

**Shandong Zhonglu Oceanic Fisheries Co., Ltd.**

**Annual Report for Year of 2018**

**March 2019**

## **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.**

**Lu Lianxing, Principal of the Company, Fu Chuanhai, person in charge of accounting works and Lei Lixin, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2018 Annual Report is authentic, accurate and complete.**

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

**The forward-looking statement set out in the annual report relating to the future plan of the Company does not constitute the material commitment of the Company for its investors. Therefore, investors and related stakeholders shall hold sufficient awareness of the risks and should understand the difference between plan, expectation and commitment.**

**Certain risks that may exist in the Company's business operation and countermeasures adopted by the Company are disclosed in the clause "IX. Outlook of future development" in the fourth section hereof headed "Discussion**

**and Analysis on Operation”, which shall be brought to attention of investors. This report has been prepared in Chinese and English version respectively. In the event of difference in interpretation between the two versions, Chinese report shall prevail.**

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

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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 2018 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	Lu Lianxing		
Registrations add.	No. 29 Miaoling Rd. Laoshan District, Qingdao, Shandong		
Code for registrations add	266061		
Offices add.	No. 65 Haier Rd., Laoshan District, Qingdao, Shandong		
Codes for office add.	266061		
Company website	<a href="http://www.zofco.cn/">http://www.zofco.cn/</a>		
Email	zl000992@163.com		

### II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Li Ming	Li Ying
Contacts add.	No. 65 Haier Rd., Laoshan District, Qingdao, Shandong	No. 65 Haier Rd., Laoshan District, Qingdao, Shandong
Tel.	0532-55717968	0532-55715968
Fax.	0532-55719258	0532-55719258
Email	zl000992@163.com	zl000992 @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; Chen Xiujian

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

	2018	2017	Changes over last year	2016
Operating income (RMB)	1,023,348,055.53	924,116,785.80	10.74%	845,877,519.52
Net profit attributable to shareholders of the listed company (RMB)	90,281,584.29	91,517,485.28	-1.35%	52,585,070.74
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	88,188,293.14	85,499,842.39	3.14%	47,095,370.03
Net cash flow arising from operating activities (RMB)	69,635,895.65	63,205,894.49	10.17%	87,435,723.19

Basic earnings per share (RMB/Share)	0.34	0.34		0.20
Diluted earnings per share (RMB/Share)	0.34	0.34		0.20
Weighted average ROE	12.06%	13.79%	-1.73%	8.88%
	End of 2018	End of 2017	Changes over end of last year	End of 2016
Total assets (RMB)	1,213,282,583.68	1,065,483,763.80	13.87%	835,239,699.07
Net assets attributable to shareholder of listed company (RMB)	803,507,440.24	703,769,793.95	14.17%	617,662,263.72

## 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	201,809,691.98	238,513,084.99	275,909,416.69	307,115,861.87
Net profit attributable to shareholders of the listed company	146,855.82	22,455,043.39	43,731,118.98	23,948,566.10
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	2,007.95	22,612,697.69	41,160,473.49	24,413,114.01
Net cash flow arising from	-6,302,386.74	28,116,999.05	33,528,917.05	14,292,366.29



operating activities				
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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 2018	Amount in 2017	Amount in 2016	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-144,859.41	422,100.74	2,552,387.02	
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)	3,508,705.48	6,401,185.48	4,123,881.73	
Other non-operating income and expenditure except for the aforementioned items	-348,549.52	-83,259.70	-4,353.25	
Less: impact on income tax	87,540.62	197,626.19	194,279.09	
Impact on minority's equity (after-tax)	834,464.78	524,757.44	987,935.70	
Total	2,093,291.15	6,017,642.89	5,489,700.71	--

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
Subsidy for exploitation and utilization of international fishery resources	25,677,010.02	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

The Company 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

During the reporting period, the company's main business didn't make any change. Ocean fishing has still been the main line while refrigerated transport and refrigeration processing trade were the two wings, and they supported each other and promoted each other, the industrial chain was relatively complete.

##### 1. Ocean fishing

During the reporting period, the company owned a total of 22 ocean-going fishing vessels, including 7 large-scale tuna seiners, 13 large-scale ultra-low temperature tuna long liners, and 2 medium-sized trawlers, which have been respectively working in the Indian Ocean and in the Atlantic Ocean. ① In terms of long-lining fishing operations, the main operation area was in the Indian Ocean. By mainly focusing on safe production, scientifically scheduling, actively carrying out the international fishery cooperation, timely making transition and other measures, the company deepened the internal potential, increased the distribution of marine line, and effectively improved the enthusiasm of production line, and the total annual output slightly increased from the previous year and continued to maintain a good production situation. ② In terms of the purse seine fishing, the main operating area was in the Atlantic Ocean, according to the industrial environment and development situation, in the past two years, the company successfully established a fleet of seven large-scale tuna seiners through the fishery adjustment and new equipment, which was put into operation in August 2018. The Ghana representative office aimed at the unfavorable situation that the fishing gear did not adapt to the fishery operation in the Atlantic, formed a team to make innovation for the fishing gear, and successfully modified the fishing facilities such as fishing gear which could adapt to the fishery production of the Atlantic and improved the operation efficiency. Good economic and social benefits were achieved. ③ The output value of Ghana trawling project was basically the same as that of the previous reporting period. The narrow and small fishery, the large number of vessels of the same type, the reduction of trawl fish species resources and the aging of ship conditions were the main reasons for the lower benefits. ④ Made full use of the advantages of policies and resources, increased the backhaul of self-fishing so as to improve the economic returns and social benefits.

##### 2. Refrigerated transport

During the reporting period, the company's seven international refrigerated transport vessels were engaged in operational services, and many measures were taken to complete the annual economic indicators: ① Continuously improved the company's SMS system work and strengthened the standardized management of enterprises. ② Kept a foothold on the Asia-Pacific special refrigerated freight market, strived to increase the market share, strictly controlled the cost accounting, strengthened the ship equipment maintenance, ensured the sailing rate, and promoted the rental income maximization. ③ Strengthened the risk management and control, and minimized the uncertain risk factors as far as possible.

##### 3. Refrigeration processing trade

During the reporting period, in the face of many unfavorable factors, we resolutely implemented the mission objectives at the beginning of the year, seriously studied the situation, closely monitored the market changes, and innovated the business ideas and management methods. ① Gave full play to the distribution center of China's tuna trading center and the deep processing and cold chain logistics base of deep-sea fishing products in Shandong Province, increased the efforts of self-fishing backhaul purchase and deep processing, and formed a processing industrial chain centered on Zhonglu food, which had far-reaching significance for making the refined and strong tuna industry chain. ② Paid attention to improving the mechanization and automation level of processing, accelerated the conversion of new and old kinetic energy, promoted the research and development of the "Five Fast" project, strived to achieve the production and processing 3.0, and ensured the smooth operation of production and operation. ③ Expanded the processing and sales operations, increased the market development efforts, focused on cultivating new models of separating warehouse for tuna, and actively expanded the international and domestic trade. ④ Strengthened the construction and promotion of brand "Haijinsi" and stabilized the leading position of "Haijinsi" series products in China.

(II) The development stage and the cyclical characteristics of the industry and the company's position in industry

#### 1. The development stage of the industry

China's offshore fishing industry has made great progress through several generations of efforts and more than 30 years of development since 1985. In recent years, with the implementation of the national marine strategy, offshore fishing has become an important part of the ocean, the number of vessels has been increasing and the scale of production has been expanding, which not only promoted the international economic and technological cooperation but also enriched the domestic market supply. The new and old kinetic energy conversion being implemented and the high-quality development requirements continuously optimized and upgraded the industrial structure, and the marketization and internationalization have been constantly improving. China's offshore fishing industry is in a stage of becoming stronger and stronger. Generally speaking, the "Thirteenth Five-Year Plan" is a key transition period for the development of China's offshore fisheries, and it is also an important opportunity period for the development of a powerful country in fishing industry.

#### 2. Industry characteristics and the industry position of the company

Offshore fishing production is cyclical, regional and seasonal. Therefore, it is particularly important to catch the fishing season and timely and rationally dispatch the fisheries. In order to protect resources, various fishery resource countries and fishery organizations have formulated strict protection measures and fishing-ban policies, industry standards have been gradually raised, and the requirements to management level, production technology, self-discipline and performance capacity of companies engaged in offshore fishing have become higher. In the long run, it is beneficial to the sustainable development of offshore fishing, but in the short term, it will increase the production costs. Our company develops offshore fisheries very early in China, and we have the front-rank talent quality, technical strength, management ability, and equipment level. In recent years, the asset scale and profitability have been increasing steadily.

## 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	11.6425 million Yuan decreased for depreciation
Intangible assets	No major change.
Construction in progress	The subsidiary - Haiyan Branch contributed a surface longliners-Tai Xiang 11

## 2. Main overseas assets

√Applicable    □Not applicable

Content	Reasons	Assets scale	Location	Operating mode	Control measures to ensure the safety of assets	Earnings status	Ratio of the overseas assets in net assets of the Company	Whether has major impairment risks or not (Y/N)
HABITAT INTERNATIONAL CORPORATION	Wholly-owned subsidiary established aboard	239,051,891.26	Panama	Independent operation	Ship and personnel insurance	27,250,258.90	25.33%	No
ZHONGGHA FOODS COMPANY LIMITED	Wholly-owned subsidiary established aboard	188,017,914.15	The Republic of Ghana	Independent operation	A professional management team, ship and personnel insurance overseas posting	-4,633,301.63	19.92%	No

## III. Core competitive-ness analysis

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

No

The Company 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: ① 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; ② 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 many 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 own biggest super-low temperature cold storage and raw food processing factory in China. The advantage of tuna processing and trading ability are being strengthened by the Tuna Trading Center and new Tuna E-Trading Platform System; the 30000 tons variable-temperature cold storage and supporting facilities in Zhonglu refrigerated logistic center adopted many new technology and operates well; ③ the distant fishery, we mainly operates, is the parts of “going out” strategy, and it is the component of maritime power strategy in the country and ocean power strategy in Shandong province. The distant fishery still has a development opportunity in way of depth adjustment. The products of distant water fisheries are mainly out from the deep ocean, which have a favorable market prospect for being pure natural and high-quality. ④The new “tuna purse seine project in the Atlantic”, enlarge the tuna seine fleet in Atlantic, under the shelter of tight regulations from WCPFC in WCPO and ICCAT, the tuna seine business will have a stable growth. ⑤ The company’s offshore fishing production area is in the Atlantic Ocean and the Indian Ocean, our refrigerated transport has reached most of the world’s major ports, and the import and export trade spread all over the world. With the implementation of the “One Belt and One Road” strategy, countries along the road strengthen the bilateral mutual trust and have closer cooperation. With a series of development planning, our company faces new development opportunities.

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, and participated in the construction of new-aged energy transform actively, accelerate the strategic transformation, and vigorously implement the industrial chain extension projects to upgrade the influence and competitive in deep-sea fishing market in and out of China.

## Section IV. Discussion and Analysis on Operation

### I. Introduction

In 2018, with the spirit of unity, cooperation, and being realistic and pragmatic, the company continued to raise awareness, sought benefits, sought development, demonstrated its role, enhanced the quality and level of business management, and promoted the enterprise to march toward the comprehensive and integrative modern business model of professional fishing, refrigerated transport, deep processing of domestic and foreign trade, high-end oriented products and market globalization, promoted the development of high-quality enterprises, and completed the tasks and objectives formulated at the beginning of the year.

(I) Review of the company's operation during the reporting period

1. Ocean fishing: The Company established 5 groups of purse seine fishing vessels last year, two of them were put into operation last year, the other three groups have been put into operation smoothly during the year, the fishing operations were in good condition and the fishing output has reached the expected target. The company made scientific decision-making, rational dispatch of fishery, reasonable arrangement of operation time and ship docking time for tuna long-lining fishing business, and overcame the unfavorable factors of fishery resources decline and fish price decline, found ways to increase production, increased cost management, saved costs and improved economic efficiency. During the reporting period, the fishing sector achieved an operating income of RMB 388,368,700 and a total profit of RMB 57,498,400.

2. Refrigerated transport: The company paid close attention to safe production and operation, strengthened ship management, improved ship sailing rate, and ensured ship operating rate; carefully organized and implemented responsibilities, supervised comprehensively and strongly, made self-examination and self-correction, and self-review and self-reform, refined the safety inspection and operation guidance of ships, and ensured the safe sailing days of ships; paid attention to the training and training of ship-shore personnel and improve management level; Maintain customer resources and maintain stable development; laid emphasis on enterprise management and required benefit from management. During the reporting period, the company realized an operating income of RMB 93,665,400 and realized a total profit of RMB 31,084,900, a year-on-year increase of 28.25%.

3. Refrigeration processing trade: The enterprise management innovation adopted the fine management thought of "doing the addition and subtraction method and taking the initiative to do subtraction", actively promoted the "Five Fast" project, innovated the production process, greatly improved the production and processing efficiency, adjusted the product structure, expanded new markets, developed new products, and broadened publicity channels and sales channels. During the reporting period, the company realized an operating income of RMB 632,599,900 and a total profit of RMB 28,548,400, an increase of 12.23% on a year-on-year basis.

(II) General operation

In reporting period, the Company achieved business revenue of 1,023,348,100 Yuan, increased 10.74% compared last year's 924,116,800 Yuan; total profit achieved 101,512,800 Yuan, increased 3.69% compared last year's 97,899,800 Yuan; net profit attributable to parent company amounted as 90,281,600 Yuan, decreased 1,235,900 Yuan with 1.35% decrease over that of last year. Total assets amounted as 1,213,282,600 Yuan with 13.87% growth compared balance at period-begin.

## II. Main business analysis

### 1. Introduction

See “I. Introduction” in “Discussion and Analysis of Business”.

### 2. Revenue and cost

#### (1) Constitute of operation revenue

In RMB

	2018		2017		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total of operation revenue	1,023,348,055.53	100%	924,116,785.80	100%	10.74%
According to industries					
Main business	1,017,063,512.24	99.39%	916,346,846.65	99.16%	10.99%
Other businesses	6,284,543.29	0.61%	7,769,939.15	0.84%	-19.12%
According to products					
Main business	1,017,063,512.24	99.39%	916,346,846.65	99.16%	10.99%
Other businesses	6,284,543.29	0.61%	7,769,939.15	0.84%	-19.12%
According to region					
Japan	241,334,986.00	23.58%	323,521,991.97	35.01%	-25.40%
China	452,086,114.82	44.18%	290,314,323.40	31.42%	55.72%
South Korea	36,364,484.03	3.55%	25,985,955.53	2.81%	39.94%
Singapore	9,984,268.41	0.98%	16,006,430.12	1.73%	-37.62%
Taiwan	133,574,439.78	13.05%	214,730,006.65	23.24%	-37.79%
Ghana	112,277,423.59	10.97%	21,347,108.49	2.31%	425.96%
Other	135,296,911.63	13.22%	154,915,535.64	16.76%	-12.66%
Inter-company trade offset	-97,570,572.73	-9.53%	-122,704,566.00	-13.28%	-20.48%

#### (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						
Main business	1,017,063,512.24	849,379,908.98	16.49%	10.99%	12.00%	-0.75%
According to products						
Main business	1,017,063,512.24	849,379,908.98	16.49%	10.99%	12.00%	-0.75%
According to region						
Japan	241,334,986.00	219,976,839.74	8.85%	-25.40%	-25.96%	0.68%
China	452,086,114.82	303,485,408.88	32.87%	55.72%	48.49%	3.27%
Taiwan	133,574,439.78	96,454,102.97	27.79%	-37.79%	-37.02%	-0.89%
Ghana	112,277,423.59	87,003,775.54	22.51%	425.96%	503.80%	-9.99%

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	2018	2017	Increase/decrease y-o-y
Deep-sea fishing and re-processing	Sales volume	Ton	35,477	12,848	176.13%
	Production	Ton	37,676	17,822	111.40%
	Inventory	Ton	8,707	6,508	33.79%
Aquatic products processing, refrigerator and others sales volume	Sales volume	Ton	15,005	16,617	-9.70%
	Production	Ton	16,296	17,059	-4.47%
	Inventory	Ton	6,104	4,813	26.82%

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

Applicable  Not applicable

Deep-sea fishing and re-processing have a 111.40% growth of production volume on a year-on-year basis, mainly because there was a tuna purse seine project conducted in Atlantic last year, and 2 seine boats are in operation, another 3 seine boats put into operation in this year with favorite operation conditions, the volume approached expected target; sales volume growth 176.13% from a year earlier mainly due to the increase of productions; inventory has major increase from a year earlier, mainly because most of the fishes are not setting out for sales in the period yet.

### (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	2018		2017		Y-o-y changes
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Main business		849,379,908.98	99.80%	758,381,626.00	99.77%	12.00%
Other businesses		1,724,329.79	0.20%	1,732,428.85	0.23%	-0.47%

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)	425,218,015.99
Proportion in total annual sales volume for top five clients	41.55%
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	F.C.F Fishery Co., Ltd.	135,215,594.11	13.21%
2	Hong Kong Liantai Seafood	116,542,209.43	11.39%
3	Japan Wiki	61,011,604.96	5.96%
4	NOTOS & COMPANY LIMITED	60,918,691.91	5.95%
5	Zhejiang Huangguan Food Co., Ltd.	51,529,915.58	5.04%
Total	--	425,218,015.99	41.55%

Other situation of main clients

 Applicable  Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	301,072,603.52
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Proportion in total annual purchase amount for top five suppliers	40.44%
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.	146,805,520.00	19.72%
2	Haishun International Trade Private Co., Ltd.	47,580,999.88	6.39%
3	CNFC Overseas Fishery Co., Ltd.	37,833,306.00	5.08%
4	Shenzhen South Fishery Co., Ltd.	37,397,942.00	5.02%
5	BOSHUN LOGISTICS LIMITED	31,454,835.64	4.23%
Total	--	301,072,603.52	40.44%

## Other notes of main suppliers of the Company

Applicable  Not applicable

**3. Expense**

In RMB

	2018	2017	Y-o-y changes	Note
Sales expense	35,257,027.14	14,174,043.49	148.74%	Major expenditure in port miscellaneous charges in the period
Management expense	61,300,717.66	56,525,982.12	8.45%	
Financial expense	-4,287,046.06	16,828,357.12	-125.48%	Exchange earnings goes up in the period

**4. R&D investment**

Applicable  Not applicable

**5. Cash flow**

In RMB

Item	2018	2017	Y-o-y changes
Subtotal of cash in-flow from operation activity	1,102,317,738.61	1,031,418,431.05	6.87%
Subtotal of cash out-flow from operation activity	1,032,681,842.96	968,212,536.56	6.66%
Net cash flow from operation	69,635,895.65	63,205,894.49	10.17%

activity			
Subtotal of cash in-flow from investment activity	66,101.40	703,494.70	-90.60%
Subtotal of cash out-flow from investment activity	38,645,395.27	149,566,249.27	-74.16%
Net cash flow from investment activity	-38,579,293.87	-148,862,754.57	-74.08%
Subtotal of cash in-flow from financing activity	224,663,840.58	216,117,252.93	3.95%
Subtotal of cash out-flow from financing activity	227,808,394.38	102,491,433.08	122.27%
Net cash flow from financing activity	-3,144,553.80	113,625,819.85	-102.77%
Net increased amount of cash and cash equivalent	35,699,773.66	18,329,690.04	94.76%

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

Applicable Not applicable

- (1) The net cash flow from operating activities increased compared with the same period of last year, mainly due to the increase in cash received from sales of goods and services.
- (2) The decrease in net cash flow from investing activities compared with the same period of last year was mainly due to the purchase of five new tuna seiners in the same period last year, and only one tuna long-lining fishing vessel was built in the current period.
- (3) The main reason for the decrease in net cash flow from financing activities compared with the same period of last year was that it borrowed 100 million Yuan from CITIC Bank in the same period last 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, amortization of long-term deferred expenses and financial expenses affect the net profits but not affect the operating cash flow project 47,760,000 Yuan, which makes the net profit is 47,760,000 Yuan less than the operating cash flow;
- (2) The inventory balance of 2018 has increased by 89,420,000 Yuan compared with the inventory balance of 2017, resulting in a decrease of operating cash flow of 89,420,000 Yuan;
- (3) The operating receivables of 2018 has increased by 27,350,000 Yuan compared to 2017, resulting in a decrease of operating cash flow of 27,350,000 Yuan; The operating receivables has increased by 40,580,000 Yuan compared to 2017, resulting in an increase of operating cash flow of 40,580,000 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	4,200,111.14	4.14%	Including 1.62 million Yuan provision for bad debts, and 2.57 million Yuan for inventory falling price reserves	No sustainable.
Non-operating income	325,858.06	0.32%	Insurance indemnity	No sustainable.
Non-operating expense	674,407.58	0.66%	190,000 Yuan external donation and workers compensation for staffs	No sustainable.

#### IV. Assets and liability

##### 1. Major changes of assets composition

In RMB

	End of 2018		End of 2017		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	183,453,073.56	15.12%	147,489,843.54	13.84%	1.28%	
Account receivable	63,961,900.00	5.27%	38,792,912.89	3.64%	1.63%	
Inventory	330,591,120.00	27.25%	243,744,590.07	22.88%	4.37%	Volume of fishes increased, and most of them are not sales
Investment real estate	30,464,518.89	2.51%	31,694,375.13	2.97%	-0.46%	
Fixed assets	514,332,752.28	42.39%	525,975,263.88	49.36%	-6.97%	Depreciation
Construction in progress	11,073,476.37	0.91%			0.91%	
Short-term borrowing	78,352,320.05	6.46%	176,394,931.62	16.56%	-10.10%	Loans 100 million Yuan are paid to China CITIC Bank

##### 2. Assets and liability measure by fair value

Applicable  Not applicable

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

Item	Ending book value	Limited cause
Monetary fund	685,948.08	L/C
Fixed assets	28,738,419.75	Loan mortgage
Intangible assets	5,743,137.79	Loan mortgage
Total	35,167,505.62	--

**V. Investment****1. Overall situation**

√Applicable □Not applicable

Amount invested (RMB)	Last period's amount (RMB)	Changes
11,073,476.37	162,425,625.20	-93.18%

**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

In RMB

Project	Investment way	Whether it is a fixed assets investment (Y/N)	Investment industry	Amount input in the period	Amount actual invested up to period-end	Capital resources	Progress	Estimated earnings	Earnings achieved as period-end	Reasons of fails to the estimated earnings and plans	Disclosure date (if applicable)	Disclosure index (if applicable)
Surface longliners-Tai Xiang 11	Self built	Y	Sea fishing	11,073,476.37	11,073,476.37	Owned fund	70.00%	3,100,000.00	0.00	Not applicable		
Total	--	--	--	11,073,476.37	11,073,476.37	--	--	3,100,000.00	0.00	--	--	--

**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	75,593,300.00	416,747,900.30	207,920,207.17	634,264,534.60	28,901,692.71	26,115,337.40
Shandong Zhonglu Haiyan	Subsidiary	Marine fishing	221,617,349.00	451,983,116.07	342,771,490.45	186,558,098.23	18,707,449.29	19,010,738.33

Oceanic Fishery Co., Ltd.								
HABITAT INTERNATIONAL CORPORATION	Subsidiary	Refrigerated shipment	12,476,146.00	239,051,891.26	142,658,084.41	61,559,188.65	27,250,258.90	27,250,258.90
Shandong Zhonglu Fishery Shipping Co., Ltd.	Subsidiary	Refrigerated shipment	22,505,600.00	34,998,580.22	10,207,441.83	32,106,255.50	3,841,678.60	2,817,432.06

Particular about subsidiaries obtained or disposed in report period

Applicable  Not applicable

Notes of main holding company and stock-jointly companies

The subsidiary HABITAT INTERNATIONAL CORPORATION earns net profit of 27,250,300 Yuan in the period, a 51.74% up from a year earlier, mainly because there is an exchange earnings of 5,555,800 Yuan generated from exchange rate fluctuations in the period, while 4,444,000 Yuan exchange losses occurred from a year earlier by exchange rate fluctuations.

### VIII. Structured vehicle controlled by the Company

Applicable  Not applicable

### IX. Outlook of future development

(I) The prevailing development and future development trend

With the implementation of the national maritime power strategy, deep-sea fishing comes to the priority parts of strategic ocean, the ocean fishing in China has developed rapidly and the scale of the ocean fleet is increasing. However, the main business is still focused on acquiring resources with original fish as the major products. Processing of products with high added-value, market development and marketing remain weak, and the support system for production services is relatively fragile. At present, our country is implementing switch of old and new kinetic energy and putting forward the high-quality development, which means ocean fishery will be offered with new opportunities for development, adjustment and transformation. With respect to development trend, it is expected that: (i)stable development of ocean fishery in international waters, and increase fishing scale for fishes living in the middle and upper level of the waters, cephalopod, Antarctic krill and other varieties which have the potential for further development; (ii)consolidate and improve ocean fishery in other countries sea, aiming to facilitating transformation and upgrade of this kind of fishery through change of cooperation model, enhancement of management, vessel update and remake and projects merger and acquisition; (iii)optimize industry structure and extend industry chain, develop refrigeration, processing and trading of aquatic products; (iv)strengthen construction of fishery production service supporting system, greatly develop overseas fishing bases and ocean production platforms, and conduct a series of value-added services, such as fishing port wharf, fishing goods storage logistics, fishing vessel repair, ocean transportation and recharge.

## (II) Outlook of major business

### 1. Ocean fishery

The Company continues to develop the ocean fishery business with purse seine and longline fishing as the core business. First, in terms of tuna purse seine, five large-scale tuna seiners purchased by the company from overseas during the reporting period have all been put into operation, and plus two seiners from the west-central Pacific Ocean, there are now seven seiners in the Atlantic Ocean which will be an important part of the company's source of profit. In this year, the company will actively promote the replacement of the two tuna seiners in the Pacific Ocean, and strive for the launch and implementation of the project; second, in the aspect of tuna long-lining fishing, one ultra-low temperature long-lining fishing boat built for replacement during the reporting period will be completed and put into production in 2019. At the same time, the Company has become further familiar with the distribution of fishing grounds in the Indian Ocean as it continues to explore and develop this region. By reasonable coordination, the Company is able to maintain satisfying operating results and provide stable revenue source.

### 2. Refrigerated transport

Consolidate and enhance refrigerated transportation business. Ocean refrigerated transportation has always been the business segment contributing stable operating results for the Company. Based on the specific condition of refrigerated transportation market, we plan to gradually eliminate the old and small vessels with small capacity, to be replaced with those vessels with moderate capacity and relatively young shipping age. In the future, the company will actively explore the expansion of related shipping business while maintaining the dominant position of the refrigerated transport fleet in the international refrigerated shipping market.

### 3. Refrigeration, processing and trading

Actively develop and extend refrigeration, processing and trading business. First of all, the Company seeks development by innovation. It continues to optimize product structure to improve our competitiveness and risk-prevention ability. Second, it continues to increase acquisition, processing and sales of tunas fished by ocean fishery enterprises, making its best to expand both domestic and international market. Third, the Company increase development of new products and further-processed products with high added-value in addition to the existing business, expecting to make new point of growth. The fourth is to increase the innovation and implementation of production processes, improve the degree of production automation, improve production efficiency, save production costs, and improve production efficiency; Fifth, strengthen the construction and promotion of the brand "Haijinsi", and stabilize the leading position of "Haijinsi" series products in the country.

## (III) Future development strategy

By adherence to the strategic target, the Company captures the business opportunities in ocean fishery market in compliance with the development requirements as a listed company, preventing risks effectively and achieving stable performance. With ocean fishery as the major business, the Company endeavors to broaden brand recognition, explore ocean pasture and innovate profit model pursuant to the development idea of "hold fishery as major business, integrated with refrigeration, processing and trading, adjust structure and seek for transformation and upgrade", which facilitate the Company to realize development of modernization, information, digitization and intelligence.

## (IV) Working plan for 2019



Adhere to the concept of “Reform Development, Innovation Development, Standardized Development and Steady Development”, Under the working target of “maintain growth, emphasize regulation, adjust structure and promote transformation”, the Company plans to improve its development quality, enhance economic performance, focus on switch of new and old kinetic energy and market penetration, propel construction of significant projects, seeking for moderate and stable growth. In respect of the major problems restricting its development, the Company makes its best to conduct operation, adjust transformation, market penetration and regulate management, aiming to making new point of growth. Besides, it continues to strengthen and improve its ability of control, competitiveness, and influence and risk prevention, ensuring that the annual operating tasks could be successfully completed in full.

The first is to improve the management level of the Atlantic seine project, accelerate the improvement of various supporting measures, diversify the development of the sales market, and improve the project’s profitability. The second is to stabilize the profit level of the Indian Ocean tuna fishing project, explore new fisheries, scientifically dispatch, and operate in accordance with the laws and regulations to ensure a steady increase in fish catch. The third is to ensure the high quality and high standards of investment projects, accelerate the elimination of backward production capacity, and purchase and build new modern and intelligent production equipment. The fourth is to develop management ideas, update management concepts, innovate sales models, focus on cultivating new models of separating warehouse for tuna, strengthen the construction and promotion of brand “Haijinsi” brand, and stabilize the leading position of “Haijinsi” series products in China. The fifth is to promote the company to transform to be a stable export-oriented enterprise by the “orderly expansion of high-quality and normative overseas market projects”. The sixth is to propel the Company to transform into an innovative enterprise with innovation in technology, products, business and management.

#### (V) Potential risks and countermeasures

1. Risk of cyclical fluctuations in the fishery resources. Affected by the El Niño weather phenomenon and the La Niña phenomenon, oceanic fishery resources usually have cyclical fluctuations, and sometimes the fluctuations are large and the impacts on the industry benefits are larger.

Response measures: Explore new fisheries, scientifically dispatch, innovate fishing production equipment, and gradually renew production vessels. Make scientific and reasonable arrangements for ship maintenance, equipment maintenance, materials, fish bait, spare parts, and personnel logistics support to ensure the shipping rate.

2. Risk of sales price fluctuations. In 2018, compared with the previous year, the sales price of tuna declined to some extent, and the sales price in 2019 has great uncertainties.

Response measures: Expand the scale of self-support trade, develop markets outside Japan, and improve the relatively single and passive situation that we currently rely mainly on the Japanese market. Continue to strictly reduce costs and increase efficiency, and strive to achieve income and savings, while continuing to increase the backhaul of fishing.

3. Human resource risk. With the continuous improvement of salary levels and the increase of fishing vessels in recent years, the shortage of excellent crew members will continue and the liquidity will increase, which will have a certain impact on the company’s production and operation.

Response measures: Deepen the reform of crew recruitment mechanism, attract excellent crew members, increase the number of international crew members, and reduce labor costs. Strengthen humane care, do a good job in logistics support for crew members, relieve the crew’s worries, and stabilize the existing crew. Carry out reform of the internal compensation system of the enterprise and encourage excellent management talents to move to the front line. Increase the scientific assessment of production and management, encourage and constrain at the same

time, and stimulate the first-line production vitality.

4. Sales and storage risks of purse seine catches. With the full operation of all seven the catches are returned to domestic market appears to be single.

Response measures: Develop the European consumer market and the African local market, conduct price comparison sales, and stabilize the sales prices.

5. Risk of exchange rate fluctuations. Fluctuations in the exchange rate of the RMB against the US dollar and the Japanese Yen will directly affect the company's efficiency.

Response measures: Pay close attention to exchange rate trends, timely make settlement of foreign exchange, take the initiative to adopt effective financial instruments to lock in the exchange rate in advance, and minimize the exchange rate risks.

6. Risk of security incident

Response measures: Adhere to the safe production system, implement safety production measures, unremittingly pay close attention to safety education, eliminate major safety accidents, and effectively implement safety production as the top priority of production management.

## 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
2018-01-08	Telephone communication	Individual	Operation of the Company
2018-01-18	Telephone communication	Individual	Operation of the Company
2018-01-23	Telephone communication	Individual	Operation of the Company
2018-01-29	Telephone communication	Individual	Operation of the Company
2018-02-23	Telephone communication	Individual	The related transaction
2018-03-13	Telephone communication	Individual	Equity transfer
2018-11-09	Telephone communication	Individual	Equity transfer
2018-11-20	Telephone communication	Individual	Equity transfer
Reception (times)			8
Number of hospitality			0
Number of individual reception			8
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 2018.

The Company, though as a listed company offering B shares, has almost never conducted financing from securities market since its listing, which means the parent company and its subsidiaries could merely operate with its own profits made. Therefore, no mandatory dividend policy is issued on its subsidiaries before 2017. The two subsidiaries of the Company have bonus of RMB 92,964,100 contributed to the parent company in the period, the accumulative profit for common shareholders from the parent company at end of the period remains negative. During the reporting period, the two subsidiaries realized total net profit of RMB 78,644,000. The Company will demand the subsidiaries to make dividend payment to the parent company according to relevant requirements based on the audited results issued by Daxin Accounting Firm and other conditions.

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 of the cash bonus in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Proportion for cash bonus by other ways (i.e. share buy-backs)	Ratio of the cash bonus by other ways in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Total cash bonus (other ways included)	Ratio of the total cash bonus (other ways included) in net profit attributable to common stock shareholders of listed company contained in consolidation statement
2018	0.00	90,281,584.29	0.00%	0.00	0.00%	0.00	0.00%
2017	0.00	91,517,485.28	0.00%	0.00	0.00%	0.00	0.00%
2016	0.00	52,585,070.74	0.00%	0.00	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

Commitments	Promise	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for Share Merger Reform						
Commitments in report of acquisition or equity change	Shandong State-owned Assets Investment Holding Co., Ltd	Inter-industry Competition Commitment	1. The Company does not directly or indirectly own any shares or equity in other enterprises that may cause horizontal competition with Zhonglu Oceanic (hereinafter collectively referred to as “competitive enterprise”) or own any interest in any competing enterprise, and will not directly or indirectly invest or purchase the competitive enterprises; 2. For any business opportunities obtained by the Company and other enterprises controlled by the Company from any third party that constitute or may constitute substantial competition with the business of Zhonglu Oceanic, the Company will immediately notify Zhonglu Oceanic and give these	2018-07-23	Continuous and effective during the time with controlling of the Zhonglu Oceanic	In performance

			business opportunities to Zhonglu Oceanic so as to avoid the horizontal competition or potential horizontal competition with Zhonglu Oceanic; 3. The Company and other companies controlled by the Company will not provide business secrets such as technical information, technological process, and sales channels for other companies, enterprises, organizations or individuals that have business constituting competition with the business of Zhonglu Oceanic. 4. The Company promises not to damage the interests of Zhonglu Oceanic and other shareholders of Zhonglu Oceanic by utilizing the position of controlling shareholder; 5. The Company is willing to bear the direct and indirect economic losses, liability claims and additional expenses caused by the violation of above commitments to Zhonglu Oceanic.			
		Affiliated Transaction Commitment	1. The related transactions between the Company and other companies controlled by the Company and Zhonglu Oceanic are strictly in compliance with the relevant provisions of laws and regulations, and will be conducted on an equal and voluntary basis in	2018-07-23	Continuous and effective during the time with controlling of the Zhonglu Oceanic	In performance

			<p>accordance with the principles of fairness and equivalence, prices will be determined at a reasonable price recognized by the market. 2. The Company and other enterprises controlled by the Company will strictly abide by the provisions on the avoidance of related transactions in the articles of association of Zhonglu Oceanic, and the related transactions involved will be conducted in accordance with the decision-making procedures of related transactions of Zhonglu Oceanic, and will perform legal procedures and information disclosure obligations. 3. The Company and other enterprises controlled by the Company guarantee strict compliance with laws, regulations and regulatory documents and the relevant provisions of the articles of association of Zhonglu Oceanic, and exercise shareholder rights and perform shareholder obligations on an equal basis with other shareholders in accordance with legal procedures, and don't seek improper interests or harm the legitimate rights and interests of Zhonglu Oceanic and other shareholders by utilizing the position of controlling</p>			
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			shareholder. 4. The above commitments continue to be effective during the period that the Company controls Zhonglu Oceanic. If the Company fails to perform the commitments made in this commitment letter and causes losses and consequences to Zhonglu Oceanic, the Company will bear the corresponding liability for damage.			
Commitments in assets reorganization						
Commitments make in initial public offering or re-financing						
Equity incentive commitment						
Other commitments for medium and small shareholders						
Completed on time (Y/N)	Y					

**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

The Ministry of Finance released on 15 June 2018 the Notice relating to Amending and Printing of Financial Statement Forms of General Enterprises in 2018(CK[2018]No.30).enterprises adopting Enterprise Accounting

Standards shall prepare their financial statements for 2018 and other accounting periods according to the Enterprise Accounting Standards and the Notice.

Main influence for CK [2018] No.15 Revised of the Company are:

Changes of contents and reasons	Items changed	Amount changed	Re-stated amount last period	Items and amounts reported in the previous period
1. Together listed as Note receivable & Account receivable	Note receivable & Account receivable	63,961,900.00	38,792,912.89	Note receivable: 0 Yuan Account receivable: 38,792,912.89 Yuan
2. Interest receivable and Dividend receivable are included under the Other receivables	Other receivables	5,529,723.80	11,305,713.11	Interest receivable: 0 Yuan Dividend receivable: 0 Yuan Other receivables: 11,305,713.11 Yuan
3. Fixed assets disposal is included under the Fixed assets	Fixed assets	514,332,752.28	525,975,263.88	Fixed assets: 525,975,263.88 Yuan Fixed assets disposal: 0 Yuan
4. Engineering materials is included under the Construction in progress	Construction in progress	11,073,476.37	-	Construction in progress: 0 Yuan Engineering materials: 0 Yuan
5. Together listed as Note payable & Account payable	Note payable & Account payable	108,371,599.66	65,204,257.98	Note payable: 0 Yuan Account payable: 65,204,257.98 Yuan
6. Interest payable and Dividend payable are included under the Other payable	Other payable	7,043,693.95	6,535,561.08	Interest payable: 360,208.32 Yuan Dividend payable: 0 Yuan Other payable: 6,175,352.76 Yuan

## 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	16
Name of domestic CPA	Zhang Lifa; Chen Xiujian
Continuous fixed number of year for the auditing service provided by CPA in domestic CPA Firms	3

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

After approval and passed by the Annual General Meeting of 2017, the Company engaged PKF Daxin Certified Public Accountants LLP to be the auditing CPA for internal control 2018 of the Company, totally 100,000 Yuan are 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 or arbitrations for the Company in 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

In order to ease the pressure from capital shortage, Haiyan Company, the controlling subsidiary of the Company, made an capital increase by existing shareholders to secure sufficient capital for normal operation and new business development. In detail, Shandong State Investment contributed monetary capital of RMB100 million and the Company made monetary capital contribution of RMB28 million while abandoning the right to increase capital on a pro rata basis.

Related query of interim notice material related transactions

Notice name	Disclosure date	Website for disclosure
Capital Increment of the Controlling Subsidiary and Related Transaction on Abandoning Rights to Increased Capital in Proportion	2018-02-09	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## **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

The company had no trust financing in the reporting period.

#### **(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

Take on social responsibility and support social public welfare is part of the core value for the enterprise from beginning to end. We participate in social responsibility through respect for employees' rights, prevent and remedy pollution, promote sustainable utilization of resources, pay attention and participation in public welfare.

### 2. Targeted poverty alleviation social responsibility

#### (1) Targeted poverty alleviation

The Company is currently no targeted poverty alleviation.

#### (2) Summary of annual precision poverty alleviation

In 2018, the Company made proactive response to the Proposal for Devotion to Targeted Poverty Alleviation for Rural Areas addressed by Qingdao Securities Regulatory Bureau and Qingdao Listing Company Association, and participated the poverty alleviation program between Qingdao and Anshun, Guizhou, seeking for poverty alleviation assistance demands. During the reporting period, the company donated 190,000 yuan to five kindergartens in Anshun City through the Qingdao Education Development Foundation and the Anshun City Education Bureau for the Children's Personality Cultivation Teaching Method, which fosters children's empathy, cultural identity and attentional control.

#### (3) Accuracy of poverty alleviation

Target	Measurement units	Numbers/progress
I. general condition	—	—
Including: 1. Capital	In 10 thousand Yuan	19
II. Implemented by detail	—	—
1. Industrial development poverty	—	—
2. Transfer employment	—	—
3. Anti-poverty by relocating in other places	—	—
4. Education poverty	—	—
4.3 Fund contributed for improving educational resources in poverty-ridden region	In 10 thousand Yuan	19
5. Health poverty alleviation	—	—
6. Ecological conservation	—	—
7. Fallback protection	—	—
8. Social poverty alleviation	—	—

9. Other	—	—
III. Awards (content and level)	—	—

#### (4) Subsequent precision poverty alleviation program

The Company is currently no Subsequent precision poverty alleviation program.

### 3. Environment protection

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

No

Listed company and its subsidiary are not belongs to key pollution enterprise listed by Department of Environmental Protection

## XIX. Explanation on other significant events

√Applicable □Not applicable

Name	Date of disclosed	Internet website and retrieval path for disclosed information
Resolution Notice of 12 <sup>th</sup> session (temporary meeting) of 6 <sup>th</sup> BOD	2018-1-10	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Convening the First Extraordinary Shareholders General meeting of 2017	2018-1-10	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Performance Forecast for year of 2017	2018-1-10	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of First Extraordinary Shareholders General meeting of 2018	2018-1-26	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of 13 <sup>th</sup> session (temporary meeting) of 6 <sup>th</sup> BOD	2018-1-26	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of 14 <sup>th</sup> session (temporary meeting) of 6 <sup>th</sup> BOD	2018-2-9	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Capital Increment of the Controlling Subsidiary and Related Transaction on Abandoning Rights to Increased Capital in Proportion	2018-2-9	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Convening the Second Extraordinary Shareholders General meeting of 2018	2018-2-9	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Preliminary Earnings Estimate for Year of 2017	2018-2-9	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of Second Extraordinary Shareholders General meeting of 2018	2018-2-27	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution of 15 <sup>th</sup> session of 6 <sup>th</sup> BOD	2018-3-8	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution of 8 <sup>th</sup> session of 6 <sup>th</sup> Supervisory Committee	2018-3-8	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Summary of Annual Report 2017	2018-3-8	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Notice of Provision for Assets Impairment in 2017	2018-3-8	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

Progress of Major Events and Suggestive Announcement on Equity Transfer on Agreement from State-owned Shareholder	2018-4-9	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Performance Forecast for 1Q of 2018	2018-4-12	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
1Q of 2018	2018-4-27	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of 17 <sup>th</sup> session (temporary meeting) of 6 <sup>th</sup> BOD	2018-6-8	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Notice of Convening the AGM 2017	2018-6-8	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution of AGM of 2017	2018-6-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Suggestive Announcement on Changes in Shareholders' Equity	2018-7-24	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Suggestive Announcement on Changes in Shareholders' Equity	2018-8-15	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Summary of Semi-annual Report for year of 2018	2018-8-30	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Participate in Investor Online Reception Day	2018-9-20	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Government Grants Obtained by the Company and Subsidiaries	2018-10-9	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The Application for Exemption from Offer Obligation from Shandong State-Owned Assets Investment Holding Co., Ltd. Was Approved by CSRC	2018-10-10	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
3 Q Performance Forecast for year of 2018	2018-10-13	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
3Q of 2018	2018-10-26	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Suggestive Announcement on Changes in Shareholders' Equity	2018-11-8	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Completion of the ownership transfer for shares transfer by agreement	2018-11-20	<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 order to ease the pressure from capital shortage, Shandong Zhonglu Haiyan Distant Fishery Company Limited, the controlling subsidiary of the Company, made an capital increase by existing shareholders to secure sufficient capital for normal operation and new business development. In detail, Shandong State Investment contributed monetary capital of RMB100 million and the Company made monetary capital contribution of RMB28 million while abandoning the right to increase capital on a pro rata basis. Upon completion of this capital increase, the shareholding proportion of the Company increased to 59.05%, enabling it to maintain the role of controlling shareholder, which made Haiyan Company included in our consolidated statements. For details, please refer to the Connected Transaction Announcement relating to Capital Increase of the Controlling Subsidiary While Abandoning the Right to Increase Capital on a Pro Rata Basis (No.2018-07) disclosed on China Securities Journal, Hong Kong Commercial Daily and Juchao Information Website.

The fourth meeting of the 6<sup>th</sup> Board of Directors of the Company examined and approved the Proposal on the Purchase of Tuna Seine Boat Project, agreed the company's holding subsidiary – Shandong Zhonglu Haiyan Oceanic Fishery Co., Ltd. to purchase five tuna seine boats with ICCAT registered fishing license. The five tuna seine boats are put into operation up to the report disclosed.

## 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

Implementation progress of the share repurchases

 Applicable  Not applicable

Implementation progress of the reduction of repurchases shares by centralized bidding

 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

During the reporting period, in order to better realize the resource integration among the provincial state-owned enterprises, Shandong State-owned Assets Investment Holdings Co., Ltd., the controlling shareholder of the company, agreed to accept the state-owned legal person shares of the company of 37,731,320 shares (accounting for 14.18% of the company's total share capital) held by Shandong Lucion Investment Holding Group Co., Ltd., the second largest shareholder of the company, the transfer registration procedures for this share transfer have been completed. As of the end of the reporting period, the total number of shares of the company has not changed.

### 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	11,784	Total common stock shareholders at end of last month before annual report disclosed	11,759	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
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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 Assets Investment Holding Co., Ltd	State-owned legal person	47.25%	125,731,320	37,731,320	125,731,320			
Chen Tianming	Foreign nature person	2.16%	5,760,427			5,760,427		
Cai Yujiu	Domestic nature person	1.08%	2,881,900			2,881,900		
Haitong International Securities Company Limited-Account Client	Foreign legal person	0.77%	2,038,736			2,038,736		
China National Heavy Duty Truck Group Jinan Truck LLC	State-owned legal person	0.73%	1,950,000		1,950,000			
Shenwan HongYuan (H.K.) Limited	Foreign legal person	0.73%	1,939,154			1,939,154		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.72%	1,907,224			1,907,224		
Qu Yanping	Domestic nature person	0.63%	1,679,383			1,679,383		
Wang Dongsheng	Foreign nature person	0.46%	1,215,203			1,215,203		
Qin Jun	Domestic nature person	0.41%	1,083,820			1,083,820		
Strategy investors or general legal person becomes top 10 shareholders due to rights issued (if applicable)	Not applicable							

(see note3)			
Explanation on associated relationship among the aforesaid shareholders	Shandong State-owned Assets Investment Holding Co., Ltd has 20% shares of China National Heavy Duty Truck Group Jinan Truck LLC. 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
Chen Tianming	5,760,427	Domestically listed foreign shares	5,760,427
Cai Yujiu	2,881,900	Domestically listed foreign shares	2,881,900
Haitong International Securities Company Limited-Account Client	2,038,736	Domestically listed foreign shares	2,038,736
Shenwan HongYuan (H.K.) Limited	1,939,154	Domestically listed foreign shares	1,939,154
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	1,907,224	Domestically listed foreign shares	1,907,224
Qu Yanping	1,679,383	Domestically listed foreign shares	1,679,383
Wang Dongsheng	1,215,203	Domestically listed foreign shares	1,215,203
Qin Jun	1,083,820	Domestically listed foreign shares	1,083,820
Huang Jiayi	1,048,687	Domestically listed foreign shares	1,048,687
Lin Mingyu	964,001	Domestically listed foreign shares	964,001
Expiation on associated relationship	The Company is unknown whether there exists associated relationship or belongs to		

or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	consistent actor regulated by “ <i>management method for acquisition of listed company</i> ” among 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	Operating management and disposal on state-owned assets (shares), assets management, equity investment management and operation, enterprise re-construction, acquisition and combination, investment consultant
Equity of other domestic/oversea listed company control by controlling shareholder as well as stock-joint in report period	0.25% of China Merchants Bank Co., Ltd., 1.42% of Guangzhou Pubang Garden Co., Ltd., 0.51% of BY-HEALTH co., Ltd., 18.96% of Zhongtong Bus Holding Co., Ltd., 2.50% of Shandong Land& Mining Group Co., Ltd., 4.98% of Luyin Investment Group Co., Ltd., 2.06% of Lushang Property co., Ltd., 4.98% of Shandong Lubei Chemical Co., Ltd., 3.46% of Yinzuo Group co., Ltd., 4.76% of Shandong Xinhua Medical Devices Co., Ltd., 3.82% of Weichai Heavy Machinery Co., Ltd., 1.14% of Shandong Gold Mining Co., Ltd., 4.98% of Jicheng Electronics Co., Ltd., 1.82% of Yantai Zhenghai Magnetic Materials Co., Ltd., 1.79% of YUEYANG FOREST & PAPER Co., Ltd., 0.74% of China United Network Communications (Hong Kong) Co., Ltd., 0.78% of BAI00 Family Interactive Limited, 2.07% of Hanhuajin Holding Co., Ltd., 0.28% of Red Star Macalline Group Corporation Ltd., 2.25% of Luzheng Futures Co., Ltd., 0.44% of China Energy Engineering Corporation Limited, 1.36% of Shanghai Modern Pharmaceutical Co., Ltd., 1.48% of Guangzhou Holike Creative Home Co., Ltd., 1.82% of Jiangsu Guotai International Group International Trade			

	Co., Ltd., 1.69% of Beijing Dangsheng Materials Technology Co., Ltd., 4.57% of Shenzhen AOTO Electronics Co., Ltd., 0.90% of Shandong Pharmaceutical Glass Co., Ltd., 0.37% of Yunnan Tin Industry Co., Ltd.
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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

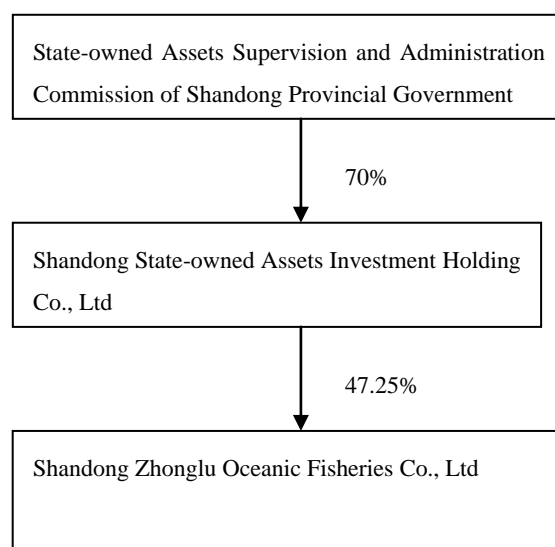
Actual controller	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
State-owned Assets Supervision and Administration Commission of Shandong Provincial Government	Zhang Bin	2004-06-18	004327297	Performing responsibilities of investors, monitoring the 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

**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(F/M)	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)
Lu Lianxing	Director/President	Currently in office	M	53	2018-01-25	2019-05-18	0	0	0	0	0
Lu Xiaonan	Director	Currently in office	M	45	2016-05-19	2019-05-18	0	0	0	0	0
Jiang Lu	Independent director	Currently in office	M	59	2016-05-19	2019-05-18	0	0	0	0	0
Song Xiliang	Independent director	Currently in office	M	53	2016-05-19	2019-05-18	0	0	0	0	0
Sui Jianshi	Director/Deputy GM	Off-office	M	59	2017-03-02	2019-01-04	0	0	0	0	0
Wang Huan	Director/GM	Currently in office	M	50	2018-06-07	2019-05-18	0	0	0	0	0
Li Ming	Director/Deputy GM/Secretary of the Board	Currently in office	M	53	2016-05-19	2019-05-18	0	0	0	0	0
Zhang Liqing	Chairman of Supervisory Committee	Currently in office	F	53	2016-05-19	2019-05-18	0	0	0	0	0

Hou Zhenkai	Supervisor	Off-office	M	36	2016-05-19	2019-01-22	0	0	0	0	0
Huang Wei	Supervisor	Currently in office	F	39	2019-01-22	2019-05-18	0	0	0	0	0
Qiu Hong	Supervisor	Currently in office	F	51	2017-12-29	2019-05-18	0	0	0	0	0
Zhao Minkun	CFO	Off-office	M	35	2017-08-29	2019-01-04	0	0	0	0	0
Fu Chuanhai	CFO	Currently in office	M	46	2019-01-04	2019-05-18	0	0	0	0	0
Total	--	--	--	--	--	--	0	0	0	0	0

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

√ Applicable    □ Not applicable

Name	Title	Type	Date	Reasons
Wang Huan	GM	Appoint & remove	2018-06-07	Re-appointment as GM of the Company from deputy GM

## 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

Lu Lianxing, holds a university degree, is a member of the Communist Party of China. He used to be the deputy manager and manager of Shandong Leather Industry Corporation Import and Export Company, the deputy chief accountant, chief accountant, general manager, chairman and deputy party secretary of Shandong Leather Industry Corporation, and the general manager and secretary of the party committee of Shandong Qilu Petrochemical Joint Development Corporation, the chairman and party secretary of Shandong Zhonglu Oceanic Fisheries Co., Ltd., the vice president and party committee member of Shandong State-owned Assets Investment Holding Co., Ltd., and the chairman of Shandong Dongyin Investment Co., Ltd.; he currently serves as the member of party standing committee, director, secretary of the board of Shandong State-owned Assets Investment Holdings Co., Ltd.. From January 25, 2018, he serves as the director and chairman of the Company.

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, director of disciplinary inspection and supervision office of Shandong State-Owned Assets Investment Holding Co., Ltd as well as the GM of capital operation centre; now he serves as minister of the general affairs in Shandong State-Owned Assets Investment Holding Co., Ltd, supervisor of Shandong Assets Management Operation Co., Ltd. and Shandong State-owned Assets Investment, the chairman of the supervisory of Zhongtong Bus Holding



Co., Ltd. He serves as director of the Company since 19 May 2016.

Wang Huan, university degree, holds a bachelor degree in economics. He used to be the deputy manager of the ocean management department of Shandong Zhonglu Oceanic Fisheries Co., Ltd., the business supervisor of fishery project in Ghana, the leader of fishery project in Gambia, and the chairman and general manager of Shandong Zhonglu Aquatic Marine Co., Ltd. From March 3, 2016, he served as the deputy general manager of the Company. Since June 7, 2018, he has served as the general manager of the Company. From January 22, 2019, he serves as a director of the Company.

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 Shandong 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.

Li Ming, university degree, an economist, member of the CPC and member of the party committee of the Company. He serves as deputy GM of the Company since April 2007, and also serves as deputy GM and secretary of the Board of the Company since April 2015; servers as staff director of the Company since 29 December 2017.

## 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 Inspur Group , director of auditing department (discipline inspection dept.) and director of the auditing dept. in Shandong State-Owned Assets Investment Holding Co., Ltd; now she acts chairman of supervisory of Shandong Assets Management Operation Co., Ltd, chairman of supervisory of Inspur Group , supervisor of Shandong State-owned Assets Investment Holding and Shandong Ocean Investment Co., Ltd, she serves as chairman of supervisory committee of the Company since 19 May 2016.

Huang Wei, a master of economics, holds a university degree, is a member of the Communist Party of China. Used to be the director of channel business of Pacific Life Insurance Jinan Branch, the director of channel business and deputy general manager of Aviva-Cofco Jinan Branch, the chief representative of ERGO Insurance Group Jinan Representative Office, the deputy general manager of Shandong Dongyin Investment Co., Ltd., and the deputy general manager of Shandong Juneng Investment Co., Ltd.; currently serves as the deputy director of risk management department of Shandong State-owned Assets Investment Holdings Co., Ltd.; serves as a supervisor of the Company from January 22, 2019.

Qiu Hong, university degree, member of the CPC. She served as director of the GM Office and deputy director of department of party work and deputy director of the discipline inspection department of the Company in last five years; now she serves as director of the discipline inspection department of the Company. She serves as staff supervisor of the Company since 29 December 2017.

### 3. Senior executive

Fu Chuanhai, holds a master's degree. He used to be an auditing project manager and deputy manager of Shandong Zhengyuan Hexin Certified Public Accountants; a deputy director of the financial department of Himin Group; and a deputy director of the auditing center of Linuo Group; chief accountant of China Resources Shandong Pharmaceutical Co., Ltd.; and chief financial officer of Zhongtai Xincheng Asset Management Co., Ltd. Since January 4, 2019, he has been the chief financial officer of the Company.

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 (Y/N)
Lu Lianxing	Shandong State-owned Assets Investment	Standing Committee of the Party Committee, Director and secretary of the Board			Y
Lu Xiaonan	Shandong State-owned Assets Investment	Minister of the general affairs			Y
Zhang Liqing	Shandong State-owned Assets Investment	Supervisor			Y
Huang Wei	Shandong State-owned Assets Investment	Deputy director of the risk management 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 (Y/N)
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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 (F/M)	Age	Post-holding status	Total remuneration obtained from the Company	Whether remuneration obtained from related party of the Company (Y/N)
Lu Lianxing	Director, President	M	53	Currently in office	0	Y
Lu Xiaonan	Director	M	45	Currently in office	0	Y
Jiang Lu	Independent director	M	59	Currently in office	4	N
Song Xiliang	Independent director	M	53	Currently in office	4	N
Sui Jianshi	Director, Deputy GM	M	59	Currently in office	39.64	N
Li Ming	Director, Deputy GM, secretary of the Board	M	53	Currently in office	39.64	N
Zhang Liqing	Chairman of supervisory committee	F	53	Currently in office	0	Y
Hou Zhenkai	Supervisor	M	36	Currently in	0	Y

				office		
Qiu Hong	Supervisor	F	51	Currently in office	17.81	N
Wang Huan	GM	M	50	Currently in office	43.75	N
Zhao Minkun	CFO	M	35	Currently in office	39.64	N
Total	--	--	--	--	188.48	--

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)	138
Serving staff in main subsidiaries (person)	806
Total serving staff (person)	944
Total staff in payroll in current period (person)	944
Retired staff with charges paid by the parent company and main subsidiaries (person)	90
Professional constitution	
Type	Number
Production personnel	779
Sales man	25
Technicians	16
Financial personnel	26
Administrative personnel	98
Total	944
Education background	
Type	Number
Master's degree	12
Bachelor degree	68
Junior college	136
Technical secondary school	104
High school or below	624
Total	944

## **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. Independent 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 assets 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
First Extraordinary Shareholders Meeting of 2018	Extraordinary shareholders meeting	48.09%	25 Jan. 2018	26 Jan. 2018	“Resolution Notice of First Extraordinary Shareholders Meeting of 2018” (No.: 2018-04) published on <i>China Securities Journal</i> , <i>Hong Kong Commercial Daily</i> and Juchao Website
Second Extraordinary Shareholders Meeting of 2018	Extraordinary shareholders meeting	47.42%	26 Feb. 2018	27 Feb. 2018	“Resolution Notice of Second Extraordinary Shareholders Meeting of 2018” (No.: 2018-10) published on <i>China Securities Journal</i> , <i>Hong Kong Commercial Daily</i> and Juchao Website
Annual General Meeting of 2017	AGM	49.19%	28 Jun. 2018	29 Jun. 2018	“Annual General Meeting of 2017” (No.: 2018-20) 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							
Independent director	Times attending the Board Meeting in the period	Times attending the Board on-site	Times attending the Board Meeting by communication	Times present a proxy to the Board	Times be absent from the Board Meeting	Whether He/She have not attended the Board Meeting in person for two consecutive times (Y/N)	Times attending the Shareholders General Meeting
Jiang Lu	8	2	6	0	0	N	3
Song Xiliang	8	2	6	0	0	N	3

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 2017”, “1<sup>st</sup> Q Report of 2018”, “Semi-Annual Report of 2018”, “3<sup>rd</sup> Q Report of 2018” and relevant events respectively.

## 2. Final report of the auditing works for year of 2018 from PKF Daxin Certified Public Accountants

Auditing committee took an all-around review on auditing works for year of 2018 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 2019 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 2019 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 two meetings which seriously reviewed the qualification of director and GM candidates in accordance with the requirements of "Nomination 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. Self-appraisal Report of Internal Control

Disclosure date of full internal control appraisal report	8 March 2019	
Disclosure index of full internal control appraisal report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>	
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	98.99%	
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	99.06%	
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 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 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 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 systematic-ness is invalid. Significant deficiencies: The deficiencies caused by single deficiency or together with other deficiencies of which the severity, direct or potential negative

	major or significant deficiencies.	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.
Quantitative criteria	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;	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;
Amount of significant defects in financial reports		0
Amount of significant defects in non-financial reports		0
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 (Zhonglu), 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)	8 March 2019
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 [2019] No. 3-00024

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

#### I. Opinion

We have audited the 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, 2018, 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

#### II. Basis for Opinion

We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants and have fulfilled our other ethical responsibilities in accordance with the Code.

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

#### III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

##### A. The recognition of revenue

###### 1. The Matter

As described in the Accounting Policies in note 3.22 Revenue, disclosed in note 5.29 the amount of revenue recognized and 12.1 income of each section to the Financial Statements, the company's revenue in year 2018 reached RMB102.33 million, an increase of 10.74% compared with 2017. The company's mainly business are oceanic fishing, aquatic products processing. Generally, revenue of oceanic fishing is recognized when receiving most of the payment from customers and delivering the goods. In the case of export sales in local countries, revenue is recognized when obtaining shipping bills and bills of lading. Aquatic products are mainly processed for export, while the export sales confirm the revenue when they get the customs declaration form and shipping list. As revenue is one of the company's key performance indicators, the management may have a significant risk of misstatement in the aspect of income recognition .we identified the recognition of revenue as a key audit matter.

## 2. Audit response

(1) We interviewed the management about the business processes of different revenue segments and evaluated the design and operation effectiveness of key internal controls of related revenue recognition.

(2)Through consulting sales contracts, sales invoice, outbound orders, customer statements, bill of lading under different business models and other interviews with management, we assessed the significant risk associated with product revenue recognition and the timing of compensation transfers, as well as whether revenue recognition meets the requirements of Accounting Standards for Business Enterprise.

(3) We performed sampling test on related supportive documents of revenue recognition during the reporting period, including sales contracts, outbound orders, export declarations, bills of lading, customer sign receipts and so on. We also checked the collection of sales revenue and performed confirmation procedure.

(4) For oceanic fishing, we analyzed and judged the possibility and rationality of the fishing quantity and sales quantity by checking the key operation index such as operating vessel numbers, operating days in the whole year, major operating maritime space, fuel consumption, and also referring to historic seine tuna fishing quantity and sales quantity. Due to the aquatic products are mainly processed for export, we made a comparative analysis of the confirmed revenue amount and the e-port information of China customs to analyze and judge the authenticity of export revenue.

(5)We conducted a cut-off test for revenue recognition, and checked if there's revenue recognized in improper reporting period by reviewing supportive documents of revenue around balance sheet date.

## B.The impairment of inventory

### 1.The Matter

As disclosed in note 3.12 the policy of inventory accounting and note 5.5 inventory book balance and provision for diminution in value of inventories, the Company held RMB 333.19 million of inventory book balance as well as RMB 2.60 million of impairment reserve, and RMB 330.59 million of the carrying amount, of which accounted for 27.25% of total assets at December 31 2018. In view of the significant amount of inventories and the impairment reserve accrual process can make significant influence on management, we identified the book balance and provision for diminution in value of inventories as a key audit matter.

### 2.Audit response

Our audit procedures aimed at inventory impairment preparations are mainly include:

- (1)Understand, evaluate and test the design and implementation of internal control related to inventory management and impairment reserve for company.
- (2)Obtain the age list of inventory at the end of period, and conduct an analytical review of the long-age inventory to confirm whether the provision for inventory depreciation is reasonable.
- (3)Supervise the inventory, check the quantity and status of the inventory and the expiration date of the product; for the inventory of the overseas company, the auditor went to the overseas company to conduct the supervision and check the fishing situation of the vessel in November 2018, and in the follow-up audit process checked the sales and collection of inventory.
- (4)Check the implementation of relevant accounting policies and the changes in the inventory impairment of the previous year, and analyze whether the provision for inventory impairment is sufficient. Obtain the latest price of tuna in Japan's Shimizu fishery around the balance sheet date, and compare the price of sample sold in 2019 with the price we estimated.
- (5) Obtain management's relevant basis for impairment calculation,check the critical data and recalculate to evaluate the accuracy of management's impairment calculation process, and review whether the financial statements are adequately and appropriately disclosed.

## IV. Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with



the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **V. Responsibilities of the Directors and Those Charged with Governance for the Financial Statements**

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **VI. Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

D. Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

E. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.

Certified Public Accountant of China      chenxiujian  
(Engagement partner)

Certified Public Accountant of China      zhanglifa

Beijing . China

Date: March 6 , 2019

# Consolidated Balance Sheet

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

Dec 31,2018

Unit:RMB Yuan

Item	Note	As at 31/12/2018	As at 1/1/2018
Current assets:			
Cash at bank and on hand	5.1	183,453,073.56	147,489,843.54
Financial assets measured at fair value through profit or loss for the current period			
Derivative financial assets			
Notes receivable and Accounts receivable	5.2	63,961,900.00	38,792,912.89
Including:Notes receivable			
Accounts receivable		63,961,900.00	38,792,912.89
Prepayments	5.3	22,389,784.46	18,573,111.58
Other receivables	5.4	5,529,723.80	11,305,713.11
Including:Interest receivable			
Dividends receivable			
Inventories	5.5	330,591,120.00	243,744,590.07
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	5.6	32,310,466.77	30,081,962.56
Total current assets		638,236,068.59	489,988,133.75
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	30,464,518.89	31,694,375.13
Property, plant and equipment	5.9	514,332,752.28	525,975,263.88
Construction in process	5.10	11,073,476.37	
Productive biological assets			
Oil and gas assets			
Intangible assets	5.11	13,665,376.82	13,495,947.76
Development expenditures			
Goodwill			
Long-term deferred expenses	5.12	524,811.27	516,181.25

Deferred tax assets	5.13	1,926,163.26	286,696.05
Other non-current assets	5.14	3,059,416.20	3,527,165.98
Total of non-current assets		575,046,515.09	575,495,630.05
Total of assets		1,213,282,583.68	1,065,483,763.80

Legal representative: Lulianxing      Person in charge of accounting function: fuchuanhai      Person in charge of accounting department: leilixin

## Consolidated Balance Sheet (Continued)

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

Dec 31, 2018

Unit: RMB Yuan

Item	Note	As at 31/12/2018	As at 1/1/2018
Current liabilities:			
Short-term loans	5.15	78,352,320.05	176,394,931.62
Financial liabilities measured at fair value through profit or loss for the current period			
Derivative financial liabilities			
Notes payable and Accounts payable	5.16	108,371,599.66	65,204,257.98
Advances from customers	5.17	17,561,329.01	19,875,122.76
Employee benefits payable	5.18	44,016,063.96	42,854,174.79
Taxes and surcharges payable	5.19	2,841,394.90	3,378,698.19
Other payables	5.20	7,043,693.95	6,535,561.08
Including: Interest payable		245,808.33	360,208.32
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	5.21	866,585.48	866,585.48
Other current liabilities			
Total of current liabilities		259,052,987.01	315,109,331.90
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: Preference shares			
Perpetual loans			
Other long-term payables			
Long-term employee benefits payable	5.22	1,513,560.34	1,577,667.63

Provisions			
Deferred income	5.23	8,839,283.66	9,705,869.14
Deferred tax liabilities			
Other non-current liabilities			
Total of non-current liabilities		10,352,844.00	11,283,536.77
Total of liabilities		269,405,831.01	326,392,868.67
Equity:			
Share capital	5.24	266,071,320.00	266,071,320.00
Other equity instruments			
Including: Preference shares			
Perpetual loans			
Capital reserve	5.25	284,054,997.75	279,998,206.82
Less:treasury shares			
Other comprehensive income	5.26	-675,743.05	-6,075,014.12
Special reserve			
Surplus reserve	5.27	21,908,064.19	21,908,064.19
Retained earnings	5.28	232,148,801.35	141,867,217.06
Equity attributable to parent company		803,507,440.24	703,769,793.95
Minority interests		140,369,312.43	35,321,101.18
Total equity		943,876,752.67	739,090,895.13
Total liabilities and equity		1,213,282,583.68	1,065,483,763.80

Legal representative: Lulianxing  
 accounting department: leilixin

Person in charge of accounting function: fuchuanhai

Person in charge of

## Balance Sheet

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

Dec 31, 2018

Unit: RMB

Item	Note	As at 31/12/2018	As at 1/1/2018
Current assets:			
Cash at bank and on hand		58,180,225.27	48,034,853.41
Financial assets measured at fair value through profit or loss for the current period			
Derivative financial assets			
Notes receivable and Accounts receivable	13.1	4,640,846.24	8,484,060.27
Including: Notes receivable			
Accounts receivable		4,640,846.24	8,484,060.27

Prepayments		2,745,721.08	2,760,665.71
Other receivables	13.2	174,132,348.14	64,689,774.99
Including: Interest receivable			
Dividends receivable		92,964,132.10	
Inventories		39,765,975.21	49,373,616.72
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		1,703,493.59	1,016,912.35
Total current assets		281,168,609.53	174,359,883.45
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables		5,432,212.74	5,397,947.02
Long-term equity investments	13.3	232,189,455.23	204,189,455.23
Investment property		30,464,518.89	31,694,375.13
Property, plant and equipment		66,833,497.57	76,550,539.61
Construction in process			
Productive biological assets			
Oil and gas assets			
Intangible assets		1,106,244.75	525,800.21
Development expenditures			
Goodwill			
Long-term deferred expenses		302,589.05	516,181.25
Deferred tax assets			
Other non-current assets		426,581.20	196,581.20
Total of non-current assets		336,755,099.43	319,070,879.65
Total of assets		617,923,708.96	493,430,763.10

Legal representative: Lulianxing  
 accounting department: leilixin

Person in charge of accounting function: fuchuanhai

Person in charge of

## Balance Sheet (Continued)

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

Dec 31, 2018

Unit: RMB

Item	Note	As at 31/12/2018	As at 1/1/2018
------	------	------------------	----------------

Current liabilities:			
Short-term loans			
Financial liabilities measured at fair value through profit or loss for the current period			
Derivative financial liabilities			
Notes payable and Accounts payable		8,034,779.37	14,290,700.38
Advances from customers		9,957,655.47	3,883,689.36
Employee benefits payable		19,729,495.62	22,130,930.92
Taxes and surcharges payable		333,936.38	278,991.52
Other payables		78,713,961.06	67,530,200.11
Including: Interest payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total of current liabilities		116,769,827.90	108,114,512.29
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: Preference shares			
Perpetual loans			
Other long-term payables			
Long-term employee benefits payable		1,092,153.95	1,127,604.68
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total of non-current liabilities		1,092,153.95	1,127,604.68
Total of liabilities		117,861,981.85	109,242,116.97
Equity:			
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		-64,310,165.40	-180,183,246.38
Total equity		500,061,727.11	384,188,646.13
Total liabilities and equity		617,923,708.96	493,430,763.10

Legal representative: Lulianxing  
 accounting department: leilixin

Person in charge of accounting function: fuchuanhai

Person in charge of

## Consolidated Statement of Income

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

For the year ended 31 December 2018

Unit: RMB

Item	Note	As at 31/12/2018	As at 1/1/2018
1. Operating income	5.29	1,023,348,055.53	924,116,785.80
Less: Operating cost	5.29	851,104,238.77	760,114,055.67
Taxes and surcharges	5.30	2,952,542.96	2,893,283.05
Selling and distribution expenses	5.31	35,257,027.14	14,174,043.49
General and administrative expenses	5.32	61,300,717.66	56,525,982.12
Research and development expenses			
Finance expenses	5.33	-4,287,046.06	16,828,357.12
Including: Interest cost		5,170,331.97	8,129,314.22
Interest income		513,573.16	453,193.11
Impairment on assets	5.34	4,200,111.14	5,781,049.23
Add: Other income	5.35	29,185,715.50	26,760,985.48
Investment income("-" for loss)			
Including: Investment income from associates and joint ventures			
Gains from disposal of assets("-" for loss)			
Gain from fair value changes("-" for loss)	5.36	-144,859.41	422,100.74
2. Operating profits("-" for loss)		101,861,320.01	94,983,101.34
Add: Non-operating income	5.37	325,858.06	3,228,686.87
Less: Non-operating expenses	5.38	674,407.58	311,946.57
3. Profit before tax("-" for loss)		101,512,770.49	97,899,841.64
Less: Income tax expenses	5.39	3,450,194.27	2,744,853.05

4. Net profit("-" for net loss)		98,062,576.22	95,154,988.59
1) Profit or loss from continuing operations("-" for net loss)		98,062,576.22	95,154,988.59
2) Profit or loss from discontinued operations("-" for net loss)			
1) Net profit attributable to parent company("-" for net loss)		90,281,584.29	91,517,485.28
2) Profit/loss attributable to minority share-holders("-" for net loss)		7,780,991.93	3,637,503.31
5. Other comprehensive income, net of tax		6,723,281.32	-6,823,841.48
Total other comprehensive income attributable to parent company		5,399,271.07	-5,409,955.05
(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		5,399,271.07	-5,409,955.05
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		5,399,271.07	-5,409,955.05
6) Others			
Other comprehensive income attributable to minority share-holders, net of tax		1,324,010.25	-1,413,886.43
6. Total comprehensive income		104,785,857.54	88,331,147.11
Total comprehensive income attributable to share-holders of parent company		95,680,855.36	86,107,530.23
Total comprehensive income attributable to minority share-holders		9,105,002.18	2,223,616.88
7. Earnings per share			
(1) Basic earnings per share		0.34	0.34
(2) Diluted earnings per share		0.34	0.34

Legal representative: Lulianxing  
accounting department: leilixin

Person in charge of accounting function: fuchuanhai

Person in charge of

## Statement of Income

Item	Note	As at 31/12/2018	As at 1/1/2018
1.Operating income	13.4	196,795,209.39	144,277,906.55
Less: Operating cost	13.4	145,880,407.70	91,872,006.62
Taxes and surcharges		684,300.47	679,940.56
Selling and distribution expenses		17,349,906.40	8,609,358.81
General and administrative expenses		25,924,371.10	28,179,715.55
Research and development expenses			
Finance expenses		-977,099.68	1,449,077.72
Including: Interest cost		1,418,278.77	1,514,336.30
Interest income		272,307.27	280,095.44
Impairment on assets		151,243.54	508,778.67
Add:Other income		15,418,300.00	13,552,100.00
Investment income("-" for loss)	13.5	92,964,132.10	
Including: Investment income from associates and joint ventures			
Gain from fair value changes("-" for loss)			
Gains from disposal of assets("-" for loss)			413,354.51
2.Operating profits("-" for loss)		116,164,511.96	26,944,483.13
Add: Non-operating income		22,569.02	3,010,737.38
Less: Non-operating expenses		314,000.00	270,249.19
3.Profit before tax("-" for loss)		115,873,080.98	29,684,971.32
Less: Income tax expenses			
4.Net profit("-" for net loss)		115,873,080.98	29,684,971.32
(1) Profit or loss from continuing operations			
(2)Profit or loss from discontinued operations			
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		115,873,080.98	29,684,971.32
7. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative: Lulianxing  
 accounting department: leilixin

Person in charge of accounting function: fuchuanhai

Person in charge of

## Consolidated Statement of Cash Flows

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

For the year ended 31 December 2018

Unit: RMB Yuan

Item	Note	As at 31/12/2018	As at 1/1/2018
1. Cash flows from operating activities			
Cash received from sales and services		1,009,191,659.05	937,924,177.76
Taxes and surcharges refunds		52,916,366.93	60,397,864.61
Cash received related to other operating activities	五、（四十）	40,209,712.63	33,096,388.68
Total cash inflows from operating activities		1,102,317,738.61	1,031,418,431.05
Cash paid for goods and services		820,767,322.08	803,413,479.45
Cash paid to and for employees		135,310,638.26	122,484,248.87
Taxes and surcharges cash payments		12,736,545.08	5,930,500.68
Cash paid related to other operating activities	五、（四十）	63,867,337.54	36,384,307.56
Total cash outflows from operating activities		1,032,681,842.96	968,212,536.56
Net cash flows from operating activities		69,635,895.65	63,205,894.49
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		66,101.40	703,494.70
Net cash received from disposal of subsidiaries and other business units			
Cash received related to other investing activities			

Total cash inflows from investing activities		66,101.40	703,494.70
Cash paid for property, plant and equipment,intangible assets and other long-term assets		38,645,395.27	149,566,249.27
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		38,645,395.27	149,566,249.27
Net cash flows from investing activities		-38,579,293.87	-148,862,754.57
3.Cash flows from financing activities:			
Cash received from investments by others		100,000,000.00	
Including: Cash received by subsidiaries from minority shareholders' investments		100,000,000.00	
Cash received from borrowings		124,663,840.58	216,117,252.93
Cash received related to other financing activities			
Total cash inflows from financing activities		224,663,840.58	216,117,252.93
Cash repayments for debts		222,589,747.85	94,579,750.06
Cash payments for distribution of dividends, profit and interest expenses		5,218,646.53	7,911,683.02
Including: Dividends or profit paid by subsidiaries to minority shareholders			
Cash paid related to other financing activities			
Total cash outflows from financing activities		227,808,394.38	102,491,433.08
Net cash flows from financing activities		-3,144,553.80	113,625,819.85
4.Effect of foreign exchange rate changes on cash and cash equivalents		7,787,725.68	-9,639,269.73
5.Net increase in cash and cash equivalents		35,699,773.66	18,329,690.04
Add:beginning balance of cash and cash equivalents		147,067,351.82	128,737,661.78
6.Ending balance of cash and cash equivalents		182,767,125.48	147,067,351.82

Legal representative: Lulianxing  
 accounting department: leilixin

Person in charge of accounting function: fuchuanhai

Person in charge of

## Statement of Cash Flows

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

For the year ended 31 December 2018

Unit: RMB

Item	Note	As at 31/12/2018	As at 1/1/2018
1.Cash flows from operating activities			
Cash received from sales and services		192,640,702.72	141,631,041.41

Taxes and surcharges refunds			
Cash received related to other operating activities		20,435,313.75	17,853,926.89
Total cash inflows from operating activities		213,076,016.47	159,484,968.30
Cash paid for goods and services		107,932,129.20	70,513,904.42
Cash paid to and for employees		44,366,095.23	32,792,031.58
Taxes and surcharges cash payments		888,132.93	754,683.14
Cash paid related to other operating activities		25,738,044.04	17,176,220.60
Total cash outflows from operating activities		178,924,401.40	121,236,839.74
Net cash flows from operating activities		34,151,615.07	38,248,128.56
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 equipement,intangible assets and other long-term assets			548,468.64
Net cash received from disposal of subsidiaries and other business units			
Cash received related to other investing activities		10,000,000.00	
Total cash inflows from investing activities		10,000,000.00	548,468.64
Cash paid for property, plant and equipement,intangible assets and other long-term assets		1,384,864.55	1,465,010.50
Cash payments for investments		28,000,000.00	
Net cash paid for acquiring subsidiaries and other business units			
Cash paid related to other investing activities		11,596,396.40	14,482,617.25
Total cash outflows from investing activities		40,981,260.95	15,947,627.75
Net cash flows from investing activities		-30,981,260.95	-15,399,159.11
3.Cash flows from financing activities:			
Cash received from investments by others			
Cash received from borrowings			
Cash received related to other financing activities		7,000,000.00	7,000,000.00
Total cash inflows from financing activities		7,000,000.00	7,000,000.00
Cash repayments for debts			
Cash payments for distribution of dividends, profit and interest expenses			
Cash paid related to other financing activities			24,500,000.00
Total cash outflows from financing activities			24,500,000.00
Net cash flows from financing activities		7,000,000.00	-17,500,000.00
4. Effect of foreign exchange rate changes on cash and cash equivalents		-24,982.26	-322,072.93
5. Net increase in cash and cash equivalents		10,145,371.86	5,026,896.52

Add:beginning balance of cash and cash equivalents		48,034,853.41	43,007,956.89
6. Ending balance of cash and cash equivalents		58,180,225.27	48,034,853.41

Legal representativeLegal: lulianxing      Person in charge of accounting function:fuchuanhai      Person in charge of  
accounting department:leilixin

## Consolidated Statement of Changes in Equity

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

For the year ended 31 December 2018

Unit:RMB

Item	Year 2018												
	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		-6,075,014.12		21,908,064.19	141,867,217.06	703,769,793.95	35,321,101.18	739,090,895.13
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		-6,075,014.12		21,908,064.19	141,867,217.06	703,769,793.95	35,321,101.18	739,090,895.13
3. Movement for current year ("-" for decrease)					4,056,790.93		5,399,271.07			90,281,584.29	99,737,646.29	105,048,211.25	204,785,857.54
(1) Total comprehensive income							5,399,271.07			90,281,584.29	95,680,855.36	9,105,002.18	104,785,857.54
(2) Shareholder's contributions and withdrawals of capital					4,056,790.93						4,056,790.93	95,943,209.07	100,000,000.00
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					4,056,790.93					4,056,790.93	95,943,209.07	100,000,000.00	
(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				284,054,997.75		-675,743.05		21,908,064.19	232,148,801.35	803,507,440.24	140,369,312.43	943,876,752.67

Legal representative: lulianxing

Person in charge of accounting function: fuchuanhai

Person in charge of accounting department: leilixin

## Consolidated Statement of Changes in Equity (Continued)

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

For the year ended 31 December 2018

Unit:RMB

Item	Year 2017												
	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		-665,059.07		21,908,064.19	50,349,731.78	617,662,263.72	33,097,484.30	650,759,748.02
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		-665,059.07		21,908,064.19	50,349,731.78	617,662,263.72	33,097,484.30	650,759,748.02
3.Movement for current year("-" for decrease)							-5,409,955.05			91,517,485.28	86,107,530.23	2,223,616.88	88,331,147.11
(1) Total comprehensive income							-5,409,955.05			91,517,485.28	86,107,530.23	2,223,616.88	88,331,147.11
(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				279,998,206.82		-6,075,014.12		21,908,064.19	141,867,217.06	703,769,793.95	35,321,101.18	739,090,895.13

Legal representative: lulianxing

Person in charge of accounting function: fuchuanhai

Person in charge of accounting department: leilixin

## Statement of Changes in Equity

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

For the year ended 31 December 2018

Unit: RMB

Item	Year 2018										
	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	-180,183,246.38	384,188,646.13
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	-180,183,246.38	384,188,646.13
3. Movement for current year("-" for decrease )										115,873,080.98	115,873,080.98
(1) Total comprehensive income										115,873,080.98	115,873,080.98
(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				279,115,900.17				19,184,672.34	-64,310,165.40	500,061,727.11

Legal representative: lulianxing

Person in charge of accounting function: fuchuanhai

Person in charge of accounting department: leilixin

## Statement of Changes in Equity (Continued)

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

For the year ended 31 December 2018

Unit: RMB

Item	Year 2017										
	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	-209,868,217.70	354,503,674.81
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	-209,868,217.70	354,503,674.81
3. Movement for current year("-" for decrease)										29,684,971.32	29,684,971.32
(1) Total comprehensive income										29,684,971.32	29,684,971.32
(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	-180,183,246.38	384,188,646.13
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Legal representative: lulianxing

Person in charge of accounting function: fuchuanhai

Person in charge of accounting department: leilixin

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

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

(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, 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, discipline inspection department.

1.2 The Company's business nature and main operation activities, like its industry, primary product or service, customers' nature, trading strategy and supervisory environment etc.

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 6th March, 2019.

1.4 The consolidation scope of financial year 2018 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. ; 4 sub-subsidiaries: LAIF FISHERIES COMPANY LIMITED; Shandong Zhonglu Oceanic Fisheries Refrigeraton Co., Ltd; AFRICA STAR FISHERIES LIMITED; ZHONG GHA FOODS COMPANY LIMITED; 1 operational entity through control over operating leases: YAW ADDO FISHERIES COMPANY LIMITED. More information is disclosed in Note.7“ 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 2018 and its operating results, cash flows and other relevant information for the year ended 31 December 2018.

### **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 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 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 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

	tread of fall is less than 20% margin. Rebound duration not more than six months is treated as continuous decrease period.
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### 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.
- (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	0—10	2.25-5.00
Boats & nets	5—30	3—5	3.17-19.40
Machinery & equipment	8—20	0—10	4.50-12.50
Transportation equipment	5	0—10	18.00-20.00
Furniture and office equipment	5	0—10	18.00-20.00

### 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 purse seine fish is sold at overseas bases. Generally, it is to confirm the income after obtaining the majority of the customer's payment and delivering the commodities. In the case of export sales through local countries, revenue is recognized when the shipment order and bill of lading are obtained.

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 Category of government grants

Government grants are the monetary assets and non-monetary assets received from the government without consideration and be classified as government grants related to assets or government grants related to income.

### 3.23.2 Accounting treatment of government grants

Government grants related to assets are recognized as deferred income which are amortized in profit and loss for each period over the asset's estimated useful period on a systematic basis. Government grants related to the Company's routine operation will be recorded in other income and government grants not related to the Company's routine operation will be recorded in non-operating income.

Government grants measured at nominal cost will be recorded in profit and loss for the current period when received.

Government grants related to income are 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. Government grants related to the Company's routine operation will be recorded in other income and government grants not related to the Company's routine operation will be recorded in non-operating income

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

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 other than the government grants related to assets are classified as government grants related to income.

If there is no explicit recipient in the related government grant document, the judgement criteria to distinguish government grants related to assets and government grants related to income:

① If government grant document specifies assigned projects, the government grants are divided by the relative proportion of expenditures incurred in forming the assets and the expenses in the budget of the project. The proportion should be reviewing on each balance sheet date and be changed if necessary. ② If government grant document only has a general description of its purpose without specific projects , the government grants are classified as government grants related to income.

3.23.4 The recognition time point for government grants

The receivable government grants will be recognized when there are conclusive evidence to indicate the Company could meet all related government grants requirements and the Company expects to receive the government grants in the future. Other government grants will be recognized when the grant fund received.

3.23.5 Accounting treatment for concessional loan

A. When the bank receives the discount interest fund from the financial sector and then provides loan to the Company with preferential interest rate, the Company accounts for the loan at the actual received amount and related interest expenses will be calculated based on the principal and the preferential interest rate.

B. When the Company receives the discount interest fund from the financial sector directly, the discount interest fund will be deducted from related borrowing cost.

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

On June 15, 2018, the Ministry of Finance issued the Notice of< Notice of the Ministry of Finance on the revising and issuance of the format of general enterprise financial statements for 2018 >(Caikuai [2018] No.15).Companies which implement the Accounting Standards for Business Enterprises shall prepare financial statements for the period of 2018 and beyond in accordance with the Standards and the Notice.

The main influence on the financial statments after the Company adopts the above the Notice (Caikuai [2018]

No.15) is as following:

Reason and content of accounting policy change	Item affected	The amount of item affected	Restatement amount of prior period	Items and amounts of the previous statements
1. Notes receivable and accounts receivable are consolidated	Notes receivable and Accounts receivable	63,961,900.00	38,792,912.89	Notes receivable: 0 Accounts receivable: 38,792,912.89
2. Interest receivable, dividends receivable and other receivables are consolidated	Other receivables	5,529,723.80	11,305,713.11	Interest receivable: 0 Dividends receivable: 0 Other receivables: 11,305,713.11
3. Fixed assets cleanup and consolidation into fixed assets	Property, plant and equipment	514,332,752.28	525,975,263.88	Property, plant and equipment: 525,975,263.88 Disposal of property, plant and equipment : 0
4. The project materials are incorporated into the projects under construction	Construction in process	11,073,476.37	-	Construction in process: 0 Construction materials: 0
5. Notes payable and accounts payable are consolidated	Notes payable and Accounts payable	108,371,599.66	65,204,257.98	Notes payable: 0 Accounts payable: 65,204,257.98
6. Interest payable, dividends payable and other payables are consolidated	other payables	7,043,693.95	6,535,561.08	Interest payable: 360,208.32 Dividends payable: 0 Other payables: 6,175,352.76

## 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%,16%,13%,11%, 6%,3%
Urban maintenance and construction tax	Turnover taxes already paid	7%
Enterprise income tax	Taxable income	Tax exemption、25%、8%

### Income tax rate of taxpayers adopting different income tax rate

Name of tax enterprise	Tax rate of income tax
Shandong Zhonglu Oceanic Fisheries Co., Ltd.	Ocean fisheries part is tax exemption; housing lease part is 25%.
Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	tax exemption
AFRICA STAR FISHERIES LIMITED	Export sales part is 8%, domestic sales part is 25%.
HABITAT INTERNATIONAL CORPORATION	tax exemption
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd	25%
Shandong Zhonglu Oceanic (Yantai) Food Co.	Aquatic products processing part is tax exemption; refrigeration part is 25%.

#### 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's 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 31/12/2018	Balance as at 1/1/2018
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Item	Balance as at 31/12/2018	Balance as at 1/1/2018
Cash on hand	1,213,325.43	1,252,378.69
Cash at bank	181,553,800.05	145,374,964.71
Other monetary funds	685,948.08	862,500.14
Total	183,453,073.56	147,489,843.54
Including: the total balance deposited overseas	22,689,473.81	8,621,445.18

Note: The other monetary funds of RMB 685,948.08 is the credit guarantee of the letter of credit; the deposits outside the territory of China are the cash and bank deposits of the overseas subsidiaries.

## 5.2 Notes receivable and Accounts receivable

Class don't	The ending balance	Beginning balance
Notes receivab		
Accounts receivable	73,642,493.01	46,984,593.00
Minus: bad debt provision	9,680,593.01	8,191,680.11
Total	63,961,900.00	38,792,912.89

### 5.2.1 Accounts receivable by category

Item	As at 31/12/2018			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	73,642,493.01	100.00	9,680,593.01	13.15
Individually insignificant but allowance for doubtful debts individually				
Total	73,642,493.01	100.00	9,680,593.01	13.15

Item	As at 1/1/2018			
	Balance		Allowance for doubtful debts	
	Amount	PCT(%)	Amount	Allowance rate (%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	46,984,593.00	100.00	8,191,680.11	17.43
Individually insignificant but allowance for doubtful debts individually				

Item	As at 1/1/2018			
	Balance		Allowance for doubtful debts	
	Amount	PCT(%)	Amount	Allowance rate (%)
Total	46,984,593.00	100.00	8,191,680.11	17.43

Allowance for doubtful debts on portfolio

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

Aging	As at 31/12/2018			As at 1/1/2018		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Within 6 months	65,038,390.05	5.00	3,251,919.50	39,370,753.63	5.00	1,968,537.67
6 months-1 years	1,435,902.79	10.00	143,590.28	525,987.40	10.00	52,598.74
1-2 years	1,258,226.20	30.00	377,467.86	1,182,595.20	30.00	354,778.56
2-3 years	4,717.20	50.00	2,358.60	178,983.26	50.00	89,491.63
More than 3 years	5,905,256.77	100.00	5,905,256.77	5,726,273.51	100.00	5,726,273.51
Total	73,642,493.01		9,680,593.01	46,984,593.00		8,191,680.11

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 RMB1,488,912.90 and no recovery or reversal of provision during the year.

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

Company name	Balance as at 31/12/2018	Percentage in total accounts receivable (%)	Allowance for doubtful debts as at 31/12/2018
LUEN THAI SEAFOODS INTERNATIONAL LTD.	14,382,322.20	19.53	719,116.11
CERES INVEST COMPANY	5,902,352.00	8.01	295,117.60
BFC JAPAN CO.,LTD.	5,583,941.29	7.58	279,197.06
Zhonglu runfeng (Beijing) trading co. LTD	3,846,861.40	5.22	192,343.07
PACIFIC PANDA.INC	3,600,962.12	4.89	3,600,962.12
Total	33,316,439.01	45.23	5,086,735.96

5.3 Prepayments



### 5.3.1 Aging analysis of prepayments

Aging	As at 31/12/2018		As at 1/1/2018	
	Balance	PCT (%)	Balance	PCT (%)
Within 1 year	22,072,783.23	98.58	18,410,772.78	99.13
1-2 years	223,289.45	1.00	162,338.80	0.87
2-3years	93,711.78	0.42		
Total	22,389,784.46	100.00	18,573,111.58	100.00

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

Company name	Balance as at 31/12/2018	Percentage in total prepayment (%)
NOTOS SUZUKI.	3,176,288.96	14.19
Yantai henglian import and export co. LTD	1,509,904.00	6.74
Sjr International Inc.	1,480,570.68	6.61
KIRIBATI GOVERNMENT	1,407,367.79	6.29
BO SHUN LOGISTICS GHANA LTD.	1,304,008.00	5.82
Total	8,878,139.43	39.65

### 5.4 Other receivables

Category	As at 31/12/2018	As at 1/1/2018
Interest receivable		
Dividends receivable		
Other receivables	10,598,613.88	16,219,704.01
Less: Allowance for doubtful debts	5,068,890.08	4,913,990.90
Total	5,529,723.80	11,305,713.11

#### 5.4.1 Other receivables

Category	As at 31/12/2018			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate (%)
Individually significant and subject to separate allowance				

Category	As at 31/12/2018			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate (%)
Allowance for doubtful debts on portfolio	10,598,613.88	100.00	5,068,890.08	47.83
Individually insignificant but allowance for doubtful debts individually				
Total	10,598,613.88	100.00	5,068,890.08	47.83

Category	As at 1/1/2018			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate (%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	16,219,704.01	100.00	4,913,990.90	30.30
Individually insignificant but allowance for doubtful debts individually				
Total	16,219,704.01	100.00	4,913,990.90	30.30

Allowance for doubtful debts on portfolio

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

Aging	As at 31/12/2018			As at 1/1/2018		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Within 6 months	4,374,247.95	5.00	218,712.41	4,243,117.54	5.00	212,155.85
6 months-1 years	593,633.99	10.00	59,363.36	1,325,979.51	10.00	132,597.97
1-2 years	1,031,485.56	30.00	309,445.76	645,060.98	30.00	193,518.31
2-3 years	235,755.69	50.00	117,877.86	178,539.17	50.00	89,269.59
More than 3 years	4,363,490.69	100.00	4,363,490.69	4,286,449.18	100.00	4,286,449.18
Total	10,598,613.88		5,068,890.08	10,679,146.38		4,913,990.90

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

Category	As at 31/12/2018			As at 1/1/2018		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Export tax refund receivable				5,540,557.64		
Total				5,540,557.64		

#### 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 172,571.95 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 31/12/2018	Balance as at 1/1/2018
Export tax refund receivable		5,540,557.64
Guarantee deposit	974,139.13	421,456.37
Insurance claim		244,407.54
Current account and others	9,624,474.75	10,013,282.46
Total	10,598,613.88	16,219,704.01

#### 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 31/12/2018	Aging	Percentage in total other receivables (%)	Allowance for doubtful debts as at 31/12/2018
Huangdao customs of the People's Republic of China	margin	729,554.66	1 years	6.88	36,477.73
JU IL HYUN	Employee loan	546,067.63	1 years	5.15	27,303.38
BAK SEONG HO	Employee loan	376,516.25	1 years	3.55	18,825.81
JIN GYU CHUNG	Employee loan	361,618.71	1 years	3.41	18,080.94
FRANCIS MARFUL	Employee loan	322,277.89	1 years	3.04	16,113.89
Total		2,336,035.14		22.03	116,801.75

### 5.5 Inventories

#### 5.5.1 Inventories by categories

Category	As at 31/12/2018	As at 1/1/2018
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	Book balance	Provision for diminution in value	Carrying amount	Book balance	Provision for diminution in value	Carrying amount
Raw materials	130,904,253.87		130,904,253.87	125,849,777.03	45,543.42	125,804,233.61
Low-value consumables	764,872.41		764,872.41	688,367.24		688,367.24
Finished goods	195,311,014.30	2,596,127.95	192,714,886.35	98,514,789.13	1,349,243.78	97,165,545.35
Revolving and packaging materials	1,199,427.12		1,199,427.12	1,038,881.75		1,038,881.75
Goods in transit	5,007,680.25		5,007,680.25	19,047,562.12		19,047,562.12
Total	333,187,247.95	2,596,127.95	330,591,120.00	245,139,377.27	1,394,787.20	243,744,590.07

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

Category	As at 1/1/2018	Provision for the year	Reductions during the year		As at 31/12/2018
			Reversal	Write-down	
Raw materials	45,543.42	302,000.00		347,543.42	
Finished goods	1,349,243.78	2,272,536.68		1,025,652.51	2,596,127.95
Total	1,394,787.20	2,574,536.68		1,373,195.93	2,596,127.95

Note1: The basis of determining inventory net realizable value is described in Note 3.12.3 Provision for diminution in value of inventories.

Note2: 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 31/12/2018	Balance as at 1/1/2018
Input tax of value added tax	32,221,986.22	29,993,482.01
Prepaid income tax	88,480.55	88,480.55
Total	32,310,466.77	30,081,962.56

#### 5.7 Available-for-sale financial assets

##### 5.7.1 Available-for-sale financial assets

Item	As at 31/12/2018	As at 1/1/2018
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	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

Investee	Book balance				Provision for impairment				Share holding percentage (%)	Cash dividend in year 2018
	As at 1/1/2018	Increase	Decrease	As at 31/12/2018	As at 1/1/2018	Increase	Decrease	As at 31/12/2018		
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		

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
I. Cost		
1. Balance as at 1/1/2018	47,701,971.19	47,701,971.19
2. Additions		
Fixed assets transfer in		
3. Reductions		
4. Balance as at 31/12/2018	47,701,971.19	47,701,971.19
II. Accumulated depreciation or amortization		
1. Balance as at 1/1/2018	15,121,084.00	15,121,084.00
2. Additions	1,229,856.24	1,229,856.24
Depreciation or amortization	1,229,856.24	1,229,856.24
3. Reductions		
4. Balance as at 31/12/2018	16,350,940.24	16,350,940.24

Item	Buildings	Total
III. Provision for impairment		
1. Balance as at 1/1/2018	886,512.06	886,512.06
2. Additions		
3. Reductions		
4. Balance as at 31/12/2018	886,512.06	886,512.06
IV. Carrying amount		
1. As at 31/12/2018	30,464,518.89	30,464,518.89
2. As at 1/1/2018	31,694,375.13	31,694,375.13

### 5.9 Fixed assets

Class don't	The ending balance	Beginning balance
Fixed assets	514,490,325.78	526,132,837.38
Liquidation of fixed assets		
Less: impairment provision	157,573.50	157,573.50
Total	514,332,752.28	525,975,263.88

### Movement of fixed assets

Item	Buildings	Boats & nets	Machinery & equipment	Transportation equipment	Furniture and office equipment	Total
I. Cost						
1. Balance as at 1/1/2018	116,743,454.93	602,839,486.21	42,657,969.71	5,906,394.19	11,416,499.53	779,563,804.57
2. Additions	1,216,073.25	25,036,485.92	2,465,464.36	2,164,938.43	681,709.44	31,564,671.40
(1) Purchase	1,216,073.25	16,954,138.23	1,186,859.05	2,085,795.36	696,540.61	22,139,406.50
(2) Transfer from construction in process			1,276,041.46			1,276,041.46
(3) Impact of exchange rate fluctuations		8,082,347.69	2,563.85	79,143.07	-14,831.17	8,149,223.44
3. Reductions			444,470.55	628,685.63	122,558.64	1,195,714.82
Disposals or scrap			444,470.55	628,685.63	122,558.64	1,195,714.82
4. Balance as at 31/12/2018	117,959,528.18	627,875,972.13	44,678,963.52	7,442,646.99	11,975,650.33	809,932,761.15
II. Accumulated depreciation						

Item	Buildings	Boats & nets	Machinery & equipment	Transportation equipment	Furniture and office equipment	Total
1. Balance as at 1/1/2018	25,874,051.83	197,594,542.86	17,917,512.15	4,204,646.87	7,840,213.48	253,430,967.19
2. Additions	2,986,676.89	36,000,403.89	2,720,247.59	614,668.77	670,753.40	42,992,750.54
Provision	2,986,676.89	36,000,403.89	2,720,247.59	614,668.77	670,753.40	42,992,750.54
3. Reductions			278,941.75	594,859.70	107,480.91	981,282.36
Disposals or scrap			278,941.75	594,859.70	107,480.91	981,282.36
4. Balance as at 31/12/2018	28,860,728.72	233,594,946.75	20,358,817.99	4,224,455.94	8,403,485.97	295,442,435.37
III. Provision for impairment						
1. Balance as at 1/1/2018		157,573.50				157,573.50
2. Additions						
3. Reductions						
4. Balance as at 31/12/2018		157,573.50				157,573.50
IV. Carrying amount						
1. As at 31/12/2018	89,098,799.46	394,123,451.88	24,320,145.53	3,218,191.05	3,572,164.36	514,332,752.28
2. As at 1/1/2018	90,869,403.10	405,087,369.85	24,740,457.56	1,701,747.32	3,576,286.05	525,975,263.88

Note1: The original value of fixed assets that has been fully depreciated but still in use is RMB 76,368,888.84 as at December 31 2018.

Note2: 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

Item	Balance as at 31/12/2018	Balance as at 1/1/2018
Atlantic seine project	15,151,134.92	4,077,658.55
Construction materials		
Provision for impairment	4,077,658.55	4,077,658.55

Total	11,073,476.37
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Construction in process

5.10.1 Construction in process

Item	Balance as at 31/12/2018			Balance as at 1/1/2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
The Atlantic Seine project	4,077,658.55	4,077,658.55		4,077,658.55	4,077,658.55	
Long line fishing boat tai xiang NO.11	11,073,476.37		11,073,476.37			
Total	15,151,134.92	4,077,658.55	11,073,476.37	4,077,658.55	4,077,658.55	

5.10.2 Movement of significant construction in progress

Item	Budget	As at 1/1/2018	Additions	Transfer to fixed assets	Other reductions	As at 31/12/2018
Long line fishing boat tai xiang NO.11	16,000,000.00		11,073,476.37			11,073,476.37
Total	16,000,000.00		11,073,476.37			11,073,476.37

(continue)

Item	Percentage of current input over budget (%)	Construction progress (%)	Accumulated capitalized interest	Including: current capitalized interest	Capitalization rate(%)	Sources of funds
Long line fishing boat tai xiang NO.11	69.21	69.21				self-raised
Total	69.21	69.21				

5.10.3 Provision for impairment of construction in progress

Item	Balance as at 1/1/2018	Additions	Reductions	Balance as at 31/12/2018	Reason for provision
The Atlantic Seine project	4,077,658.55			4,077,658.55	



Item	Balance as at 1/1/2018	Additions	Reductions	Balance as at 31/12/2018	Reason for provision
Total	4,077,658.55			4,077,658.55	

### 5.11 Intangible assets

Item	Land use rights	Computer software	Total
<b>I. Cost</b>			
1.As at 1/1/2018	17,154,729.00	1,031,396.71	18,186,125.71
2. Additions		720,000.00	720,000.00
Purchase		720,000.00	720,000.00
3. Reductions			
4. As at 31/12/2018	17,154,729.00	1,751,396.71	18,906,125.71
<b>II. Accumulated depreciation</b>			
1.As at 1/1/2018	4,453,772.33	236,405.62	4,690,177.95
2. Additions	383,870.16	166,700.78	550,570.94
Provision	383,870.16	166,700.78	550,570.94
3. Reductions			
4.As at 31/12/2018	4,837,642.49	403,106.40	5,240,748.89
<b>III. Provision for impairment</b>			
<b>IV. Carrying amount</b>			
1. As at 31/12/2018	12,317,086.51	1,348,290.31	13,665,376.82
2. As at 1/1/2018	12,700,956.67	794,991.09	13,495,947.76

### 5.12 Long-term deferred expenses

Item	Balance as at 1/1/2018	Additions	Amortization	Reductions	Balance as at 31/12/2018
Office renovation costs	516,181.25	250,000.00	241,369.98		524,811.27
Total	516,181.25	250,000.00	241,369.98		524,811.27

### 5.13 Deferred tax assets

#### 5.13.1 Deferred tax assets

Item	As at 31/12/2018	As at 1/1/2018
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	Deferred tax assets	Deductable temporary differences	Deferred tax assets	Deductable temporary differences
Deferred tax assets:				
Provisions for impairment of assets	226,163.26	904,653.01	286,696.05	1,146,784.18
Government subsidies related to assets that have been taxed	1,700,000.00	6,800,000.00		
Sub-total	1,926,163.26	7,704,653.01	286,696.05	1,146,784.18

#### 5.13.2 The items not recognized deferred tax assets

Item	Balance as at 31/12/2018	Balance as at 1/1/2018
Provisions for impairment of assets	13,844,830.08	11,958,886.83
Allowance for doubtful debts	2,596,127.95	1,394,787.20
Provision for impairment of construction in progress	4,077,658.55	4,077,658.55
Deductible tax losses	2,186,759.26	89,519,778.25
Total	22,705,375.84	106,951,110.83

Note: No deferred income tax assets are recognized for deductible temporary differences and deductible losses, due to the exemption of corporate income tax for those companies that form deductible temporary differences and deductible losses. There is uncertainty about whether some companies will be able to generate sufficient taxable income in the future.

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

Year	Balance as at 31/12/2018	Balance as at 1/1/2018	Remark
2018		2,332,822.24	
2019		19,540,058.22	
2020		50,956,483.19	
2021	2,186,759.26	16,690,414.60	
Total	2,186,759.26	89,519,778.25	

#### 5.14 Other non-current assets

Item	Balance as at 31/12/2018	Balance as at 1/1/2018
Prepaid for land	2,000,000.00	2,000,000.00
Prepaid for construction in process	1,059,416.20	1,527,165.98
Total	3,059,416.20	3,527,165.98

## 5.15 Short-term loans

Short-term loans by categories:

Borrowing condition	Balance as at 31/12/2018	Balance as at 1/1/2018
Pledge loans	36,000,000.00	36,000,000.00
Guarantee loans		100,000,000.00
Loans on credit	42,352,320.05	40,394,931.62
Total	78,352,320.05	176,394,931.62

## 5.16 Notes payable and Accounts payable

Item	Balance as at 31/12/2018	Balance as at 1/1/2018
Notes payable		
Accounts payable	108,371,599.66	65,204,257.98
Total	108,371,599.66	65,204,257.98

### Accounts payable

Item	Balance as at 31/12/2018	Balance as at 1/1/2018
Within 1 year(including 1 year)	101,802,514.32	57,101,822.73
More than 1 year	6,569,085.34	8,102,435.25
Total	108,371,599.66	65,204,257.98

## 5.17 Advances from customers

Item	Balance as at 31/12/2018	Balance as at 1/1/2018
Within 1 year(including 1 year)	16,738,922.45	19,187,510.18
More than 1 year	822,406.56	687,612.58
Total	17,561,329.01	19,875,122.76

## 5.18 Employee benefits payable

### 5.18.1 Movement of employee benefits payable

Item	As at 1/1/2018	Increase	Decrease	As at 31/12/2018
I. Short-term employee benefits	42,730,991.35	128,571,277.06	127,332,868.83	43,969,399.58
II. Post-employment benefits—defined contribution plans	37.70	7,757,523.96	7,757,522.06	39.60

Item	As at 1/1/2018	Increase	Decrease	As at 31/12/2018
III. Termination benefits	85,822.26	141,296.01	191,041.05	36,077.22
IV. Other benefits due within one year	37,323.48	30,287.46	57,063.38	10,547.56
Total	42,854,174.79	136,500,384.49	135,338,495.32	44,016,063.96

#### 5.18.2 Details of the short-term employee benefits

Item	As at 1/1/2018	Accrued	Paid	As at 31/12/2018
1. Salaries, bonus, and allowances	41,263,822.02	116,876,192.07	115,627,521.33	42,512,492.76
2. Staff welfare		3,871,294.95	3,871,294.95	
3. Social insurances		4,265,645.12	4,265,645.12	
Including: Medical insurance		3,455,665.39	3,455,665.39	
Work injury insurance		261,394.89	261,394.89	
Maternity insurance		548,584.84	548,584.84	
4. Housing Fund		3,137,438.60	3,137,438.60	
5. Union funds and employee education fee	1,467,169.33	420,706.32	430,968.83	1,456,906.82
Total	42,730,991.35	128,571,277.06	127,332,868.83	43,969,399.58

#### 5.18.3 Defined contribution plans

Item	As at 1/1/2018	Accrued	Paid	As at 31/12/2018
1. Primary endowment insurance	37.70	7,238,550.59	7,238,548.69	39.60
2. Unemployment insurance		279,773.70	279,773.70	
3. Pension insurance		239,199.67	239,199.67	
Total	37.70	7,757,523.96	7,757,522.06	39.60

#### 5.19 Taxes and surcharges payable

Category	Balance as at 31/12/2018	Balance as at 1/1/2018
Value added tax	271,436.90	298,473.86
Enterprise income tax	1,461,511.10	2,271,827.08
Urban maintenance and construction tax	8,627.10	32,054.49
Estate tax	247,500.87	273,051.86

Category	Balance as at 31/12/2018	Balance as at 1/1/2018
Value added tax	271,436.90	298,473.86
Land use tax	157,965.18	158,804.18
Individual income tax	148,253.52	119,102.33
Educational surtax	3,697.33	22,896.07
Other taxes and surcharges	542,402.90	202,488.32
Total	2,841,394.90	3,378,698.19

## 5.20 Other payables

Category	Balance as at 31/12/2018	Balance as at 1/1/2018
Interest payable	245,808.33	360,208.32
Dividends payable		
Other payables	6,797,885.62	6,175,352.76
Total	7,043,693.95	6,535,561.08

### 5.20.1 Interest payable

Category	Balance as at 31/12/2018	Balance as at 1/1/2018
Interest payable for short term loan	245,808.33	360,208.32

### 5.20.2 Other payables

Nature	Balance as at 31/12/2018	Balance as at 1/1/2018
Deposit	338,541.67	633,984.87
Staff cost	926,783.09	1,259,769.66
Others	5,532,560.86	4,281,598.23
Total	6,797,885.62	6,175,352.76

## 5.21 Non-current liabilities due within one year

Item	Balance as at 31/12/2018	Balance as at 1/1/2018
Deferred income due within one year	866,585.48	866,585.48
Total	866,585.48	866,585.48

## 5.22 Long-term employee benefits payable

Category	Balance as at 31/12/2018	Balance as at 1/1/2018
Post -employment benefits—defined benefits plans	482,769.43	518,846.65
Other long-term benefits	1,030,790.91	1,058,820.98
Total	1,513,560.34	1,577,667.63

## 5.23 Deferred income

### 5.23.1 Deferred income by category

Item	Balance as at 1/1/2018	Increase	Decrease	Balance as at 31/12/2018	Reason for the deferred income
Government grants	9,705,869.14		866,585.48	8,839,283.66	Government grants related asset
Total	9,705,869.14		866,585.48	8,839,283.66	

### 5.23.2 Deferred income – government grants

Item	Balance as at 1/1/2018	Increase	Recorded in current non-operating income	Other movement	Balance as at 31/12/2018	Related to assets/income
Construction special fund	9,029,572.50		838,209.48		8,191,363.02	Assets
Subsidy of boat manufacture	676,296.64		28,376.00		647,920.64	Assets
Total	9,705,869.14		866,585.48		8,839,283.66	

## 5.24 Share capital

Item	Balance as at 1/1/2018	Movement					Balance as at 31/12/2018
		Issuance of new share	Bonus shares	Capital reserve transfer in	Others	sub-total	
Total shares	266,071,320.00						266,071,320.00

## 5.25 Capital reserve

Category	Balance as at 1/1/2018	Increase	Decrease	Balance as at 31/12/2018
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Category	Balance as at 1/1/2018	Increase	Decrease	Balance as at 31/12/2018
I. Share premiums	185,036,701.86	4,056,790.93		189,093,492.79
II. Other capital reserves	94,961,504.96			94,961,504.96
Total	279,998,206.82	4,056,790.93		284,054,997.75

Note: In 2018, Shandong state-owned assets investment holding co., LTD., the controlling shareholder of the company, increased the capital of Shandong zhonglu haiyan oceanic fisheries co., LTD the subsidiary of the company, while the company did not increase the capital in the same proportion, which resulted in the change of the company's shareholding ratio in Shandong zhonglu haiyan oceanic fisheries co., LTD without losing the control. This situation is applicable to the provisions of article 49 of the Accounting Standards for Business Enterprises No.33—Consolidated Financial Statements (2014 revision), which adjusts the capital reserve by adjusting the difference between the net assets enjoyed before the change of the shareholding ratio and the net assets enjoyed after the change of the shareholding ratio.

### 5.26 Other comprehensive income

Item	As at 1/1/2018	Movement in the year					As at 31/12/2018
		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	-6,075,014.12	6,723,281.32			5,399,271.07	1,324,010.25	-675,743.05
Including: Translation differences from translation of foreign currency financial statements	-6,075,014.12	6,723,281.32			5,399,271.07	1,324,010.25	-675,743.05
Total of other comprehensive income	-6,075,014.12	6,723,281.32			5,399,271.07	1,324,010.25	-675,743.05

### 5.27 Surplus reserve

Category	Balance as at 1/1/2018	Increase	Decrease	Balance as at 31/12/2018
Statutory surplus	21,908,064.19			21,908,064.19

Category	Balance as at 1/1/2018	Increase	Decrease	Balance as at 31/12/2018
Total	21,908,064.19			21,908,064.19

### 5.28 Retained earnings

Item	As at 31/12/2018	
	Amount	Appropriation proportion
Retained earnings as at 1/1/2018 before adjustment	141,867,217.06	
The total adjustment of retained earnings as at 1/1/2018 (Increase+, decrease-)		
Retained earnings as at 1/1/2018 after adjustment	141,867,217.06	
Add: Net profit attributable to the Company during the year	90,281,584.29	
Less: Appropriation of statutory surplus reserve		
Retained earnings as at 31/12/2018	232,148,801.35	

### 5.29 Operating income and operating cost

Item	Year ended 31/12/2018		Year ended 31/12/2017	
	Income	Cost	Income	Cost
Primary operating business	1,017,063,512.24	849,379,908.98	916,346,846.65	758,381,626.82
Other operating business	6,284,543.29	1,724,329.79	7,769,939.15	1,732,428.85
Total	1,023,348,055.53	851,104,238.77	924,116,785.80	760,114,055.67

### 5.30 Taxes and surcharges

Item	Year ended 31/12/2018	Year ended 31/12/2017
Business tax		
Urban maintenance and construction tax	378,299.19	342,007.05
Educational surcharge	162,128.24	146,556.58
Local educational surcharge	108,085.50	97,704.40
Local water conservancy construction fund	26,592.79	48,151.89
Property tax	1,214,804.99	1,233,859.68
Land use tax	631,860.72	638,891.55
Stamp duty	395,798.81	357,407.46
Vehicle and vessel tax	34,972.72	28,190.26
Others		514.18



Item	Year ended 31/12/2018	Year ended 31/12/2017
Total	2,952,542.96	2,893,283.05

### 5.31 Selling and distribution expenses

Item	Year ended 31/12/2018	Year ended 31/12/2017
Port charges	20,516,081.40	9,597,938.59
Employee compensation expenditure	1,744,289.71	1,549,084.25
Transport charges	5,187,559.78	2,393,490.45
Business promotion fees	781,426.37	255,154.66
Travelling expenses	423,463.39	101,635.36
Depreciation charges	58,765.57	38,319.66
Communication expenses	16,544.98	11,253.47
Agency fees	3,457,585.78	178,570.08
Handling charges	457,237.66	11,703.04
Others	2,614,072.50	36,893.93
Total	35,257,027.14	14,174,043.49

Note: The company's overseas subsidiaries' goods need to be exported through the port of the country where they are located. With the substantial increase in sales volume this year, the miscellaneous fees, transportation fees and customs declaration fees related to sales increased significantly from the previous period.

### 5.32 General and administrative expenses

Item	Year ended 31/12/2018	Year ended 31/12/2017
Employee compensation expenditure	33,260,890.97	33,422,096.52
Depreciation and amortization charges	4,281,775.32	3,315,896.29
Travelling expenses	2,542,831.55	2,740,393.19
Business entertainment	1,325,256.28	1,264,336.30
Vehicle expenses	1,050,963.84	677,865.92
Agent service fees	1,432,241.85	1,178,783.06
Office expenses	4,134,080.68	4,362,588.33
Water and electricity expenses	1,195,817.62	851,980.11
Fishing moratorium costs	7,260,623.46	4,351,750.85
Others	4,816,236.09	4,360,291.55
Total	61,300,717.66	56,525,982.12

### 5.33 Finance expenses

Item	Year ended 31/12/2018	Year ended 31/12/2017
Interest expenses	5,170,331.97	8,129,314.22
Less: interest income	513,573.16	453,193.11
Exchange gain or loss	-10,165,843.64	8,471,798.27
Finance charges	1,101,369.19	556,287.91
Others	120,669.58	124,149.83
Total	-4,287,046.06	16,828,357.12

### 5.34 Impairment on assets

Item	Year ended 31/12/2018	Year ended 31/12/2017
Allowance for doubtful debts	1,625,574.46	472,385.89
Provision for diminution in value of inventory	2,574,536.68	1,231,004.79
Impairment loss on construction in process		4,077,658.55
Total	4,200,111.14	5,781,049.23

### 5.35 Other income

Item	Year ended 31/12/2018	Year ended 31/12/2017	Related to assets/Related to income
International Fisheries Resources Development and Utilization Grants	25,677,010.02	23,359,800.00	Related to income
Tuna backhaul subsidy	2,624,900.00	2,534,600.00	Related to income
Ciq science and technology innovation subsidy	17,220.00		Related to income
Shipbuilding financial discount	28,376.00	28,376.00	Related to assets
Financial subsidy for Special Construction funds in Blue Economic Zone	838,209.48	838,209.48	Related to assets
Total	29,185,715.50	26,760,985.48	

Note 1: The company received RMB 25,677,010.02 government grants about development and utilization of international fishery resources from Qingdao finance bureau ; Note 2: The company received RMB2,624,900.00 government grants about tuna

transportation ; Note 3: According to <Issued the Second Batch of 800 Million "Two Districts" in 2011 Notice of the Second Batch of Specialized Fund Investment Plans for the Blue Peninsula Economic Development Zone in Shandong Peninsula and the High-efficient Ecological Economic Zone in the Yellow River Delta in 2011> (NO. 【2011】464) issued by Yantai Development and Reform Commission and Yantai Finance Bureau, <Notice on Issuing Unit Budget Indicators for 2011> (NO【2011】514) issued by Yantai Economic and Technological Development Zone Finance Bureau, Yantai Development Zone Finance Bureau issued a special indicator of the company blue economic zone construction RMB 13,600,000.00, RMB 6,800,000.00 in 2012, RMB 6,800,000.00 in 2013, the company kept accounts in deferred income when receiving the funds and are amortized in profit and loss for each period over the asset's estimated useful period on a systematic basis. Other income amounts to 838,209.48 in 2018.

#### 5.36 Gains (Losses) from disposal of assets

Item	Year ended 31/12/2018	Year ended 31/12/2017
Gains (Losses) from disposal of fixed assets	-144,859.41	422,100.74
Total	-144,859.41	422,100.74

#### 5.37 Non-operating income

##### 5.37.1 Non-operating income by category

Item	Year ended 31/12/2018	Year ended 31/12/2017	Amount to be included in non-recurring gain or loss for the year
Government grants		3,000,000.00	
Others	325,858.06	228,686.87	325,858.06
Total	325,858.06	3,228,686.87	325,858.06

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

Item	Year ended 31/12/2018	Year ended 31/12/2017	Related to assets/income
One-time settlement financial subsidies(Note)		3,000,000.0	Related to income
Total		3,000,000.0	

#### 5.38 Non-operating expenses

Item	Year ended 31/12/2018	Year ended 31/12/2017	Amount to be included in non-recurring gain or loss for the year
Loss of scrapped fixed assets	7,071.65		7,071.65
Employee's compensation for industrial injury	78,000.00	265,966.81	78,000.00
donating	190,000.00		190,000.00
Late fees	353,335.93		353,335.93
Others	46,000.00	45,979.76	46,000.00
Total	674,407.58	311,946.57	674,407.58

### 5.39 Income tax expenses

#### 5.39.1 Details of income tax expenses

Item	Year ended 31/12/2018	Year ended 31/12/2017
Current income tax expense calculated according to tax laws	5,089,661.48	3,031,549.10
Deferred income tax	-1,639,467.21	-286,696.05
Total	3,450,194.27	2,744,853.05

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

Item	Amount
Profit before tax	101,512,770.49
Income tax expenses calculated at statutory/applicable tax rates	25,378,192.62
Effect of different tax rate	-6,812,564.73
Effect of income tax on dividends	21,833,254.75
Effect of adjustment for income tax in prior year	946,483.06
Effect of income not subject to income tax	-19,103,430.57
Effect of expenses undeductible for tax purposes	212,768.07
Effect of utilization of tax losses in prior years which haven't been recognized deferred tax assets	-21,833,254.75
Effect of unrecognized deductible temporary differences and deductible losses in current period	2,828,745.82
Income tax expenses	3,450,194.27

### 5.40 Notes to statement of cash flows

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

Item	Year ended 31/12/2018	Year ended 31/12/2017
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Item	Year ended 31/12/2018	Year ended 31/12/2017
Cash received related to other operating activities	40,209,712.63	33,096,388.68
Including: Finance expenses- interest income	513,573.16	453,193.11
Government grants and others	28,706,478.06	29,017,295.18
Credit deposit	4,088,888.54	3,428,428.94
Current account and other	6,900,772.87	197,471.45
Cash paid related to other operating activities	63,867,337.54	36,384,307.56
Including: cash payment to selling expenses	33,453,971.86	12,587,166.05
Cash payment to administrative expense	23,792,355.02	18,453,510.96
Security deposit	4,352,344.90	3,067,379.15
Current account and other	2,268,665.76	2,276,251.40

## 5.41 Supplement to statement of cash flows

### 5.41.1 Supplement to statement of cash flows

Item	Year ended 31/12/2018	Year ended 31/12/2017
1. Net profit adjusted to cash flows from operating activities		
Net profit	98,062,576.22	95,154,988.59
Add: provision for asset impairment	4,200,111.14	5,781,049.23
Depreciation of fixed assets, depreciation and depletion of oil and gas assets and depreciation of productive biological assets	43,303,777.20	36,028,547.16
Amortization of intangible assets	550,570.94	445,842.52
Amortization of long-term deferred expenses	241,369.98	124,595.45
Losses on disposal of fixed assets, intangible assets and other long-term assets ("- " for gains)	144,859.41	-422,100.74
Loss on scrap of fixed assets (marked with "-" for income)	7,071.65	
Financial expenses ("- " for income)	952,213.20	11,443,077.58
Decreases in the deferred tax assets ("- " for increases)	-1,639,467.21	-286,696.05
Decreases in inventories ("- " for increases)	-89,421,066.61	-90,339,180.81
Decreases in operating receivables ("- " for increases)	-27,345,443.33	-15,275,360.83
Increases in operating payables ("- " for decreases)	40,579,323.06	20,551,132.39
Others		
Net cash flows from operating activities	69,635,895.65	63,205,894.49
2. Significant investing and financing activities not involving cash inflow and outflow		
3. Net change in cash and cash equivalents		
Cash as at 31/12/2018	182,767,125.48	147,067,351.82
Less: cash as at 1/1/2018	147,067,351.82	128,737,661.78

Item	Year ended 31/12/2018	Year ended 31/12/2017
Add: cash equivalents as at 31/12/2018		
Less: cash equivalents as at 1/1/2018		
Net increase in cash and cash equivalents	35,699,773.66	18,329,690.04

#### 5.41.2 Cash and cash equivalents

Item	Balance as at 31/12/2018	Balance as at 1/1/2018
I. Cash	182,767,125.48	147,067,351.82
Including: cash on hand	1,213,325.43	1,252,378.69
Unrestricted bank deposits	181,553,800.05	145,374,973.13
Unrestricted other cash and cash equivalents		440,000.00
II. Cash equivalents		
III. Cash and cash equivalents as at 31/12/2017	182,767,125.48	147,067,351.82

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

Item	Carrying amount as at 31/12/2018	Restriction reason
Cash at bank and on hand	685,948.08	Marginal deposit
Fixed assets	28,738,419.75	Pledge loans
Intangible assets	5,743,137.79	Pledge loans
Total	35,167,505.62	--

#### 5.43 Monetary items denominated in foreign currency

##### 5.43.1 Monetary items denominated in foreign currency

Item	Balance in foreign currency as at 31/12/2018	Exchange rate	Balance translated into RMB as at 31/12/2018
Cash			99,359,764.99
Including: USD	12,812,639.79	6.8632	87,935,709.41
Euro	30,637.79	7.8473	240,423.93
JPY	52,450,500.00	0.061887	3,246,004.09
GHS	5,573,345.08	1.4239	7,935,886.06
XAF	135,000.00	0.0129	1,741.50
Accounts receivable			7,600,127.45

Including: USD	1,070,903.69	6.8632	7,349,826.21
GHS	175,785.69	1.4239	250,301.24
Other receivables			3,395,518.17
Including: USD	447,854.76	6.8632	3,073,716.77
GHS	226,000.00	1.4239	321,801.40
Accounts payable			14,040,095.94
Including: USD	1,982,191.80	6.8632	13,604,178.76
JPY	7,043,760.00	0.061887	435,917.18
Other payables			4,896,583.95
Including: USD	512,348.36	6.8632	3,516,349.26
GHS	969,334.00	1.4239	1,380,234.68

#### 5.43.2 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 COMPANY LIMITED	The Republic of Ghana	USD	Business environment
ZHONG GHA FOODS COMPANY LIMITED	The Republic of Ghana	USD	Business environment
AFRICA STAR FISHERIES LIMITED	The Republic of Ghana	USD	Business environment

## 6. Changes in consolidation scope

The scope of merger of the company has not changed in the current period.

## 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	59.05	Investment
HABITAT INTERNATIONAL CORPORATION	The Republic of Panama	The Republic of Panama	Refrigeration transportation	100.00	Investment
LAIF FISHERIES COMPANY LIMITED	The Republic of Panama	The Republic of Panama	Oceanic fishing	100	Investment
AFRICA STAR FISHERIES LIMITED	The Republic of Panama	The Republic of Panama	Oceanic fishing	100	Investment
ZHONG GHA FOODS COMPANY LIMITED	The Republic of Panama	The Republic of Panama	Oceanic fishing	100	Investment
Shandong zhonglu ocean refrigeration co. LTD	Shandong Yantai	Shandong Yantai	Food processing	100	Investment
YAW ADDO FISHERIES COMPANY LIMITED	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 31/12/2018
1	Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	40.95%	7,780,991.93		140,369,312.43

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

Subsidiary name	As at 31/12/2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shandong Zhonglu	205,643,783.93	246,339,332.14	451,983,116.07	108,563,704.98	647,920.64	109,211,625.62



Haiyan Oceanic Fisheries Co., Ltd.						
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(Continued)

Subsidiary name	As at 1/1/2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	137,172,698.60	226,220,585.87	363,393,284.47	174,281,509.38	676,296.64	174,957,806.02

Subsidiary name	Year ended 31/12/2018			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	186,558,098.23	19,010,738.33	7,325,273.67	-545,827.98

(Continued)

Subsidiary name	Year ended 31/12/2017			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	113,240,985.79	19,410,369.85	11,897,091.30	4,008,314.66

## 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	47.25	47.25

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
Inspur General Software co., Ltd.	A company that has a transaction in the current period controlled by the same parent company

### 9.4 Transactions with related parties

#### 9.4.1 Purchase of goods/receipt of services and sales of goods/rendering of services

Name	Type	Contents	Pricing mode and determination process	Year ended 31/12/2018		Year ended 31/12/2017	
				Amount	Pct. of the same type transactions (%)	Amount	Pct. of the same type transactions (%)
Purchase of goods/receipt of services:							
Inspur General Software co., Ltd.	Purchase	Software	Market price	720,000.00	100.00	612,800.00	73.44

#### 9.4.2 Guarantee activities with related parties

Guarantor	Guarantee	Amount of guarantee	Start date	Maturity date	Guarantee obligation expired or not
Shandong State-owned assets investment Co. Ltd	Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd	100,000,000.00	2017-4-28	2018-2-28	expired

#### 9.4.3 Remuneration of key management

Remuneration of key management	Year ended 31/12/2018	Year ended 31/12/2017
Total	1,804,800.00	2,245,100.00

### 9.5 Related party receivables and payables

Deal with the project

The project name	The affiliated party	Year ended 31/12/2018	Year ended 31/12/2017
Other payables	Inspur general software co. LTD	16,024.00	

## 10. Commitments and contingencies

### 10.1 Commitments

None

### 10.2 Contingencies

None

## 11. Post balance sheet events

None

## 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

Item	Oceanic fishing	Vessels leasing	Aquatic products processing	Others	Elimination between branches	Total
1. Operating income	388,368,733.12	93,665,444.15	632,599,907.70	-	-97,570,572.73	1,017,063,512.24
2. Operating cost	302,264,653.12	59,845,268.22	584,840,560.37	-	-97,570,572.73	849,379,908.98
3. Impairment of assets	1,005,627.53	19,933.46	3,131,715.72	42,834.43	-	4,200,111.14
4. Depreciation and amortization	27,962,525.86	8,667,651.59	7,888,798.15	495,572.09	-	45,014,547.69
5. Profit before tax	57,502,272.55	31,084,865.85	26,141,204.39	-13,215,572.30	-	101,512,770.49

6. Income tax expenses	0.00	1,017,174.89	2,433,019.38	-	-	3,450,194.27
7. Net profit	57,502,272.55	30,067,690.96	23,708,185.01	-13,215,572.30	-	98,062,576.22
8. Total assets	760,779,056.57	274,050,471.48	454,270,064.18	63,363,317.61	-339,180,326.16	1,213,282,583.68
9. Total liabilities	238,801,424.72	33,851,926.25	245,267,375.50	94,208,936.00	-342,723,831.46	269,405,831.01

## 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 Notes receivable and Accounts receivable

Category	As at 31/12/2018	As at 1/1/2018
Notes receivable		
Accounts receivable	10,378,632.53	14,421,567.93
Less: Allowance for doubtful debts	5,737,786.29	5,937,507.66
Total	4,640,846.24	8,484,060.27

#### 13.1.1 Accounts receivable by category

Category	As at 31/12/2018			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	10,378,632.53	100.00	5,737,786.29	55.28
Individually insignificant but allowance for doubtful debts individually				
Total	10,378,632.53	100.00	5,737,786.29	55.28

Category	As at 1/1/2018			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	14,421,567.93	100.00	5,937,507.66	41.17

Category	As at 1/1/2018			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually insignificant but allowance for doubtful debts individually				
Total	14,421,567.93	100.00	5,937,507.66	41.17

#### 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 31/12/2018			As at 1/1/2018		
	Balance	Allowance rate(%)	Allowance for doubtful debts	Balance	Allowance rate(%)	Allowance for doubtful debts
Within 6 months	975,365.52	5.00	48,768.28	4,969,792.92	5.00	248,489.65
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	6,664,383.53		5,737,786.29	10,658,810.93		5,937,507.66

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

Category	As at 31/12/2018			As at 1/1/2018		
	Balance	Allowance rate(%)	Allowance for doubtful debts	Balance	Allowance rate(%)	Allowance for doubtful debts
Riskless combination	3,714,249.00			3,762,757.00		-
Total	3,714,249.00			3,762,757.00		

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

Company name	Balance as at 31/12/2018	Percentage in total accounts receivable (%)	Allowance for doubtful debts as at 31/12/2018
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	3,714,249.00	35.79	
PACIFIC PANDA,INC	3,600,962.12	34.70	3,600,962.12
HUSSEY MARGARET	627,795.50	6.05	31,389.78
Qingdao Haifeng Group Co., Ltd.	430,625.10	4.15	430,625.10
Xue Han	293,209.20	2.83	293,209.20

Company name	Balance as at 31/12/2018	Percentage in total accounts receivable (%)	Allowance for doubtful debts as at 31/12/2018
Total	8,666,840.92	83.52	4,356,186.20

## 13.2 Other receivables

### 13.2.1 Other receivables

Category	As at 31/12/2018	As at 1/1/2018
Interest receivable		
Dividends receivable	92,964,132.10	
Other receivables	84,884,082.37	68,363,431.90
Less: Allowance for doubtful debts	3,715,866.33	3,673,656.91
Total	174,132,348.14	64,689,774.99

Category	As at 31/12/2018			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	84,884,082.37	100.00	3,715,866.33	4.38
Individually insignificant but allowance for doubtful debts individually				
Total	84,884,082.37	100.00	3,715,866.33	4.38

Category	As at 1/1/2018			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	68,363,431.90	100.00	3,673,656.91	5.37
Individually insignificant but allowance for doubtful debts individually				
Total	68,363,431.90	100.00	3,673,656.91	5.37

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

Aging	As at 31/12/2018	As at 1/1/2018
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	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Within 6 months	437,808.88	5.00	21,890.44	683,139.79	5.00	34,156.99
6 months-1 year	108,214.28	10.00	10,821.43	501,682.83	10.00	50,168.29
1-2 years	389,805.11	30.00	116,941.53	276,406.49	30.00	82,921.95
2-3 years	147,701.89	50.00	73,850.95	155,408.10	50.00	77,704.05
More than 3 years	3,492,361.98	100.00	3,492,361.98	3,428,705.63	100.00	3,428,705.63
Total	4,575,892.14		3,715,866.33	5,045,342.84		3,673,656.91

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

Category	As at 31/12/2018			As at 1/1/2018		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Associated parties in the scope of consolidation	80,308,190.23			63,318,089.06		
Total	80,308,190.23			63,318,089.06		

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

Provision of allowance for doubtful debts within this year is RMB42,209.42 and there is no recovery or reversal of provision during the year.

13.2.3 Other receivables by nature

Nature of balance	Balance as at 31/12/2018	Balance as at 1/1/2018
Internal current account	80,308,190.23	63,318,089.06
Revolving fund and other	4,575,892.14	5,045,342.84
Total	84,884,082.37	68,363,431.90

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

Debtor name	Nature of receivable	Balance as at 31/12/2018	Aging	Percentage in total other receivables (%)	Allowance for doubtful debts as at 31/12/2018
LAIF FISHERIES COMPANY LIMITED	Collection of payment and internal current account	26,808,008.85	0-3 years	31.58	
Shandong Zhonglu Oceanic Fisheries Transportation	Internal current account	20,724,809.26	0-3 years	24.42	
YAW ADDO FISHERIES COMPANY LIMITED	Internal current account	11,745,824.78	0-3 years	13.84	
AFRICA STAR FISHERIES LIMITED	Internal current account	11,131,493.95	0-2 years	13.11	



Debtor name	Nature of receivable	Balance as at 31/12/2018	Aging	Percentage in total other receivables (%)	Allowance for doubtful debts as at 31/12/2018
ZHONG GHA FOODS COMPANY LIMITED	Internal current account	9,631,874.27	0-2 years	11.35	
Total		80,042,011.11		94.30	—

### 13.3 Long-term equity investments

Item	As at 31/12/2018			As at 1/1/2018		
	Balance	Provision for impairment	Carrying amount	Balance	Provision for impairment	Carrying amount
Investment to subsidiaries	232,189,455.23		232,189,455.23	204,189,455.23		204,189,455.23
Total	232,189,455.23		232,189,455.23	204,189,455.23		204,189,455.23

#### 13.3.1 Investment to subsidiaries

Investee	As at 1/1/2018	Additions	Reductions	As at 31/12/2018	Provision for impairment in current period	Provision for impairment as at 31/12/2017
HABITAT INTERNATIONAL CORP.	12,476,145.60			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	28,000,000.00		113,395,611.01		
Total	204,189,455.23	28,000,000.00		232,189,455.23		

### 13.4 Operating income and operating cost

Item	Year ended 31/12/2018		Year ended 31/12/2017	
	Income	Cost	Income	Cost
I. Primary operating business	192,706,902.46	144,156,077.91	140,286,633.63	90,139,577.77
II. Other operating business	4,088,306.93	1,724,329.79	3,991,272.92	1,732,428.85
Total	196,795,209.39	145,880,407.70	144,277,906.55	91,872,006.62

### 13.5 Investment income

Item	Year ended 31/12/2018	Year ended 31/12/2017
Long-term equity investment income calculated by cost method	92,964,132.10	
Total	92,964,132.10	

## 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	-144,859.41	
2. Government grants (except the government grants closely related to the business of the Company and enjoyed according to unified quota or ration standards)	3,508,705.48	
3. Other non-operating income/(expenses) except the above items	-348,549.52	
4. Effects of income tax on non-recurring items	-87,540.62	
5. Effects of non-recurring items attributable to the minority shareholders of the Company	-834,464.78	
Total	2,093,291.15	

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
International Fisheries Resources Development and Utilization Grants	25,677,010.02	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	
	Year ended 31/12/2018	Year ended 31/12/2017	Year ended 31/12/2018	Year ended 31/12/2017

Net profit attributable to the common share holders	12.06	13.79	0.3393	0.3440
Net profit attributable to the common share holders after deducting non-recurring gain or loss items	11.79	12.89	0.3314	0.3213

Shandong Zhonglu Oceanic Fisheries Co., Ltd

March 6, 2019

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

- I. The financial 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 audit report seal with accounting firms and signature and seal from CPA;
- 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: Lu Lianxing

6 March 2019