

Auditor's Report

SCPAR (2026) No. 6997

Date: April 22, 2026

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

I. Opinion

We have audited the financial statements of Shandong Zhonglu Oceanic Fisheries Co., Ltd (hereafter referred to as “the Company”), which comprise the consolidated and the Company's balance sheets as at December 31, 2025, the consolidated and the Company's statements of income, the consolidated and the Company's statements of cash flows and the consolidated and the Company's statements of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2025, and of its financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

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

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

III. Key Audit Matters

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

A. Revenue recognition

1. The Matter

Regarding income accounting policies, please refer to Note IV.27; Please refer to Note VI.37 for the amount of income generated.

In 2025, your company's operating revenue amounted to 1486.6927 million yuan. As revenue is a key indicator of company profits, there is an inherent risk of misstatement in whether revenue is based on real transactions and whether it is included in appropriate accounting periods. Therefore, we have identified revenue recognition as a key audit item.

2. Audit response

Our audit procedures for revenue recognition mainly include:

- ① Understand the internal control design related to revenue recognition in your company, evaluate the effectiveness of the design and implement walkthrough testing, and check whether the relevant internal control systems are effectively implemented;
- ② Verify the principles and methods of revenue recognition, combined with the essence of the company's business and the "five step method", examine the contract signing methods and contents under different business models, analyze the rights and obligations of the contract signing parties, examine various performance obligations, identify the fulfillment of performance obligations over a period of time, and determine whether the fulfillment of performance obligations at a certain point in time complies with the provisions of the Enterprise Accounting Standards;
- ③ Check the authenticity of income and the basis for revenue recognition, such as sales contracts, delivery orders, value statements or settlement documents, transportation bills, customs declaration materials, bills of lading, credit policies, etc. Evaluate whether your

company's revenue recognition meets the requirements of the Enterprise Accounting Standards based on the collection of accounts receivable after the period;

④ Conduct a cut-off test, select samples from income transactions recorded before and after the balance sheet date, and check for any cross period income;

⑤ Implement a letter of confirmation procedure for major clients, extract sufficient samples to verify the amount and balance of accounts receivable and contractual liabilities, and confirm the reasonableness of revenue recognition.

B. The impairment of inventory

1. Key audit matters

Regarding inventory accounting policies, please refer to Note IV.11; Please refer to Note VI.6 for the book balance and provision for impairment of inventory.

As of December 31, 2025, the book balance of your company's inventory is 408.8094 million yuan, with a provision for impairment of 26.9035 million yuan and a book value of 381.9059 million yuan, accounting for 17.61% of the total assets at the end of the period. Given the significant amount of inventory and the significant judgment of management involved in the provision for inventory impairment, we have identified the provision for inventory impairment as a key audit item.

2. Audit response

Our audit procedures for inventory impairment mainly include:

① Understand the design of internal controls related to inventory management and inventory impairment in your company, evaluate the effectiveness of the design and implement walkthrough tests, and check whether the relevant internal control systems are effectively implemented;

② Implementing inventory monitoring, checking the quantity, condition, and product shelf life of inventory;

③ Obtain the inventory age list of ending inventory, conduct analytical review on inventory with longer inventory age, and analyze whether the provision for inventory

impairment is reasonable;

- ④ Analyze the changes in the provision for inventory impairment made in previous years during the current period, and assess the adequacy of the provision for inventory impairment; Obtain the latest product sales prices before and after the balance sheet date, sample the inventory sold after the balance sheet date, and compare the actual selling price of the sample with the expected selling price;
- ⑤ Obtain the calculation table and relevant basis for impairment provision from the management, evaluate the rationality of the key data provisioned, and recalculate to evaluate the accuracy of the management's impairment calculation process;
- ⑥ Review whether the provision for inventory depreciation has been fully and appropriately disclosed in accordance with the standard requirements.

C. Government Grants

1. Key audit matters

Regarding other income accounting policies, please refer to Note IV.29; regarding the amount of other income, please refer to Note VI.43; regarding government grants, please refer to Note X.

As of December 31, 2025, the current-period amount of other income of your Company was 59.3710 million yuan, of which 55.7587 million yuan relating to the subsidy for improvement of international performance capability had not been received. The recognition of such amount in other income has a material impact on the company's profit. As of December 31, 2025, the total receivable subsidy for improvement of international performance capability of the Company and its consolidated subsidiaries amounted to 107.2879 million yuan. We have identified government grants as a key audit matter.

2. Audit response

Our audit procedures for government grants mainly include:

- ① Obtain the official documents in respect of government grants and inspect relevant bank transaction records.

② Conduct formal inquiries with the responsible director of Laoshan District Bureau of Agriculture and Rural Affairs so as to verify the authenticity and accuracy of the government granting documents.

③ Calculate and accrue allowance for doubtful debts on receivables from government grants in strict accordance with the Company's accounting policies for bad debt provision.

④ Interview the relevant handling personnel to enquire into and document the detailed application process of the government grants, the underlying causes for failure to receive the funds, and whether a definite schedule for fund disbursement has been arranged.

IV. Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

In preparing the financial statements, the directors are responsible for assessing the

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

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

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

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

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

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

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

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

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

D. Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

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

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

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

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

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

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

C.P.A

Mao Xu

Zhenbing Wang

Shanghai Certified Public Accountants (Special General Partnership)

Shanghai, China

I .Profile of the Company

1. Registered Capital, Place of Registration, Organization Type, and Head Office Address

The registered address of Shandong Zhonglu Oceanic Fishery Co., Ltd. (hereinafter referred to as “the Company”) has a registered capital of RMB 266,071,300, and its registered address is 2501, Building 1, 31 Xianxialing Road, Laoshan District, Qingdao, Shandong. It is a company limited by shares established on July 30, 1999, by means of promotion with Shandong Aquaculture Enterprise Group as the key promoter, with the approval of the Shandong Economic Restructuring Commission through Document LTGZ [1999] No. 85. With the approval of the China Securities Regulatory Commission through Document ZJFXZ [2000] No. 82 on June 26, 2000, the Company’s B-shares were listed on the Shenzhen Stock Exchange on July 24, 2000. The short stock name is “Zhonglu B,” and the stock code is “200992” .

The Company’s basic organizational structure consists of: Annual General Meeting, Board of Directors, Board of Supervisors, General Manager’s Office (Party Committee’s Office), Board Office, Human Resources Department (Organizational Department), Financial Management Department (Capital Operations Department), Corporate Development Department, Audit Department, Oceanic Management Departments, Discipline Inspection Committee’s Office, Party’s Mass Work Department, and Risk Control Department (Legal Affairs Department).

2. The nature of the business and the main business activities the Company actually engaged in.

The Company’s key products include tuna and its products.

The Company’s business scope is: general business items: processing and sale of aquatic products; commodity import and export within the approved scope; manufacture and sale of machine-made ice; manufacture, installation, and repair of refrigeration equipment; refrigeration and cold storage; loading, unloading, and handling services; property leasing.

Business items with prerequisite licensing: open-water fishing and long-range fishing.

3. Name of the parent company and the final group parent company.

As of December 31, 2025, the parent company and ultimate controller is Shandong State-owned Assets Investment Holding Co., Ltd.

4. The approval date of the financial report and the approval date of the financial report.

This financial statement is approved by the resolution of the Board of Directors of the Company on

April 22,2026. In accordance with the Articles of Incorporation of the Company, the financial statements will be submitted to the general meeting for consideration

II. T Basis for the preparation of the financial statements.

1. Foundation of the preparation

The company takes continuing operation as the basis for preparing financial statements and takes the accrual basis as the basis for bookkeeping. The company generally adopts the historical cost to measure the accounting elements, and adopts the replacement cost, the realizable net value, the present value and the fair value on the premise that the determined amount of the accounting elements can be obtained and be measured reliably.

2. Going concern

The company shall have the ability of going concern for at least 12 months from the end of this report, and have no major matters affecting the ability of going concern.

III. Statement following the Accounting Standards for Business Enterprises

The Company's financial statements and notes were issued by the accounting standards, application guidelines, accounting standards for business enterprises, the China Securities Regulatory Commission issued the public issuance of securities company information disclosure reporting rules no. 15-the general provisions of financial report [2023 revision] and the requirements of the relevant provisions, truly and completely reflects the company's current financial situation, operating results, changes in shareholders' equity and cash flow and other relevant information.

IV. Important accounting policies and accounting estimates

According to the actual characteristics of production and operation and the provisions of relevant accounting standards for enterprises, the company has formulated several specific accounting policies and accounting estimates for transactions and matters such as revenue recognition, see Note IV and 27 "revenue" for details. For the statement of significant accounting judgments and estimates made by management team, please refer to Note IV, 34 "Major Accounting judgments and Estimates".

1. Accounting period

The fiscal year starts from January 1 to December 31 of the Gregorian calendar.

2. Operation period

The normal business cycle is the period from the company's purchase of assets for processing to the realization of cash or cash equivalents. The company takes 12 months as a business cycle and takes it as the liquidity standard of assets and liabilities.

3. Base currency for bookkeeping

RMB Yuan

4. Importance criteria determination method and selection basis

The preparation and disclosure of the financial statements follow the principle of importance. The matters disclosed in the notes to the financial statements involve the importance criteria and the importance criteria of the Company are as follows:

<u>Item</u>	<u>Position disclosed in the notes to this Financial Statements</u>	<u>Importance criteria determination method and selection basis</u>
Other profits	Note VI, 43	1 million yuan
Important non-wholly owned subsidiary	Notes IX, 1, and (2)	Asset size greater than 100 million Yuan
Important associate companies	Notes IX, and 2	The net profit scale is greater than 5 million yuan
Important projects under construction	Note VI, 11	10 million yuan

5. Accounting treatment method of enterprise merger under the same control and not under the same control.

Enterprise merger refers to the transaction or event in which two or more separate enterprises are merged to form a reporting entity. Business merger is divided into enterprise merger under the same control and enterprise merger not under the same control.

(1) Enterprise merger under the same control

The enterprises participating in the merger are subject to the final control of the same party or the same multiple parties before and after the merger, and the control is not temporary and is the enterprise merger under the same control. For an enterprise merger under the same control, the party acquiring control over the other enterprises participating in the merger on the merger date shall be the merger party, and the other enterprises participating in the merger shall be the merged party. The merger date refers to the date on which the merged party actually obtains the control right of the incorporated party.

The assets and liabilities acquired by the consolidated party are measured at the book value of the consolidated party at the merger date. The balance between the book value of the net assets acquired by the consolidated party (or the total book value of the issued shares) shall adjust the capital reserve (equity premium); if the capital reserve (equity premium) is insufficient to offset, the retained earnings shall be adjusted.

The merger party is the direct expenses incurred in the enterprise merger, which shall be recorded into the current profit and loss at the time of occurrence.

(2) Enterprise merger not under the same control

If the enterprise participating in the merger is not under the final control of the same party or the same multiple parties before and after the merger, it is the enterprise merger not under the same control. For an enterprise merger not under the same control, the party who obtains the control right over the other enterprises participating in the merger on the purchase date shall be the acquirer, and the other enterprises participating in the merger shall be the acquiree. The date of purchase is the date on which the acquirer actually obtains control over the acquiree.

For merger of enterprises not under the same control, the cost of consolidation includes the assets paid by the acquirer on the purchase date to acquire control over the acquiree, liabilities incurred or assumed by the acquirer and equity securities issued to acquire control of the acquiree at the purchase date. The cost of audit for the merger of the enterprise, legal services, evaluation and consulting intermediary fees and other management fees shall be recorded in the current profit and losses. The transaction expense of equity or debt securities issued by the acquirer as the combined consideration shall be included in the initial recognized amount of equity or debt securities. The contingent consideration involved shall be included in the consolidated cost according to its fair value on the purchase date. If there is new or further evidence of the existed situations of the purchase date within 12 months after it, the consolidated goodwill shall be adjusted accordingly. The merger costs incurred by the acquirer and the identifiable net assets acquired in the merger should be measured at the fair value of the purchase date. The difference between the merger cost and the share of the fair value of the identifiable net assets of the purchased party on the purchase date shall be recognized as goodwill. If the consolidated cost is less than the fair value of identifiable net assets of the merger, first of the fair value of the identifiable assets, liabilities and contingent liabilities and combined cost measurement, review the combined cost is still less than the identifiable net assets of the merger, the difference included in the current profit and loss.

If the acquirer obtains the deductible temporary difference of the acquiree, and is not recognized on the purchase date because it does not meet the conditions of deferred income tax assets for recognition, if new or further information confirming the existence of relevant situations is obtained within 12 months

after the purchase date, the acquirer shall confirm the deferred income tax assets and reduce the goodwill, if the goodwill is insufficient, the difference shall be recognized as the current profit and loss; Except for the above situation, the deferred income tax assets related to the enterprise merger shall be included in the current profit and loss.

For business merger not under the same control achieved through multiple transactions step by step, it should be determined whether the multiple transactions belongs to "package deal" according to the Ministry of Finance on the notice of the accounting standards interpretation no. 5 (accounting [2012] no. 19) and "accounting standards no. 33 —— consolidated financial statements" article 51 criteria about "package deal" (see Note IV .6, judging criteria of the control and preparation of the consolidated financial statements), For "package transaction", refer to the previous paragraphs in this section for accounting treatment; For those not belong to "package transaction", distinguish individual financial statements from consolidated financial statements in the accounting statement:

In individual financial statements, the sum of the book value of the equity interest of the acquiree held prior to the purchase date and the cost of new investment on the purchase date is taken as the initial investment cost of the investment. Where the equity interest of the acquiree held prior to the purchase date involves other comprehensive income, the other comprehensive income associated with the investment will be accounted for on the same basis as if the acquiree had disposed of the relevant asset or liability directly (i.e., With the exception of the corresponding share of the change resulting from the remeasurement of net liabilities or net assets of the defined benefit plan by the acquiree under the equity method, the remainder is transferred to investment income for the period).

In the consolidated financial statements, for the equity of the acquiree held prior to the purchase date, remeasure at the fair value of the equity at the purchase date, the difference between the fair value and its book value shall be included in the current investment income; Where the equity of the acquiree held before the purchase date involves other comprehensive income, the other comprehensive income shall be treated on the same basis as the direct disposal of the relevant assets or liabilities (i. e., Except for the corresponding share accounted for under the equity method in the change resulting from the remeasurement of net liabilities or net assets of the defined benefit plan by the acquirer, the remainder is converted to investment income for the period at the purchase date).

6. Judging standard of control and the preparation method of the consolidated financial statements

(1) Judging standard of the control

The consolidation scope of consolidated financial statements is determined on the basis of control. Control means that the Company has the power over the investee, enjoys a variable return by participating in the relevant activities of the investee, and has the ability to use the power of the investee

to influence the amount of the return. Among them, the Company has the current right to enable the Company to dominate the relevant activities of the investee regardless of whether the Company actually exercises the power; if the return from the investee may change with the performance of the investee, it shall be deemed to enjoy a variable return; if the Company exercises the decision-making power as the principal responsible person, the Company shall be deemed to use the power of the investee to affect the return amount. The scope of the merger includes the Company and all of its subsidiaries. Subsidiary, refers to the subject controlled by the Company.

The Company judges whether to control the investee on the basis of comprehensive consideration of all relevant facts and circumstances. The relevant facts and conditions mainly include: the purpose of the establishment of the investee; the relevant activities of the investee and how to make decisions on the relevant activities; whether the rights of the Company enable the Company to dominate the relevant activities of the investee; whether the Company enjoys a variable return by participating in the relevant activities of the investee; whether the Company has the ability to influence the power of the investee; the relationship between the Company and the other parties, etc. Once changes in the relevant facts and circumstances lead to changes in the relevant elements involved in the above control definition, the Company will reevaluate them.

(2) Method of preparing the consolidated financial statements

From the date of acquiring the net assets of the subsidiary and the actual control right of production and operation decisions, the Company will begin to bring it into the merger scope, and stop to do so after the date of losing the actual control right. For the subsidiaries under disposal, the operating results and cash flow before the disposal date have been appropriately included in the consolidated income statement and the consolidated cash flow statement; for the current disposition subsidiaries, the beginning of the consolidated balance sheet will not be adjusted. For subsidiaries not under the same control, the operating results and cash flow after the purchase date have been appropriately included in the consolidated income statement and the consolidated cash flow statement, and the initial and comparative numbers of the consolidated financial statements will not be adjusted. For the subsidiaries increased by the enterprise merger under the same control and the merged party under the absorption merger, the operating results and cash flow from the beginning of the current period to the merger date have been appropriately included in the consolidated income statement and the consolidated cash flow statement, and the comparison number of the consolidated financial statements shall be adjusted at the same time.

At the time of preparing the consolidated financial statements, if the accounting policies or accounting

periods adopted by the subsidiary is inconsistent with that adopted by the Company, necessary adjustments to the financial statements of the subsidiary shall be made in accordance with the accounting policies and accounting periods of the Company. For subsidiaries not acquired under the same control, their financial statements shall be adjusted on the basis of the fair value of identifiable net assets on the purchase date.

All significant transaction balances, transactions and outstanding profits within the Company should be offset by the preparation of the consolidated financial statements.

The shareholders' equity and the net profit and loss of the current period that are not owned by the Company should be listed separately as the minority shareholders' equity and the minority shareholders' profit and loss under the shareholders' equity and net profit in the consolidated financial statements. The share of the current net profit and loss of the subsidiary belonging to the minority shareholders' equity shall be listed in the item of "minority shareholders' profit and loss" under the net profit items in the consolidated profit statement. The loss of the subsidiary shared by the minority shareholders exceeds the share of the minority shareholders' equity of the subsidiary at the beginning of the period, and the number of the shareholders' equity is still reduced.

When the control of the original subsidiary is lost due to the disposal of some equity investment or other reasons, the remaining equity shall be remeasured according to its fair value on the date of the loss of control. The sum of the consideration obtained from the disposal of the shares and the fair value of the remaining shares, after deducting the share of the net assets of the original subsidiary calculated from the purchase date, shall be included in the investment income of the period of the loss of control. For other comprehensive income related to the equity investment of the original subsidiary, the accounting treatment of control shall be lost on the same basis as the direct disposal of the relevant assets or liabilities of the subsidiary. Subsequently, the remaining equity shall be measured in accordance with the Accounting Standards for Business Enterprises No.2 —— Long-term Equity Investment or Accounting Standards for Business Enterprises No.22 —— Recognition and Measurement of Financial Instruments and other relevant provisions, see Note IV and 14 "Long-term Equity Investment" or Note IV and 10 "Financial Instruments".

If the Company disposed of the equity investment in the subsidiary until the loss of control through multiple transactions, it is necessary to distinguish whether the transaction of the equity investment until the loss of control is a package transaction. If the terms, conditions and economic impact of the disposal of subsidiary equity investments meet one or more of the following circumstances, usually indicating that those multiple transactions should be treated as package transactions:

- ① These transactions are made simultaneously or made in consideration of mutual influence;
- ② These deals as a whole can achieve a complete business result;

- ③ The occurrence of one transaction depends on the occurrence of at least one other transaction;
- ④ One trade is uneconomical, but it is economic when considered together with other trades.

For each transaction that does not belong to the package transaction, according to the circumstances, the principle of "partial disposal of long-term equity investment of subsidiaries without losing control" (see Note IV,14 "long-term equity investment" (2) ④) and "loss of control of the disposal of the original subsidiary" (see the preceding paragraph) should be applied in the accounting treatment. If the transaction of the subsidiary equity investment until the loss of control is a package transaction, the transaction shall be treated as a transaction of the disposal of the subsidiary and losing the control; however, the difference between the disposal price and the share of the net assets of the subsidiary before the loss of control should be recognized as other comprehensive income in the consolidated financial statements, and the profit and loss of the period of the loss of control.

7. Classification of joint venture arrangement and accounting treatment methods for joint operation

Joint venture arrangement means an arrangement under the joint control of two or more parties. The Company shall, according to the rights and obligations enjoyed in the joint venture arrangement, divide the joint venture arrangement into joint operation and joint company. Joint operation means the joint venture arrangement in which the Company enjoys the relevant assets of the arrangement and assumes the liabilities related to the arrangement. Joint company means a joint venture arrangement in which the Company only enjoys rights to the net assets of the arrangement.

The company's investment in joint venture shall be calculated by equity method, which shall be treated in accordance with the accounting policies described in Note IV,14 "Long-term Equity Investment" (2)

② "Long-term equity investment calculated by equity method".

The Company, as the joint venture, recognizes the assets held by the Company, the liabilities and the liabilities held by the shares of the Company, and the liabilities held by the Company. Recognize the income generated by the sale of the share of the output incurred by the Company, and the expenses incurred by the Company in accordance with the share of the Company.

When the Company invests or sells assets as the joint venture (the assets do not constitute business, the same should be applied below) or purchases assets from the joint venture, prior to the sale of such assets to a third party, the Company recognizes only the portion of the profit or loss arising from the transaction attributable to other participants in the joint venture. For the asset impairment loss in accordance with the Accounting Standards for Business Enterprises No.8 — Asset Impairment, the Company shall recognize the loss for the assets that the Company purchased the assets, the Company

shall recognize the loss according to the share borne by itself.

8. Standards for determining cash and cash equivalents

Cash refers to cash on hand and deposits that can be used for payment at any time. Cash equivalents refer to investments held by the company with a short term (generally due within three months from the purchase date), which are highly liquid, easy to be converted into a known amount of cash and with little risk of change in value.

9. Foreign currency business and foreign currency statement translation

(1) The method for determining the exchange rate when foreign currency transactions occur

When a foreign currency transaction is initially recognized, the approximate spot exchange rate on the day of the transaction is used to convert the amount into RMB.

(2) On the balance sheet date, foreign currency currency items and foreign currency non-currency items shall be treated in the following methods:

① Foreign currency currency items shall be converted through the central parity rate of RMB foreign exchange price published by the People's Bank of China on the balance sheet date. The exchange difference caused from the difference between the spot exchange rate on the balance sheet date and the initial recognition date or the previous balance sheet date shall be included in the current profit and loss.

② Foreign currency non-monetary items measured at historical cost shall still be converted at the spot exchange rate on the date of the transaction without changing the bookkeeping standard amount; foreign currency non-monetary items measured at fair value shall be converted at the spot exchange rate on the date of fair value; the difference between the original bookkeeping standard amount shall be treated as the change of fair value (including change in exchange rate) and be included into the current profit and loss or other comprehensive income according to the nature of the non-monetary items.

Monetary items refer to the monetary funds held by the Company and the assets or liabilities to be collected in a fixed or definite amount.

Non-monetary items refer to items other than monetary items.

(3) Conversion method of foreign currency financial statements of overseas operating entities:

① The assets and liabilities in the balance sheet shall be converted at the spot exchange rate on the balance sheet date, and the owner's equity items except the "undistributed profit" shall be converted at the spot exchange rate at the time of occurrence;

② The income and expense items in the income statement shall be converted at the exchange rate similar ③ The conversion difference in the foreign currency financial statements generated from the above ① and ② conversion shall be listed separately under the owner's equity items in the balance sheet.to the spot exchange rate on the date of the transaction;

④ The financial statements of overseas operations in hyperinflation economy shall be converted in the following methods:

Restate the balance sheet items by using the general price index, and restate the income statement items by using the general price index changes, then convert at the spot rate at the latest balance sheet date.

When the overseas operation is no longer in the hyperinflation economy, the restatement shall be stopped and the financial statements reconverted according to the price level on the date of cessation.

⑤ In the disposal of overseas operations, the Company shall convert the difference between the foreign currency financial statements related to the owner equity items of the balance sheet for the current disposal of overseas operations, the conversion difference of the foreign currency financial statements of the disposal portion shall be calculated at the proportion of the disposal and transferred to the profit and loss of the current disposal.

10. Financial instrument

The financial instrument means a contract that forms the financial assets of one party and forms the financial liabilities or equity instruments of the other party. When the Company becomes a party to the financial instrument contract, it recognize the relevant financial assets or financial liabilities.

(1) Financial Assets

① Classification and the initial measurement

According to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company divides the financial assets into:

1) Financial assets measured at an amortized cost

The Company manages the business model of financial assets measured at amortized cost, and the contract cash flow characteristic of such financial assets is consistent with the basic lending arrangement, that is, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. For such financial assets, the Company adopts the real interest rate method to conduct the follow-up measurement for the amortized cost, and the profit or loss generated by the amortization or impairment shall be recorded in the current profit and loss.

2) Financial assets measured at fair value and whose changes are included in other comprehensive income

The business model of the Company for managing such financial assets is to target both collecting and selling of the contractual cash flow, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangement. The Company measures such financial assets at fair value and their changes are included in other comprehensive income, but the impairment losses or gains, exchange gains and losses and interest income calculated in accordance with the real interest rate method are included in the current profits and losses.among:

<1> Debt instrument investment measured at fair value and whose changes are included in other c
Subsequent measurement should be performed at fair value. Interest rates, impairment losses or gains and exchange gains and losses calculated by the real interest rate method shall be included in the current profits and losses, while other gains or losses shall be included in other comprehensive gains. Upon the termination of recognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income and recorded in the current profit and loss.

<2> Equity instrument investment measured at fair value and whose changes are included in other comprehensive income

Subsequent measurement should be performed at fair value. The dividends obtained (except for the part of the investment cost recovery) shall be included in the current profit and loss, and other gains or losses shall be included in other comprehensive income. Upon the termination of recognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income and included in the retained earnings.

For non-trading equity instrument investments, the Company may, upon initial recognition, irrevocably designate them as a financial asset measured at fair value and its changes included in other comprehensive income. The designation is made on the basis of a single investment, and the relevant investment meets the definition of the equity instrument from the perspective of the issuer.

3) Financial assets measured at fair value and whose changes are included in the current profit and loss.

The Company classifies the above financial assets measured at amortized cost and the financial assets measured at fair value and whose changes are included in other comprehensive income as the financial assets measured at fair value and whose changes are included in the current profit and loss. In addition, at the initial recognition, in order to eliminate or significantly reduce the accounting mismatch, the Company designated some financial assets as financial assets measured at fair value and their changes are

included in the current profit and loss. For such financial assets, the Company adopts the fair value for subsequent measurement, and the change in the fair value is included in the current profit and loss.

The investment in equity instruments over which the Company has no control, joint control and significant influence will be measured at fair value and its changes will be included in current profit or loss, and listed as trading financial assets; Those expected to hold for more than one year from the balance sheet date are listed as other non-current financial assets.

Financial assets are measured at fair value at the initial recognition. For financial assets measured at fair value and whose changes are included in the current profit and loss, relevant transaction expenses are directly included in the current profit and loss; for other categories of financial assets, relevant transaction expenses are included in the initial recognition amount. For accounts receivable or notes receivable arising from the sale of products or the provision of services that do not include or do not take into account the significant financing components, the amount of consideration that the Company is expected to be entitled to collect shall be the initial recognition amount.

4) Equity instrument

An equity instrument is a contract that demonstrates ownership of the remaining interest in the assets excluding all liabilities. The company's issuance (including refinancing), repurchase, sale or cancellation of equity instruments shall be treated as changes in equity, and the transaction expenses related to equity transactions shall be deducted from the equity. The Company does not recognize the change in the fair value of the equity instruments.

During the duration of the Company (including the "interest" generated by the "instruments" classified as "equity instruments"), it shall be treated as profit distribution.

② Impairment of financial assets

1) Method of recognition of the impairment provision

On the basis of expected credit loss, the Company makes impairment provision and confirms the applicable expected credit loss measurement method (general method or simplified method).

Credit loss refers to the difference between all the contractual cash flows receivable under the contract and all the expected cash flows collected, i. e., the present value of the total cash shortage. Among them, for the financial assets purchased or derived with credit impairment, the Company shall discount the actual interest rate of the financial assets.

The general method of measuring expected credit loss refers to measuring whether the credit risk of the financial assets (including contract assets and other applicable items, the same below) assessed by the Company on the balance sheet date has increased significantly since the initial confirmation, the Company measures the loss preparation according to the amount equivalent to the expected credit loss in the whole duration; if the credit risk does not increase significantly after the initial confirmation, the Company measures the loss preparation according to the amount equivalent to the expected credit loss in the next 12 months. For the financial assets purchased or derived with credit impairment, the Company shall only recognize the cumulative changes of the expected credit loss during the initial period on the balance sheet date. The Company considers all reasonable and grounded information, including forward-looking information, when assessing expected credit losses.

For receivables and contractual assets that are formed from transactions regulated by Accounting Standard for Business Enterprises No. 14 - Revenue and do not have a significant financing component or that the Company does not take into account the financing component of contracts not exceeding one year, the Company uses a simplified measurement method to measure the loss provision in terms of the amount of expected credit losses over the entire duration.

For financial assets other than the above measurement methods, the Company assess whether its credit risk has significantly increased since the initial recognition. If the credit risk has significantly increased since the initial confirmation, the Company measures the loss provision according to the amount of the expected credit loss in the entire duration; if the credit risk does not increase significantly after the initial confirmation, the Company measures the loss provision according to the amount of the expected credit loss in the next 12 months.

The Company uses available reasonable and warranted information, including forward-looking information, to compare the risk of default of the financial instrument on the balance sheet date with the risk of default on the initial recognition date to determine whether the credit risk of the financial instrument has increased significantly since the initial confirmation.

On the balance sheet date, if the Company determines that the financial instrument only has a low credit risk, it is assumed that the credit risk of the financial instrument has not increased significantly since the initial recognition.

The Company evaluates expected credit risk and measures expected credit losses on the basis of a single financial instrument or portfolio of financial instruments. When based on a combination of financial instruments, the Company divides financial instruments into different combinations based on common risk characteristics.

The Company re-measures the expected credit loss on each balance sheet date, and the increase or

reversal of the loss provision will be recorded as impairment loss or gains. For the financial assets measured at amortized cost, the loss provision shall offset the book value of the financial assets listed in the balance sheet; for the debt investment measured at fair value and its changes included in other comprehensive income, the Company confirms the loss provision in other comprehensive income, which does not offset the book value of the financial assets.

2) The criterion of whether credit risk increases significantly after initial confirmation

If the default probability of a financial asset within the expected duration determined on the balance sheet date is significantly higher than the default probability determined during the expected duration determined at the initial confirmation, it indicates that the credit risk of the financial asset is significantly increased. Except in special circumstances, the Company should use the change of the default risk in the next 12 months as a reasonable estimate of the change of the default risk during the entire duration to determine whether the credit risk increases significantly after the initial confirmation.

3) A portfolio approach to assessing expected credit risk on a portfolio basis

The Company evaluates credit risks for individual financial assets with significantly different credit risks, such as receivables of relevant parties, receivables for matters in dispute with the other side or matters involved in litigation or arbitration, and receivables where the debtor is likely to fail to fulfill repayment obligations.

In addition to individual financial assets that assess credit risk, the Company divides financial assets into different groups based on common risk characteristics and evaluates credit risk on the basis of a portfolio.

4) Accounting treatment method for the impairment of financial assets

At the end of the period, the Company calculates the estimated credit loss of various financial assets, if the estimated credit loss is greater than the book amount of the current impairment provision, the difference should be recognized as an impairment loss; if it is less than the current impairment provision, the difference should be recognized as an impairment gain.

5) Determination method of credit loss of various financial assets

The company needs to confirm the impairment loss of financial assets measured by amortized cost of financial assets, debt instruments measured at fair value and whose changes are included in other comprehensive incomes, as well as lease receivables, mainly including notes receivable, accounts receivable, receivables financing, other receivables, creditor's rights investment, other creditor's rights investment, long-term receivables, etc. In addition, for the contract assets and part of the financial

guarantee contracts, impairment provisions and credit impairment losses are confirmed in accordance with the accounting policies described in this part.

<1> The account for receivables and contract assets for expected credit losses based on a combination of credit risk characteristics

Consolidation category	Basis for confirming the consolidation	Method of measuring expected credit losses
Bank acceptance bill receivable	Bill type	With reference to the historical credit loss experience, combined with the current situation and the forecast of the future economic situation, the expected credit loss should be calculated through the default risk exposure and the expected credit loss rate of the whole duration
Trade acceptance receivable		
Receivable-Account receivable age portfolio Contract asset - Account receivable age Portfolio	Account receivable age	With reference to the historical experience of credit loss, and combined with the current situation and the forecast of the future economic situation, the comparison table between the age of accounts receivable and the expected credit loss rate of the whole duration is prepared to calculate the expected credit loss
Accounts receivable —— consolidated related parties portfolio	Scope of merger	Based on historical credit loss experience, current conditions and expected future economic conditions
Other receivables - Account receivable age portfolio	Account receivable age	With reference to the historical credit loss experience, combined with the current situation and the forecast of the future economic situation, prepare the comparison table of other receivables age and the expected credit loss rate, and calculate the expected credit loss rate in the next 12 months or the whole duration
Other receivables - consolidated related parties portfolio	Scope of merger	The allowance for bad debts is measured with reference to historical credit loss experience, combined with current conditions and expectations of future economic conditions

<2> Aging combination of aging and expected credit loss ratio comparison table

<u>Account receivable age</u>	<u>Expected credit loss rate of accounts receivable</u>	<u>Expected credit loss rate of other receivables</u>
Within 6 months	5.00%	5.00%
Six months to a year	10.00%	10.00%
1 to 2 years	30.00%	30.00%
2 to 3 years	50.00%	50.00%
More than 3 years	100.00%	100.00%

The age of accounts for the self-examination of accounts receivable and other receivables contracts starts from the month when the payment actually occurs.

For the receivables and contract assets formed by the transactions regulated by the Accounting Standards for Business Enterprises No.14 —— Income, the Company uses the simplified measurement method to measure the loss preparation according to the amount equivalent to the expected credit loss within the entire duration.

For leasing receivables, by the accounting standards for enterprises no. 14 —— income specification of transaction formation, and without significant financing components or the company does not consider not more than a year of financing receivables and contract assets of the contract, the company using the simplified measurement method, according to the entire duration of expected credit loss amount measurement loss.

For notes receivable and debt receivables measured at fair value and whose changes are included in other comprehensive income, if the maturity period is within one year (including one year from the initial confirmation date), they shall be reported as receivables financing. The Company measures the impairment loss by using the amount of the expected credit loss of the entire duration.

Debt investment is mainly accounted for by bond investment measured at amortized cost. The Company measures the impairment loss in the amount equivalent to the expected credit loss within the next 12 months, or for the entire duration, based on whether its credit risk has increased significantly since the initial recognition.

Other creditor's rights investments shall be mainly accounted for bond investment measured at fair value and whose changes are included in other comprehensive income. Financing of receivables with a maturity period of more than one year from the initial confirmation date shall also be reported as other creditor's rights investments. For other debt investments (including receivables listed in other debt investments), the Company shall measure the impairment loss by using the amount equivalent to the expected credit loss within the next 12 months or the entire duration based on whether its credit risk has increased significantly after the initial confirmation. For receivables financing that does not include major financing components, the Company measures the loss preparation according to the expected amount of credit loss equivalent to the entire duration.

<3> The criteria for the identification of receivables and contract assets for the provision of expected credit losses on a single basis

For receivables and contract assets whose credit risk is significantly different from combined credit risk, the Company shall draw expected credit losses according a single item.

③ Confirmation basis and measurement method for terminating the transfer of financial assets

If the financial assets meet one of the following conditions, the recognition of them shall be terminated:

1) Termination of the contractual right to collect the cash flow of the financial assets;

- 2) The financial assets have been transferred, and the Company transfers almost all the risks and rewards in the ownership of the financial assets to the transferred party;
- 3) The financial asset has been transferred. Although the Company has neither transferred nor retained almost all the risks and rewards in the ownership of the financial asset, it has abandoned the control of the financial asset.

Upon the confirmation termination of the investment of other equity instruments, the difference between the book value and the consideration received and the sum of the fair value directly recorded in other comprehensive income shall be included in the retained earnings, and the book value of the remaining financial assets and the sum of the fair value directly recorded in other comprehensive income shall be included in the current profit and loss.

If the Company has neither transferred nor retained almost all the risks and rewards in the ownership of the financial assets, and has not abandoned the control over the financial assets, the relevant financial assets shall be recognized according to the extent of the transferred financial assets, and the relevant liabilities shall be recognized accordingly. The degree to which the continued involvement of the transferred financial assets is involved refers to the risk level faced by the enterprise caused by the change in the value of the financial assets.

If the overall transfer of financial assets meets the conditions for termination of recognition, the difference between the book value of the transferred financial assets and the sum between the sum of the consideration received from the transfer and the fair value change originally included in other comprehensive income shall be included in the current profit and loss.

If the partial transfer of the financial assets meets the conditions of termination of recognition, the book value of the transferred financial assets shall be apportioned according to the relative fair value between the fair value of the transfer and the sum of the sum of the transfer of the transfer shall be included into the current profit and loss.

For the financial assets sold by recourse, or the endorsement transfer of the held financial assets, the Company needs to determine whether almost all the risks and rewards in the ownership of the financial assets have been transferred. If almost all the risks and rewards in the ownership of the financial asset have been transferred to the transferred party, the recognition of the financial asset should be terminated; if the financial asset retains the ownership of the financial asset and almost all the risks and rewards in the ownership of the financial asset, the recognition of the financial asset should not be terminated, if there is no transfer nor retention of almost all the risks and remuneration in the ownership of the financial asset, the company shall continue to judge whether the enterprise has retained the control of the asset and conduct treatment according to the principles described in the preceding paragraphs.

④ Cancel after verification

If the Company no longer reasonably expects that the contractual cash flow of the financial asset can be recovered in whole or in part, the book balance of the financial asset will be written down directly. This write-down constitutes the termination of recognition of the relevant financial assets. This usually occurs when the Company determines that the debtor has no assets or sources of income to generate sufficient cash flow to repay the amount that will be written down. However, the financial assets under the Company may allow the process to be affected by the execution activities.

If the write-down financial assets are recovered later, they shall be transferred back as impairment losses and recorded into the profits and losses of the current period.

(2) Financial liabilities

Financial liabilities are classified at the initial recognition as financial liabilities measured at amortized cost and financial liabilities measured at fair value and whose changes are included in the current profits and losses.

In addition to the following, the Company classifies financial liabilities as financial liabilities measured at amortized cost costs:

- ① Financial liabilities measured at fair value and whose changes are included in current profits and losses, include transactional financial liabilities (including derivatives of financial liabilities) and financial liabilities designated as measured at fair value and whose changes are included in current profits and losses.
- ② The transfer of financial assets does not meet the conditions for termination of recognition or continues to be involved in the transferred financial assets.
- ③ The financial guarantee contract not subject to Item ① or ② of this Article and a loan commitment at a below market rate that is not subject to Item ① of this Article. In a business merger not under the same control, if the contingent consideration recognized by the Company as the acquirer forms the financial liabilities, the financial liabilities should be measured at fair value and the changes should be included in the profit and loss of the current period.

At the time of initial recognition, in order to provide more relevant accounting information, the Company may designate financial liabilities measured at fair value and recorded in the profit and loss of the current period, which meets one of the following conditions:

- 1) Eliminate or significantly reduce accounting mismatch.
- 2) Manage and evaluate the performance of a portfolio of financial liabilities or a portfolio of financial assets and financial liabilities on a fair value basis in accordance with the corporate risk management or

investment strategy set out in formal written documents, and report internally to key management on that basis. Such designation, once made, cannot be revoked.

The financial liabilities of the Company are mainly financial liabilities measured at amortized cost, including notes payable and accounts payable, other payables, borrowings and bonds payable, etc. Such financial liabilities are initially measured according to the fair value after deducting transaction expenses, and subsequently measured by the real interest rate method. If the term is less than one year (including one year), it should be listed as current liabilities; if the term is more than one year but is due within one year (including one year) from the balance sheet date, it should be listed as non-current liabilities due within one year; the rest are listed as non-current liabilities.

When the current obligation of the financial liability has been discharged in whole or in part, the Company terminate the recognition of the part of the financial liability or discharged obligation. The difference between the book value of the terminated part and the consideration paid shall be included in the current profit and loss.

If the current obligation of the financial liability (or a part of it) has been discharged, the Company shall terminate the recognition of the financial liability (or such a part of the financial liability).

(3) Determination of fair value of financial instruments

For financial instruments with active market, the fair value should be determined by the quotation in the active market. For financial instruments with no active market, the valuation techniques should be used to determine their fair value. The company divides the input values used by the valuation technology at the following levels and uses them successively:

- ① The first level of input value is an unadjusted offer of the same assets or liabilities in the active market that can be obtained on the measurement date;
- ② The second level of input value is the input value directly or indirectly visible besides the first level of input value, including: the quotation of similar assets or liabilities in the active market; the quotation of the same or similar assets or liabilities in the nonactive market; the other observable input value other than the quotation, such as the interest rate and yield curve observable during the normal quotation interval; the input value of market verification, etc.;
- ③ The third level of input value is the unobservable input value of the relevant assets or liabilities, including interest rates that cannot be directly observed or cannot be verified by observable market data, stock volatility, future cash flow of abandonment obligations in business mergers, financial forecasts made using their own data, etc.

(4) Follow-up measurement

After the initial recognition, the Company shall measure different categories of financial assets at amortized cost, fair value and their changes in other comprehensive income or fair value and their changes in the current profit and loss.

After the initial recognition, the Company shall measure different categories of financial liabilities at amortized cost, fair value and changes in the current profit or loss or by other appropriate methods.

The amortized cost of a financial asset or financial liability is determined by the initial recognized amount of the financial asset or financial liability after the following adjustments:

- ① Deduct the repaid principal.
- ② Add or subtract the cumulative amortization amount formed by amortifying the difference between the initial recognized amount and the due date amount by the effective interest rate method.
- ③ Excluding accumulated losses (only for financial assets).

The Company recognizes the interest income in accordance with the real interest rate method. Interest income should be calculated from the book balance of financial assets multiplied by the effective interest rate unless:

- 1) For the financial assets purchased or derived with credit impairment, the Company shall determine the interest income according to the amortized cost of the amortized assets and the actual interest rate of the financial assets.
- 2) For the purchased or generated financial assets that have no credit impairment but become credit impairment in the subsequent period, the Company shall determine the interest income according to the amortized cost and actual interest rate of the financial assets in the subsequent period. If the Company uses the real interest rate method to calculate the credit impairment in the subsequent period, and the improvement can be objectively related to an event occurring after the application of the above policy (if the credit rating of the debtor's credit rating is raised), the Company transfers the real interest rate multiplied by the book balance of the financial assets.

11. Inventory

(1) Classification of inventory

Inventory includes raw materials, work-in-process, semi-finished products, finished goods, merchandise inventory, consumable materials, data resources, etc. Contract performance costs with an amortization period of no more than one year or one operating cycle are also presented as inventory. (For "Contract Performance Cost", see Note IV, 28 and "Contract Acquisition Cost and Contract Performance Cost".)

(2) Method of valuation of issued issued

The inventory should be priced on the weighted average basis when issued.

(3) The basis for determining the net realizable value of inventory and the withdrawal method for inventory depreciation reserve

On the balance sheet date, the inventory shall be measured according to the lower cost and the net realizable value. If the inventory cost is higher than its net realizable value, the provision for inventory depreciation shall be withdrawn and recorded into the current profit and loss. Net realizable value refers to the amount after the estimated selling price of inventory minus the estimated cost, estimated sales expenses and related taxes at completion.

The net realizable value of various inventories is determined as follows:

① The inventory of goods directly used for sale, such as finished products, goods and materials used for sale, shall, in the normal process of production and operation, determine the net realizable value after the estimated selling price of the inventory minus the estimated sales expenses and relevant taxes.

② For the inventory of materials to be processed, its net realizable value is determined in the normal course of production and operation by the estimated selling price of the finished products produced less the estimated cost to be incurred at the time of completion, estimated selling expenses and related taxes.

③ On the balance sheet date, if one part of the same inventory has the contract price without the other part, the net realizable value shall be determined respectively, and compared with the corresponding cost, the amount of the withdrawal or reversal of the inventory depreciation provision shall be determined respectively.

Inventory depreciation provision shall be made according to a single inventory item (or inventory category), and inventory depreciation provision shall be related to the same or similar product series produced or sold in the same region, and is difficult to be measured separately from other items.

(4) Inventory system

The inventory system adopts the perpetual inventory system.

(5) The amortization method of low-value consumables and packaging

The low-value consumables are amortized by 50-50.

12. Contract assets

Contract assets refer to the right to receive consideration from customers for goods transferred, provided that such right is subject to factors other than the passage of time. Where the Company sells

two distinct goods to a customer and has the right to receive consideration due to delivery of one good, but such right is still subject to delivery of the other good, the right to receive consideration shall be recognized as a contract asset. Contract assets and contract liabilities under the same contract are presented on a net basis, while those under different contracts are not offset.

The specific determination method and accounting treatment of expected credit losses on contract assets are presented in "Note IV, 10 Financial Instruments".

13. Holding assets for sale or disposal group

(1) Non-current assets held for sale or disposal group recognition criteria

If the Company recovers its book value primarily by sale (including the exchange of non-monetary assets with commercial substance, the same below) rather than the continuous use of a non-current asset or disposal group, it should be categorized under "held for sale". The specific criteria shall simultaneously meet the following conditions:

- ① According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;
- ② The sale is most likely, where the company has made a resolution on a sale plan and obtained a definite purchase commitment, and the sale is expected to be completed within a year.

Among them, the disposal group is a group of assets disposed of as a whole by sale or other method in a transaction, and the liabilities directly related to those assets transferred in the transaction. Where the asset group or asset group portfolio of the disposal group shares the goodwill acquired in the enterprise merger in accordance with the Accounting Standards for Business Enterprises No.8-Asset Impairment, the disposal group shall include the goodwill allocated to the disposal group.

(2) Accounting treatment methods

If the carrying value of non-current assets held for sale and disposal group is higher than the net amount after using the fair value minus disposal expense when the initial measurement or remeasurement is made at the balance sheet date, the carrying value should be written down to the net amount after using the fair value minus the disposal expense, and the amount written down should be recognized as asset impairment loss and included in current profit or loss, and the impairment provision for assets held for sale should also be made. For the disposal group, the confirmed asset impairment loss first offset the carrying value of goodwill in the disposal group, and then offset the book value of the non-current assets stipulated in the accounting Standards for Business Enterprises No.42- -Non-current Assets held for Sale, Disposal Group and Terminated Operation (hereinafter referred to as the "Standards for Holding for Sale" in the disposal group). After deducting the selling expense, if the net amount of the fair value of

the disposal group held for sale increased on the subsequent balance sheet date, the amount previously written down shall be restored and reversed within the amount of asset impairment loss recognized in the non-current assets as prescribed by the held for sale standard after being classified into the holding for sale category, the carry-back amount is recognised in profit or loss for the current period and its carrying value is increased in proportion to the carrying value of each non-current asset in the disposal group as measured by the applicable hold-for-sale criteria other than goodwill; The carrying value of goodwill that has been written off, as well as the asset impairment losses recognized prior to classifying non-current assets as held for sale under the applicable holding for sale measurement criteria, cannot be rolled back.

There is no depreciation or amortization of the non-current assets held for sale or the non-current assets in the disposal group, and the interest and other expenses of the liabilities in the disposal group held for sale continue to be recognized.

If the non-current assets or disposal group no longer meets the requirements of the held for sale category, it will not continue to divide the held for sale category or remove the non-current assets from the disposal group held for sale and measure below:

- ① The book value before the held for sale category, the amount adjusted for depreciation, amortization or impairment assumed not to be recognized in the held for sale category;
- ② Recoverable amount.

(3) Termination of operation

Termination of operations is a component of ownership that is separate and has been disposed of or classified by the Company under one of the following conditions:

- ① The component represents an independent main business or a separate main operating area;
- ② This component is part of a plan associated with the disposition of a separate principal business or a separate main business area of operation;
- ③ The component is a subsidiary acquired exclusively for resale.

The Company shall separately report the profit and loss of terminated operation in the income statement, and the impairment loss and loss amount of terminated operation and loss shall be presented as the profit and loss of terminated operation.

14. Long-term equity investment

The long-term equity investment mentioned in this part refers to the long-term equity investment that the Company has the control, joint control or significant influence on the invested unit. The Company has no control, joint control or significant influence of the invested unit as a financial assets accounting measured at fair value and included in the current profits and losses. If the changes is non-tradable, the

Company may choose to designate it as financial assets accounting measured at fair value and whose changes are included in other comprehensive income. The accounting policies are detailed in Note IV and 10 "Financial Instruments".

Joint control means the common control of the Company over an arrangement in accordance with the relevant agreement, and the relevant activities of the arrangement must be decided after the unanimous consent of the participants who share the control right. Significant impact means that the Company has the right to participate in the decision-making of the financial and operational policies of the investee, but is unable to control or jointly control the formulation of these policies together with other parties.

(1) Determination of the investment cost

For the long-term equity investment acquired by the enterprise merger under the same control, the initial investment cost of the long-term equity investment shall be based on the merger date of the share of the book value of the incorporated party in the consolidated financial statements of the final controlling party. The difference between the initial investment cost of the long-term equity investment and the cash paid, the transferred non-cash assets and the book value of the debts undertaken shall adjust the capital reserves; if the capital reserve is insufficient, the retained earnings shall be adjusted. If the issue of equity securities is taken as the merger consideration, the capital reserves shall be adjusted on the basis of the share of the shareholders' equity of the merged party in the consolidated financial statements of the final controlling party as the initial investment cost of the long-term equity investment and the total face value of the issued shares as equity, and the difference between the initial investment cost of the long-term equity investment and the total face value of the issued shares; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the equity of the merged party under the same control is acquired through multiple transactions step by step, and the enterprise merger under the same control, whether it is a "package transaction" respectively: for a "package transaction", each transaction shall be treated as a transaction that obtains control right. If it does not belong to the "package transaction", the capital reserves shall be adjusted on the merger date according to the sum of the book value of the equity of the shares of the final controller and the initial investment cost of the book value before the merger date; if the capital reserve is insufficient, the retained earnings shall be adjusted. The equity investment held by the equity method before the merger date or recognized as financial assets measured at fair value and whose changes are included in other comprehensive income shall not be accounted for for the time being.

For the long-term equity investment acquired by the enterprise merger not under the same control, the merger cost shall be taken as the initial investment cost of the long-term equity investment on the

purchase date, and the merger cost includes the sum of the assets paid by the acquirer, the liabilities incurred or assumed, and the equity securities issued. If the equity of the acquirer is acquired step by step through multiple transactions and the enterprise merger is not under the same control, it shall be treated whether it belongs to the "package transaction" respectively: for the "package transaction", each transaction shall be treated as a transaction acquiring control. If it does not belong to the "package transaction", the sum of the book value of the equity investment of the original acquiree plus the new investment cost shall be the initial investment cost of the long-term equity investment calculated according to the cost method. If the equity originally held is accounted by the equity method, the relevant other comprehensive income shall not be treated for the time being.

The fee of audit, legal services, evaluation and consulting and other related management matters incurred by the consolidated party or the acquirer shall be recorded into the current profits and losses at the time of occurrence.

Equity investments other than long-term equity investments formed by business mergers are initially measured at cost, which depends on the manner in which long-term equity investments are acquired. It is determined in accordance with the actual cash purchase price paid by the Company, the fair value of the equity securities issued by the Company, the value agreed in the investment contract or agreement, the fair value or original book value of the assets exchanged in the non-monetary asset exchange transaction, and the fair value of the long-term equity investment itself. Fees, taxes and other necessary expenses directly related to the acquisition of long-term equity investments are also included in the cost of investment. For the additional investment that can exert a significant impact on the invested unit or exercise joint control but does not constitute control, the cost of long-term equity investment is the sum of the fair value of the original equity investment plus the cost of the new investment determined in accordance with Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

(2) Follow-up measurement and profit and loss recognition methods

The long-term equity investment with joint control (except the co-operator) or significant impact, shall be accounted by the equity method. In addition, the Company's financial statements use the cost method to account for the long-term equity investment that can be controlled by the invested unit.

① Long-term equity investment calculated by the cost method

When the cost method is used, the long-term equity investment is priced at the cost of the initial investment, and the cost of the additional or withdrawn investment is adjusted for the long-term equity

investment. In addition to the cash dividends or profits actually paid at the time of obtaining the investment or the cash dividends declared but not yet paid included in the consideration, the investment income of the current period shall be recognized in accordance with the cash dividends or profits declared by the invested unit.

② Long-term equity investment accounted for by the equity method

When using the equity method, if the initial investment cost of a long-term equity investment is greater than the fair value share of the investee's identifiable net assets when the investment is made, the initial investment cost of the long-term equity investment should not be adjusted; If the initial investment cost is less than the fair value share of the identifiable net assets of the investee, the difference should be included in the current profit or loss, and the cost of long-term equity investment should be adjusted at the same time.

When using the equity method, the investment income and other comprehensive income shall be confirmed according to the share of the book value of the invested unit; the value and the book value of the long-term equity investment shall be adjusted according to the profit or cash dividend of the long-term equity investment and included in the capital reserve. When recognizing the share of the net profit and loss of the invested entity, the net profit of the invested entity shall be adjusted on the basis of the fair value of the identifiable assets of the invested entity at the time of obtaining the investment. If the accounting policies and accounting periods adopted by the invested entity are inconsistent with the Company, the financial statements of the invested entity shall be adjusted in accordance with the accounting policies and accounting periods of the Company, and the investment income and other comprehensive income shall be confirmed. For the transactions between the Company and the joint venture, if the assets invested or sold do not constitute business, the unrealized internal transaction gains and losses shall be offset by the Company, and the investment gains and losses shall be recognized. However, the unrealized internal transaction loss incurred by the Company and the invested entity belongs to the impairment loss of the transferred assets and shall not be offset. If the assets invested by the Company into a joint venture or an associate constitute a business, and the investor thus obtains long-term equity investment but does not acquire control, the fair value of the invested business shall be taken as the initial investment cost of the new long-term equity investment, and the difference between the initial investment cost and the book value of the invested business shall be fully included in the current profit or loss. Where the assets sold by the Company to a joint venture or associate constitute a business, the difference between the consideration obtained and the carrying value of the business should be fully included in the current profit or loss. Where the assets purchased by the Company from associates and joint ventures constitute business, the accounting treatment shall be carried out in

accordance with the provisions of Accounting Standard for Business Enterprises No. 20 - Business Combination, and the gain or loss related to the transaction shall be fully recognized.

When confirming the net loss incurred by the investee, the book value of the long-term equity investment and the other long-term equity that substantially constitute the net investment of the investee shall be written down to zero. In addition, if the Company has the obligation to bear additional losses to the investee, the estimated liabilities shall be recognized according to the expected obligations and included in the current investment losses. If the invested entity achieves net profit in the following period, the Company shall resume the recognized income share after the earnings share makes up for the unrecognized loss share.

③ Acquisition of minority equity

At the time of preparing the consolidated financial statements, the capital reserves shall be adjusted due to the difference between the new long-term equity investment of the purchase of minority shares and the share of the net assets continuously calculated by the subsidiary since the purchase date (or merger date). If the capital reserves are insufficient to write down, the retained earnings shall be adjusted.

④ Disposal of long-term equity investments

In the consolidated financial statements, the parent company shall partially dispose of the long-term equity investment of the subsidiary and the difference between the disposal price and the long-term equity investment of the subsidiary and the disposal of the relevant accounting policies described in Note IV, 6, "Judgment Standard for Control and Preparation Method of Consolidated Financial Statements" (2).

For the disposal of long-term equity investment under other circumstances, the difference between the book value and the actual obtained price shall be recorded in the current profit and loss.

For the long-term equity investment calculated by the equity method, if the remaining equity after disposal is still calculated by the equity method, the other comprehensive income parts originally included in the shareholders' equity shall be treated on the same basis as the direct disposal of the related assets or liabilities of the invested unit in the corresponding proportion. The owner's equity recognized due to the owner's equity other than the net profit and loss, other comprehensive income and profit distribution shall be transferred to the profit and loss of the current period.

If a long-term equity investment is accounted for by the cost method and the remaining equity is still accounted for by the cost method after disposal, the other comprehensive income recognized by the equity method or financial instrument recognition and measurement criteria before the acquisition of control of the investee shall be accounted for on the same basis as the direct disposal of the relevant

assets or liabilities by the investee. And carry forward the current profit and loss pro rata; Changes in owners' equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of investee units recognized as a result of the equity method of accounting are carried forward to current profit and loss in proportion.

If the Company loses control of the investee due to the disposal of part of the equity investment, when preparing individual financial statements, the remaining equity after disposal can exercise common control or exert significant influence on the investee, it shall be calculated according to the equity method, and when the remaining equity is regarded as self-acquired, it shall be adjusted by the equity method. If the remaining equity after disposal cannot jointly control or exert significant influence on the investee, it shall be accounted for in accordance with the relevant provisions of the Standards for the recognition and measurement of financial instruments, and the difference between the fair value and the carrying value on the date of loss of control shall be included in the current profit or loss. Other comprehensive income recognised by the equity method or financial instrument recognition and measurement standards before the Company acquired control of the investee shall be accounted for on the same basis as the direct disposal of the relevant assets or liabilities by the investee when it loses control of the investee. Changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of the investee recognized by the equity method are transferred to current profit and loss when the control over the investee is lost. Among them, if the remaining equity after disposal is accounted for by the equity method, other comprehensive income and other owner's equity are carried forward in proportion; If the remaining equity after disposal is changed to accounting treatment according to the recognition and measurement standards of financial instruments, other comprehensive income and other owners' equity are all carried forward.

If the Company loses its joint control or significant impact on the invested unit due to the disposal of part of the equity investment, the remaining equity after disposal shall be calculated according to the financial instrument recognition and measurement criteria, and the difference between the fair value and the book value on the day of the loss of joint control or significant impact shall be recorded into the current profit and loss. The original equity investment due to the equity method and accounting confirmation of other comprehensive income, in the termination of the accounting of the basis of the same, because of the investment except the net profit and loss, other comprehensive income and profit distribution of other owner's equity changes, when the equity method all into the current investment income.

The Company will dispose of its equity investment in subsidiaries step by step through multiple transactions until it loses control. If the above transactions are package transactions, each transaction shall be accounted for as one transaction disposing of the equity investment of subsidiaries and losing

control, and the difference between the disposal price of each disposal and the book value of the long-term equity investment corresponding to the equity disposed of before the loss of control shall be the difference between the disposal price and the long-term equity investment corresponding to the equity disposed before the loss of control. First recognized as other comprehensive income, when the loss of control is transferred to the loss of control of the current period profit and loss.

See Note IV and 20 "Long-term asset impairment" for the recognition standard and withdrawal method of impairment provisions for long-term equity investment.

15. Investment real estate

The company's investment real estate refers to the real estate held for the purpose of earning rent or capital appreciation, or both, including the land use right leased, the land use right held and ready to be transferred after the appreciation, and the leased buildings. The investment real estate shall be initially measured according to the cost, and the cost model shall be adopted to subsequently measure the investment real estate or the fair value model on the balance sheet date.

(1) Adopt the cost model

Investment real estate is depreciated or amortized by the following useful life and estimated net residual value rate:

<u>Name</u>	<u>Service life</u>	<u>Estimated net residual value rate</u>	<u>Annual depreciation rate or amortization rate</u>
House and buildings	20-40 years	0%-10%	2.25%-5.00%

See Note IV and 20 "Long-term asset impairment" for the recognition standard and withdrawal method of investment real estate impairment provisions using the cost model.

(2) Adopt the fair value model

Without depreciation or amortization of the investment real estate, the book value shall be adjusted based on the fair value of the investment real estate on the balance sheet date, and the difference between the fair value and the original book value shall be included in the current profit and loss.

An investment property shall be derecognized on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Proceeds from the sale, transfer, retirement, or destruction of the investment property deducting its carrying amount and related taxes shall be recognized in profit or loss for the current period.

16. Fixed assets

(1) Fixed assets recognition conditions

Fixed assets refer to tangible assets held for the production of goods, providing labor services, leasing or operation and management, and with a service life of more than one fiscal year. Fixed assets shall be confirmed if the following conditions are met:

- ① Economic benefits related to this fixed asset are likely to flow into the enterprise;
- ② The cost of this fixed asset can be measured reliably.

(2) Various depreciation methods of fixed assets

All kinds of fixed assets adopt the straight line method and make depreciation according to the following useful life, estimated net residual value rate and depreciation rate:

<u>Categories</u>	<u>Depreciation method</u>	<u>Service life</u>	<u>Estimated net salvage</u>	<u>Yearly depreciation rate</u>
Houses and buildings	straight-line depreciation method	20-40 years	0%-10%	2.25%-5.00%
Ships and nets	straight-line depreciation method	5-30 years	3%-5%	3.17%-19.40%
Machinery equipment	straight-line depreciation method	8-20 years	0%-10%	4.50%-12.50%
Delivery equipment	straight-line depreciation method	5 years	0%-10%	18.00%-20.00%
Furniture and office equipment	straight-line depreciation method	5 years	0%-10%	18.00%-20.00%

(3) See Note IV and 20 "Long-term asset impairment" for the impairment test method and the withdrawal method of the impairment provisions of fixed assets.

17. Construction in process

The cost of the project under construction shall be determined according to the actual project expenditure, including the project expenditure incurred during the period under construction, the capitalized borrowing expenses before the project reaches the predetermined usable state and other related expenses.

The construction under construction is carried forward to fixed assets after reaching the predetermined usable state, in which the construction under construction is carried forward to fixed assets when delivered with fishing conditions, and the construction is carried forward to fixed assets when the physical construction (including installation) work has been fully completed or has been substantially

completed.

See Note IV and 20 "Long-term asset impairment" for the impairment test method and impairment provision method of the construction under construction.

18. Borrowing costs

(1) If the loan expenses incurred by the Company can be directly attributed to the purchase, construction or production of the assets meeting the capitalization conditions, they shall be capitalized and included in the relevant asset costs. Assets that meet the capitalization conditions refer to the assets such as fixed assets, investment real estate and inventory that take a long time (usually one year or more) for purchase, construction or production activities to reach the predetermined marketable status. Other borrowing expenses shall be recognized as expenses according to the amount of occurrence and shall be included in the current profits and losses. Borrowing expenses include borrowing interest, amortization of discount or premium, auxiliary expenses and exchange difference due to foreign currency borrowing, etc.

(2) If the borrowing costs meet the following conditions, the capitalization should begin:

① Asset expenditure has been incurred, including the cash paid for the purchase, construction or production of assets that meet the conditions for capitalization, the transfer of non-cash assets or the assumption of interest-bearing debts;

② Borrowing expenses have been incurred;

When the purchase, construction or production of assets meeting the capitalization conditions reach the predetermined usable or marketable status, the borrowing expenses shall be capitalized.

In case of the abnormal interruption of the assets for more than 3 consecutive months, the capitalization of the borrowing expenses shall be suspended. The borrowing expenses incurred during the interruption period are recognized as expenses and recorded into the current profits and losses until the purchase and construction of the assets or the production activities resume. If the interruption is due to the capitalization of the qualified assets purchased or produced as necessary for the intended usable or marketable status, the capitalization of the borrowing costs continues.

(3) During the capitalization period, the amount of interest (including amortization of discounts or premiums) capitalized for each accounting period shall be determined as follows:

① Where a special loan is borrowed for the purpose of purchase, construction or production of assets that meet the conditions for capitalization, the amount shall be determined by the interest expense actually incurred in the current period, minus the interest income of the unused borrowing funds

deposited in the bank or the investment income obtained from temporary investment.

② Where a general loan is occupied for the purpose of purchase, construction or production of assets that meet the conditions for capitalization, the amount of interest on which the general loan shall be capitalized shall be calculated and determined by multiplying the weighted average of the accumulated asset expenditure exceeding the special loan by the capitalization rate of the general loan occupied. The capitalization rate is determined according to the weighted average interest rate of general borrowing.

Where there is a discount or premium for the loan, the amount of discount or premium for each accounting period shall be determined according to the actual interest rate method and the amount of interest for each period shall be adjusted.

During the capitalization period, the amount of interest in each accounting period shall not exceed the amount of interest actually incurred by relevant loans in the current period.

(4) The auxiliary expenses incurred by special loans, which are incurred before the assets purchased, built or produced eligible for capitalization reach the predetermined usable or marketable state, are capitalized according to the amount incurred at the time of occurrence and are included in the cost of the assets eligible for capitalization; If an asset that is purchased, built or produced and eligible for capitalization has reached a predetermined usable or marketable state, it shall be recognized as an expense based on the amount incurred at the time of occurrence and recorded in the current profit or loss. Auxiliary expenses incurred by general loans are recognized as expenses according to their amount at the time of occurrence and are included in current profit or loss.

19. Intangible assets

(1) Intangible assets refer to the identifiable non-monetary assets owned or controlled by an enterprise without a physical form. Intangible assets are initially measured according to the cost. Analyze and judge the service life of the intangible assets when they are acquired.

(2) The Company generally determines the useful life of intangible assets:

- ① Information on the usual life cycle of the product produced with the asset;
- ② Technology, process and other aspects of the current situation and the estimation of the future development trend;
- ③ The market demand for the products or services produced with the asset;
- ④ Action expected by current or potential competitors;
- ⑤ Prospective maintenance expenditures to maintain the ability to bring economic benefits to the asset,

and the Company's ability to expect to pay related expenditures;

⑥ Relevant legal provisions or similar restrictions on the control period of the asset, such as the concession period, lease term, etc.;

⑦ The correlation with the service life of other assets held by enterprises.

If it is impossible to foresee the period of intangible assets to bring economic benefits to the Company, it shall be regarded as intangible assets with uncertain service life.

(3) For intangible assets with limited service life, the system shall amortize reasonably (or straight line method) during the service life. At the end of each year, the Company will review the service life and amortization methods of intangible assets with limited service life. If the service life and amortization method of intangible assets are different from the previous estimate, the amortization period and amortization method will be changed. For the intangible assets with limited service life, the service life and the estimated net residual value rate of the intangible assets are as follows:

<u>Name</u>	<u>Service life</u>	<u>Judging basis</u> <u>of service life</u>	<u>Estimated net</u> <u>salvage rate</u>
Land use right	42-49 years	Term of land certificate	0%
Software	5-10 years	Historical experience	0%

See Note IV and 20 "Long-term asset Impairment" for the impairment test method and impairment provision withdrawal method of intangible assets with limited service life.

(4) Intangible assets with uncertain service life include intangible assets that have been continued to be used after amortization, while intangible assets with uncertain service life shall not be amortized

(5) Internal research and development

1. Expenditure of internal research and development project, including expenditure of research stage and development stage, including:

1) Research is an original planned survey for acquiring and understanding new scientific or technical knowledge.

2) Development refers to the application of research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products, etc.

2. Expenditures incurred during the research phase of internal research and development projects are recognized in the current period's profit and loss; expenditures during the development phase that meet

the following conditions are recognized as intangible assets:

- 1) It is technically feasible to complete the intangible assets to use or sell them;
- 2) Having the intention to complete the intangible assets and use or sell them;
- 3) The ways in which the intangible assets generate economic benefits, including proving that the products produced with the intangible assets exist in the market or that the intangible assets themselves exist in the market, and that the intangible assets will be used internally, their usefulness shall be proved;
- 4) Having sufficient technical, financial resources and other resources to complete the development of the intangible assets and having the ability to use or sell the intangible assets;
- 5) The expenditure attributable to the development phase of the intangible asset can be measured reliably.

20. Long-term asset impairment

For non-current non-financial assets such as fixed assets, construction projects under construction, use assets with limited use life, intangible assets, investment real estate measured by cost mode and long-term equity investment in subsidiaries, joint ventures and joint ventures, the Company determines whether there are signs of impairment on the balance sheet date. If there are signs of impairment, the recoverable amount shall be estimated and the impairment test shall be conducted. Goodwill, intangible assets with uncertain service life and intangible assets that have not yet reached the usable state shall be subject to impairment test every year, regardless of whether there are signs of impairment.

If the result of the impairment test indicates that the recoverable amount of the asset is lower than its book value, the impairment provision shall be drawn according to the difference and included in the impairment loss. The recoverable amount is the higher value between the fair value of the asset minus the disposal expense and the present value of the estimated future cash flow of the asset. The fair value of the asset is determined according to the price of the sales agreement in fair trading; if there is no sales agreement but there is an active asset market, the fair value is determined according to the acquiree bid of the asset; if there is no sales agreement and asset active market, the fair value of the asset is estimated on the basis of the best-available information. The disposal expenses include legal expenses related to the disposal of the assets, related taxes, handling fees, and direct expenses incurred to bring the assets to a marketable status. The present value of the estimated future cash flow of the asset shall be determined according to the amount of the estimated future cash flow generated during the continuous use of the asset and the final disposal at an appropriate discount rate. The asset impairment provision is calculated and confirmed on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined by the asset group to which

the asset belongs. Asset groups are the minimum portfolio that can independently generate cash inflows. In the case of impairment test of goodwill, the carrying value of goodwill is allocated to the relevant asset group reasonably from the date of purchase; if it is difficult to allocate to the relevant asset group, it shall be allocated to the relevant asset group portfolio. The relevant asset group or asset group portfolio is an asset group or asset portfolio that can benefit from the synergies of business consolidation and is not greater than the reporting division determined by the Company.

When the impairment test is conducted on the relevant asset group or asset group portfolio containing goodwill, if there are signs of impairment in the asset group or asset group portfolio related to goodwill, the impairment test shall be conducted on the asset group or asset group portfolio excluding goodwill to calculate the recoverable amount and confirm the corresponding impairment loss. Then conduct impairment tests on the asset group or portfolio of asset groups containing goodwill, Compare its carrying value to the recoverable amount, If the recoverable amount is lower than the carrying value, The amount of impairment loss is first offset against the carrying value of goodwill in the asset group or portfolio, According to the proportion of the book value of other assets except goodwill in the asset group or asset group portfolio, offset the book value of other assets, Provided that the book value of each asset after deduction shall not be lower than the fair value of the asset minus the net amount (if certain) and the present value of the estimated future cash flow of the asset (if certain), And not lower than zero.

Once the impairment loss of the above assets is recognized, the value shall not be recovered in the later period.

21. Long-term deferred expenses

Long-term deferred expenses are the expenses incurred by the Company that shall be borne by the current and subsequent period for more than one year (excluding one year). Long-term deferred expenses are equally amortized during the benefit period. If the long-term deferred expenses cannot benefit the later accounting period, the unamortized surplus value will be transferred to the current profit and loss.

Long-term deferred expenses are amortized on a straight-line basis over the following period:

<u>Name</u>	<u>Amortization period</u>
Renovation costs	2-10years

22. Contract liabilities

Contract liabilities reflect the obligation to transfer goods to the customer for the consideration received

or receivable. If the customer has paid the contract consideration or has obtained the right to receive the contract consideration unconditionally before the transfer to the customer, the contract liabilities shall be recognized according to the amount received or receivable when the actual payment and the amount due. Contractual assets and liabilities under the same contract shall be listed in net value, and contractual assets and liabilities under different contracts shall not be offset.

23. Employee compensation

(1) The range of employee compensation

Employee compensation refers to the various forms of compensation or compensation given by the company for the service provided by the employee or for the termination of the labor relationship. Employee compensation includes short-term compensation, post-resignation benefits, dismissal benefits and other long-term employee benefits. The benefits provided by the company to the employees' spouses, children, dependants, family of the deceased employees and other beneficiaries also belong to the employee compensation.

(2) Short-term compensation refers to the full employee compensation to be paid within 12 months after the end of the annual reporting period provided by relevant services.

Short-term salary includes social insurance premiums such as employees' wages, bonuses, allowances and subsidies, employee welfare, medical insurance, working injury insurance and maternity insurance, housing provident fund, trade union fund and employee education fund, short-term paid absence, short-term profit sharing plan, non-monetary welfare and other short-term salary.

Short-term compensation during the accounting period when the employee provides services for the company, the actual short-term compensation is recognized as a liability and recorded in the current profit and loss or related asset costs.

Post-resignation benefits refer to all forms of remuneration and benefits provided by the Company for the retirement of the employee or the termination of the labor relationship with the Company, except for short-term compensation and dismissal benefits.

Post-resignation benefit plan include the defined contribution plan and the defined benefit plan. Among them, the defined contribution plan is the post-resignation welfare plan in which the Company no longer assumes further payment obligations; the defined benefit plan refers to the post-resignation welfare plan other than the defined contribution plan.

The defined contribution plan includes basic endowment insurance, unemployment insurance, etc. During the accounting period when the employee provides the service, the amount payable calculated

according to the defined contribution plan shall be recognized as liabilities and included in the current profit and loss or related asset costs.

At the end of the reporting period, the employee compensation costs arising from the defined benefit plan should be recognized as the following components:

- ① Service costs, including current service costs, past service costs, and settlement gains or losses.
- ② Net interest on the net liabilities or net assets of the defined benefit plan, including interest income on the planned assets, interest expense on the obligations of defined benefit plan, and interest affected by the asset ceiling.
- ③ Remeasure the change in the net liabilities or net assets of the defined benefit plan.

Unless other accounting standards require or allow employee benefit costs to be included in asset costs, items ① and ② above shall be included in current profits and losses; item ③ shall be included in other comprehensive benefits and will not be returned to profits and losses during subsequent accounting periods, but these amounts recognized in other comprehensive benefits may be transferred within the equity.

Under the defined benefit plan, the past service costs are recognized as current expenses on the following date:

- 1) When modifying the defined benefit plan.
 - 2) When the enterprise confirms the relevant restructuring costs or dismissal benefits.
- Determine a settlement benefit or loss when setting a defined benefit plan settlement.

(3) Dismissal benefits refer to the compensation given by the Company to the employee to terminate the labor relationship with the employee before the expiration of the labor contract, or to encourage the employee to voluntarily accept the reduction.

If the Company provides dismissal benefits to the employees, the Company shall confirm the liabilities and include in the current profit and loss: when the Company cannot unilaterally withdraw the dismissal benefits due to the termination of labor relationship plan or reduction proposal; when the Company recognizes the costs or expenses related to the restructuring of the dismissal benefits.

(4) Other long-term employee benefits refer to all employee compensation except short-term compensation, post-resignation benefits and dismissal benefits, including long-term paid absence, long-term disability benefits, long-term profit sharing plan, etc.

Other long-term employee benefits provided by the Company to employees that meet the conditions of the deposit plan shall apply to the relevant provisions of the above deposit plan.

Except for the circumstances that meet the conditions for the defined contribution plan, other long-term employee welfare net liabilities or net assets shall be recognized and measured in accordance with the relevant provisions of the defined benefit plan. At the end of this period, the Company recognizes the employee compensation costs generated by other long-term employee benefits as the following components:

- ① Service cost.
- ② Net interest on other long-term employee welfare net liabilities or net assets.
- ③ Re-measure changes in the net liabilities or net assets of other long-term employee benefits.

In order to simplify the relevant accounting treatment, the total net amount of the above items is included in the current profit or loss or related asset costs.

24. The obligations related to the contingent which meet the following conditions shall be recognized as estimated liabilities:

- (1) This obligation is the current obligation of the enterprise;
- (2) Performing this obligation is likely to lead to the outflow of economic benefits from the enterprise;
- (3) The amount of the obligation can be reliably measured.

The estimated liabilities shall be initially measured at the best estimate of the expenditures required to meet the relevant current obligations.

- (4) Onerous contract

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. When a contract to be fulfilled becomes an onerous contract, and the obligations arising from it meets the aforementioned recognition conditions of provisions, the portion of the estimated contract loss that exceeds the recognized impairment loss (if any) on the subject assets of the contract shall be recognized as a provision.

- (5) Constructive obligation

For detailed formal restructuring plans that have been announced, the direct expenses related to restructuring shall be recognized as the provision amount, provided that the aforementioned recognition conditions of provisions are met. [For constructive obligations in the sale of part of a business, restructuring-related obligations are recognized only when the Company promises to sell part of its business (that is, a binding sale agreement has been executed).]

25. Share payment

- (1) Accounting treatment method of share payment

Share payment is a transaction that grants the equity instruments or assumes the liabilities determined

based on the equity instruments for the purpose of obtaining the services provided by the employee or other parties. Share payment is divided into share payment settled by equity and share payment settled in cash.

① Share payments settled by equity

Share payment for equity settlement of services provided by the employee, should be measured at the fair value of the employee equity instrument on the grant date. The amount of the fair value shall be calculated in the relevant costs or expenses on the basis of the best estimate of the waiting period, including the relevant costs or expenses on the grant date and the capital reserve shall be increased accordingly.

On each balance sheet date during the waiting period, the Company makes the best estimate and corrects the estimated number of feasible equity instruments based on the latest subsequent information, including changes in the number of feasible employees. The impact of the above estimate shall be included in the relevant costs or expenses of the current period, and the capital reserves shall be adjusted accordingly.

In exchange for the equity settlement of the fair value of the service can be measured reliably, according to the fair value of the service in the date, if the fair value of the other services cannot be measured reliably, but the fair value of the equity instrument can be measured reliably, according to the fair value of the date of the service, included in the relevant costs or expenses, and increase the shareholders' equity accordingly.

② Payment in shares settled in cash

Share payments settled in cash are measured at the fair value of the liabilities determined on the basis of shares or other equity instruments undertaken by the Company. If the right is available immediately after the grant, increase the liabilities on the grant date and the amount of the right on the basis of the best estimate on the basis of the fair value of the liabilities.

On each balance sheet date and settlement date before the settlement of relevant liabilities, the fair value of the liabilities shall be measured and the changes shall be included in the current profit and loss.

(2) Modify or terminate the relevant accounting treatment of the share payment plan

When the Company changes the share payment plan, if the modification increases the fair value of the granted equity instrument, the increase in the acquired services shall be recognized according to the increase in the fair value of the equity instrument. The increase in the fair value of the equity instrument is the difference between the fair value of the equity instrument on the date of amendment before and

after the amendment. If the amendment reduces the total fair value of share payment or adopts any other way unfavorable to the employee, the accounting for the services obtained shall be deemed to have never occurred unless the Company cancels part or all of the granted equity instruments.

During the waiting period, if the granted equity instrument is cancelled, the Company will treat the cancellation of the granted equity instrument as an accelerated exercise of right, immediately record the amount recognized during the remaining waiting period into the current profit and loss, and recognize the capital reserves. If the employee or other party can choose to meet the non-viable conditions but not within the waiting period, the company will cancel them as the interest granting instrument.

(3) Accounting for share payment transactions involving the Company and shareholders or actual controllers of the Company

Where one of the settlement enterprises of the Company and the enterprise receiving services is outside the Company, and one of the other is outside the Company, accounting treatment shall be made in the consolidated financial statements of the Company in accordance with the following provisions:

① If the settlement enterprise settles with its own equity instrument, the share payment transaction shall be treated as share payment for equity settlement; in addition, as share payment for cash settlement.

If the settlement enterprise is an investor of the service enterprise, it shall be recognized as a long-term equity investment in the service enterprise according to the fair value of the equity instrument on the grant date, and the capital reserves (other capital reserves) or liabilities shall be recognized.

② If the service enterprise has no settlement obligation or the employee is its own equity instrument, the share payment transaction shall be treated as the share payment for equity settlement; if the service enterprise has the settlement obligation and is not its own equity instrument, the share payment transaction shall be treated as the share payment for cash settlement.

For the share payment transaction between the enterprises in the Company, and the settlement enterprise is not the same enterprise, the confirmation and measurement of the share payment transaction in the individual financial statements of the service enterprise and the settlement enterprise shall be handled in accordance with the above principles.

26. Preferred shares, perpetual bonds and other financial instruments

(1) The distinction between perpetual bonds and preferred shares

Financial instruments such as perpetual bonds and preferred shares issued by the Company, which meet the following conditions:

① The financial instrument does not include the contractual obligation to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potentially adverse conditions;

② If the financial instrument is required to be settled, if the financial instrument is not derivative, the contractual obligation of delivering a derivative, the Company can only settle the financial instrument by exchanging a fixed amount of cash or other financial assets in a fixed amount of its own equity instruments.

Except for financial instruments that can be classified as equity instruments under the above conditions, other financial instruments issued by the Company shall be classified as financial liabilities.

If the financial instruments issued by the Company are compound financial instruments, they shall be recognized as a liability according to the fair value of the liability component, and shall be recognized as "other equity instruments" according to the amount actually received after deducting the fair value of the liability component. The transaction costs incurred in the issuance of compound financial instruments shall be apportioned between the liability components and the equity component according to their respective proportion to the total issuance price.

(2) Accounting methods for perpetual debt and preferred shares, etc

Financial instruments such as perpetual debt or preferred shares, or financial instruments classified as financial liabilities, whose related interest, dividends (or dividends), gains or losses, and gains or losses arising from redemption or refinancing, are included in the current profit and loss, except for the borrowing expenses meeting the capitalization conditions (see Note IV and 18 "borrowing expenses").

For financial instruments such as perpetual bonds and preferred shares classified as equity instruments, upon issuance (including refinancing), repurchase, sale or cancellation, the Company shall be treated as a change in equity, and the relevant transaction costs shall also be deducted from the equity. The Company treats the distribution of the equity instrument holder as a profit distribution.

The Company does not recognize the change in the fair value of the equity instruments.

27. Revenue

Accounting policies used for revenue recognition and measurement

(1) Revenue recognition principle

When the contract with the customer meets both of the following conditions, revenue is recognized when the customer obtains control of the relevant goods:

① The parties have approved the contract and undertake to perform their respective obligations;

- ② The contract specifies the rights and obligations of the parties related to the transfer of the goods or services provided;
- ③ The contract has a clear payment clause related to the transferred goods;
- ④ The contract has commercial substance, that is, the performance of the contract will change the risk, time distribution or amount of the Company's future cash flow;
- ⑤ A consideration entitled to for the transfer of goods to a customer is likely to be recovered.

Assess the contract on the start date of the contract, identify the individual performance obligations contained in the contract, and share the transaction price to each individual performance obligation in relative proportion to the individual selling price of the goods promised by each individual performance obligation. The influence of variable consideration, significant financing components existing in the contract, non-cash consideration, payable customer consideration and other factors are considered in determining the transaction price. Then determine whether the individual performance obligation should be performed within a certain period or at a certain point, and recognize the income respectively when performing each individual performance obligation.

If one of the following conditions is met, it shall be performed within a certain period; otherwise, or at a certain point:

- 1) The customer obtains and consumes the economic benefits brought by the enterprise's performance at the same time;
- 2) Customers can control the goods under construction during the performance process of the enterprise;
- 3) The commodities produced by the enterprise during the performance of the contract have irreplaceable purposes, and the enterprise has the right to collect money for the accumulated performance that has been completed during the whole contract period.

For the performance obligations performed within a certain period of time, the revenue shall be recognized according to the performance progress during that period. The performance progress shall be determined by the input method or the output method according to the nature of the transferred goods. If the performance progress cannot be reasonably determined and the cost incurred is expected to be compensated, the income shall be recognized according to the amount of the cost incurred until the performance progress can be reasonably determined.

If one of the above conditions is not met, the revenue will be apportioned to the transaction price of the individual performance obligation at the point when the customer obtains control of the relevant goods. When determining whether the customer has acquired control of the commodity:

<1> The enterprise has the right to current payment for the goods, that is, the customer has the

obligation of current payment for the goods;

<2> The enterprise has transferred the legal ownership of the commodity to the customer, that is, the customer has the legal ownership of the commodity;

<3> The enterprise has transferred the product to the customer, that is, the customer has the physical possession of the commodity;

<4> The enterprise has transferred the main risks and remuneration in the ownership of the commodity to the customer, that is, the customer has acquired the main risks and remuneration in the ownership of the commodity;

<5> The customer has accepted the item;

<6> Other indications that the customer has acquired control of the goods.

(2) Methods of revenue recognition used by the Company

① Revenue recognized by the Company at a point in time in the control over assets

For the foreign sale of seine fish, the Company uses sales contracts and settlement contracts as the basis, recognizes the change of ownership based on the date of settlement contracts, and then recognizes revenue accordingly.

Most of the Company's long-line fishing utensil and fishing goods will be transported back to China for sale. Sales contracts and settlement contracts will be used as the basis. The Company recognizes the change of ownership based on the date of settlement contracts and then recognizes revenue accordingly.

Processing of aquatic products for domestic sale by the Company: Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd. issues shipment confirmations according to faxed or email orders from domestic clients. The Company delivers goods based on shipping notes issued by the sales department and confirmed by the warehouse department. After clients acknowledge receipt, the Company will recognize revenue.

Processing of aquatic products for foreign sale by the Company: After receiving purchase orders from foreign clients, the international trade department will issue export shipment confirmations and arrange the storage and transport department to prepare the goods. The Company will revenue sales revenue based on shipping notes, packing lists, customs declaration forms, and other export documents.

② Revenue recognized by the Company by performance period:

The Company's revenue from cold storage: After receiving orders from clients and after the goods are put in storage, the warehouse department will issue warehouse warrants to clients to confirm the specific names, specifications, pieces, weight, and storage dates. After the warehouse warrants are signed by the warehouse manager and confirmed by clients, the Company will recognize revenue by calculating the

storage fees based on the actual number of storage days.

28. Contract acquisition cost and contract performance cost

(1) Method of determining the amount of assets related to the contract cost

The assets related to the contract costs include the contract acquisition costs and the contract performance costs.

Contract acquisition cost, that is, if the incremental cost incurred in the contract acquisition is expected to be recovered, it is recognized as an asset as the cost of contract acquisition. Incremental cost refers to the cost that will not occur without obtaining a contract (such as sales commission, etc.). If the amortization period of the asset does not exceed one year, it may be recorded into the current profit and loss at the time of occurrence.

Other expenses incurred in the Company to obtain the Contract in addition to the incremental cost expected to be recovered (e. g. travel expenses, bid expenses, bid expenses, and related expenses incurred in preparing the bid materials) shall be recorded in the current profits and losses upon occurrence, unless these expenses are clearly borne by the customer.

Contract performance cost, that is, the cost incurred in the performance of the contract, which does not fall within the scope of other accounting standards for enterprises other than the Accounting Standards for Business Enterprises No.14-Revenue (2017 Revision) and meets the following conditions, is recognized as the contract performance cost as an asset:

- ① This cost is directly related to a current or expected acquired contract, including direct labor, direct materials, manufacturing costs (or similar costs), costs clearly borne by the Customer, and other costs incurred only because of the Contract;
- ② This cost increases the future resources of the enterprise to fulfill its performance obligations;
- ③ This cost is expected to be recoverable.

(2) Amortization of assets related to the contract costs

Assets related to the contract cost are amortized on the same basis as the recognition of the asset and recorded into the current profit and loss.

(3) Impairment of assets relating to the contract costs

When determining the impairment of assets related to the contract cost, firstly determine the impairment loss of other assets recognized in accordance with other relevant business accounting standards; Then, if the book value is higher than the difference of Item ① minus Item ②, the excess part shall be

deducted and recognized as the asset impairment loss:

- ① The remaining consideration expected to obtain due to the transfer of the goods related to the asset;
- ② Estimated estimated for the transfer of the related goods.

During the period before the impairment factors after changes, make the enterprise after the item ① minus the ② of the difference higher than the asset book value, back to the original asset impairment provision, and included in the current profits and losses, but the book value of the assets should not exceed the assumed not provision for impairment of the assets in the book value.

29. Governmental subsidy

(1) A lease is a contract in which the Company has transferred or acquired the right to control one or more use of identified assets for a certain period in exchange for or pay consideration. On the commencement date of a contract, the Company evaluates whether the contract is a lease or contains a lease.

(2) Judgment basis of government subsidies and accounting treatment methods related to assets

The government subsidies related to assets refers to the government subsidies obtained by the Company for purchase and construction or otherwise forming long-term assets.

Government subsidies related to assets shall be recognized as deferred income. Where government subsidies related to assets are recognized as deferred income, they shall be recorded into profits and losses in reasonable and systematic ways within the service life of the relevant assets. The government subsidies measured in accordance with the nominal amount shall be directly recorded into the current profit and loss.

If the relevant assets are sold, transferred, scrapped or damaged before the end of their service life, the undistributed balance of the relevant deferred income shall be transferred into the profit and loss of the current period of asset disposal.

The government subsidies related to the daily activities of the Company shall be included in other profits according to the essence of the economic business. The government subsidies unrelated to the daily activities of the Company shall be included in the non-operating income and expenditure.

(3) The judgment basis and accounting treatment method of government subsidies related to income

Revenue-related government subsidies refer to government subsidies other than those related to assets.

For the government subsidies of comprehensive projects, the Company needs to be decomposed into asset-related parts and earnings-related parts for accounting treatment separately; if it is difficult to distinguish, it shall be classified as government subsidies related to income.

If government subsidies related to earnings are used to compensate the related expenses or losses of the

enterprise in the future period, they shall be recognized as deferred income and included in the current profits and losses in the related costs or losses in the period to compensate the related expenses or losses incurred by the enterprise, which shall be directly recorded in the current profits and losses.

The government subsidies related to the daily activities of the Company shall be included in other profits according to the essence of the economic business. The government subsidies unrelated to the daily activities of the Company shall be included in the non-operating income and expenditure.

(4) The time of recognition of government subsidies

Where the government subsidies are monetary assets, they shall be measured at the amount received. The government subsidy, measured according to the receivable amount, shall be confirmed at the end of the period by meeting the relevant conditions of the financial support policy, if the government subsidy is non-monetary assets, the government subsidy shall be confirmed according to the ownership risk and remuneration transfer of the non-monetary assets. Where non-monetary assets shall be measured at fair value; if the fair value cannot be obtained reliably, they shall be measured at nominal amount.

When the recognized government subsidies need to be returned, if there is a balance of relevant deferred income, the book balance of relevant deferred income shall be written down, and the excess part shall be included into the current profit and loss; if there is no relevant deferred income, it shall be directly recorded in the current profit and loss.

30. Deferred tax assets/deferred tax liabilities

Income tax is accounted by the balance sheet debt method. On the balance sheet date, analyze and compare the book value of assets and liabilities and their tax basis. If there is a difference between the two, recognize the deferred income tax assets, deferred income tax liabilities and the corresponding deferred income tax expenses (or earnings). On the basis of the calculation and determination of the current income tax (i. e., income tax payable for the current period) and deferred income tax expenses (or income), the sum of the two is recognized as the income tax expenses (or income) in the income statement, but excluding the income tax impact of transactions or matters directly included in the owner's equity.

Review the book value of deferred income tax assets. If it is likely that insufficient taxable income amount may be obtained to offset the benefits of the deferred income tax assets, the book value of the deferred income tax assets shall be written down.

31. Lease

A lease is a contract in which the Company has transferred or acquired the right to control one or more

use of identified assets for a certain period in exchange for or pay consideration. On the commencement date of a contract, the Company evaluates whether the contract is a lease or contains a lease.

(1) The Company acts as lessee

The categories of leased assets of the Company are mainly office buildings and cold storage.

① Initial measurement

On the beginning date of the lease term, the Company shall recognize the right to use the lease assets as the use right assets during the lease term, and recognize the present value of the outstanding lease payment as lease liabilities, except for short-term lease and low-value asset lease. When calculating the present value of the lease payment, the Company uses the lease interest rate as the discount rate; if the lease interest rate cannot be determined, the lessee incremental borrowing rate shall be used as the discount rate.

② Follow-up measurement

If the company can reasonably determine the ownership of the leased assets at the time of the expiration of the lease term, the depreciation shall be withdrawn within the remaining useful life of the leased assets. If it is impossible to reasonably determine that the ownership of the lease asset can be acquired at the expiration of the lease term, the depreciation shall be deducted within the shorter period of the lease term and the remaining service life of the leased asset.

See Note IV and 20 "Long-term asset impairment" for the impairment test method and impairment provision method of the use assets.

For the lease liabilities, the Company shall calculate the interest expenses for each period during the lease term at the fixed periodic interest rate, which is included in the current profit and loss or the relevant asset costs. Variable lease payments not included in the measurement of lease liabilities are recorded into current profit and loss or related asset costs upon actual occurrence.

After the start of the lease term, when the substantial fixed payment changes, the expected payable amount changes, the index or ratio used to determine the lease payment changes, the purchase option, the renewal option, or the actual exercise situation changes, the lease payment, and adjust the book value of the use assets accordingly. If the book value of the use right assets has been reduced to zero, but the lease liabilities still need to be further reduced, the remaining amount shall be included in the current profit and loss.

③ Short-term lease and low-value asset leasing

For short-term lease (in the lease start day lease not more than 12 months) and low value asset lease, the company to simplify processing method, do not confirm the use of assets and lease liabilities, and during the lease period according to the line method or other system reasonable lease payments into the relevant asset cost or current profit and loss.

④ Lease obligation

On the beginning date of the lease term, the Company recognizes the present value of the outstanding lease payment as a lease liability. When calculating the present value of the lease payment, the lease interest rate shall be used as the discount rate. If the interest rate of the lease cannot be determined, the company's incremental borrowing rate shall be used as the discount rate. The difference between the lease payment and its present value shall be regarded as the unidentified financing fee, and the interest expense shall be recognized during the lease period at the discount rate of the present value of the lease payment and included in the current profit and loss. Variable lease payments not included in the measurement of lease liabilities shall be recorded into the current profit and loss upon actual occurrence.

After the commencement of the lease term, when the substantially fixed payment amount changes, the expected payable amount changes, the index or ratio of the lease payment amount changes, the result of the assessment or the change of the lease payment amount, if the book value of the asset has been reduced to zero, but the lease liabilities still need to be further reduced, the remaining amount shall be included in the current profit and loss.

(2) The Company acts as lessor

On the commencement date of the lease, the Company divides the lease into financial lease and operating lease based on the substance of the transaction. A finance lease is a lease that substantially transfers almost all of the risks and rewards associated with the ownership of the leased assets. Operating lease refers to a lease other than a financial lease.

① Operating lease

The Company adopts the straight-line method to confirm the lease collection amount of the operating lease as the rental income of each period during the lease term. Variable lease payments related to the operating lease and not included in the lease collection amount shall be included in the current profit and loss upon actual occurrence.

② The Company's revenue applicable to the lease standards

The Company's property and other lease revenue: After entering into a lease contract with a client, the Company charges lease fees based on the lease area and the contractual unit price to the lessee and bears any fixed costs (such as staff salaries, maintenance costs, etc.). During the lease term, the fees are settled on a regular basis between the Company and the client. The Company recognizes revenue based on the lease period.

③ Finance Lease

On the lease commencement date, the Group recognizes a lease receivable and derecognizes the underlying asset of the finance lease. The lease receivable is measured initially at the net investment in the lease (the sum of the present value of the unguaranteed residual value and the lease payments not yet received at the lease commencement date, discounted using the interest rate implicit in the lease). Interest income is recognized over the lease term using the fixed periodic interest rate method. Variable lease payments received by the Group that are not included in the measurement of the net investment in the lease are recognized in profit or loss when incurred.

32. Other Important Accounting Policies and Accounting Estimations

(1) Production safety expenditures

In November 2022, the Ministry of Finance and the Ministry of Emergency Management issued the Management Measures for the Withdrawal and Utilization of Production Safety Expenditures in Enterprise (CZ [2022] No. 136), and it was implemented on, and as of, the date of issue. At the same time, the Management Measures for the Withdrawal and Utilization of Production Safety Expenditures in Enterprises (CQ [2012] No. 16) was superseded.

(2) Debt restructuring

When the Company participates in the debt restructuring as a creditor, and pays off the debt with assets or turns the debt into equity instruments for debt restructuring, it shall be confirmed when the relevant assets meet its definition and confirmation conditions. If the debt-offset assets are financial assets, see Note IV, 10 and financial instruments; if the debt-offset assets are non-financial assets, the initial measured amount is the sum of the fair value of the waived claims and other directly attributable costs. The difference between the fair value of the abandoned claim and the book value shall be included in the current profit and loss. If the debt is restructured by means of modifying other terms, the Company shall, according to the substantive modification of the contract, judge whether the original creditor's right to terminate the confirmation, and confirm a new creditor's right according to the revised terms, or recalculate the book balance of the creditor's right.

When the company participates in debt restructuring, debt restructuring with assets or converting debt into equity instruments, terminate the relevant assets and the liquidated liabilities meet the conditions for termination of confirmation, and measure the fair value of the equity instruments (according to the fair value of the liquidated debt when the fair value cannot be estimated reliably). The difference between the book value of the paid debts and the book value of the transferred assets (or the recognized amount of the equity instruments) shall be recorded in the current profit and loss.

If the debt is restructured by modifying other terms, the Company shall, according to the substantive modification of the contract, confirm a new debt in accordance with the revised terms, or recalculate the book balance of the debt. For the exemption of the debt restructuring, the recognition can only be terminated if the Company no longer have the current obligation to repay the debt restructuring.

33. Changes in significant accounting policies and accounting estimates

(1) Important accounting policy changes

- ① The Company started to implement the No. 17 of the Accounting Standards for Business Enterprises Interpretation “on the division between current and non-current liabilities” in 2024. The accounting policy change has no effect on the Company’s financial statements.
- ② The Company started to implement the Interpretation of No. 17 of the Accounting Standards for Business Enterprises Interpretation “on accounting treatment for sale and leaseback transactions” in 2024 and made retrospective application to the sale and leaseback transactions conducted after January 1, 2021. The accounting policy change has no effect on the Company’s financial statements.
- ③ The Company started to implement the No. 18 of the Accounting Standards for Business Enterprises Interpretation “on accounting treatment for warranty-type quality assurance that does not belong to the individual performance.” The warranty-type quality assurance that does not belong to the individual performance accrued by the Company was originally recognized in “selling expenses.” In accordance with Article 2 of the No. 18 ASBE Interpretation, it is now recognized in “cost of sales” and “other operating costs,” which is presented in the “operating costs” in the income statement. The accounting policy change has no effect on the Company’s financial statements.

(2) Changes in important accounting estimates

None.

34. Significant accounting judgments and estimates

In the process of applying accounting policies, the company, due to the internal uncertainty of business

activities, needs to judge, estimate and assume the book value of the statement items that cannot be accurately measured. These judgments, estimates and assumptions are based on the past history of the company's management and on considering other relevant factors. These judgments, estimates and assumptions affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities on the balance sheet date. However, the actual results of the uncertainty of these estimates may differ from the current estimates of the Company's management, which in turn results in a significant adjustment of the carrying amount of the assets or liabilities affected in the future.

The Company shall periodically review the aforementioned judgments, estimates and assumptions on the basis of the change, the accounting estimates shall be confirmed in the current period; and the current period, the impact shall be confirmed in the current period and the future period.

On the balance sheet date, the Company shall judge, estimate and assume the amount of the financial statement as follows:

(1) Revenue recognition

As described in Note IV, 27 “Revenue”, the following significant accounting judgments and estimates are involved in revenue recognition:

- ① Identifying contracts with customers;
- ② Estimating the collectibility of the consideration to which the Company is entitled in exchange for goods transferred to customers;
- ③ Identifying performance obligations in contracts;
- ④ Estimating variable consideration in contracts and the amount for which cumulative revenue recognized is highly probable not to be reversed significantly when the related uncertainty is eliminated;
- ⑤ Assessing whether a significant financing component exists in contracts;
- ⑥ Estimating the standalone selling prices of individual performance obligations in contracts;
- ⑦ Determining whether a performance obligation is satisfied over time or at a point in time.

The Company mainly makes judgments based on past experience and practice. Changes in these significant judgments and estimates may affect the operating income, operating costs and profit or loss for the current or future periods of the change, and may have a material impact.

(2) Significant accounting judgments and estimates related to leasing

① Identification of leases

When identifying whether a contract is a lease or includes a lease, the Company needs to evaluate whether an identified asset exists, and the Client controls the right to use the asset for a certain period. In the appraisal, the nature of the asset, the material replacement right, and whether the client is entitled to

almost all the financial benefits arising from using the asset during the period and to dominate the use of the asset are considered.

② Classification of leases

When the Company, as a lessor, classifies the lease into operating lease and financial lease. In the classification, the management needs to make an analysis and judgment on whether all the risks and rewards related to the ownership of the leased assets have been substantially transferred to the lessee.

③ Lease obligation

When the Company is the lessee, the lease liabilities are initially measured at the present value of the lease payments outstanding on the beginning date of the lease term. When measuring the present value of the lease payment, the Company estimates the discount rate used and the lease term of the lease contract with a renewal option or termination option. In evaluating the lease term, the Company considers all relevant facts and circumstances related to the economic benefits of exercising the option, including the expected changes in the facts and circumstances between the beginning of the lease term and the exercise date of the option. Different judgments and estimates may affect the recognition of lease liabilities and tenure assets, and will affect the profits and losses of the subsequent period.

(3) Impairment of financial instruments

The Company uses the expected credit loss model to evaluate the impairment of financial instruments, and application of the expected credit loss model requires the company to make significant judgments and estimates, and to consider all reasonable and grounded information, including forward-looking information. When making such judgments and estimates, the Company deduces the expected changes in the debtor's credit risk based on the historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors.

(4) Reserve for inventory depreciation

According to the inventory accounting policy, the company measures the lower cost and the net realizable value, and sets aside the inventory depreciation provision for the cost that is higher than the net realizable value and the old and unsalable inventory. The impairment of inventory to net realizable value is based on the sale of inventory and its net realizable value. The appraisal of inventory impairment requires the management to make a judgment and estimate on the basis of obtaining conclusive evidence and considering the purpose of holding the inventory and the impact of matters after the balance sheet

date. The difference between the actual result and the original estimate will affect the withdrawal or reversal of the book value of the inventory and the inventory depreciation provision during the estimated change period.

(5) Fair value of the financial instruments

For financial instruments that do not have an active trading market, the Company determines its fair value through various valuation methods. These valuation methods include discounted cash flow model analysis, etc. At the valuation, the Company estimates the future cash flow, credit risk, market volatility and correlation, and selects the appropriate discount rate. These relevant assumptions are uncertain, and their changes can have an impact on the fair value of the financial instruments.

(6) Long-term asset impairment provision

On the balance sheet date, the Company judged the possible impairment of non-current assets except the financial assets. For the intangible assets with uncertain service life, in addition to the annual impairment test, the impairment test is also conducted when there are signs of impairment. Other non-current assets other than financial assets shall be tested for impairment when there is evidence that their book amount is not recoverable.

When the book value of an asset or asset group is higher than the recoverable amount, that is, the net value minus the disposal expense and the present value of the expected future cash flow, the impairment has occurred.

The net fair value minus the disposal expense is determined by referring to the sales agreement price of a similar asset in fair trading or the observable market price, minus the incremental cost that may be directly attributable to the disposal of the asset.

When predicting the present value of future cash flows, it is necessary to make significant judgments on the output, selling price, related operating costs and the discount rate used in calculating the present value. In estimating the recoverable amount, the Company will use all relevant information available, including projections of production, selling prices and associated operating costs based on reasonable and supportive assumptions.

(7) Provision for Goodwill Impairment

The Company tests goodwill for impairment at least annually. In testing goodwill for impairment, the present value of estimated future cash flows of the relevant asset group or combination of asset groups including goodwill shall be calculated. Estimates of future cash flows shall be made for such asset group or combination of asset groups, and a pre-tax discount rate that appropriately reflects the time value of money and the risks specific to the assets shall be determined.

If the management revises the gross profit margin used in calculating the future cash flows of the asset group or combination of asset groups, and the revised gross profit margin is lower than the current one, additional provision for goodwill impairment shall be made.

If the management revises the pre-tax discount rate applied to discounting cash flows, and the revised pre-tax discount rate is higher than the current one, additional provision for goodwill impairment shall be made.

If the actual gross profit margin or pre-tax discount rate is higher or lower than management's estimates, the previously recognized goodwill impairment loss shall not be reversed.

(8) Depreciation and amortization

After considering the residual value of the investment real estate, fixed assets and intangible assets, the Company shall make depreciation and amortization according to the straight-line method. The Company periodically reviews the service life to determine the amount of depreciation and amortization expense that will be included in each reporting period. The service life is determined by the Company based on past experience with similar assets and combined with expected technical updates. If previous estimates have changed significantly, depreciation and amortization charges will be adjusted in the future period.

(9) Development Expenditures

In determining the amount to be capitalized, the management of the Company is required to make assumptions in respect of the estimated future cash flows of the assets, the applicable discount rate and the estimated beneficial period.

(10) Deferred income tax assets

Within the limits of potentially sufficient taxable profits to offset losses, the Company recognizes deferred income tax assets for all unused tax losses. This requires the management of the company to use a lot of judgment to estimate the time and amount of future taxable profits, and combine the tax planning strategy to determine the amount of deferred income tax assets that should be recognized.

(11) Income tax

In the normal business activities of the company, there are some uncertainties in the final tax treatment and calculation of some transactions. Whether some items can be itemized before tax requires the examination and approval of the competent tax authorities. If the final determination of these tax matters varies from the original estimated amount, the difference will affect the current income tax and

deferred income tax during the final determination period.

(12) Internal retirement benefits and supplementary retirement benefits

The amount of the company's internal retirement benefits and supplementary retirement benefits expenses and liabilities is determined according to various assumptions. These assumptions include the discount rate, the average growth rate of medical expenses, the growth rate of subsidies for retired and retired personnel, and other factors. Differences in actual results and assumptions will be immediately recognized and charged for the current year. Although the management believes that reasonable assumptions have been adopted, the change in the actual experience value and the assumptions will still affect the expenses and liabilities of the Company's internal retirement benefits and supplementary retirement benefits.

(13) Provisions

The Company estimates and recognizes appropriate provisions for product quality warranties, expected contract losses, liquidated damages for delayed delivery, etc., based on contractual terms, current knowledge and historical experience. When such contingent events have resulted in a present obligation, and it is probable that the settlement of such present obligation will result in an outflow of economic benefits from the Company, the Company recognizes provisions for contingent events at the best estimate of the expenditure required to settle the relevant present obligation. The recognition and measurement of provisions rely heavily on management's judgment. In making such judgments, the Company is required to evaluate factors relevant to these contingent events, including risks, uncertainties and the time value of money.

Among others, the Company recognizes provisions for after-sales quality and maintenance commitments provided to customers in connection with the sale, repair and retrofitting of sold products. Recent maintenance experience data of the Company has been taken into account in recognizing provisions, although such recent experience may not reflect future maintenance conditions. Any increase or decrease in this provision may affect the profit or loss of future years.

(14) Fair Value Measurement

Certain assets and liabilities of the Company are measured at fair value in the financial statements. The Board of Directors of the Company has established a Valuation Committee (led by the Chief Financial Officer of the Company) to determine appropriate valuation techniques and inputs for fair value measurement. In estimating the fair value of an asset or liability, the Company uses available observable market data. If Level 1 inputs are not available, the Company engages independent qualified third-party valuers to perform valuations. The Valuation Committee works closely with qualified external valuers to

determine appropriate valuation techniques and inputs for relevant models. The Chief Financial Officer reports the findings of the Valuation Committee to the Board of Directors on a quarterly basis to explain the causes of fluctuations in the fair value of relevant assets and liabilities. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Note XII to these financial statements.

35. Other major accounting policies, accounting estimates and methods of preparing financial statements

The Company determines its operating segments based on internal organizational structure, management requirements, and internal reporting systems, and identifies reportable segments on the basis of operating segments. The financial information of each reportable segment, including revenue, cost of sales, total assets, and total liabilities, is disclosed in the notes to the financial statements. If the Company is unable to disclose the total assets or total liabilities of each reportable segment, the reasons shall be provided. An operating segment refers to a component of the Company that meets all of the following conditions:

V. Tax

1. Main taxes and tax rates

<u>Tax</u>	<u>Taxation base</u>	<u>Tax rate</u>
VAT	Output tax minus the deductible input tax	13%, 9%, 6%, 5%, exempted
Urban maintenance & construction tax	Circulation tax amount payable	7%
Business income taxes	taxable income	Exempted, 25%, 20%, 8%

Explanation of enterprise income tax rate for tax entities with different rates

<u>Name of tax entity</u>	<u>Income tax rate</u>
Shandong Zhonglu Oceanic Fisheries Co., LTD	Pelagic fishing is exempted, the rest will be taxed at 25%
Shandong Zhonglu Haiyan Oceanic Fisheries Co., LTD	exempted
AFRICA STAR FISHERIES LIMITED	According to the local regulations of Ghana, the export part is taxed at 8%, and the domestic part is taxed at 25%
HABITAT INTERNATIONAL CORPORATION	exempted
LAIF FISHERIES CO.LTD	25%
ZHONG GHA FOODS COMP ANY LIMITED	25%
<u>YAW ADDO FISHERIES COMPANY LIMITED</u>	According to the local regulations of Ghana, the export part is taxed at 8%, and the domestic part is taxed at 25%
Shandong Zhonglu Aquatic Marine Co., LTD	20%

Shandong Zhonglu Oceanic Refrigeration Co., LTD	The part of the aquatic product processing industry is exempted, and other parts are 25%
Shandong Zhonglu Oceanic (Yantai) Food Co., LTD	The part of the aquatic product processing industry is exempted, and other parts are 25%
Zhonglu Oceanic (Qingdao) Industrial Investment and Development Co., LTD	25%

2. Tax preference

Tax Preferences and Approval Documents

In accordance with Item 1 of Article 15 of the Provisional Regulations of the People's Republic of China on Value-Added Tax, Item 1 of Article 35 of the Implementation Rules of the Provisional Regulations of the People's Republic of China on Value-Added Tax, and the notice of the Ministry of Finance and the State Taxation Administration on issuing the Notes to the Scope of Taxation for Agricultural Products through CSZ [1995] No. 52, the sales revenue of the Company and its subsidiaries from long-range fishing falls within the scope of the aquaculture industry as defined in the foregoing provisions, and hence, it is entitled to the value-added tax preference.

In accordance with the provisions of the Notice on the Comprehensive Roll-out of Business Tax to Value Added Tax Transformation Pilot Program (No. 36 of 2016), the value-added tax is exempt for the direct or indirect international freight forwarding services provided by taxpayers. Shandong Zhonglu Aquaculture Shipping Co., Ltd., a subsidiary of the Company, is exempt from the value-added tax for the relevant sales revenue it has gained.

According to the enterprise income tax law of the People's Republic of China (the President of the People's Republic of China order no. 63), the State Council of the People's Republic of China order no. 512, the implementation of the law of the People's Republic of China, the Ministry of Finance, state administration of taxation on enjoy preferential policies of enterprise income tax of agricultural products (try out) notice (tax [2008] no. 149), the Ministry of Finance, the state administration of taxation on enjoy preferential enterprise income tax of agricultural products about the scope of supplementary notice (Fiscal and Taxation [2011] No.26) and the relevant provisions of the Announcement of the State Administration of Taxation on the Implementation of Preferential Enterprise Income Tax Treatment for Agriculture, Forestry, Animal Husbandry and Fishery Projects (Announcement of the State Administration of Taxation No.48,2011), The company carries out the primary processing of agricultural products and the entrusted primary processing of agricultural products, The processing fees it charges, Can be handled according to the duty-free items of the primary processing of agricultural products. The company engaged in ocean fishing business and primary

processing of agricultural products income is exempted from enterprise income tax. The income obtained from the company except ocean fishing and primary processing of agricultural products shall be paid at the rate of 25%.

According to the announcement of the Ministry of Finance and the State Administration of Taxation on further implementing the preferential income tax policies for small and micro enterprises (Announcement No. 13 of 2022 of the Ministry of Finance and the State Administration of Taxation) and the announcement on the preferential income tax policies for small and micro enterprises and individual industrial and commercial households (Announcement No. 6 of 2023 of the Ministry of Finance and the State Administration of Taxation), the part of the annual taxable income not exceeding 3 million yuan shall be included in the taxable income at a reduced rate of 25%, and the taxable income shall be included at 20%. The subsidiary Shandong Zhonglu Aquatic Products Shipping Co., Ltd. shall apply the tax preference.

VI. Notes to the key items in the consolidated financial statements

(The following items (including the main items in the financial statements of the parent Company) Unless specifically noted, "beginning" means January 1, 2025, "end" means December 31, 2025, "previous end" means December 31, 2024, "Current" means 2025, and "previous" means 2024.)

1. Cash at bank and on hand

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Cash on hand	615,541.90	1,510,503.38
Cash at bank	283,690,747.60	247,926,760.02
Other monetary funds	<u>28,789,884.20</u>	<u>10,038,933.10</u>
Total	<u>313,096,173.70</u>	<u>259,476,196.50</u>
Including: the total balance deposited overseas	141,966,335.85	104,529,095.33
The total amount of funds that have restrictions	28,789,884.20	10,038,933.10

on use due to mortgages, pledges, or freezes

Note: Overseas deposits are cash and bank deposits of foreign subsidiaries; other monetary funds are paper margin.

2. Notes receivable

Notes receivable that have been endorsed or discounted by our company at the end of the period and have not yet matured on the balance sheet date.

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Bank acceptance bills		<u>10,177,175.00</u>
total		<u>10,177,175.00</u>

3. Accounts receivable

(1) Accounts receivable by aging

<u>Aging</u>	<u>Ending book balance</u>	<u>Opening book balance</u>
Within 6 months	78,934,032.24	51,093,265.85
6 months-1 years	2,150,893.05	1,679,745.26
1-2 years	1,349,915.10	259,339.90
2-3 years	211,279.40	580,212.22
More than 3 years	6,501,141.07	6,525,704.44
Total	89,147,260.86	60,138,267.67

(2) Accounts receivable by provision method for allowance credit losses

<u>Item</u>	<u>Ending Balance</u>				
	<u>Book Balance</u>	<u>PCT (%)</u>	<u>Allowance for credit losses</u>	<u>PCT</u>	<u>Carrying amount</u>
Individually assessment subject to allowance for credit losses	-	-	-	-	-
Grouping assessment subject to allowance for credit losses	<u>89,147,260.86</u>	<u>100.00%</u>	<u>11,173,546.24</u>	12.53%	<u>77,973,714.62</u>
Total	<u>89,147,260.86</u>	<u>100.00%</u>	<u>11,173,546.24</u>	12.53%	<u>77,973,714.62</u>

(Continued)

<u>Item</u>	<u>Initial Balance</u>				
	<u>Book Balance</u>	<u>PCT</u>	<u>Allowance for credit losses</u>	<u>PCT</u>	<u>Carrying amount</u>
Individually assessment subject to allowance for credit losses	-	-	-	-	-
Grouping assessment subject to allowance for credit losses	<u>60,138,267.67</u>	<u>100.00%</u>	<u>9,616,250.39</u>	<u>15.99%</u>	<u>50,522,017.28</u>
Total	<u>60,138,267.67</u>	<u>100.00%</u>	<u>9,616,250.39</u>	<u>15.99%</u>	<u>50,522,017.28</u>

Accounts receivable that are assessed allowance for credit losses on grouping basis

<u>Item</u>	<u>Ending Balance</u>		
	<u>Balance</u>	<u>Allowance for credit losses</u>	<u>PCT</u>
Within 6 months	78,934,032.24	3,946,701.63	5.00%
6 months-1 years	2,150,893.05	215,089.31	10.00%
1-2 years	1,349,915.10	404,974.53	30.00%
2-3 years	211,279.40	105,639.70	50.00%
More than 3 years	<u>6,501,141.07</u>	<u>6,501,141.07</u>	<u>100.00%</u>

<u>Item</u>	<u>Ending Balance</u>		
	<u>Balance</u>	<u>Allowance for credit losses</u>	<u>PCT</u>
Total	<u>89,147,260.86</u>	<u>11,173,546.24</u>	

(Continued)

<u>Item</u>	<u>Initial Balance</u>		
	<u>Balance</u>	<u>Allowance for credit losses</u>	<u>PCT</u>
Within 6 months	51,093,265.85	2,554,663.34	5.00%
6 months-1 years	1,679,745.26	167,974.53	10.00%
1-2 years	259,339.90	77,801.97	30.00%
2-3 years	580,212.22	290,106.11	50.00%
More than 3 years	<u>6,525,704.44</u>	<u>6,525,704.44</u>	<u>100.00%</u>
Total	<u>60,138,267.67</u>	<u>9,616,250.39</u>	

(3) Allowance for credit losses

<u>Item</u>	<u>Initial Balance</u>	<u>Amount of change in the current period</u>			<u>Ending Balance</u>	
		<u>Provision</u>	<u>Recovery or reversal</u>	<u>Write off</u>		<u>Exchange impact</u>
Grouping assessment subject to allowance for credit losses	9,616,250.39	1,673,403.38		84,106.16	32,001.37	11,173,546.24
Total	<u>9,616,250.39</u>	<u>1,673,403.38</u>		<u>84,106.16</u>	<u>32,001.37</u>	<u>11,173,546.24</u>

(4) Accounts receivable due from the top five debtors of the Company are as follows:

<u>Company name</u>	<u>Ending balance of accounts receivable</u>	<u>Ending balance of contract assets</u>	<u>Ending balance of accounts receivable and contract assets</u>	<u>Proportion of the total amount</u>	<u>Ending balance of allowance for doubtful accounts</u>
A	13,908,773.10	13,908,773.10	13,908,773.10	15.60%	695,438.66
B	9,528,274.88	9,528,274.88	9,528,274.88	10.69%	476,413.74
C	8,289,160.64	8,289,160.64	8,289,160.64	9.30%	414,458.03
D	4,739,719.00	4,739,719.00	4,739,719.00	5.32%	236,985.95

<u>Company name</u>	<u>Ending balance of accounts receivable</u>	<u>Ending balance of contract assets receivable and contract assets</u>	<u>Ending balance of the total amount</u>	<u>Proportion of</u>	<u>Ending balance of allowance for doubtful accounts</u>
E	3,647,244.32	3,647,244.32		4.09%	182,362.22
Total	<u>40,113,171.94</u>	<u>40,113,171.94</u>		<u>45.00%</u>	<u>2,005,658.60</u>

4. Prepayments

(1) Aging analysis of prepayments

<u>Aging</u>	<u>Ending Balance</u>		<u>Initial Balance</u>	
	<u>Balance</u>	<u>PCT</u>	<u>Balance</u>	<u>PCT</u>
Within 1 year	17,319,421.36	98.27%	27,825,036.62	98.29%
1-2 years	296,696.82	1.68%	485,171.88	1.71%
2-3 years	8,951.88	0.05%	2.88	
More than 3 years	<u>2.81</u>	<u>0.00%</u>		
Total	<u>17,625,072.87</u>	<u>100.00%</u>	<u>28,310,211.38</u>	<u>100.00%</u>

(2) The top five prepayments are as follows

<u>Company name</u>	<u>Relationship with the company</u>	<u>Ending balance</u>	<u>Proportion of total amount</u>	<u>Advance payment time</u>	<u>Reason for the failure of settlement</u>
SOUTHERN SEAS LOGISTIC LIMITED	unrelated party	6,853,080.00	38.88%	2025 Annual	Unfinished amortization
PARTIES TO THE NAURU AGREEMENT	unrelated party	2,446,022.40	13.88%	2025 Annual	Unfinished amortization
China Overseas Fisheries Association	unrelated party	2,086,084.08	11.84%	2025 Annual	Unfinished amortization
Weihai Huanhai Aquatic Products Co., Ltd.	unrelated party	1,374,518.10	7.80%	2025 Annual	Billing period not yet reached
KH Shipping	unrelated party	<u>1,333,845.82</u>	<u>7.57%</u>	2025 Annual	Billing period not yet reached
Total		<u>14,093,550.40</u>	<u>79.96%</u>		

5. Other receivables

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Interest receivable	-	-
Dividends receivable	-	-

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Other receivables	<u>105,905,380.86</u>	<u>71,692,831.62</u>
Total	<u>105,905,380.86</u>	<u>71,692,831.62</u>

Other receivables

① Aging of other receivables

<u>Aging</u>	<u>Ending book balance</u>	<u>Opening book balance</u>
Within 6 months	70,798,681.01	71,753,653.34
6 months-1 years	1,087,051.80	2,701,842.76
1-2 years	53,220,842.35	1,415,512.97
2-3 years	827,395.34	208,686.75
More than 3 years	<u>4,702,363.09</u>	<u>4,625,144.91</u>
Total	<u>130,636,333.59</u>	<u>80,704,840.73</u>

② Category of other receivables by nature

<u>Nature</u>	<u>Ending book balance</u>	<u>Opening book balance</u>
Guarantee deposit	2,085,454.62	1,915,306.49
Current account and others	<u>128,550,878.97</u>	<u>78,789,534.24</u>
Total	<u>130,636,333.59</u>	<u>80,704,840.73</u>

③ Classified disclosure by bad debt provision method

<u>category</u>	<u>Ending Balance</u>				
	<u>Book balance</u>	<u>proportion</u>	<u>Bad debt provision</u>	<u>Provision ratio</u>	<u>book value</u>
Provision for bad debts based on individual items					
Provision for bad debts by combination	<u>130,636,333.59</u>	<u>100.00%</u>	<u>24,730,952.73</u>	<u>11.17%</u>	<u>105,905,380.86</u>
Total	<u>130,636,333.59</u>	<u>100.00%</u>	<u>24,730,952.73</u>	<u>11.17%</u>	<u>105,905,380.86</u>

(Continued)

<u>category</u>	<u>Initial Balance</u>				
	<u>Book balance</u>	<u>proportion</u>	<u>Bad debt provision</u>	<u>Provision ratio</u>	<u>book value</u>
Provision for bad debts based on individual items					
Provision for bad debts by combination	<u>80,704,840.73</u>	<u>100.00%</u>	<u>9,012,009.11</u>	<u>11.17%</u>	<u>71,692,831.62</u>

<u>category</u>	<u>Initial Balance</u>				
	<u>Book balance</u>	<u>proportion</u>	<u>Bad debt provision</u>	<u>Provision ratio</u>	<u>book value</u>
total	<u>80,704,840.73</u>	<u>100.00%</u>	<u>9,012,009.11</u>	<u>11.17%</u>	<u>71,692,831.62</u>

1) Provision for bad debts by combination:

Combination provision item: aging combination

<u>Aging of accounts</u>	<u>Ending Balance</u>		
	<u>Book balance</u>	<u>Bad debt provision</u>	<u>Provision ratio</u>
Within 6 months	70,798,681.01	3,539,934.05	5.00%
6 months-1 years	1,087,051.80	108,705.18	10.00%
1-2 years	53,220,842.35	15,966,252.71	30.00%
2-3 years	827,395.34	413,697.70	50.00%
More than 3 years	<u>4,702,363.09</u>	<u>4,702,363.09</u>	<u>100.00%</u>
Total	<u>130,636,333.59</u>	<u>24,730,952.73</u>	

(Continued)

<u>Aging of accounts</u>	<u>Initial Balance</u>		
	<u>Book balance</u>	<u>Bad debt provision</u>	<u>Provision ratio</u>
Within 6 months	71,753,653.34	3,587,682.65	5.00%
6 months-1 years	2,701,842.76	270,184.28	10.00%
1-2 years	1,415,512.97	424,653.89	30.00%
2-3 years	208,686.75	104,343.38	50.00%
More than 3 years	<u>4,625,144.91</u>	<u>4,625,144.91</u>	<u>100.00%</u>
Total	<u>80,704,840.73</u>	<u>9,012,009.11</u>	

④ Provision for bad debt (provision for bad debt under the general expected credit loss model)

<u>The allowance for credit losses</u>	<u>Stage one</u>	<u>Stage two</u>	<u>Stage three</u>	<u>Total</u>
	<u>12-month ECL</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
		<u>(credit-unimpaired)</u>	<u>(credit-impaired)</u>	
Beginning balance	4,386,864.20		4,625,144.91	9,012,009.11
Revaluation of beginning balance	4,386,864.20		4,625,144.91	9,012,009.11
Provision	15,662,852.11		77,218.18	15,740,070.29
Reversal				
Charge-off				
Write-off	3,358.41			3,358.41

<u>The allowance for credit losses</u>	<u>Stage one</u>	<u>Stage two</u>	<u>Stage three</u>	<u>Total</u>
Exchange impact	17,768.26			17,768.26
Total	20,028,589.64		4,702,363.09	24,730,952.73

⑤ Allowance for credit losses

<u>Item</u>	<u>Initial Balance</u>	<u>Amount of change in the current period</u>				<u>Ending Balance</u>
		<u>Provision</u>	<u>Recovery or reversal</u>	<u>Write off</u>	<u>Exchange impact</u>	
Allowance for credit losses of other receivables	9,012,009.11	15,740,070.29		3,358.41	17,768.26	24,730,952.73
Total	<u>9,012,009.11</u>	<u>15,740,070.29</u>		<u>3,358.41</u>	<u>17,768.26</u>	<u>24,730,952.73</u>

⑥ Write-off of other receivables during the period

<u>Item</u>	<u>Write-off amount</u>
Write-off of other receivables	3,358.41

⑦ Other receivables due from the top five debtors are as follows:

<u>Company name</u>	<u>Nature of the fund t</u>	<u>Ending balance</u>	<u>Aging</u>	<u>Proportion in the total amount</u>	<u>Ending balance of allowance for doubtful accounts</u>
Qingdao Laoshan District Bureau of Agriculture and Rural Affairs	Government grants	107,287,931.00	Within 6 months;1-2 years	82.13%	18,200,796.80
Shandong State-owned Assets Investment Holdings Co., Ltd.	Custody fee	1,800,000.00	Within 6 months	1.38%	90,000.00
MRL LIMITED.	Deposit	1,054,320.00	1-2 years	0.81%	316,296.00
Zhicheng Zhang	Claims payment on behalf	973,052.92	0-3 years	0.74%	249,630.70
China Shipowners Mutual Assurance Association	Medical expenses	<u>278,918.18</u>	2-3 years	0.21%	<u>139,459.09</u>
Total		<u>111,394,222.10</u>		<u>85.27%</u>	<u>18,996,182.59</u>

6. Inventories

(1) Inventories by categories

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
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	Book balance	Provision for diminution in value or impairment provision for costs to fulfil contracts	Carrying amount	Book balance	Provision for diminution in value or impairment provision for costs to fulfil contracts	Carrying amount
Raw materials	188,879,786.63	5,166,031.66	183,713,754.97	155,978,130.93	5,407,142.40	150,570,988.53
Low-value consumables	139,185.77		139,185.77	256,408.88		256,408.88
Commodities	212,748,925.25	21,737,464.61	191,011,460.64	353,097,476.86	55,671,479.56	297,425,997.30
Revolving materials	1,256,319.95		1,256,319.95	1,208,814.93		1,208,814.93
Costs to fulfil contracts	5,785,199.65		5,785,199.65	968,942.64		968,942.64
Total	<u>408,809,417.25</u>	<u>26,903,496.27</u>	<u>381,905,920.98</u>	<u>511,509,774.24</u>	<u>61,078,621.96</u>	<u>450,431,152.28</u>

(2) Provision for diminution in value of inventories and impairment of costs to fulfil contracts

Item	Initial Balance	Additions during the year		Reductions during the year		Ending Balance
		Provision	Other	Reversal or write-down	Exchange impact	
Raw materials	5,407,142.40	4,292,415.41		4,533,526.15		5,166,031.66
Commodities	<u>55,671,479.56</u>	<u>18,615,454.28</u>		<u>52,546,492.35</u>	<u>2,976.88</u>	<u>21,737,464.61</u>
Total	<u>61,078,621.96</u>	<u>22,907,869.69</u>		<u>57,080,018.50</u>	<u>2,976.88</u>	<u>26,903,496.27</u>

7. Other current assets

Item	Ending Balance	Initial Balance
Input tax to be deducted	27,973,475.15	21,609,942.76
Prepaid income tax	167,437.36	190,608.32
Prepaid other taxes	<u>11,530.75</u>	<u>12,358.01</u>
Total	<u>28,152,443.26</u>	<u>21,812,909.09</u>

8. Long-term equity investments

Item	Initial Balance	Change in the current year				
		Additional investment	Reduce investment	Investment gains and losse	Other comprehensive income	Other changes in equity
Ji Nan Qin Zhen Food Technology Co., Ltd.	<u>878,622.04</u>			<u>-436,729.96</u>		

Total	<u>878,622.04</u>	<u>-436,729.96</u>
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<u>Item</u>	<u>Change in the current year</u>			<u>Ending</u>	<u>Impairment</u>
	<u>Declare a cash</u>	<u>Provision for</u>	<u>Other</u>	<u>Balance</u>	<u>reserve ending</u>
	<u>dividend or</u>	<u>impairment</u>			<u>balance</u>
	<u>profit</u>				
Ji Nan Qin Zhen Food Technology Co., Ltd.				<u>441,892.08</u>	
Total				<u>441,892.08</u>	

9. Investment property

Investment property measured by cost

<u>Item</u>	<u>Buildings</u>	<u>Total</u>
① Cost		
Initial Balance	51,308,578.35	51,308,578.35
Additions	-	-
Reductions	-	-
Ending Balance	51,308,578.35	51,308,578.35
② Accumulated depreciation or amortization		-
Initial Balance	24,291,363.58	24,291,363.58
Additions	1,326,076.68	1,326,076.68
Including: Depreciation or amortization	1,326,076.68	1,326,076.68
Reductions	-	-
Including: Disposition		-
Ending Balance	25,617,440.26	25,617,440.26
③ Provision for impairment		-
Initial Balance	886,512.06	886,512.06
Additions		-
Reductions		-
Ending Balance	886,512.06	886,512.06
④ Carrying amount		-
Ending Balance	24,804,626.03	24,804,626.03
Initial Balance	26,130,702.71	26,130,702.71

10. Fixed assets

<u>Category</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
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<u>Category</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Fixed assets	927,820,225.94	999,486,042.10
Disposal of fixed assets		
Total	<u>927,820,225.94</u>	<u>999,486,042.10</u>

① Movement of fixed assets

<u>Item</u>	<u>Buildings</u>	<u>Boats & nets</u>	<u>Machinery & equipment</u>	<u>Transportation vehicles</u>	<u>Furniture and office equipment</u>	<u>Total</u>
Cost						
Initial Balance	196,082,626.6	1,251,794,445.80	65,333,861.41	10,730,195.55	12,475,370.05	1,536,416,499.43
	2					
Additions	-25,137.00	12,499,663.87	1,855,428.41	38,055.58	125,795.81	14,493,806.67
Including: Purchase	-	20,610,636.71	1,861,569.21	164,238.93	144,716.30	22,781,161.15
Transfer from construction in process	-	3,883,906.72	-	-	-	3,883,906.72
Impact of exchange rate fluctuations	-25,137.00	-11,994,879.56	-6,140.80	-126,183.35	-18,920.49	-12,171,261.20
Reductions	-	28,837,894.96	305,102.24	190,173.79	374,372.00	29,707,542.99
Including: Disposals or scrap	-	28,837,894.96	305,102.24	190,173.79	374,372.00	29,707,542.99
Impact of exchange rate fluctuations						-
Ending Balance	196,057,489.62	1,235,456,214.71	66,884,187.58	10,578,077.34	12,226,793.86	1,521,202,763.11
Accumulated depreciation						
Initial Balance	62,256,380.15	416,302,597.55	39,249,566.27	8,776,387.70	10,187,952.16	536,772,883.83
Additions	5,707,916.70	73,684,631.21	3,152,058.74	286,748.89	497,351.79	83,328,707.33
Including: Provision	5,715,925.16	79,424,492.56	3,155,311.85	387,607.10	512,416.55	89,195,753.22
Impact of exchange rate fluctuations	-8,008.46	-5,739,861.35	-3,253.11	-100,858.21	-15,064.76	-5,867,045.89
Reductions	-	26,092,638.76	274,592.02	171,156.41	338,240.30	26,876,627.49
Including: Disposals or scrap	-	26,092,638.76	274,592.02	171,156.41	338,240.30	26,876,627.49
Impact of exchange rate fluctuations						-
Ending Balance	67,964,296.85	463,894,590.00	42,127,032.99	8,891,980.18	10,347,063.65	593,224,963.67
Provision for impairment						
Initial Balance	-	157,573.50	-	-	-	157,573.50
Additions						-
Reductions						-
Ending Balance	-	157,573.50	-	-	-	157,573.50
Carrying amount						
Ending Balance	128,093,192.77	771,404,051.21	24,757,154.59	1,686,097.16	1,879,730.21	927,820,225.94
Initial Balance	133,826,246.47	835,334,274.75	26,084,295.14	1,953,807.85	2,287,417.89	999,486,042.10

② Temporarily idle fixed assets

<u>Item</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>	<u>Remark</u>
Machinery & equipment	2,179,020.00	1,961,118.00	-	217,902.00	
Netting gear	<u>45,999,481.94</u>	<u>31,950,350.22</u>	-	<u>14,049,131.72</u>	
Total	<u>48,178,501.94</u>	<u>33,911,468.22</u>	=	<u>14,267,033.72</u>	

③ Fixed assets with incomplete property rights certificates

According to the Debt Repayment Opinion signed between our company and Shandong Fisheries Group Corporation in April 2006, as well as the Civil Ruling (2005) Lizhi Zi No. 1299 issued by the People's Court of Lixia District, Jinan City, Shandong Fisheries Group Corporation will offset the debt owed to Shandong Zhonglu Yuanyang Fisheries Co., Ltd. by its office complex building and office supplies located at 43 Heping Road, Lixia District, Jinan City. The original book value of the office complex building is 54,223,132.40 yuan, with a book value of 25,975,700.31 yuan (of which the self use part is included in fixed assets and the rental part is included in investment real estate). The land used for this property was originally allocated land, and the property ownership certificate is for the property. Not yet processed.

11. Construction in process

<u>Category</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Constructed in process	205,135,249.27	118,015,048.57
Construction materials		
Total	<u>205,135,249.27</u>	<u>118,015,048.57</u>

① Construction in process

<u>Item</u>	<u>Ending Balance</u>			<u>Initial Balance</u>		
	<u>Book balance</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>	<u>Book balance</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>
Atlantic Siege Project	4,077,658.55	4,077,658.55	-	4,077,658.55	4,077,658.55	-
The Marine Innovation Industrial Park Project	205,050,797.71	-	205,050,797.71	118,015,048.57	-	118,015,048.57
Reefer vessel	84,451.56	-	84,451.56			
total	<u>209,212,907.82</u>	<u>4,077,658.55</u>	<u>205,135,249.27</u>	<u>122,092,707.12</u>	<u>4,077,658.55</u>	<u>118,015,048.57</u>

② Movement of significant construction in progress

<u>Project name</u>	<u>Budget</u>	<u>Initial Balance</u>	<u>Additions</u>	<u>Transfer to fixed assets</u>	<u>Other reductions</u>	<u>Ending Balance</u>
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Tuna Trading Center	51,000,000.00	33,688,542.86	3,850,989.53			37,539,532.39
Gatekeepers of Cold Storage 5 and Cold Storage 3	174,010,000.00	69,042,410.12	78,587,152.71			147,629,562.8 3
Total	<u>225,010,000.00</u>	<u>102,730,952.98</u>	<u>82,438,142.24</u>	<u>0.00</u>	<u>0.00</u>	<u>185,169,095.2</u> <u>2</u>

(Continued)

<u>Project name</u>	<u>Proportion of cumulative project input to budget</u>	<u>Project progress</u>	<u>Interest capitalization accumulated amount</u>	<u>Where: the amount of interest capitalization in the current period</u>	<u>Current interest capitalizati on rate</u>	<u>Source of funds</u>
Tuna Trading Center	73.61%	65.17%	4,208,043.60	1,316,955.48	3.50%	Long term loans and own funds
Gatekeepers of Cold Storage 5 and Cold Storage 3	84.84%	76.00%	7,960,687.60	3,750,284.74	3.17%	Long term loans and own funds
Total			<u>12,168,731.20</u>	<u>5,067,240.22</u>		-

12. Right-of-use asset

<u>Item</u>	<u>Buildings</u>	<u>Total</u>
(1) Cost		
Initial Balance	498,364.44	498,364.44
Additions		
Including: New leases		
Impact of exchange rate fluctuations		
Reductions	498,364.44	498,364.44
Including: Exchange impact	498,364.44	498,364.44
Impact of exchange rate fluctuations		
Ending Balance		

<u>Item</u>	<u>Buildings</u>	<u>Total</u>
(2) Accumulated depreciation		
Initial Balance	498,364.44	498,364.44
Additions		
Including: Provision		
Impact of exchange rate fluctuations		
Reductions	498,364.44	498,364.44
Including: Exchange impact	498,364.44	498,364.44
Impact of exchange rate fluctuations		
Ending Balance		
Provision for impairment		
Initial Balance		
Additions		
Reductions		
Ending Balance		
Carrying amount		
Ending Balance		
Initial Balance		

13. Intangible assets

<u>Item</u>	<u>Land use rights</u>	<u>Computer software</u>	<u>Total</u>
① Cost			
Initial Balance	69,409,842.26	2,335,115.89	71,744,958.15
Additions			
Including: Purchase			
Reductions			
Including: Disposition			
Ending Balance	69,409,842.26	2,335,115.89	71,744,958.15
② Accumulated depreciation			-
Initial Balance	10,278,432.52	2,064,499.56	12,342,932.08
Additions	1,428,972.84	63,530.97	1,492,503.81
Including: Provision	1,428,972.84	63,530.97	1,492,503.81
Reductions			
Including: Disposition			
Ending Balance	11,707,405.36	2,128,030.53	13,835,435.89
③ Provision for impairment			
Initial Balance			
Additions			

Including: Provision
 Reductions
 Including: Disposition
 Ending Balance
 ④ Carrying amount

Ending Balance	57,702,436.90	207,085.36	57,909,522.26
Initial Balance	59,131,409.74	270,616.33	59,402,026.07

14. Long-term deferred expenses

<u>Item</u>	<u>Initial Balance</u>	<u>Additions</u>	<u>Amortization</u>	<u>Reductions</u>	<u>Ending Balance</u>
Office building decoration	1,784,037.79	679,675.63	256,903.04		2,206,810.38
Decoration of Tuna Technology Museum	<u>859,789.68</u>		<u>491,308.44</u>		<u>368,481.24</u>
total	<u>2,643,827.47</u>	<u>679,675.63</u>	<u>748,211.48</u>		<u>2,575,291.62</u>

15. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting

<u>Item</u>	<u>Ending Balance</u>		<u>Initial Balance</u>	
	<u>Deductible temporary differences</u>	<u>Deferred tax assets</u>	<u>Deductible temporary differences</u>	<u>Deferred tax assets</u>
Allowance for credit losses	1,156,930.27	235,661.23	986,375.92	201,474.13
Deferred income	<u>4,011,354.26</u>	<u>1,002,838.57</u>	<u>4,640,134.32</u>	<u>1,160,033.58</u>
Total	<u>5,168,284.53</u>	<u>1,238,499.80</u>	<u>5,626,510.24</u>	<u>1,361,507.71</u>

(2) Deferred tax liabilities before offsetting

<u>Item</u>	<u>Ending Balance</u>		<u>Initial Balance</u>	
	<u>Taxable temporary differences</u>	<u>Deferred tax liabilities</u>	<u>Taxable temporary differences</u>	<u>Deferred tax liabilities</u>
Accelerated depreciation of fixed assets before tax deduction	<u>8,704,373.77</u>	<u>2,176,093.44</u>	<u>9,305,898.14</u>	<u>2,326,474.54</u>
total	<u>8,704,373.77</u>	<u>2,176,093.44</u>	<u>9,305,898.14</u>	<u>2,326,474.54</u>

(3) The items not recognised deferred tax assets

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Deductible temporary differences -Allowance for credit losses	34,747,568.70	17,641,883.58

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Deductible temporary differences -Provision for inventories	26,903,496.27	61,078,621.96
Deductible temporary differences -Deductible losses		37,197,760.25
Deductible temporary differences -Provision for impairment of construction in progress	<u>4,077,658.55</u>	<u>4,077,658.55</u>
Total	<u>65,728,723.52</u>	<u>119,995,924.34</u>

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

(4) The deductible losses of unconfirmed deferred income tax assets will expire in the following years

<u>Year</u>	<u>Ending Balance</u>	<u>Initial Balance</u>	<u>Remarks</u>
year 2025		37,197,760.25	
total		<u>37,197,760.25</u>	

16. Other non-current assets

<u>Item</u>	<u>Ending Balance</u>			<u>Initial Balance</u>		
	<u>Book balance</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>	<u>Book balance</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>
Prepayment for land	2,000,000.00		2,000,000.00	2,000,000.00		2,000,000.00
Prepayment for construction in process	<u>21,629,081.65</u>		<u>21,629,081.65</u>	<u>14,807,420.94</u>		<u>14,807,420.94</u>
Total	<u>23,629,081.65</u>		<u>23,629,081.65</u>	<u>16,807,420.94</u>		<u>16,807,420.94</u>

17. Ownership or using rights of assets subject to restriction

<u>Item</u>	<u>Ending Balance</u>			
	<u>Book balance</u>	<u>Book value</u>	<u>Restricted type</u>	<u>Restricted case</u>
Monetary funds	28,789,884.20	28,789,884.20	Bill deposit; Guarantee bond deposit	

<u>Item</u>	<u>Ending Balance</u>			
	<u>Book balance</u>	<u>Book value</u>	<u>Restricted type</u>	<u>Restricted case</u>
Fixed assets	473,692,267.44	432,974,053.41	Mortgage for loan	
Construction in Progress	194,062,840.63	194,062,840.63	Mortgage for loan	
Intangible Assets	<u>52,255,113.26</u>	<u>48,074,703.98</u>	Mortgage for loan	
Total	<u>748,800,105.53</u>	<u>703,901,482.22</u>		

(continue)

<u>Item</u>	<u>Initial Balance</u>			
	<u>Book balance</u>	<u>Book value</u>	<u>Restricted type</u>	<u>Restricted case</u>
Monetary funds	10,038,933.10	10,038,933.10	Bill deposit; Guarantee bond deposit	
Fixed assets	444,910,737.16	420,418,444.51	Mortgage for loan	
Total	<u>454,949,670.26</u>	<u>430,457,377.61</u>		

18. Short-term loans

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Collateral loan		
Loans on credit	<u>16,022,933.34</u>	<u>46,013,200.00</u>
Total	<u>16,022,933.34</u>	<u>46,013,200.00</u>

Note: The loan balance of the current period includes the interest payable of RMB 22,933.34;

19. Notes payable

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Banker's acceptance	<u>56,979,768.40</u>	<u>20,853,039.00</u>
total	<u>56,979,768.40</u>	<u>20,853,039.00</u>

20. Accounts payable

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Within 1 year(including 1 year)	77,509,149.94	140,710,875.88
More than 1 year	<u>5,034,531.48</u>	<u>8,600,722.88</u>

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Total	<u>82,543,681.42</u>	<u>149,311,598.76</u>

21. Advances from customers

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Rent	<u>1,201,097.79</u>	<u>1,539,814.03</u>
Total	<u>1,201,097.79</u>	<u>1,539,814.03</u>

22. Contract liabilities

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Advance payment for goods	<u>8,866,554.08</u>	<u>15,557,313.74</u>
Total	<u>8,866,554.08</u>	<u>15,557,313.74</u>

23. Employee benefits payable

(1) Movement of employee benefits payable

<u>Item</u>	<u>Initial Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Short-term employee benefits	64,214,191.17	211,198,773.56	199,987,915.90	75,425,048.83
Post-employment benefits—defined contribution plans	1,773,522.92	13,776,595.58	13,851,385.17	1,698,733.33
Termination benefits		1,215,115.75	1,215,115.75	
Other benefits due within one year	<u>3,578.34</u>	<u>9,669.66</u>	<u>13,248.00</u>	
Total	<u>65,991,292.43</u>	<u>226,200,154.55</u>	<u>215,067,664.82</u>	<u>77,123,782.16</u>

(2) Details of the short-term employee benefits

<u>Item</u>	<u>Initial Balance</u>	<u>Accrued</u>	<u>Paid</u>	<u>Ending Balance</u>
Salaries, bonus, and allowances		196,280,622.20	185,164,413.97	73,758,691.95
	62,642,483.72			
Staff welfare		2,926,749.74	2,926,749.74	-
Social insurances		5,758,287.85	5,758,287.85	-
Including: Medical insurance		5,177,751.80	5,177,751.80	-
Work injury insurance		580,536.05	580,536.05	-
Maternity insurance				-
Housing Fund		5,102,426.81	5,102,426.81	-
Union funds and employee education fee	1,571,707.45	1,130,686.96	1,036,037.53	1,666,356.88
Short-term paid absences				-
Short-term profit sharing plan				-
Total	<u>64,214,191.17</u>	<u>211,198,773.56</u>	<u>199,987,915.90</u>	<u>75,425,048.83</u>

(3) Defined contribution plans

<u>Item</u>	<u>Initial Balance</u>	<u>Accrued</u>	<u>Paid</u>	<u>Ending Balance</u>
Primary endowment insurance	-	10,337,519.24	10,337,519.24	-
Unemployment insurance	-	443,348.75	443,348.75	-
Pension insurance	1,769,560.92	2,659,995.92	2,734,785.51	1,694,771.33
Social security and subsidies for retired workers	<u>3,962.00</u>	<u>335,731.67</u>	<u>335,731.67</u>	3,962.00
Total	<u>1,773,522.92</u>	<u>13,776,595.58</u>	<u>13,851,385.17</u>	<u>1,698,733.33</u>

24. Taxes and surcharges payable

<u>Category</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Value added tax	313,943.05	345,360.75
Enterprise income tax	1,132,290.71	1,707,735.60
Urban maintenance and construction tax	17,069.51	16,740.44
Estate tax	376,654.33	337,797.58
Land use tax	323,569.87	323,569.87
Individual income tax	724,602.15	555,560.15
Educational surtax	12,192.49	11,957.43
Withholding tax	5,617,389.27	2,875,953.23
Other taxes and surcharges	<u>186,488.03</u>	<u>145,857.04</u>
Total	<u>8,704,199.41</u>	<u>6,320,532.09</u>

25. Other payables

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Interest payable		
Dividends payable	5,234,835.31	3,311,799.62
Other payables	<u>19,337,100.36</u>	<u>20,581,093.98</u>
Total	<u>24,571,935.67</u>	<u>23,892,893.60</u>

(1) Dividends payable

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>	<u>Reasons for non-payment for more than 1 year</u>
Common stock dividend	<u>5,234,835.31</u>	<u>3,311,799.62</u>	
Total	<u>5,234,835.31</u>	<u>3,311,799.62</u>	

(2) Other payables

① Other payables by nature of payment

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Security deposit	5,518,240.83	5,357,745.00
Staff expenses	912,274.58	1,230,770.73
Safety cost	1,708,525.48	2,415,927.69
other	<u>11,198,059.47</u>	<u>11,576,650.56</u>
Total	<u>19,337,100.36</u>	<u>20,581,093.98</u>

② Material other payables with aging over 1 year

<u>Company Name</u>	<u>Nature of Payment</u>	<u>Ending Balance</u>	<u>Aging</u>	<u>Percentage of Total Other Payables at End of Period</u>
Qingdao Kaize Construction Engineering Management Co., Ltd.	Deposit	<u>5,000,000.00</u>	3-4 years	<u>25.86%</u>
Total		<u>5,000,000.00</u>		<u>25.86%</u>

26. Non-current assets due within one year

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Long-term loans due within one year	<u>16,679,833.33</u>	<u>14,879,833.33</u>
Total	<u>16,679,833.33</u>	<u>14,879,833.33</u>

27. Other current liabilities

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Advance collection of sales tax	<u>19,248.74</u>	<u>51,536.97</u>
Total	<u>19,248.74</u>	<u>51,536.97</u>

28. Long-term loans

Long-term loans by category

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Secured loan	191,985,241.69	114,210,091.81
Mortgage or guarantee a loan	286,074,007.87	281,323,150.54
Less: long-term loans maturing within one year	<u>16,679,833.33</u>	<u>14,879,833.33</u>
Total	<u>461,379,416.23</u>	<u>380,653,409.02</u>

Note 1: The guarantors for the guaranteed loans are respectively Shandong Zhonglu Haiyan Ocean Fishery Co., Ltd., Shandong Zhonglu Ocean (Yantai) Food Co., Ltd. and Shandong Zhonglu Ocean Fishery Co., Ltd.

Note 2: Mortgage and collateral include purse seine vessels Tailong 7 and Tailong 9 with a book value of RMB 344,578,891.06; the properties of Room 2501-2506, Building 1, No.31 Xianxialing Road, Laoshan District, with real

estate ownership certificate numbers: Lu 2022 QDLS BDCQ No. 0051706, 0051707, 0051708, 0051709, 0051710, 0051711, book value of RMB 62,006,096.97; fishing vessel Lu Qing Yuan Yu 367 and Luqing Yuanyu 368, with a book value of RMB 26,389,065.38; construction in progress of Zhonglu Marine Innovation Industrial Park Project with a book value of RMB 194,062,840.63; land use right owned by Zhonglu Ocean (Qingdao) Industrial Investment & Development Co., Ltd., with real estate ownership certificate No. Lu 2022 Jiaozhou BDCQ No. 0000267, book value of RMB 48,074,703.98. The guarantors are Shandong Zhonglu Haiyan Ocean Fishery Co., Ltd. and Shandong Zhonglu Ocean (Yantai) Food Co., Ltd.

29. Long-term employee benefits payable

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Employee Benefits Payable	428,721.93	463,135.85
Other long-term benefits	<u>63,931.96</u>	<u>71,839.89</u>
Total	<u>492,653.89</u>	<u>534,975.74</u>

30. Deferred income

<u>Item</u>	<u>Initial Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Reason for the deferred income</u>
Government grants	<u>53,576,277.76</u>	<u>2,170,000.00</u>	<u>2,633,323.85</u>	<u>53,112,953.91</u>	asset-related
Total	<u>53,576,277.76</u>	<u>2,170,000.00</u>	<u>2,633,323.85</u>	<u>53,112,953.91</u>	

31. Share capital

<u>Item</u>	<u>Initial Balance</u>	<u>Movement</u>				<u>Ending Balance</u>
		Issuance of new share	Bonus shares	Capital reserve transfer in	Others sub-total	
Total shares	266,071,320.00					266,071,320.00

32. Capital reserve

<u>Item</u>	<u>Initial Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Share premiums	189,093,492.79			189,093,492.79
Other capital reserve	<u>106,526,779.23</u>			<u>106,526,779.23</u>
Total	<u>295,620,272.02</u>	=	=	<u>295,620,272.02</u>

33. Other comprehensive income

<u>Item</u>	<u>Initial Balance</u>	<u>Year ended 31/12/2025</u>		
		<u>(A)</u>	Amount before tax	Less: OCI in prior periods transfer in profit or loss for the current period
OCI items which will be reclassified subsequently to profit or loss	-313,223.04	-7,557,287.86		
Translation differences from translation of foreign currency financial statements	<u>-313,223.04</u>	<u>-7,557,287.86</u>		
Total of OCI	<u>-313,223.04</u>	<u>-7,557,287.86</u>		

(Continued)

<u>Item</u>	<u>Year ended 31/12/2025</u>			<u>Ending Balance</u>
	Less: income tax	Amount after tax attributable to the Company(B)	Amount after tax attributable to minority interests	(C)=(A)+(B)
OCI items which will be reclassified subsequently to profit or loss	-	-6,016,522.32	-1,540,765.54	-6,329,745.36
Translation differences from translation of foreign currency financial statements		<u>-6,016,522.32</u>	<u>-1,540,765.54</u>	<u>-6,329,745.36</u>
Total of OCI	=	<u>-6,016,522.32</u>	<u>-1,540,765.54</u>	<u>-6,329,745.36</u>

34. Special reserve

<u>Item</u>	<u>Initial Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Safety costs	-	<u>1,772,796.32</u>	<u>1,753,757.48</u>	<u>19,038.84</u>
Total	-	<u>1,772,796.32</u>	<u>1,753,757.48</u>	<u>19,038.84</u>

35. Surplus reserve

<u>Item</u>	<u>Initial Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Statutory surplus reserve	<u>21,908,064.19</u>			<u>21,908,064.19</u>
Total	<u>21,908,064.19</u>	=	=	<u>21,908,064.19</u>

36. Undistributed profit

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>

<u>Item</u>	<u>Year ended</u> <u>31/12/2025</u>	<u>Year ended</u> <u>31/12/2024</u>
Retained earnings As at 31/12/2024 before adjustment	483,904,313.48	449,363,748.93
The total adjustment of retained earnings As at 1/1/2025 (Increase+, decrease-)		
Retained earnings As at 1/1/2025 after adjustment	483,904,313.48	449,363,748.93
Add: Net profit attributable to the Company during the year	33,472,952.45	34,540,564.55
Less: Appropriation of statutory surplus reserve		
Withdrawal of discretionary surplus reserve		
Extract general risk provision		
Common stock dividends payable		
Common stock dividends converted to share capital		
Retained earnings as at 31/12/2025	<u>517,377,265.93</u>	<u>483,904,313.48</u>

37. Operating income and operating costs

(1) Operating income and operating costs

<u>Item</u>	<u>Year ended 31/12/2025</u>		<u>Year ended 31/12/2024</u>	
	Income	Costs	Income	Costs
Primary operating business	1,475,811,120.90	1,355,798,503.23	1,373,652,687.28	1,266,523,354.64
Other operating business	<u>10,881,588.76</u>	<u>2,356,533.15</u>	<u>11,007,578.68</u>	<u>3,277,047.87</u>
Total	<u>1,486,692,709.66</u>	<u>1,358,155,036.38</u>	<u>1,384,660,265.96</u>	<u>1,269,800,402.51</u>

(2) Status of income from contracts

① Revenue applicable to the Company's product sales, contract processing, cold storage, and other business

<u>Item</u>	<u>Product sales revenue</u>		<u>Processing income</u>		<u>Cold storage revenue</u>	
	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost
Confirm at a certain point	1,315,140,197.44	1,232,569,722.85	8,018,794.72	7,060,273.53		
Confirm within a certain period of time	=	=			<u>13,309,171.88</u>	<u>10,844,471.43</u>
Total	<u>1,315,140,197.44</u>	<u>1,232,569,722.85</u>	<u>8,018,794.72</u>	<u>7,060,273.53</u>	<u>13,309,171.88</u>	<u>10,844,471.43</u>

(Continue)

Item	Refrigerated transportation revenue		Other business income		Total	
	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost
Confirm at a certain point			4,950,776.23	417,960.11	1,328,109,768.3	1,240,047,956.4
Confirm within a certain period of time	<u>139,342,956.86</u>	<u>105,228,797.32</u>	<u>1,698,113.19</u>	-	<u>154,350,241.93</u>	<u>116,073,268.75</u>
Total	<u>139,342,956.86</u>	<u>105,228,797.32</u>	<u>6,648,889.42</u>	<u>417,960.11</u>	<u>1,482,460,010.3</u>	<u>1,356,121,225.2</u>
					<u>2</u>	<u>4</u>

② Income adapted to the lease standard

Item	Rent Rental and others		Total	
	Operating income	Operating cost	Operating income	Operating cost
Income from main business	-	-		
Other business income	<u>4,232,699.34</u>	<u>1,938,573.04</u>	<u>4,232,699.34</u>	<u>1,938,573.04</u>
Total	<u>4,232,699.34</u>	<u>1,938,573.04</u>	<u>4,232,699.34</u>	<u>1,938,573.04</u>

(3) Description of the performance obligations

The sale of goods by the Company is the performance obligation at a certain point, and the Company recognizes the income when the control of the goods transfers; the processing service of the Company is the performance obligation at a certain point, and the Company recognizes the income when the delivery delivers the products.

The cold storage fee income of the company belongs to the performance obligation within a certain period of time, and the company recognizes the income based on the actual days of goods stored every month.

The refrigerated transportation services by the Company are the performance obligation over a period of time, and the Company recognizes the income based on the service days confirmed by customers and the prices agreed in the contract.

The company's housing and other rental income of the company belongs to the performance obligations performed within a certain period of time, and the company recognizes the income according to the customer's lease period.

38. Taxes and surcharges

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>
Urban maintenance and construction tax	108,097.57	129,975.52
Educational surcharge	46,278.54	55,488.54
Local educational surcharge	30,852.38	36,992.34
Property tax	1,916,835.05	1,901,257.76
Land use tax	507,589.88	507,812.60
Stamp duty	821,267.69	380,944.33
Vehicle and vessel tax	18,623.72	19,521.60
Others	-	-
Total	<u>3,449,544.83</u>	<u>3,031,992.69</u>

39. Selling and distribution expenses

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>
Employee compensation expenditure	1,519,542.80	1,670,191.44
Business promotion fees	1,541,076.98	1,339,792.88
Travelling expenses	198,122.92	267,149.84
Depreciation charges	97,628.39	90,767.57
Communication expenses	8,682.40	10,635.29
Others	<u>926,457.11</u>	<u>846,959.38</u>
Total	<u>4,291,510.60</u>	<u>4,225,496.40</u>

40. General and administrative expenses

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>
Employee compensation expenditure	48,333,781.77	43,119,338.77
Depreciation and amortization charges	6,191,148.48	5,017,898.93
Depreciation of Right-of-use assets	-	91,626.45
Travelling expenses	2,627,857.62	2,515,157.42
Business entertainment	463,016.76	772,472.77
Vehicle expenses	1,092,968.15	887,006.05
Agent service fees	1,058,574.26	1,316,869.29
Office expenses	3,630,297.48	4,206,495.91
Water and electricity expenses	1,466,217.39	1,556,528.68
Others	<u>5,459,096.34</u>	<u>4,579,830.24</u>
Total	<u>70,322,958.25</u>	<u>64,063,224.51</u>

41. Research and development expenses

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>
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<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>
Employee compensation expenditure	1,761,176.13	1,512,361.81
Materials	2,414,908.33	3,401,774.43
Depreciation and amortization charges	1,646,665.19	741,413.93
Others	<u>605,799.42</u>	<u>611,528.94</u>
Total	<u>6,428,549.07</u>	<u>6,267,079.11</u>

42. Finance expenses

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>
Interest expenses	10,728,894.79	13,886,313.80
Less: interest income	1,413,486.86	770,654.61
Losses or gains from foreign exchange	4,210,015.83	-378,456.61
Finance charges	1,556,854.70	1,340,703.67
Interest expenses on lease liabilities		-
Others	<u>324,815.79</u>	<u>135,820.51</u>
Total	<u>15,407,094.25</u>	<u>14,213,726.76</u>

43. Other income

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>
International compliance Enhancement grant funds	55,758,700.00	62,020,500.00
Subsidy for Renovation and Upgrading of Onboard Equipment of Fishing Vessels	1,741,547.04	
Financial subsidies for special construction funds of the Blue Economic Zone	698,486.88	698,486.88
Industrial and commercial capital investment in rural revitalization project construction award	451,092.85	1,400,000.00
Subsidy for deep-freeze tuna vessel reimbursement	-	<u>5,715,437.90</u>
others	<u>721,143.84</u>	<u>2,069,973.30</u>
total	<u>59,370,970.61</u>	<u>71,904,398.08</u>

44. Investment income

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>
Income from long-term equity investments accounted for by the equity method	-436,729.96	-535,409.28
Gains on debt restructuring	-	<u>-135,804.65</u>
Total	<u>-436,729.96</u>	<u>-671,213.93</u>

45. Credit impairment losses

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>
Allowance for credit losses of accounts receivable	-1,673,403.38	-449,855.83
Allowance for credit losses of other receivables	<u>-15,740,070.29</u>	<u>-3,605,114.76</u>
Total	<u>-17,413,473.67</u>	<u>-4,054,970.59</u>

46. Impairment on assets

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>
Provision for diminution in value of inventory and Loss of contract performance costs	-22,907,869.69	-54,938,355.20
Total	<u>-22,907,869.690</u>	<u>-54,938,355.20</u>

47. Gains from disposal of assets

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>
Gains and losses on disposal of fixed assets	-47,108.24	-
Total	<u>-47,108.24</u>	=

48. Non-operating income

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>	<u>Amount to be included in non-recurring gain or loss for the year</u>
Others	238,593.49	4,715.59	238,593.49
Total	<u>238,593.49</u>	<u>4,715.59</u>	<u>238,593.49</u>

49. Non-operating expenses

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>	<u>Amount to be included in non-recurring gain or loss for the year</u>
Loss of scrapped fixed assets	2,142,070.38	140,535.97	2,142,070.38
Others	<u>28,150.55</u>	<u>7,124.76</u>	<u>28,150.55</u>
Total	<u>2,170,220.93</u>	<u>147,660.73</u>	<u>2,170,220.93</u>

50. Income tax expenses

(1) Details of income tax expenses

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>
Current income tax	2,867,647.99	3,387,280.07
Deferred income tax	-27,373.19	-86,839.99
Total	<u>2,840,274.80</u>	<u>3,300,440.08</u>

(2) Reconciliation between income tax expenses and accounting profit is as follows:

<u>Item</u>	<u>Year ended 31/12/2025</u>
Profit before tax	45,272,177.89
Income tax expenses calculated at statutory/applicable tax rates	11,318,044.47
Effect of different tax rate of subsidiaries	-132,759.26
Effect of adjustment for income tax in prior year	45,226.19
Effect of income not subject to income tax	-2,850,629.12
Effect of expenses nondeductible for tax purposes	80,617.34
Effect of using deductible losses of deferred tax assets not recognised in prior periods	-2,562,776.56
Effect of unrecognised deductible temporary differences and deductible losses in current period	-3,057,448.26
Income tax expenses	2,840,274.80

51. Other comprehensive income

As note VI.33.

52. Notes to statement of cash flows

(1) Cash flows from operating activities

① Cash received related to other operating activities

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>
Finance expenses- interest income	1,413,486.86	770,654.61
Government grants and others	10,800,306.76	13,750,099.95
Credit deposit	-	-
Current account and other	<u>238,593.49</u>	<u>2,578,932.62</u>
Total	<u>12,452,387.11</u>	<u>17,099,687.18</u>

② Cash paid related to other operating activities

<u>Item</u>	<u>Year ended</u> <u>31/12/2025</u>	<u>Year ended</u> <u>31/12/2024</u>
Cash payment to selling expenses	2,674,339.41	2,464,537.39
Cash payment to administrative expense	15,916,296.16	16,435,241.11

Cash payment to research and development expenses	3,692,016.19	4,013,303.37
Current account and other	<u>7,878,697.84</u>	<u>1,962,352.87</u>
Total	<u>30,161,349.60</u>	<u>24,875,434.74</u>

(2) Cash flows from investing activities

① Cash received related to other investing activities

<u>Item</u>	<u>Year ended</u> <u>31/12/2025</u>	<u>Year ended</u> <u>31/12/2024</u>
Construction deposit	-	<u>10,041,370.35</u>
Total	=	= <u>10,041,370.35</u>

② Changes in liabilities arising from financing activities

<u>Item</u>	<u>Initial Balance</u>	<u>Current increase</u>		<u>Current decrease</u>		<u>Ending Balance</u>
		<u>Cash movement</u>	<u>Non-cash movement</u>	<u>Cash movement</u>	<u>Non-cash movement</u>	
Short-term loan	46,013,200.00	26,000,000.00	9,733.34	56,000,000.00		16,022,933.34
Long-term loan	380,653,409.02	97,291,702.81	114,137.73		16,679,833.33	
						461,379,416.23
Non-current liabilities due within one year	<u>14,879,833.33</u>	=	<u>16,679,833.33</u>	<u>14,879,833.33</u>	=	<u>16,679,833.33</u>
Total	<u>441,546,442.35</u>	<u>123,291,702.81</u>	<u>16,803,704.40</u>	<u>70,879,833.33</u>	<u>16,679,833.33</u>	<u>494,082,182.90</u>

53. Supplement to statement of cash flows

(1) Supplement to statement of cash flows

<u>Item</u>	<u>Year ended</u> <u>31/12/2025</u>	<u>Year ended</u> <u>31/12/2024</u>
1.Net profit adjusted to cash flows from operating activities		
Net profit	42,431,903.09	31,854,817.12
Add:losses Provision for asset impairment	22,907,869.69	-16,459,514.46
Credit impairment	17,413,473.67	4,054,970.59
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of	90,496,854.90	82,856,984.77

<u>Item</u>	<u>Year ended</u> <u>31/12/2025</u>	<u>Year ended</u> <u>31/12/2024</u>
productive biological assets and depreciation of investment property		
Depreciation of right-of-use asset	-	98,934.79
Amortization of intangible assets	447,401.49	509,254.30
Amortization of long-term deferred expenses	748,211.48	712,280.73
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	47,108.24	
Losses on write-down of fixed assets ("-" for gains)	2,142,070.38	140,535.97
Losses from changes in fair value ("-" for gains)	-	
Financial expenses ("-" for income)	14,938,910.62	10,833,286.24
Investments losses ("-" for gains)	436,729.96	671,213.93
Decreases in the deferred tax assets ("-" for increases)	123,007.91	63,541.09
Increases in the deferred tax liabilities ("-" for decreases)	-150,381.10	-150,381.08
Decreases in inventories ("-" for increases)	45,620,338.49	61,727,897.31
Decreases in operating receivables ("-" for increases)	-92,291,171.65	-87,985,100.03
Increases in operating payables ("-" for decreases)	-34,216,421.00	28,991,708.72
Others	-	
Net cash flows from operating activities	111,095,906.17	117,920,429.99
2. Significant investing and financing activities not involving cash inflow and outflow		
Conversion of debt into capital	-	
Convertible corporate bonds maturing within one year	-	
Fixed assets acquired under financial lease	-	
3. Net change in cash and cash equivalents		
Cash as at 31/12/2025	284,306,289.50	249,437,263.40
Less: cash As at 1/1/2025	249,437,263.40	243,127,423.03
Add: cash equivalents as at 31/12/2025	-	
Less: cash equivalents as at 31/12/2024	-	
Net increase in cash and cash equivalents	34,869,026.10	6,309,840.37

(2) Cash and cash equivalents

<u>Item</u>	<u>Balance as at</u> <u>31/12/2025</u>	<u>Balance as at</u> <u>31/12/2024</u>
1. Cash	284,306,289.50	249,437,263.40
Including: cash on hand	615,541.90	1,510,503.38
Unrestricted bank deposits	283,690,747.60	
		247,926,760.02
2. Cash equivalents		

<u>Item</u>	<u>Balance as at</u> <u>31/12/2025</u>	<u>Balance as at</u> <u>31/12/2024</u>
Bond investments due within 3 months		
3. Cash and cash equivalents As at 31/12/2023	284,306,289.50	249,437,263.40

(3) Monetary funds other than cash and cash equivalents

<u>Item</u>	<u>Year ended</u> <u>31/12/2025</u>	<u>Year ended</u> <u>31/12/2024</u>	<u>argument</u>
Other monetary funds	<u>28,789,884.20</u>	<u>10,038,933.10</u>	Bill deposit

54. Monetary items denominated in foreign currency

(1) Monetary items denominated in foreign currency

<u>Item</u>	<u>Balance in foreign</u> <u>currency as at</u> <u>31/12/2025</u>	<u>Exchange rate</u>	<u>Balance translated</u> <u>into RMB as at</u> <u>31/12/2025</u>
Monetary funds			146,933,375.54
Among: USD	15,503,880.77	7.0288	108,973,676.87
EUR	3,315,700.40	8.2633	27,398,737.89
GHS	15,395,972.48	0.6726	10,355,388.09
FCFA			
JPY	4,588,983.00	0.0448	205,572.69
Accounts receivable			47,820,313.26
Among: USD	3,392,753.60	7.0288	23,846,986.51
GHS	2,047,964.89	0.6726	1,377,476.67
JPY	159,428,435.00	0.0448	7,141,915.61
FCFA	1,225,060,803.12	0.0126	15,453,934.47
Prepayments			13,624,943.70
Among: USD	1,747,391.38	7.0288	12,282,064.54
FCFA	106,503,096.00	0.0126	1,342,879.16
Other receivables			3,360,070.84
Among: USD	472,615.21	7.0288	3,321,917.77
GHS	19,250.00	0.6726	12,947.75
AUD	439.50	4.6892	2,060.90
SBD	26,940.30	0.8591	23,144.41
Accounts payable			22,039,832.00
Among: USD	3,130,574.04	7.0288	22,004,178.82
JPY	272,500.00	0.0448	12,207.18

<u>Item</u>	<u>Balance in foreign currency as at 31/12/2025</u>	<u>Exchange rate</u>	<u>Balance translated into RMB as at 31/12/2025</u>
AUD	5,000.00	4.6892	23,446.00
Contract liabilities			8,315,716.56
Among: USD	176,799.45	7.0288	1,242,687.98
GHS	5,620,745.57	0.6726	3,780,550.81
JPY	73,497,729.00	0.0448	3,292,477.77
Other payables			16,740,252.86
Among: USD	2,207,920.42	7.0288	15,519,031.05
EUR	133,639.70	8.2633	1,104,310.79
GHS	173,816.23	0.6726	116,911.02

(2) Reporting currencies of significant foreign operating entities

<u>Significant foreign operating entity</u>	<u>Overseas location of primary operation</u>	<u>Reporting currency</u>	<u>Basis for determination</u>
HABITAT INTERNATIONAL CORPORATION	The Republic of Panama	USD	Business environment
LAIF FISHERIES COMPANY LIMITED	The Republic of Ghana	USD	Business environment
YAW ADDO FISHERIES COMPANY LIMITED	The Republic of Ghana	USD	Business environment
ZHONG GHA FOODS COMPANY LIMITED	The Republic of Ghana	USD	Business environment
AFRICA STAR FISHERIES LIMITED	The Republic of Ghana	USD	Business environment

55. Lease

(1) Our company acts as lessor

Operating lease

<u>Item</u>	<u>Lease income</u>	<u>Among them: Income related to variable lease payments not included in lease collections</u>
Rental income	4,232,699.34	-
total	<u>4,232,699.34</u>	=

VII. Research and development expenses

List by property

<u>Item</u>	<u>Year ended 31/12/2025</u>	<u>Year ended 31/12/2024</u>
Employee compensation	1,761,176.13	1,512,361.81
Materials	2,414,908.33	3,401,774.43
Depreciation cost	975,356.75	741,413.93
Other	<u>1,277,107.86</u>	<u>611,528.94</u>
Total	<u>6,428,549.07</u>	<u>6,267,079.11</u>
Includes: Expensed research and development expenditures	6,428,549.07	6,267,079.11

VIII. Changes in consolidation scope

There are no consolidation scope changes in the current period.

IX. Interest in other entities

1. Interest in subsidiaries

(1) Composition of the Company

<u>Subsidiary name</u>	<u>Principal place of operation</u>	<u>Registered capital</u>	<u>Place of registration</u>	<u>Business nature</u>	<u>Shareholding ratio (%)</u>		<u>Acquisition mode</u>
					direct	indirect	
Shandong Zhonglu aquatic shipping Co., LTD	Qingdao, Shandong Province	2,250.56 Ten thousand RMB	Qingdao, Shandong Province	Boat charter	100		Investment and establishment
Shandong Zhonglu Yuanyang (Yantai) Food Co., LTD. (hereinafter referred to as "Zhonglu Food")	Yantai, Shandong Province	10,432.23 Ten thousand RMB	Yantai, Shandong Province	Food processing and refrigeration	46.69	25.77	Investment and establishment
Shandong Zhonglu Haiyan Ocean Fishing Co., LTD. (referred to as "Zhonglu Haiyan Zi")	Qingdao, Shandong Province	22,161.73 Ten thousand RMB	Qingdao, Shandong Province	Pelagic fishing	59.05		Investment and establishment
Zhonglu Yuanyang (Qingdao) Industrial Investment Development Co., LTD	Qingdao, Shandong Province	19,200 Ten thousand RMB	Qingdao, Shandong Province	Food processing and refrigeration	66.63	33.37	Investment and establishment
HABITAT INTERNATIONAL CORPORATION	Panama	150.74 Ten thousand USD	Panama	Boat charter	100		Investment and establishment
LAIF FISHERIES COMPANY LIMITED	Ghana	40 Ten thousand USD	Ghana	Pelagic fishing		Zhonglu Hai Yanzi holding 100.00	Investment and establishment
AFRICA STAR FISHERIES LIMITED	Ghana	40 Ten thousand USD	Ghana	Pelagic fishing		Zhonglu Hai Yanzi holding 100.00	Investment and establishment
ZHONG GHA FOODS COMPANY LIMITED	Ghana	50 Ten thousand USD	Ghana	Pelagic fishing		Zhonglu Hai Yanzi holding 100.00	Investment and establishment

<u>Subsidiary name</u>	<u>Principal place of operation</u>	<u>Registered capital</u>	<u>Place of registration</u>	<u>Business nature</u>	<u>Shareholding ratio (%)</u>		<u>Acquisition mode</u>
					direct	indirect	
						100.00	
Shandong Zhonglu Ocean cold storage Co., LTD	Yantai, Shandong Province	1,500 Ten thousand RMB	Yantai, Shandong Province	Warehousing service		Zhonglu Food holdings 100.00	Investment and establishment
YAW ADDO FISHERIES COMPANY LIMITED	Ghana		Ghana	Pelagic fishing			Operating lease

(2) Significant non-wholly owned subsidiary

<u>Company name</u>	<u>Minority shareholding</u>	<u>Profit or loss attributable to the minority for the current period</u>	<u>Dividends announced to distribute to the minority</u>	<u>Balance of the minority interests as at 31/12/2025</u>
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	40.95%	2,437,513.35		159,274,299.31
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	27.54%	6,521,437.29	2,023,035.69	104,394,041.11
Total		8,958,950.64	2,023,035.69	263,668,340.42

(3) Main financial information of significant non-wholly owned subsidiary

<u>Subsidiary name</u>	<u>Ending Balance</u>					
	<u>Current assets</u>	<u>Non-current assets</u>	<u>Total assets</u>	<u>Current liabilities</u>	<u>Non-current liabilities</u>	<u>Total liabilities</u>
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	390,989,961.45	188,427,536.15	579,417,497.60	184,446,707.40	6,022,562.33	190,469,269.73
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	420,490,349.67	106,515,246.37	527,005,596.04	140,678,184.27	7,264,081.67	147,942,265.94
Total	811,480,311.12	294,942,782.52	1,106,423,093.6	325,124,891.67	13,286,644.00	338,411,535.67

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(Continued)

<u>Subsidiary name</u>	<u>Initial Balance</u>
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	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	363,222,045.51	213,055,121.58	576,277,167.09	183,233,569.78	6,285,229.78	189,518,799.56
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd	<u>431,697,984.77</u>	<u>113,182,468.49</u>	<u>544,880,453.26</u>	<u>173,873,796.39</u>	<u>8,277,392.13</u>	<u>182,151,188.52</u>
Total	<u>794,920,030.28</u>	<u>326,237,590.07</u>	<u>1,121,157,620.3</u>	<u>357,107,366.17</u>	<u>14,562,621.91</u>	<u>371,669,988.08</u>

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(Continued)

Subsidiary name	Year ended 31/12/2025			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	393,404,470.47	5,952,413.56	2,189,860.34	37,249,478.73
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd	<u>729,879,883.68</u>	<u>23,679,873.96</u>	<u>23,679,873.96</u>	<u>-3,840,203.19</u>
Total	<u>1,123,284,354.1</u>	<u>29,632,287.52</u>	<u>25,869,734.30</u>	<u>33,409,275.54</u>

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(Continued)

Subsidiary name	Year ended 31/12/2024			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	352,164,528.36	-17,948,798.86	-16,271,364.26	6,652,357.21
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd		<u>16,936,404.15</u>	<u>16,936,404.15</u>	<u>40,630,473.41</u>

	<u>618,452,840.80</u>			
Total		<u>-1,012,394.71</u>	<u>665,039.89</u>	<u>47,282,830.62</u>
	<u>970,617,369.16</u>			

2. Interests in joint venture arrangements or joint ventures

Summary financial information of non-material joint ventures and associates

<u>Item</u>	<u>Ending Balance / Year ended</u> <u>31/12/2025</u>	<u>Initial Balance / Year ended</u> <u>31/12/2024</u>
Associated enterprise:		
Jinan Qini Food Technology Co., LTD	441,892.08	878,622.04
Total	441,892.08	878,622.04
The sum of the following items in proportion to shareholding	-436,729.96	-535,409.28
Among them: Net profit	-436,729.96	-535,409.28
Other comprehensive income	-	-
Total comprehensive income	-436,729.96	-535,409.28

① The basis for holding less than 20% of the voting rights with a significant impact, or holding 20% or more of the voting rights with no significant impact.

The subsidiary of the Company, Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd., holds 15.00% of Jinan Qinzhen Food Technology Co., Ltd., and appoints directors, which has a significant impact on its production and operation.

X. Government subsidy

1. Government grants recognized as other receivables at the end of the period

Closing balance of other receivables

<u>Company Name</u>	<u>Ending Balance (in Yuan)</u>
Qingdao Laoshan District Bureau of Agriculture and Rural Affairs	<u>107,287,931.00</u>
Total	<u>107,287,931.00</u>

Note: In accordance with the Notice on the Publicity of Subsidies for Improving International Performance Capability (2024) and the Notice on the Publicity of Subsidies for Improving International Performance Capability (2025), as of December 31, 2025, the Company and its controlling subsidiaries had total receivable subsidies for improving international performance capability of RMB 103,612,900. On February 2, 2026, the Company received RMB 19,000,000 of such subsidies. As of the date of issuance of the audit report, RMB 84,612,900 of subsidies for improving international performance

capability remained uncollected. The competent authority of such government grants, Qingdao Laoshan District Bureau of Agriculture and Rural Affairs, has stated that the funds will be disbursed in an orderly manner based on future fiscal fund conditions.

2. Liabilities involving government subsidies

<u>Financial statement item</u>	<u>As at 31/12/2024</u>	<u>New in the current period</u>	<u>Current account</u>	<u>Amount transferred to other income in the current period</u>	<u>Other in the current period</u>	<u>As at 31/12/2025</u>	<u>And assets / revenue correlation</u>
		<u>Amount of subsidy</u>	<u>Amount of non-operating income</u>	<u>other income in the current period</u>	<u>alteration</u>		
Deferred income	53,576,277.76	2,170,000.00	-	2,633,323.85	-	53,112,953.91	asset-related

3. Government grants recognised in profit or loss for the current period

<u>Item</u>	<u>Amount due in 2025</u>	<u>Amount due in 2024</u>
Other income	<u>59,370,970.61</u>	<u>71,904,398.08</u>
Total	<u>59,370,970.61</u>	<u>71,904,398.08</u>

XI. Related risks of financial instruments

1. The risk of the financial instruments

The main financial instruments of the Company include receivables, other receivables, payables and other payables, etc. For details of various financial instruments, see Note VI. The goal of the company engaged in risk management is to achieve an appropriate balance between risk and income, reduce the negative impact of risk on the company's business performance to a minimum level, and maximize the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the company's risk management is to determine and analyze various risks faced by the company, establish appropriate risk tolerance bottom line and conduct risk management, and timely and reliably supervise various risks, and control the risks within a limited range.

(1) Credit risk

Credit risk is the risk of financial loss to the Company if the customers or counterparties to the financial instruments fail to perform their obligations under the contracts. Credit risk mainly arises from accounts receivable from customers. The carrying value of accounts receivable and notes receivable and other receivables is the maximum credit risk of the Company for financial assets.

(2) Market risk

The market risk of financial instruments refers to the risk that the fair value of financial instruments or the future cash flow fluctuates due to the market price changes, including the exchange rate risk, interest rate risk and other price risks.

The Company uses sensitivity analysis technology to analyze the possible impact of reasonable and possible changes of market risk-related variables on the current profit and loss or shareholders' equity. Since any risk variable rarely changes in isolation and the correlation between variables will have a significant effect on the final amount of impact of a change in a risk variable, the following is made assuming that the change of each variable is independent.

① Exchange rate risk

Exchange rate risk refers to the risk that the fair value of financial instruments or the future cash flow fluctuates due to changes in the foreign exchange rate. The foreign exchange risks faced by the Company mainly come from the financial assets denominated in US dollars, and the amount of foreign currency financial assets translated into RMB is presented in VI.54 Foreign Currency Monetary Items.

② Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or the future cash flow fluctuates due to changes in the market interest rate. The interest rate risks faced by the Company mainly come from long-term bank loans. The company's loans are floating interest rate, and there is the risk of change in the RMB benchmark interest rate.

(3) Liquidity risk

Liquidity risk is the risk that the Company meets its obligations related to financial liabilities. Under the case of normal and tight funds, the Company ensures that there is sufficient liquidity to fulfill the maturing debts, and conducts financing consultations with financial institutions to maintain a certain level of standby credit line to reduce liquidity risk.

XII. Related parties and transactions

1. The parent company of the Company

<u>Name of parent company</u>	<u>Registered Address</u>	<u>Nature of business</u>	<u>Registration capital</u>	<u>The shareholding ratio of the parent company in the Company</u>	<u>The proportion of the voting rights of the parent company</u>
Shandong	Shandong	Investment and management,	4.5 billion	47.25%	47.25%

<u>Name of parent company</u>	<u>Registered Address</u>	<u>Nature of business</u>	<u>Registration capital</u>	<u>The shareholding ratio of the parent company in the Company</u>	<u>The proportion of the voting rights of the parent company</u>
State-owned assets investment Co. Ltd	Jinan	asset management and capital operation, entrustment management, investment consulting			

Note: State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government is the ultimate controller of the Company.

2. Subsidiaries of the Company

Details of subsidiaries refer to Note IX. 1. Interests in other entities.

3. The Group's joint ventures and associates

Significant joint ventures or associates of the Group are detailed in Note IX.2.

Any other joint venture or joint venture that has a balance of related party transactions with the Group in the current period or related party transactions with the Group in the previous period

The company situation is as follows:

<u>Name of a joint venture or joint venture</u>	<u>Relationship with the Group</u>
Jinan Qini Food Technology Co., LTD	Associated enterprise

4. Other related parties

<u>Entity name</u>	<u>Relationship</u>
Dezhou Bank Co., LTD	Controlled by the same parent company
Zhongtai Xincheng Asset Management Co., LTD	Controlled by the same parent company

5. Transactions with related parties

(1) List of goods sold/services provided

<u>Item</u>	<u>Related party transaction content</u>	<u>Current amount</u>	<u>Amount incurred in the previous period</u>
Ji Nan Qin Zhen Food Technology Co., Ltd.	Tuna product	279,267.40	187,919.91
Shandong State-owned Assets Investment Holding Co., Ltd.	Entrusted management fee	1,698,113.20	1,698,113.20
Total		<u>1,977,380.60</u>	<u>1,886,033.11</u>

(2) Associated entrusted management/contracting and entrusted management/contracting

Entrusted management/contracting information of the company

<u>Name of client</u>	<u>Name of trustee</u>	<u>Types of entrusted assets</u>	<u>Commencement date</u>	<u>Trustee termination date</u>	<u>Custodial income pricing basis</u>	<u>Current recognized Escrow income</u>
Shandong State-owned Assets Investment Holding Co., LTD	Shandong Zhonglu ocean fishing Co., LTD	Stock right	2022/4/14		Contract agreement	1,698,113.20

(3) Key management compensation

<u>Item</u>	<u>Current amount</u>	<u>Amount incurred in the previous period</u>
Key management compensation	4,256,788.00	3,406,277.00

(4) Other related transactions

<u>Item</u>	<u>Affiliated party</u>	<u>Current amount</u>	<u>Amount incurred in the previous period</u>
Deposit interest income	Dezhou Bank Co. LTD	273.46	4,979.71

6. Receivables due from and payables due to related parties

① Accounts receivable

<u>Item</u>	<u>Related party</u>	<u>Ending Balance</u>		<u>Initial Balance</u>	
		<u>Balance</u>	<u>Allowance for credit losses</u>	<u>Balance</u>	<u>Allowance for credit losses</u>
Accounts receivable	Jinan Qini Food Technology Co., LTD	138,262.40	6,913.12	139,828.40	7,814.97
Other receivables	Zhongtai Xincheng Asset Management Co., LTD	1,800,000.00	90,000.00	1,800,000.00	90,000.00
Other receivables	Shandong State-owned Assets Investment Holding Co., LTD			372,858.72	18,642.94

② Payable items

<u>Item</u>	<u>Related party</u>	<u>Ending Balance</u>		<u>Initial Balance</u>	
		Balance	Allowance for credit losses	Balance	Allowance for credit losses
Dividends receivable	Zhongtai Xincheng Asset Management Co., LTD	5,234,835.31		3,311,799.62	

XIII. Commitments and contingencies

1. Commitments

None.

2. Contingencies

None.

XIV. Post balance sheet events

1. Significant non-adjustment events after balance sheet date

None.

2. Distribution of profit

None.

XV. Other significant events

1. Pension scheme

According to relative laws, regulations and policies, the pension system of the company has been established to pay supplementary endowment insurance for employees (namely enterprise annuity) on the basis of attending primary endowment insurance lawfully. The company has set the operating efficiency coefficient in accordance with the actual operating conditions every year, and calculated the total amount paid by the enterprise through it. In the enterprise pension, the borne expenses of the company have been disclosed in the case of employee pay payable and the condition of the established escrow plan, and the individual cost has been paid by the company from their salary. This year, the enterprise pension has been increased RMB 265.99 million , relevant information shall be referred to "Note VI.23 Employee Benefits Payable".

2. Segment reporting

(1) Determination basis of segment reporting and related accounting policy

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

(2) Financial information of segment reporting

<u>Item</u>	<u>Oceanic fishing</u>	<u>Refrigerated transportation</u>	<u>Aquatic products processing and refrigeration</u>	<u>Others</u>	<u>Elimination between branches</u>	<u>Total</u>
Operating income	736,075,102.47	139,342,956.86	725,364,789.37	463,598.89	-125,435,326.69	1,475,811,120.90
Operating cost	693,406,658.79	105,228,797.32	682,201,281.19	397,092.62	-125,435,326.69	1,355,798,503.23
Credit impairment losses	-16,417,301.44	-229,119.37	-769,211.91	2,159.05		-17,413,473.67
Impairment of assets	-17,361,237.59		-5,546,632.10			-22,907,869.69
Depreciation and amortization	63,825,257.85	16,512,369.68	6,561,304.12	5,115,402.06		92,014,333.71
Profit before tax	19,871,172.54	24,269,390.97	26,462,284.83	-25,348,839.90	18,169.45	45,272,177.89
Income tax expenses	0.00	53,112.33	2,782,410.87	4,751.60		2,840,274.80
Net profit	19,871,172.54	24,216,278.64	23,679,873.96	-25,353,591.50	18,169.45	42,431,903.09
Total assets	<u>1,252,234,087.64</u>	<u>337,919,399.07</u>	<u>527,005,596.04</u>	<u>1,224,618,505.43</u>	<u>-1,173,564,493.2</u>	<u>2,168,213,094.94</u>
					4	
Total liabilities	<u>517,234,559.89</u>	<u>72,065,658.44</u>	<u>147,942,265.94</u>	<u>859,680,298.51</u>	<u>-787,048,630.97</u>	<u>809,874,151.81</u>

XVI. Notes to major items in the parent company's financial statements

1. Accounts receivable

(1) Aging disclosure

<u>Aging</u>	<u>Ending book balance</u>	<u>Opening book balance</u>
Within 6 months	6,986,938.33	371,704.92
6 months-1 years	150,000.00	
1-2 years		
2-3 years		
More than 3 years	<u>5,689,018.01</u>	<u>5,689,018.01</u>
Total	<u>12,825,956.34</u>	<u>6,060,722.93</u>

(2) Accounts receivable by provision method for allowance credit losses

<u>Item</u>	Ending Balance				
	Balance	PCT	Allowance for credit losses	PCT	Carrying amount
Individually assessment subject to allowance for credit losses	-	-	-	-	-
Grouping assessment subject to allowance for credit losses	12,825,956.34	100.00%	6,053,364.93	47.20%	6,772,591.41
Group 1: Non-affiliated party customer portfolio	12,825,956.34	100.00%	6,053,364.93	47.20%	6,772,591.41
Group 2: Combination of related parties	-	0.00%	-	-	-
Total	<u>12,825,956.34</u>	<u>100.00%</u>	<u>6,053,364.93</u>	<u>47.20%</u>	<u>6,772,591.41</u>

(Continued)

<u>Item</u>	Initial Balance				
	Balance	PCT	Allowance for credit losses	PCT	Carrying amount
Individually assessment subject to allowance for credit losses	-	-	-	-	-
Grouping assessment subject to allowance for credit losses	6,060,722.93	100.00%	5,707,603.26	94.17%	353,119.67
Group 1: Non-affiliated party customer portfolio	6,060,722.93	100.00%	5,707,603.26	94.17%	353,119.67
Group 2: Combination of related parties	-	<u>0.00%</u>	-	-	-
Total	<u>6,060,722.93</u>	<u>100.00%</u>	<u>5,707,603.26</u>	<u>94.17%</u>	<u>353,119.67</u>

Group 1: Accounts receivable due from non-affiliated party customer portfolio:

<u>Aging</u>	Ending Balance		
	Balance	Allowance for credit losses	PCT
Within 6 months	6,986,938.33	349,346.92	5.00%
6 months-1 years	150,000.00	15,000.00	10%
1-2 years	-	-	-
2-3 years	-	-	-
More than 3 years	<u>5,689,018.01</u>	<u>5,689,018.01</u>	100.00%
Total	<u>12,825,956.34</u>	<u>6,053,364.93</u>	

(Continued)

<u>Aging</u>	<u>Initial Balance</u>		
	<u>Balance</u>	<u>Allowance for credit losses</u>	<u>PCT</u>
Within 6 months	371,704.92	18,585.25	5.00%
6 months-1 years	-	-	-
1-2 years	-	-	-
2-3 years	-	-	-
More than 3 years	<u>5,689,018.01</u>	<u>5,689,018.01</u>	100.00%
Total	<u>6,060,722.93</u>	<u>5,707,603.26</u>	

(3) Allowance for credit losses

<u>Item</u>	<u>Initial Balance</u>	<u>Amount of change in the current period</u>				<u>Ending Balance</u>
		<u>Provision</u>	<u>Recovery or reversal</u>	<u>Write off</u>	<u>Others</u>	
Accounts receivable	<u>5,707,603.26</u>	<u>345,761.67</u>	=	=	=	<u>6,053,364.93</u>
Total	<u>5,707,603.26</u>	<u>345,761.67</u>	=	=	=	<u>6,053,364.93</u>

(4) Account receivables and contractual assets in the top five closing balances collected by defaulter

<u>Name of the company</u>	<u>Ending balance of accounts receivable</u>	<u>Ending balance of contract assets</u>	<u>Ending balance of accounts receivable and contract assets</u>	<u>Proportion of the total amount</u>	<u>Ending balance of allowance for doubtful accounts</u>
A	4,902,012.64	-	4,902,012.64	38.22%	245,100.63
B	1,545,161.37	-	1,545,161.37	12.05%	77,258.07
C	3,600,962.12	-	3,600,962.12	28.08%	3,600,962.12
D	494,464.38	-	494,464.38	3.86%	24,723.22
E	<u>430,625.10</u>	=	<u>430,625.10</u>	<u>3.36%</u>	<u>430,625.10</u>
Total	<u>10,973,225.61</u>	=	<u>10,973,225.61</u>	<u>85.57%</u>	<u>4,378,669.14</u>

2. Other receivables

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Interest receivable		
Dividends receivable	26,199,905.76	35,932,821.99
Other receivables	<u>186,581,184.21</u>	<u>154,348,571.29</u>
Total	<u>212,781,089.97</u>	<u>190,281,393.28</u>

(1) Dividends receivable

① Classification and disclosure of dividends receivable

<u>Item</u>	<u>Ending Balance</u>	<u>Initial Balance</u>
Subsidiary dividend	26,199,905.76	35,932,821.99
Less: Allowance for credit losses	-	-
Total	<u>26,199,905.76</u>	<u>35,932,821.99</u>

(2) Other receivables

① Aging analysis of other receivables

<u>Aging</u>	<u>Ending book balance</u>	<u>Opening book balance</u>
Within 6 months	103,771,598.81	103,153,829.72
6 months-1 years	29,978,544.25	10,453,343.64
1-2 years	31,941,978.87	19,798,789.92
2-3 years	5,449,355.66	19,724,559.51
More than 3 years	<u>32,493,625.82</u>	<u>13,009,773.80</u>
Total	<u>203,635,103.41</u>	<u>166,140,296.59</u>

② Category of other receivables by nature

<u>Nature</u>	<u>Ending book balance</u>	<u>Opening book balance</u>
Intra-company transaction	157,404,302.58	136,748,535.22
Imprest funds and others	<u>46,230,800.83</u>	<u>29,391,761.37</u>
Total	<u>203,635,103.41</u>	<u>166,140,296.59</u>

③ Classified disclosure according to bad debt provision method

<u>category</u>	<u>Ending Balance</u>				
	<u>Book balance</u>	<u>scale</u>	<u>Bad debt reserve</u>	<u>Provision ratio</u>	<u>Book value</u>
Provision for bad debts on an individual basis	6,936,767.11	3.41%	6,936,767.11	100.00%	-
Provision for bad debts on a portfolio basis	196,698,336.30	96.59%	10,117,152.09	5.14%	186,581,184.21
Including: Aging portfolio	46,230,800.83	22.70%	10,117,152.09	21.88%	36,113,648.74
Combine related party combinations	<u>150,467,535.47</u>	<u>73.89%</u>	-	-	<u>150,467,535.47</u>
Total	<u>203,635,103.41</u>	<u>100.00%</u>	<u>17,053,919.20</u>	8.37%	<u>186,581,184.21</u>

(continue)

<u>Item</u>	<u>Initial Balance</u>				
	<u>Book balance</u>	<u>scale</u>	<u>Bad debt reserve</u>	<u>Provision ratio</u>	<u>Book value</u>
Provision for bad debts on an	6,936,767.11	4.18%	6,936,767.11	100.00%	-

<u>Item</u>	Initial Balance				Book value
	Book balance	scale	Bad debt reserve	Provision ratio	
individual basis					
Provision for bad debts on a portfolio basis	159,203,529.48	95.82%	4,854,958.19	3.05%	154,348,571.29
Including: Aging portfolio	29,391,361.37	17.69%	4,854,958.19	16.52%	24,536,403.18
Combine related party combinations	<u>129,812,168.11</u>	<u>78.13%</u>	-	-	<u>129,812,168.11</u>
Total	<u>166,140,296.59</u>	<u>100.00%</u>	<u>11,791,725.30</u>	7.10%	<u>154,348,571.29</u>

1) Allowance for doubtful accounts provided on an individual basis:

<u>Item</u>	Ending Balance			Reasons for Accrual
	Carrying Amount	Provision for Bad Debts	Provision Rate	
YAW ADDO FISHERIES COMPANY LIMITED	<u>6,936,767.11</u>	<u>6,936,767.11</u>	<u>100.00%</u>	YAW payment for vessel purchase: The vessel has been disassembled, and YAW is unable to pay the amount due. Hence, a bad debt provision has been made.
Total	<u>6,936,767.11</u>	<u>6,936,767.11</u>	<u>100.00%</u>	

2) Provision for bad debts on a portfolio basis

Combined itemization: Aging portfolio

<u>name</u>	Ending Balance		
	Book balance	Bad debt reserve	Provision ratio
0-6 months	24,731,184.05	1,236,559.20	5.00%
6 months. - 1 year	89,427.07	8,942.71	10.00%
1 to 2 years	17,887,848.97	5,366,354.69	30.00%
2 to3 years	34,090.52	17,045.27	50.00%
More than 3 years	<u>3,488,250.22</u>	<u>3,488,250.22</u>	100.00%

<u>name</u>	Ending Balance		
	Book balance	Bad debt reserve	Provision ratio
Total	<u>46,230,800.83</u>	<u>10,117,152.09</u>	

(continue)

<u>name</u>	Initial Balance		
	Book balance	Bad debt reserve	Provision ratio
0-6 months	25,043,636.86	1,252,181.84	5.00%
6 months. - 1 year	634,980.31	63,498.03	10.00%
1 to 2 years	206,005.85	61,801.76	30.00%
2 to3 years	59,323.58	29,661.79	50.00%
More than 3 years	<u>3,447,814.77</u>	<u>3,447,814.77</u>	100.00%
Total	<u>29,391,761.37</u>	<u>4,854,958.19</u>	

④ The provision of allowance for credit losses

<u>The allowance for credit losses</u>	<u>Stage one</u>	<u>Stage two</u>	<u>Stage three</u>	<u>Total</u>
	<u>12-month ECL</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
		<u>(credit</u>	<u>(credit-impaired</u>	
		<u>-unimpaired)</u>	<u>]</u>	
Beginning balance	1,407,143.42	-	10,384,581.88	11,791,725.30
Revaluation of beginning balance	1,407,143.42	-	10,384,581.88	11,791,725.30
Provision	5,221,758.45	-	40,435.45	5,262,193.90
Reversal	-	-	-	
Charge off	-	-	-	
Write-off	-	-	-	
Other changes	-	-	-	
Ending balance	<u>6,628,901.87</u>	=	<u>10,425,017.33</u>	<u>17,053,919.20</u>

⑤ Allowance for credit losses

<u>Item</u>	<u>Initial Balance</u>	<u>Amount of change in the current period</u>				<u>Ending Balance</u>
		Provision	Recovery or reversal	Write off	Exchange impact	

<u>Item</u>	<u>Initial Balance</u>	<u>Amount of change in the current period</u>			<u>Ending Balance</u>
Allowance for credit losses of other receivables	<u>11,791,725.30</u>	<u>5,262,193.90</u>	=	=	= <u>17,053,919.20</u>
Total	<u>11,791,725.30</u>	<u>5,262,193.90</u>	=	=	= <u>17,053,919.20</u>

⑥ Other receivables due from the top five debtors are as follows:

<u>Name of the unit</u>	<u>Nature of payment</u>	<u>Ending Balance</u>	<u>Aging</u>	<u>As a percentage of the total amount</u>	<u>Ending balance of allowance for credit losses</u>
LAIF. FISHERIES. COMPANY LIMITED	Current account	70,624,026.75	Within 1 year	34.68%	-
Shandong Zhonglu Haiyan Ocean Fishery Co., Ltd.	Current account	40,410,113.50	Within 1 year, 1-3 years	19.84%	-
Qingdao Laoshan District Bureau of Agriculture and Rural Affairs	Government grant receivable	39,758,735.00	0-6 months, 1-2 years	19.52%	6,440,958.00
YAW ADDO FISHERIES COMPANY LIMITED	Current account	11,083,500.71	Within 1 year, 1-3 years or more	5.44%	-
Shandong Zhonglu Aquatic Shipping Co., Ltd.	Current account	<u>8,279,334.72</u>	1-3 years or more	<u>4.07%</u>	=
Total		<u>170,155,710.68</u>		<u>83.55%</u>	

3. Long-term equity investments

<u>Item</u>	<u>Ending Balance</u>			<u>Initial Balance</u>		
	<u>Balance</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>	<u>Balance</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>
Investment to subsidiaries	<u>328,189,455.23</u>		<u>328,189,455.23</u>	<u>328,189,455.23</u>		<u>328,189,455.23</u>
Total	<u>328,189,455.23</u>		<u>328,189,455.23</u>	<u>328,189,455.23</u>		<u>328,189,455.23</u>

Investment to subsidiaries

<u>Investee</u>	<u>Initial Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
HABITAT INTERNATIONAL	12,476,145.60	-	-	12,476,145.60

<u>Investee</u>	<u>Initial Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
CORP.				
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.	141,395,611.01	-	-	141,395,611.01
Zhonglu Ocean (Qingdao) Industrial Investment Development Co., Ltd.	<u>96,000,000.00</u>	=	=	<u>96,000,000.00</u>
Total	<u>328,189,455.23</u>	-	=	<u>328,189,455.23</u>

4. Operating income and operating costs

(1) Operating income and operating costs

<u>Item</u>	<u>Year ended 31/12/2025</u>		<u>Year ended 31/12/2024</u>	
	<u>Income</u>	<u>Cost</u>	<u>Income</u>	<u>Cost</u>
Primary operating business	326,925,080.02	306,754,412.39	365,145,627.80	337,377,622.64
Other operating business	<u>7,528,623.53</u>	<u>3,525,898.68</u>	<u>7,967,752.33</u>	<u>3,144,057.83</u>
Total	<u>334,453,703.55</u>	<u>310,280,311.07</u>	<u>373,113,380.13</u>	<u>340,521,680.47</u>

(2) The income generated by the contract

① Current operating income is classified according to the time of revenue recognition

<u>Classification of contract</u>	<u>Product sales revenue</u>		<u>Other business income</u>		<u>total</u>	
	<u>Operating income</u>	<u>Operating cost</u>	<u>Operating income</u>	<u>Operating cost</u>	<u>Operating income</u>	<u>Operating cost</u>
Confirm at a certain point	326,925,080.02	306,754,412.39	-	-	326,925,080.02	306,754,412.39
Confirm within a certain period of time	=	=	<u>1,698,113.19</u>	=	<u>1,698,113.19</u>	=
Total	<u>326,925,080.02</u>	<u>306,754,412.39</u>	<u>1,698,113.20</u>	=	<u>328,623,193.21</u>	<u>306,754,412.39</u>

② Income from applicable lease criteria

<u>Item</u>	<u>Rent Rental and others</u>		<u>Total</u>	
	<u>Operating income</u>	<u>Operating cost</u>	<u>Operating income</u>	<u>Operating cost</u>
Income from main business				

Other business income	<u>5,830,510.34</u>	<u>3,525,898.68</u>	<u>5,830,510.34</u>	<u>3,525,898.68</u>
Total	<u>5,830,510.34</u>	<u>3,525,898.68</u>	<u>5,830,510.34</u>	<u>3,525,898.68</u>

5. Investment income

<u>Item</u>	<u>Year ended</u> <u>31/12/2025</u>	<u>Year ended</u> <u>31/12/2024</u>
Gain/(Loss) from long-term equity investments in cost method	31,522,678.67	18,183,814.22
Bill discounting expenses	-	-100,548.20
Total	<u>31,522,678.67</u>	<u>18,083,266.02</u>

XVII. Supplementary information

1. Details of non-recurring gain or loss for the year

<u>Item</u>	<u>Amount</u>	<u>Remark</u>
Disposal of profits and losses of non-current assets, including the offset part of the asset impairment provisions	-2,189,178.62	-
The government subsidies included in the current profit and loss, except the government subsidies that are closely related to the normal operation of the company, conform to the national policies and regulations, are enjoyed according to the determined standards, and have a sustained impact on the company's profit and loss	3,612,270.61	-
In addition to the effective hedging business related to the normal operation of the Company, the gains and losses arising from the fair value changes caused by the holding of financial assets and financial liabilities and the gains and losses generated by the disposal of financial assets and financial liabilities		-
Custodian fee income obtained from the entrusted operation	1,698,113.19	-
Other non-operating income and expenses other than the above items	210,442.94	-
Deduct: Income tax impact	243,495.76	-
The impact of minority shareholders' equity	51,577.75	-
Total	3,036,574.61	-

Note: In accordance with the Notice on Implementing the 2021 Fishery Development Subsidy Policy (Document No. Nongban Jicai [2021] No. 24) and the Notice on Implementing 2025 Agricultural Industry Development Fund Projects Related to Distant-Water Fisheries (Document No. Nongyu Yuanhan [2025] No. 81), the Company received a government grant of RMB 55,758,700 this year to enhance international performance capabilities. As of December 31, 2025, no such subsidy has been received. Since this grant is directly associated with the Company's performance rating and fishing vessel operating hours and is calculated based on parameters including the Company's performance rating and fishing vessel operating hours according to the rates set by relevant national and provincial authorities, it has not been presented as non-recurring profit or loss.

2. Return on equity and earnings per share

<u>Profit in report period</u>	<u>Weighted average return</u> <u>on equity</u>	<u>Earnings per share</u>	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the common share holders	3.11%	0.13	0.13
Net profit attributable to the common shareholders after deducting non-recurring gain or loss items	2.82%	0.11	0.11