

**Shandong Zhonglu Oceanic Fisheries Co., Ltd.**  
**Annual Report for Year of 2015**

**March 2016**

## **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.**

**Li Wenyi, Principal of the Company, Zhang Weiping, person in charge of accounting works and Lei Lixin, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2015 Annual Report is authentic, accurate and complete.**

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

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

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

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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
“Shandong SRB”	Refers to	CSRC, Shandong Securities Regulatory Bureau
“The report”	Refers to	Annual Report for 2015 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	Li Wenyi		
Registrations add.	No. 43 Heping Rd. Jinan City, Shandong Province		
Code for registrations add	250014		
Offices add.	No. 43 Heping Rd. Jinan City, Shandong Province		
Codes for office add.	250014		
Company website	<a href="http://www.zofco.cn/">http://www.zofco.cn/</a>		
Email	zlzqb@163.com		

### II. Person/Way to contact

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

### III. Information disclosure and preparation place

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

#### IV. Registration changes of the Company

Organization code	863043102
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	He Zheng; Wu Zhixing

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

Applicable  Not applicable

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

Applicable  Not applicable

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

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

Yes  No

	2015	2014		Changes over last year	2013	
		Before the adjustment	After the adjustment		After the adjustment	Before the adjustment
Operating income (RMB)	723,723,003.05	598,380,696.83	598,380,696.83	20.95%	554,246,686.92	554,246,686.92
Net profit attributable to shareholders of the listed company(RMB)	12,141,360.21	15,367,992.51	15,367,992.51	-21.00%	43,224,675.00	43,239,025.11
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	14,060,740.19	10,460,455.75	10,460,455.75	34.42%	39,458,643.30	39,472,993.41

Net cash flow arising from operating activities(RMB)	55,443,390.22	65,320,481.37	65,320,481.37	-15.12%	20,591,144.79	20,591,144.79
Basic earnings per share (RMB/Share)	0.05	0.06	0.06	-16.67%	0.16	0.16
Diluted earnings per share (RMB/Share)	0.05	0.06	0.06	-16.67%	0.16	0.16
Weighted average ROE	2.16%	2.81%	2.81%	-0.65%	7.91%	8.33%
	End of 2015	End of 2014		Changes over end of last year	End of 2013	
		Before the adjustment	After the adjustment	After the adjustment	Before the adjustment	After the adjustment
Total assets (RMB)	798,232,793.11	797,490,171.48	797,490,171.48	0.09%	737,318,072.70	737,318,072.70
Net assets attributable to shareholder of listed company (RMB)	565,708,222.79	554,900,782.17	554,900,782.17	1.95%	540,850,737.98	539,538,122.29

Cause for changes in accounting policies and conditions of accounting error correction

## 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	162,535,738.67	192,151,980.47	190,417,369.75	178,617,914.16
Net profit attributable to shareholders of the listed company	-4,419,867.02	-6,504,040.97	29,265,431.17	-6,200,162.97

Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	-4,629,419.39	-4,825,473.56	28,918,186.37	-5,402,553.23
Net cash flow arising from operating activities	-19,489,172.23	22,745,912.53	38,624,826.58	13,561,823.34

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 2015	Amount in 2014	Amount in 2013	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-4,260,148.37	-303,324.40	1,085,253.47	
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)	2,021,471.48	2,566,585.48	2,818,603.46	
Other non-operating income and expenditure except for the aforementioned items	82,182.68	2,787,770.58	-136,634.36	
Less: impact on income tax		130,889.73	1,190.87	
Impact on minority's equity (after-tax)	-237,114.23	12,605.17		
Total	-1,919,379.98	4,907,536.76	3,766,031.70	--

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

Applicable Not applicable

Item	Amount (RMB)	Reason
Fuel subsidies reckoned into current gains/losses listed in recurrent gains/losses	40,856,800.00	The subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business



## Section III Summary of Company Business

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

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

#### (I) Business introduction

##### 1. Ocean-going fishing

During the reporting period, the company has owned a total of 18 vessels for ocean-going fishing, including 2 large-scale tuna seiners, 14 large ultra-low temperature tuna long liners, and 2 medium-sized trawlers, which have been respectively working in the western-central Pacific Ocean, Indian Ocean, and Ghana sea area in the Atlantic Ocean. During the reporting period, the pattern of world's tuna resources have been changing, some fishery resources decline sharply, the company has adhered to the principle of combining deploying and retracting, operated scientifically, deployed reasonably, and positively implemented offshore production based on the fishing characteristics and the actual situation of offshore production. As for the long-line fishing, the company became more familiar with the distribution of the fishing waters along with the continuous exploration and in-depth development to the Indian Ocean, the company also broken the routine, innovated boldly, and endeavored to enhance the catch yield, therefore the ultralow temperature catch yield in the Indian Ocean has significantly increased compared with the same period last year, which turned losses into gains. As for the purse seine fishing, the company decisively took some measures such as temporary closed fishing and stopping to timely arrange the remaining days of operation according to the industry environment and development situation. Ghana trawl fishing production project is better than last year.

##### 2. Refrigerated transport

During the reporting period, the company has 8 ocean cold-storage boats for operation service and has taken various measures to complete the annual economic indicators. Firstly, stand on the special cold storage freight markets, expand the navigating area, enhance the transport capacity, and strive to improve the market share. At present, the company's large-scale refrigerated transport fleet has a total displacement of over 60,000 tons, the navigating area has expanded to dozens of countries and regions around the Pacific, Indian Ocean, and Atlantic, the company has made some achievements in the optimization and upgrade of ocean transportation in recent years, the core competitiveness of its ocean refrigerated transport fleet has been significantly improved in the international cold transport market. Secondly, strictly control the cost accounting, and ensure all expenses, especially the overwhelming expenses are under surveillance all the time. Thirdly, take account of the non-operating income, especially focus on the exchange rate trend of US dollar against RMB, so as to make foreign exchange settlement at the appropriate time and greatly increase financial exchange gains. Fourthly, strengthen the risk management and control, and minimize the risk factor of uncertainty. Fifthly, increase the ship self-repair efforts to achieve the double harvests of benefits of technology.

##### 3. Refrigeration processing trade

During the reporting period, the company refrigeration processing trade has been developed in two markets and has made great breakthrough especially in the foreign market. The development has focused on three aspects: the first is to insist on internal absorption and external introduction, give full play to advantages of industrial clusters, resist the risks and face the market development together with fishing industry, strengthen efforts to the return shipping and deep processing of tuna, form a processing industry chain by centering on Zhonglu food, and give a

real play to the distributing centre as the deep-processing of deep-sea fishing products and cold-chain logistics base in Shandong Province and the tuna trading center of China, and have far-reaching significance to refine and strengthen the tuna industry chain. The second is to focus on improving the automation and mechanization of processing, especially the automation and mechanization of important and key processes so as to increase productivity, reduce raw material consumption, stabilize product quality, and decrease operating costs. The third is to expand the processing business, and strengthen the market exploitation.

## (II) Industry development

Overall, in 2015, international and domestic economic situation was severe and macroeconomic indicator went down, and the real economy especially had difficulties in management, and the global offshore fishing continued downturn. Under the adverse economic and industry environment at home and abroad, the company has made steady growth and healthy development in other businesses except in purse seine business which encumbered the entire management efficiency. The company's relatively complete industrial chain and the reciprocity and complementation among each sector have played a good role in resisting risks when the development of current offshore fishing industry is in a downturn.

## II. Major changes in main assets

### 1. Major changes in main assets

Major assets	Note of major changes
Equity assets	No major changes in equity assets.
Fixed assets	RMB 53,869,400 of fixed assets increased newly in Period, RMB 42,523,100 of which transferred from construction in progress.
Intangible assets	No major change.
Construction in progress	In Period the construction in process (cold storage and refrigeration equipment etc.) transferred into fixed assets of RMB 42,523,100.

### 2. Main overseas assets

Applicable  Not applicable

## III. Core competitive-ness analysis

Shandong Zhonglu Oceanic Fisheries Co., Ltd. is the outgoing comprehensive deep-sea fishing enterprise with a complete industry chain, and also it's the provincial hydrants, backbone enterprises of deep-sea fishing in Shandong.

As a comprehensive fishery enterprise, core competitive-ness of the Company mainly shows in follow aspects: firstly, ocean-going fishing, refrigeration transport, aquatic products frozen processing and trading combined into the enterprise, main business involved in vary main link of the industry chain, business between vary business entities are highly associated, owns overall synergy conditions that supply guarantees of operation mode innovation and for the strategy of reinforce and extend industry chain; Secondly, as one of the first enterprises engaged in pelagic fishing business, business of the Company begins quite early with high starting point, and

talents and assets quality quite well. After professional operation for over decades, the Company absorb many specialized talents with vary field of deep-sea fishery involved. No matter in aspect of ships numbers, gross tonnage or profitability, current refrigerated transport fleet always leading the way in the country. The Company owns the biggest ultra-low temperature cold storage and raw food processing factory in China. The tuna trading center in China and new-established tuna electronic trading platform system strengthen the advantages of fresh tuna processing and trading ability of the Company. The 1st phase construction of tide refrigerated logistic center, 30,000 tons ultra-low temperature and variable temperature cold storage as well as the supporting facility have completed and bring into production. The construction only took 4 months from beginning to production; it pioneered much new technology and creating a domestic cold storage construction pioneer. The construction will become major rich seam of profit for the on-land business of the Company in future; thirdly, the oceanic fishery industry of the Company, which is one of the components of country's maritime strategy and Shandong Blue Economic Zone Planning, the country has long practiced many preferential policies in aspect of ocean fisheries development. As the leading enterprise of ocean fishery in Shandong Province, under great supporting policies from the country and Shandong Province, the Company will 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 to accelerate the strategic transformation, and vigorously implement the industrial chain extension projects to upgrade the influence and complete in deep-sea fishing market in and out of China.

## Section IV Discussion and Analysis by the Management Team

### 1. Introduction

In 2015, except doing a good job of existing assets, production and management, the company has adhered to the improvement of quality and benefit, and positively promoted the industrial restructuring and the optimization and upgrading of assets, but the company's tuna seine project has encountered many difficulties because of the economic downturn at home and abroad. Affected by the oversupply of stock in raw materials market, the price of seine tuna has greatly declined which resulted in the sharp decrease of income and profits, and the increasing fishing fees also caused the profit decline. The company paid high attention to the above disadvantages, timely established practical and effective response measures according to the actual situation of each unit so as to ensure the production and operation activities can be normally and orderly carried out by the annual plan. The Company realized operation income of RMB 723,723,000, which increased 20.95% over that of last year. Operation cost amounting as RMB 685,083,500, increased 22.34% over that of last year. Net profit attributable to parent company amounting as RMB 12, 141, 400, decreased 21% down over that of last year.

## II. Main business analysis

### 1. Introduction

See "I. Introduction" in "Discussion and Analysis by the Management Team".

### 2. Revenue and cost

#### (1) Constitute of operation revenue

In RMB

	2015		2014		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total of operation revenue	723,723,003.05	100%	598,380,696.83	100%	20.95%
According to industries					
Seine tuna fishing	16,648,918.64	2.30%	65,639,553.55	10.97%	-74.64%
Longlines tuna fishing	34,820,140.60	4.81%	10,582,561.22	1.77%	229.03%
Boat rental	92,625,139.80	12.80%	79,278,010.43	13.25%	16.84%
Other deep-sea fishing	15,188,831.26	2.10%	12,155,710.73	2.03%	24.95%
Aquatic product processing	546,887,905.48	75.57%	417,460,400.97	69.77%	31.00%
Refrigerator	6,799,773.81	0.94%	2,993,595.14	0.50%	127.14%

OEM	1,622,094.99	0.22%	2,823,794.98	0.47%	-42.56%
House rental	5,070,648.88	0.70%	4,457,963.59	0.75%	13.74%
Waste income and others	4,059,549.59	0.56%	2,989,106.22	0.49%	35.81%
According to products					
Seine tuna fishing	16,648,918.64	2.30%	65,639,553.55	10.97%	-74.64%
Longlines tuna fishing	34,820,140.60	4.81%	10,582,561.22	1.77%	229.03%
Boat rental	92,625,139.80	12.80%	79,278,010.43	13.25%	16.84%
Other deep-sea fishing	15,188,831.26	2.10%	12,155,710.73	2.03%	24.95%
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Refrigerator	6,799,773.81	0.94%	2,993,595.14	0.50%	127.14%
OEM	1,622,094.99	0.22%	2,823,794.98	0.47%	-42.56%
House rental	5,070,648.88	0.70%	4,457,963.59	0.75%	13.74%
Waste income and others	4,059,549.59	0.56%	2,989,106.22	0.49%	35.81%
According to region					
Japan	247,103,891.96	34.14%	215,165,512.90	35.96%	14.84%
China	145,850,932.92	20.15%	132,596,458.29	22.16%	10.00%
South Korea	48,493,068.93	6.70%	47,082,679.34	7.87%	3.00%
Singapore	13,451,408.35	1.86%	22,011,674.13	3.68%	-38.89%
Taiwan	198,229,835.18	27.39%	152,931,390.20	25.56%	29.62%
Ghana	15,188,831.26	2.10%	12,155,710.73	2.03%	24.95%
Other	55,405,034.45	7.66%	16,437,271.24	2.74%	237.07%

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

√Applicable □Not applicable

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Boat rental	92,625,139.80	65,460,761.63	29.33%	16.84%	8.09%	5.72%

Aquatic product processing	546,887,905.48	522,103,529.77	4.53%	31.00%	31.67%	-0.48%
According to products						
Boat rental	92,625,139.80	65,460,761.63	29.33%	16.84%	8.09%	5.72%
Aquatic product processing	546,887,905.48	522,103,529.77	4.53%	31.00%	31.67%	-0.48%
According to region						
Japan	247,103,891.96	237,110,214.57	4.04%	14.84%	14.96%	-0.10%
China	201,716,992.40	187,336,535.79	7.13%	52.13%	41.52%	6.96%
Taiwan	142,363,775.73	141,229,554.88	0.80%	-6.91%	7.03%	-12.92%

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	2015	2014	Increase/decrease y-o-y
Deep-sea fishing and re-processing	Sales volume	Ton	10,739	14,779	-27.34%
	Production	Ton	10,066	13,382	-24.78%
	Inventory	Ton	2,157	2,830	-23.78%
Aquatic products processing, refrigerator and others	Sales volume	Ton	19,069	12,975	46.97%
	Production	Ton	22,589	15,450	46.21%
	Inventory	Ton	5,638	1,196	362.88%

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

Applicable  Not applicable

During this reporting period, the company's subsidiary - Zhonglu Yantai (Food) Co., Ltd. has increased the purchase amount, which thereby increased the sales volume and stock, the operating income of this subsidiary has increased by 31.19% compared with the same period last year.

### (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	2015		2014		Y-o-y changes
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Seine tuna fishing	Access fishing fee	20,856,578.32	0.42%	20,589,446.20	0.33%	1.30%
Seine tuna fishing	Raw material	4,855,099.85	0.10%	6,830,606.21	0.11%	-28.92%
Seine tuna fishing	Fuel power	10,470,056.65	0.21%	20,239,778.62	0.32%	-48.27%
Seine tuna fishing	Employee compensation	6,033,513.68	0.12%	7,041,343.63	0.11%	-14.31%
Seine tuna fishing	Depreciation charge	5,224,397.12	0.11%	4,692,729.67	0.08%	11.33%
Seine tuna fishing	Other	1,705,716.68	0.03%	3,001,066.42	0.05%	-43.16%
Seine tuna fishing	Total	49,145,362.30	1.00%	62,394,970.75	1.00%	-21.24%
Longlines tuna fishing	Access fishing fee	726,897.47	2.65%	480,154.62	2.25%	51.39%
Longlines tuna fishing	Raw material	6,918,634.71	25.20%	3,721,200.51	17.41%	85.92%
Longlines tuna fishing	Fuel power	9,670,281.46	35.23%	9,638,498.28	45.10%	0.33%
Longlines tuna fishing	Employee compensation	5,425,074.90	19.76%	3,598,489.22	16.84%	50.76%
Longlines tuna fishing	Depreciation charge	2,143,601.95	7.81%	1,463,460.79	6.85%	46.47%
Longlines tuna fishing	Other	2,568,286.75	9.36%	4,000,733.00	18.72%	-35.80%
Longlines tuna fishing	Total	27,452,777.24	100.00%	21,372,225.89	100.00%	28.45%
Boat rental	Employee compensation	26,416,951.95	40.36%	21,159,116.51	34.94%	24.85%
Boat rental	Depreciation charge	11,282,316.84	17.24%	9,297,203.37	15.35%	21.35%
Boat rental	Material	9,579,036.06	14.63%	10,864,828.28	17.94%	-11.83%
Boat rental	Other	5,698,212.12	8.70%	5,665,634.61	9.36%	0.58%
Boat rental	Insurance premium	3,973,497.81	6.07%	3,445,860.60	5.69%	15.31%
Boat rental	Fuel	3,816,461.99	5.83%	4,654,350.62	7.69%	-18.00%
Boat rental	Repairs fee	3,332,575.32	5.09%	4,689,282.66	7.74%	-28.93%

Boat rental	Inspection fee	1,361,709.54	2.08%	783,262.60	1.29%	73.85%
Boat rental	Total	65,460,761.63	100.00%	60,559,539.26	100.00%	8.09%
Other deep-sea fishing	Fuel power	6,343,893.43	45.94%	7,654,770.42	61.50%	-17.12%
Other deep-sea fishing	Raw material	1,527,842.47	11.06%	927,025.42	7.40%	64.81%
Other deep-sea fishing	Labor charges	2,490,827.59	18.04%	759,493.38	6.10%	227.96%
Other deep-sea fishing	Depreciation charge	663,819.70	4.81%	573,632.16	4.60%	15.72%
Other deep-sea fishing	Other	2,781,875.08	20.15%	2,528,961.21	20.30%	10.00%
Other deep-sea fishing	Total	13,808,258.27	100.00%	12,443,882.59	100.00%	10.96%
Aquatic product processing	Direct materials	463,471,303.38	88.77%	350,526,073.58	88.40%	32.22%
Aquatic product processing	Packaging	10,598,701.65	2.03%	9,199,326.82	2.32%	15.21%
Aquatic product processing	Labor wage	22,032,768.96	4.22%	16,653,953.72	4.20%	32.30%
Aquatic product processing	Depreciation	3,393,672.94	0.65%	3,211,833.93	0.81%	5.66%
Aquatic product processing	Other	22,607,082.84	4.33%	16,931,519.62	4.27%	33.52%
Aquatic product processing	Total	522,103,529.77	100.00%	396,522,707.67	100.00%	31.67%
Refrigerator	Labor wage	668,335.13	15.41%	954,350.98	31.24%	-29.97%
Refrigerator	Depreciation	1,068,642.28	24.64%	680,937.37	22.29%	56.94%
Refrigerator	Fuel power	1,500,175.99	34.59%	709,806.18	23.24%	111.35%
Refrigerator	Other	1,099,868.84	25.36%	709,806.18	23.24%	54.95%
Refrigerator	Total	4,337,022.24	100.00%	3,054,900.71	100.00%	41.97%
OEM	Labor wage	405,587.98	45.87%	738,539.05	47.98%	-45.08%
OEM	Depreciation	62,513.78	7.07%	105,747.46	6.87%	-40.88%
OEM	Other	416,110.11	47.06%	694,977.87	45.15%	-40.13%
OEM	Total	884,211.87	100.00%	1,539,264.38	100.00%	-42.56%
House rental	Labor charges	64,800.00	3.43%	65,184.85	3.10%	-0.59%
House rental	Out-of-pocket	26,743.40	1.41%	29,654.50	1.41%	-9.82%



	expenses					
House rental	Depreciation charge	1,218,665.52	64.42%	1,218,665.52	58.00%	
House rental	Electric charge	269,248.31	14.23%	225,265.47	10.72%	19.52%
House rental	Repairs fee etc.	132,332.71	7.00%	396,725.77	18.88%	-66.64%
House rental	Heating fee	179,814.10	9.51%	165,579.04	7.88%	8.60%
House rental	Total	1,891,604.04	100.00%	2,101,075.15	100.00%	-9.97%

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)	404,611,297.04
Proportion in total annual sales volume for top five clients	55.91%

Information of top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	F.C.F Fishery Co., Ltd.	122,026,001.51	0.17%
2	ITOCHU CORPORATION TOKFJ SECTION	116,873,017.85	0.16%
3	WEC FOODS.CO.,LTD	59,318,735.34	0.08%
4	DOHSUI CO.,LTD	56,187,258.68	0.08%
5	Liantai Seafood International Co., LTD	50,206,283.66	0.07%
Total	--	404,611,297.04	0.56%

Other situation of main clients

Applicable  Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	227,876,551.93
Proportion in total annual purchase amount for top five suppliers	36.25%

Information of top five suppliers of the Company

Serial	Name	Purchases (RMB)	Proportion in total annual purchase
--------	------	-----------------	-------------------------------------

1	Yantai Beijing Ocean Fishery Co., Ltd.	63,301,245.79	10.07%
2	CNFC Overseas Fishery Co., Ltd.	51,740,393.32	8.23%
3	Shenzhen South Fishery Co., Ltd.	48,201,900.12	7.67%
4	Rongcheng Ocean Fishery Co., Ltd.	36,197,071.46	5.76%
5	Haishun International Trade Pte Co., Ltd.	28,435,941.24	4.52%
Total	--	227,876,551.93	36.25%

Other notes of main suppliers of the Company

Applicable  Not applicable

### 3. Expense

In RMB

	2015	2014	Y-o-y changes	Note
Sales expense	6,056,111.86	5,421,903.79	11.70%	
Management expense	51,671,846.22	34,130,669.66	51.39%	Mainly because the two seiner of the Company took the temporary moratorium measure for part of month, the related expense during the moratorium included in administrative expense. The expense in moratorium period including: RMB 9,458,202.45 of access fishing fee, RMB 3,536,411.36 of amortization of spare parts, RMB 1,467,230.19 of employee compensation, and RMB 1,363,619.35 of depreciation charge.
Financial expense	433,236.30	4,488,063.94	-90.35%	Exchange gains in this reporting period were 6,930,500 Yuan, a substantial increase compared with 405,600 Yuan in the previous period.

### 4. R&D investment

Applicable  Not applicable

### 5. Cash flow

In RMB

Item	2015	2014	Y-o-y changes
Subtotal of cash in-flow from	856,059,135.23	862,090,672.85	-0.70%

operation activity			
Subtotal of cash out-flow from operation activity	800,615,745.01	796,770,191.48	0.48%
Net cash flow from operation activity	55,443,390.22	65,320,481.37	-15.12%
Subtotal of cash in-flow from investment activity	444,766.87	767,430.00	-42.04%
Subtotal of cash out-flow from investment activity	18,051,688.49	85,285,611.79	-78.83%
Net cash flow from investment activity	-17,606,921.62	-84,518,181.79	80.08%
Subtotal of cash in-flow from financing activity	101,754,637.69	78,585,422.69	29.48%
Subtotal of cash out-flow from financing activity	118,798,599.90	63,761,734.62	86.32%
Net cash flow from financing activity	-17,043,962.21	14,823,688.07	-214.98%
Net increased amount of cash and cash equivalent	27,272,912.98	-8,208,126.09	-432.27%

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

Applicable Not applicable

The reason why the net cash flow from investing activities is greater than the period last year was mainly because the cash paid for purchasing and establishing fixed assets in current period was less than last year. Net cash flow from financial activities has decreased by 214.98% compared with the last year, mainly because the cash paid for repayments of debts in current period was more than last year.

Causes for significant differences between net cash flow from the company's operating activities and net profit of this year during the reporting period

Applicable Not applicable

Net cash flow from operating activities is more than net profit, which is main because the accumulated depreciation and amortization of 35,970,265.23 Yuan in the costs and expenses is non-pocket costs, and interest expenses of 4,559,606.82 Yuan are cash paid for distribution of dividends, profits or interest payments which are not cash payment for operating activities.

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

Applicable Not applicable

In RMB

	Amount	Ratio in total profit	Note	Whether be sustainable
Asset impairment	2,428,525.98	15.65%	The inventory decline was	No sustainable.

			RMB 1,964,700, bad debt loss was RMB 306,200, and fixed assets impairment was RMB 157,600.	
Non-operating income	43,531,014.39	280.51%	The fuel subsidies was RMB 40,856,800, special funds for foreign trade was RMB 1,100,000, and the other was government grant for deferred income etc.	If the fishing vessels can have normal marine operation and the national oil subsidy policy doesn't change, the fuel subsidies are sustainable, special funds for foreign trade and economies depend on the project's age limit of interest subsidy, and deferred income remains unchanged in within the age limit of amortization.
Non-operating expense	4,830,708.60	31.13%	RMB 4,170,000 of non-operating expense was loss on disposal of fixed assets; and others were mainly for employee accident compensation.	No sustainable.

#### IV. Assets and liability

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

In RMB

	End of 2015		End of 2014		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	72,428,421.94	9.07%	44,980,211.04	5.64%	3.43%	
Account receivable	26,746,955.58	3.35%	25,395,972.27	3.18%	0.17%	
Inventory	189,084,316.91	23.69%	189,737,455.53	23.79%	-0.10%	
Investment real estate	33,557,057.70	4.20%	34,775,723.22	4.36%	-0.16%	
Fix assets	429,846,758.41	53.85%	411,596,231.93	51.61%	2.24%	
Construction in	5,901,575.16	0.74%	22,485,504.14	2.82%	-2.08%	

progress						
Short-term borrowing	46,321,773.62	5.80%	42,316,324.69	5.31%	0.49%	
Long-term borrowing			1,900,000.00	0.24%	-0.24%	

## 2. Assets and liability measure by fair value

Applicable  Not applicable

## V. Investment

### 1. Overall situation

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

### 4. Financial assets investment

#### (1) Securities investment

Applicable  Not applicable

The company had no securities investment in the reporting period.

#### (2) Derivative investment

Applicable  Not applicable

The company had no derivative investment in the reporting period.

### 5. Application of raised proceeds

Applicable  Not applicable

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

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

Applicable  Not applicable

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

**2. Sales of major equity**

Applicable  Not applicable

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

Applicable  Not applicable

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

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	Subsidiary	Food processing	75,593,300	300,254,376.74	141,030,977.03	559,369,323.87	17,465,146.65	17,169,012.74
Shandong Zhonglu Haiyan Oceanic Fishery Co., Ltd.	Subsidiary	Marine fishing	138,731,900	157,067,309.08	149,636,002.04	49,745,349.17	8,993,461.07	13,202,476.97
HABITAT INTERNATIONAL CORPORATION	Subsidiary	Refrigerated shipment	12,476,146	170,998,563.25	168,138,067.51	64,108,261.76	22,163,545.25	22,163,545.25
Shandong Zhonglu Fishery Shipping Co., Ltd.	Subsidiary	Refrigerated shipment	22,505,600	33,254,112.17	843,806.40	28,516,878.04	-362,383.99	-357,873.99

Particular about subsidiaries obtained or disposed in report period

Applicable  Not applicable

Notes of main holding company and stock-jointly companies

## VIII. Structured vehicle controlled by the Company

Applicable  Not applicable

## IX. Prospect for future development of the Company

2016 is the first year of "13th Five Year Plan", the company will have more arduous tasks. Under the new situation, the company will focus on "stability", keep the existing scale, maintain the company's normal and stable development, steadily expand the business, complete the annual budget target, hold the short-term and long-term tasks for the enterprise's steady and healthy development, continue to deepen the reform and development, highlight the central task of grasping production, strengthening management, and striving for benefits", strengthen the production and management, comprehensively expand domestic and foreign markets, pay close attention to safety management, optimize the hardware and software structure of assets and management, gradually enhance the core competitiveness, and promote the enterprise's comprehensive, orderly, coordinated and sustainable development. Mainly complete the following aspects:

Firstly, take production and management as supports and market development as point of strength, and focus on offshore fishing. Refrigerated transport needs continue to keep stable development, strive to maintain customer resources, and ensure the operation quality of fleet; Yantai aquatic product processing cold storage trade have to not only maintain the present operating conditions, but also optimize and strengthen, develop simultaneously inside and outside , innovate and make breakthrough, dig the potential overseas markets, expand overseas markets, strongly expand sales network in mainland market, and achieve new breakthroughs in management efficiency; offshore fishing production should pay attention to optimal configuration and harmonious development of various fishing operations, strive to make up its own disadvantages, scientifically distribute, make overall arrangements, and continuously raise production.

Secondly, focus on optimizing "two" structures of hardware and software, and gradually improve the core competitiveness.

Optimize the management structure, adjust and optimize the functional departments, staff and job responsibilities, and further improve the management relations; continue to promote the internal control system and management improvement activities, and strictly implement the management system; adopt the information reporting and evaluation system, timely grasp the comprehensive operating and management dynamic, and provide effective basis for enterprise's development decision; deepen budget management, and strengthen cost management; practically grasp work style construction, strongly push forward the fine management; further strengthen the talent team construction, highlight the five links of grasping talent attraction, training, selection, employment and remuneration, and improve employee probation, appraisal, dismissal management mechanisms; treat the enterprise cultural construction as an important part of management, and expand the channel, depth and breadth of enterprise culture propaganda with the help of the company's website and other carriers.

Keep a foothold on optimizing the asset structure, steadily increase investments in vessel replacement, construction upgrade of processing base and trading center, and development of overseas projects according to the own features and development requirements of various businesses, optimize and integrate resources, give full play to the industrial centralized advantages and overall advantages, and enhance the company's market competitiveness.

Thirdly, take safe production as a guarantee, attach great importance to safety production, always intensify the "bottom line" consciousness of zero accidents, strengthen the safety education and training, ensure the pertinence and operability of training contents, and make sure that the personnel in key position can work after training; fully

implement the responsibility system for production safety, carry out safety and quality inspection activities, strengthen the hidden danger investigation and management of key places like vessels and workshops, and ensure there is no dead space; strictly implement the emergency plan for safety and quality accidents and the security management accountability mechanisms, strengthen the inspection and supervision to safety production, and increase efforts to safety production responsibility investigation and the income-related assessment to staff.

## 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
2015-01-27	Telephone communication	Individual	Operation of the Company and no material required
2015-04-20	Telephone communication	Individual	Operation of the Company and no material required
2015-04-21	Telephone communication	Individual	Operation of the Company and no material required
2015-04-27	Telephone communication	Individual	Operation of the Company and no material required
2015-04-28	Telephone communication	Individual	Operation of the Company and no material required
2015-04-29	Telephone communication	Individual	Operation of the Company and no material required
2015-05-04	Telephone communication	Individual	Operation of the Company and no material required
2015-05-12	Telephone communication	Individual	Operation of the Company and no material required
2015-05-13	Telephone communication	Individual	Operation of the Company and no material required
2015-06-02	Telephone communication	Individual	Operation of the Company and no material required
2015-06-05	Telephone communication	Individual	Operation of the Company and no material required
2015-06-09	Field research	Individual	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> "records of investor relations activities on June 9 2015"
2015-07-24	Telephone communication	Individual	Operation of the Company and no material required
2015-08-11	Telephone communication	Individual	Operation of the Company and no material required
2015-08-24	Telephone communication	Individual	Operation of the Company and no



			material required
2015-09-10	Telephone communication	Individual	Operation of the Company and no material required
2015-10-29	Telephone communication	Individual	Operation of the Company and no material required
2015-12-16	Telephone communication	Individual	Operation of the Company and no material required
2015-12-27	Telephone communication	Individual	Operation of the Company and no material required
Reception (times)			19
Number of hospitality			0
Number of individual reception			19
Number of other reception			0
Disclosed, released or let out major undisclosed information	No		

**2. From the end of reporting period to the disclosure date , reception of research, communication and interview**

√Applicable □Not applicable

Time	Way	Type	Basic situation index of investigation
2016-01-08	Telephone communication	Individual	Operation of the Company and no material required
Reception (times)			1
Number of hospitality			0
Number of individual reception			1
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 2015.

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

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Amount for cash bonus by other ways	Proportion for cash bonus by other ways
2015	0.00	12,141,360.21	0.00%	0.00	0.00%
2014	0.00	15,367,992.51	0.00%	0.00	0.00%
2013	0.00	43,239,025.11	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 that the company, shareholders, actual controller, offeror, directors, supervisors, senior management or other related parties have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period**

Applicable  Not applicable

During the reporting period, there is no commitment that the company, shareholders, actual controller, offeror, directors, supervisors, senior management or other related parties have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period.

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

Applicable  Not applicable

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

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

Accounting firm appointed

Name of domestic accounting firm	PKF Daxin Certified Public Accountants LLP
Remuneration for domestic accounting firm (in 10 thousand Yuan)	40
Continuous life of auditing service for domestic accounting firm	13
Name of domestic CPA	He Zheng; Wu Zhixing

Whether re-appointed accounting firms in this period or not

Yes  No

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

Applicable Not applicable

Being approved by the Annual Shareholders' Meeting of 2014, PKF Daxin Certified Public Accountants LLP was engaged by the Company for auditing CPA of internal control for 2015, RMB 100,000 of remuneration being paid in the period.

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

Applicable  Not applicable

## **XI. Bankruptcy reorganization**

Applicable  Not applicable

No bankruptcy reorganization for the Company in reporting period

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

Applicable Not applicable

No significant lawsuits and arbitrations occurred in the reporting period

## **XIII. Penalty and rectification**

Applicable  Not applicable

No penalty and rectification for the Company in reporting period.

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

Applicable Not applicable

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

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

Applicable  Not applicable

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

## **XVI. Material related transactions**

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

### 4. Contact of related credit and debt

Applicable  Not applicable

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

### 5. Other related transactions

Applicable  Not applicable

On May 20, 2015, the company's 2014 Annual General Meeting has deliberated that the company would invest 8 ships in Shandong Zhonglu Oceanic Fisheries Co., Ltd. to increase capital and enlarge shares, the assessed value of the invested ships was 85,409,800 Yuan. Refer to the assessed value of the company shareholders' total equity value, this in kind capital increase should be calculated by registered capital of 1.008 Yuan per Yuan, 84,731,900 Yuan would be included in the paid-up capital, 677,900 Yuan would be included in the capital reserve. After the capital increase, the registered capital of Shandong Zhonglu Oceanic Fisheries Co., Ltd. would account for 81.26%, and the registered capital of Shandong State-owned Assets Investment Holdings Co., Ltd. would account for 18.74%.

Website for temporary disclosure of the major connected transaction

Announcement	Date of disclosure	Website for disclosure
Capital increase for subsidiaries and Related Transactions	2015-04-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Supplement announcement on connected transactions	2015-05-04	<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

In ten thousand Yuan

Trustee	Is a related transaction or not	Kinds	Amount for trust financing	Start Date	Expiry	Determine way for remuneration	Principal actually recover in the period	Impairment provision (if applicable)	Anticipated income	Actual gains/losses in Period	Gains/losses actually recover in Period
CMB	No	Preservation financial products	200	2015-01-20	2015-03-18	According to the agreement	200		1.24	1.24	1.24
CMB	No	Preservation financial products	200	2015-01-20	2015-03-27	According to the agreement	200		1.42	1.42	1.42
CMB	No	Preservation financial products	200	2015-01-20	2015-03-27	According to the agreement	200		1.42	1.42	1.42
CMB	No	Preservation financial products	200	2015-01-20	2015-05-25	According to the agreement	200		2.67	2.67	2.67
CMB	No	Preservation financial products	200	2015-01-20	2015-05-25	According to the agreement	200		2.67	2.67	2.67
CMB	No	Preservation financial	200	2015-01-20	2015-12-28	According to the agreement	200		6.47	6.47	6.47

		products				t					
CMB	No	Preservation financial products	500	2015-07-10	2015-11-16	According to the agreement	500		7.52	7.52	7.52
CMB	No	Preservation financial products	500	2015-07-10	2015-11-16	According to the agreement	500		7.52	7.52	7.52
CMB	No	Preservation financial products	500	2015-07-10	2015-07-17	According to the agreement	500		0.45	0.45	0.45
CMB	No	Preservation financial products	500	2015-07-10	2015-07-17	According to the agreement	500		0.45	0.45	0.45
CMB	No	Preservation financial products	500	2015-08-03	2015-12-08	According to the agreement	500		5.94	5.94	5.94
CMB	No	Preservation financial products	500	2015-08-03	2015-12-08	According to the agreement	500		5.94	5.94	5.94
Total			4,200	--	--	--	4,200		43.71	43.71	--
Capital resources			Owned fund of the Company								
Accumulated overdue uncollected principal and interest			0								
Lawsuit involved (if applicable)			Not applicable								
Disclosure date for the notice of approval by the Board (if applicable)											
Disclosure date for the notice of approval by Shareholders' General Meeting (if applicable)											
Whether there is the trust financing in the future			On the condition of ensuring the company's working capital and money used for projects, the company shall continue to entrust the banks for breakeven financial services.								

**(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. Explanation on other significant events

Applicable  Not applicable

Name	The Press for disclosure	Date of disclosed	Internet website and retrieval path for disclosed information
Performance pre-notice for year of 2014	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-1-30	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of 10 <sup>th</sup> Meeting of 5 <sup>th</sup> Session of the Board	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-3-6	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of 8 <sup>th</sup> Meeting of 5 <sup>th</sup> Session of the Board	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-3-6	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Summary of Annual Report for year of 2014	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-3-6	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resignation of the Secretary of the Board	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-3-17	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Performance pre-notice of Third Quarterly for year of 2015	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-4-14	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of 11 <sup>st</sup> Meeting of 5 <sup>th</sup> Session of the Board	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-4-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Notice of Related Transaction	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-4-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Summary of First Quarterly Report for year of 2015	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-4-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Declaration of the Independent Director Nominator	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-4-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Declaration of the Independent Director Candidate	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-4-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement of Holding the AGM of 2014	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-4-29	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Supplement Announcement of Related Transactions	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-5-4	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Prompted Notice of AGM	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-5-16	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement of Abnormal Price Movement	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-5-19	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>



Resolution of the AGM of 2014	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-5-21	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Capital Increased Completion for Subsidiary	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-6-2	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement of Abnormal Price Movement	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-6-3	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Performance pre-notice of half of 2015	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-7-11	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement of Price stability	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-7-11	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Resolution Notice of 12 <sup>nd</sup> Meeting of 5 <sup>th</sup> Session of the Board	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-8-22	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Performance pre-notice of Third Quarterly for year of 2015	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-10-14	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Summary of Third Quarterly Report for year of 2015	<i>Hong Kong Commercial Daily</i> <i>China Securities Journal</i>	2015-10-30	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## **XIX. Significant event of subsidiary of the Company**

Applicable Not applicable

On May 20, 2015, the company's 2014 Annual General Meeting has deliberated that the company would invest 8 ships in Shandong Zhonglu Oceanic Fisheries Co., Ltd. to increase capital and enlarge shares, on May 28, 2015, Zhonglu Haiyan Company has completed the changes of industrial and commercial registration, and obtained the business license issued by Administration for Industry & Commerce of Qingdao, and the registered capital has increased from 54 million Yuan to 138,731,980 Yuan. The relevant announcement was published on "China Securities Journal", "Hong Kong Commercial Daily" and [http // www.cninfo.com.cn](http://www.cninfo.com.cn) on June 2, 2015.

## **XX. Social responsibility**

Applicable Not applicable

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

The listed company and subsidiaries is in the range of heavy pollution industry that regulated by State environment protection departments

Yes No Not applicable

Whether the social responsibility report released

Yes No

## **XXI. Issuance of corporate bonds**

Whether the company has corporate bonds that have been publicly issued and listed on the stock exchange, and

not yet due or due but not fully cashed on the approval date of annual report

No

## 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		48.04%						127,811,320	48.04%
Domestic corporate shares	260,000	0.10%						260,000	0.10%
II. Listed shares	138,000,000							138,000,000	
2. Domestically listed foreign shares	138,000,000	51.87%						138,000,000	51.87%
III. Total shares	266,071,320	100.00%						266,071,320	100.00%

Reasons for share changed

 Applicable  Not applicable

Approval of share changed

 Applicable  Not applicable

Ownership transfer of share changed

 Applicable  Not applicable

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

 Applicable  Not applicable

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

 Applicable  Not applicable

## 2. Changes of restricted shares

Applicable  Not applicable

## II. Securities issue and listing

### 1. Security offering (without preferred stock) in Reporting Period

Applicable  Not applicable

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

Applicable  Not applicable

### 3. Existing internal staff shares

Applicable  Not applicable

## III. Shareholders and actual controller

### 1. Number of shareholders of the Company and share-holding

In Share

Total common stock shareholders in reporting period-end	11,586	Total common stock shareholders at end of last month before annual report disclosed	11,763	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note8)	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of unlisted outstanding shares held	Amount of listed outstanding shares held	Number of shares pledged/frozen	
							State of share	Amount
Shandong State-owned	State-owned legal person	33.07%	88,000,000		88,000,000			

Assets Investment Holding Co., Ltd								
Shandong Luxin Investment Holding Group Co., Ltd	State-owned legal person	14.18%	37,731,320		37,731,320			
Shenwan Hongyuan (H.K.) Limited	Foreign legal person	3.51%	9,346,186			9,346,186		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	2.67%	7,092,032			7,092,032		
CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD	Foreign legal person	2.23%	5,939,682			5,939,682		
Chen Tianming	Foreign nature person	2.16%	5,760,427			5,760,427		
Haitong International Securities Company Limited-Account Client	Foreign legal person	0.83%	2,197,900			2,197,900		
China Everbright Securities (H.K.) Co., Ltd.	Foreign legal person	0.81%	2,142,561			2,142,561		
China National Heavy Duty Truck Group Jinan Truck LLC	State-owned legal person	0.73%	1,950,000		1,950,000			
Wang Dongsheng	Foreign nature person	0.46%	1,209,502			1,209,502		
Strategy investors or general legal person becomes top 10 shareholders due to rights issued (if applicable) (see note3)	Not applicable							
Explanation on associated relationship among the aforesaid	Shandong State-owned Assets Investment Holding Co., Ltd and Shandong Luxin Investment Holding Group Co., Ltd are provincial state-owned enterprises under the same stock controlling of							

shareholders	Shandong Provincial Commission; China National Heavy Duty Truck Group Jinan Truck LLC is the sponsor shareholder of the Company and the above mentioned shareholders have no associated relationships or not belong to consistent actors regulated by <i>Management Regulation of Information Disclosure on Change of Shareholding for Listed Companies</i> . Rests of the shareholders are the domestically listed foreign shareholders, and the Company is unknown whether there exists associated relationship or belongs to consistent actor regulated by “ <i>management method for acquisition of listed company</i> ” among the above said shareholders.		
Shareholding of top 10 circulated shareholders			
Shareholders	Amount of listed shares held at end of the Period	Type of shares	
		Type	Amount
Shenwan Hongyuan (H.K.) Limited	9,346,186	Domestically listed foreign shares	9,346,186
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	7,092,032	Domestically listed foreign shares	7,092,032
CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD	5,939,682	Domestically listed foreign shares	5,939,682
Chen Tianming	5,760,427	Domestically listed foreign shares	5,760,427
Haitong International Securities Company Limited-Account Client	2,197,900	Domestically listed foreign shares	2,197,900
China Everbright Securities (H.K.) Co., Ltd.	2,142,561	Domestically listed foreign shares	2,142,561
Wang Dongsheng	1,209,502	Domestically listed foreign shares	1,209,502
Zhang Xiufang	1,108,554	Domestically listed foreign shares	1,108,554
Qin Jun	1,083,220	Domestically listed foreign shares	1,083,220
Yi Ying	1,078,200	Domestically listed foreign shares	1,078,200

		shares	
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	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.		
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	16307316-7	Management of state-owned property right and disposal of non-performing assets that authorized by SDGZK; investment and management of industry projects; assets management and assets operation; entrust operation and investment consultant
Equity of other foreign/domestic listed company that controlled by and have joint-stock from controlling shareholder in reporting period	0.92% of China Merchants Bank; 0.98% of China United Network Communication Limited; 1.49% of Guangzhou Pubang Landscape Architecture Co., LTD; 0.69% of By-health Co., LTD; 13.96% of Zhongtong Bus Co., LTD; 2.25% of Luzheng Futures Co., LTD.			

Changes of controlling shareholder in reporting period

Applicable  Not applicable

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

### 3. Actual controller

Nature of actual controller: local state-owned assets management

Type of actual controller: legal person

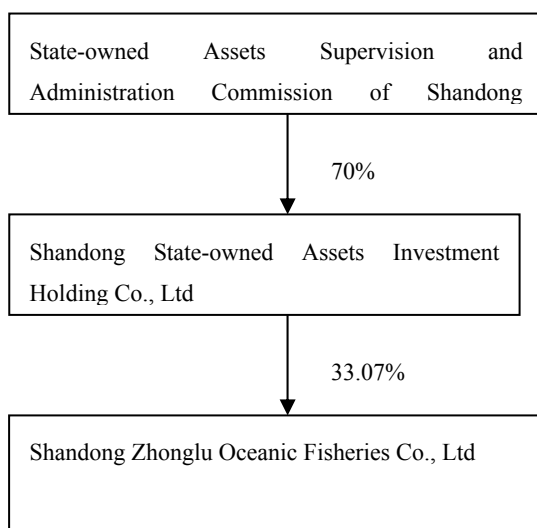
Actual controller	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
State-owned Assets Supervision and Administration Commission of Shandong Provincial Government	Zhang Xinwen	2004-06-18	N/A	Performing responsibilities of investors, monitoring the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

Changes of actual controllers reporting period

Applicable  Not applicable

No changes of actual controllers for the Company in reporting period

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



Actual controller controlling the Company by entrust or other assets management

Applicable  Not applicable

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

Applicable  Not applicable

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

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

Applicable  Not applicable

## **Section VII. Preferred Stock**

Applicable     Not applicable

The Company had no preferred stock in the reporting.

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

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

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Increasing shares held in this period (Share)	Decreasing shares held in this period (Share)	Other changes (Share)	Shares held at period-end(Share)
Li Wenyi	Chairman	Currently in office	M	59	2012-09-18	2016-06-27	0	0	0		0
Song Wenjian	Director, Deputy GM	Currently in office	M	59	2007-04-26	2016-06-27	0	0	0		0
Zhang Chunxing	Director	Currently in office	M	48	2011-08-26	2016-06-27	0	0	0		0
Hu Yuanmu	Independent director	Leave the office	M	61	2009-03-31	2015-05-20	0	0	0		0
Wang Hanmin	Independent director	Currently in office	M	55	2015-05-20	2016-06-27	0	0	0		0
Zhong Zhigang	Independent director	Currently in office	M	48	2010-06-10	2016-06-27	0	0	0		0
Chi Weizhen	GM	Currently in office	M	49	2014-08-19	2016-06-27	0	0	0		0
Zhou Feng	Deputy GM; Secretary of the Board	Leave the office	M	60	2002-09-16	2015-03-16	0	0	0		0
Li Ming	Deputy GM	Currently in office	M	50	2015-04-28	2016-06-27	0	0	0		0
Zhang Weiping	CFO	Currently in office	M	60	2011-08-26	2016-06-27	0	0	0		0
Liu	Chairman	Currently	M	50	2013-06-	2016-06-	0	0	0		0

Zhihui	of Supervisory Committee	in office			28	27					
Yang Gongmin	Supervisor	Currently in office	M	57	2010-06-10	2016-06-27	0	0	0		0
Shang Qinghua	Supervisor	Currently in office	F	45	2003-10-23	2016-06-27	0	0	0		0
Total	--	--	--	--	--	--	0	0	0		0

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

Name	Title	Type	Date	Reasons
Hu Yuanmu	Independent director	Leave the office	2015-05-20	Served for six years and no longer re-election.
Zhou Feng	Deputy GM; Secretary of the Board	Dismissal	2015-03-16	Retired.
Wang Hanmin	Independent director	Appointment and dismissal	2015-05-20	General election.

## 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

Li Wenyi, member of the CPC with junior college degree. Once served as member of CPC Committee in Shandong Fishery Group; served as deputy secretary of CPC Committee and GM of the Company; serve as Director of the Company since July of 1999; he serves as chairman of the Company and secretary of CPC Committee since September 2012.

Song Wenjian, senior economist with MBA as well as the member of Communist Party and member of CPC Committee of the Company, he once took the senior business manager of Shandong International Entrustment & Investment Co., Ltd. Since April 2007, he has been taking the posts of director and deputy general manager of the Company.

Zhang Chunxing, an accountant with a university degree, member of CPC. He once took the assistant consultant, deputy researcher and deputy consultant of enterprise reform and restructuring office of State-owned Assets Supervision and Administration Commission of Shandong Provincial Government; and served as director of capital operation department of Shandong State-owned Assets Investment Holding Co., Ltd; currently he serves as director of capital management department of Shandong State-owned Assets Investment Holding Co., Ltd; and he

serves as director of the Company since August 2011.

Zhong Zhigang, Master of Law, II Lawyer, and he use to being the partner of Grandall (Jinan) Law Firm and the professional lawyer over the latest five years. He took the position of independent director of the Company since June 2010.

Wang Hanmin, professor of accounting and accounting (audit) postgraduate tutor in Shandong University of Finance and Economics, member of Communist Party of China, current vice-president of School of Continuing Education and director of self-study examination and social examination center of Shandong University of Finance and Economics,, has served as an independent director of the Company since May 2015.

## 2. Supervisor

Liu Zhihui, member of the CPC with university degree. He once served as business manager of the capital operation department of Shandong State-owned Assets Investment Holding Co., Ltd, deputy director of auditing (disciplinary inspection) department and senior business manager; now he currently serves as the director of Auditing department (disciplinary inspection dept.) of Shandong State-owned Assets Investment Holding Co., Ltd. And he serves as chairman of Board of Supervisors of the Company since June 2013.

Yang Gongmin, senior MBA, once took the position of GM of Investment Management Department in Shandong Luxin Investment Holding Co., Ltd.; He took the position of supervisor of the Company since June 2010.

Shang Qinghua, member of the CPC with university degree, She once took the posts of deputy director of financial dept. of the Company; now she serves as director of finance dept. of the Company. She serves as employee supervisor of the Company since October 2003.

## 3. Senior executives

Chi Weizhen, Master's degree, an engineer, was member of the CPC and member of the party committee of the Company. He once served as GM of Haiyan Branch; currently he serves as Director of Shandong Zhonglu Haiyan Oceanic Co., Ltd. and serves as GM of the Company since August 2014.

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

Zhang Weiping, an accountant with 3-year college degree. He once served as manager of laws & auditing dept., senior business manager and senior business manager of risk management dept. in Luxin Investment Holding Company Limited. He served as CFO of the Company since August 2011.

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
Zhang Chunxing	Shandong State-owned Assets Investment	Director of assets management	2012-02-01		Y

		dept.			
Liu Zhihui	Shandong State-owned Assets Investment	Director of Auditing department (disciplinary inspection dept.)	2012-11-01		Y
Yang Gongmin	Luxin Group	GM of investment management dept.	2010-02-01		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
Wang Hanmin	Shandong University of Finance	Professor of Accounting			Y
Zhong Zhigang	Grandall (Jinan) Law Firm	Partner			Y

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

Applicable  Not applicable

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

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

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

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex	Age	Post-holding status	Total remuneration obtained from the Company	Whether remuneration obtained from related party of the Company
Li Wenyi	Chairman	M	59	Currently in	47.7	No

				office		
Song Wenjian	Director, GM	M	59	Currently in office	38.5	No
Zhang Chunxing	Director	M	49	Currently in office	0	Yes
Hu Yuanmu	Independent director	M	61	Leave the office	4	No
Wang Hanmin	Independent director	M	55	Currently in office	0	No
Zhong Zhigang	Independent director	M	48	Currently in office	4	No
Chi Weizhen	GM	M	49	Currently in office	40.1	No
Zhou Feng	Deputy GM	M	60	Leave the office	24.6	No
Li Ming	Deputy GM; secretary of the Board	M	50	Currently in office	38.5	No
Zhang Weiping	CFO	M	60	Currently in office	38.5	No
Liu Zhihui	Chairman of Supervisory Committee	M	51	Currently in office	0	Yes
Yang Gongmin	Supervisor	M	58	Currently in office	0	Yes
Shang Qinghua	Employee supervisor	F	45	Currently in office	18.5	No
Total	--	--	--	--	254.4	--

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

Applicable  Not applicable

## V. Employees of the Company

(I) Ended as reporting period, totally on-job employees of the Company amounting as 1129 people, expenses that bear by the Company for post-waiting and early retirement employees amounting to 49 people and 270 people retired.

(II) Professional constitution

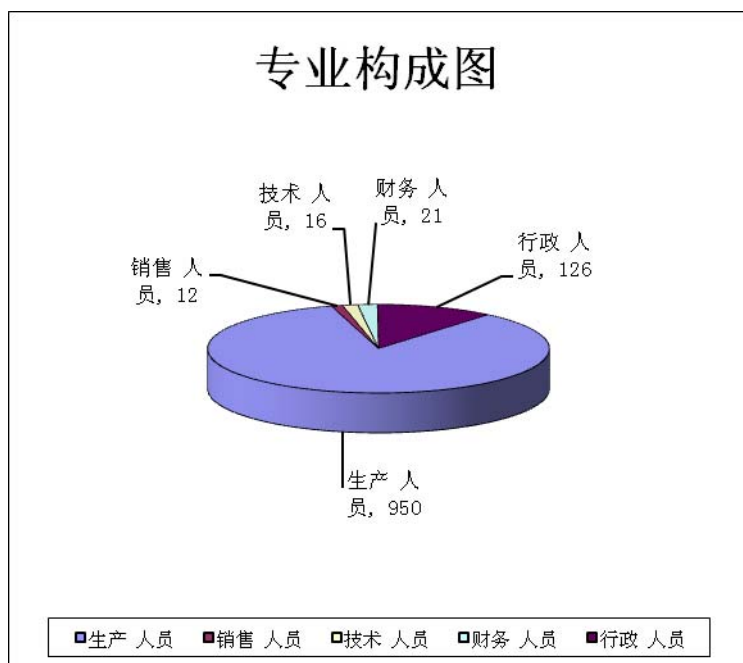
Classification of profession	Number
Production personnel	950
Sales man	12

<b>Technicians</b>	16
<b>Fianncial personnel</b>	21
<b>Administrative personnel</b>	126

(III) Education background

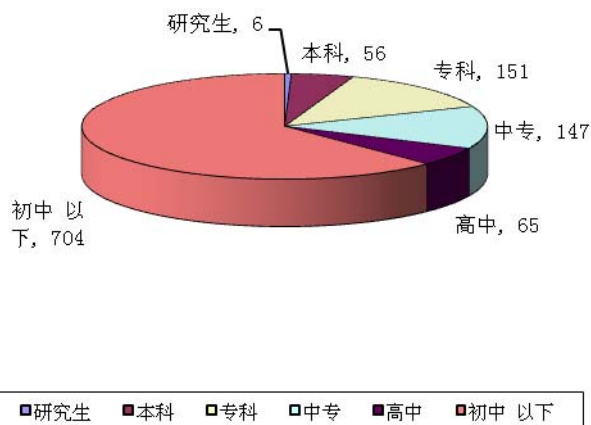
<b>Classification of education background</b>	<b>Number</b>
<b>Bachelor degree or above</b>	62
<b>Junior college</b>	151
<b>Higher school, technical secondary school and middle technical school</b>	212
<b>Middle school or below</b>	704

(IV) Statistical graph for professional composition and education background:





## 学历构成图



(V) Policy of remuneration for employees: the Company formulated a management mechanism of remunerations, and paying salaries to employees on time.

(VI) Training plan: Exercising multi-style training for senior executives, financial staff and technicians according to their own situation and working demands

Cost of enterprise salary

	The Period
The total number of current employees to receive pay (people)	1,201
The current total remuneration amount (Yuan)	10,379
The proportion of total remuneration accounting for current operating income	14.34%
The per capita remuneration amount of senior management (Yuan / person)	35.19
The per capita remuneration amount of all employees (Yuan / person)	8.64

## Section IX. Corporate Governance

### I. Basic state of corporate governance

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

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

Yes  No

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

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

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

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

### III. Horizontal Competition

Applicable  Not applicable

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

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

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
Annual General Meeting of 2014	Annual General Meeting	48.13%	2015-05-20	2015-05-21	“Annual General Meeting of 2014” (No.: 2015-016) published on <i>China Securities Journal</i> , <i>Hong Kong Commercial Daily</i> and Juchao Website

Institutional investors

Name	Number of directors	Times presented in shareholders' general meeting

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

Applicable  Not applicable

## V. Responsibility performance of independent directors in report period

### 1. The attending of independent directors to Board meetings and shareholders' general meeting

The attending of independent directors						
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of present in person	Times of attending by communication	Times of entrusted presence	Times of Absence	Whether absent the Meeting for the second time in a row or not
Hu Yuanmu	2	1	1	0	0	No
Zhong Zhigang	4	1	3	0	0	No
Wang Hanmin	2	0	2	0	0	No
Times presented in shareholders' general meeting by independent directors		1				

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 2014”, “1Q Report of 2015”, “Semi-Annual Report of 2015”, “3Q Report of 2015”and relevant events respectively.

2. Final report of the auditing works for year of 2015 from PKF Daxin Certified Public Accountants

Auditing committee took an all-around review on auditing works for year of 2015 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 2016 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 2016 and auditing organization for internal control as well.

(II) Nomination Committee

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

## **VII. Works from Supervisory Committee**

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

Yes  No

Supervisory committee has no objection about supervision events in reporting period

## **VIII. Appraisal and incentive mechanism for senior executives**

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

## IX. Internal Control

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

Yes No

### 2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	2016-03-05	
Disclosure index of full internal control evaluation report	www.cninfo.com.cn	
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements	98.29%	
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	97.86%	
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 systematicness 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

Auditing opinion from DAXIN CPA: in our opinion, the Company, in line with Basic Norms of Enterprises Internal Control and relevant regulations, shows an effectiveness internal control of financial report in all major aspects.	
Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	2016-03-05
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. Financial Report**

Da Xin Shen Zi [2016] No.3-00040

To all the shareholders of Shandong Zhonglu Oceanic Fisheries Co., Ltd.:

We have audited the attached financial statements of Shandong Zhonglu Oceanic Fisheries Co., Ltd. (“the Company”), including balance sheet and consolidated balance sheet of 31<sup>st</sup> December, 2015, income statement and consolidated income statement, statement of changes in equity and consolidated statements of changes in equity, cash flow statement and consolidated cash flow statement, and notes to the financial statements for the year 2015.

### **I. Management’s responsibility for the financial statements**

The Company’s management is responsible for the preparation and fair presentation of financial statement. The responsibility includes: (1) preparing and fairly presenting financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining necessary internal control in order to avoid material misstatement of fraud or error.

### **II. Auditor’s responsibility**

Our responsibility is to express audit opinion on these financial statements based on our audit result. We conducted our audit work in accordance with the Chinese Auditing Standards. Those standards require that we comply with professional ethics, plan and perform the audit to obtain reasonable assurance of whether the financial statements are free of material misstatement or not.

Audit work includes examining, on test basis, evidence supporting the amounts and



disclosures in the financial statements. The testing methods and procedures are based on auditor's judgment, including evaluation of the risk of material misstatement due to frauds or errors. When evaluating risk, we examine the internal control system related to financial statements in order to design auditing procedures, but not for the purpose of expressing an opinion on the system's effectiveness. Audit work also includes assessing the applied accounting principles and the significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that we have obtained sufficient and appropriate evidence to present our audit opinion on a reasonable basis.

### **III. Auditing opinion**

In our opinion, the Company's financial statements have been prepared in accordance with the Chinese Accounting Standards (CASs), and fairly present, in all material respects, the financial position of the Company on 31<sup>st</sup> December, 2015, operation results and cash flows.

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.

Chinese Certified Public Accountant: He Zheng

Beijing • China

Chinese Certified Public Accountant: Wu Zhixing

March 3, 2016



## Consolidated Balance Sheet

The auditee's name: Shandong Zhonglu Oceanic Fisheries Co., Ltd

Dec 31, 2015

Currency: RMB

Item	Notes	Ending balance	Beginning balance
<b>Current asset:</b>			
Monetary fund	V.1	72,428,421.94	44,980,211.04
Financial asset under fair value method			
Derivative financial asset			
Notes receivable			
Accounts receivable	V.2	26,746,955.58	25,395,972.27
Payment in advance	V.3	6,195,816.18	29,278,905.45
Interest receivable			
Dividend receivable			
Other receivable	V.4	4,567,617.49	7,613,670.62
Inventory	V.5	189,084,316.91	189,737,455.53
Available-for-sale asset			
Non-current asset due within one year			
Other current asset	V.6	14,405,410.05	8,588,771.55
<b>Total current asset</b>		<b>313,428,538.15</b>	<b>305,594,986.46</b>
<b>Non-current asset:</b>			
Available-for-sale financial asset	V.7		
Held-to-maturity investment			
Long-term receivable			
Long-term equity investment			
Investment property	V.8	33,557,057.70	34,775,723.22
Fixed asset	V.9	429,846,758.41	411,596,231.93
Construction in progress	V.10	5,901,575.16	22,485,504.14
Project goods and material			
Disposal of fixed asset			
Productive biological asset			
Oil and gas asset			
Intangible asset	V.11	13,498,863.69	13,862,710.39
Development expenditure			
Goodwill			
Long-term deferred expense			
Deferred tax asset	V.12		306,828.34
Other non-current asset	V.13	2,000,000.00	8,868,187.00
<b>Total non-current asset</b>		<b>484,804,254.96</b>	<b>491,895,185.02</b>
<b>Total asset</b>		<b>798,232,793.11</b>	<b>797,490,171.48</b>

Legal representative:

Chief accountant:

Person in charge of accounting agency:

## Consolidated Balance Sheet(Continue)

The auditee's name: Shandong Zhonglu Oceanic Fisheries Co., Ltd Dec 31,2015

Currency: RMB

Item	Notes	Ending balance	Beginning balance
<b>Current liability:</b>			
Short-time borrowing	V.14	46,321,773.62	42,316,324.69
Financial liability under fair value method			
Derivative financial liability			
Note payable			
Account payable	V.15	81,770,298.61	81,409,933.67
Advance from customer	V.16	18,691,305.28	21,249,662.15
Accrued employee compensation	V.17	17,624,638.23	16,946,769.05
Tax payable	V.18	3,044,646.00	1,415,685.45
Interest payable	V.19	655,581.11	741,295.43
Dividend payable			
Other payable	V.20	5,630,290.48	7,124,660.88
Held-for sale liability			
Non-current liability due within one year	V.21	17,396,585.48	16,213,252.14
Other current liability			
<b>Total liability</b>		<b>191,135,118.81</b>	<b>187,417,583.46</b>
<b>Non-current liability</b>			
Long-term borrowing	V.22		1,900,000.00
Note payable			
Including: preferred stock			
Perpetual bond			
Long-term payable	V.23		14,630,000.00
Long-term employee compensation	V.24	1,908,126.22	1,780,982.41
Special fund payable			
Accrued liability			
Deferred income	V.25	11,439,040.10	12,305,625.58
Deferred tax liability			
Other non-current liability			
<b>Total non-current liability</b>		<b>13,347,166.32</b>	<b>30,616,607.99</b>
<b>Total liability</b>		<b>204,482,285.13</b>	<b>218,034,191.45</b>
<b>Shareholder equity:</b>			
Share capital	V.26	266,071,320.00	266,071,320.00
Other equity instrument			
Including: preferred stock			
Perpetual bond			
Capital reserve	V.27	279,998,206.82	281,245,215.96
Less: treasury stock			
Other comprehensive income	V.38	-34,029.26	52,881.19

Special reserve			
Surplus reserve	V.29	21,908,064.19	21,908,064.19
Undistributed profit	V.30	-2,235,338.96	-14,376,699.17
Shareholder equity to parent		565,708,222.79	554,900,782.17
Minority shareholding		28,042,285.19	24,555,197.86
<b>Total shareholder equity</b>		<b>593,750,507.98</b>	<b>579,455,980.03</b>
<b>Total liability and shareholder equity</b>		<b>798,232,793.11</b>	<b>797,490,171.48</b>

Legal representative:

Chief accountant:

Person in charge of accounting agency:

## Balance Sheet(Parent)

The auditee's name: Shandong Zhonglu Oceanic Fisheries Co., Ltd

Dec 31,2015

Currency: RMB

Item	Notes	Ending balance	Beginning balance
<b>Current asset:</b>			
Monetary fund		40,612,855.17	30,215,484.63
Financial asset under fair value method			
Derivative financial asset			
Notes receivable			
Accounts receivable	XIII.1	748,287.00	9,375,347.44
Payment in advance		2,205,564.37	17,971,428.11
Interest receivable			
Dividend receivable			
Other receivable	XIII.2	36,250,522.61	34,069,621.90
Inventory		34,878,804.73	90,759,254.92
Available-for-sale asset			
Non-current asset due within one year			
Other current asset		128,193.05	267,436.41
<b>Total current asset</b>		<b>114,824,226.93</b>	<b>182,658,573.41</b>
<b>Non-current asset:</b>			
Available-for-sale financial asset			
Held-to-maturity investment			
Long-term receivable		5,831,546.05	6,231,614.21
Long-term equity investment	XIII.3	204,189,455.23	118,779,655.23
Investment property		33,557,057.70	34,775,723.22
Fixed asset		87,079,353.98	187,370,467.76
Construction in progress		1,452,019.07	
Project goods and material			
Disposal of fixed asset			
Productive biological asset			
Oil and gas asset			

Intangible asset		30,166.70	10,143.24
Development expenditure			
Goodwill			
Long-term deferred expense			
Deferred tax asset			
Other non-current asset			
<b>Total non-current asset</b>		<b>332,139,598.73</b>	<b>347,167,603.66</b>
<b>Total asset</b>		<b>446,963,825.66</b>	<b>529,826,177.07</b>

Legal representative:

Chief accountant:

Person in charge of accounting agency:

## Balance Sheet(Parent)(Continue)

The auditee's name: Shandong Zhonglu Oceanic Fisheries Co., Ltd

Dec 31,2015

Currency: RMB

Item	Notes	Ending balance	Beginning balance
<b>Current liability:</b>			
Short-time borrowing			10,000,000.00
Financial liability under fair value method			
Derivative financial liability			
Note payable			
Account payable		15,700,096.10	35,571,681.51
Advance from customer		5,858,514.14	2,579,030.39
Accrued employee compensation		7,031,556.30	8,509,363.43
Tax payable		2,131,532.55	749,581.59
Interest payable		2,757.64	50,506.75
Dividend payable			
Other payable		48,122,404.66	44,438,966.80
Held-for sale liability			
Non-current liability due within one year		1,900,000.00	15,375,042.66
Other current liability			
<b>Total liability</b>		<b>80,746,861.39</b>	<b>117,274,173.13</b>
<b>Non-current liability</b>			
Long-term borrowing			1,900,000.00
Note payable			
Including: preferred stock			

Perpetual bond			
Long-term payable			
Long-term employee compensation		1,333,709.44	1,458,495.50
Special fund payable			
Accrued liability			
Deferred income			761,424.64
Deferred tax liability			
Other non-current liability			
<b>Total non-current liability</b>		1,333,709.44	4,119,920.14
<b>Total liability</b>		82,080,570.83	121,394,093.27
<b>Shareholder equity:</b>			
Share capital		266,071,320.00	266,071,320.00
Other equity instrument			
Including: preferred stock			
Perpetual bond			
Capital reserve		279,115,900.17	279,115,900.17
Less: treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve		19,184,672.34	19,184,672.34
Undistributed profit		-199,488,637.68	-155,939,808.71
<b>Total shareholder equity</b>		364,883,254.83	408,432,083.80
<b>Total liability and shareholder equity</b>		446,963,825.66	529,826,177.07

Legal representative:

Chief accountant:

Person in charge of accounting agency:

## Consolidated Income Statement

The auditee's name: Shandong Zhonglu Oceanic Fisheries Co., Ltd

Dec 31, 2015

Currency: RMB

Item	Notes	Ending balance	Beginning balance
<b>I. Operating income</b>	V.31	723,723,003.05	598,380,696.83
Less: Operating cost	V.31	685,083,527.36	559,988,566.40
Business tariff and annex	V.32	1,231,694.81	1,125,698.01
Sales expenditure	V.33	6,056,111.86	5,421,903.79
Administrative expenditure	V.34	51,671,846.22	34,130,669.66
Financial expenditure	V.35	433,236.30	4,488,063.94
Impairment loss of asset	V.36	2,428,525.98	17,315,628.51
Plus: Changes in value under fair value method			
Investment profit			
Including: investment profit from joint-venture enterprises			
<b>II. Operating profit</b>		-23,181,939.48	-24,089,833.48
Plus: non-operating profit	V.37	43,531,014.39	38,689,440.66
Including: profit of disposal of fixed asset		12,530.62	46,363.18

Less: non-operating expense	V.38	4,830,708.60	355,109.00
Including: loss of disposal of fixed asset		4,170,048.32	349,687.58
<b>III.Total profit</b>		15,518,366.31	14,244,498.18
Less: income tax	V.39	1,136,927.91	126,242.31
<b>IV.Net profit</b>		14,381,438.40	14,118,255.87
Including: net profit to parent company		12,141,360.21	15,367,992.51
Loss of minority shareholding		2,240,078.19	-1,249,736.64
<b>V.After-tax other comprehensive income</b>		-86,910.45	-5,332.63
After-tax other comprehensive income to parent company		-86,910.45	-5,332.63
i.Other comprehensive income that cannot be reclassified into profit and loss			
1.Changes in net liability and net asset in defined benefit plan			
2.Shares of other comprehensive income that cannot be reclassified into profit and loss under equity method			
ii.Other comprehensive income to be reclassified into profit and loss		-86,910.45	-5,332.63
1.Shares of other comprehensive income to be reclassified into profit and loss under equity method			
2.Change in fair value of available-for-sale financial asset			
3. Change of held-to-maturity financial asset that reclassified into available-for-sale			
4.Effective amount of loss of cash-flow hedging			
5.Foreign currency translation reserve		-86,910.45	-5,332.63
6.Other			
After-tax net other comprehensive profit to minority shareholders			
<b>VI.Total comprehensive profit</b>		14,294,527.95	14,112,923.24
Amount to the parent company		12,054,449.76	15,362,659.88
Amount to minority shareholders		2,240,078.19	-1,249,736.64
<b>VII.Earnings per share</b>			
i.Basic earnings per share		0.05	0.06
ii.Diluted earnings per share		0.05	0.06

Net profit before consolidation:

Legal representative:

Chief accountant:

Person in charge of accounting agency:



## Income Statement(Parent)

The auditee's name: Shandong Zhonglu Oceanic Fisheries Co., Ltd Dec 31,2015

Currency: RMB

Item	Notes	Ending balance	Beginning balance
<b>I.Operating income</b>	XIII. 4	125,758,001.95	224,923,900.11
Less: Operating cost	XIII. 4	162,311,720.67	229,001,886.49
Business tariff and annex		894,410.32	743,009.20
Sales expenditure		434,522.60	612,584.72
Administrative expenditure		35,318,160.44	21,054,729.96
Financial expenditure		213,736.41	2,476,584.07
Impairment loss of asset		1,066,571.17	15,520,211.63
Plus: Changes in value under fair value method			
Investment profit			
Including: investment profit from joint-venture enterprises			
<b>II.Operating profit</b>		-74,481,119.66	-44,485,105.96
Plus: non-operating profit		37,123,646.29	35,808,268.85
Including: profit of disposal of fixed asset			1,548.60
Less: non-operating expense		6,191,355.60	1,000.00
Including: loss of disposal of fixed asset		5,876,267.32	
<b>III.Total profit</b>		-43,548,828.97	-8,677,837.11
Less: income tax			
<b>IV.Net profit</b>		-43,548,828.97	-8,677,837.11
<b>V.After-tax other comprehensive income</b>			
i.Other comprehensive income that cannot be reclassified into profit and loss			
1.Changes in net liability and net asset in defined benefit plan			
2.Shares of other comprehensive income that cannot be reclassified into profit and loss under equity method			
ii.Other comprehensive income to be reclassified into profit and loss			
1.Shares of other comprehensive income to be reclassified into profit and loss under equity method			
2.Change in fair value of available-for-sale financial asset			
3. Change of held-to-maturity financial asset that reclassified into available-for-sale			
4.Effective amount of loss of cash-flow hedging			
5.Foreign currency translation reserve			
6.Other			
<b>VI.Total comprehensive profit</b>		-43,548,828.97	-8,677,837.11
<b>VII.Earnings per share</b>			
i.Basic earnings per share			
ii.Diluted earnings per share			

Legal representative:

Chief accountant:

Person in charge of accounting agency:

## Consolidated Cash Flow Statement

The auditee's name: Shandong Zhonglu Oceanic Fisheries Co., Ltd

Dec 31,2015

Currency: RMB

Item	Notes	Ending balance	Beginning balance
<b>I.Cash flow from operating activities:</b>			
Sales of goods and rendering servie		737,100,850.94	761,436,757.08
Tax refund		52,461,561.62	43,741,745.27
Cash from other operating activities	V. 40	66,496,722.67	56,912,170.50
<b>Total cash inflow from operating activities</b>		856,059,135.23	862,090,672.85
Payment of sales of goods and accepting servie		632,345,401.27	670,174,471.42
Payment for employees		111,285,426.90	95,383,161.06
Payment of tax		5,229,994.94	4,331,123.52
Payment for other operating activities	V. 40	51,754,921.90	26,881,435.48
<b>Total cash outflow from operating activities</b>		800,615,745.01	796,770,191.48
<b>Net cash flow from operating activites</b>		55,443,390.22	65,320,481.37
<b>II.Cash inflow from investment activitis</b>			
From disinvestment			
From investment profit			
Net cash flow from disposal of fixed assets,intangible assets and other long-term assets		58,431.91	767,430.00
Net cash flow from disposal of subsidiary and other operating entity			
From other investing activites	V. 40	386,334.96	
<b>Total cash inflow from investing activities</b>		444,766.87	767,430.00
Payment of fixed assets,intangible assets and other long-term assets		18,051,688.49	85,285,611.79
Payment of investment			
Payment for acquisition of subsidiary and other operating entity			
Payment for other investing activities			
<b>Total cash outflow from investing activities</b>		18,051,688.49	85,285,611.79
<b>Total net cash flow from investing activities</b>		-17,606,921.62	-84,518,181.79
<b>III.Cash flow form financing activities</b>			
Cash inflow from financing activities			
Including: cash inflow from minority shareholder investments to subsidiaries			
From borrowing		101,754,637.69	63,955,422.69
From other financing activites	V. 40		14,630,000.00
<b>Cash inflow form financing activities</b>		101,754,637.69	78,585,422.69
Debt payment		113,933,828.76	60,542,615.07
Payment of dividend, interest		4,864,771.14	3,219,119.55
Including: cash dividend paid to minority shareholders by subsidiaries			
Payment for other financing activities			
<b>Total cash outflow of financing activities</b>		118,798,599.90	63,761,734.62

<b>Total net cash flow from financing activities</b>		-17,043,962.21	14,823,688.07
<b>IV.Changes in cash and cash equivalent by change in exchange rate</b>		6,480,406.59	-3,834,113.74
<b>V.Increase in cash and cash equivalent</b>		27,272,912.98	-8,208,126.09
Plus: beginning balance of cash and cash equivalent		44,191,457.02	52,399,583.11
<b>VI.Ending balance of cash and cash equivalent</b>		71,464,370.00	44,191,457.02

Legal representative:

Chief accountant:

Person in charge of accounting agency:

## Cash Flow Statement (Parent)

The auditee's name: Shandong Zhonglu Oceanic Fisheries Co., Ltd

Dec 31,2015

Currency: RMB

Item	Notes	Ending balance	Beginning balance
<b>I.Cash flow from operating activities:</b>			
Sales of goods and rendering servie		138,448,990.90	210,683,689.82
Tax refund			
Cash from other operating activities		56,459,132.46	48,224,461.07
<b>Total cash inflow from operating activities</b>		194,908,123.36	258,908,150.89
Payment of sales of goods and accepting servie		101,067,184.59	168,032,389.29
Payment for employees		35,697,054.84	41,807,253.62
Payment of tax		1,464,312.30	933,037.70
Payment for other operating activities		17,618,547.86	12,852,146.39
<b>Total cash outflow from operating activities</b>		155,847,099.59	223,624,827.00
<b>Net cash flow from operating activites</b>		39,061,023.77	35,283,323.89
<b>II.Cash inflow from investment activitis</b>			
From disinvestment			
From investment profit			
Net cash flow from disposal of fixed assets,intangible assets and other long-term assets			1,548.60
Net cash flow from disposal of subsidiary and other operating entity			
From other investing activites		386,334.96	
<b>Total cash inflow from investing activities</b>		386,334.96	1,548.60
Payment of fixed assets,intangible assets and other long-term assets		1,829,544.07	5,096,428.75
Payment of investment			
Payment for acquisition of subsidiary and other operating entity			
Payment for other investing activities			
<b>Total cash outflow from investing activities</b>		1,829,544.07	5,096,428.75
<b>Total net cash flow from investing activities</b>		-1,443,209.11	-5,094,880.15
<b>III.Cash flow form financing activities</b>			
Cash inflow from financing activities			
From borrowing			20,400,000.00
From other financing activites			12,336,789.14
<b>Cash inflow form financing activities</b>			32,736,789.14

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Debt payment		25,346,666.66	27,695,555.56
Payment of dividend, interest		932,894.07	2,101,239.25
Payment for other financing activities		1,028,388.09	16,346,794.83
<b>Total cash outflow of financing activities</b>		<b>27,307,948.82</b>	<b>46,143,589.64</b>
<b>Total net cash flow from financing activities</b>		<b>-27,307,948.82</b>	<b>-13,406,800.50</b>
<b>IV.Changes in cash and cash equivalent by change in exchange rate</b>		<b>87,504.70</b>	<b>32,707.65</b>
<b>V.Increase in cash and cash equivalent</b>		<b>10,397,370.54</b>	<b>16,814,350.89</b>
Plus: beginning balance of cash and cash equivalent		30,215,484.63	13,401,133.74
<b>VI.Ending balance of cash and cash equivalent</b>		<b>40,612,855.17</b>	<b>30,215,484.63</b>

Legal representative:

Chief accountant:

Person in charge of accounting agency:

## Consolidated Statement of Changes in Equity

The audilee's name: Shandong Zhonglu Oceanic Fisheries Co., Ltd

Dec 31, 2015

Currency: RMB

Item	2015													Minority shareholding	Total shareholder equity
	Shareholder equity to parent company											Total			
	Share capital	Other equity instrument			Capital reserve	Less:treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Other				
Preferred shares		Perpetual bond	Other												
<b>I.Ending balance of last year</b>	266,071,320.00				281,245,215.96		52,881.19		21,908,064.19	-14,376,699.17		554,900,782.17	24,555,197.86	579,455,980.03	
Plus: change in accounting policy															
Former adjustment															
Other															
<b>II.Beginning balance</b>	266,071,320.00				281,245,215.96		52,881.19		21,908,064.19	-14,376,699.17		554,900,782.17	24,555,197.86	579,455,980.03	
<b>III.Change in current period (-)</b>					-1,247,009.14		-86,910.45			12,141,360.21		10,807,440.62	3,487,087.33	14,294,527.95	
<b>i.Total comprehensive income</b>							-86,910.45			12,141,360.21		12,054,449.76	2,240,078.19	14,294,527.95	
<b>ii.Capital invested by shareholders and capital reduction</b>															
1. Common stocks															
2. Other equity instrument															
3. Amount counted into shareholder equity paid by stocks															
4. Other															
<b>iii.Profit distribution</b>															
1. Capital reserve															
2. Distribution to shareholders															
3. Other															
<b>iv.Internal shareholder equity reversal</b>					-1,247,009.14							-1,247,009.14	1,247,009.14		
1. From capital reserve to share capital															
2. From surplus reserve to share capital															
3. Surplus reserve of loss reversal															

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4.Other					-1,247,009.14							-1,247,009.14	1,247,009.14	
v.special reserve														
1.Amount withdrawn														
2. Amount used														
vi.Other														
IV.Ending balance	266,071,320.00				279,998,206.82		-34,029.26		21,908,064.19	-2,235,338.96		565,708,222.79	28,042,285.19	593,750,507.98

Legal representative:

Chief accountant:

Person in charge of accounting agency:

## Consolidated Statement of Changes in Equity 2014

The auditee's name: Shandong Zhonglu Oceanic Fisheries Co., Ltd

Dec 31, 2015

Currency: RMB

Item	2014													Minority shareholding	Total shareholder equity
	Shareholder equity to parent company														
	Share capital	Other equity instrument			Capital reserve	Less:treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Other	Total			
		Preferred shares	Perpetual bond	Other											
I.Ending balance of last year	266,071,320.00				281,245,215.96		58,213.82		21,908,064.19	-29,744,691.68		539,538,122.29	25,804,934.50	565,343,056.79	
Plus: change in accounting policy															
Former adjustment															
Other															
II.Beginning balance	266,071,320.00				281,245,215.96		58,213.82		21,908,064.19	-29,744,691.68		539,538,122.29	25,804,934.50	565,343,056.79	
III.Change in current period (-)							-5,332.63			15,367,992.51		15,362,659.88	-1,249,736.64	14,112,923.24	
i.Total comprehensive income							-5,332.63			15,367,992.51		15,362,659.88	-1,249,736.64	14,112,923.24	
ii.Capital invested by shareholders and capital reduction															
1. Common stocks															

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2.Other equity instrument															
3.Amount counted into shareholder equity paid by stocks															
4.Other															
<b>iii.Profit distribution</b>															
1.Capital reserve															
2.Distribution to shareholders															
3.Other															
<b>iv.Internal shareholder equity reversal</b>															
1.From capital reserve to share capital															
2.From surplus reserve to share capital															
3.Surplus reserve of loss reversal															
4.Other															
<b>v.special reserve</b>															
1.Amount withdrawn															
2. Amount used															
<b>vi.Other</b>															
<b>IV.Ending balance</b>	266,071,320.00					281,245,215.96		52,881.19		21,908,064.19	-14,376,699.17		554,900,782.17	24,555,197.86	579,455,980.03

Legal representative:

Chief accountant:

Person in charge of accounting ag

## Statement of Changes in Equity (Parent)

The auditee's name: Shandong Zhonglu Oceanic Fisheries Co., Ltd

Dec 31, 2015

Currency: RMB

Item	2015										
	Share capital	Other equity instrument			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholder equity
		Preferred shares	Perpetual bond	Other							

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<b>I.Ending balance of last year</b>	266,071,320.00				279,115,900.17				19,184,672.34	-155,939,808.71	408,432,083.80
Plus: change in accounting policy											
Former adjustment											
Other											
<b>II.Beginning balance</b>	266,071,320.00				279,115,900.17				19,184,672.34	-155,939,808.71	408,432,083.80
<b>III.Change in current period (-)</b>										-43,548,828.97	-43,548,828.97
<b>i.Total comprehensive income</b>										-43,548,828.97	-43,548,828.97
<b>ii.Capital invested by shareholders and capital reduction</b>											
1. Common stocks											
2. Other equity instrument											
3. Amount counted into shareholder equity paid by stocks											
4. Other											
<b>iii.Profit distribution</b>											
1. Capital reserve											
2. Distribution to shareholders											
3. Other											
<b>iv.Internal shareholder equity reversal</b>											
1. From capital reserve to share capital											
2. From surplus reserve to share capital											
3. Surplus reserve of loss reversal											
4. Other											
<b>v.special reserve</b>											
1. Amount withdrawn											
2. Amount used											
<b>vi.Other</b>											
<b>IV.Ending balance</b>	266,071,320.00				279,115,900.17				19,184,672.34	-199,488,637.68	364,883,254.83

Legal representative:

Chief accountant:

Person in charge of accounting agency:



## Statement of Changes in Equity 2014 (Parent)

The auditee's name: Shandong Zhonglu Oceanic Fisheries Co., Ltd

Dec 31, 2015

Currency: RMB

Item	2014										
	Share capital	Other equity instrument			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholder equity
		Preferred shares	Perpetual bond	Other							
<b>I.Ending balance of last year</b>	266,071,320.00				279,115,900.17				19,184,672.34	-147,261,971.60	417,109,920.91
Plus: change in accouting policy											
Former adjustment											
Other											
<b>II.Beginning balance</b>	266,071,320.00				279,115,900.17				19,184,672.34	-147,261,971.60	417,109,920.91
<b>III.Change in current period (-)</b>										-8,677,837.11	-8,677,837.11
<b>i.Total comprehensive income</b>										-8,677,837.11	-8,677,837.11
<b>ii.Capital invested by shareholders and capital reduction</b>											
1. Common stocks											
2. Other equity instrument											
3. Amount counted into shareholder equity paid by stocks											
4. Other											
<b>iii.Profit distribution</b>											
1. Capital reserve											
2. Distribution to shareholders											
3. Other											
<b>iv.Internal shareholder equity reversal</b>											

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1.From capital reserve to share capital											
2.From surplus reserve to share capital											
3.Surplus reserve of loss reversal											
4.Other											
<b>v.special reserve</b>											
1.Amount withdrawn											
2. Amount used											
<b>vi.Other</b>											
<b>IV.Ending balance</b>	266,071,320.00				279,115,900.17				19,184,672.34	-155,939,808.71	408,432,083.80

Legal representative:

Chief accountant:

Person in charge of accounting agency:

**SHANDONG ZHONGLU OCEANIC FISHERIES CO., LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(All amounts are stated in RMB Yuan unless otherwise stated)**

## **I. Company profile**

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

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

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;

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.

Consolidation scope of financial statement includes: 4 wholly-owned subsidiaries : Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.; Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.; HABITAT INTERNATIONAL CORP; Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd. . ; 2 sub-subsidiaries: LAIF FISHERIES COMPANY LIMITED, Shandong Zhonglu Oceanic Fisheries Refrigeraton Co., Ltd; 1 operational entity through control over operating leases: YAW ADDO FISHERIES COMPANY LIMITED. More information is disclosed in Note.6 “ Equity disclosure in other entities”.

The financial statement is predetermined and authorized by the board of company on 3<sup>th</sup> March, 2016.

## **II. Compilation basis of financial statement**

### **1. Preparation basis**

On the basis of going-concern and factual transactions, the financial statements of the company are prepared in accordance with the Chinese Accounting Standards (CASs), specific accounting standards(accounting standard for business enterprises in general), and the main accounting policies and accounting estimation are described below .

### **2. Going-concern basis**

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.

## **III. Main accounting policies and accounting estimation**

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:

### **1. Compliance of CASs**

The financial statements of the Company have been prepared in accordance with CASs, and present truly and completely the Company's financial position on 31<sup>ST</sup> December 2014, and information about operation and cash flows.

### **2 Accounting year**

The Company has adopted the calendar year as its accounting year, i.e. from 1<sup>st</sup> January to 31<sup>st</sup> December.

### **3. Operating cycle**

The operating cycle of the Company is determined as 12 months. The determining criterion of asset-liability liquidity is based upon this operating cycle.

### **4 Functional currency**

The functional currency of the Company is RMB.

### **5 Business Combinations**

#### **5.1 Business combinations of enterprises under common control**

For long-term equity investment merger and acquisition under common control through methods of cash payment, non-cash assets transfer and debt assuming, the Company applies the net asset in final consolidated financial statement on acquisition date as initial capital of long-term equity investment. For

acquisition through issuance of equity instrument, the Company applies the fair value of shares issued as initial capital. The difference of initial investment capital and its book value should be adjusted to capital reserve. If capital reserve is insufficient, retained earnings should be adjusted.

## **5.2 Business combinations not under common control**

For business merger and acquisition not under common control, consolidation cost should be determined by the fair value of asset payments, debt assuming amount and issuance of other equity instruments on acquisition date. For qualified identifiable assets, liabilities and contingent liabilities acquired through corporation consolidation, their value should be determined by fair value amount on acquisition date. The excess of consolidation cost to fair value of net identifiable assets is counted into goodwill, the shortage is counted into non-operating income.

## **6. Preparation of consolidated financial statements**

### **6.1 The scope of consolidation**

All subsidiaries and special purpose entities are included within the scope of consolidation.

### **6.2 The standardized accounting policies, balance sheet date and accounting period within parent and sub companies of consolidation scope**

When preparing consolidation, necessary changes are made according to the Company's accounting policy or accounting period if the subsidiaries and the company use different accounting policies or accounting period.

### **6.3 The offset of consolidated financial statements**

All subsidiaries and special purpose entities are included within the scope of consolidation.

The Company consolidated financial statements in accordance with "CAS 33, *Consolidated Financial Statements*" and the relevant provisions of the requirements, and offset all important insider trading and correspondence within consolidation scope. The subsidiary shareholders' equity that are not belonged to the parent company's share will be listed as "Minority shareholding" in the consolidated financial statements. The long-term equity investment of parent company held by the subsidiary is regarded as corporation treasury stock, and is reported as "Less: treasury stock" in consolidated financial statement.

### **6.4 Accounting treatment of merger-acquired subsidiaries**

For the subsidiary obtained from merger of enterprises under common control, from the beginning of the current period, the assets, liabilities, operating results and cash flows are included into the consolidated financial statements. For the subsidiary company obtained from the merger of enterprises under different

control, it is based on the fair value of the identifiable net assets on the purchase day when preparing consolidated financial statements.

## **7 The classification of joint-venture and its accounting policies treatment**

### **7.1 The classification of joint-venture**

The joint-venture is classified as joint operation and joint enterprise. The joint-venture arrangement without a separate entity is classified as joint operation. Separate entity is the entity entitled with independent identifiable financial structure, including the independent legal representative or legitimate recognition of legal representative. The joint-venture arrangement with a separate entity is classified as joint enterprise. The correspondent changes in rights owned and obligations undertaken by changes in relevant matters and situations can result in revaluations in joint-venture arrangement.

### **7.2 Accounting policies treatment of joint operation**

Participants in joint operation should confirm its benefit share and prepare the financial statement in accordance with relevant enterprise accounting standards within the following items: separately-owned assets and liabilities, share-related assets and liabilities in commonly owned assets and liabilities, the revenue from sale of joint-operation production, the revenue from share-related sale of joint-operation production, expense from separated activities and expenses from share-related joint operation.

To participants without common control over joint operation: treated by accounting policies of participant in joint operation if the participants own related assets and undertake related liabilities in joint operation; Otherwise treated by correspondent policies in Accounting Standards for Business Enterprises

### **7.3 Accounting policies treatment of joint enterprise**

The participants in joint enterprise should follow the accounting policies in <No.2 Accounting Standards for Business Enterprises – Long-term Equity Investment>. Participants without common control should arrange the accounting treatment according to its impact upon the joint enterprise.

## **8 Confirmation criteria of cash and cash equivalent**

Cash that the Company applied in the preparation of cash flow statement is cash on hand and bank deposit that is available for payment. Cash equivalent that the Company applied in the preparation of cash flow statement is short-term, highly liquid investments that are readily convertible to known amount of cash and without significant risk of change in value.

## **9 Translation of transactions denominated in foreign currencies and the foreign currency financial statements**

### **9.1 Translation of transactions denominated in foreign currencies**

The transaction of the Company for foreign currencies adopts the spot exchange rate of the transaction date. At the balance sheet date, foreign currency monetary items are translated to RMB using the spot exchange rate at that date, the exchange rate difference from the time of initial recognition and previous balance sheet date will generate balance exchange, except for the qualified foreign currency exchange specifically borrowed in the capitalization period which shall be included in the relevant capitalization cost of the asset, all should be included in the current profits and losses.

Foreign currency non-monetary items measured with the historical cost still adopt the spot exchange rate at the transaction day; do not change the recording currency. Foreign currency non-monetary items measured with fair value adopts the spot exchange rate determined at fair value date, the balance between the after-conversion amount of functional currency and the original standard money of charge, is counted as the changes in the fair value (including the exchange rate) processing, should be included in the current profits and losses or confirmed as other comprehensive income and included in the capital reserve.

### **9.2 Translation of the foreign currency financial statements**

If the subsidiary company, cooperative enterprise, joint enterprise and so on, use different standard currency, they need to convert foreign currency conversion financial statements into RMB, and then carry on accounting and preparing the consolidated financial statements.

Asset and liability items of the balance sheet adopt the spot exchange rate on the balance sheet to convert, except for "undistributed profit", other items of Owner's Equity sheet convert at the spot exchange rate.

The income and expense items of the income statement adopt the spot rate of the transaction date to convert.

The exchange balance of foreign currency financial statements should be listed in the owner's equity item of the balance sheet separately.

Foreign currency cash flow according to the system reasonable method to determine, adopt the spot rate of the transaction date to convert .Exchange rate on the influence of the cash amount should be listed in the cash flow statement separately.

On the disposal of a foreign operation, according to the proportion of the disposal, the balance of foreign currency statement relating to overseas business should be converted into the current period of the profits

and losses.

## **10. Financial instruments**

### **10.1 Recognition criteria and classification of financial instruments**

Financial instruments are classified into financial asset and financial liability.

On initial recognition, financial assets shall be classified into the following four categories: (1) Financial assets at fair value through profit and loss, including financial assets held for trading and those designated as at fair value through profit and loss; (2) Held-to-maturity investments; (3) loans and receivables; and (4) available-for-sale financial assets. Except for accounts receivable, financial assets are classified depending on the intentions and capacity of the company and its subsidiaries of financial assets.

On initial recognition, financial liabilities shall be classified into the following categories: (1) financial liabilities at fair value through profit or loss, including financial liabilities held for trading and those designated as at fair value through profit or loss; and (2) other financial liabilities.

Financial assets at fair value through profit and loss, include financial assets held-for-sale; sale receivables are non-derivative financial assets for which there is no quoted price in the active market and of which the repo amount is fixed or determinable; Available-for-sale financial assets include non-derivative financial assets initially recognized as available-for-sale and financial assets that are not divided into other classes; Held-to-maturity investment refers to non-derivative financial assets with fixed maturity and repo amount, and the board of management have clear intention and ability to hold to maturity.

### **10.2 The measurement of financial instrument**

The company's financial assets or financial liabilities are initially recognized at fair value measurement. For subsequent measurement categories: current financial assets are reported at fair value and whose fluctuations are recorded into the profits and losses, available-for-sale financial assets and current financial liabilities are measured at fair value and the changes are recorded into the profits and losses. Held-to-maturity investments, loans and receivables, as well as other financial liabilities are measured at amortized cost. Cost method should be used when the equity instrument investments has no offer in the active market whose fair value cannot be reliably measured, and when the related equity instrument must be settled by delivering the equity instruments of the derivative financial assets or derivative financial liabilities. The changes in the fair value of the profit and loss, except for related hedging process that are generated from follow-up measurement of financial assets and financial liabilities, are treated as following method: the profits and losses of the financial asset or financial liability that form on the changes in the fair value are measured at fair



value and reflected in P&L. Changes in the fair value of available for sale financial assets are included in other comprehensive income.

### **10.3 The confirmation method of the financial assets and financial liabilities the Company adopted**

If there exists an active market of financial instruments, the active market quotation determines its fair value; if there is no active market of financial instruments, valuation techniques are used to determine the fair value. Valuation techniques mainly include market method, income method and cost method

### **10.4 The recognition criteria and measurement method of transfer of financial asset and liability**

When transferring financial asset ownership on almost all of the risks and rewards, or to which neither move nor keep financial asset ownership on almost all of the risks and rewards but give up the control over the financial asset, the recognition the financial of the asset shall be terminated. To those financial assets that meet the recognition criteria of termination: the sum of the accumulative amount of changes of the book value of the transferred financial asset that are received by transfer of value and the fair value originally recorded in other comprehensive income balance are included in the current profits and losses. To those whose part of the transfer that meet the recognition criteria of termination, the entire book value of the transferred financial asset, between the terminated parts and non-terminated parts, are amortized according to their relative fair value.

For the present obligations that are in whole or in part lifted, the confirmation of the financial liability or part of it should be terminated.

### **10.5 The impairment of the financial asset**

When financial assets at the amortized cost measurement impairment occurs, according to the expected future cash flow (not including the future credit losses) present value less than the difference between the book value, the provision for impairment loss occurs. If there is objective evidence that the financial asset value has been restored, and is objectively related to the loss occurred afterwards, impairment loss should be turned back, and included in the current profits and losses.

When financial assets valued under cost measurement are impaired, 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, is recognized as the impairment loss and prepared for provision for impairment loss. The impairment loss, once confirmed, could no longer be restored.

When there is objective evidence that available-for-sale financial assets impairment has occurred, the

cumulative loss of fair value in the shareholder's rights should be transferred out and counted into impairment loss. To impairment loss of available-for-sale debt instrument investment, the fair value of which in the after-period that are increased, the impairment loss should be turned back and recorded into the profits and losses. To sale of equity-instrument investment that impairment loss has previously occurred, fair value increased after the period is included directly in the Stockholders' equity.

For equity-instrument investment, the basis that the Company uses to determine the fair value of "serious" or "other-than-temporary" specific quantitative standards, cost calculation method, the final determination of the fair value method and the period of continuously falling is as the following:

The specific quantification standard of fair value of "severe" declines	The fall of the final fair value relative to the cost has reached or exceeded 50%
The specific quantification standard of fair value of "other-than-temporary" declines	The fall in the 12 consecutive months
The calculation method of cost	The sum of the payment (excluding cash dividend that has been declared but not yet paid or bond interest that has matured but not yet withdrawn ) and related transaction costs as the cost of investment.
The final determination of the fair value method	For financial instruments within existing active market, the Company uses active market quotation to determine its fair value; For financial instruments without existing active market , it uses valuation techniques to determine its fair value
The basis to determine the period of continuously falling	Continuous decline or rose less than 20% during the downward trend, or the rebound lasts no more than 6 months are determined as period of continuously falling

## 11 Receivables

Receivables include accounts receivable, long-term accounts receivable and other receivables. Receivables provision for bad debt provision method is as follows:

### 11.1 Receivables with single major amount and provision for bad debts

The recognition standard of the single major amount of accounts receivable for bad loans	Amount above 1 million Yuan (including 1 million) of the accounts receivable
The carrying method of the single amount major of account receivable for bad loans	Recognized according to the difference of book value and present value of estimated future cash flows

### 11.2 Receivables with combination to draw the bad debts provision

Combination determination criteria	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
Bad debt provision method by combination	
Aging combination	Aging accounting method
Riskless combination	No provision for bad debts

In the combination, the aging analysis method of drawing bad debts provision is as follows:

aging	Accounts receivable (%)	Other receivables (%)
Within 6 months	5	5
6 months to 1 year	10	10
1 year to 2 years	30	30
2 years to 3 years	50	50
Above 3 years	100	100

To those account receivables without default risk within the next 12 months, it is treated as riskless combination and no provision for bad debt is necessary.

### 11.3 Individual amount not significant but in need of bad debt provision

The reason to draw bad debts provision separately	Accounts receivable with Aging more than 3 years of and objective evidence that the impairment has occurred
The method to draw bad debts provision	According to the difference of book value and present value of estimated future cash flows to recognize

## 12. Inventories

### 12.1 Classification of inventories

Inventories are assets: (a) held for sale in the ordinary course of business; (b) in the process of production for such sale; or (c) in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories of the company includes: raw materials, turnover materials, low value and easily used up materials, work in progress, semi-finished goods, finished goods and so on.

### 12.2 Measurement of sending out inventory

Upon delivery of inventory, the weighted average method is used to assign the actual cost.

### 12.3 Inventory write-down provision method

At the balance sheet date, inventories shall be measured at the lower of cost and net realizable value, and according to a single inventory project to draw Inventory falling in price reserves, but for numerous, lower unit price inventories, drawing Inventory falling in price reserves is based on the inventory category.

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

; (2) Materials held for production are based on cost measurement when the finished products' net realizable value is higher than cost; the material price decline shows that the finished products' net realizable value is

lower than cost, net realizable value is calculated as an estimated sales price minus the estimated cost, the cost of sales and the relevant taxes amount.(3) the materials held for sale may use the market price as net realizable value.

#### **12.4 Inventory system**

The company adopts perpetual inventory system

#### **12.5 The amortization method of low-value-and-easily-used-up materials and packages**

Low-value-and-easily-used-up materials and packages amortize twice of 50% each time.

### **13. Long-term Equity Investments**

#### **13.1 Determination of initial cost of a long-term equity investment**

For the enterprise merger & acquisition under the common control, the share of the book value of the merged owner's equity should be recognized as the initial investment cost. For the enterprise merger & acquisition without common control, the initial investment cost shall be the cost decided at the purchase date. For a long-term equity investment acquired by cash, the initial investment cost shall be the purchasing price. For a long-term equity investment acquired by the issue of equity securities, the initial investment cost shall be the fair value of the securities issued; For a long-term equity investment acquired through a debt restructuring transaction, the initial investment cost shall be determined in accordance with <No.12 Accounting Standards for Business Enterprises-debt restructuring >.For a long-term equity investment acquired through an exchange of non-monetary assets, the initial investment cost shall be determined in accordance with relevant CASs.

#### **13.2 Subsequent measurement and determination of profit and loss**

If Investors can implement control for the invested entity of a long-term equity investment, the cost method should be employed; to long-term equity investment of affiliated enterprises and joint ventures, equity method should be employed. For equity investment in affiliated enterprises by means of venture capital institution, mutual fund, trust company and fund of fund, investors should follow related regulations in <No.22 Accounting Standards for Business Enterprises-The confirmation and measurement of financial tools> whether the above-stated subjects has a significant influence on this part of the investment or not. To the part of investment acquired in an indirect way, fair value method should be employed to reflect profit and loss. To the rest part of investment, equity method should be employed.

#### **13.3 The basis to determine the common control and significant influence on invested entity**

The common control on invested entity refers to that decisions must be made upon agreements of parties with common control on an activity arrangement that has a significant impact on return, such as activities that include: sale and purchase of goods and services, management of financial assets, purchase and disposal of assets, research and development and financing activities.

The significant influence on invested entity refers to that it will have significant influence over the investee when holding more than 20% and up to 50% of the voting rights of the invested entity.. Or although less than 20%, it will also has significant influence over the investee when meet one of the following conditions,:

- ①The investors send a representative to the board of directors or similar authority in the invested entity;
- ②The investors participate in policy-making process of invested entity;
- ③The investors send management personnel to the invested entity;
- ④The investees rely on the technology or technical information of the investors;
- ⑤Important transactions conducted between the investees and the investors.

#### **14. Investment property**

The type of an investment property of the company includes: Lease of the land use rights, rental buildings, hold and prepare the transfer of the land use rights after value added. An investment property is initially measured at cost. The Company uses the cost model or fair value for subsequent measurement of an investment property.

Straight-line method is used to carry depreciation towards the rental buildings of real estate investment of the Company. Specific accounting policy is the same to fixed assets. Land use right for lease in the investment real estate and hold-and-prepare to transfer of the land use right after value-added adopt the straight-line amortization method. Specific accounting policy is the same to intangible assets.

#### **15. Fixed assets**

##### **15.1 Fixed assets recognition criteria**

Fixed assets are tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes. And they have more than one accounting year useful lives. A fixed asset shall be recognized only when both of the following conditions are satisfied: **a.** it is probable that economic benefits associated with the asset will flow to the enterprise; **b.** the cost of the asset can be measured reliably.

##### **15.2 Classification of fixed assets and depreciation method**

The company's fixed assets include houses and buildings, machinery and equipment, electronic equipment,

transportation equipments, etc; Depreciation is provided to write off the cost of each category of fixed assets using the straight-line method. The Company estimates fixed assets' useful lives and estimated residual value according to their nature and usage condition. The Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least each financial year-end if there is any difference from the original estimate, then adjustment shall be made. Except for fully-depreciated-but-still-in-usage fixed assets and separately recorded land, depreciation is provided to write off the cost of each category of fixed assets over their estimated useful lives.

Classes	Useful life (years)	Estimated net residual values rates (%)	Annual depreciation rates (%)
Buildings	20—40	3—5	2.00-5.00
Boats and nets	5—30	3—5	3.17-19.40
Machinery and equipment	8—20	3—5	5.00-12.00
Transportation equipment	5	3—5	19.00-19.40
Furniture and office equipment	5	3—5	19.00-19.40

### 15.3 The recognition criteria and measurement method for financial lease fixed assets

Financial lease fixed asset is a kind of lease that in actual transfers the overall ownership and risk of the asset. The initial cost of financial lease fixed asset is the lower of the fair value and the present value of expected lease payment on lease inception day. The measurement of financial lease adopts the same depreciation and impairment provision policy as self-owned fixed assets.

### 16. Construction in progress

Construction in progress of the company includes self construction and outsourced construction project. When conformed to the expected conditions for use, the construction in progress will be transferred to fixed assets. The recognition standard of expected conditions for use should meet one of the following circumstances:

- (1) The fixed assets of the entity build (including installation) work have been finished completely or substantially
- (2) After trial production or trial operation, the asset is able to operate steadily or produce standard and qualified products, or the results of trial operation indicates that the asset is able to normally work or operate ;
- (3) The expenditures of the construction of fixed assets are little or almost no longer occur;
- (4) The assets under acquisition and construction have reached the design or the contract requirements, or

are fundamentally in accordance with design or contract requirements.

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.

## **17. Borrowing Costs**

### **17.1 Principle of capitalization of borrowing cost**

The borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are eligible for capitalization. Other borrowing cost should be recognized as expenses and attributed to profit and loss account when incurred. Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

### **17.2 Measurement of capitalization of borrowing cost**

The capitalization period refers to the period from the beginning to the end of capitalization of borrowing costs.

The suspended period of the capitalization of borrowing costs is not included.

During the capitalization period: if the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended.

Confirmation of the amount which has been capitalized: During the capitalization period, the amount of interest to be capitalized for each accounting period shall be determined as follows:

(a) For a specific-purpose borrowing, the amount of interest to be capitalized shall be the actual interest expense incurred for the period less temporary deposit's interest or investment income;

(b) For funds are borrowed under general-purpose borrowings, the Company shall determine the amount of interest to be capitalized 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 specific-purpose borrowings. The capitalization rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

(c) When loan discount or premium exists, the company should determine those discount and premium amortization amount with the actual interest rate method, and adjust the amount of interests for each period.

The effective interest rate method is based on borrowing real interest rates to calculate both discount or

premium or more interest expense. Real interest rate is the interest used to calculate future cash flow for the expected duration.

## **18. Intangible Assets**

### **18.1 Measurement of intangible assets**

The initial measurement of intangible assets is based on cost. For the intangible assets purchased, the price paid and relevant cost related to the purchase will be recognized as cost of the intangible assets. For the intangible assets invested by investors, the cost of the assets will be recognized as contract agreement amount, and it shall be recognized at fair value once the contract agreement amount is unfair. For self developed intangible assets, all cost occurred before it reached the condition for use will be recognized as cost of intangible asset.

Subsequent measurement that the Company adopts: (1) the amortization amount of intangible assets with finite useful lives shall use straight-line amortization method over its useful life The company shall, at least at the end of each year, review the amortization period and the amortization method of the intangible assets with finite useful lives and adjust them when necessary; (2) Intangible assets with indefinite useful lives shall not be amortized, but they required an annual impairment review of useful lives. For any evidence of finite economic useful life, the company will reassess its useful life adopt straight-line amortization method.

### **18.2 Recognition criteria of intangible assets with indefinite useful lives**

The future economic benefit flowing from intangible asset unforeseeable or its economic use life that cannot be estimated will be recognized as intangible assets with indefinite useful lives.

Recognition criteria of intangible assets with indefinite useful lives can be determined:

- (1) From contraction right or other legal rights, and the contract or law specifies no fixed number of year of use;
- (2) Summarized industry situation or related experts arguments, and still can't conclude the useful life during which intangible assets could make economic benefits for the company

The bottom-up Impairment review of useful life of intangible assets is at least at the end of each year, and reassessed for any change in estimated useful life by related departments

## **19. Impairment of asset**

Impairment loss test is applied to items such as: long-term equity investment, investment properties under cost method, fixed assets, construction in progress, productive biological asset under cost method,



oil-and-gas asset, intangible asset, goodwill and other long-term assets that indicates impairment loss on balance-sheet date. After impairment loss test, if the recoverable amount is below its book value, the difference is prepared for impairment loss and deducted from profit and loss.

Recoverable amount is the higher of fair value minus disposal expenses and expected future cash flow. Impairment loss is calculated and confirmed by individual asset. For individual asset difficult to value its recovery amount, it is determined by its asset group. An asset group is the minimum asset portfolio which could generate cash inflows.

Impairment test should be applied to goodwill at least annually whether it indicates signs of impairment loss or not. When goodwill is tested for impairment, its book value is impaired to asset group or asset portfolio that benefit from synergistic effects of enterprise merger and acquisition. It is tested to be impairment loss if the recovery amount of goodwill from asset group or asset portfolio is below from its book value. Impairment loss amount is first deducted from the book value of goodwill from asset group or asset portfolio, and then deducted proportionally to the book value of other assets according to the portion of the rest asset group and asset portfolio apart from goodwill.

Once confirmed, the above-stated impairment loss is nonreversible.

## **20. Long-term deferred expenses**

Long-term deferred expenses refers to expenses that have been paid out, but with more than 1 beneficial accounting years. Long-term deferred expenses should be amortized base on the straight-line method during the beneficial period. If there is any evidence implying that the long-term deferred expenses cannot bring economic benefit any more, the company shall write-down all the balance of long-term deferred expenses into current profit and loss.

## **21. Employee compensation**

Employee compensation refers to all forms of payment or compensation that the enterprise grants to obtain service or terminate the labor relationship. Employee compensation is mainly composed of short-term employee compensation, welfare of departure and other long-term employee welfare.

### **21.1 Short-term employee compensation**

During the accounting period when an employee provides service to the Company, the actual short-term employee compensation is determined as liability and deducted from current profit and loss, except for those counted in asset cost according to other accounting principle requirements. The employee welfare is

deducted from profit and loss or related asset cost according to its actual amount. Non-monetary employee welfare is counted as its fair value. The payment of medical assurance premium, industrial injury insurance premium, birth insurance premium with other social insurance premium, housing fund, labor-union expenditure and personnel-training expenditure withdrawn as required that the Company undertakes for employees in the service-providing accounting period, is calculated proportionally to determine the employee compensation amount and accordingly amount of liability, which is then deducted in current profit and loss and related asset cost.

### **21.2 Welfare of departure**

The Company determines the amount calculated according to predetermined contribution plan in the accounting period that employee provides service as liabilities and subtracts it in current profit and loss and related asset cost. The welfare obligation of benefit plan that generated from estimated accumulated welfare in the accounting period that employee provides services is deducted from current profit and loss and related asset cost.

### **21.3 The determination of welfare of departure**

The determination date of welfare of departure is the earlier of : (1). The date that the Company cannot unilaterally terminate the labor relationship or provide layoff proposal; (2). The date that the Company confirms reconstruction of welfare of departure or relevant costs.

### **21.4 Other long-term employee welfare**

For other long-term employee welfare that in accordance with defined contribution plan requirements, it is treated on the basis of related contribution plan requirements. Other than that, it is determined as net liability or net asset of other long-term employee welfare.

## **22. Revenue**

### **22.1 Revenue arising from the sale of goods**

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

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

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

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

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

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

## **21.2 Revenue generated from the rendering 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.

### **21.3 Revenue arising from the use by others of enterprise 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.

## **23. Government grants**

### **23.1 Accounting treatment of asset-related government grants**

Government grants that acquired by the company for construction or other forms to establish long-term assets and related to an asset shall be recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset

### **23.2 Accounting treatment of asset-related government grants**

Government grants related to an asset shall be recognized as deferred income,. For the government grants to income, the following circumstance is processed respectively:

- (1) If the grant is a compensation for related expenses or losses to be incurred by the enterprise in subsequent periods, the grant shall be recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized.
- (2) If the grant is used to compensate for the enterprise actual related expenses or losses, it is directly included in the current profits and losses.

### **23.3 Specific recognition criteria of asset-related and income-related government grants**

The criteria to determine asset-related and income-related government grants when there is no clear-stated subsidy object in government document is listed as follows:

- (1) It is recognized as asset-related government grants if the government document has indicated the specific project in subsidy object. The amount that formed from the budget of this specific project and the amount that counted into expenses shall be divided proportionally. The division proportion is to be revised at each balance-sheet date and corrected when necessary.

(2). It is recognized as income-related government grants if there is only generally described function and no indication of specific project in subsidy object in the government document.

#### **24. Deferred tax assets and deferred tax liabilities**

Recognition criteria of deferred tax liabilities and deferred tax assets:

(1) According to the balance between assets and liabilities' book value and tax base(items that are not recognized as an asset or liability, which is in accordance with the provisions of the tax law, determine the tax base as the balance), Recognition of deferred tax assets and deferred tax liabilities are calculated according to the applicable rate of the period of expecting to recover the asset or liability.

(2) A deferred tax asset shall be recognized for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. On balance sheet date, If it is likely to obtain sufficient amount of taxable income tax in future to reverse partial or all deferred tax assets, it is determined as deferred income tax assets that are not confirmed by former accounting periods. If it is unlikely to obtain sufficient amount of taxable income tax in future to reverse partial or all deferred tax assets, the carrying amount of the deferred tax assets shall be reduced for those unable to reverse.

(3)Taxable temporary differences arising from investment in subsidiaries and joint ventures, the company shall recognize deferred tax liabilities, unless the company can control the timing of reversal of this temporary differences and the return of temporary differences in the foreseeable future is improbably to occur. Deductible temporary differences arising from investment in subsidiaries and joint ventures, when the return of temporary differences in the foreseeable future is probably to occur and it is likely to be used to deduct the income tax, the company shall recognize deferred tax assets.

#### **25. Leases**

##### **25.1 Accounting treatment of operational lease**

The rental expense within lease duration is counted in relevant asset costs using straight line method in current profit and loss.

##### **25.2 Accounting treatment of financial lease**

The book value of financial lease is determined as the lower of its fair value and the present value of future lease payments. The difference between the book value and its minimum lease payment is determined as unconfirmed financing expense and amortized according to effective rate method within lease duration. The residual value of the minimum lease payment less unconfirmed financing expense is listed as long-term payable.

#### **26. Changes in accounting policies and accounting estimate**

##### **26.1 Changes in main accounting policies**

None

##### **26.2 Changes in accounting estimates**

None

**IV. The main tax items****1. Main tax categories and tax rates**

Tax categories	Tax base	Tax rate
Value-added tax (VAT)	output tax deducted input tax that can be credited against the output tax	17%,13%,6%
Business tax	Rent revenue	5%
Urban maintenance and construction tax	Turnover taxes already paid	7%
Educational surcharge	Turnover taxes already paid	3%,
Local educational surcharge	Turnover taxes already paid	2%
Income tax	Taxable income	25%

Note: Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd. was exemption from enterprise income tax. Part of the fishery product processing of Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd. was exemption from enterprise income tax.

**2. Tax preferences and approval documents****2.1 VAT 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%.

**V. Notes to the consolidated financial statement****1. Monetary funds**

Account	Ending balance	Beginning balance
Cash	893,253.29	817,698.32
Bank deposit	70,570,487.71	43,373,129.70
Other cash and cash equivalent	964,680.94	789,383.02
Total	72,428,421.94	44,980,211.04

Note: Among other cash and cash equivalent, 964,051.94 yuan is marginal deposit.

## 2. Accounts receivable

### 2.1 Disclosure according to category

Category	Ending Balance			
	Book balance		Bad debts provision	
	amount	proportion (%)	amount	proportion (%)
Significant individual amount accounts receivable in need of bad debts provision				
Accounts receivable in need of bad debts provision according to combination	33,905,178.71	100.00	7,158,223.13	21.11
Aging combination	33,905,178.71	100.00	7,158,223.13	21.11
Riskless combination				
Accounts receivable without significant single amount in need of separate bad debts provision				
Total	33,905,178.71	100.00	7,158,223.13	21.11

Category	Beginning Balance			
	Book balance		Bad debts provision	
	amount	proportion (%)	amount	proportion (%)
Significant individual amount accounts receivable in need of bad debts provision				
Accounts receivable in need of bad debts provision according to combination	32,444,198.22	100.00	7,048,225.95	21.72
Age combination	32,444,198.22	100.00	7,048,225.95	21.72
Riskless combination				
Accounts receivable without significant single amount in need of separate bad debts provision				
Total	32,444,198.22	100.00	7,048,225.95	21.72

#### 2.1.1 Bad debt provision of account receivable based on aging analysis:

Aging schedule	Ending balance			Beginning balance		
	Book value balance	Proportion (%)	Bad debt provision	Book value balance	Proportion (%)	Bad debt provision
Within 6 months	27,686,028.99	5.00	1,384,301.47	26,651,849.08	5.00	1,332,592.43
6 months to 1 year	370,679.31	10.00	37,067.93	22,956.50	10.00	2,295.65
1 year to 2 years	159,452.40	30.00	47,835.72	79,337.30	30.00	23,801.19
2 years to 3 years				1,037.33	50.00	518.67
Above 3 years	5,689,018.01	100.00	5,689,018.01	5,689,018.01	100.00	5,689,018.01
total	33,905,178.71		7,158,223.13	32,444,198.22		7,048,225.95

**2.2 Provision, payback or return for the bad debts in this period**

In this period, the amount of provision for bad debts is 109,997.18yuan, no withdraw or return for bad debts.

**2.3 According to information of the top five debtors:**

Company name	Ending balance	Proportion to overall receivable ending balance	Bad debt provision balance
LUEN THAI SEAFOODS INTERNATIONAL LTD	8,589,862.39	25.33	429,493.12
CORAL TRIANGLE PROCESSOR	4,600,355.85	13.57	230,017.79
PACIFIC PANDA, INC	3,600,962.12	10.62	3,600,962.12
Shanghai baifeng food co., LTD	1,616,234.73	4.77	80,811.74
Dalian Chen Yang science and Technology Development Co., Ltd	1,107,750.00	3.27	55,387.50
Total	19,515,165.09	57.56	4,396,672.27

**3. Payment in advance****3.1 Analysis according to aging schedule**

Aging schedule	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	6,195,816.18	100.00	29,278,905.45	100.00
Total	6,195,816.18	100.00	29,278,905.45	100.00

**3.2 Information of the first five companies of payment in advance**

Business name	Ending balance	Proportion (%)
Government of KIRIBATI	1,260,148.02	20.34
Zhejiang Sea Shipyard Co. Ltd	1,000,000.00	16.14
Nantong glacier refrigeration equipment Co., Ltd.	600,000.00	9.68
TONG AIK MARINE ENTERPRISE PTE LTD	257,879.75	4.16
Dalian ocean Ocean Fisheries Co., Ltd.	300,000.00	4.84
Total	3,418,027.77	55.16

**4. Other receivables****4.1 Disclosure according to category**

Category	Ending balance			
	Book balance		Bad debts provision	
	amount	proportion (%)	amount	proportion (%)
Individual significant amount of other receivables in need of bad debt provision				
Other receivables in need of bad debts according to	9,297,125.77	100.00	4,729,508.28	50.87



Category	Ending balance			
	Book balance		Bad debts provision	
	amount	proportion (%)	amount	proportion (%)
combination				
Aging combination	8,297,125.77	89.24	4,729,508.28	57.00
Riskless combination	1,000,000.00	10.76		
Individual insignificant amount of other receivables in need of separate bad debt				
Total	9,297,125.77	100.00	4,729,508.28	50.87

Category	Beginning balance			
	Book balance		Bad debts provision	
	amount	proportion (%)	amount	proportion (%)
Individual significant amount of other receivables in need of bad debt provision				
Other receivables in need of bad debts according to combination	12,146,008.44	100.00	4,532,337.82	37.32
Aging combination	7,359,030.55	60.59	4,532,337.82	37.32
Riskless combination	4,786,977.89	39.41		
Individual insignificant amount of other receivables in need of separate bad debt				
Total	12,146,008.44	100.00	4,532,337.82	37.32

#### 4.1.1 Provision for bad debts based on aging schedule analysis

Aging schedule	Ending balance			Beginning balance		
	Book value balance	Proportion (%)	Bad debt provision	Book value balance	Proportion (%)	Bad debt provision
Within 6 months	2,511,310.09	5.00	125,565.51	2,689,959.10	5.00	134,497.98
6 months to 1 year	794,951.66	10.00	79,495.17	152,090.47	10.00	15,209.05
1 year to 2 years	651,340.48	30.00	195,402.15	164,513.76	30.00	49,354.13
2 years to 3 years	20,956.19	50.00	10,478.10	38,381.13	50.00	19,190.57
Above 3 years	4,318,567.35	100.00	4,318,567.35	4,314,086.09	100.00	4,314,086.09
total	8,297,125.77		4,729,508.28	7,359,030.55		4,532,337.82

#### 4.1.2 Provision for bad debts based on other combination analysis

Combination category	Ending balance			Beginning balance		
	Book value balance	Proportion%	Bad debt provision	Book value balance	Proportion%	Bad debt provision
Riskless combination	1,000,000.00			4,786,977.89		
Total	1,000,000.00			4,786,977.89		

#### 4.2 Provision, payback or return for the bad debts in this period

In this period, the amount of provision for bad debts is 197,170.46yuan, no withdraw or return for bad debts.

#### 4.3 Division of other receivable by nature

nature	Ending balance	Beginning balance
Income tax refund receivable		2,516,977.89
Guarantee deposit	1,165,901.84	2,270,000.00
Insurance claim	808,986.14	351,655.81
Current account and others	7,322,237.79	7,007,374.74
Total	9,297,125.77	12,146,008.44

#### 4.4 Information of the first five debtors

Business name	Nature	Ending balance	Aging	Proportion (%)	Bad debt provision balance
Shandong Maritime Safety Administration	Guarantee deposit	1,000,000.00	Above 3 years	10.76	
PICC Property and Casualty Company Limited	Insurance claim	808,986.14	Within 6 months, 1 year to 2 years	8.70	128,363.26
Dafa, Japan	Current account	288,896.39	Above 3 years	3.11	288,896.39
DIVING-SEAGULL	Current account	207,072.50	Above 3 years	2.23	207,072.50
Tingle Wang	Staff borrowings	200,865.64	Above 3 years	2.16	200,865.64
Total		2,505,820.67		26.96	825,197.79

### 5. Inventory

#### 5.1 Classification of inventories

Inventory category	Ending balance			Beginning balance		
	Book balance	Falling price reserve	Book value	Book balance	Falling price reserve	Book value
Raw material	105,508,981.73	51,082.91	105,457,898.82	97,293,304.24	146,312.87	97,146,991.37
Low value and consumption goods	154,798.51	-	154,798.51	645,557.76		645,557.76
Finished goods	84,281,728.09	2,059,961.21	82,221,766.88	108,084,914.82	16,849,588.00	91,235,326.82
Turnover material and package	1,382,851.00	132,998.30	1,249,852.70	842,577.88	132,998.30	709,579.58

Inventory category	Ending balance			Beginning balance		
	Book balance	Falling price reserve	Book value	Book balance	Falling price reserve	Book value
Total	191,328,359.33	2,244,042.42	189,084,316.91	206,866,354.70	17,128,899.17	189,737,455.53

## 5.2 Changes in inventory falling price reserves

Category	Beginning balance	Increase	Reduction		Ending balance
			Reversal	Written off	
Raw material	51,082.91				51,082.91
Low value and consumption goods	16,944,817.96	1,964,731.25		16,849,588.00	2,059,961.21
Turnover material and package	132,998.30				132,998.30
Total	17,128,899.17	1,964,731.25		16,849,588.00	2,244,042.42

Note: The reason of written off inventory impairment is inventory sales.

## 6. Other current assets

Item	Ending balance	Beginning balance
VAT	14,277,217.00	8,365,709.75
Prepaid income tax	88,480.55	88,480.55
Prepaid other tax	39,712.50	134,581.25
Total	14,405,410.05	8,588,771.55

## Available-for-sale financial asset

### 7.1 Presentation of available-for-sale financial asset

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity instrument	33,000,000.00	33,000,000.00		33,000,000.00	33,000,000.00	
Among above-stated, cost method is employed	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	

### 7.2 Detail of equity instrument under cost method

Item	Ending balance			Beginning balance			Proportion of share holding (%)	Cash dividend
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value		
Equity investment- China Southern	33,000,000.00	33,000,000.00		33,000,000.00	33,000,000.00		0.87	

Item	Ending balance			Beginning balance			Proportion of share holding (%)	Cash dividend
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value		
Securities								
Total	33,000,000.00	33,000,000.00		33,000,000.00	33,000,000.00		0.87	

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

## 8. Investment property

### Investment property under cost method

Item	Houses and buildings	Total
Initial book value		
Beginning book balance	47,120,794.80	47,120,794.80
Ending book balance	47,120,794.80	47,120,794.80
Accumulated depreciation and amortization		
Beginning book balance	11,458,559.52	11,458,559.52
Increase	1,218,665.52	1,218,665.52
Depreciation and amortization	1,218,665.52	1,218,665.52
Ending book balance	12,677,225.04	12,677,225.04
Falling price reserve		
Beginning book balance	886,512.06	886,512.06
Ending book balance	886,512.06	886,512.06
Book value		
Ending book value	33,557,057.70	33,557,057.70
Beginning book value	34,775,723.22	34,775,723.22

## 9. Fixed assets

### Presentation of fixed asset

Item	House and building	Boats and nets	Machinery equipment	Transportation equipment	Furniture and office equipment	Total
Initial book value						
Beginning book balance	74,047,364.66	469,007,734.69	32,328,693.35	6,423,090.55	9,659,001.07	591,465,884.32
Increase	43,923,944.02	3,010,312.62	5,862,148.68	282,730.47	790,226.21	53,869,362.00

Item	House and building	Boats and nets	Machinery equipment	Transportation equipment	Furniture and office equipment	Total
Purchase	1,581,512.83	2,829,665.14	5,862,148.68	282,730.47	790,226.21	11,346,283.33
Converted from construction-in-progress	42,342,431.19	180,647.48	-	-	-	42,523,078.67
Deduction	-	16,563,834.93	89,743.59	340,945.40	296,844.50	17,291,368.42
Disposal	-	16,563,834.93	89,743.59	340,945.40	296,844.50	17,291,368.42
Ending book balance	117,971,308.68	455,454,212.38	38,101,098.44	6,364,875.62	10,152,382.78	628,043,877.90
Accumulated depreciation						
Beginning balance	16,238,002.60	133,577,120.45	11,415,218.43	3,713,481.17	7,354,258.14	172,298,080.79
Increase	3,302,705.34	26,053,062.60	1,975,245.58	863,242.03	427,834.49	32,622,090.04
Amount withdrawn	3,302,705.34	26,053,062.60	1,975,245.58	863,242.03	427,834.49	32,622,090.04
Deduction	-	6,251,285.72	21,089.84	311,396.38	296,844.50	6,880,616.44
Disposal	-	6,251,285.72	21,089.84	311,396.38	296,844.50	6,880,616.44
Ending book balance	19,540,707.94	153,378,897.33	13,369,374.17	4,265,318.42	7,485,248.13	198,039,545.99
Falling price reserve						
Beginning book balance		7,571,580.00				7,571,580.00
Increase		157,573.50				157,573.50
Deduction		7,571,580.00				7,571,580.00
Ending book balance		157,573.50				157,573.50
Book value						
Ending book value	98,430,600.74	301,917,741.55	24,731,724.27	2,099,557.20	2,667,134.65	429,846,758.41
Beginning book value	57,809,362.06	327,859,034.24	20,913,474.92	2,709,617.78	2,304,742.93	411,596,231.93

Note1: The initial value of fixed asset in continuity of usage that has withdrawn depreciation is 8,611,422.12 Yuan.

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.

## 10. Construction in progress

### 10.1 Presentation of construction in progress

item	Ending balance			Beginning balance		
	book balance	Falling price reserve	book value	book balance	Falling price reserve	book value
Low-temperature store				18,511,970.07		18,511,970.07
Atlantic seine project	4,449,556.09		4,449,556.09	3,973,534.07		3,973,534.07
No.1 TaiLong	1,452,019.07		1,452,019.07			
Total	5,901,575.16	-	5,901,575.16	22,485,504.14		22,485,504.14

## 10.2 Major changes in construction-in-progress

Project	Budget number	Beginning balance	Increase	Transferred to fixed asset	Other reduction	Ending balance
Low-temperature store	39,000,000.00	18,511,970.07	23,830,461.12	42,342,431.19		
Atlantic seine project	43,840,000.00	3,973,534.07	476,022.02			4,449,556.09
Total	82,840,000.00	22,485,504.14	24,306,483.14	42,342,431.19		4,449,556.09

(Continue)

Project name	Proportion of project investment to budget(%)	Rate of progress(%)	Accumulated amount of capitalized interest	Accumulated amount of capitalized interest of this year	Rate of capitalized interest	Source of fund
Low-temperature store	100.00	100.00	793,677.50	219,450.00	9.00	Staff borrowing
Atlantic seine project	10.15	10.15				Self-owned
Toal			793,677.50	219,450.00		

## 11. Intangible assets

Item	Land use right	Computer software	Total
Initial book value			
Beginning book balance	17,154,729.00	165,000.00	17,319,729.00
Increment		32,000.00	32,000.00
Purchase		32,000.00	32,000.00
Decrement			
Ending book balance	17,154,729.00	197,000.00	17,351,729.00
Accumulated amortization			
Beginning book balance	3,302,161.85	154,856.76	3,457,018.61
Increment	383,870.16	11,976.54	395,846.70
Amount withdrawn	383,870.16	11,976.54	395,846.70
Decrement			
Ending book balance	3,686,032.01	166,833.30	3,852,865.31

Item	Land use right	Computer software	Total
Falling price reserve			
Book value			
Ending book value	13,468,696.99	30,166.70	13,498,863.69
Beginning book value	13,852,567.15	10,143.24	13,862,710.39

## 12. Deferred tax asset

### 12.1 deferred tax asset

Item	Ending balance		Beginning balance	
	DTA	Taxable temporary difference	DTA	Taxable temporary difference
Asset depreciation reserve			306,828.34	1,227,313.36
Total			306,828.34	1,227,313.36

### 12.2 Unconfirmed details of DTA

Item	Ending balance	Beginning balance
Taxable temporary difference –Bad debt provision	11,887,731.41	7,613,023.05
Taxable temporary difference –Inventory falling price reserve	2,244,042.42	20,437,575.82
Deductable loss	76,122,159.09	44,075,376.44
Total	90,253,932.92	72,125,975.31

### 12.3 Presentation of deductible loss of unconfirmed DTA

Year	Ending balance	Beginning balance	Remark
2015		10,496,726.06	
2016	16,843,152.08	16,843,152.08	
2017	11,888,745.27	11,888,745.27	
2018	4,490,106.62	4,490,106.62	
2019	356,646.41	356,646.41	
2020	42,543,508.71		
Total	76,122,159.09	44,075,376.44	

## 13. Other non-current asset

Item	Ending balance	Beginning balance
Prepaid amount of land	2,000,000.00	2,000,000.00
Prepaid amount of construction-in-progress		6,868,187.00
Total	2,000,000.00	8,868,187.00

## 14. Short-term loans

### Categories of short-term loans:

Condition	Ending balance	Beginning balance
Collateral loan	15,000,000.00	11,054,697.70
Credit loan	31,321,773.62	31,261,626.99
Total	46,321,773.62	42,316,324.69

Note: Till 31st December, 2015, Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd. applies its land use right (Yan Guo Yong (2002) No. 1047) and Real estate right (Yan Fang Quan Zheng Kai No. 102954, Yan Fang Quan Zheng Kai No. 102985, Yan Fang Quan Zheng Kai No. 102986, Yan Fang Quan Zheng Kai No. 102984, Yan Fang Quan Zheng Kai No. 106566,) as collateral of 15,000,000 Yuan loan in Yantai Kaifa District branch of Bank of China.

## 15. Accounts payable

Item	Ending balance	Beginning balance
Within 1 year (1 year included)	75,578,357.72	77,136,413.14
Beyond 1 year	6,191,940.89	4,273,520.53
Total	81,770,298.61	81,409,933.67

## 16. Advance deposit received

Item	Ending balance	Beginning balance
Within 1 year (1 year included)	18,341,441.56	20,787,298.43
Beyond 1 year	349,863.72	462,363.72
Total	18,691,305.28	21,249,662.15

## 17. Accrued employee compensation

### 17.1 Presentation of categories of accrued employee compensation

Items	Beginning balance	Accruals	Payments	Ending balance
Short-term compensation	16,752,686.83	104,558,705.40	103,866,207.93	17,445,184.30
Departure welfare-defined contribution plan	-	7,231,981.15	7,231,981.15	
Dismission welfare	140,933.82	211,526.17	212,378.37	140,081.62
Other welfare due within one year	56,337.84	53,205.63	70,171.16	39,372.31
Total	16,949,958.49	112,055,418.35	111,380,738.61	17,624,638.23

### 17.2 Presentation of short-term employee compensation

Item	Beginning balance	Accrual	Payment	Ending balance
Salary, bonus, allowance and subsidy	15,542,180.51	93,038,812.78	92,724,905.17	15,856,088.12
Employee welfare		4,255,227.89	4,255,227.89	
Social security		3,775,166.87	3,775,166.87	
Medical insurance premium		3,051,497.83	3,051,497.83	



Injury insurance premium		377,577.36	377,577.36	
Birth insurance premium		346,091.68	346,091.68	
Housing fund	134,340.00	2,644,072.61	2,559,160.61	219,252.00
Labor union and employee training expenditure	1,076,166.32	625,199.25	331,521.39	1,369,844.18
Others		220,226.00	220,226.00	
Total	16,752,686.83	104,558,705.40	103,866,207.93	17,445,184.30

### 17.3 Presentation of defined contribution plan

Item	Beginning balance	Increment	Decrement	Ending balance
Basic endowment insurance		6,534,435.33	6,534,435.33	
Unemployment insurance		354,842.16	354,842.16	
Others		342,703.66	342,703.66	
Total		7,231,981.15	7,231,981.15	

### 18. Tax payable

Items	Ending balance	Beginning balance
Value-added tax	1,780,431.41	551,786.52
Income tax	43,807.86	112,078.67
Business income tax	497,594.64	117,104.60
Building taxes	252,935.96	228,809.68
Land use tax	166,227.25	166,192.45
Individual income tax	53,017.02	133,937.83
Stamp tax	18,070.36	88,016.04
Other tax	232,561.50	14,570.22
Total	3,044,646.00	1,412,496.01

### 19. Interest payable

Item	Ending balance	Beginning balance
Long-term debt interest with installment payment structure and principle due at maturity		33,395.64
Long-term payable interest with installment payment structure and principle due at maturity	574,227.50	574,227.50
Short-term debt interest	81,353.61	133,672.29
Total	655,581.11	741,295.43

### 20. Other account payable

Item	Ending balance	Beginning balance
Within one year	1,635,887.13	3,759,597.34
Beyond one year	3,994,403.35	3,365,063.54
Total	5,630,290.48	7,124,660.88

### 21. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term debt due within one year	1,900,000.00	15,346,666.66
Long-term payable due within one year	14,630,000.00	
Deferred income due within one year	866,585.48	866,585.48
Total	17,396,585.48	16,213,252.14

## 22. Long-term debt

Condition	Ending balance	Beginning balance	Interest rate range
Credit loan		1,900,000.00	6.7650-7.0725
Total		1,900,000.00	

## 23. Long-term payable

Item	Ending balance	Beginning balance
Staff borrowing		14,630,000.00
Total		14,630,000.00

Note: In 2014, company's wholly-owned subsidiary Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd. Established wholly-owned subsidiary of Shandong Zhonglu Oceanic Fisheries Refrigeration Co., Ltd., for the fund demands of low-temperature store project, Shandong Zhonglu Oceanic Fisheries Refrigeration Co., Ltd. borrowed the two-year fund 14,630,000.00 Yuan from its personnel at 9% annual rate, interest validation date starting from 28<sup>th</sup> July, 2014.

## 24. Long-term accrued employee compensation

Item	Beginning balance	Ending balance
Departure welfare-Net liability of defined contribution plan	509,128.39	712,004.80
Other long-term accrued employee compensation	1,271,854.02	1,196,121.42
Total	1,780,982.41	1,908,126.22

## 25. Deferred income

### 25.1 Categories of deferred income

Project	Beginning balance	Increment	Decrement	Ending balance	Formation reason
Construction special fund	11,544,200.94		838,209.48	10,705,991.46	Asset-related government grants
Subsidy of boat manufacture	761,424.64		28,376.00	733,048.64	Asset-related government grants
Total	12,305,625.58		866,585.48	11,439,040.10	

**25.2 Presentation of government grants**

Item	Beginning balance	Increment	Amount that reported under non-operating income	Other changes	Ending balance	Asset-related or income-related
Construction special fund	11,544,200.94		838,209.48		10,705,991.46	Asset-related
Subsidy of boat manufacture	761,424.64		28,376.00		733,048.64	Asset-related
Total	12,305,625.58		866,585.48		11,439,040.10	

**26. Share capital**

Item	Beginning balance	Change (+, -)					Ending balance
		Newly-issued	Stock dividend	Converted from company reserve	Other	Total	
Overall shares	266,071,320.00						266,071,320.00

**27. Capital reserves**

Item	Beginning balance	Increment	Decrement	Ending balance
Capital premium	186,283,711.00		1,247,009.14	185,036,701.86
Other capital premium	94,961,504.96			94,961,504.96
Total	281,245,215.96		1,247,009.14	279,998,206.82

**28. Other comprehensive income**

Item	Beginning balance	Amount incurred in current period					Ending balance
		Before income itax	Less: the amount reported under other comprehensive income in former period and that counted in profit and loss	Less: income tax	Amount to the Company after tax	A mount to minority shareholders after tax	
Amount that cannot be reclassified to profit and loss							
Amount that can be reclassified to profit and loss	52,881.19	-86,910.45			-86,910.45		-34,029.26
Difference in foreign currency financial statement	52,881.19	-86,910.45			-86,910.45		-34,029.26
Total	52,881.19	-86,910.45			-86,910.45		-34,029.26

**29. Surplus reserve**

Item	Beginning balance	Increment	Decrement	Ending balance
Statutory surplus reserve	21,908,064.19			21,908,064.19
Total	21,908,064.19			21,908,064.19

**30. Undistributed profits**

Items	Ending balance	
	Amount	Extraction or distribution (%)

Items	Ending balance	
	Amount	Extraction or distribution (%)
Undistributed profit at ending of last year before adjustment	-14,376,699.17	
Total undistributed profit at beginning of year after adjustment(+,-)		
undistributed profit at beginning of year after adjustment	-14,376,699.17	
Add: net profit attribute to parent company this year	12,141,360.21	
Minus: Appropriation to statutory surplus reserve		
Undistributed profit at end of year	-2,235,338.96	

### 31. Operating income and cost

Item	Amount incurred this year		Amount incurred last year	
	Income	Cost	Income	Cost
Total Operating activities	714,592,804.58	683,191,923.32	590,933,627.02	557,887,491.25
Seine tuna fishing	16,648,918.64	49,145,362.30	65,639,553.55	62,394,970.75
Long-line tuna fishing	34,820,140.60	27,452,777.24	10,582,561.22	21,372,225.89
Boat lease	92,625,139.80	65,460,761.63	79,278,010.43	60,559,539.26
Other pelagic fishing	15,188,831.26	13,808,258.27	12,155,710.73	12,443,882.59
Aquatic products manufacture	546,887,905.48	522,103,529.77	417,460,400.97	396,522,707.67
Refrigeration	6,799,773.81	4,337,022.24	2,993,595.14	3,054,900.71
Subcontract production	1,622,094.99	884,211.87	2,823,794.98	1,539,264.38
Total other operating income	9,130,198.47	1,891,604.04	7,447,069.81	2,101,075.15
House lease	5,070,648.88	1,891,604.04	4,457,963.59	2,101,075.15
Sales of waste material and others	4,059,549.59	-	2,989,106.22	
Total	723,723,003.05	685,083,527.36	598,380,696.83	559,988,566.40

### 32. Operating taxes and extras

Items	2015	2014
Business tax	302,776.98	284,109.92
Urban maintenance and construction tax	184,958.68	176,598.65
Educational surtax	79,267.99	75,685.13
Local educational surtax	52,845.34	50,456.74
Local water conservancy construction fund	26,422.66	25,228.37
Housing property tax	553,500.00	487,200.00
Land use tax	31,923.16	26,419.20
Total	1,231,694.81	1,125,698.01

### 33. Sales expense

Items	2015	2014
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Items	2015	2014
Employee compensation expenditure	1,084,593.76	1,027,457.72
Port charge expenditure	3,517,558.10	2,543,471.12
Transportation expense	909,175.36	760,180.49
Customs clearance charge	25,298.00	389,916.18
Travelling expense	241,966.08	308,286.06
Advertisement expense	78,397.00	181,025.00
Others	199,123.56	211,567.22
Total	6,056,111.86	5,421,903.79

### 34. General and administrative expenses

Items	2015	2014
Employee compensation expenditure	23,835,073.70	23,162,855.89
Depreciation expenditure	1,858,919.05	1,720,674.85
Travelling expense	935,256.07	1,461,141.52
Business entertainment expense	1,422,079.71	1,281,985.01
Tax expense	1,755,406.73	1,169,700.89
Vehicle expenses	707,389.26	893,632.96
Attorney expense	871,508.60	970,970.80
Administrative expense	700,442.63	523,181.90
Water and electricity expense	307,874.05	412,930.77
The cost of fishing moratorium	16,473,989.38	
Other s	2,803,907.04	2,533,595.07
Total	51,671,846.22	34,130,669.66

Note: For two fishing vessel of the company take a temporary fishing moratorium for several months in this year, the relating costs during the outrage was listed in the administrative expenses. The cost of fishing moratorium is mainly include: access fishing fees 9,458,202.45yuan, material amortization 3,536,411.36yuan, employee compensation 1,467,230.19yuan, depreciation cost1,363,619.35yuan.

### 35. Financial expense

Items	2015	2014
Interest expenses	4,559,606.82	3,225,968.26
Less: Interest income	661,916.64	348,194.70
Exchange losses	2,988,181.57	1,639,044.88
Less: exchange gains	6,930,498.86	405,593.37
Service fee	356,909.86	376,838.87

Items	2015	2014
Other expenses	120,953.55	-
Total	433,236.30	4,488,063.94

### 36. Assets impairment loss

Items	2015	2014
Bad debt losses	306,221.23	871,552.70
Inventory loss	1,964,731.25	16,444,075.81
Fixed assets loss	157,573.50	
Total	2,428,525.98	17,315,628.51

### 37. Non-operating income

#### 37.1 Presentation of Non-operating income

Item	2015	2014	Amount Accounted into current Non-recurring profit and loss
Gains on disposal of non-current assets	12,530.62	46,363.18	12,530.62
Including: Gains on disposal of fixed assets	12,530.62	46,363.18	12,530.62
Gain on exchange of non-monetary asset		503,102.72	
Government grants	42,878,271.48	35,849,885.48	2,021,471.48
Others	640,212.29	2,290,089.28	640,212.29
Total	43,531,014.39	38,689,440.66	2,674,214.39

#### 37.2 Presentation of government grants that are counted in profit and loss

Item	2015	2014	Asset-related /income-related
Fuel subsidies (Note1)	40,856,800.00	33,283,300.00	Income-related
Special fund of foreign trade and economic cooperation(Note2)	1,100,000.00	1,700,000.00	Income-related
Fund for construction of Blue Economy Zone(Note3)	838,209.48	838,209.48	Asset-related
Financial subsidy(Note4)	28,376.00	28,376.00	Asset-related
Others	54,886.00		Income-related
Total	42,878,271.48	35,849,885.48	

Note1: According to < Notice of distribution of fuel subsidy of pelagic enterprises in 2014> (Nong Ban Yu (2015) No.57), the Company has received fuel subsidy of 40,856,800.00 Yuan.

Note2: According to < Notice of budget of special fund of foreign trade and economic cooperation (foreign investment cooperation project) >, the Company has received special fund of 1,700,000.00 Yuan; and the Company has received 1,100,000.00 Yuan of this special fund from Shandong Province, Lixia District of

Ji'nan City Finance Bureau in this year.

Note3: According to No.464(2011) document of <Notice of distribution of second installment of special project fund of 8,000 million Yuan of construction of Shandong peninsula Blue Economy Zone and Yellow River Delta efficient ecological zone> issued by Yantai development and reform committee and Yantai Bureau of Finance, and the notice of 2011 unit budget index(Yan Kai Cai Yu[2011] NO.514), issued by YanTai Economic and Technological Development of Finance Bureau, specific indicators of blue economic zone construction 13,600,000.00 Yuan was allocated. The company received 6,800,000.00 Yuan in 2012, and 6,800,000.00 Yuan in 2013. Related fund had be recognized as deferred income when received, and amortized equally over the expected average underlying assets' remaining useful life, the amount included in operating income in 2015 is 838,209.48 Yuan.

Note4: According to <Notice of budget of subsidy to provincial pelagic enterprises in 2013> (Lu Cai Zhi (2013) No.32) issued by Shandong Bureau of Finance on 25<sup>th</sup> June, 2013, the Company has received ship construction subsidy of 830,000.00 Yuan and counted under deferred income in current period and amortized equally over the expected average underlying assets' remaining useful life. The amount counted under non-operating income in 2015 is 28,376.00 Yuan.

### 38. Non-operating expenses

Item	2015	2014
Total loss on disposal of non-current assets	4,170,048.32	349,687.58
Including: loss on disposal of fixed assets	4,170,048.32	349,687.58
Donation	1,000.00	3,000.00
Others	659,660.28	2,421.42
Total	4,830,708.60	355,109.00

### 39. Income tax expenses

#### 39.1 Presentation of income tax

Item	2015	2014
Current income tax calculated according to tax law and relevant regulations	830,099.57	261,363.14
Deferred income tax adjustment	306,828.34	-135,120.83
Total	1,136,927.91	126,242.31

#### 39.2 Adjustment of accounting profit and income tax expense

Item	Serial number	Amount
Overall profit	1	15,518,366.31

Item	Serial number	Amount
Income tax expense based on statutory applied tax rate	2	3,879,591.58
The impact of different tax rates applicable	3	-8,498,687.92
Adjustment of former income tax	4	-3,746,385.59
Loss and non-recoverable cost and expenditure	5	68,411.09
The impact of DTA recognized in the current period	6	9,433,998.75
Income tax expense	7	1,136,927.91

#### 40. Cash flow statement

##### 40.1 Cash received and paid related to other operating activities

Item	2015	2014
Cash received from other operating activity	66,496,722.67	56,912,170.50
Including: financial expense-interest received	661,916.64	348,194.70
Government grants	42,017,846.00	34,983,300.00
Financial product due		7,000,000.00
Security deposit due	23,816,960.03	2,353,874.70
Current account and other		12,226,801.10
Cash paid to other operating activity	51,754,921.90	26,881,435.48
Including: cash payment to sales expense	4,926,815.66	4,394,446.07
Cash payment to administrative expense	21,390,270.01	8,104,357.39
Security deposit	23,992,257.95	1,606,486.17
Current account and other	1,445,578.28	12,776,145.85

##### 40.2 Cash received and paid related to other investment activities

Item	2015	2014
Cash received from other investment-related activity	386,334.96	
Including: No.102 Taifu insurance indemnity	386,334.96	

##### 40.3 Cash received and paid related to other financing activities

Item	2015	2014
Cash received from other financing-related activity		14,630,000.00
Including: Staff borrowing		14,630,000.00
Total		14,630,000.00

#### 41. Supplementary information of cash flow statement



**41.1. Supplementary information of cash flow statement**

Items	2015	2014
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	14,381,438.40	14,118,255.87
Add: Provision for impairment of assets	2,428,525.98	17,315,628.51
Depreciation of( fixed assets, fuel, productive biological assets)	33,840,755.56	26,713,768.91
Amortization of intangible assets	395,846.70	330,908.37
Amortization of long-term prepayments	-	40,889.00
Losses on disposal of fixed assets, intangible assets and other long-term assets(income "-")	4,157,517.70	-199,778.32
Financial expenses(income "-")	4,559,606.82	-608,145.48
Decrease in deferred tax assets (increase "-")	306,828.34	-135,120.83
Decrease in inventories (increase "-")	15,537,995.37	44,624,087.61
Decrease in operating receivables (increase "-")	18,617,735.03	48,931,039.69
Increase in operating payables (less "-")	-38,782,859.68	-85,811,051.96
Others		-
Net cash flows from operating activities	55,443,390.22	65,320,481.37
2. Significant investing and financing activities that do not involve cash receipts and payments		
3. Net increase in cash and cash equivalents		
Cash at the end of the period	71,464,370.00	44,191,457.02
Less: Cash at the beginning of the period	44,191,457.02	52,399,583.11
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	27,272,912.98	-8,208,126.09

**41.2 Cash and cash equivalents**

Items	Ending balance	Beginning balance
<b>1. Cash</b>	71,464,370.00	44,191,457.02
Including: Cash on hand	893,253.29	817,698.32
Bank deposit to be withdrawn at any time	70,570,487.71	43,373,129.70
Other monetary funds to be withdrawn at any time	629.00	629.00
<b>2. cash equivalents</b>		
<b>3. Cash and cash equivalents at the end of year</b>	71,464,370.00	44,191,457.02

**42. Foreign currency monetary items****42.1 Presentation of foreign currency monetary items**

Item	Ending balance in foreign currency amount	Exchange rate	Ending balance in RMB amount
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Item	Ending balance in foreign currency amount	Exchange rate	Ending balance in RMB amount
Cash			
Including: USD	70,499.23	6.4936	457,793.79
EUR	1,205.00	7.0952	8,549.72
ZAR			
XOF	185,000.00	0.01	2,252.44
GHC	91,789.23	1.71	157,084.79
Bank deposit			
Including: USD	3,171,851.72	6.4936	20,596,736.33
JPY	5,563,226.00	0.0539	299,718.80
EUR	7,342.49	7.0952	52,096.49
SGD	462.09	4.5875	2,119.84
GHC	152,592.64	1.7114	261,141.55
Account receivable	2,153,882.17	6.4936	13,986,449.26
Including: USD	2,153,882.17	6.4936	13,986,449.26
JPY	25,444,391.91	0.0539	1,370,816.61
Other account receivable			
Including: USD	59,950.69	6.4936	389,295.82

#### 42.2 Base currency in significant overseas operating entity

Operating entity	Location	Base currency	Selection criteria
HABITAT INTERNATIONAL CORPORATION	Panama	RMB	Business environment need
LAIF FISHERIES COMPANY LIMITED	Ghana	USD	Business environment need
YAW ADDO FISHERIES COMPANY LIMITED	Ghana	USD	Business environment need

### VI. Change in consolidation scope

There was no change from the previous period.

### VII. Equity in other entities

#### 1. Enterprise formation

Subsidiary	Registered location	Main business location	Operation content	Proportion of shareholding(%)	Acquisition method
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.	Shandong Qingdao	Shandong Qingdao	Refrigeration transportation	100.00	Through investment
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	Shandong Yantai	Shandong Yantai	Food processing	100.00	Through investment
Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	Shandong Qingdao	Shandong Qingdao	Oceanic fishing	81.26	Through investment
HABITAT INTERNATIONAL CORPORATION	Panama	Panama	Refrigeration transportation	100.00	Through investment
YAW ADDO FISHERIES COMPANY LIMITED	Ghana	Ghana	Oceanic fishing		Through operational lease

#### 2. Presentation of not-wholly-owned subsidiary

No.	Corporation Name	Proportion of minority holdings	Current loss to minority shareholders	Current dividend to minority shareholders	Ending balance of accumulated minority holdings
	Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	18.74%	2,240,078.19		28,042,285.19

### 3. Financial information of not-wholly-owned subsidiary

Corporation name	Ending balance					
	Current asset	Non-current asset	Total asset	Current liability	Non-current liability	Total liability
Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	61,746,373.60	95,320,935.48	157,067,309.08	6,698,258.40	733,048.64	7,431,307.04

Corporation name	Beginning balance					
	Current asset	Non-current asset	Total asset	Current liability	Non-current liability	Total liability
Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	44,302,018.84	13,930,784.60	58,232,803.44	7,251,421.94	-	7,251,421.94

Corporation name	2015				2014			
	Operating income	Net income	Total comprehensive income	Operating cash flow	Operating income	Net income	Total comprehensive income	Operating cash flow
Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	49,745,349.17	13,202,476.97	13,244,820.54	-4,262,398.67	12,985,795.41	-2,603,617.99	-2,604,370.81	4,121,172.71

### VIII. Risk related to financial instrument

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.

## IX. Related party relationship and transactions

### 1. Parent company and ultimate controller

Name	Registered location	Activity content	Registered capital (RMB0'000)	Holding the Company's shares (%)	Proportion of the right to vote(%)
Shandong State-owned assets investment Co. Ltd	Shandong Jinan	Investment and management, asset management and capital operation, entrustment management, investment consulting	450,000	33.07	33.07

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

**2. Information about subsidiaries**

Detailed information refers to VII Equity in other entities.

**3. Information of other related parties**

Name	Relationship with the Company
Shandong Luxin Investment Holdings Ltd.	Shareholder(≥5%)

**4. Compensation of key management personnel**

Name	2015	2014
Compensation of key management personnel	2,031,803.00	1,457,400.00

**X. Commitment issues and Contingencies****1. Commitment issues**

None

**2. Contingencies**

None

**XI. Events after the balance sheet date**

None

**XII. Other significant matter****1. Branches report:**

1.1 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 mainly bussiness.

**1.2 The financial information of branches report**

Item	Oceanic fishing	Vessels leasing	Aquatic products processing	Others	Elimination between branches
I. Sales revenue	185,621,533.50	92,625,139.80	548,602,960.51	24,133,829.32	136,390,658.55
II. Cost of sales	213,326,719.69	65,460,761.63	526,423,451.54	18,328,327.89	140,347,337.43
III. Assets Devaluation	559,165.51	8,748.71	1,666,899.96	659,895.30	466,183.50
IV. Fees of depreciation and amortization	16,071,510.44	11,608,177.55	4,092,509.24	3,556,300.41	1,091,895.38

Item	Oceanic fishing	Vessels leasing	Aquatic products processing	Others	Elimination between branches
V. Overall profit	-22,321,550.27	20,365,671.26	15,057,590.65	-4,707,722.29	-7,124,376.96
VI. Income tax expenses				1,136,927.91	-
VII. Net profit	-22,321,550.27	20,365,671.26	14,596,562.31	-5,383,621.86	-7,124,376.96
VIII. Total assets	376,233,577.34	204,252,675.42	270,276,603.99	473,212,936.15	525,742,999.79
IX. Total liability	117,369,132.97	36,710,801.51	131,547,189.69	210,439,051.86	291,583,890.90

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

### **XIII. Notes of main accounts of parent company's financial statements**

#### **1. Accounts receivable**

##### **Accounts receivable classification**

Category	Ending balance			
	Book balance		Bad debts provision	
	amount	proportion (%)	amount	proportion (%)
Significant single amount accounts receivable in need of separate bad debts provision				
Accounts receivable in need of bad debts provision according to combination	6,437,305.01	100.00	5,689,018.01	88.38
Aging combination	5,689,018.01	88.38	5,689,018.01	100.00
Riskless combination	748,287.00	11.62		
Accounts receivable of insignificant single amount in need of separate bad debts provision				
Total	6,437,305.01	100.00	5,689,018.01	88.38

Category	Beginning balance			
	Book balance		Bad debts provision	
	amount	proportion (%)	amount	proportion (%)
Significant single amount accounts receivable in need of separate bad debts provision				
Accounts receivable in need of bad debts provision according to combination	15,455,725.90	100.00	6,080,378.46	39.34
Aging combination	13,506,890.90	87.39	6,080,378.46	45.02
Riskless combination	1,948,835.00	12.61	-	
Accounts receivable of insignificant single amount in need of separate bad debts provision				

Category	Beginning balance			
	Book balance		Bad debts provision	
	amount	proportion (%)	amount	proportion (%)
Total	15,455,725.90	100.00%	6,080,378.46	39.34

## 1.1 Bad debts provision of accounts receivable in combination

### 1.1.1 Bad debts provision of accounts receivable in aging analysis:

Aging schedule	Ending balance			Beginning balance		
	Book value balance	Proportion (%)	Bad debt provision	Book value balance	Proportion (%)	Bad debt provision
Within 6 months				7,816,835.56	5.00	390,841.78
6 months to 1 year					10.00	
1 year to 2 years					30.00	
2 years to 3 years				1,037.33	50.00	518.67
Above 3 years	5,689,018.01	100.00	5,689,018.01	5,689,018.01	100.00	5,689,018.01
total	5,689,018.01		5,689,018.01	13,506,890.90		6,080,378.46

### 1.1.2 Bad debts provision of accounts receivable in other combination analysis:

Combination category	Ending balance			Beginning balance		
	Book balance	Proportion	Bad debt provision	Book balance	Proportion	Bad debt provision
Riskless combination	748,287.00		-	1,948,835.00		
Total	748,287.00			1,948,835.00		

## 1.2 Information of the first five debtors

Company name	Ending balance	Proportion to overall receivable ending balance%	Bad debt provision balance
PACIFIC PANDA,INC	3,600,962.12	63.30	3,600,962.12
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	748,287.00	13.15	
Qingdao Haifeng limited liability company	430,625.10	7.57	430,625.10
Han Xue	293,209.20	5.15	293,209.20
Lv Ming	158,154.98	2.78	158,154.98
Total	5,231,238.40	91.95	4,482,951.40

## 2. Other receivables

### 2.1 Disclosure according to category

Category	Ending balance	
	Book balance	Bad debts provision

	amount	proportion (%)	amount	proportion (%)
Individual significant amount of other receivables in need of bad debt provision				
Other receivables in need of bad debts according to combination	39,960,282.54	100.00	3,709,759.93	9.28
Aging combination	5,596,767.41	14.01	3,709,759.93	66.28
Riskless combination	34,363,515.13	85.99		
Individual insignificant amount of other receivables in need of separate bad debt				
Total	39,960,282.54	100.00	3,709,759.93	9.28

Category	Beginning balance			
	Book balance		Bad debts provision	
	amount	proportion (%)	amount	proportion (%)
Individual significant amount of other receivables in need of bad debt provision				
Other receivables in need of bad debts according to combination	37,625,953.95	100.00	3,556,332.05	9.45
Aging combination	5,069,982.85	13.47	3,556,332.05	70.14
Riskless combination	32,555,971.10	86.53		
Individual insignificant amount of other receivables in need of separate bad debt				
Total	37,625,953.95	100.00	3,556,332.05	9.45

## 2.2 Provision for bad debts based on combination analysis

### 2.2.1 Provision for bad debts based on aging schedule analysis

Aging schedule	Ending balance			Beginning balance		
	Book value balance	Proportion%	Bad debt provision	Book value balance	Proportion%	Bad debt provision
Within 6 months	1,135,287.32	5.00	56,764.37	1,385,887.10	5.00	69,294.35
6 months to 1 year	436,775.86	10.00	43,677.59	112,776.04	10.00	11,277.61
1 year to 2 years	585,285.82	30.00	175,585.75	133,246.49	30.00	39,973.95
2 years to 3 years	11,372.39	50.00	5,686.20	4,574.16	50.00	2,287.08
Above 3 years	3,428,046.02	100.00	3,428,046.02	3,433,499.06	100.00	3,433,499.06
Total	5,596,767.41		3,709,759.93	5,069,982.85		3,556,332.05

### 2.2.2 Provision for bad debts based on other combination analysis

Combination category	Ending balance			Beginning balance		
	Book value balance	Proportion%	Bad debt provision	Book value balance	Proportion%	Bad debt provision
Riskless combination	34,363,515.13			32,555,971.10		
Total	34,363,515.13			32,555,971.10		



### 2.3 Division of other receivable by nature

nature	Ending balance	Beginning balance
Internal current account	34,363,515.13	32,555,971.10
Insurance indemnity from the Chinese people's property insurance co., LTD	808,986.14	351,655.81
Revolving fund and other	4,787,781.27	4,718,327.04
Total	39,960,282.54	37,625,953.95

### 2.4. Information of the first five debtors

Business name	Nature	Ending balance	Aging	Proportion (%)	Bad debt provision balance
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.	Internal current account	24,714,718.67	2 years to 3 years, Above 3 years	61.85	
YAW ADDO FISHERIES COMPANY LIMITED	Internal current account	9,156,014.44	2 years to 3 years	22.91	
PICC Property and Casualty Company Limited	Insurance claim	808,986.14	1-6months, 1 years to 2 years	2.02	128,363.26
Japan, Daihatsu	Internal current account	288,896.39	Above 3 years	0.72	288,896.39
DIVING-SEAGULL	Internal current account	207,072.50	Above 3 years	0.52	207,072.50
Total		35,175,688.14		88.02	624,332.15

### 3. Long-term equity investments

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment to subsidiaries	204,189,455.23		204,189,455.23	118,779,655.23		118,779,655.23
Total	204,189,455.23		204,189,455.23	118,779,655.23		118,779,655.23

#### Investment to subsidiaries:

Invested companies	Beginning balance	Increment	Decrement	Ending balance	Impairment provision	Impairment provision ending balance
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.	27,985,811.01	85,409,800.00		113,395,611.01		
Total	118,779,655.23	85,409,800.00		204,189,455.23		

### 4. Operating income and cost

Item	2015		2014	
	Income	Cost	Income	Cost
Total operating activities	120,687,353.07	160,420,116.63	220,465,936.52	226,900,811.34
Seine tuna fishing	21,726,959.64	54,223,403.30	66,221,750.71	62,977,167.91
Long-line tuna fishing	98,960,393.43	106,196,713.33	154,244,185.81	163,923,643.43
Total other operating activities	5,070,648.88	1,891,604.04	4,457,963.59	2,101,075.15
House lease	5,070,648.88	1,891,604.04	4,457,963.59	2,101,075.15
Total	125,758,001.95	162,311,720.67	224,923,900.11	229,001,886.49

#### XIV. Supplementary information

##### 1. Non-recurring profit and loss

Item	Amount	Remark
1. Profit and loss from disposal of non-current assets, including the part written-off in impairment provision	-4,260,148.37	
2. Government grants included in current profit and loss( must be enterprises activities related, except for government grants of national standard quota)	2,021,471.48	
3. Non-operating revenue and expense other from the above- stated items	82,182.68	
4. Impact on income tax		
5. Impact on minority shareholding	237,114.23	
Total	-1,919,379.98	

Non-recurring items of profit and loss redefined as regular item of profit and loss according to characteristics and properties of its own operating activities:

Item	Amount	Remark
Regular profit and loss from fuel subsidies	40,856,800.00	Government grants of national standard quota and related to operating activities of the Company

##### 2. Return on equity and earnings per share

Profit	Return on equity (%)		Basic EPS	
	2015	2014	2015	2014
Net profit to common shareholders of the Company	2.16	2.81	0.0456	0.0578
Net profit to common shareholders of the Company after non-recurring profit and loss	2.51	1.91	0.0528	0.0393

Shandong Zhonglu Oceanic Fisheries Co., Ltd

3th March, 2016

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

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

Shandong Zhonglu Oceanic Fisheries Co., Ltd.

Chairman: Li Wenyi

5 March 2016