7<sup>th</sup> meeting of 3<sup>rd</sup> session of the Board held on 14 February 2008 and approved in Annual Shareholders' General Meeting of 2007 held on 18 March 2008.

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex	Age	Post-holding status	Total remuneration obtained from the Company	Whether remuneration obtained from related party of the Company
Chi Weizhen	Chairman, GM	M	50	Currently in office	30.7	N
Lu Xiaonan	Director	M	43	Currently in office	0	Y
Zhao Zhiguo	Director	M	53	Currently in office	0	N
Jiang Lu	Independent director	M	57	Currently in office	0	N
Song Xiliang	Independent director	M	51	Currently in office	0	N
Zhang Liqing	Chairman of supervisory committee	F	51	Currently in office	0	Y
Hou Zhenkai	Supervisor	M	34	Currently in office	0	Y
Shang Qinghua	Staff supervisor	F	46	Currently in office	16.87	N
Li Ming	Deputy GM, secretary of the Board	M	51	Currently in office	27.73	N
Wang Huan	Deputy GM	M	48	Currently in office	40.68	N
Yue Juan	CFO	女	41	Currently in office	10.88	N
Li Wenyi	Chairman	M	60	Demission	31.14	N
Song Wenjian	Director, deputy GM	M	60	Demission	20.11	N
Zhang Chunxing	Director	M	49	Demission	0	Y
Wang Hanmin	Independent director	M	56	Demission	4	N
Zhong Zhigang	Independent director	M	49	Demission	4	N
Liu Zhihui	Chairman of	M	52	Demission	0	Y

	supervisory committee					
Yang Gongmin	Supervisor	M	59	Demission	0	Y
Zhang Weiping	CFO	M	61	Demission	16.85	N
Zhao Zhiguo	Deputy GM	M	53	Demission	7.62	N
Total	--	--	--	--	210.58	--

Delegated equity incentive for directors, supervisors and senior executives in reporting period

Applicable  Not applicable

## V. Employees of the Company

### 1. numbers of the employee, professional constitution and education background

Serving staff in parent company (person)	167
Serving staff in main subsidiaries (person)	1,036
Total serving staff (person)	1,203
Total staff in payroll in current period (person)	1,203
Retired staff with charges paid by the parent company and main subsidiaries (person)	270
Professional constitution	
Type	Number
Production personnel	1,050
Sales man	14
Technicians	16
Fianncial personnel	20
Administrative personnel	103
Total	1,203
Education background	
Type	Number
Master's degree	6
Bachelor degree	56
Junior college	153
Technical secondary school	141
High school or below	847
Total	1,203

## **2. Remuneration policy**

The Company formulated a management mechanism of remunerations, and paying salaries to employees on time.

## **3. Training plan**

Exercising multi-style training for senior executives, financial staff and technicians according to their own situation and working demands as well as pre-job training

## **4. Labor outsourcing**

Applicable  Not applicable



## Section IX. Corporate Governance

### I. Basic state of corporate governance

In reporting period, by strictly followed requirement of relevant laws and regulations of “Company Law”, “Securities Laws”, “Rules of Corporate Governance for Listed Company”, “Standard Operation Guide of Stock Listing in Main Board of Shenzhen Stock Exchange” and related normative documents, the Company constantly improve structure of the corporate governance, and further to regulated company operation as well as enhancing corporate governance. General Meeting, the Board Meeting and Supervisory Meeting are convening under the regulations, directors and supervisors are earnestly perform their duties and carry out due diligence. The Company believes that in the reporting period, there are no difference between actual condition of corporate governance and relevant requirements of CSRC and “Company Law”.

Is there any difference between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC?

Yes  No

There are no differences between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC.

### II. Independency of the Company relative to controlling shareholders' in aspect of businesses, personnel, assets, institution and finance

The Company's business, personnel, assets, institution and finance are separated with its shareholders' and owe independent self-operation ability.

1. Business independence: production and administrative management are totally separated with controlling shareholders, and no horizontal competition being found with controlling shareholders;
2. Personnel independence: the Company has an independent HR system and completed system of salary management, and has a self-governed staff team. Senior executives of GM, deputy GM, financial principal and secretary of the Board are not serves in controlling shareholders' unit and other enterprise controlled by shareholders' unit except for office-holding as director, supervisor, and all of them are receiving remuneration from the Company. Financial staffs are not taking a part-time in controlling shareholders' unit and other enterprise controlled by shareholders' unit.
3. Assets integrity: the Company has completed and separated assets with clear-defined property relations. There are no capital occupations by controlling shareholders being found and assts of the Company are totally independent of its controlling shareholders.
4. Institutional independence: the Company owes a completed organization structure and separated totally with controlling shareholders in institution; shareholders' general meeting, the Board and supervisory committee running independently and has an independent decision-making ability.
5. Financial independent: the Company owes independent financial department and personnel, has completed and independent financial calculation system, qualified standardized financial accounting mechanism and has ability to making decisions in aspect of finance. Open a bank account and levy a tax independently.

### III. Horizontal Competition

Applicable  Not applicable

### IV. In the report period, the Company held annual shareholders' general meeting and extraordinary shareholders' general meeting

**1. Annual Shareholders' General Meeting in the report period**

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
Annual General Meeting of 2015	Annual General Meeting	48.30%	2016-05-19	2016-05-20	“Annual General Meeting of 2015” (No.: 2016-016) published on <i>China Securities Journal</i> , <i>Hong Kong Commercial Daily</i> and Juchao Website
First Extraordinary Shareholders Meeting of 2016	Extraordinary shareholders meeting	47.48%	2016-11-17	2016-11-18	“Resolution Notice of First Extraordinary Shareholders Meeting of 2016” (No.: 2016-026) published on <i>China Securities Journal</i> , <i>Hong Kong Commercial Daily</i> and Juchao Website

**2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore**

Applicable  Not applicable

**V. Responsibility performance of independent directors in report period****1. The attending of independent directors to Board meetings and shareholders' general meeting**

The attending of independent directors						
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of present in person	Times of attending by communication	Times of entrusted presence	Times of Absence	Whether absent the Meeting for the second time in a row or not
Wang Hanmin	2	1	1	0	0	N
Zhong Zhigang	2	1	1	0	0	N
Jiang Lu	4	2	1	1	0	N
Song Xiliang	4	3	1	0	0	N
Times presented in shareholders' general meeting by independent directors		2				

Explanation of absent the Board Meeting for the second time in a row

## 2. Objection for relevant events from independent directors

Whether independent directors come up with objection about company's relevant matters or not

Yes  No

Independent directors has no objections for relevant events in reporting period

## 3. Other explanation about responsibility performance of independent directors

Whether the opinions from independent directors have been adopted or not

Yes  No

Explanation on advice that accepted/not accepted from independent directors

In accordance with relevant rules and requirements from "Company Law", "Guiding Opinions for Establishment of Independent Director Mechanism for Listed Company" and "Article of Association", independent directors of the Company is serious to performing the duties given by laws, regulations, article of associations and mechanism of independent directors; they proactively present the Board Meeting and shareholders' general meeting, examine and guild the operation of the Company, kept eyes on normalization of the operation, independently performed duties with all efforts, propose several professional advice in aspect of the mechanism perfection and routine operation decisions, furthermore, carried out independent opinions for significant events which plays a necessary role in perfecting supervisory system and protecting legal interest of the Company and whole shareholders.

## VI. Responsibility performance of subordinate special committee of the Board in report period

(I) Auditing Committee:

### 1. Conduct a regular meeting

In reporting period, totally four meetings are held by audit committee of the Board, and discuss "Annual Report 2015", "1Q Report of 2016", "Semi-Annual Report of 2016", "3Q Report of 2016" and relevant events respectively.

### 2. Final report of the auditing works for year of 2016 from PKF Daxin Certified Public Accountants

Auditing committee took an all-around review on auditing works for year of 2016 and after standard unqualified auditors report and relevant documents issued by Daxin CPA while all auditing procedures completed, auditing committee held the first meeting of 2017 and they believes that the Daxin is able to exercise relevant auditing procedures and quality controlling system of the CPA in line with new auditing rules, the CPA owns good business qualities and fulfill their duties to complete vary auditing works. Therefore, auditing committee submit to the Board for Daxin CPA re-engagement as the auditing body for year of 2017 and auditing organization for internal control as well.

(II) Nomination Committee

During the reporting period, the nominations committee of the board of directors has convened a meeting which seriously reviewed the aspiring candidates of the independent directors in accordance with the requirements of "Nomination Committee Implementing Rules"

(III) Strategy Committee

During the reporting period, the strategy committee of the Board has convened a meeting which seriously

reviewed the proposal of purchasing tuna purse seiner in accordance with requirement of “Strategy Committee Implementing Rules”

## VII. Works from Supervisory Committee

Whether the Company has risks or not in reporting period that found in supervisory activity from supervisory committee

Yes  No

Supervisory committee has no objection about supervision events in reporting period

## VIII. Appraisal and incentive mechanism for senior executives

Check on senior employees by the Board based on the Measure of Operation Evaluation that approved in Shareholders' General Meeting.

## IX. Internal Control

### 1. Details of major defects in IC appraisal report that found in reporting period

Yes  No

### 2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	2017-03-04	
Disclosure index of full internal control evaluation report	www.cninfo.com.cn	
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements	98.85%	
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements	98.78%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	Major deficiencies: a. fraud of directors, supervisors and senior management; b. Material misstatements found in current financial statements by the external audit which are not found in the process of internal control; c. the supervision of audit committee and internal audit service to internal control is invalid. Significant	Major deficiencies: a) violation of state laws and regulations, such as environmental pollution; b) project decision-making process is not scientific, wrong decision-making caused by lack of democratic decision-making process; c) brain drain of managers or technicians; d) frequent negative news on

	<p>deficiencies: The misstatements caused by single deficiency or together with other deficiencies that cannot be timely prevented or found and corrected in the financial report and has not reached or has exceed the major deficiencies but still should be taken into account by the management; other circumstances determined by the degree of influence. Common deficiencies: other internal control deficiencies do not constitute major or significant deficiencies.</p>	<p>media; e ) the results of internal control evaluation especially major deficiencies and significant deficiencies have not been rectified and reformed; f) significant business is lack of system control or systematicness is invalid. Significant deficiencies: The deficiencies caused by single deficiency or together with other deficiencies of which the severity, direct or potential negative impact have not reached or has exceed the major deficiencies but still should be taken into account by the management; other circumstances determined by the degree of influence. Common deficiencies: other internal control deficiencies do not constitute major or significant deficiencies.</p>
<p>Quantitative criteria</p>	<p>Compare the misstatements and missing reports (i.e. amount affected by internal control deficiencies) of some subjects in the financial reports that may cause or have caused by internal control deficiencies with certain ratio of total profits in the company's current consolidated financial statements, and determine the type of deficiencies in internal control as follows: it should be judged to be major deficiency if the amount affected by internal control deficiencies is more than 5% of total profits; it should be judged to be significant deficiency if the amount affected by internal control deficiencies is more than 3% but less than 5% (including 5%) of total profits; it should be judged to be common deficiency if the amount affected by internal control deficiencies is less than 3% (including 3%) of total profits;</p>	<p>Compare the amount of direct property loss with certain ratio of total profits in the company's current consolidated financial statements, and determine the type of deficiencies in internal control as follows: it should be judged to be major deficiency if the amount of direct property loss is more than 5% of total profits; it should be judged to be significant deficiency if the amount of direct property loss is more than 3% but less than 5% (including 5%) of total profits; it should be judged to be common deficiency if the amount of direct property loss is less than 3% (including 3%) of total profits;</p>
<p>Amount of significant defects in financial reports</p>		<p>0</p>
<p>Amount of significant defects in non-financial reports</p>		<p>0</p>

Amount of important defects in financial reports	0
Amount of important defects in non-financial reports	0

## X. Auditing report of internal control

Applicable Not applicable

Deliberation section of auditing report of IC	
In our opinion, the Company, in line with Basic Norms of Enterprises Internal Control and relevant regulations, shows an effectiveness internal control of financial report in all major aspects.	
Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	2017-03-04
Index of audit report of internal control (full-text)	www.cninfo.com.cn
Opinion type of auditing report of IC	Standard unqualified
whether the non-financial report had major defects	No

Issued a modified audit opinions for internal control

Yes No

Auditing report of internal control issued by CPA shows the same opinion as self-evaluation report issued by the Board

Yes No

## **Section X. Corporation bonds**

Whether or not the Company public offering corporation bonds in stock exchange, which undue or without payment in full at maturity on the approval date for annual report disclosed

No

## Section XI. Financial Report

DAXIN SHEN ZI [2017] No.3-00032

### **To the Shareholders of Shandong Zhonglu Oceanic Fisheries Co., Ltd.:**

We have audited the accompanying financial statements of Shandong Zhonglu Oceanic Fisheries Co., Ltd. (hereafter referred to as “the Company”), which comprise the consolidated and the Company's balance sheets as at December 31, 2016, the consolidated and the Company's statements of income, the consolidated and the Company's statements of cash flows and the consolidated and the Company's statements of changes in equity for the year then ended, and notes to the financial statements.

### **I. Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **II. Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Those standards require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **III. Opinion**



In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as at December 31, 2016, and their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.

Certified Public Accountant of China      Wu Zhixing

Certified Public Accountant of China      Zhang Lifa

Beijing . China

Date: March 2, 2017

## Consolidated Balance Sheet

Prepared by: Shandong Zhonglu Oceanic Fisheries Co., Ltd.

December 31, 2016

Unit:RMB Yuan

Item	Note	As at 31/12/2016	As at 1/1/2016
Current assets:			
Cash at bank and on hand	5.1	129,521,203.29	72,428,421.94
Financial assets measured at fair value through profit or loss for the current period			
Derivative financial assets			
Notes receivable			
Accounts receivable	5.2	42,679,066.65	26,746,955.58
Prepayments	5.3	7,787,603.40	6,195,816.18
Interest receivable			
Dividends receivable			
Other receivables	5.4	9,384,672.16	4,567,617.49
Inventories	5.5	154,636,414.05	189,084,316.91
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	5.6	23,748,949.31	14,405,410.05
Total current assets		367,757,908.86	313,428,538.15
Non-current assets:			
Available-for-sale financial assets	5.7		
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments			
Investment property	5.8	32,338,392.18	33,557,057.70
Property, plant and equipment	5.9	415,683,489.86	429,846,758.41
Construction in process	5.1	4,066,989.68	5,901,575.16
Construction materials			
Disposal of property, plant and equipment			
Productive biological assets			
Oil and gas assets			
Intangible assets	5.11	13,107,393.57	13,498,863.69
Development expenditures			
Goodwill			

Long-term deferred expenses			
Deferred tax assets	5.12		
Other non-current assets	5.13	2,285,524.92	2,000,000.00
Total of non-current assets		467,481,790.21	484,804,254.96
Total of assets		835,239,699.07	798,232,793.11

Legal representativeLegal:

Person in charge of accounting function:

Person in charge of accounting department:

## Consolidated Balance Sheet (Continued)

Prepared by: Shandong Zhonglu Oceanic Fisheries Co., Ltd.

December 31, 2016

Unit:RMB Yuan

Item	Note	As at 31/12/2016	As at 1/1/2016
Current liabilities:			
Short-term loans	5.14	54,961,454.59	46,321,773.62
Financial liabilities measured at fair value through profit or loss for the current period			
Derivative financial liabilities			
Notes payable			
Accounts payable	5.15	59,173,732.88	81,770,298.61
Advances from customers	5.16	19,940,900.11	18,691,305.28
Employee benefits payable	5.17	30,612,403.76	17,624,638.23
Taxes and surcharges payable	5.18	1,344,879.85	3,044,646.00
Interest payable	5.19	86,747.10	655,581.11
Dividends payable			
Other payables	5.20	5,221,040.82	5,630,290.48
Held-for-sale liabilities			
Non-current liabilities due within one year	5.21	866,585.48	17,396,585.48
Other current liabilities			
Total of current liabilities		172,207,744.59	191,135,118.81
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: Preference shares			
Perpetual loans			
Other long-term payables			
Long-term employee benefits payable	5.22	1,699,751.84	1,908,126.22
Specific payables			

Provisions			
Deferred income	5.23	10,572,454.62	11,439,040.10
Deferred tax liabilities			
Other non-current liabilities			
Total of non-current liabilities		12,272,206.46	13,347,166.32
Total of liabilities		184,479,951.05	204,482,285.13
Equity:			
Paid-in capital (or Share capital)	5.24	266,071,320.00	266,071,320.00
Other equity instruments			
Including: Preference shares			
Perpetual loans			
Capital reserve	5.25	279,998,206.82	279,998,206.82
Less: treasury shares			
Other comprehensive income	5.26	-665,059.07	-34,029.26
Special reserve			
Surplus reserve	5.27	21,908,064.19	21,908,064.19
Retained earnings	5.28	50,349,731.78	-2,235,338.96
Equity attributable to parent company		617,662,263.72	565,708,222.79
Minority interests		33,097,484.30	28,042,285.19
Total equity		650,759,748.02	593,750,507.98
Total liabilities and equity		835,239,699.07	798,232,793.11

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

## Balance Sheet

Prepared by: Shandong Zhonglu Oceanic Fisheries Co., Ltd.

December 31, 2016

Unit: RMB Yuan

Item	Note	As at 31/12/2016	As at 1/1/2016
Current assets:			
Cash at bank and on hand		43,007,956.89	40,612,855.17
Financial assets measured at fair value through profit or loss for the current period			
Derivative financial assets			
Notes receivable			
Accounts receivable	13.1	13,062,916.00	748,287.00
Prepayments		734,980.49	2,205,564.37

Interest receivable			
Dividends receivable			
Other receivables	13.2	39,910,882.35	36,250,522.61
Inventories		35,431,052.28	34,878,804.73
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		848,434.74	128,193.05
Total current assets		132,996,222.75	114,824,226.93
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables		6,078,056.38	5,831,546.05
Long-term equity investments	13.3	204,189,455.23	204,189,455.23
Investment property		32,338,392.18	33,557,057.70
Property, plant and equipment		89,752,865.40	87,079,353.98
Construction in process			1,452,019.07
Construction materials			
Disposal of property, plant and equipment			
Productive biological assets			
Oil and gas assets			
Intangible assets		22,566.74	30,166.70
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred tax assets			
Other non-current assets		285,524.92	
Total of non-current assets		332,666,860.85	332,139,598.73
Total of assets		465,663,083.60	446,963,825.66

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

## Balance Sheet (Continued)

Prepared by: Shandong Zhonglu Oceanic Fisheries Co., Ltd.

December 31, 2016

Unit:RMB Yuan

Item	Note	As at 31/12/2016	As at 1/1/2016
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Current liabilities:			
Short-term loans			
Financial liabilities measured at fair value through profit or loss for the current period			
Derivative financial liabilities			
Notes payable			
Accounts payable		10,161,960.89	15,700,096.10
Advances from customers		2,530,163.00	5,858,514.14
Employee benefits payable		15,154,703.75	7,031,556.30
Taxes and surcharges payable		242,626.86	2,131,532.55
Interest payable			2,757.64
Dividends payable			
Other payables		81,881,163.31	48,122,404.66
Held-for-sale liabilities			
Non-current liabilities due within one year			1,900,000.00
Other current liabilities			
Total of current liabilities		109,970,617.81	80,746,861.39
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: Preference shares			
Perpetual loans			
Other long-term payables			
Long-term employee benefits payable		1,188,790.98	1,333,709.44
Specific payables			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total of non-current liabilities		1,188,790.98	1,333,709.44
Total of liabilities		111,159,408.79	82,080,570.83
Equity:			
Paid-in capital (or Share capital)		266,071,320.00	266,071,320.00
Other equity instruments			
Including: Preference shares			

Perpetual loans			
Capital reserve		279,115,900.17	279,115,900.17
Less:treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		19,184,672.34	19,184,672.34
Retained earnings		-209,868,217.70	-199,488,637.68
Total equity		354,503,674.81	364,883,254.83
Total liabilities and equity		465,663,083.60	446,963,825.66

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

## Consolidated Statement of Income

Prepared by: Shandong Zhonglu Oceanic Fisheries Co., Ltd.

For the year ended 31 December 2016

Unit:RMB Yuan

Item	Note	Year ended 31/12/2016	Year ended 31/12/2015
1.Operating income	5.29	845,877,519.52	723,723,003.05
Less: Operating cost	5.29	769,925,445.84	685,083,527.36
Taxes and surcharges	5.30	2,525,544.74	1,231,694.81
Selling and distribution expenses	5.31	6,016,283.26	6,056,111.86
General and administrative expenses	5.32	57,369,652.49	51,671,846.22
Finance expenses	5.33	-6,330,453.36	433,236.30
Impairment on assets	5.34	3,236,092.07	2,428,525.98
Add: Gain from fair value changes			
Investment income			
Including: Investment income from associates and joint ventures			
2.Operating profits("-" for loss)		13,134,954.48	-23,181,939.48
Add: Non-operating income	5.35	46,495,585.42	43,531,014.39
Including: Gain from disposal of non-current assets		2,657,141.63	12,530.62
Less: Non-operating expenses	5.36	782,369.92	4,830,708.60
Including: Loss on disposal of non-current assets		104,754.61	4,170,048.32
3.Profit before tax("-" for loss)		58,848,169.98	15,518,366.31

Less: Income tax expenses	5.37	1,207,900.13	1,136,927.91
4.Net profit("-" for net loss)		57,640,269.85	14,381,438.40
Including: Net profit attributable to parent company		52,585,070.74	12,141,360.21
Profit/loss attributable to minority share-holders		5,055,199.11	2,240,078.19
5.Other comprehensive income, net of tax		-631,029.81	-86,910.45
Total other comprehensive income attributable to parent company		-631,029.81	-86,910.45
(1) Comprehensive income not to be reclassified as profit or loss			
1) Changes in remeasured defined benefit obligations or net assets			
2) Portion of comprehensive income not to be reclassified as profit or loss under equity method			
(2) Comprehensive income to be reclassified as profit or loss		-631,029.81	-86,910.45
1) Portion of comprehensive income to be reclassified as profit or loss under equity method			
2) Gain or loss from fair value changes of available-for-sale financial assets			
3) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4) Gain or loss on effective cash flow hedging			
5) Currency translation difference		-631,029.81	-86,910.45
6) Others			
Other comprehensive income attributable to minority share-holders, net of tax			
6. Total comprehensive income		57,009,240.04	14,294,527.95
Total comprehensive income attributable to share-holders of parent company		51,954,040.93	12,054,449.76
Total comprehensive income attributable to minority share-holders		5,055,199.11	2,240,078.19
7. Earnings per share			
(1) Basic earnings per share		0.20	0.05
(2) Diluted earnings per share		0.20	0.05

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:



## Statement of Income

Prepared by: Shandong Zhonglu Oceanic Fisheries Co., Ltd.

For the year ended 31 December 2016

Unit:RMB Yuan

Item	Note	Year ended 31/12/2016	Year ended 31/12/2015
1.Operating income	13.4	70,580,279.73	125,758,001.95
Less: Operating cost	13.4	64,033,624.56	162,311,720.67
Taxes and surcharges		576,726.24	894,410.32
Selling and distribution expenses		437,044.09	434,522.60
General and administrative expenses		39,535,683.20	35,318,160.44
Finance expenses		-953,222.95	213,736.41
Impairment on assets		899,373.68	1,066,571.17
Add: Gain from fair value changes			
Investment income			
Including: Investment income from associates and joint ventures			
2.Operating profits("-" for loss)		-33,948,949.09	-74,481,119.66
Add: Non-operating income		23,576,885.98	37,123,646.29
Including:gain from disposal of non-current assets			
Less: Non-operating expenses		7,516.91	6,191,355.60
Including:Loss on disposal of non-current assets			5,876,267.32
3.Profit before tax("-" for loss)		-10,379,580.02	-43,548,828.97
Less: Income tax expenses			
4.Net profit("-" for net loss)		-10,379,580.02	-43,548,828.97
5.Other comprehensive income net of tax			
(1) Comprehensive income not to be reclassified as profit or loss			
1)Changes in remeasured defined benefit obligations or net assets			
2)Portion of comprehensive income not to be reclassified as profit or loss under equity method			
(2) Comprehensive income to be reclassified as profit or loss			
1) Portion of comprehensive income to be reclassified as profit or loss under equity method			

2) Gain or loss from fair value changes of available-for-sale financial assets			
3) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4) Gain or loss on effective cash flow hedging			
5) Currency translation difference			
6) Others			
6. Total comprehensive income		-10,379,580.02	-43,548,828.97
7. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

## Consolidated Statement of Cash Flows

Prepared by: Shandong Zhonglu Oceanic Fisheries Co., Ltd.

For the year ended 31 December 2016

Unit:RMB Yuan

Item	Note	Year ended 31/12/2016	Year ended 31/12/2015
1.Cash flows from operating activities			
Cash received from sales and services		849,958,354.36	737,100,850.94
Taxes and surcharges refunds		48,100,549.00	52,461,561.62
Cash received related to other operating activities	5.38	47,554,484.08	66,496,722.67
Total cash inflows from operating activities		945,613,387.44	856,059,135.23
Cash paid for goods and services		710,308,874.30	632,345,401.27
Cash paid to and for employees		110,895,303.01	111,285,426.90
Taxes and surcharges cash payments		8,766,120.05	5,229,994.94
Cash paid related to other operating activities	5.38	28,207,366.89	51,754,921.90
Total cash outflows from operating activities		858,177,664.25	800,615,745.01
Net cash flows from operating activities		87,435,723.19	55,443,390.22
2.Cash flows from investing activities:			
Cash received from withdraw of investments			
Cash received from investment income			
Net cash received from disposal of \property, plant		5,282,538.12	58,431.91

and equipment,intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Cash received related to other investing activities	5.38	648,268.69	386,334.96
Total cash inflows from investing activities		5,930,806.81	444,766.87
Cash paid for property, plant and equipment,intangible assets and other long-term assets		32,045,019.74	18,051,688.49
Cash payments for investments			
Net cash paid for acquiring subsidiaries and other business units			
Cash paid related to other investing activities			
Total cash outflows from investing activities		32,045,019.74	18,051,688.49
Net cash flows from investing activities		-26,114,212.93	-17,606,921.62
3.Cash flows from financing activities:			
Cash received from investments by others			
Including: Cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		69,109,844.43	101,754,637.69
Cash received related to other financing activities			
Total cash inflows from financing activities		69,109,844.43	101,754,637.69
Cash repayments for debts		62,359,333.28	113,933,828.76
Cash payments for distribution of dividends, profit and interest expenses		3,883,910.98	4,864,771.14
Including: Dividends or profit paid by subsidiaries to minority shareholders			
Cash paid related to other financing activities	5.38	14,630,000.00	
Total cash outflows from financing activities		80,873,244.26	118,798,599.90
Net cash flows from financing activities		-11,763,399.83	-17,043,962.21
4.Effect of foreign exchange rate changes on cash and cash equivalents		7,715,181.35	6,480,406.59
5.Net increase in cash and cash equivalents		57,273,291.78	27,272,912.98
Add:beginning balance of cash and cash equivalents		71,464,370.00	44,191,457.02
6.Ending balance of cash and cash equivalents		128,737,661.78	71,464,370.00

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

## Statement of Cash Flows

Prepared by: Shandong Zhonglu Oceanic Fisheries Co., Ltd.

For the year ended 31 December 2016

Unit:RMB Yuan

Item	Note	Year ended 31/12/2016	Year ended 31/12/2015
1.Cash flows from operating activities			
Cash received from sales and services		55,717,739.89	138,448,990.90
Taxes and surcharges refunds			
Cash received related to other operating activities		39,215,516.79	56,459,132.46
Total cash inflows from operating activities		94,933,256.68	194,908,123.36
Cash paid for goods and services		46,522,451.03	101,067,184.59
Cash paid to and for employees		25,152,151.66	35,697,054.84
Taxes and surcharges cash payments		3,323,847.61	1,464,312.30
Cash paid related to other operating activities		14,803,988.31	17,618,547.86
Total cash outflows from operating activities		89,802,438.61	155,847,099.59
Net cash flows from operating activities		5,130,818.07	39,061,023.77
2.Cash flows from investing activities:			
Cash received from withdraw of investments			
Cash received from investment income			
Net cash received from disposal of property, plant and equipment,intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Cash received related to other investing activities		648,268.69	386,334.96
Total cash inflows from investing activities		648,268.69	386,334.96
Cash paid for property, plant and equipment,intangible assets and other long-term assets		16,105,162.79	1,829,544.07
Cash payments for investments			
Net cash paid for acquiring subsidiaries and other business units			
Cash paid related to other investing activities			
Total cash outflows from investing activities		16,105,162.79	1,829,544.07
Net cash flows from investing activities		-15,456,894.10	-1,443,209.11
3.Cash flows from financing activities:			
Cash received from investments by others			
Cash received from borrowings			
Cash received related to other financing activities		14,000,000.00	

Total cash inflows from financing activities		14,000,000.00	
Cash repayments for debts		1,900,000.00	25,346,666.66
Cash payments for distribution of dividends, profit and interest expenses		250,237.72	932,894.07
Cash paid related to other financing activities			1,028,388.09
Total cash outflows from financing activities		2,150,237.72	27,307,948.82
Net cash flows from financing activities		11,849,762.28	-27,307,948.82
4. Effect of foreign exchange rate changes on cash and cash equivalents		871,415.47	87,504.70
5. Net increase in cash and cash equivalents		2,395,101.72	10,397,370.54
Add:beginning balance of cash and cash equivalents		40,612,855.17	30,215,484.63
6. Ending balance of cash and cash equivalents		43,007,956.89	40,612,855.17

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

## Consolidated Statement of Changes in Equity

Prepared by: Shandong Zhonglu Oceanic Fisheries Co., Ltd.

For the year ended 31 December 2016

Unit:RMB Yuan

Item	Year 2016												
	Equity attributable to shareholders of parent company											Minority interests	Total equity
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total		
	Preference shares	Perpetual loans	Others										
1.Ending balance of last year	266,071,320.00				279,998,206.82		-34,029.26		21,908,064.19	-2,235,338.96	565,708,222.79	28,042,285.19	593,750,507.98
Add: Impact from changes in accounting policies													
Impact from corrections of errors in prior period													
Business combination under common control													
Others													
2.Beginning balance of current year	266,071,320.00				279,998,206.82		-34,029.26		21,908,064.19	-2,235,338.96	565,708,222.79	28,042,285.19	593,750,507.98
3.Movement for current year("-" for decrease)							-631,029.81			52,585,070.74	51,954,040.93	5,055,199.11	57,009,240.04
(1) Total comprehensive income							-631,029.81			52,585,070.74	51,954,040.93	5,055,199.11	57,009,240.04

(2) Shareholder's contributions and withdrawals of capital														
1) Common stock contributed by shareholders														
2) Capital contributed by other equity instruments holders														
3) Share-based payment recorded in shareholder's equity														
4) Others														
(3) Profits distribution														
1) Appropriation of surplus reserve														
2) Distribution to shareholders														
3) Others														
(4) Internal transfer within shareholder's equity														
1) Conversion of capital reserve into share capital														
2) Conversion of surplus reserve into share capital														
3) Recover of loss by surplus reserve														

4) Others													
(5) Special reserve													
1) Accrual of special reserve													
2) Utilization of special reserve													
(6) Others													
4. Ending balance of current year	266,071,320.00				279,998,206.82		-665,059.07		21,908,064.19	50,349,731.78	617,662,263.72	33,097,484.30	650,759,748.02

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

## Consolidated Statement of Changes in Equity (Continued)

Prepared by: Shandong Zhonglu Oceanic Fisheries Co., Ltd.

For the year ended 31 December  
2016

Unit:RMB Yuan

Item	Year 2015												
	Equity attributable to shareholders of parent company											Minority interests	Total equity
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total		
Preference shares		Perpetual loans	Others										
1. Ending balance of last year	266,071,320.00				281,245,215.96		52,881.19		21,908,064.19	-14,376,699.17	554,900,782.17	24,555,197.86	579,455,980.03
Add: Impact from changes in accounting policies													
Impact from corrections of errors in prior													



period													
Business combination under common control													
Others													
2.Beginning balance of current year	266,071,320.00				281,245,215.96		52,881.19		21,908,064.19	-14,376,699.17	554,900,782.17	24,555,197.86	579,455,980.03
3.Movement for current year("-" for decrease )					-1,247,009.14		-86,910.45			12,141,360.21	10,807,440.62	3,487,087.33	14,294,527.95
(1) Total comprehensive income							-86,910.45			12,141,360.21	12,054,449.76	2,240,078.19	14,294,527.95
(2) Shareholder's contributions and withdrawals of captial													
1) Common stock contributed by shareholders													
2) Capital contributed by other equity instruments holders													
3) Share-based payment recorded in shareholder's equity													
4) Others													
(3) Profits distribution													
1) Appropriation of surplus reserve													

2) Distribution to shareholders													
3) Others													
(4) Internal transfer within shareholder's equity					-1,247,009.14						-1,247,009.14	1,247,009.14	
1) Conversion of capital reserve into share capital													
2) Conversion of surplus reserve into share capital													
3) Recover of loss by surplus reserve													
4) Others					-1,247,009.14						-1,247,009.14	1,247,009.14	
(5) Special reserve													
1) Accrual of special reserve													
2) Utilization of special reserve													
(6) Others													
4. Ending balance of current year	266,071,320.00				279,998,206.82		-34,029.26		21,908,064.19	-2,235,338.96	565,708,222.79	28,042,285.19	593,750,507.98

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

## Statement of Changes in Equity

Prepared by: Shandong Zhonglu Oceanic Fisheries Co., Ltd.

For the year ended 31 December 2016

Unit: RMB

Item	Year 2016										
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
		Preference shares	Perpetual loans	Others							
1. Ending balance of last year	266,071,320.00				279,115,900.17				19,184,672.34	-199,488,637.68	364,883,254.83
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											
2. Beginning balance of current year	266,071,320.00				279,115,900.17				19,184,672.34	-199,488,637.68	364,883,254.83
3. Movement for current year("-" for decrease)										-10,379,580.02	-10,379,580.02
(1) Total comprehensive income										-10,379,580.02	-10,379,580.02
(2) Shareholder's contributions and withdrawals of capital											
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											

(3) Profits distribution											
1) Appropriation of surplus reserve											
2) Distribution to shareholders											
3) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Others											
(5) Special reserve											
1) Accrual of special reserve											
2) Utilization of special reserve											
(6) Others											
4. Ending balance of current year	266,071,320.00				279,115,900.17				19,184,672.34	-209,868,217.70	354,503,674.81

Legal representative:

Person in charge of accounting  
function:

Person in charge of accounting  
department:

## Statement of Changes in Equity (Continued)

Prepared by: Shandong Zhonglu Oceanic Fisheries  
Co., Ltd.

For the year ended 31 December 2016

Unit: RMB Yuan

Item	Year 2015										
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
		Preference shares	Perpetual loans	Others							
1. Ending balance of last year	266,071,320.00				279,115,900.17				19,184,672.34	-155,939,808.71	408,432,083.80
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											
2. Beginning balance of current year	266,071,320.00				279,115,900.17				19,184,672.34	-155,939,808.71	408,432,083.80
3. Movement for current year("-" for decrease)										-43,548,828.97	-43,548,828.97
(1) Total comprehensive income										-43,548,828.97	-43,548,828.97
(2) Shareholder's contributions and withdrawals of captial											
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution											

1) Appropriation of surplus reserve											
2) Distribution to shareholders											
3) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Others											
(5) Special reserve											
1) Accrual of special reserve											
2) Utilization of special reserve											
(6) Others											
4. Ending balance of current year	266,071,320. 00				279,115,900.1 7				19,184,672.3 4	-199,488,637.6 8	364,883,254. 83

Legal representative:

Person in charge of accounting  
function:

Person in charge of accounting  
department:

**SHANDONG ZHONGLU OCEANIC FISHERIES CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in Chinese Renminbi Yuan unless otherwise stated)

**1. Company profile**

1.1 The Company's registered place, organization structure and the address of head quarter.

Shandong Zhonglu Oceanic Fisheries Co., Ltd. (the "Company"), whose registered address is No.29, Miaoling Road, Qingdao, Shandong. The headquarters address is No.43, Heping Road, Jinan, Shandong,, was incorporated as a liability limited company in the People's Republic of China on July 30, 1999 according to the document of Lu Ti Gai Zi [1999] No.85 issued by Shandong Development and Reform Commission, and the holding company of the Company is Shandong Fisheries Enterprise Group General Corporation.

On June 26, 2000, the Company issued 120 million domestic listed foreign shares (B shares) to foreign investors with face value of 1 Yuan per share according to the document of Zheng Jian Fa Xing Zi [2000] No.82 issued by the China Securities Regulatory Commission. The B shares, Zhonglu B with stock code of 200992, have been listed on the Shenzhen Stock Exchange since July 24, 2000. On August 22, 2000.

The basic structure of the company: shareholders committee, board of directors, board of supervisors, the board of directors office, human resources, finance department, administration department, audit department, general department.

1.2 The Company's business nature and main operation activities

Operating activity: ocean fisheries

Main product: tuna and its products.

Operating scope: aquatic products breeding, processing and sale; goods import and export business within approved scope; ice machine manufacture and sale; refrigeration equipment manufacture, installation, maintenance; refrigeration; load and unload services; housing lease.

Advance licensed operating scope: marine and oceanic fishing;

1.3 The approver and approval date of the financial reporting.

The financial statement is predetermined and authorized by the board of company on 2th March, 2017.

1.4 The consolidation scope of financial year 2016 consolidated financial statements includes the Company and its subsidiaries (hereafter referred to as "the Company").

Consolidation scope of financial statement includes: 4 wholly-owned subsidiaries: Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.; Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.; HABITAT INTERNATIONAL CORP; Shandong

zhonglu Haiyan Oceanic Fisheries Co., Ltd. ; 2 sub-subsidiaries: LAIF FISHERIES COMPANY LIMITED, Shandong Zhonglu Oceanic Fisheries Refrigeraton Co., Ltd; 1 operational entity through control over operating leases: YAW ADDO FISHERIES COMPANY LIMITED. More information is disclosed in Note.6 “ Equity disclosure in other entities”.

## **2. Basis of preparation of financial statements**

### **2.1 Basis of preparation**

On the basis of going concern and transactions and events actually occurred, the Company prepares its financial statements with the following accounting policies and accounting estimates in accordance with the Accounting Standards for Business Enterprises – basic Standards, specific accounting standards and other relevant provisions (hereinafter collectively known as "Accounting Standards for Business Enterprises" or "CAS")

### **2.2 Going concern**

Within at least 12 months of this report, the company should maintain its operational capacity without matters that have potential impact on ability of the continuing operations.

## **3. Significant accounting policies and accounting estimates**

The Company has made specific accounting policies of recognition of income and other items based on its own operating characteristic under relevant regulations in Accounting Standard for Business Enterprise:

### **3.1 Declaration on compliance with the Accounting Standards for Business Enterprises**

The financial statements have been prepared in compliance with the Accounting Standards for Business Enterprises to truly and completely reflect the Company’s financial position as of 31 December 2016 and its operating results, cash flows and other relevant information for the year ended 31 December 2016.

### **3.2 Accounting period**

The financial year of the Company is from January 1 to December 31 of each calendar year.

### **3.3 Operating cycle**

The Company’s operating cycle is 12 months in each calendar year and it classifies the assets and liabilities' liquidity by operating cycle.

### **3.4 Functional currency**

The Company's functional currency is Chinese Renminbi (hereafter referred to as "RMB").

### **3.5 Business combination**

#### **3.5.1 Business combinations involving enterprises under common control**

In a business combination involving enterprises under common control, if the acquirer pays for the business combination in cash, by



transferring of non-cash assets or assuming liabilities, net assets in the ultimate controlling party's consolidated financial statements are measured at their carrying amounts of the acquiree at the acquisition date. If the acquirer issues equity instruments for the business combination, the acquirer measures the share capital by the par value of the shares issued. The difference between the original investment costs and the carrying amounts (or the total par value of shares issued) will be adjusted to the capital reserves. If the capital reserves is insufficient to absorb the difference, the remaining amount shall be deducted from retained earnings.

### 3.5.2 Business combinations involving enterprises not under uncommon control

In a business combination involving enterprises not under common control, the combination costs are the aggregate of the fair values of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control over the acquiree at the acquisition date. At the acquisition date, the acquired assets, liabilities and contingent liabilities of the acquiree that meet the recognition criteria are measured at their fair value. The Company shall recognize the difference of the combination costs in excess of its interest portion in the fair value of the net identifiable assets acquired from the acquiree as goodwill. The Company shall recognize the difference of the combination costs less than its interest portion in the fair value of the net identifiable assets acquired from the acquiree in the non-operating income for current period after reassessment.

## 3.6 Preparation of consolidated financial statements

### 3.6.1 The scope of consolidated financial statements

The Company incorporates all its subsidiaries (including individual entities under its control) into the scope of the consolidated financial statements, including the enterprises controlled by the Company, divisible part in the investees and structured entities.

### 3.6.2 Uniform accounting policies, balance sheet date and accounting period

If the subsidiaries adopt different accounting policies or accounting period compared with the Company, the Company shall make necessary adjustments on the subsidiaries' financial statements according to its accounting policies or accounting period.

### 3.6.3 The elimination in the preparation of consolidated financial statements

The consolidated financial statements are prepared based on the individual financial statements of the Company and its subsidiaries, after elimination of the transactions incurred among the Company and the subsidiaries. The portion of a subsidiary's equity that is not attributable to the Company is treated as minority interests and presented in the consolidated balance sheet within equity. The equity investment of the Company held by one subsidiary shall be treated as the Company's treasury shares and a deduction of the shareholders' equity which is presented as "less: treasury shares" in the consolidated balance sheet within equity.

#### 3.6.4 The accounting treatment for obtaining subsidiaries through a business combination

Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the obtained subsidiary or business is deemed to be included in the consolidated financial statements from the date they are controlled by the ultimate controlling party. Their assets, liabilities, operating results and cash flows are included in the consolidated financial statements from the beginning of the accounting period in which the acquisition occurred. Where a subsidiary or business has been acquired through a business combination not involving enterprises under common control, their individual financial statements are adjusted based on the fair value of identifiable net assets at the acquisition date when preparing the consolidated financial statements.

### 3.7 Joint arrangement classification and accounting treatments

#### 3.7.1 The classification of joint arrangement

Joint arrangements are classified as joint operations or joint ventures. A joint arrangement will be classified as joint operation when the joint arrangement achieves not through an individual entity. Individual entity is an entity with individual identifiable finance structure, including single legal entity and entity unqualified as legal entity but qualified as lawful entity. A joint arrangement is usually be classified as joint venture when the joint arrangement achieves through incorporating an individual entity. When changes arising from relevant events or environment cause changes of the cooperative parties' rights and obligations in the joint arrangements, the cooperative parties shall reassess the classification of the joint arrangements.

#### 3.7.2 The accounting treatment of joint operations

The party participating in joint operations shall recognize the following items relating to its interests in the joint operations and account for them in accordance with related requirements of Accounting Standards for Business Enterprises: a) Its solely-held assets and solely-assumed liabilities, and b) Its share of any assets and liabilities

held jointly; c) Its revenue from the sale of its share of the output arising from the joint operation; d) Its share of the revenue from the sale of the output by the joint operation; e) Its own expenses; and f) Its share of any expenses incurred jointly.

The other parties involving in joint operations without common control power shall account for their investments referring to the treatment method of joint operation participants if they are entitled to relevant assets and undertake relevant liabilities of the joint operations, otherwise, they shall account for their investments according to related requirements of Accounting Standards for Business Enterprises.

### 3.7.3 The accounting treatment of joint ventures

The parties participating in a joint venture account for its investment in accordance with Accounting Standards for Business Enterprises No.2 - Long-term Equity Investment. And the other parties involving in joint ventures without common control power shall account for their investments according to their influence extent on the joint ventures.

### 3.8 Cash and cash equivalents

The cash in the Company's statement of cash flows is cash on hand and deposits that can be readily drawn on demand. Cash equivalents in the statement of cash flows are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### 3.9 Foreign currency transactions and translation of financial statements denominated in foreign currency

#### 3.9.1 Translation of foreign currency transactions

The Company recordconverts foreign currency into RMB for accounting purpose using the approximate rate of the spot exchange rate prevailing on the date when the transactions occurs. At the balance sheet date, monetary items denominated in foreign currency are converted translated to RMB by adopting the prevailing exchange rate on that date. Foreign exchange difference between the prevailing exchange rate on that date and the prevailing exchange rate on initial recognition or on the previous balance sheet date are recognized in profit or loss for the current period, except the foreign exchange arising from specific loan denominated in foreign currency qualified as capital expenditure and included in the cost of related assets. Non-monetary items denominated in foreign currency that are measured at historical cost are still measured at amount denominated in reporting currency exchanged at the prevailing exchange rate at the transaction date. Non-monetary items denominated in foreign

currency that are measured at fair value are converted translated using the exchange rate at the date when fair value was determined and the difference between the converted translated functional currency amount and the prior converted translated amount on initial recognition or on the previous balance sheet date are recorded in profit or loss for the current period or other comprehensive income.

### 3.9.2 The translation of financial statements denominated in foreign currency

If the Company's controlled subsidiaries, joint ventures and associates etc. adopt different reporting currency, their financial statements denominated in foreign currency shall be translated to financial statements in RMB when preparing consolidated financial statements. The assets and liabilities are translated to RMB amounts using the spot exchange rate at the balance sheet date. Items of the equity, except for "retained earnings", are translated at the approximate rate of the spot exchange rate at the dates on which such items occurred. The revenue and expenditures in the statement of income are translated using the spot exchange rate at the transaction date. The difference arising from foreign currency financial statements translation is presented in other comprehensive income at the consolidated balance sheet within equity. Items of the statement of cash flows are determined by systemic method and translated using the approximate rate of the spot exchange rate when they incurred. Effect arising from changes of exchange rates on cash and cash equivalents is presented separately in the statement of cash flows. When disposing of foreign operations, exchange differences of foreign currency financial statements attributable to the foreign operations are transferred to profit or loss for the current period entirely or in proportion with the disposal portion of the foreign operations.

## 3.10 Financial instruments

### 3.10.1 Recognition and classification of financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments. A financial asset, financial liability or equity instrument is recognized when the Company becomes one party of financial instrument contracts.

The financial assets are classified into the following four categories upon initial recognition: financial assets at fair value through profit or loss ("FVTPL" financial assets), held-to-maturity investments, receivables, and available-for-sale financial assets ("AFS" financial assets). The classification of financial assets depends on the holding intention and capability of the Company except for receivables. The financial liabilities are classified into financial liabilities at fair value through profit or loss ("FVTPL" financial liabilities) and other financial

liabilities upon initial recognition.

Financial assets at fair value through profit or loss include financial assets held for trading in the short term and those upon initial recognition designated as at fair value through profit or loss. Receivables are non-derivative financial assets with fixed or determinable amounts that are not quoted in an active market. AFS financial assets are those non-derivative financial assets that are designated as available for sale and financial assets other than those above mentioned. Held-to-maturity investments are non-derivative financial assets with fixed or determinable amounts and fixed maturity dates that the Company has the positive intention and capability to hold to maturity.

### 3.10.2 Measurement of financial instruments

The Company measures the financial instruments at fair value upon initial recognition. The subsequent measurement includes: a) FVTPL financial assets, AFS financial assets and FVTPL financial liabilities are measured at fair value; b) Held-to-maturity investments, receivables, and other financial liabilities are subsequently measured at amortized cost; c) Equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, and derivative financial assets or derivative financial liabilities linked to the equity instruments that will be settled by delivering the equity instruments are subsequently measured at cost. The gains or losses of fair value changes arising from subsequent measurement of financial assets and liabilities shall be accounted for according to the following methods except hedging instrument involving in: a) The gains or losses arising from fair value changes of FVTPL financial assets and FVTPL financial liabilities are recognized in the profit or loss for current period; b) The gains or losses arising from fair value changes of AFS financial assets are recognized in other comprehensive income.

### 3.10.3 Recognition method of financial instruments' fair value

For financial assets or financial liabilities in active markets, the Company uses the quoted prices in active markets to determine their fair value. If there is no active market, the Company uses valuation techniques to determine their fair value. The valuation techniques mainly include market approach, income approach and cost approach.

### 3.10.4 Recognition and measurement of transfer of financial assets

The Company derecognizes a financial asset if it transfers substantially all the risks and rewards of the financial

asset or it does not transfer or maintain substantially all the risks and rewards of ownership of the financial asset, but surrender control on the financial asset. If a financial asset meets the derecognition criteria, the difference between the transfer consideration received and the sum of transferred financial asset's carrying amount and the accumulated change amount on fair value which has been recognized in other comprehensive income shall be charged to profit or loss for current period. If the partial transfer of financial asset meets the derecognition criteria, the entire carrying amount of the transferred financial asset shall be split into the derecognized portion and retained portion according to their respective fair value.

A financial liability shall be entirely or partially derecognized if its present obligations are wholly or partly dissolved.

### 3.10.5 Impairment of financial assets

If the financial assets measured at amortized costs are impaired, the impairment provision shall be recognized at the difference of the carrying amount of financial assets and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss for current period.

If the financial assets measured at cost are impaired, the impairment provision shall be recognized by the difference between the equity instrument investments and the present value of book value of similar derivative financial assets that are determined by market discount rate. And the impairment loss shall not be reversed after recognition.

If there is objective evidence that AFS financial assets are impaired, accumulated losses due to decreases in fair value previously recognized directly in the shareholders' equity are transferred to profit or loss for the current period. In the subsequent periods, if the fair value of AFS debt instruments increases and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed and charged to profit or loss for the current period. For AFS equity instruments, the increase of fair value in the subsequent periods shall be accounted for in the shareholders' equity.

For investments of equity instruments, the Company determines the following specific criteria for their fair value decline

"seriously" or "non-temporarily", calculation of cost, fair value determination at period end and continuous decline periods:

Specific quantitative criteria for fair value decline "seriously"	Decrease in closing fair value relative to the cost has reached or exceeded 50%
Specific quantitative criteria for fair value decline "non-temporarily"	Fall for 12 consecutive months
Calculation of cost	Consideration of payment at acquisition (net of cash dividends declared but not yet paid or due but unpaid interest on bonds) and the relevant transaction cost are recognized as the investment cost.

Fair value determination at period end	As for a financial instrument for which there is an active market, the quoted prices in the active market shall be used to recognize the fair values thereof. Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques to determine its fair value.
Definition of continuous decline periods	The rebound in the continuous fall or the period with the trend of fall is less than 20% margin. Rebound duration not more than six months is treated as continuous decrease period.

### 3.11 Receivables

Receivables include accounts receivable, long-term receivables and other receivables. If there are objective evidence that the receivables are impaired, the Company recognizes the doubtful debts allowance on the shortfall between the present value of future cash flows and the carrying amount of the receivables.

#### 3.11.1 Provision of doubtful debts allowance for individually significant receivables

Criteria of individually significant receivables	Amount above 1 million Yuan (including 1 million) of the accounts receivable
Method of provision for doubtful debts allowance of individually significant receivables	Recognized according to the difference of book value and present value of estimated future cash flows

#### 3.11.2 Receivables that are provided for doubtful debts allowance on portfolio basis

Basis for determining portfolios	Payment properties and risk characteristics
Aging combination	Single significant amount without provision for bad debt, single less-significant ,less-risky amount
Riskless combination	Accounts receivable within consolidation scope and amounts without default risk within the next 12 months
Calculation method of doubtful debts allowance on portfolio basis	
Aging combination	Aging accounting method
Riskless combination	No provision for bad debts

Portfolios that aging analysis is used for calculation of the doubtful debts allowance:

Aging	Allowance percentage for accounts receivable (%)	Allowance percentage for other receivables (%)
Within 6 months	5	5
6 months to 1 year	10	10
1-2 years	30	30
2-3 years	50	50
More than 3 years	100	100

## 3.11.3 Provision of doubtful debts allowance for individually insignificant receivables

Criteria of individually insignificant receivables	Accounts receivable with Aging more than 3 years of and objective evidence that the impairment has occurred
Method of provision for doubtful debts allowance of individually insignificant receivables	According to the difference of book value and present value of estimated future cash flows to recognize

## 3.12 Inventories

## 3.12.1 Categories of inventories

Inventories are the finished goods or commodities that the Company holds to sell, the work in progress in production process, and the material and goods consumed during the production process or service rendering process in daily operation. Inventories include raw materials, revolving materials, consigned processing materials, packaging materials, low-value consumables, work in progress, self-manufactured semifinished product and finished goods (commodities) etc.

## 3.12.2 Measurement of inventories upon delivery

Weighted average method is used to measure the actual costs of inventories upon delivery.

## 3.12.3 Provision for diminution in value of inventories

At each balance sheet date, inventories are measured at the lower of cost and net realisable value. When the cost of inventory exceeds its net realizable value, provision for diminution in value of inventories is recognized. The Company usually recognizes provision for diminution in value of inventories by a single inventory item. For the inventory items of large quantity and low price, the Company recognizes provision for diminution in value of inventories based on inventory categories.

The basis of determining inventory net realizable value:

(1) Finished goods' net realizable value is the amount of an estimated price minus the estimated cost of sales and relevant taxes, company' s finished goods is mainly long-line tuna which price is determined by the price Japan Qingshui fishery market that is most close to the balance sheet date less related expense.

(2) Materials held for production are based on cost measurement when the finished products' net realizable value is higher than cost; the material price decline shows that the finished products' net realizable value is lower than cost, net realizable value is calculated as an estimated sales price minus the estimated cost, the cost of



sales and the relevant taxes amount.

(3) the materials held for sale may use the market price as net realizable value.

#### 3.12.4 Inventory count system

The Company adopts the perpetual inventory system.

#### 3.12.5 Amortization methods of low-value consumables and packaging materials

Equal-split amortization method.

### 3.13 Long-term equity investment

#### 3.13.1 Determination of initial investment cost

Long-term equity investment acquired through a business combination: For a business combination involving enterprises under common control, the initial investment cost of a long-term equity investment is the acquirer's share of the carrying amount of the owners' equity in the acquiree at the acquisition date. For a business combination not involving enterprises under common control, the initial investment cost of a long-term equity investment is the cost of acquisition determined at the date of acquisition. For a long-term equity investment acquired in cash, the initial investment cost is the amount of cash paid. For a long-term equity investment acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued. For a long-term equity investment acquired by debt restructuring, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 12- Debt Restructuring. For a long-term equity investment acquired by exchange of non-cash assets, the initial investment cost shall be determined according to related accounting standards.

#### 3.13.2 Subsequent measurement and recognition of profit or loss

Where the Company is able to exercise control over an investee, the long-term equity investment is accounted for using the cost method. Where the Company has investment in associates and joint ventures, the long-term equity investment is accounted for using the equity method. Where portion of the long-term equity investment in an associate is indirectly held through venture capital organizations, mutual funds, trust companies or similar entities including investment-linked insurance funds, regardless whether these entities can exercise significant influence on the investments, the Company shall measure the indirectly held portion at fair value through profit

or loss and accounted for the remaining portion using the equity method according to Accounting Standards for Business Enterprises No. 22- Financial Instrument Recognition and Measurement.

### 3.13.3 Basis for recognition of joint control or significant influence over an investee

Joint control of an investee is that the decision of activities that can significantly affect the arrangement's return must require the unanimous consent of the parties sharing control, including sale and purchase of goods or services, financial assets management, purchase and disposal of assets, research and development activity and financing activities etc. The Company holding of 20%-50% voting capital of the investee presents it can exercise significant influence over the investee. The Company usually can exercise significant influence over the investee even its voting capital less than 20% if it can meet one of the following situations: a) Appointing representatives in the board of directors or similar governing body of the investee; b) Participating in the strategy and policy decision process; c) Delegating management personnel; d) The investee relying on the Company's technique or technical material; e) Significant transactions occur between the Company and the investee.

### 3.14 Investment property

Investment property of the Company includes land use rights and buildings leased to other party, and land use rights held for resale after appreciation. Investment property is initially measured at acquisition cost, and is subsequently measured using the cost method.

The buildings leased to third party are depreciated using the straight line method according to the same depreciation policy for fixed assets. The land use rights leased to third party and land use rights held for resale after appreciation are amortized using the straight line method according to the same amortization policy for intangible assets.

### 3.15 Fixed assets

#### 3.15.1 Recognition criteria for fixed assets

Fixed assets refers to tangible assets held for the purpose of producing commodities, services rendering, renting or business administration with useful lives exceeding one accounting year. Fixed assets can be recognized when the following criteria are met: a) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and b) The costs of the fixed assets can be measured reliably.

#### 3.15.2 Classification and depreciation method of fixed assets

The categories of fixed assets mainly include: buildings, boats & nets, machinery & equipment, transportation equipment, furniture and office equipment. The Company adopts the straight line method for depreciation. The useful life and residual value of an asset is assessed based on its nature and the manner of use. At the end of each financial year, the useful lives, residual values and the depreciation method are reviewed, and adjusted if there are variances with the original estimates. Other than fully depreciated assets which are still in use and land individually measured and recorded, depreciation is provided for all fixed assets.

Category	Depreciation period (years)	Residual rate (%)	Annual depreciation rate (%)
Buildings	20—40	3—5	2.00-5.00
Boats & nets	5—30	3—5	3.17-19.40
Machinery & equipment	8—20	3—5	5.00-12.00
Transportation equipment	5	3—5	19.00-19.40
Furniture and office equipment	5	3—5	19.00-19.40

### 3.15.3 Recognition and measurement of fixed assets leased in under finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. At the commencement of the lease term, the Company, as the lessees, shall recognize finance leases as assets at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. Subsequent measurement of fixed assets under finance lease should be in accordance with the accounting policies adopted for self-owned fixed assets in respect of provision of depreciation and impairment.

### 3.16 Construction in progress

The construction in progress of the Company includes self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when it has reached the working condition for its intended use. The recognition criteria of intended use include any of the followings: a) The tangible work of fixed assets (including installation) have been entirely or substantively completed; b) Trial production or trial operation has occurred whose outcome indicates the asset can be operated properly or manufacture quality product steadily; c) No expenditure or insignificant expenditure occur subsequently for the constructed asset; d) The constructed asset has achieved or substantively achieved the requirement of design or contract.

The majority of the projects of construction in progress of the Company are ships. When the ships are tested qualified and accepted and meet the criteria of sea sailing, the company determines that project of construction in

progress has reached the expectations for use.

### 3.17 Borrowing costs

#### 3.17.1 Recognition criteria for capitalization of borrowing costs

Borrowing costs are capitalized when they are directly attributable to the acquisition, construction or production of a qualifying asset and included in the cost of related assets. Other borrowing costs are recognized as expenses and recorded in profit or loss for the current period when incurred. Qualifying assets that meet conditions for capitalization are fixed assets, investment property, inventory or other assets that take a substantial period of time for construction or production in order to get ready for their intended use or sale.

#### 3.17.2 Calculation of capitalization cost

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its termination. The period during which capitalization is suspended is excluded. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months.

For designated borrowings, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing less any bank interest earned from unused funds of the designated borrowings or any investment income on the temporary investment of those funds. For funds borrowed for general purpose, the amount of interest to be capitalized on such borrowings is calculated by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of designated borrowings. Capitalization rate is determined by calculating weighted average interest rate of general borrowings. If there is any premium or discount of the borrowings, the interest cost shall be adjusted in every accounting period by the amortized amount of premium or discount calculating by effective interest method.

Effective interest method is the method to calculate the amortization amount of premium or discount or interest expenses by the effective interest rate of the borrowings. The effective interest rate is the interest rate to discount the future cash flow of the borrowing during its expected duration to the present carrying amount of the borrowing.

### 3.18 Intangible assets

#### 3.18.1 The measurement of intangible assets

The intangible assets shall be initially measured according to its cost. Acquisition costs of intangible assets include purchase price and relevant expenditures. The invested cost of intangible assets contributed by investors shall be determined according to the conventional value in the investment contract or agreement, except for those of unfair value in the contract or agreement. If the conventional value in the investment contract or agreement is unfair, the costs of intangible assets shall be their fair value. The costs of internally generated intangible assets include the total development expenditures to bring the asset to its intended use.

The subsequent measurements for intangible assets are as follows: a) The intangible assets with definite useful life are amortized by straight line method and reviewed the useful life and amortization method at the end of each year. Any discrepancy between the review and initial estimates shall be adjusted accordingly. b) The intangible assets with indefinite useful life are not amortized, and reviewed for the useful life at the end of each year. If there are objective evidence indicating their useful life is definite, the Company shall estimate the useful life of the intangible assets and amortize them by straight line method.

#### 3.18.2 The assessment basis for indefinite useful life

Intangible assets without foreseeable period to bring economic benefits to the Company or with uncertain useful life are classified as intangible assets of indefinite life. The judgment basis for indefinite life includes: a) The legal rights are derived from contractual rights or other legal rights, however there is no explicit useful life indicated in the contracts or regulations; b) Although considering the industry practice or demonstration from related professionals comprehensively, the benefit period of the intangible assets still can't be decided.

At the end of each year, the Company reviews the intangible assets with indefinite useful life mainly using bottom-to-top approach. The related departments who use the intangible assets will perform a basic review and evaluate whether there are changes on the basis to determine indefinite useful life.

#### 3.19 Impairment of long-term assets

At each balance sheet date, if there are impairment indications for the long-term assets including long-term equity investments, investment property subsequently measured at cost model, fixed assets, construction in progress, productive biological assets measured at cost, oil and gas assets, intangible assets, goodwill, etc., the Company shall perform impairment test. If the outcome of impairment test indicates the recoverable amount of the asset is lower than its carrying amount, the Company shall recognize the provision for impairment based on the amount of the shortfall.

The recoverable amount of an asset is determined by the higher of the net amount after deducting the disposal costs from the asset's fair value and the present value of the asset's estimated future cash flow. The provision for impairment of asset is estimated and recognized on individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Company shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the minimum portfolio of assets that could generate cash inflow independently.

Impairment tests are conducted for goodwill presented in the financial statements separately at least at the end of every accounting year regardless whether there are impairment indications or not. The carrying amount of goodwill arising from business combinations is allocated to relevant asset groups or asset group portfolio. The related impairment loss shall be recognized if the impairment test indicates the recoverable amount of the asset groups or asset group portfolio embodied the goodwill is lower than their carrying amounts. The amount of impairment loss shall firstly be deducted from the carrying amount of goodwill embodied in the asset groups or asset group portfolio, then be deducted from the carrying amounts of other assets' based on the proportions of their carrying amounts in the asset group or asset groups portfolio.

The impairment losses of assets will not be reversed in subsequent periods once they are recognized.

### 3.20 Long-term deferred expenses

Long-term deferred expenses refer to expenses that have been paid but their benefit period is more than one year (excluding one year). Long-term deferred expenses will be amortized in the benefit periods. If one long-term deferred expense can't benefit the Company in the subsequent periods, the remaining balance of the long-term deferred expense shall be recognized as expense in profit or loss for the current period.

### 3.21 Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

#### 3.21.1 Short-time employee benefits

In the accounting period in which employees have rendered services, the Company recognizes the employee

benefits as liability, and charges to profit or loss for the current period, or includes in the cost of relevant assets in accordance with other accounting standards. Welfare benefit are charged to profit or loss for the current period or included in the cost of relevant assets when incurred. Welfare benefit in non-monetary forms is measured at fair value. In the accounting period in which employees have rendered services, the Company recognizes the social security contributions as liability according to regulations such as medical insurance, work injury insurance and maternity insurance as well as housing funds, and charges to profit or loss for the current period or includes in the cost of relevant assets.

### 3.21.2 Post-employment benefits

During the accounting period in which employees provide the service, the Company calculates the defined contribution plans payable according to the basis and percentage required by local government, recognized as the liability and charges to profit and loss for current period or includes in the cost of related assets. The Company attributes the obligation incurred by defined benefits plans using the projected accumulated benefit unit credit method to periods in which the employees rendered services and charges the obligation to profit and loss for the current period or includes in the cost of related assets.

### 3.21.3 Termination benefits

Termination benefits provided by the Company to employees are recognized as an employee benefit liability and charged to profit or loss for the current period at the earlier of the following dates: a) The Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; and B) When the Company recognizes costs or expenses related to the restructuring that involves the payment of termination benefits.

### 3.21.4 Other long-term employee benefits

If other long-term employee benefits provided by the Company to the employees meet the conditions for classifying as a defined contributions plan, those benefits are accounted for in accordance with the above requirements relating to defined contribution plan. Besides, net obligations or net assets of other long-term employee benefits are recognized and measured in accordance with the above requirements relating to defined benefits plan.

## 3.22 Revenues

### 3.22.1 Revenue from sales goods

Revenue from sales goods is recognized according to the price stipulated in the contract or agreement, only when all of the following conditions are satisfied: (1) The group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) The amount of revenue can be measured reliably; (4) It is probable that the associated economic benefits will flow in the group; (5) The associated costs incurred or to be incurred can be measured reliably.

The Company's seine fishery sales occurs mainly at sea. When the ship is fully loaded, the captain will contact with our sales department, sales department contacting transporting ship, cargo transferred to transporting ship (mate receipt signed by both parties). Then sales department will sign sales agreement according to the tonnage showed on the mate receipt. Finally, financial department confirm the revenue on the basis of mate receipt, sales agreement, and sales invoice.

The Company long-line fishery is transported back and sold domestically. Sales department make sales price referring to Japan's Shimizu transaction prices, and both sides confirm the change of the freight's ownership according to sales contract and decision tables based on values. Financial department confirm the revenue on the basis of sales contract, decision tables, and sales invoices.

The process of the company's aquatic products domestic sales: Domestic Sales Department (tuna sales center), according to domestic customers' fax or mail orders, issue delivery confirmation and sales department staff will arrange warehouse to stock and to ship by air, bus transportation, etc. According to the dispatch list, with warehouse department signature and issued by sales department, the finance department will issue sales invoice and confirm revenue.

The oversea sales of the Company's aquatic products processing: After obtaining purchase orders from foreign customers, the International Trade Sector will issue export shipment orders and arrange Transportation Department to prepare stocking. After the export goods be packed and transported out, Warehousing Sector will sign on the dispatch list issued by International Trade Department. After the cargo exported, export documents issued by transport department will be delivered, such as packing lists, bills of lading, etc. and Warehousing Sector will get the export declaration issued by Customs Department. Finance Department issue sales invoice and confirm sales revenue under the dispatch list, packing slips documents, declarations, etc.



Deferred method should be employed in the charge of the price of contract or agreement. The sales of goods should be determined according to fair value in receivable contract or agreement that in financing nature.

### 3.22.2 Revenue from providing services

If the outcome of a transaction involving the rendering of services can be estimated reliably, at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method. When the outcome of a transaction involving the rendering of services cannot be estimated reliably on balance sheet date, different accounting treatments shall be adopted depending on the circumstances:

- a. when the costs incurred are expected to be recoverable, revenue shall be recognized to the extent of costs incurred that are expected to be recoverable and an equivalent amount shall be charged to profit or loss as service costs.
- b. when the costs incurred are not expected to be recoverable, the costs incurred shall be recognized in profit or loss for the current period and no service revenue shall be recognized.

### 3.22.3 Revenue from abalienating of right to use assets

Revenue arising from the use by others of enterprise assets shall be recognized only when both of the following conditions are satisfied:

- (1) It is probable that the associated economic benefits will flow to the enterprise; and
- (2) The amount of the revenue can be measured reliably.

## 3.23 Government grants

### 3.23.1 Accounting treatment for government grants related to assets

Government grants obtained by the Company for purchase, construction or formation of long-term assets are recognized as the government grants related to assets. The government grants related to assets are recognized as deferred income which are evenly amortized in profit and loss for each period over the asset's estimated useful period from the assets are available for use.

### 3.23.2 Accounting treatment of government grants related to income

The government grants other than the government grants related to assets are classified as government grants

related to income. Government grant related to income is treated as follows: a) If the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized.; b) if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period.

The detailed criteria to distinguish government grants related to assets and government grants related to income:

If the subsidy object does not specify in the government documents, the criteria of distinguish the assets-related or income-related are as follows: a) It is recognized as asset-related government grants if the government document has indicated the specific project in subsidy object. The amount that formed from the budget of this specific project and the amount that counted into expenses shall be divided proportionally. The division proportion is to be revised at each balance-sheet date and corrected when necessary. b) It is recognized as income-related government grants if there is only generally described function and no indication of specific project in subsidy object in the government document.

### 3.24 Deferred tax asset and deferred tax liability

3.24.1 Temporary differences arising from the difference between the carrying amount of an asset or liability (asset or liability not recognized in balance sheet but the tax base is ascertained by the current tax laws and regulation, the tax base is the temporary difference) and its tax base are recognized as deferred tax calculating by the effective tax rate in the expected period to receive the asset or discharge the liability.

3.24.2 Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized and should be recognized for deductible loss or tax reduction that could be carried forward in subsequent periods to the extent that it is probable that taxable income will be available against which deductible loss or tax reduction can be utilized. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced.

3.24.3 The taxable temporary differences associated with investments in subsidiaries and associates shall be recognized deferred tax liability; except the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The deductible temporary differences associated with investments in subsidiaries, associates, the corresponding

deferred tax asset is recognized when it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profits will be available in the future against which the temporary difference can be utilized.

### 3.25 Leases

3.25.1 The accounting treatment for operating lease: rental payment for operating leases is recognized in profit or loss for current period or the cost of related assets on a straight-line basis over the lease term.

3.25.2 The accounting treatment for financing lease: the Company will recognize the lower of the fair value of leased asset or the present value of minimum lease payments as the initial book value of the leased asset. The difference between carrying amount of leased asset and the present value of minimum lease payments is recognized as future finance charge which is amortized over the lease period by effective interest method. Minimum lease payments deducted unrecognized finance charge is presented as long-term payables.

### 3.26 Main changes of accounting policies and accounting estimates

None

## 4. Taxes

### 4.1 Main taxes categories and tax rates

Tax category	Tax base	Tax rate
Value added tax	Output tax deducted input tax that can be credited against the output tax	17%,13%,11%, 6%
Business tax	Rent revenue	5%
Urban maintenance and construction tax	Turnover taxes already paid	7%
Enterprise income tax	Taxable income	25%

Name of tax enterprise	Tax rate of income tax
Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	Tax exemption
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	The fishery product processing part is tax exemption

### 4.2 Significant tax incentives and approval documents

#### 4.2.1 Value added tax preferences

According to the government document Cai Shui Zi (1997) No.64 <Notice of pelagic fishery enterprises taxation about import fishing equipment and shipped back self trapping aquatic products>, self trapping aquatic products

shipped back for domestic sale are regarded as the domestic products that are free from tariff and import value added tax. Corresponding, the domestic sale business belongs to primary agricultural products sale business are free from value added tax according to the rules of value added tax. So, the company' revenue from the pelagic fishery is free value added tax.

#### 4.2.2 Enterprise income tax preferences

On the basis of relevant policies in the following documents: Cai Shui Zi (1994) No. 001 < Notice of income tax preferential policies of the Company>, Cai Shui Zi (1997) No.114 < Notice of income tax of domestic-funded fishery companies engaged in fishing business>, finance and agriculture document of Ministry of Finance (2000) No.104 < Document of suggestions on development acceleration of pelagic fishery industry in our country>, Order of the Chairman of the People's Republic of China (2007) No.63 <People' s Republic of China Enterprise Income Tax Law>, Decree of the State Council of the People's Republic of China No.512 < Enforcement regulations of People's Republic of China Enterprise Income Tax Law>. Income from activities of pelagic fishery and preliminary production of agricultural products in which the Company is engaged is exempt from income tax. Income from activities other than pelagic fishery and preliminary production of agriculture products that the Company is engaged in is taxed 25%.

## 5. Notes to the consolidated financial statements

### 5.1 Cash at bank and on hand

Item	Balance as at 31/12/2016	Balance as at 1/1/2016
Cash on hand	1,741,848.59	893,253.29
Cash at bank	126,995,290.36	70,570,487.71
Other monetary funds	784,064.34	964,680.94
Total	129,521,203.29	72,428,421.94
Including: the total balance deposited overseas	1,840,479.27	1,498,380.22

Note: Among other monetary funds, RMB783,541.51 is marginal deposit. The balance deposited overseas is the cash at bank of the foreign subsidiaries.

### 5.2 Accounts receivable

#### 5.2.1 Accounts receivable by category

Item	As at 31/12/2016
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	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	50,739,789.74	100.00	8,060,723.09	15.89
Individually insignificant but allowance for doubtful debts individually				
Total	50,739,789.74	100.00	8,060,723.09	15.89

Item	As at 1/1/2016			
	Balance		Allowance for doubtful debts	
	Amount	PCT(%)	Amount	Allowance rate (%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	33,905,178.71	100.00	7,158,223.13	21.11
Individually insignificant but allowance for doubtful debts individually				
Total	33,905,178.71	100.00	7,158,223.13	21.11

#### Allowance for doubtful debts on portfolio

Accounts receivable whose allowance for doubtful debts is using aging analysis method:

Aging	As at 31/12/2016			As at 1/1/2016		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Within 6 months	44,125,508.62	5.00	2,206,275.44	27,686,028.99	5.00	1,384,301.47
6 months-1 years	598,001.95	10.00	59,800.20	370,679.31	10.00	37,067.93
1-2 years	290,005.66	30.00	87,001.70	159,452.40	30.00	47,835.72
2-3 years	37,255.50	50.00	18,627.74			
More than 3 years	5,689,018.01	100.00	5,689,018.01	5,689,018.01	100.00	5,689,018.01
Total	50,739,789.74		8,060,723.09	33,905,178.71		7,158,223.13

#### 5.2.2 Provision, recovery or reversal of allowance for doubtful debts during the year

Provision of allowance for doubtful debts within this year is RMB 902,499.96 and no recovery or reversal of provision during the year.

#### 5.5.3 Accounts receivable due from the top five debtors of the Company are as follows:

Company name	Balance as at 31/12/2016	Percentage in total accounts receivable (%)	Allowance for doubtful debts as at 31/12/2016
LUEN THAI SEAFOODS INTERNATIONAL LTD.	15,664,832.13	30.87	783,241.61

Company name	Balance as at 31/12/2016	Percentage in total accounts receivable (%)	Allowance for doubtful debts as at 31/12/2016
SAN SHIN YANG CO.,LTD.	6,786,398.81	13.37	339,319.94
PACIFIC PANDA.INC	3,600,962.12	7.10	3,600,962.12
Yantai Wenchang Foodstuff Co., Ltd.	2,365,075.00	4.66	118,253.75
Penglai Xingyu Import & Export Co., Ltd.	1,828,915.70	3.60	91,445.79
Total	30,246,183.76	59.60	4,933,223.21

### 5.3 Prepayments

#### 5.3.1 Aging analysis of prepayments

Aging	As at 31/12/2016		As at 1/1/2016	
	Balance	PCT (%)	Balance	PCT (%)
Within 1 year	7,773,914.94	99.82	6,195,816.18	100.00
1-2 years	13,688.46	0.18		
Total	7,787,603.40	100.00	6,195,816.18	100.00

#### 5.3.2 The top five prepayments are as follows:

Company name	Balance as at 31/12/2016	Percentage in total prepayment (%)
TONG AIK MARINE ENTERPRISE PTE LTD.	2,551,678.54	32.77
SJR INTERNATIONAL Inc.	1,938,875.54	24.90
WINSON OIL INTERNATIONAL (HK) LIMITED	532,761.60	6.84
Dehuaergo Life Property Insurance Co., Ltd.	491,000.00	6.30
Fishery commission of Republic of Ghana	333,851.18	4.29
Total	5,848,166.86	75.10

### 5.4 Other receivables

#### 5.4.1 Other receivables

Category	As at 31/12/2016			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate (%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	13,943,479.12	100.00	4,558,806.96	32.69
Aging combination	7,350,421.70	52.72	4,558,806.96	62.02
Riskless combination	6,593,057.42	47.28		
Individually insignificant but allowance for doubtful debts individually				
Total	13,943,479.12	100.00	4,558,806.96	32.69

Category	As at 1/1/2016			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate (%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	9,297,125.77	100.00	4,729,508.28	50.87
Aging combination	8,297,125.77	89.24	4,729,508.28	57.00
Riskless combination	1,000,000.00	10.76		
Individually insignificant but allowance for doubtful debts individually				
Total	9,297,125.77	100.00	4,729,508.28	50.87

#### Allowance for doubtful debts on portfolio

##### ① Other receivables whose allowance for doubtful debts is using aging analysis method

Aging	As at 31/12/2016			As at 1/1/2016		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Within 6 months	2,355,970.40	5.00	117,798.52	2,511,310.09	5.00	125,565.51
6 months-1 years	359,240.66	10.00	35,924.07	794,951.66	10.00	79,495.17
1-2 years	264,584.44	30.00	79,375.34	651,340.48	30.00	195,402.15
2-3 years	89,834.35	50.00	44,917.18	20,956.19	50.00	10,478.10
More than 3 years	4,280,791.85	100.00	4,280,791.85	4,318,567.35	100.00	4,318,567.35
Total	7,350,421.70		4,558,806.96	8,297,125.77		4,729,508.28

##### ② Other receivables whose doubtful debts is made by riskless method:

Category	As at 31/12/2016			As at 1/1/2016		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Export tax refund receivable	5,593,057.42					-
Shandong Maritime Safety Administration	1,000,000.00			1,000,000.00		
Total	6,593,057.42			1,000,000.00		-

#### 5.4.2 Provision, recovery or reversal of allowance for doubtful debts during the year

Provision of allowance for doubtful debts within this year is RMB -170,701.32 and there is no recovery or reversal of provision during the year.

#### 5.4.3 Other receivables by nature

Nature of balance	Balance as at 31/12/2016	Balance as at 1/1/2016
Export tax refund receivable	5,593,057.42	

Nature of balance	Balance as at 31/12/2016	Balance as at 1/1/2016
Guarantee deposit	1,021,836.03	1,165,901.84
Insurance claim	220,450.00	808,986.14
Current account and others	7,108,135.67	7,322,237.79
Total	13,943,479.12	9,297,125.77

#### 5.4.4 Other receivables due from the top five debtors of the Company are as follows:

Debtor name	Nature of balance	Balance as at 31/12/2016	Aging	Percentage in total other receivables (%)	Allowance for doubtful debts as at 31/12/2016
Export tax refund receivable	Export tax refund	5,593,057.42	Within 6 months	40.11	
Shandong Maritime Safety Administration	Guarantee deposit	1,000,000.00	More than 3 years	7.17	
Junjie Zhang	Medical expenses of staff	312,200.00	Within 6 months	2.24	15,610.00
Dafa, Japan	Current account	288,896.39	More than 3 years	2.07	288,896.39
Huahai Property Insurance Co., Ltd	Current account	220,450.00	Within 6 months	1.58	11,022.50
Total		7,414,603.81		53.17	315,528.89

### 5.5 Inventories

#### 5.5.1 Inventories by categories

Category	As at 31/12/2016			As at 1/1/2016		
	Book balance	Provision for diminution in value	Carrying amount	Book balance	Provision for diminution in value	Carrying amount
Raw materials	71,541,108.42	32,811.83	71,508,296.59	105,508,981.73	51,082.91	105,457,898.82
Low-value consumables	813,924.17		813,924.17	154,798.51		154,798.51
Finished goods	84,023,702.28	2,472,715.03	81,550,987.25	84,281,728.09	2,059,961.21	82,221,766.88
Revolving and packaging materials	763,206.04		763,206.04	1,382,851.00	132,998.30	1,249,852.70
Total	157,141,940.91	2,505,526.86	154,636,414.05	191,328,359.33	2,244,042.42	189,084,316.91

#### 5.5.2 Provision for diminution in value of inventories

Category	As at 1/1/2016	Provision for the year	Reductions during the year		As at 31/12/2016
			Reversal	Write-down	
Raw materials	51,082.91	32,811.83		51,082.91	32,811.83



Category	As at 1/1/2016	Provision for the year	Reductions during the year		As at 31/12/2016
			Reversal	Write-down	
Finished goods	2,059,961.21	2,472,715.03		2,059,961.21	2,472,715.03
Revolving materials and packaging materials	132,998.30			132,998.30	
Total	2,244,042.42	2,505,526.86		2,244,042.42	2,505,526.86

Note: The reversal of provision for diminution is induced by the raw materials, revolving materials and packaging materials which were used for production and finished goods which were sold.

## 5.6 Other current assets

Item	Balance as at 31/12/2016	Balance as at 1/1/2016
Input tax of value added tax	23,616,544.28	14,277,217.00
Prepaid income tax	88,480.55	88,480.55
Prepaid other taxes	43,924.48	39,712.50
Total	23,748,949.31	14,405,410.05

## 5.7 Available-for-sale financial assets

### 5.7.1 Available-for-sale financial assets

Item	As at 31/12/2016			As at 1/1/2016		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instruments	33,000,000.00	33,000,000.00	-	33,000,000.00	33,000,000.00	-
Including: Measured at cost	33,000,000.00	33,000,000.00	-	33,000,000.00	33,000,000.00	-
Total	33,000,000.00	33,000,000.00	-	33,000,000.00	33,000,000.00	-

### 5.7.2 Available-for-sale financial assets measured at cost

Item	As at 31/12/2016			As at 1/1/2016			Share holding percentage (%)	Cash dividend in year 2016
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value		
Equity investment-China Southern Securities	33,000,000.00	33,000,000.00	-	33,000,000.00	33,000,000.00	-	0.87	-
Total	33,000,000.00	33,000,000.00	-	33,000,000.00	33,000,000.00	-	0.87	-

Note: On 29th April, 2005, China Southern Securities received its administrative penalty, and its security business license was cancelled by China Securities Regulatory Commission. On 16th August, 2006, Shenzhen Intermediate People's court announced its bankruptcy. The Company has full provision of overall holding shares of China Southern Securities.

## 5.8 Investment property

### Investment property measured by cost

Item	Buildings	Total
<b>I. Cost</b>		
1. Balance as at 1/1/2016	47,120,794.80	47,120,794.80
2. Balance as at 31/12/2016	47,120,794.80	47,120,794.80
<b>II. Accumulated depreciation or amortization</b>		
1. Balance as at 1/1/2016	12,677,225.04	12,677,225.04
2. Additions	1,218,665.52	1,218,665.52
(1) Depreciation or amortization	1,218,665.52	1,218,665.52
3. Balance as at 31/12/2016	13,895,890.56	13,895,890.56
<b>III. Provision for impairment</b>		
1. Balance as at 1/1/2016	886,512.06	886,512.06
2. Balance as at 31/12/2016	886,512.06	886,512.06
<b>IV. Carrying amount</b>		
1. As at 31/12/2016	32,338,392.18	32,338,392.18
2. As at 1/1/2016	33,557,057.70	33,557,057.70

## 5.9 Fixed assets

### Movement of fixed assets

Item	Buildings	Boats & nets	Machinery & equipment	Transportation equipment	Furniture and office equipment	Total
<b>I. Cost</b>						
1. Balance as at 1/1/2016	117,186,308.68	455,454,212.38	38,320,612.10	6,895,361.96	10,187,382.78	628,043,877.90
2. Additions	651,287.66	16,990,833.73	2,256,630.03	453,253.55	1,452,442.04	21,804,447.01
(1) Purchase	651,287.66	8,911,625.36	2,256,630.03	453,253.55	1,452,442.04	13,725,238.64
(2) Transfer from construction in process		8,079,208.37				8,079,208.37

3. Reductions	380,000.00	12,565,466.55		206,218.46	499,933.99	13,651,619.00
Disposals or scrap	380,000.00	12,565,466.55		206,218.46	499,933.99	13,651,619.00
4. Balance as at 31/12/2016	117,457,596.34	459,879,579.56	40,577,242.13	7,142,397.05	11,139,890.83	636,196,705.91
II. Accumulated depreciation						
1. Balance as at 1/1/2016	19,394,248.56	153,378,897.34	13,455,533.21	4,324,525.29	7,486,341.59	198,039,545.99
2. Additions	3,174,876.78	26,553,985.87	2,260,988.02	862,816.28	539,066.44	33,391,733.39
Provision	3,174,876.78	26,553,985.87	2,260,988.02	862,816.28	539,066.44	33,391,733.39
3. Reductions		10,479,141.90		195,579.16	400,915.77	11,075,636.83
Disposals or scrap		10,479,141.90		195,579.16	400,915.77	11,075,636.83
4. Balance as at 31/12/2016	22,569,125.34	169,453,741.31	15,716,521.23	4,991,762.41	7,624,492.26	220,355,642.55
III. Provision for impairment						
1. Balance as at 1/1/2016		157,573.50				157,573.50
2. Additions						
3. Reductions						
4. Balance as at 31/12/2016		157,573.50				157,573.50
IV. Carrying amount						
1. As at 31/12/2016	94,888,471.00	290,268,264.75	24,860,720.90	2,150,634.64	3,515,398.57	415,683,489.86
2. As at 1/1/2016	97,792,060.11	301,917,741.55	24,865,078.89	2,570,836.67	2,701,041.19	429,846,758.41

Note1: The initial value of fixed asset in continuity of usage that has withdrawn depreciation is RMB 66,892,535.59.

Note2: HABITAT INTERNATIONAL CORPORATION disposed an oceanic transport ship.

Note3: According to the Debt Repayment Advice signed between the Company and Shandong Fishery Group Corporation in April 2006, and Civil Ruling Li Zhi Zi No.1299 published by Lixia District People's Court of Jinan in 2005, the building of Shandong Fishery Group Corporation located at Heping road No.43 Lixia District of Jinan with the value of 54,221,197.05 Yuan was used to repay debt. The transfer procedure of the property right certificate is not yet accomplished; The board of management coordinates actively relevant parties and the property right certificate is still in process.

## 5.10 Construction in process

### 5.10.1 Construction in process

Item	Balance as at 31/12/2016			Balance as at 1/1/2016		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Atlantic seine project	4,066,989.68		4,066,989.68	4,449,556.09		4,449,556.09

Item	Balance as at 31/12/2016			Balance as at 1/1/2016		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
No.1 TaiLong				1,452,019.07		1,452,019.07
Total	4,066,989.68		4,066,989.68	5,901,575.16		5,901,575.16

## 5.10.2 Movement of significant construction in progress

Project name	Budget	As at 1/1/2016	Additions	Transfer to fixed assets	Other reductions	As at 31/12/2016
No.1 TaiLong	8,079,208.37	1,452,019.07	3,279,084.00	4,731,103.07		
No.2 TaiLong	3,348,105.30		3,348,105.30	3,348,105.30		
Atlantic seine project	43,840,000.00	4,449,556.09			382,566.41	4,066,989.68
Total	55,267,313.67	5,901,575.16	6,627,189.30	8,079,208.37	382,566.41	4,066,989.68

(Continued)

Project name	Percentage of current input over budget (%)	Construction progress	Accumulated capitalized interest	Including: current capitalized interest	Capitalization rate(%)	Sources of funds
No.1 TaiLong	100.00	100.00				Self-owned
No.2 TaiLong	100.00	100.00				Self-owned
Atlantic seine project	9.28	9.28				Self-owned
Total						

## 5.11 Intangible assets

Item	Land use rights	Computer software	Total
I. Cost			
1.As at 1/1/2016	17,154,729.00	197,000.00	17,351,729.00
2. Additions			
3. Reductions			
4. As at 31/12/2016	17,154,729.00	197,000.00	17,351,729.00
II. Accumulated depreciation			
1.As at 1/1/2016	3,686,032.01	166,833.30	3,852,865.31
2. Additions	383,870.16	7,599.96	391,470.12
Provision	383,870.16	7,599.96	391,470.12
3. Reductions			
4.As at 31/12/2016	4,069,902.17	174,433.26	4,244,335.43

Item	Land use rights	Computer software	Total
III. Provision for impairment			
IV. Carrying amount			
1. As at 31/12/2016	13,084,826.83	22,566.74	13,107,393.57
2. As at 1/1/2016	13,468,696.99	30,166.70	13,498,863.69

## 5.12 Deferred tax assets and deferred tax liabilities

### 5.12.1 The items not recognized deferred tax assets

Item	Balance as at 31/12/2016		Balance as at 1/1/2016	
	Deferred tax assets or liabilities	Deductible or taxable temporary differences	Deferred tax assets or liabilities	Deductible or taxable temporary differences
Provisions for impairment of assets	12,619,530.05	11,887,731.41	12,619,530.05	11,887,731.41
Allowance for doubtful debts	2,505,526.86	2,244,042.42	2,505,526.86	2,244,042.42
Deductible tax losses	78,385,077.11	76,122,159.09	78,385,077.11	76,122,159.09
Total	93,510,134.02	90,253,932.92	93,510,134.02	90,253,932.92

### 5.12.2 Expiry years of deductible losses not yet recognized deferred tax assets are as follows:

Year	Balance as at 31/12/2016	Balance as at 1/1/2016	Remark
2016		16,843,152.08	
2017	11,888,745.27	11,888,745.27	
2018	4,490,106.62	4,490,106.62	
2019	356,646.41	356,646.41	
2020	42,543,508.71	42,543,508.71	
2021	19,106,070.10		
Total	78,385,077.11	76,122,159.09	

## 5.13 Other non-current assets

Item	Balance as at 31/12/2016	Balance as at 1/1/2016
Prepaid for land	2,000,000.00	2,000,000.00
Prepaid for construction in process	285,524.92	
Total	2,285,524.92	2,000,000.00

## 5.14 Short-term loans

### Short-term loans by categories:

Borrowing condition	Balance as at 31/12/2016	Balance as at 1/1/2016
Pledge loans	28,000,000.00	15,000,000.00

Borrowing condition	Balance as at 31/12/2016	Balance as at 1/1/2016
Loans on credit	26,961,454.59	31,321,773.62
Total	54,961,454.59	46,321,773.62

## 5.15 Accounts payable

Item	Balance as at 31/12/2016	Balance as at 1/1/2016
Within 1 year(including 1 year)	52,427,574.40	75,578,357.72
More than 1 year	6,746,158.48	6,191,940.89
Total	59,173,732.88	81,770,298.61

## Significant accounts payable with aging over 1 year

Creditor	Balance as at 31/12/2016	Unpaid reason
Shandong Guangyuan Group Co., Ltd.	2,223,158.97	Have not yet reached Settlement conditions
Total	2,223,158.97	

## 5.16 Advances from customers

Item	Balance as at 31/12/2016	Balance as at 1/1/2016
Within 1 year(including 1 year)	19,591,036.39	18,341,441.56
More than 1 year	349,863.72	349,863.72
Total	19,940,900.11	18,691,305.28

## 5.17 Employee benefits payable

## 5.17.1 Movement of employee benefits payable

Item	As at 1/1/2016	Increase	Decrease	As at 31/12/2016
I. Short-term employee benefits	17,445,184.30	116,438,377.96	103,562,634.62	30,320,927.64
II. Post-employment benefits—defined contribution plans		6,258,780.41	6,258,780.41	
III. Termination benefits	140,081.62	1,249,720.58	1,136,111.22	253,690.98
IV. Other benefits due within one year	39,372.31	39,099.81	40,686.98	37,785.14
Total	17,624,638.23	123,985,978.76	110,998,213.23	30,612,403.76

## 5.17.2 Details of the short-term employee benefits

Item	As at 1/1/2016	Accrued	Paid	As at 31/12/2016
1. Salaries, bonus, and allowances	15,856,088.12	105,773,442.77	92,725,773.31	28,903,757.58
2. Staff welfare		4,200,221.29	4,200,221.29	
3. Social insurances		3,304,337.93	3,304,337.93	
Including: Medical insurance		2,694,967.28	2,694,967.28	

Work injury insurance		330,994.90	330,994.90	
Maternity insurance		278,375.75	278,375.75	
4. Housing Fund	219,252.00	2,605,108.80	2,824,360.80	
5. Union funds and employee education fee	1,369,844.18	555,267.17	507,941.29	1,417,170.06
Total	17,445,184.30	116,438,377.96	103,562,634.62	30,320,927.64

## 5.17.3 Defined contribution plans

Item	As at 1/1/2016	Accrued	Paid	As at 31/12/2016
1. Primary endowment insurance		5,751,588.55	5,751,588.55	-
2. Unemployment insurance		313,800.54	313,800.54	-
3. Pension insurance		193,391.32	193,391.32	-
Total		6,258,780.41	6,258,780.41	-

## 5.18 Taxes and surcharges payable

Category	Balance as at 31/12/2016	Balance as at 1/1/2016
Value added tax	147,692.07	1,780,431.41
Business tax		43,807.86
Enterprise income tax	701,435.86	497,594.64
Urban maintenance and construction tax	2,068.39	125,225.43
Estate tax	211,836.25	252,935.96
Land use tax	154,055.30	166,227.25
Individual income tax	120,112.87	53,017.02
Educational surtax	886.45	54,470.59
Other taxes and surcharges	6,792.66	70,935.84
Total	1,344,879.85	3,044,646.00

## 5.19 Interest payable

Category	Balance as at 31/12/2016	Balance as at 1/1/2016
Interest for long-term loan		574,227.50
Interest payable for short-term loan	86,747.10	81,353.61
Total	86,747.10	655,581.11

## 5.20 Other payables

Nature	Balance as at 31/12/2016	Balance as at 1/1/2016
Collect money	13,573.83	52,012.86
Deposit	150,000.00	302,343.71

Nature	Balance as at 31/12/2016	Balance as at 1/1/2016
Staff cost	622,365.00	877,231.97
Others	4,435,101.99	4,398,701.94
Total	5,221,040.82	5,630,290.48

## 5.21 Non-current liabilities due within one year

Item	Balance as at 31/12/2016	Balance as at 1/1/2016
Long-term loans due within one year		1,900,000.00
Long-term payables due within one year		14,630,000.00
Deferred income due within one year	866,585.48	866,585.48
Total	866,585.48	17,396,585.48

## 5.22 Long-term employee benefits payable

## Long-term employee benefits payable

Category	Balance as at 31/12/2016	Balance as at 1/1/2016
Post -employment benefits—defined benefits plans	648,548.88	712,004.80
Other long-term benefits	1,051,202.96	1,196,121.42
Total	1,699,751.84	1,908,126.22

## 5.23 Deferred income

## 5.23.1 Deferred income by category

Item	Balance as at 1/1/2016	Increase	Decrease	Balance as at 31/12/2016	Reason for the deferred income
Government grants	11,439,040.10		866,585.48	10,572,454.62	Government grants related asset
Total	11,439,040.10		866,585.48	10,572,454.62	

## 5.23.2 Deferred income – government grants

Item	Balance as at 1/1/2016	Increase	Recorded in current non-operating income	Other movement	Balance as at 31/12/2016	Related to assets/income
Construction special fund	10,705,991.46		838,209.48		9,867,781.98	Assets
Subsidy of boat manufacture	733,048.64		28,376.00		704,672.64	Assets
Total	11,439,040.10		866,585.48		10,572,454.62	

## 5.24 Share capital

Item	Balance as at	Movement	Balance as at
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	1/1/2016	Issuance of new share	Bonus shares	Capital reserve transfer in	Others	sub-total	31/12/2016
Total shares	266,071,320.00						266,071,320.00

## 5.25 Capital reserve

Category	Balance as at 1/1/2016	Increase	Decrease	Balance as at 31/12/2016
I. Share premiums	185,036,701.86			185,036,701.86
II. Other capital reserves	94,961,504.96			94,961,504.96
Total	279,998,206.82			279,998,206.82

## 5.26 Other comprehensive income

Item	As at 1/1/2016	Movement in the year					As at 31/12/2016
		Amount before tax	Less: other comprehensive income in prior periods transfer in profit or loss for the current period	Less: income tax	Amount after tax attributable to the Company	Amount after tax attributable to minority interests	
I. Other comprehensive income items which will not be reclassified subsequently to profit or loss							
II. Other comprehensive income items which will be reclassified subsequently to profit or loss	-34,029.26	-631,029.81			-631,029.81		-665,059.07
Including: Translation differences from translation of foreign currency financial statements	-34,029.26	-631,029.81			-631,029.81		-665,059.07
Total of other comprehensive income	-34,029.26	-631,029.81			-631,029.81		-665,059.07

## 5.27 Surplus reserve

Category	Balance as at 1/1/2016	Increase	Decrease	Balance as at 31/12/2016
Statutory surplus	21,908,064.19			21,908,064.19
Total	21,908,064.19			21,908,064.19

## 5.28 Retained earnings

Item	As at 31/12/2016	
	Amount	Appropriation proportion
Retained earnings as at 1/1/2016 before adjustment	-2,235,338.96	
The total adjustment of retained earnings as at 1/1/2016 (Increase+, decrease-)		

Retained earnings as at 1/1/2016 after adjustment	-2,235,338.96	
Add: Net profit attributable to the Company during the year	52,585,070.74	
Less: Appropriation of statutory surplus reserve		
Retained earnings as at 31/12/2016	50,349,731.78	

### 5.29 Operating income and operating cost

Item	Year ended 31/12/2016		Year ended 31/12/2015	
	Income	Cost	Income	Cost
I. Primary operating business	836,980,106.66	768,125,495.47	714,592,804.58	683,191,923.32
Seine tuna fishing	5,180,247.30	4,613,098.49	16,648,918.64	49,145,362.30
Long-line tuna fishing	68,475,554.71	54,618,967.57	34,820,140.60	27,452,777.24
Boat lease	91,513,054.10	69,062,513.50	92,625,139.80	65,460,761.63
Other pelagic fishing	10,304,142.94	9,376,427.33	15,188,831.26	13,808,258.27
Aquatic products refrigeration and processing trade	661,507,107.61	630,454,488.58	555,309,774.28	527,324,763.88
II. Other operating business	8,897,412.86	1,799,950.37	9,130,198.47	1,891,604.04
House lease	4,691,924.05	1,799,950.37	5,070,648.88	1,891,604.04
Sales of waste material and others	4,205,488.81		4,059,549.59	
Total	845,877,519.52	769,925,445.84	723,723,003.05	685,083,527.36

### 5.30 Taxes and surcharges

Item	Year ended 31/12/2016	Year ended 31/12/2015
Business tax	68,150.00	302,776.98
Urban maintenance and construction tax	491,531.65	184,958.68
Educational surcharge	210,639.92	79,267.99
Local educational surcharge	140,426.61	52,845.34
Local water conservancy construction fund	70,213.31	26,422.66
Property tax	905,104.22	553,500.00
Land use tax	444,314.17	31,923.16
Stamp duty	170,564.87	
Vehicle and vessel tax	24,599.99	
Total	2,525,544.74	1,231,694.81

Note: According to the ministry of finance document caikuai 2016 No.22 <Notice of printing and distributing the accounting regulation of value added tax >, after May 1,2016, the property tax, land use tax, stamp duty and other expense tax should be accounted in taxes and surcharges, which were accounted in administrative

expenses.

### 5.31 Selling and distribution expenses

Item	Year ended 31/12/2016	Year ended 31/12/2015
Port charges	3,227,450.31	3,517,558.10
Employee compensation expenditure	1,228,416.33	1,084,593.76
Transport charges	1,211,535.22	909,175.36
Business promotion fees	201,854.99	78,397.00
Travelling expenses	60,209.90	241,966.08
Depreciation charges	36,429.27	44,702.44
Communication expenses	18,446.42	39,786.56
Agency fees	12,092.23	98,816.53
Handling charges	8,987.42	15,818.03
Customs charges	424.53	25,298.00
Others	10,436.64	
Total	6,016,283.26	6,056,111.86

### 5.32 General and administrative expenses

Item	Year ended 31/12/2016	Year ended 31/12/2015
Employee compensation expenditure	28,513,903.94	23,835,073.70
Depreciation and amortization charges	1,850,906.41	1,858,919.05
Travelling expenses	1,656,384.91	935,256.07
Business entertainment	1,294,251.61	1,422,079.71
Expense taxes	841,798.70	1,755,406.73
Vehicle expenses	1,103,660.98	707,389.26
Agent service fees	1,275,426.21	871,508.60
Office expenses	1,040,067.47	700,442.63
Water and electricity expenses	371,236.49	307,874.05
Fishing moratorium costs	16,480,868.46	16,473,989.38
Others	2,941,147.31	2,803,907.04
Total	57,369,652.49	51,671,846.22

Note: For two fishing vessel of the company take a temporary fishing moratorium for several months in this year, the relating costs during the outrage was listed in the administrative expenses. The cost of fishing moratorium is mainly include: fuel cost is RMB 1,506,803.04, employee compensation expenditure is RMB5,773,754.68,

depreciation charge is RMB 6,312,398.39, material and repair cost is RMB 1,948,255.23, fuel cost for shift the ocean is RMB 939,657.12.

### 5.33 Finance expenses

Item	Year ended 31/12/2016	Year ended 31/12/2015
Interest expenses	3,348,913.42	4,559,606.82
Less: interest income	703,520.24	661,916.64
Losses from foreign exchange	779,863.88	2,988,181.57
Less: Gains from foreign exchange	10,275,724.43	6,930,498.86
Finance charges	401,709.10	356,909.86
Others	118,304.91	120,953.55
Total	-6,330,453.36	433,236.30

### 5.34 Impairment on assets

Item	Year ended 31/12/2016	Year ended 31/12/2015
Allowance for doubtful debts	730,565.21	306,221.23
Provision for diminution in value of inventory	2,505,526.86	1,964,731.25
Impairment loss on fixed assets		157,573.50
Total	3,236,092.07	2,428,525.98

### 5.35 Non-operating income

#### 5.35.1 Non-operating income by category

Item	Year ended 31/12/2016	Year ended 31/12/2015	Amount to be included in non-recurring gain or loss for the year
Total gains on disposal of non-current assets	2,657,141.63	12,530.62	2,657,141.63
Including: Gains on disposal of fixed assets	2,657,141.63	12,530.62	2,657,141.63
Government grants	43,165,181.73	42,878,271.48	4,123,881.73
Others	673,262.06	640,212.29	673,262.06
Total	46,495,585.42	43,531,014.39	7,454,285.42

#### 5.35.2 Government grants included in profit and loss for the current period:

Item	Year ended 31/12/2016	Year ended 31/12/2015	Related to assets/income
Fuel subsidy (Note1)	39,041,300.00	40,856,800.00	Income
Fisheries development Assistance (Note2)	3,197,500.00		Income

Item	Year ended 31/12/2016	Year ended 31/12/2015	Related to assets/income
Special fund of foreign trade and economic cooperation		1,100,000.00	Income
Fund for construction of Blue Economy Zone (Note3)	838,209.48	838,209.48	Assets
Financial subsidy (Note4)	28,376.00	28,376.00	Assets
Others	59,796.25	54,886.00	Income
Total	43,165,181.73	42,878,271.48	

Note1: According to < Notice of subsidies distribution to pelagic enterprises for renovation and exploitation and utilization of international fishery resources in 2016 > (Nong Ban Yu [2016] No.57), the Company has received RMB22,916,700.00 for fuel subsidy of pelagic fisheries this year. According to the Qingdao Municipal Ocean and Fisheries Administration document-< Notice of subsidies distribution to pelagic enterprises for renovation and exploitation and utilization of international fishery resources in 2016 > (Qing Ban Yu [2016] No.109), the Company has received RMB 16,124,600.00 for fuel subsidy of pelagic fisheries this year.

Note2: According to < Management measures of special fund for Ocean and Fisheries development established by Finance Bureau of Qingdao >(Qing Cai Nong[2013] No.17), the Company has received RMB 3,197,500.00 this year.

Note3: According to No.464[2011] document of <Notice of distribution of second installment of special project fund of 8,000 million Yuan of construction of Shandong peninsula Blue Economy Zone and Yellow River Delta efficient ecological zone> issued by Yantai development and reform committee and Yantai Bureau of Finance, and the notice of 2011 unit budget index(Yan Kai Cai Yu[2011] NO.514), issued by YanTai Economic and Technological Development of Finance Bureau, specific indicators of blue economic zone construction 13,600,000.00 Yuan was allocated. The company received RMB 6,800,000.00 in year 2012, and RMB 6,800,000.00 in year 2013. Related fund had be recognized as deferred income when received, and amortized equally over the expected average underlying assets' remaining useful life, the amount included in operating income in 2016 is RMB 838,209.48.

Note4: According to <Notice of budget of subsidy to provincial pelagic enterprises in 2013> (Lu Cai Zhi [2013] No.32) issued by Shandong Bureau of Finance on 25th June, 2013, the Company has received ship construction subsidy of RMB 830,000.00 and counted under deferred income in current period and amortized equally over the expected average underlying assets' remaining useful life. The amount counted under non-operating income in 2016 is RMB 28,376.00.

### 5.36 Non-operating expenses

Item	Year ended 31/12/2016	Year ended 31/12/2015	Amount to be included in non-recurring gain or loss for the year
Total losses on disposal of non-current assets	104,754.61	4,170,048.32	104,754.61
Including: Losses on disposal of fixed assets	104,754.61	4,170,048.32	104,754.61
Donation		1,000.00	
Penalty	490,642.50		490,642.50
Others	186,972.81	659,660.28	186,972.81
Total	782,369.92	4,830,708.60	782,369.92

### 5.37 Income tax expenses

#### 5.37.1 Details of income tax expenses

Item	Year ended 31/12/2016	Year ended 31/12/2015
Current income tax expense calculated according to tax laws	1,207,900.13	830,099.57
Deferred income tax		306,828.34
Total	1,207,900.13	1,136,927.91

#### 5.37.2 Reconciliation between income tax expenses and accounting profit is as follows:

Item	Amount
Profit before tax	58,848,169.98
Income tax expenses calculated at statutory/applicable tax rates	14,712,042.50
Effect of different tax rate	-11,181,000.44
Effect of income not subject to income tax	-5,332,598.92
Effect of expenses undeductible for tax purposes	339,209.49
Effect of utilization of tax losses in prior years which haven't been recognized deferred tax assets	-259,238.94
Effect of unrecognized deductible temporary differences and deductible losses in current period	2,929,486.44
Income tax expenses	1,207,900.13

### 5.38 Notes to statement of cash flows

#### 5.38.1 Cash received or paid relating to other operating activities

Item	Year ended 31/12/2016	Year ended 31/12/2015
Cash received related to other operating activities	47,554,484.08	66,496,722.67
Including: Finance expenses- interest income	703,520.24	661,916.64
Government grants and others	42,323,589.62	42,017,846.00
Credit deposit	2,465,396.97	23,816,960.03
Current account and other	2,061,977.25	

Item	Year ended 31/12/2016	Year ended 31/12/2015
Cash paid related to other operating activities	28,207,366.89	51,754,921.90
Including: cash payment to selling expenses	4,751,437.66	4,926,815.66
Cash payment to administrative expense	19,973,413.37	21,390,270.01
Security deposit	2,284,886.54	23,992,257.95
Current account and other	1,197,629.32	1,445,578.28

## 5.38.2 Cash received or paid related to other investing activities

Item	Year ended 31/12/2016	Year ended 31/12/2015
Cash received related to other investing activities	648,268.69	386,334.96
Including: No.102 Taifu insurance indemnity	648,268.69	386,334.96

## 5.38.3 Cash received or paid related to other financing activities

Item	Year ended 31/12/2016	Year ended 31/12/2015
Cash received related to other financing activities	14,630,000.00	
Including: Staff borrowing	14,630,000.00	

## 5.39 Supplement to statement of cash flows

## 5.39.1 Supplement to statement of cash flows

Item	Year ended 31/12/2016	Year ended 31/12/2015
1. Net profit adjusted to cash flows from operating activities		
Net profit	57,640,269.85	14,381,438.40
Add: provision for asset impairment	3,236,092.07	2,428,525.98
Depreciation of fixed assets, depreciation and depletion of oil and gas assets and depreciation of productive biological assets	34,610,398.91	33,840,755.56
Amortization of intangible assets	391,470.12	395,846.70
Amortization of long-term deferred expenses		-
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-2,552,387.02	4,157,517.70
Financial expenses ("-" for income)	-4,997,297.74	4,559,606.82
Decreases in the deferred tax assets ("-" for increases)		306,828.34
Decreases in inventories ("-" for increases)	31,943,609.43	15,537,995.37
Decreases in operating receivables ("-" for increases)	-32,385,780.43	18,617,735.03
Increases in operating payables ("-" for decreases)	-450,652.00	-38,782,859.68
Others		
Net cash flows from operating activities	87,435,723.19	55,443,390.22
2. Significant investing and financing activities not involving cash inflow and outflow		

Item	Year ended 31/12/2016	Year ended 31/12/2015
3. Net change in cash and cash equivalents		
Cash as at 31/12/2016	128,737,661.78	71,464,370.00
Less: cash as at 1/1/2016	71,464,370.00	44,191,457.02
Add: cash equivalents as at 31/12/2016		
Less: cash equivalents as at 1/1/2016		
Net increase in cash and cash equivalents	57,273,291.78	27,272,912.98

## 5.39.2 Cash and cash equivalents

Item	Balance as at 31/12/2016	Balance as at 1/1/2016
I. Cash	128,737,661.78	71,464,370.00
Including: cash on hand	1,741,848.59	893,253.29
Unrestricted bank deposits	126,995,290.36	70,570,487.71
Unrestricted other cash and cash equivalents	522.83	629.00
II. Cash equivalents		
III. Cash and cash equivalents as at 31/12/2016	128,737,661.78	71,464,370.00

## 5.40 Ownership or using rights of assets subject to restriction

Item	Carrying amount as at 31/12/2016	Restriction reason
Cash at bank and on hand	783,541.51	Marginal deposit
Fixed assets	20,197,883.84	Pledge loans
Intangible assets	6,215,971.24	Pledge loans
Total	27,197,396.59	--

## 5.41 Monetary items denominated in foreign currency

## 5.41.1 Monetary items denominated in foreign currency

Item	Balance in foreign currency as at 31/12/2016	Exchange rate	Balance translated into RMB as at 31/12/2016
Cash at hand			1,355,052.16
Including: USD	111,527.32	6.937	773,664.95
Euro	1,205.00	7.3068	8,804.69
XAF	185,000.00	0.013	2,405.00
GHS	345,229.02	1.6516	570,180.25
Cash in banks			59,825,159.47



Including: USD	6,607,932.37	6.9370	45,839,226.85
Euro	35,612.90	7.3068	260,216.34
JPY	230,332,035.00	0.0596	13,727,789.29
Accounts receivable			27,404,261.00
Including: USD	2,643,765.72	6.9370	18,339,802.80
JPY	152,111,194.71	0.0596	9,065,827.20
Other receivables			647,102.85
Including: USD	93,282.81	6.9370	647,102.85

#### 5.41.2 Reporting currencies of significant foreign operating entities

Significant foreign operating entity	Overseas location of primary operation	Reporting currency	Basis for determination
HABITAT INTERNATIONAL CORPORATION	The Republic of Panama	RMB	Business environment
LAIF FISHERIES COMPANY LIMITED	The Republic of Ghana	USD	Business environment
YAW ADDO FISHERIES	The Republic of Ghana	USD	Business environment

## 6. Changes in consolidation scope

None

## 7. Interest in other entities

### 7.1 Interest in subsidiaries

#### 7.1.1 Constitution of the Company

Subsidiary name	Registration place	Principal place of business	Business nature	Shareholding (%)	Acquisition method
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.	Shandong Qingdao	Shandong Qingdao	Refrigeration transportation	100.00	Investment
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	Shandong Yantai	Shandong Yantai	Food processing	100.00	Investment
Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	Shandong Qingdao	Shandong Qingdao	Oceanic fishing	81.26	Investment
HABITAT INTERNATIONAL CORPORATION	The Republic of Panama	The Republic of Panama	Refrigeration transportation	100.00	Investment
YAW ADDO FISHERIES	The Republic of Ghana	The Republic of Ghana	Oceanic fishing		Operating lease

## 7.1.2 Significant non-wholly owned subsidiary

No.	Company name	Minority shareholding (%)	Profit or loss attributable to the minority for the current period	Dividends announced to distribute to the minority	Balance of the minority interests as at 31/12/2016
1	Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	18.74%	5,055,199.11		33,093,578.88

## 7.1.3 Main financial information of significant non-wholly owned subsidiary

Subsidiary name	As at 31/12/2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	96,844,105.24	92,416,572.75	189,260,677.99	12,017,618.20	704,672.64	12,722,290.84

(Continued)

Subsidiary name	As at 1/1/2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	61,746,373.60	95,320,935.48	157,067,309.08	6,698,258.40	733,048.64	7,431,307.04

Subsidiary name	Year ended 31/12/2016			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	106,758,242.33	26,975,448.83	26,902,385.11	37,561,642.89

(Continued)

Subsidiary name	Year ended 31/12/2015			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	49,745,349.17	13,202,476.97	13,244,820.54	-4,262,398.67

## 8. Related risks of financial instruments

The financial assets of the Company include notes receivable, account receivable and other receivables, the

financial liabilities include notes payable, account payable, other payables and long-term loan, for details see Notes V. Company is faced with Various risks in operating activities, including credit risk, liquidity risk and market risk, board of directors establish and supervise company's ERM architecture, establish and supervise company's risk management policy with full authority.

The goals of Company engaged in the risk management is to achieve the proper balance between the risks and benefits, reduced the negative impact to the Company operating performance risk to a minimum, maximized the profits of shareholders and other equity investors.

### 1. Credit risk

Credit risk what may lead to the financial losses was the other party of the contract failed to fulfill the obligations and causes loss of the Company's financial assets. Credit risk is mainly from the customers' receivables. The book value of account receivable, note receivable and other account receivable are the biggest credit risk of the company's financial assets.

### 2. Liquidity Risk

Liquidity risk is the risk that the company is in short of capital when fulfilling its obligations related to financial liabilities. In the capital normal and stressful situation, the company ensures that there is sufficient liquidity to fulfill the due debt, and consult with the financial institutions to maintain a certain level of reserve credit line to reduce liquidity risk.

### 3. Market risk

#### (1) Foreign exchange risk

Foreign exchange risk is referred to the risk incurred due to loss of changes in exchange rate. The company's foreign exchange risk is mainly derived from the dollar denominated financial assets. The amount of foreign currency denominated financial assets to be converted into RMB is as V.42 the foreign currency monetary items stated.

#### (2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of the financial instruments fluctuate due to the fluctuation of market interest rate. The company's interest rate risk is mainly derived from long-term bank

borrowings, the company's borrowing are floating interest rates, there is a risk of RMB benchmark interest rate changes.

## 9. Related parties and transactions

### 9.1 The parent company of the Company

Name of parent company	Registration place	Type of business	Registered capital	Shareholding ratio of the Company(%)	Voting rights proportion of the Company(%)
Shandong State-owned assets investment Co. Ltd	Shandong Jinan	Investment and management, asset management and capital operation, entrustment management, investment consulting	450,000	33.07	33.07

Note: Shandong State-owned assets investment Co. Ltd is the ultimate controller of the Company.

### 9.2 Subsidiaries of the Company

Details of subsidiaries refer to Note 7 Interest in other entities.

### 9.3 Other related parties

Name	Relationship
Shandong Luxin Investment Holdings Ltd.	Shareholder( $\geq 5\%$ )

### 9.4 Remuneration of key management

Remuneration of key management	Year ended 31/12/2016	Year ended 31/12/2015
Total	2,025,800.00	2,031,803.00

## 10. Commitments and contingencies

### 10.1 Commitments

None

### 10.2 Contingencies

None

## 11. Post balance sheet events

The company held the fourth meeting of sixth session board of directors in December 30,2016. The meeting passed the bill of Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd. will buy five tuna seiner fishing ships which have ICCAT registered fishing licences. The project can get the Atlantic tuna fishing quota, and conforms to the national ocean fishery industry policy. The project will play an important role in promoting the adjustment

of the company's industrial structure, strengthening the company's main business, increasing the company's core competitiveness, and will accelerating the development of pelagic fisheries.

## 12. Other significant events

### 12.1 Segment reporting

#### 12.1.1 Determination basis of segment reporting and related accounting policy

The company's mainly business are oceanic fishing, aquatic products processing, vessels leasing and others. The company disclosure the branches reports by the character and plate of its main bussiness.

#### 12.1.2 Financial information of segment reporting

	Oceanic fishing	Vessels leasing	Aquatic products processing	Others	Elimination between branches
1. Operating income	172,646,598.01	87,833,173.75	671,880,784.61	15,188,831.26	-110,569,280.97
2. Operating cost	158,222,862.06	67,771,969.45	640,828,165.58	13,808,258.27	-112,505,759.89
3. Impairment of assets	1,801,481.77	-61,134.29	1,456,011.08	39,733.51	
4. Depreciation and amortization	15,636,272.41	10,323,763.97	6,048,360.17	2,993,472.48	
5. Profit before tax	24,116,313.65	19,121,637.52	23,466,792.48	-7,856,573.67	
6. Income tax expenses			1,207,900.13		
7. Net profit	24,116,313.65	19,121,637.52	22,258,892.35	-7,856,573.67	
8. Total assets	399,374,192.57	227,948,925.69	359,490,129.66	440,440,245.84	-592,013,794.69
9. Total liabilities	104,505,390.00	41,285,414.26	181,200,260.28	214,119,772.31	-356,630,885.80

### 12.2 Other significant transactions and events which may be important to the investors' decision

In addition to the above matters, the company doesn't have other important matters to disclosure.

## 13. Notes to the financial statements of the Company

### 13.1 Accounts receivable

#### 13.1.1 Accounts receivable by category

Category	As at 31/12/2016			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	18,751,934.01	100.00	5,689,018.01	30.34
Aging combination	5,689,018.01	30.34	5,689,018.01	100.00

Category	As at 31/12/2016			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Riskless combination	13,062,916.00	69.66		
Individually insignificant but allowance for doubtful debts individually				
Total	18,751,934.01	100.00	5,689,018.01	30.34

Category	As at 1/1/2016			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	6,437,305.01	100.00	5,689,018.01	88.38
Aging combination	5,689,018.01	88.38	5,689,018.01	100.00
Riskless combination	748,287.00	11.62		
Individually insignificant but allowance for doubtful debts individually				
Total	6,437,305.01	100.00	5,689,018.01	88.38

## 13.1.1.1 Allowance for doubtful debts on portfolio

①Accounts receivable whose allowance for doubtful debts is using aging analysis method:

Aging	As at 31/12/2016			As at 1/1/2016		
	Balance	Allowance rate(%)	Allowance for doubtful debts	Balance	Allowance rate(%)	Allowance for doubtful debts
More than 3 years	5,689,018.01	100.00	5,689,018.01	5,689,018.01	100.00	5,689,018.01
Total	5,689,018.01		5,689,018.01	5,689,018.01		5,689,018.01

②Accounts receivable whose doubtful debts is made by riskless method:

Category	As at 31/12/2016			As at 1/1/2016		
	Balance	Allowance rate(%)	Allowance for doubtful debts	Balance	Allowance rate(%)	Allowance for doubtful debts
Riskless combination	13,062,916.00		-	748,287.00		
Total	13,062,916.00			748,287.00		

## 13.1.2 Accounts receivable due from the top five debtors of the Company are as follows:

Company name	Balance as at 31/12/2016	Percentage in total accounts receivable (%)	Allowance for doubtful debts as at 31/12/2016
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Company name	Balance as at 31/12/2016	Percentage in total accounts receivable (%)	Allowance for doubtful debts as at 31/12/2016
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	13,062,916.00	69.66	
PACIFIC PANDA, INC	3,600,962.12	19.20	3,600,962.12
Qingdao Haifeng Group Co., Ltd	430,625.10	2.30	430,625.10
Ming Lv	158,154.98	0.84	158,154.98
Daqun Company	156,875.50	0.84	156,875.50
Total	17,409,533.70	92.84	4,346,617.70

## 13.2 Other receivables

## 13.2.1 Other receivables

Category	As at 31/12/2016			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	43,482,072.02	100.00	3,571,189.67	8.21
Aging combination	4,462,341.05	10.26	3,571,189.67	80.03
Riskless combination	39,019,730.97	89.74		
Individually insignificant but allowance for doubtful debts individually				
Total	43,482,072.02	100.00	3,571,189.67	8.21

Category	As at 1/1/2016			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	39,960,282.54	100.00	3,709,759.93	9.28
Aging combination	5,596,767.41	14.01	3,709,759.93	66.28
Riskless combination	34,363,515.13	85.99		
Individually insignificant but allowance for doubtful debts individually				
合 计 Total	39,960,282.54	100.00	3,709,759.93	9.28

① Other receivables whose allowance for doubtful debts is using aging analysis method:

Aging	As at 31/12/2016			As at 1/1/2016		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts

Aging	As at 31/12/2016			As at 1/1/2016		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Within 6 months	551,508.88	5.00	27,575.44	1,135,287.32	5.00	56,764.37
6 months-1year	211,193.41	10.00	21,119.35	436,775.86	10.00	43,677.59
1-2 years	210,636.11	30.00	63,190.84	585,285.82	30.00	175,585.75
2-3 years	59,397.23	50.00	29,698.62	11,372.39	50.00	5,686.20
More than 3 years	3,429,605.42	100.00	3,429,605.42	3,428,046.02	100.00	3,428,046.02
Total	4,462,341.05		3,571,189.67	5,596,767.41		3,709,759.93

② Other receivables whose doubtful debts is made by riskless method:

Category	As at 31/12/2016			As at 1/1/2016		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Associated parties in the scope of consolidation	39,019,730.97			34,363,515.13		
Total	39,019,730.97			34,363,515.13		

### 13.2.2 Other receivables by nature

Nature of balance	Balance as at 31/12/2016	Balance as at 1/1/2016
Internal current account	39,019,730.97	34,363,515.13
Insurance indemnity from the Chinese people's property insurance co., LTD		808,986.14
Revolving fund and other	4,462,341.05	4,787,781.27
Total	43,482,072.02	39,960,282.54

13.2.3 Other receivables due from the top five debtors of the Company are as follows:

Debtor name	Nature of receivable	Balance as at 31/12/2016	Aging	Percentage in total other receivables (%)	Allowance for doubtful debts as at 31/12/2016
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.	Internal current account	24,714,718.67	More than 2 years	56.84	
YAW ADDO FISHERIES COMPANY LIMITED	Internal current account	11,357,764.72	Within 1 year, More than 1 year	26.12	
LAIF FISHERY. CO.LTD	Internal current account	2,947,247.58	1-3 years	6.78	
Dafa, Japan	Current account	288,896.39	More than 3 years	0.66	288,896.39
DIVING-SEAGULL	Current account	207,072.50	More than 3 years	0.48	207,072.50



Debtor name	Nature of receivable	Balance as at 31/12/2016	Aging	Percentage in total other receivables (%)	Allowance for doubtful debts as at 31/12/2016
Total		39,515,699.86		90.88	495,968.89

### 13.3 Long-term equity investments

Item	As at 31/12/2016			As at 1/1/2016		
	Balance	Provision for impairment	Carrying amount	Balance	Provision for impairment	Carrying amount
Investment to subsidiaries	204,189,455.23		204,189,455.23	204,189,455.23		204,189,455.23
Total	204,189,455.23		204,189,455.23	204,189,455.23		204,189,455.23

#### 13.3.1 Investment to subsidiaries

Investee	As at 1/1/2016	Additions	Reductions	As at 31/12/2016	Provision for impairment in current period	Provision for impairment as at 31/12/2016
	HABITAT INTERNATIONAL CORP.			12,476,145.60		
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.	22,869,513.38			22,869,513.38		
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	55,448,185.24			55,448,185.24		
Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	113,395,611.01			113,395,611.01		
Total	204,189,455.23			204,189,455.23		

### 13.4 Operating income and operating cost

Item	Year ended 31/12/2016		Year ended 31/12/2015	
	Income	Cost	Income	Cost
I. Primary operating business	65,888,355.68	62,233,674.19	120,687,353.07	160,420,116.63
Seine tuna fishing	5,180,247.30	4,613,098.49	21,726,959.64	54,223,403.30
Long-line tuna fishing	60,708,108.38	57,620,575.70	98,960,393.43	106,196,713.33
II. Other operating business	4,691,924.05	1,799,950.37	5,070,648.88	1,891,604.04
House lease	4,691,924.05	1,799,950.37	5,070,648.88	1,891,604.04
Total	70,580,279.73	64,033,624.56	125,758,001.95	162,311,720.67

## 14. Supplementary information

### 14.1 Details of non-recurring gain or loss for the year

Item	Amount	Remark
1. Gain or loss on disposal of non-current assets, including the written-down portion for impairment provision	2,552,387.02	
2. Government grants (except the government grants closely related to the business of the Company and enjoyed according to unified quota or ration standards)	4,123,881.73	
3. Other non-operating income/(expenses) except the above items	-4,353.25	
4. Effects of income tax on non-recurring items	-194,279.09	
5. Effects of non-recurring items attributable to the minority shareholders of the Company	-987,935.70	
Total	5,489,700.71	

The Company identifies the following items as "other items qualified the definition of non-recurring gain or loss" or classifies the following "non-recurring gain or loss items" as "recurring gain or loss items":

Item	Amount	Remark
Regular profit and loss from fuel subsidies	39,041,300.00	Government grants of national standard quota and related to operating activities of the Company

### 14.2 Return on equity and earnings per share

Profit in report period	Weighted average return on equity (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	Year ended 31/12/2016	Year ended 31/12/2015	Year ended 31/12/2016	Year ended 31/12/2015	Year ended 31/12/2016	Year ended 31/12/2015
Net profit attributable to the common share holders	8.88	2.16	0.1976	0.0456	8.88	2.16
Net profit attributable to the common share holders after deducting non-recurring gain or loss items	7.96	2.51	0.1770	0.0528	7.96	2.51

## **Section XII. Documents available for reference**

- I. Accounting statement of the Company with signature and seal from the person in charge of the Company, person in charge of the accounting works and person in charge of accounting;
- II. Original auditing report carrying the seal of CPA and autography and seal of the accountants;
- III. Original text of all documents of the Company as well as manuscript of the announcement that disclosed on website appointed by CSRC.

Shandong Zhonglu Oceanic Fisheries Co., Ltd.

Chairman: Chi Weizhen

4 March 2017