

Shandong Zhonglu Oceanic Fisheries Co., Ltd.

Annual Report for Year of 2019

March 2020

Section I. Important Notice, Contents and Interpretation

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

Lu Lianxing, Principal of the Company, Fu Chuanhai, person in charge of accounting works and Lei Lixin, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2019 Annual Report is authentic, accurate and complete.

All directors are attended the Board Meeting for report deliberation.

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

Certain risks that may exist in the Company's business operation and countermeasures adopted by the Company are disclosed in "IX. Outlook of future development" in the Section IV. "Discussion and Analysis on Operation",

which shall be brought to attention of investors.

This report has been prepared in Chinese and English version respectively. In the event of difference in interpretation between the two versions, Chinese report shall prevail.

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

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Interpretation

Items	Refers to	Contents
The Company, Company or ZLYY	Refers to	Shandong Zhonglu Oceanic Fisheries Co., Ltd.
Shandong State-owned Assets Investment	Refers to	Shandong State-owned Assets Investment Holding Company Limited
SASACP	Refers to	State-owned Assets Supervision and Administration Commission of Shandong Provincial Government
CSRC	Refers to	China Securities Regulatory Commission
The report	Refers to	Annual Report for 2019 compiled by the Company

Section II. Company Profile and Main Financial Indexes

I. Company information

Short form of the stock	Zhonglu-B	Stock code	200992
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	山东省中鲁远洋渔业股份有限公司		
Short form of the Company (in Chinese)	中鲁远洋		
Foreign name of the Company (if applicable)	Shandong Zhonglu Oceanic Fisheries Company Limited		
Short form of foreign name of the Company (if applicable)	ZLYY		
Legal representative	Lu Lianxing		
Registrations add.	No. 29 Miaoling Rd. Laoshan District, Qingdao, Shandong		
Code for registrations add	266061		
Offices add.	No. 65 Haier Rd., Laoshan District, Qingdao, Shandong		
Codes for office add.	266061		
Company website	http://www.zofco.cn/		
Email	zl000992@163.com		

II. Person/Way to contact

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

III. Information disclosure and preparation place

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

IV. Registration changes of the Company

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

V. Other relevant information

CPA engaged by the Company

Name of CPA	WUYIGE Certified Public Accountants LLP
Offices add. for CPA	15/F College International Building, No.1 Zhichun Rd., Haidian District, Beijing
Signing Accountants	Zhong Benqing, Zhang Lifa

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

 Applicable Not applicable

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

 Applicable Not applicable**VI. Main accounting data and financial indexes**

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

 Yes No

	2019	2018	Changes over last year	2017
Operating income (RMB)	1,128,951,902.68	1,023,348,055.53	10.32%	924,116,785.80
Net profit attributable to shareholders of the listed company (RMB)	82,311,630.23	90,281,584.29	-8.83%	91,517,485.28

Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	80,410,900.02	88,188,293.14	-8.82%	85,499,842.39
Net cash flow arising from operating activities (RMB)	110,296,542.67	69,635,895.65	58.39%	63,205,894.49
Basic earnings per share (RMB/Share)	0.31	0.34	-8.82%	0.34
Diluted earnings per share (RMB/Share)	0.31	0.34	-8.82%	0.34
Weighted average ROE	9.74%	12.06%	-2.32%	13.79%
	Year-end of 2019	Year-end of 2018	Changes over end of last year	Year-end of 2017
Total assets (RMB)	1,288,526,843.80	1,213,282,583.68	6.20%	1,065,483,763.80
Net assets attributable to shareholder of listed company (RMB)	887,201,969.69	803,507,440.24	10.42%	703,769,793.95

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

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

Applicable Not applicable

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

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

Applicable Not applicable

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

VIII. Quarterly main financial index

In RMB

	Q 1	Q 2	Q 3	Q 4
Operating income	255,046,260.12	260,422,399.02	320,310,591.10	293,172,652.44
Net profit attributable to shareholders of the listed company	5,889,311.73	22,530,782.47	39,690,937.43	14,200,598.60

Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	5,698,263.62	22,314,136.84	39,369,970.16	13,028,529.40
Net cash flow arising from operating activities	8,105,851.14	-12,346,698.44	79,603,826.29	34,933,563.68

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

Yes No

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

Applicable Not applicable

In RMB

Item	2019	2018	2017	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)		-144,859.41	422,100.74	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	2,704,851.78	3,508,705.48	6,401,185.48	
Other non-operating income and expenditure except for the aforementioned items	-22,546.48	-348,549.52	-83,259.70	
Less: Impact on income tax	229,456.99	87,540.62	197,626.19	
Impact on minority shareholder's equity (after-tax)	552,118.10	834,464.78	524,757.44	
Total	1,900,730.21	2,093,291.15	6,017,642.89	--

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

Applicable Not applicable

Item	Amount (RMB)	Reason
Subsidy for exploitation and utilization of international fishery resources	20,504,756.24	The subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business

Section III. Summary of Company Business

I. Main businesses of the company in the reporting period

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

(i) Business introduction

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

1. Pelagic fishing

During the reporting period, the Company has owned a total of 23 vessels for ocean-going fishing, including 7 large-scale tuna seiners (units), 14 large ultra-low temperature tuna long liners, and 2 medium-sized trawlers, which have been respectively working in Indian Ocean and the Garner in Atlantic Ocean.① In the long-lining operation, the main operating area has been in the Indian Ocean, the company actively carried out international fishery cooperation and timely changed fisheries through scientific dispatch, which brought more abundant fishing species, and the yield and benefits have increased, especially the high-value fish output increased by 157. %. The newly constructed tuna longliner "Tai Xiang 11" was put into use in July 2019, its operation has been in good condition, and the investment effect has begun to show up. ②In terms of the purse seine fishing, the main operating area was in the Atlantic Ocean. According to the industrial environment and development situation, in the past two years, the company has successfully set up a fleet of 7 (group) large tuna seiners in the Atlantic Ocean, this year, all 7 large tuna seiners have been put into production, the production status has been good, and the total catch has increased significantly compared with the previous year. ③The output and yield from Ghana trawling project have achieved a growth from a year earlier while insufficient in profitability overall. The main obstacles to the development of the project including narrow fishing ground, the reduction of trawl species resources and aging of the vessels.

2. Refrigerated transport

in reporting period, the refrigerated transport ship of the Company is engaged in the international operation and services, and has access to major ports around the world, suitable for ocean transportation of aquatic products, meat, poultry, vegetables and fruits, and for the tuna transport business as well. Multiple measures are taken in order to complete the economic indicators for the whole year: ①Continuously improved the company's SMS system work and strengthened the standardized management of enterprises. ②Kept a foothold on the Asia-Pacific special refrigerated freight market, strive to increase the market share, strictly controlled the cost accounting,

strengthened the ship equipment maintenance, ensured the sailing rate, and promoted the rental income maximization. ③ Paid close attention to exchange rate trends and settled exchanges in a timely manner to minimize exchange rate risks. This year, a new advanced refrigerated transport ship “Xin Mao Chang” with a high degree of automation and a polar sailing certificate was newly purchased, and the ship has been put into operation in October, and the investment effect is obvious.

3. Refrigeration processing trade

During the reporting period, the overall depression in the tuna processing industry, the sluggish market prices of the finished products, the sharp increase in inventory, plus the Sino-US trade frictions, the sluggish sashimi tuna market in Japan, and other negative factors caused difficulties in operating the refrigerated processing trade, and the profitability has weakened. Facing the harsh market environment, the company carefully studied the situation, closely followed market changes, innovated business ideas and innovative management methods, and adopted a series of measures: ① Gave full play to the distribution center of China’s tuna trading center and the deep processing and cold chain logistics base of deep-sea fishing products in Shandong Province, increased the efforts of self-fishing return purchase and deep processing, and formed a processing industrial chain centered on Zhonglu food, which had far-reaching significance for making the refined and strong tuna industry chain. ② Paid attention to improving the mechanization and automation level of processing, accelerated the conversion of new and old kinetic energy, promoted the research and development of the “Five Fast” project, strive to achieve the production and processing 4.0, and ensured the smooth operation of production and operation. ③ Increased market development efforts, focused on cultivating new models of tuna storage, and actively expanded international and domestic trade. ④ Expanded sales business, digested inventory, speed up the turnover of goods, rationally arranged funds and optimized financing structure, and increased the turnover and utilization rate of inventory and funds.

(ii) The development stage and the cyclical characteristics of the industry and the company’s position in industry

1. The development stage of the industry

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

2. Industry characteristics and the industry position of the company

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

II. Major changes in main assets

1. Major changes in main assets

Major assets	Note of major changes
Equity assets	No major change.
Fixed assets	Increased 36.83 million Yuan over that of last period: the newly-built long line boat "Taixiang 11" was transfer to fixed assets from construction in progress, and the transportation vessel "Xin Mao Chang" purchased has been put into operation.
Intangible assets	No major change.
Construction in progress	Decreased 11.07 million Yuan over that of last period, the newly-built long line boat "Taixiang 11" was transfer to fixed assets

2. Main overseas assets

√Applicable □Not applicable

Content	Reasons	Assets scale	Location	Operating mode	Control measures to ensure the safety of assets	Earnings status	Ratio of the overseas assets in net assets of the Company	Whether has major impairment risks or not (Y/N)
HABITAT INTERNATIONAL CORPORATION	Wholly-owned subsidiary established aboard	266,679,214.45	Panama	Independent operation	Ship and personnel insurance	26,269,923.39	25.52%	N

ZHONG GHA FOODS COMPAN Y LIMITED	Wholly-ow ned subsidiary established aboard	177,203,97 3.88	The Republic of Ghana	Independen t operation	A professiona l manageme nt team, ship and personnel insurance overseas posting	-6,457,868. 85	16.96%	N
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III. Core competitiveness analysis

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

As a comprehensive fishery enterprise, the company's core competitiveness is mainly reflected in the following aspects:① over the 20-year development, the Company is a comprehensive fishery enterprise integrating pelagic fishing, refrigerated transport, and refrigeration and processing and trading of aquatic products, its main business involves all key links of industry chain, and the businesses among all operating entities are highly related, possess the conditions for overall collaborative operation, and provides guarantee for strengthening and extending the industrial chain strategy; ② as one of the enterprises engaged in deep-sea fishing business at the earliest in China, the company starts the production and operation early with high starting point, and high-quality talents and assets. After many years of professional management, the company has accumulated a large number of professional talents covering all fields of deep-sea fishing. ③the distant fishery, we mainly operates, is the parts of "going out" strategy and maritime strategy of the country, and also it is the part of Blue Economic Zone Plans in Shandong Province. The distant fishery still has a development opportunity in way of depth adjustment. The 14 tuna fishing boats produced in the Indian Ocean had a significant increase in output through the scientific dispatch of changing fisheries in a timely manner, which made a greater contribution to the company's completion of the business plan. The company seized the great opportunity of implementing new and old kinetic energy conversion in Shandong Province, during the reporting period, the newly constructed tuna longliner "Tai Xiang 11" was put into use in July 2019, its operation has been in good condition, and the investment effect has begun to show up. The Atlantic tuna seine project has been on the right track after two years of exploration and practice, under the strict protection of the WCPFC in the Central and Western Pacific and the ICCAT organization in the Atlantic, the company's tuna seine business can develop steadily.④ Ocean shipping is an important part of the company's main business, the existing refrigerated transport fleet is at an advanced level in the country in terms of the number of ships, gross tonnage or profitability. During the reporting period, a new advanced refrigerated transport ship "Xin Mao Chang" with a high degree of automation and a polar sailing certificate was newly purchased, and the ship has been put into operation in October, 2019, and the investment effect is obvious. The purchase of transport ships not only increased the fleet size, but also increased the proportion of younger transport ships and increased their

competitiveness in the ocean transportation market. ⑤With the country's largest ultra-low temperature cold storage and raw food processing plant, China's Tuna Trading Center and the newly-built tuna electronic trading platform system have strengthened the company's advantages in tuna processing and trading capabilities, the 30,000-ton ultra-low temperature & variable temperature cold storage and supporting facilities of Zhonglu Refrigerated Logistics Center has pioneered a number of new technologies and is operating well. ⑥The Company's pelagic fishing production area is in the Atlantic Ocean and the Indian Ocean, our refrigerated transport has reached most of the world's major ports, and the import and export trade spread all over the world. With the implementation of the "One Belt and One Road" strategy, countries along the road strengthen the bilateral mutual trust and have closer cooperation. With a series of development planning issued by the country and governments at all levels, our company faces new development opportunities.

The Company will make good use of these strategic resources, creating innovative, keeping forge ahead and moving forward, and participated in the construction of new-aged energy transform actively, accelerate the strategic transformation, and vigorously implement the industrial chain extension projects to upgrade the influence and competitive power in deep-sea fishing market in and out of China.

Section IV Discussion and Analysis on Operation

I. Introduction

In 2019, the company adhered to strategy-oriented, profit-centric, market-oriented, and continued to lead high-quality development of enterprise with high-quality party building, tapped potentials and increased efficiency through refined management, grasped production and operation, enterprise management, and safety risks, sought continuous improvement in the quality of business management, practically ensured the healthy and sustainable development of the enterprise, and fulfilled the various tasks and goals set at the beginning of the year.

(i) Review of the company's operations during the reporting period

1. Pelagic fishing: For the tuna seine fishing business, the company's 7 groups of tuna seiners in this period have been in good condition and the fishing output has reached the expected target. Through scientific management and application of advanced technology equipment such as remote monitoring of electric buoys and artificial nets, at present, the output of ships is at the leading level in the Atlantic fishing area. The tuna longline fishing business strive to overcome the unsatisfactory situations of Japanese tuna market saturation, oversupply of international fish supply and continued falling prices, grasped the main business, took party building as the guide, focused on production and fishing, took safety as guarantee, took innovation and efficiency as targets, and took the road of sustainable development, the construction project of "Tai Xiang 11" was successfully completed and put into production, which opened a new fishing ground for tuna long-lining, the fishing output is good and has broken the historical peak. During the reporting period, the pelagic fishing sector achieved an operating income of 481.29 million Yuan with 23.93% up on a y-o-y basis; the total profit counted as 81.87 million Yuan, a 42.38% growth from a year earlier.

2. Refrigerated transport: Continued to implement standardized management, strengthened innovative development models, intensified team building, enhanced the vitality of enterprise development, strengthened cultural construction, enhanced the soft power of enterprise development, paid close attention to safe production and operation, strengthened ship management, and improved the sailing rate of ships to ensure the ship operating rate. A new transport ship "Xin Mao Chang" was purchased and put into production and operation smoothly in the second half of the year, which accelerated the company's transformation and upgrading and provided momentum for sustainable and high-quality development. During the reporting period, achieved an operating income of 101.34 million Yuan with 8.19% up on a y-o-y basis; the total profit counted as 32.49 million Yuan, a 4.54% growth from a year earlier.

3. Cold storage processing trade: Under the multiple pressures of the weak domestic and foreign tuna markets, falling prices, and destocking to prevent risks, the company took "upgrade, update, destocking, and risk reduction" as management theme, and fully implemented "addition, subtraction, multiplication, and division" methods, cultivated new growth points, worked together to destock, built network sales platforms, and improved product returns. During the reporting period, achieved an operating income of 672.61 million Yuan with 6.05% up on a y-o-y basis; the total profit counted as 7.51 million Yuan, a 71.27% declined from a year earlier.

(ii) General operation

In reporting period, the Company achieved operating income of 1128.95 million Yuan, increased 10.32% compared last year's 1023.35 million Yuan; total profit achieved 101.69 million Yuan, increased 0.18% compared last year's 101.51 million Yuan; net profit attributable to parent company amounted as 82.31 million Yuan, decreased 8.83% compared last year's 90.28 million Yuan. Total assets amounted as 1288.53 million Yuan with 6.20% growth compared balance at period-begin.

II. Main business analysis**1. Introduction**

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

2. Income and cost**(1) Constitute of operating income**

In RMB

	2019		2018		Increase/decrease y-o-y
	Amount	Ratio in operating income	Amount	Ratio in operating income	
Total operating income	1,128,951,902.68	100%	1,023,348,055.53	100%	10.32%
According to industries					
Pelagic fishing	478,523,402.07	42.39%	388,368,733.12	37.95%	23.21%
Vessel leasing	101,340,331.62	8.98%	93,665,444.15	9.15%	8.19%
Cold storage processing trade	672,613,037.45	59.58%	634,264,534.60	61.98%	6.05%
Other	5,513,946.97	0.49%	4,619,916.39	0.45%	19.35%
Internal transaction offset	-129,038,815.43	-11.43%	-97,570,572.73	-9.53%	-32.25%
According to products					
Pelagic fishing	478,523,402.07	42.39%	388,368,733.12	37.95%	23.21%
Vessel leasing	101,340,331.62	8.98%	93,665,444.15	9.15%	8.19%
Cold storage processing trade	672,613,037.45	59.58%	634,264,534.60	61.98%	6.05%
Other	5,513,946.97	0.49%	4,619,916.39	0.45%	19.35%
Internal transaction offset	-129,038,815.43	-11.43%	-97,570,572.73	-9.53%	-32.25%
According to region					
Japan	198,601,950.39	17.59%	241,334,986.00	23.58%	-17.71%

Mainland China	347,712,087.60	30.80%	452,086,114.82	44.18%	-23.09%
Taiwan China	111,626,402.87	9.89%	133,574,439.78	13.05%	-16.43%
Ghana	214,190,805.60	18.97%	112,277,423.59	10.97%	90.77%
Russia	109,321,611.00	9.68%	0.00	0.00%	
Other	276,537,860.65	24.50%	181,645,664.07	17.75%	52.24%
Internal transaction offset	-129,038,815.43	-11.43%	-97,570,572.73	-9.53%	-32.25%

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

√Applicable □Not applicable

In RMB

	Operating income	Operating cost	Gross profit ratio	Increase/decrease of operating income y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Pelagic fishing	478,523,402.07	375,102,964.63	21.61%	23.21%	18.56%	3.07%
Vessel leasing	101,340,331.62	63,289,589.21	37.55%	8.19%	5.76%	1.44%
Cold storage processing trade	672,613,037.45	637,242,915.37	5.26%	6.05%	11.65%	-4.52%
According to products						
Pelagic fishing	478,523,402.07	375,102,964.63	21.61%	23.21%	18.56%	3.07%
Vessel leasing	101,340,331.62	63,289,589.21	37.55%	8.19%	5.76%	1.44%
Cold storage processing trade	672,613,037.45	637,242,915.37	5.26%	6.05%	11.65%	-4.52%
According to region						
Japan	198,601,950.39	188,508,363.78	5.08%	-17.71%	-14.31%	-3.77%
Mainland China	347,712,087.60	286,422,780.03	17.63%	-23.09%	-5.62%	-15.24%
Ghana	214,190,805.60	160,131,541.94	25.24%	90.77%	84.05%	2.73%

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

□ Applicable √ Not applicable

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

√ Yes □ No

Industries	Item	Unit	2019	2018	Increase/decrease y-o-y
Pelagic fishing	Sales volume	Ton	47,515	35,477	33.93%
	Production	Ton	47,016	37,676	24.79%
	Inventory	Ton	8,208	8,707	-5.73%
Cold storage processing trade	Sales volume	Ton	16,946	15,005	12.94%
	Production	Ton	18,017	16,296	10.56%
	Inventory	Ton	7,175	6,104	17.55%

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

√Applicable □Not applicable

The sales volume of pelagic fishing and its reprocessing business segment has a year-on-year growth of 33.93%, mainly due to the company's Atlantic tuna purse seine project, there was a total of 5 seiners for production operations, the situation of last year was that 3 of the purse seiners had only been put into operation in the second half year, while all 5 purse seiners were put into operation throughout the year, so the catching amount had a year-on-year increase, and the sales volume has also expanded while the output was increasing.

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

□ Applicable √ Not applicable

(5) Constitute of operation cost

Industry classification

Industry classification

In RMB

Industry classification	Item	2019		2018		Y-o-y changes
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Pelagic fishing	Access fishing fee	10,037,813.25	2.68%	8,617,553.88	2.85%	16.48%
Pelagic fishing	Raw material	72,206,003.43	19.25%	64,966,219.00	21.47%	11.14%
Pelagic fishing	Fuels & energy	109,142,256.09	29.10%	88,418,316.09	29.22%	23.44%
Pelagic fishing	Staff remuneration	66,466,419.62	17.72%	52,487,046.67	17.34%	26.63%
Pelagic fishing	Depreciation cost	22,399,789.47	5.97%	20,157,424.00	6.66%	11.12%
Pelagic fishing	Other	94,850,682.77	25.29%	67,961,988.77	22.46%	39.56%
Pelagic fishing	Total	375,102,964.63	100.00%	302,608,548.41	100.00%	23.96%
Vessel leasing	Staff remuneration	29,457,051.44	46.54%	29,167,882.68	48.74%	0.99%

Vessel leasing	Depreciation cost	8,775,909.12	13.87%	8,377,195.44	14.00%	4.76%
Vessel leasing	Material	8,050,760.28	12.72%	9,352,011.56	15.63%	-13.91%
Vessel leasing	Inspection fee	1,287,716.75	2.03%	1,192,370.32	1.99%	8.00%
Vessel leasing	Premium	3,798,182.23	6.00%	3,671,825.78	6.14%	3.44%
Vessel leasing	Fuel	3,240,296.83	5.12%	3,601,210.69	6.02%	-10.02%
Vessel leasing	Repair charge	4,701,442.89	7.43%	1,573,403.40	2.63%	198.81%
Vessel leasing	Other	3,978,229.67	6.29%	2,909,368.35	4.86%	36.74%
Vessel leasing	Total	63,289,589.21	100.00%	59,845,268.22	100.00%	5.76%
Cold storage processing trade	Direct raw material	558,989,485.36	87.72%	508,829,218.65	87.05%	9.86%
Cold storage processing trade	Wrappage	13,636,998.39	2.14%	13,384,558.98	2.29%	1.89%
Cold storage processing trade	Labor salary	25,171,095.16	3.95%	23,588,816.16	4.04%	6.71%
Cold storage processing trade	Depreciation	5,161,667.61	0.81%	5,494,660.73	0.94%	-6.06%
Cold storage processing trade	Other	34,283,668.85	5.38%	33,199,410.57	5.68%	3.27%
Cold storage processing trade	Total	637,242,915.37	100.00%	584,496,665.09	100.00%	9.02%
Other	Labor charges	57,724.00	3.12%	66,411.16	3.85%	-13.08%
Other	Out-of-pocket expenses	12,278.00	0.66%	7,902.40	0.46%	55.37%
Other	Depreciation cost	1,297,518.66	70.06%	1,229,856.24	71.32%	5.50%
Other	Electricity	178,124.87	9.62%	175,954.82	10.20%	1.23%
Other	Repair charge	83,974.41	4.53%	52,557.00	3.05%	59.78%
Other	Heating fee	222,489.07	12.01%	191,648.17	11.11%	16.09%
Other	Total	1,852,109.01	100.00%	1,724,329.79	100.00%	7.41%

Internal transaction offset		-129,038,815.43		-97,570,572.73		-32.25%
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Note

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

Yes No

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

Applicable Not applicable

(8) Major sales and main suppliers

Major sales of the Company

Total top five clients in sales (RMB)	369,819,764.94
Proportion in total annual sales volume for top five clients	32.76%
Ratio of related parties in annual total sales among the top five clients	0.00%

Information of top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	F.C.F Fishery Co., Ltd.	101,294,857.68	8.97%
2	Liantai Seafood International Co., Ltd.	86,536,140.59	7.67%
3	AFKO FISHERIES CO LTD	69,079,306.80	6.12%
4	NOTOS & COMPANY LIMITED	62,806,682.32	5.56%
5	F.C.F FISHERY CO., LTD.	50,102,777.55	4.44%
Total	--	369,819,764.94	32.76%

Other situation of main clients

Applicable Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	318,808,768.00
Proportion in total annual purchase amount for top five suppliers	39.73%
Ratio of related parties in annual total sales among the top five suppliers	0.00%

Information of top five suppliers of the Company

Serial	Name	Purchases (RMB)	Proportion in total annual purchase
1	Yantai Jingyuan Fishery Co., Ltd	176,082,549.42	21.94%
2	CNFC Overseas Fishery Co., Ltd.	46,366,836.50	5.78%
3	BOSHUN LOGISTICS LIMITED	36,616,286.29	4.56%
4	Shenzhen South Fishery Co., Ltd.	34,609,879.38	4.31%

5	Haishun International Trade Private Co., Ltd.	25,133,216.41	3.13%
Total	--	318,808,768.00	39.73%

Other notes of main suppliers of the Company

Applicable Not applicable

3. Expense

In RMB

	2019	2018	Y-o-y changes	Note for major changes
Sales expense	24,928,000.04	35,257,027.14	-29.30%	
Management expense	63,613,565.72	61,300,717.66	3.77%	
Financial expense	4,648,252.61	-4,287,046.06	208.43%	Exchange earnings declined in the year
R& D expense	274,338.75			Technical consultancy fee for by-product development of tuna

4. R&D investment

Applicable Not applicable

The subsidiary cooperated with Qilu University of Technology to carry out relevant research on by-products of tuna processing. Both parties conducted research and development of biotechnology full utilization around the existing tuna processing by-products and other fish processing by-products. Both parties jointly carried out the comprehensive utilization, research and development and production of tuna skins, fish heads, fish bones, and blood by-products, which would promote the company's deep processing and product diversified development.

Information of R&D investment

	2019	2018	Ratio for changes
Number of R&D personnel (person)	6	0	
Proportion of R&D personnel	1.26%	0.00%	
Investment for R&D (RMB)	274,338.75	0.00	
R&D investment/Operating income	0.02%	0.00%	
Capitalization of R&D investment (RMB)	0.00	0.00	
Capitalization of R&D investment/R&D investment	0.00%	0.00%	

Reasons for significant changes in the proportion of total R&D investment in operating income from the previous year

Applicable Not applicable

Reasons and rationality of the major changes of the capitalization rate of R&D investment

Applicable Not applicable

5. Cash flow

In RMB

Item	2019	2018	Y-o-y changes
Subtotal of cash in-flow from operation activity	1,220,866,901.47	1,102,317,738.61	10.75%
Subtotal of cash out-flow from operation activity	1,110,570,358.80	1,032,681,842.96	7.54%
Net cash flow from operation activity	110,296,542.67	69,635,895.65	58.39%
Subtotal of cash in-flow from investment activity	8,235.37	66,101.40	-87.54%
Subtotal of cash out-flow from investment activity	75,638,420.93	38,645,395.27	95.72%
Net cash flow from investment activity	-75,630,185.56	-38,579,293.87	-96.04%
Subtotal of cash in-flow from financing activity	112,412,418.06	224,663,840.58	-49.96%
Subtotal of cash out-flow from financing activity	144,401,790.32	227,808,394.38	-36.61%
Net cash flow from financing activity	-31,989,372.26	-3,144,553.80	-917.29%
Net increased amount of cash and cash equivalent	1,836,513.24	35,699,773.66	-94.86%

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

√Applicable □Not applicable

(1) The net cash flow from operating activities increased compared with the same period of last year, mainly due to the increase in cash received from sales of goods and services.

(2) The increase in net cash flow from investing activities compared with the same period of last year was mainly due to the purchase of new ocean going carrier in the period.

(3) The main reason for the decrease in net cash flow from financing activities compared with the same period of last year was that the current repayment of bank loans is greater than the amount of new bank loans in the period.

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

√ Applicable □ Not applicable

(1) Asset impairment loss, depreciation and amortization of fixed assets and intangible assets, amortization of long-term deferred expenses and financial expenses affect the net profits but not affect the operating cash flow

- project 61.23 million Yuan, which makes the net profit is 61.23 million Yuan less than the operating cash flow;
- (2) The inventory balance of 2019 has increased by 49.78 million Yuan compared with the inventory balance of 2018, resulting in a decrease of operating cash flow of 49.78 million Yuan;
- (3) The operating account receivable / payable have less impact in 2019; the above caused the differences between net profit and operating cash flow.

III. Analysis of the non-main business

√Applicable □Not applicable

In RMB

	Amount	Ratio in total profit	Note	Whether be sustainable
Asset impairment	4,630,333.82	4.55%	Accrual the inventory falling price reserves of 4.63 million Yuan	Without sustainability
Non-operating income	336,071.70	0.33%	Insurance indemnity etc.	Without sustainability
Non-operating expense	358,618.18	0.35%	Donating and assets retirement loss etc.	Without sustainability

IV. Assets and liability

1. Major changes of assets composition

In RMB

	Year-end of 2019		Year-begin of 2019		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	186,011,644.29	14.44%	183,453,073.56	15.12%	-0.68%	
Account receivable	70,003,394.30	5.43%	63,961,900.00	5.27%	0.16%	
Inventory	375,744,116.36	29.16%	330,591,120.00	27.25%	1.91%	
Investment real estate	32,761,086.11	2.54%	30,464,518.89	2.51%	0.03%	
Fixed assets	551,167,599.49	42.78%	514,332,752.28	42.39%	0.39%	
Construction in progress			11,073,476.37	0.91%	-0.91%	

Short-term borrowing	51,662,365.00	4.01%	78,598,128.38	6.48%	-2.47%	
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2. Assets and liability measure by fair value

Applicable Not applicable

3. Assets right restriction till end of reporting period

Item	Ending book value	Limited cause
Monetary fund	1,408,005.57	L/C guarantee deposit
Fixed assets	31,604,235.43	Loan mortgage
Intangible assets	5,506,720.75	Loan mortgage
Total	38,518,961.75	--

V. Investment

1. Overall situation

Applicable Not applicable

Amount invested (RMB)	Last period's amount (RMB)	Changes
52,298,500.00	39,073,500.00	33.85%

2. The major equity investment obtained in Reporting Period

Applicable Not applicable

3. The major non-equity investment in Reporting Period

Applicable Not applicable

In RMB

Project	Investment way	Whether it is a fixed assets investment (Y/N)	Investment industry	Amount input in the period	Amount actual invested up to period-end	Capital resources	Progress	Estimated earnings	Earnings achieved ended as period-end	Reasons of fails to the estimated earnings and plans	Disclosure date (if applicable)	Disclosure index (if applicable)
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Built the long line boat of “Taixiang 11”	Self-built	Y	Pelagic fishing	6,971,000.00	18,044,500.00	Own funds	100.00%	1,290,000.00	0.00	Till end of the period, the production time is short, and there is no full load and no sales are realized since the operation		
Purchased the “Xin Mao Chang” transport vessel	Acquisition	Y	Refrigerated transport	45,327,500.00	45,327,500.00	Own funds	100.00%	1,000,000.00	1,001,056.01	Not applicable		
Total	--	--	--	52,298,500.00	63,372,000.00	--	--	2,290,000.00	1,001,056.01	--	--	--

4. Financial assets investment

(1) Securities investment

Applicable Not applicable

The company had no securities investment in the reporting period.

(2) Derivative investment

Applicable Not applicable

The company had no derivative investment in the reporting period.

5. Application of raised proceeds

Applicable Not applicable

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

VI. Sales of major assets and equity

1. Sales of major assets

Applicable Not applicable

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

2. Sales of major equity

Applicable Not applicable

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

Applicable Not applicable

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

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating income	Operating profit	Net profit
Shandong Zhonglu Haiyan Oceanic Fishery Co., Ltd.	Subsidiary	Pelagic fishing	221,617,349.00	498,429,636.00	385,666,113.21	305,764,051.82	40,043,662.62	40,202,477.37
Shandong Zhonglu Fishery Shipping Co., Ltd.	Subsidiary	Refrigerated transport	22,505,600.00	35,676,260.75	14,814,194.21	34,489,221.87	6,217,993.78	4,606,752.38
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	Subsidiary	Food processing	75,593,300.00	419,827,740.40	214,120,190.54	672,613,037.45	7,575,485.95	6,199,983.37
HABITAT INTERNATIONAL CORPORATION	Subsidiary	Refrigerated transport	12,476,146.00	266,679,214.45	166,202,981.91	66,851,109.75	26,269,923.39	26,269,923.39

Particular about subsidiaries obtained or disposed in report period

Applicable Not applicable

Notes of main holding company and stock-jointly companies

Shandong Zhonglu Haiyan Oceanic Fishery Co., Ltd.: The operating profit during the reporting period was 40,043,662.62 yuan, an increase of 114.05% on a year-on-year basis, the increase rate was rather large, the main reason for the increase was that the five seine ships purchased in 2017 were only put into production in August 2018, while there had been only two ships for production before, and the total production of purse seine increased greatly on a year-on-year basis, the sales volume increased, and the profits increased. Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.: Operating profit during the reporting period was 7,575,485.95 yuan, a year-on-year decrease of 73.79%, the decrease rate was rather large, the main reasons for the decrease were that the impact of Sino-US trade frictions and the decline in the main market for tuna, the price of raw materials declined, resulting in the sharp price falling in the finished product market, inventory increased, costs increased, and profits decreased.

VIII. Structured vehicle controlled by the Company

Applicable Not applicable

IX. Outlook of future development

(i) The prevailing development and future development trend

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

(ii) Outlook of major business

1. Pelagic fishing

The Company continues to develop the ocean fishery business with purse seine and long line fishing as the core business. In terms of tuna seine, it planned to resume the production capacity in the Western-Central Pacific Ocean as soon as possible, expanded the purse seine production scale based on the existing 7 ships (groups), and increased the profit growth point of the enterprise; in terms of long-line fishing, “Tai Xiang 11” ship was put into production in 2019 after the completion of renovation and reconstruction, and the production capacity has been increased. The company further familiarized the distribution of fishing grounds in the Indian Ocean waters through continuous exploration and in-depth development in the waters, and maintained good production and operation benefits through reasonable deployment, which provided stable income sources for the company.

2.Refrigerated transport

Consolidate and enhance refrigerated transportation business. Ocean refrigerated transportation has always been the business segment contributing stable operating results for the Company. According to the specific conditions of the refrigerated transport market, supplemented the refrigerated transport fleet as soon as possible, continued to phase out the old vessels with small tonnage and updated the refrigerated transport vessels with moderate tonnage and relatively young age to keep the status of the company’s transport fleet in refrigerated shipping industry.

3.Cold storage processing trade

Actively develop and extend the cold storage processing trade. First of all, the Company seeks development by innovation. It continues to optimize product structure to improve our competitiveness and risk-prevention ability. Second, it continues to increase acquisition, processing and sales of tunas fished by ocean fishery enterprises, making its best to expand both domestic and international market, domestic market in particular; Third, the Company increase development of new products and further-processed products with high added-value in addition to the existing business, expecting to make new point of growth. The fourth is to increase the innovation and implementation of production processes, improve the degree of production automation, improve production efficiency, save production costs, and improve production efficiency; The fifth was to strengthen brand building and publicity, and continuously enhance the recognition, reputation, and influence of the “ZHONGLU OCEANIC 中鲁远洋” parent brand and tuna product brands such as “Highest 海金斯”, “Tuna Queen 吞拿皇后”, “Tuna Prince 吞拿王子”, “Skipjack Queen 鲹鱼皇后”, “Skipjack Prince 鲹鱼王子”, “zaobaobao 早宝宝”, “wubaobao 午宝宝”, and “wanbaobao 晚宝宝” series. The sixth was to accelerate the “Zhonglu Oceanic Refrigeration Operation and Distribution Center” project.

(iii) Future development strategy:

By adherence to the strategic target, the Company captures the business opportunities in ocean fishery market in compliance with the development requirements as a listed company, preventing risks effectively and achieving stable performance. With ocean fishery as the major business, the Company endeavors to broaden brand recognition and extend industrial chain pursuant to the development idea of “hold fishery as major business,

integrated with refrigerated shipping and cold storage processing trade, adjust structure and seek for transformation and upgrade”, which facilitate the Company to realize development of modernization, information, digitization and intelligence.

(IV) Working plan for 2020

Adhere to the concept of “Reform Development, Innovation Development, Standardized Development and Steady Development”, Under the working target of “maintain growth, emphasize regulation, adjust structure and promote transformation”, the Company plans to improve its development quality, enhance economic performance, focus on switch of new and old kinetic energy and market penetration, propel construction of significant projects, seeking for moderate and stable growth. In respect of the major problems restricting its development, the Company makes its best to conduct operation, adjust transformation, market penetration and regulate management, aiming to making new point of growth. Besides, it continues to strengthen and improve its ability of control, competitiveness, and influence and risk prevention, ensuring that the annual operating tasks could be successfully completed in full. ① to improve the management level of the Atlantic seine project, accelerate the improvement of various supporting measures, diversify the development of the sales market, and improve the project’s profitability. ② to stabilize the profit level of the Indian Ocean tuna fishing project, explore new fisheries, scientifically dispatch, and operate in accordance with the laws and regulations to ensure a steady increase in fish catch. ③ to ensure the high quality and high standards of investment projects, accelerate the elimination of backward production capacity, and purchase and build new modern and intelligent production equipment. ④ to develop management ideas, update management concepts, innovate sales models, to speed up the project of “refrigerated operation distribution center”, and achieved an actual scale in 2020. ⑤ to promote the Company to a stable export-oriented enterprise by the project as “expand the high-quality and standardized overseas markets in an orderly manner”. ⑥ to propel the Company to transform into an innovative enterprise with innovation in technology, products, business and management.

(v) Potential risks and countermeasures

1. Risk of fishery resource fluctuations. Fishery resources usually have fluctuations, and sometimes the fluctuations are large, the greater the decline in resources, the greater the impact on the company’s efficiency. Periodic changes in resources, climate and hydrology conditions, and surges in production capacity in related local resource areas can all cause fluctuations in fishery resources.

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

2. Risk of sales price fluctuations. In 2019, compared with the previous year, the sales price of tuna has

dramatically decline, and the price movements remain uncertain in 2020.

Countermeasures: Expand the scale of self-support trade, and consolidated and expand the domestic market and exploit new overseas markets. Continued to reducing the costs and increasing efficiency strictly, strive to achieve income and savings, while continuing to increase the return ability of self-fishing.

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

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

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

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

5. Risks with financial instrument concerned. Mainly consist of credit risk, liquidity risk, foreign exchange risk and interest rate risk etc.

Countermeasures: strive to achieved an appropriate balance between the risks and returns, minimized the negative impact of such risks on the Company's business performance.

6. Risk of security incident

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

X. Reception of research, communication and interview

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

Applicable Not applicable

Time	Way	Type	Basic situation index of investigation
2019-12-20	Telephone communication	Individual	Operation of the Company

2019-12-24	Telephone communication	Individual	Operation of the Company
Reception (times)			2
Number of hospitality			0
Number of individual reception			2
Number of other reception			0
Disclosed, released or let out major undisclosed information	N		

Section V. Important Events

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

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

Applicable Not applicable

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

In latest three years, after cover the deficit of previous years, the retained profit at period-end still negative; being deliberated and approved by the Board and Shareholders' General Meeting, no profit distributed either. The Company has no plan of cash dividend distribution, no bonus distributed and capitalizing of common reserves either for year of 2019.

The Company, though as a listed company offering B shares, has almost never conducted financing from securities market since its listing, which means the parent company and its subsidiaries could merely operate with its own profits made. The accumulative profit for common shareholders from the parent company at end of the period remains negative. During the reporting period, the 4 subsidiaries realized total net profit of 77,279,100 Yuan. The Company will demand the subsidiaries to make dividend payment to the parent company according to relevant requirements based on the audited results issued by WUYIGE Certified Public Accountants and other conditions.

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

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio of the cash bonus in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Proportion for cash bonus by other ways(i.e. share buy-backs)	Ratio of the cash bonus by other ways in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Total cash bonus(other ways included)	Ratio of the total cash bonus (other ways included) in net profit attributable to common stock shareholders of listed company contained in consolidation statement
2019	0.00	82,311,630.23	0.00%	0.00	0.00%	0.00	0.00%
2018	0.00	90,281,584.29	0.00%	0.00	0.00%	0.00	0.00%
2017	0.00	91,517,485.28	0.00%	0.00	0.00%	0.00	0.00%

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

Applicable Not applicable

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

Applicable Not applicable

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

III. Implementation of commitment

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

Applicable Not applicable

Commitments	Promise	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for Share Merger Reform						

<p>Commitments in report of acquisition or equity change</p>	<p>Shandong State-owned Assets Investment Holding Company Limited</p>	<p>Inter-industry Competition Commitment</p>	<p>1. The Company does not directly or indirectly own any shares or equity in other enterprises that may cause horizontal competition with Zhonglu Oceanic (hereinafter collectively referred to as “competitive enterprise”) or own any interest in any competing enterprise, and will not directly or indirectly invest or purchase the competitive enterprises; 2. For any business opportunities obtained by the Company and other enterprises controlled by the Company from any third party that constitute or may constitute substantial competition with the business of Zhonglu Oceanic, the Company will immediately notify Zhonglu Oceanic and give these business opportunities to Zhonglu Oceanic so as to avoid the horizontal competition or potential horizontal competition with Zhonglu Oceanic; 3. The Company and other companies controlled by the Company will not provide business secrets such as technical information, technological process, and sales channels for other companies,</p>	<p>2018-07-23</p>	<p>Continuous and effective during the time with controlling of the Zhonglu Oceanic</p>	<p>In performance</p>
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		<p>1. The related transactions between the Company and other companies controlled by the Company and Zhonglu Oceanic are strictly in compliance with the relevant provisions of laws and regulations, and will be conducted on an equal and voluntary basis in accordance with the principles of fairness and equivalence, prices will be determined at a reasonable price recognized by the market.</p> <p>2. The Company and other enterprises controlled by the Company will strictly abide by the provisions on the avoidance of related transactions in the articles of association of Zhonglu Oceanic, and the related transactions involved will be conducted in accordance with the decision-making procedures of related transactions of Zhonglu Oceanic, and will perform legal procedures and information disclosure obligations.</p> <p>3. The Company and other enterprises controlled by the Company guarantee strict compliance with laws, regulations and regulatory documents and the relevant provisions of the</p>				<p>2018-07-23</p>	<p>Continuous and effective during the time with controlling of the Zhonglu Oceanic</p>	<p>In performance</p>
	Related party transaction commitment							

Commitments in assets reorganization						
Commitments make in initial public offering or re-financing						
Equity incentive commitment						
Other commitments for medium and small shareholders						
Completed on time (Y/N)	Y					

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

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

1. Changes and basis of accounting policy

(1) The *Accounting Standards for Business Enterprise No. 22- Recognition and Measurement of Financial Instruments*, *Accounting Standards for Business Enterprise No. 23- Transfer of Financial Assets*, *Accounting Standards for Business Enterprise No. 24- Hedge Accounting* and *Accounting Standards for Business Enterprise No. 37- Presentation of Financial Instruments* (these four items are collectively referred to as the” new financial instrument standards”) are revised by the Ministry of Finance in 2017.

The new financial instrument standards divide financial assets into three categories: (1) financial assets measured at amortized cost; (2) financial assets measured at fair value and whose changes are included in other comprehensive income; (3) financial assets measured at fair value and their changes are included in the current profit and loss. Under the new financial instrument standards, the classification of financial assets is determined based on the Company’s business model for managing financial assets and the contractual cash flow characteristics of the assets. The new financial instrument standards eliminate three categories specified in the original financial instrument standards, i.e. held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The new financial instrument standards replace the “incurred loss” model in the

original financial instrument standards with the “expected credit loss” model. Under the new financial instrument standards, the Company’s specific accounting policies are described in XII (v) 10.

(2) In April 2019, the Ministry of Finance issued the *Notice on Revision and Issuance of 2019 Financial Statement Format for General Corporate* (Cai Kuai [2019] No.6) (hereinafter referred to as “Financial Statement Format”), the enterprises (that implement the Accounting Standards for Business Enterprise) are required to preparing the financial statement in accordance with the requirement of the Notice.

The Company implemented the above mentioned revised standards and financial statement format since 1 Jan. 2019, and adjusted relevant contents of the accounting policies.

2. Impact of changes in accounting policies

(1) Impact of implementation of new financial instrument standards

Item of consolidate statement	2018-12-31	Amount affected	2019-1-1
Liability:			
Other account payable	7,043,693.95	-245,808.33	6,797,885.62
Short-term loans	78,352,320.05	245,808.33	78,598,128.38

According to the new financial instrument standards, the Company adjusted the classification of financial instruments on the implementation date of the new financial instrument standards (that is, January 1, 2019), and reclassified available-for-sale financial assets to other equity instrument investments, the book value was zero, there’s no need to adjust the original book value of the financial instruments.

(2) Impact of implementation of revised financial statement format

According to the requirements of the financial statement format, in addition to the presentation changes resulting from the implementation of the above new financial instrument standards, the Company divided the “notes receivable and accounts receivable” and presented as two items, i.e. “notes receivable” and “accounts receivable”, and divided the “notes payable and accounts payable” and presented as two items, i.e. “notes payable” and “accounts payable”. The Company correspondingly made retroactive adjustment to the comparative period statements, and the change in accounting policy had no impact on the merger and the company’s net profit and shareholders’ equity.

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

Applicable Not applicable

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

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

Applicable Not applicable

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

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

Accounting firm appointed

Name of domestic accounting firm	WUYIGE Certified Public Accountants LLP
Remuneration for domestic accounting firm (in 10 thousand Yuan)	40
Continuous life of auditing service for domestic accounting firm	17
Name of domestic CPA	Zhong Benqing, Zhang Lifa
Continuous fixed number of year for the auditing service provided by CPA in domestic CPA Firms	4

Whether re-appointed accounting firms in this period or not

 Yes No

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

 Applicable Not applicable

After approval and passed by the Annual General Meeting of 2018, the Company engaged WUYIGE Certified Public Accountants LLP to be the auditing CPA for internal control 2019 of the Company, totally 100,000 Yuan are paid in the period.

X. Particular about suspension of listing and termination of listing after annual report disclosed Applicable Not applicable**XI. Bankruptcy reorganization** Applicable Not applicable

No bankruptcy reorganization for the Company in reporting period.

XII. Significant litigation and arbitration of the Company Applicable Not applicable

No Significant litigation or arbitration for the Company in reporting period.

XIII. Penalty and rectification Applicable Not applicable

No penalty and rectification for the Company in reporting period.

XIV. Integrity of the company and its controlling shareholders and actual controllers Applicable Not applicable

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

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

Applicable Not applicable

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

XVI. Material related transactions

1. Related transaction with daily operation concerned

Applicable Not applicable

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

2. Related party transactions by assets acquisition and sold

Applicable Not applicable

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

3. Main related transactions of mutual investment outside

Applicable Not applicable

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

4. Contact of related credit and debt

Applicable Not applicable

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

5. Other material related party transactions

Applicable Not applicable

No other material related party transactions for the Company in reporting period

XVII. Major contract and implantation

1. Trusteeship, contract and leasing

(1) Trusteeship

Applicable Not applicable

No trusteeship for the Company in reporting period

(2) Contract

Applicable Not applicable

No contract for the Company in reporting period

(3) Leasing

Applicable Not applicable

No leasing for the Company in reporting period

2. Major guarantee

Applicable Not applicable

No guarantee for the Company in reporting period

3. Entrust others to cash asset management

(1) Trust financing

Applicable Not applicable

The company had no trust financing in the reporting period.

(2) Entrusted loans

Applicable Not applicable

The company had no entrusted loans in the reporting period.

4. Other material contracts

Applicable Not applicable

No other material contracts for the Company in reporting period

XVIII. Social responsibility

1. Execution of social responsibility of targeted poverty alleviation

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

2. Targeted poverty alleviation social responsibility

(1) Targeted poverty alleviation

The Company is currently no targeted poverty alleviation.

(2) Summary of annual precision poverty alleviation

In 2019, in order to thoroughly implement the spirit of the 19th National Congress of the Communist Party of China, help to alleviate poverty, promote education development, and continue to fulfill the social responsibility of listed companies, the company donated 100,000 yuan to help 50 poverty-stricken students with excellent academic performance.

(3) Accuracy of poverty alleviation

Target	Measurement units	Numbers/progress
I. general condition	—	—
II. Implemented by detail	—	—
1. Industrial development poverty	—	—
2. Transfer employment	—	—
3. Anti-poverty by relocating in other places	—	—
4. Education poverty	—	—

Including: 4.1 to subsidize the poverty students	10 thousand Yuan	10
4.2 numbers of poverty students subsidized	Person	50
5.Health poverty alleviation	—	—
6.Ecological conservation	—	—
7.Fallback protection	—	—
8.Social poverty alleviation	—	—
9.Other	—	—
III. Awards (content and level)	—	—

(4) Subsequent precision poverty alleviation program

The Company is currently no Subsequent precision poverty alleviation program.

3. Environment protection

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

No

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

XIX. Explanation on other significant events

Applicable Not applicable

Name	Date of disclosed	Internet website and retrieval path for disclosed information
Notice on Resignation of Directors, Supervisors and Senior Offices	2019-1-5	http://www.cninfo.com.cn
Notice on Resolution of 20 th session (temporary meeting) of 6 th BOD	2019-1-5	http://www.cninfo.com.cn
Notice on Resolution of 12 th session (temporary meeting) of 6 th Supervisory Committee	2019-1-5	http://www.cninfo.com.cn
Notice on Convening the First Extraordinary Shareholders General meeting of 2019	2019-1-5	http://www.cninfo.com.cn
Notice on Resolution of First Extraordinary Shareholders General meeting of 2019	2019-1-23	http://www.cninfo.com.cn
Performance Forecast for year of 2018	2019-1-25	http://www.cninfo.com.cn
Notice on Resolution of 21 st session of 6 th BOD	2019-3-8	http://www.cninfo.com.cn
Notice on Resolution of 13 th session of 6 th Supervisory Committee	2019-3-8	http://www.cninfo.com.cn
Annual Report 2018	2019-3-8	http://www.cninfo.com.cn
Notice on Change of Accounting Policies	2019-3-8	http://www.cninfo.com.cn
Performance Forecast for Q 1 of 2019	2019-4-10	http://www.cninfo.com.cn
Notice on Resolution of 22 nd session of 6 th BOD	2019-4-26	http://www.cninfo.com.cn
Notice on Resolution of 14 th session of 6 th Supervisory Committee	2019-4-26	http://www.cninfo.com.cn

First Quarterly Report 2019	2019-4-26	http://www.cninfo.com.cn
Statement of Independent Director Nomination (1)	2019-4-26	http://www.cninfo.com.cn
Statement of Independent Director Nomination (2)	2019-4-26	http://www.cninfo.com.cn
Statement of Candidates for Independent Director (Jiang Lu)	2019-4-26	http://www.cninfo.com.cn
Statement of Candidates for Independent Director (Song Xiliang)	2019-4-26	http://www.cninfo.com.cn
Notice of Convening the AGM 2018	2019-4-26	http://www.cninfo.com.cn
Notice on Resolution of AGM of 2018	2019-5-17	http://www.cninfo.com.cn
Notice on Resolution of 1 st session of 7 th BOD	2019-5-17	http://www.cninfo.com.cn
Notice on Resolution of 1 st session of 7 th Supervisory Committee	2019-5-17	http://www.cninfo.com.cn
Notice on Voluntary Disclosure on Signing the Strategic Cooperation Agreement	2019-8-14	http://www.cninfo.com.cn
Notice on Resolution of 2 nd session of 7 th BOD	2019-8-22	http://www.cninfo.com.cn
Notice on Resolution of 2 nd session of 7 th Supervisory Committee	2019-8-22	http://www.cninfo.com.cn
Semi-annual Report 2019	2019-8-22	http://www.cninfo.com.cn
Notice on Change of Accounting Policies	2019-8-22	http://www.cninfo.com.cn
Notice on Participate in the Investor Online Collective Reception Day	2019-9-12	http://www.cninfo.com.cn
Notice on Government Subsidy obtained from Controlling Subsidiary	2019-9-24	http://www.cninfo.com.cn
Notice on Resolution of 3 rd session (temporary meeting) of 7 th Supervisory Committee	2019-10-12	http://www.cninfo.com.cn
Notice on Convening the Second Extraordinary Shareholders General meeting of 2019	2019-10-12	http://www.cninfo.com.cn
Notice on Resolution of 4 th session of 7 th BOD	2019-10-30	http://www.cninfo.com.cn
Notice on Resolution of 3 rd session of 7 th Supervisory Committee	2019-10-30	http://www.cninfo.com.cn
Notice on Change of Accounting Policies	2019-10-30	http://www.cninfo.com.cn
The Third Quarterly Report 2019	2019-10-30	http://www.cninfo.com.cn
Notice on Resolution of Second Extraordinary Shareholders General meeting of 2019	2019-10-30	http://www.cninfo.com.cn
Notice on Important Matters	2019-12-20	http://www.cninfo.com.cn

XX. Significant event of subsidiary of the Company

√Applicable □Not applicable

During the reporting period, the Panamanian “SEA MARK” ship (“Xin Mao Xing” ship) of HABITAT INTERNATIONAL CORPORATION, a wholly-owned subsidiary of the company, had a sudden fire in the engine room due to mechanical equipment, since it was difficult to control the dangerous situation, the ship was

abandoned without casualty. The personnel and property insurance of the “Xin Mao Xing” ship were all within the scope of the insurance company’s contract (no cargo was loaded on board at that time). Found more on the *Notice on Important Matters* (Notice No.: 2019-37) released on *China Securities Journal*, *Hong Kong Commercial Daily* and Juchao Information Website

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in shares

1. Changes in shares

In Share

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

Reasons for share changed

 Applicable Not applicable

Approval of share changed

 Applicable Not applicable

Ownership transfer of share changed

 Applicable Not applicable

Implementation progress of the share repurchases

 Applicable Not applicable

Implementation progress of the reduction of repurchases shares by centralized bidding

 Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

2. Changes of restricted shares

Applicable Not applicable

II. Securities issue and listing

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

Applicable Not applicable

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

Applicable Not applicable

3. Existing internal staff shares

Applicable Not applicable

III. Shareholders and actual controller

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

In Share

Total common stock shareholders in reporting period-end	11,672	Total common stock shareholders at end of last month before annual report disclosed	11,622	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note 8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note 8)	0
Particulars about shares held above 5% by shareholders or top ten shareholders							
Full name of	Nature of	Propor	Total	Chang	Amou	Amoun	Number of shares pledged/frozen

Shareholders	shareholder	tion of shares held	shareholders at the end of report period	es in report period	nt of unlisted outstanding shares held	t of listed outstanding shares held	State of share	Amount
Shandong State-owned Assets Investment Holding Company Limited	State-owned legal person	47.25 %	125,731,320		125,731,320			
Chen Tianming	Foreign nature person	2.16%	5,760,427			5,760,427		
Cai Yujiu	Domestic nature person	1.42%	3,766,401	884501		3,766,401		
Haitong International Securities Company Limited-Account Client	Foreign legal person	0.80%	2,118,736	80000		2,118,736		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.76%	2,014,624	107400		2,014,624		
China National Heavy Duty Truck Group Jinan Truck LLC	State-owned legal person	0.73%	1,950,000		1,950,000			
Shenwan HongYuan (H.K.) Limited	Foreign legal person	0.73%	1,939,154			1,939,154		
Lin Mingyu	Domestic nature person	0.45%	1,210,001	246000		1,210,001		
Wang Dongsheng	Foreign nature person	0.45%	1,205,203	-10000		1,205,203		

Huang Jiayi	Foreign nature person	0.39%	1,048,687			1,048,687	
Strategy investors or general legal person becomes top 10 shareholders due to rights issued (if applicable) (see note 3)	Not applicable						
Explanation on associated relationship among the aforesaid shareholders	Shandong State-owned Assets Investment has 20% shares of China National Heavy Duty Truck Group Jinan Truck LLC. (During the reporting period, Shandong SDIC entrusted Shandong Heavy Industry Group Co., Ltd. to exercise other shareholder's rights of its 20% stock equity in Sinotruk Group except for the assets income right.) Rests of the shareholders are the domestically listed foreign shareholders, and the Company is unknown whether there exists associated relationship or belongs to consistent actor regulated by "management method for acquisition of listed company" among the above said shareholders						
Shareholding of top 10 circulated shareholders							
Shareholders	Amount of listed shares held at end of the Period	Type of shares					
		Type	Amount				
Chen Tianming	5,760,427	Domestically listed foreign shares	5,760,427				
Cai Yujiu	3,766,401	Domestically listed foreign shares	3,766,401				
Haitong International Securities Company Limited-Account Client	2,118,736	Domestically listed foreign shares	2,118,736				
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	2,014,624	Domestically listed foreign shares	2,014,624				
Shenwan HongYuan (H.K.) Limited	1,939,154	Domestically listed foreign shares	1,939,154				
Lin Mingyu	1,210,001	Domestically listed foreign shares	1,210,001				
Wang Dongsheng	1,205,203	Domestically listed foreign shares	1,205,203				

Huang Jiayi	1,048,687	Domestically listed foreign shares	1,048,687
He Bin	887,447	Domestically listed foreign shares	887,447
Huang Weiguang	880,206	Domestically listed foreign shares	880,206
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	The Company is unknown whether there exists associated relationship or belongs to consistent actor regulated by “ <i>management method for acquisition of listed company</i> ” among the above said shareholders.		
Explanation on shareholders involving margin business about top ten common stock shareholders with un-restrict shares held(if applicable) (see note4)	Not applicable		

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

Yes No

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

2. Controlling shareholders

Nature of controlling shareholders: local state-owned holding

Type of controlling shareholders: legal person

Controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
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Shandong State-owned Assets Investment Holding Company Limited	Li Guangqing	1994-03-25	91370000163073167C	Operating management and disposal on state-owned assets (shares), assets management, equity investment management and operation, enterprise re-construction, acquisition and combination, investment consultant
Equity of other domestic/oversea listed company control by controlling shareholder as well as stock-joint in report period	0.14% of China Merchants Bank Co., Ltd., 1.42% of Guangzhou Pubang Garden Co., Ltd., 0.51% of BY-HEALTH co., Ltd., 18.96% of Zhongtong Bus Holding Co., Ltd., 2.50% of Shandong Land& Mining Group Co., Ltd., 4.98% of Luyin Investment Group Co., Ltd., 2.75% of Lushang Health Industry Development Co., Ltd., 4.98% of Shandong Lubei Chemical Co., Ltd., 3.46% of Yinzuo Group co., Ltd., 4.76% of Shandong Xinhua Medical Devices Co., Ltd., 3.82% of Weichai Heavy Machinery Co., Ltd., 0.71% of Shandong Gold Mining Co., Ltd., 10% of Jicheng Electronics Co., Ltd., 1.82% of Yantai Zhenghai Magnetic Materials Co., Ltd., 1.79% of YUEYANG FOREST & PAPER Co., Ltd., 0.74% of China United Network Communications (Hong Kong) Co., Ltd., 0.12% of BAI00 Family Interactive Limited, 2.07% of Hanhuajin Holding Co., Ltd., 0.28% of Red Star Macalline Group Corporation Ltd., 2.25% of Luzheng Futures Co., Ltd., 0.44% of China Energy Engineering Corporation Limited, 1.36% of Shanghai Modern Pharmaceutical Co., Ltd., 1.48% of Guangzhou Holike Creative Home Co., Ltd., 3.09% of Jiangsu Guotai International Group International Trade Co., Ltd., 1.69% of Beijing Dangsheng Materials Technology Co., Ltd., 4.51% of Shenzhen AOTO Electronics Co., Ltd., 0.37% of Yunnan Tin Industry Co., Ltd., 0.27% of Baolingbao Biology Co., Ltd.			

Changes of controlling shareholder in reporting period

Applicable Not applicable

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

3. Actual controller

Nature of actual controller: local state-owned assets management

Type of actual controller: legal person

Actual controller	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
State-owned Assets Supervision and Administration Commission of Shandong Provincial Government	Zhang Bin	2004-06-18	Not applicable	Performing responsibilities of investors, monitoring the preserve and increase value for state-owned assets that supervised etc.

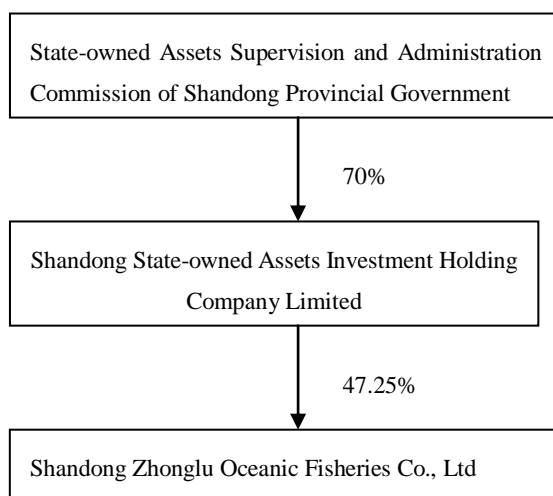
Equity of other foreign/domestic listed company that controlled by actual controller in reporting period	Not applicable
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Changes of actual controllers reporting period

Applicable Not applicable

No changes of actual controllers for the Company in reporting period

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



Actual controller controlling the Company by entrust or other assets management

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Section VII. Preferred Stock

Applicable Not applicable

The Company had no preferred stock in the reporting.

Section VIII. Convertible Bonds

Applicable Not applicable

The Company had no convertible bonds in the Period.

Section IX. Particulars about Directors, Supervisors and Senior Executives and Employees

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

Name	Title	Working status	Sex (F/M)	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Increasing shares held in this period (Share)	Decreasing shares held in this period (Share)	Other changes (Share)	Shares held at period-end (Share)
Lu Lianxing	Director/Chairman	Currently in office	M	54	2018-01-25	2022-05-15	0	0	0	0	0
Wang Huan	Director/GM	Currently in office	M	51	2018-06-07	2022-05-15	0	0	0	0	0
Lu Xiaonan	Director	Currently in office	M	46	2016-05-19	2022-05-15	0	0	0	0	0
Jiang Lu	Independent director	Currently in office	M	60	2016-05-19	2022-05-15	0	0	0	0	0
Song Xiliang	Independent director	Currently in office	M	54	2016-05-19	2022-05-15	0	0	0	0	0
Sui Jianshi	Director/Deputy GM	Off-office	M	60	2017-03-02	2019-01-04	0	0	0	0	0
Li Ming	Director/Deputy GM/Secretary of the Board	Currently in office	M	54	2016-05-19	2022-05-15	0	0	0	0	0

Liu Bing	Chairman of Supervisory Committee	Currently in office	M	37	2019-05-16	2022-05-15	0	0	0	0	0
Zhang Liqing	Chairman of Supervisory Committee	Off-office	F	54	2016-05-19	2019-05-16	0	0	0	0	0
Hou Zhenkai	Supervisor	Off-office	M	37	2016-05-19	2019-01-22	0	0	0	0	0
Huang Wei	Supervisor	Currently in office	F	40	2019-01-22	2022-05-15	0	0	0	0	0
Qiu Hong	Supervisor	Currently in office	F	52	2017-12-29	2022-05-15	0	0	0	0	0
Zhao Minkun	CFO	Off-office	M	36	2017-08-29	2019-01-04	0	0	0	0	0
Meng Fanyong	Deputy GM	Currently in office	M	50	2019-05-16	2022-05-15	0	0	0	0	0
Fu Chuanhai	CFO	Currently in office	M	47	2019-01-04	2022-05-15	0	0	0	0	0
Total	--	--	--	--	--	--	0	0	0		0

II. Changes of directors, supervisors and senior executives

√ Applicable □ Not applicable

Name	Title	Type	Date	Reasons
Wang Huan	Director	Appoint & remove	2019-01-22	Election of general meeting
Huang Wei	Supervisor	Appoint & remove	2019-01-22	Election of general meeting

Liu Bing	Chairman of Supervisory Committee	Appoint & remove	2019-05-16	Election of general meeting
Fu Chuanhai	CFO	Appoint & remove	2019-01-04	Appointment of the board of directors
Meng Fanyong	Deputy GM	Appoint & remove	2019-05-16	Appointment of the board of directors
Sui Jianshi	Director	Off-office	2019-01-04	Work change
Zhang Liqing	Chairman of Supervisory Committee	Leave office at the end of her term	2019-05-16	Leave office at the end of her term
Hou Zhenkai	Supervisor	Off-office	2019-01-22	Work change
Sui Jianshi	Deputy GM	Dismiss	2019-01-04	Work change
Zhao Minkun	CFO	Dismiss	2019-01-04	Work change

III. Post-holding

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

1. Directors

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

Lu Xiaonan, a MBA, master of economics and a member of the CPC. He was a deputy chief of resource environment audit office of the Auditing Office Nantepai Office, deputy GM of Shandong Dongyin Investment Co., Ltd., the deputy director of assets management department, director of risk management department, director of disciplinary inspection and supervision office of Shandong State-Owned Assets Investment Holding Co., Ltd as well as the GM of capital operation centre; now he serves as minister of the general affairs in Shandong State-Owned Assets Investment Holding Co., Ltd, supervisor of Shandong State-owned Assets Investment, the chairman of the supervisory of Zhongtong Bus Holding Co., Ltd., and director of Shandong Zhonglu Haiyan

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

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

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

Song Xiliang, a PHD, Prof. of Accountancy. He works as accounting professor in Shandong University of Finance and Economics, member of a council in Chinese Institute of Finance and Cost for Young and mid-career Professionals and Shandong Chamber of Accounting. He also works as independent directors of Weihai Huadong Automation Co., Ltd., Shandong Minren Freda Pharmaceutical Co., Ltd. and Qingdao Sentury Tire Co., Ltd.; he act as independent director of the Company since 19 May 2016.

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

2. Supervisor

Liu Bing, graduate degree, master of economics, certified public accountant, member of the Communist Party of China, he joined the work in September 2008 and once served as a member of the Scientific Research Institute of the Audit Office of Shandong Province, deputy director of the Hainan Provincial Taxation Administration; senior business manager of Finance and Accounting Department of SDIC; and deputy director and senior business manager of the Finance Department of Shandong State-owned Assets Investment Holdings Co., Ltd. He is currently the senior business manager and deputy director (presiding over the work) of the Audit Department of Shandong State-owned Assets Investment Holdings Co., Ltd., and concurrently serving as chairman of the Supervisory Board of Shandong Assets Management and Operation Co., Ltd., supervisor of Shandong Light Industry Supply and Marketing Co., Ltd., and supervisor of Zhongtai Xincheng Asset Management Co., Ltd. Since May 16, 2019, he has been the chairman of the Supervisory Committee of the Company.

Huang Wei, a master of economics, holds a university degree, is a member of the Communist Party of China.

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

Qiu Hong, university degree, member of the CPC. She served as director of the GM Office and deputy director of department of party work and deputy director of the discipline inspection department of the Company; now she serves as director of the discipline inspection department and Director of Party and Mass Work Department of the Company. She serves as staff supervisor of the Company since 29 December 2017.

3. Senior executive

Meng Fanyong, junior college, economist, member of the Communist Party of China, and member of the Company's party committee, he joined the work in July 1989, once served as the deputy chief of the Import and Export Department of Shandong Aquatic Enterprise Group Corporation, deputy manager of Shandong Wanxiang Aquatic Products Co., Ltd., general manager of Shandong Zhonglu Oceanic (Yantai) Foods Co., Ltd., president of Shandong Zhonglu Oceanic (Yantai) Foods Co., Ltd., and president of Shandong Zhonglu Oceanic Refrigeration Co., Ltd. Since May 16, 2019, he has been serving as the deputy general manager of the Company, and concurrently president of Shandong Zhonglu Oceanic (Yantai) Foods Co., Ltd. and president of Shandong Zhonglu Oceanic Refrigeration Co., Ltd.

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

Post-holding in shareholder's unit

Applicable Not applicable

Name	Name of shareholder's units	Position	Start dated of office term	End date of office term	Whether receiving remuneration from shareholder's units or not (Y/N)

Lu Lianxing	Shandong State-owned Assets Investment	Standing Committee of the Party Committee, Director and secretary of the Board			Y
Lu Xiaonan	Shandong State-owned Assets Investment	Minister of the general affairs			Y
Liu Bing	Shandong State-owned Assets Investment	Deputy director of audit department			Y
Huang Wei	Shandong State-owned Assets Investment	Deputy director of the risk management dept.			Y

Post-holding in other unit

Applicable Not applicable

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

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

Applicable Not applicable

IV. Remuneration for directors, supervisors and senior executives

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

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

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex (F/M)	Age	Post-holding status	Total remuneration obtained from the Company	Whether remuneration obtained from related party of the Company (Y/N)
Lu Lianxing	Director/Chairman	M	54	Currently in office	0	Y
Wang Huan	Director/ GM	M	51	Currently in office	55.68	N
Lu Xiaonan	Director	M	46	Currently in office	0	Y
Jiang Lu	Independent director	M	60	Currently in office	4	N
Song Xiliang	Independent director	M	54	Currently in office	4	N
Sui Jianshi	Director/ Deputy GM	M	59	Off-office	0	N
Li Ming	Director/Deputy GM/Secretary of the Board	M	54	Currently in office	45.53	N
Liu Bing	Chairman of Supervisory Committee	M	37	Currently in office	0	Y
Zhang Liqing	Chairman of Supervisory Committee	F	54	Off-office	0	Y
Hou Zhenkai	Supervisor	M	37	Off-office	0	Y
Huang Wei	Supervisor	F	40	Currently in office	0	Y
Qiu Hong	Supervisor	F	52	Currently in office	26.31	N
Zhao Minkun	CFO	M	36	Off-office	0	N
Meng Fanyong	Deputy GM	M	50	Currently in office	42.24	N

Fu Chuanhai	CFO	M	47	Currently in office	35.55	N
Total	--	--	--	--	213.31	--

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

Applicable Not applicable

V. Employees of the Company

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

Serving staff in parent company (person)	149
Serving staff in main subsidiaries (person)	845
Total serving staff (person)	994
Total staff in payroll in current period (person)	994
Retired staff with charges paid by the parent company and main subsidiaries (person)	92
Professional constitution	
Type	Number
Production personnel	825
Sales man	23
Technicians	17
Financial personnel	33
Administrative personnel	96
Total	994
Education background	
Type	Number
Master's degree	17
Bachelor degree	73
Junior college	130
Technical secondary school	102
High school or below	672
Total	994

2. Remuneration policy

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

3. Training plan

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

4. Labor outsourcing

Applicable Not applicable

Section X. Corporate Governance

I. Basic state of corporate governance

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

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

Yes No

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

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

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

III. Horizontal Competition

Applicable Not applicable

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

1. Annual Shareholders' General Meeting in the report period

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
First Extraordinary Shareholders Meeting of 2019	Extraordinary shareholders meeting	48.09%	2019-01-22	2019-01-23	“Resolution Notice of First Extraordinary Shareholders Meeting of 2019” (No.: 2019-05) published on <i>China Securities Journal</i> , <i>Hong Kong Commercial Daily</i> and Juchao Website
Annual General Meeting of 2018	AGM	47.82%	2019-05-16	2019-05-17	“Annual General Meeting of 2018” (No.: 2019-20) published on <i>China Securities Journal</i> , <i>Hong Kong Commercial Daily</i> and Juchao Website

Second Extraordinary Shareholders Meeting of 2019	Extraordinary shareholders meeting	48.18%	2019-10-29	2019-10-30	“Resolution Notice of Second Extraordinary Shareholders Meeting of 2019” (No.: 2019-36) published on <i>China Securities Journal</i> , <i>Hong Kong Commercial Daily</i> and Juchao Website
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2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable Not applicable

V. Responsibility performance of independent directors in report period

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

The attending of independent directors							
Independent director	Times attending the Board Meeting in the period	Times attending the Board on-site	Times attending the Board Meeting by communication	Times present a proxy to the Board	Times be absent from the Board Meeting	Whether He/She have not attended the Board Meeting in person for two consecutive times (Y/N)	Times attending the Shareholders General Meeting
Jiang Lu	7	6	1	0	0	N	3
Song Xiliang	7	6	1	0	0	N	3

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

2. Objection for relevant events from independent directors

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

Yes No

Independent directors has no objections for relevant events in reporting period

3. Other explanation about responsibility performance of independent directors

Whether the opinions from independent directors have been adopted or not

Yes No

Explanation on advice that accepted/not accepted from independent directors

In accordance with relevant rules and requirements from “*Company Law*”, “*Guiding Opinions for Establishment of Independent Director Mechanism for Listed Company*” and “*Article of Association*”, independent directors of

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

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

(i) Auditing Committee:

1. Conduct a regular meeting

In reporting period, totally four meetings are held by audit committee of the Board, and discuss "Annual Report 2018", "1st Q Report of 2019", "Semi-Annual Report of 2019", "3rd Q Report of 2019" and relevant events respectively.

2. Final report of the auditing works for year of 2019 from WUYIGE Certified Public Accountants LLP

Auditing committee took an all-around review on auditing works for year of 2019 and after standard unqualified auditors report and relevant documents issued by WUYIGE Certified Public Accountants LLP while all auditing procedures completed, auditing committee held the first meeting of 2020 and they believes that the WUYIGE CPA is able to exercise relevant auditing procedures and quality controlling system of the CPA in line with new auditing rules, the CPA owns good business qualities and fulfill their duties to complete vary auditing works. Therefore, auditing committee submit to the Board for WUYIGE CPA re-engagement as the auditing body for year of 2020 and auditing organization for internal control as well.

(ii) Nomination Committee

During the reporting period, the nominations committee of the board of directors has convened three meetings which seriously reviewed the qualification of director and senior executives candidates in accordance with the requirements of "Nomination Committee Implementing Rules"

VII. Works from Supervisory Committee

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

Yes No

Supervisory committee has no objection about supervision events in reporting period

VIII. Appraisal and incentive mechanism for senior executives

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

IX. Internal Control

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

Yes No

2. Self-appraisal Report of Internal Control

Disclosure date of full internal control appraisal report	2020-03-27	
Disclosure index of full internal control appraisal report	www.cninfo.com.cn	
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements	99.20%	
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements	99.05%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports

<p>Qualitative criteria</p>	<p>Major deficiencies: a. fraud of directors, supervisors and senior management; b. Material misstatements found in current financial statements by the external audit which are not found in the process of internal control; c. the supervision of audit committee and internal audit service to internal control is invalid. Significant deficiencies: The misstatements caused by single deficiency or together with other deficiencies that cannot be timely prevented or found and corrected in the financial report and has not reached or has exceed the major deficiencies but still should be taken into account by the management; other circumstances determined by the degree of influence. Common deficiencies: other internal control deficiencies do not constitute major or significant deficiencies.</p>	<p>Major deficiencies: a) violation of state laws and regulations, such as environmental pollution; b) project decision-making process is not scientific, wrong decision-making caused by lack of democratic decision-making process; c) brain drain of managers or technicians; d) frequent negative news on media; e) the results of internal control evaluation especially major deficiencies and significant deficiencies have not been rectified and reformed; f) significant business is lack of system control or systematic-ness is invalid. Significant deficiencies: The deficiencies caused by single deficiency or together with other deficiencies of which the severity, direct or potential negative impact have not reached or has exceed the major deficiencies but still should be taken into account by the management; other circumstances determined by the degree of influence. Common deficiencies: other internal control deficiencies do not constitute major or significant deficiencies.</p>
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Quantitative criteria	<p>Compare the misstatements and missing reports (i.e. amount affected by internal control deficiencies) of some subjects in the financial reports that may cause or have caused by internal control deficiencies with certain ratio of total profits in the company's current consolidated financial statements, and determine the type of deficiencies in internal control as follows: it should be judged to be major deficiency if the amount affected by internal control deficiencies is more than 5% of total profits; it should be judged to be significant deficiency if the amount affected by internal control deficiencies is more than 3% but less than 5% (including 5%) of total profits; it should be judged to be common deficiency if the amount affected by internal control deficiencies is less than 3% (including 3%) of total profits;</p>	<p>Compare the amount of direct property loss with certain ratio of total profits in the company's current consolidated financial statements, and determine the type of deficiencies in internal control as follows: it should be judged to be major deficiency if the amount of direct property loss is more than 5% of total profits; it should be judged to be significant deficiency if the amount of direct property loss is more than 3% but less than 5% (including 5%) of total profits; it should be judged to be common deficiency if the amount of direct property loss is less than 3% (including 3%) of total profits;</p>
Amount of significant defects in financial reports		0
Amount of significant defects in non-financial reports		0
Amount of important defects in financial reports		0
Amount of important defects in non-financial reports		0

X. Auditing report of internal control

Applicable Not applicable

Deliberation section of auditing report of IC	
<p>In our opinion, the Company (Zhonglu), in line with Basic Norms of Enterprises Internal Control and relevant regulations, shows an effectiveness internal control of financial report in all major aspects.</p>	
Disclosure details of audit report of internal control	Disclosed

Disclosure date of audit report of internal control (full-text)	2020-03-27
Index of audit report of internal control (full-text)	www.cninfo.com.cn
Opinion type of auditing report of IC	Standard unqualified
Whether the non-financial report had major defects	No

Issued a modified audit opinions for internal control

Yes No

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

Yes No

Section XI. Corporation bonds

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

No

Section XII.Auditor's Report

DAXIN SHEN ZI [2020] No. 3-00058

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, 2019, 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, 2019, and of its financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

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

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

III. Key Audit Matters

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

A. Fixed assets - ship accounting

1.The Matter

As disclosed in note 3.15 and note 5.9 fixed assets, the Company held RMB 539.68 million of fixed assets at December 31 2019, of which vessels and nets accounted for 78.86% of the total net value. The carrying value of the company's fixed assets accounted for 41.88% of the total consolidated assets as at December 31 2019 and 89.49% of the total consolidated non-current assets at December 31 2019. The carry value of the fixed assets is the essential part of company and can make tremendous influence on the financial statements. This year saw the addition of refrigerated transport vessels and ocean-going fishing vessels. As a result, we identified the existence, valuation and allocation and impairment test of vessels as a key audit matter.

2.Audit response

Our audit procedures aimed at fixed assets are mainly include:

- (1) We confirmed the location and navigation condition of each vessel, whose actual physical counting is not available, by logging Ocean Fisheries Monitoring system on Ministry of Agriculture website at different time and checking the satellite position of these vessels.
- (2) We reviewed the certificates of title and documents of vessels.
- (3) Inspect the contracts and invoices, project materials payment documents and acceptance report of the projects under construction, judge whether the recognition of fixed assets in line with the provisions of accounting standards and the entry value is consistent with the relevant records of the construction in process.

(4) We checked if the depreciation policy is in compliance with Accounting Standards for Business Enterprises consistently. We recalculated the depreciation of vessels.

(5) We communicated with the management; obtained accounting estimate documents prepared by them, and evaluated the rationality of the accounting estimates such as depreciation period and residual rate on the basis of referring to industry practice data.

(6) Inspect the insurance status of ships, and assess whether the company is adequately prepared to deal with ship damage.

(7) We evaluated the sign of impairment for each vessel and assessed the rationality of impairment provision if necessary.

B. The impairment of inventory

1. The Matter

As disclosed in note 3.12 the policy of inventory accounting and note 5.5 inventory book balance and provision for diminution in value of inventories, the Company held RMB 380.37 million of inventory book balance as well as RMB 4.62 million of impairment reserve, and RMB 375.74 million of the carrying amount, of which accounted for 29.16% of total assets at December 31 2019. In view of the significant amount of inventories and the impairment reserve accrual process can make significant influence on management, we identified the book balance and provision for diminution in value of inventories as a key audit matter.

2. Audit response

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

(1) Understand, evaluate and test the design and implementation of internal control related to inventory management and impairment reserve for company.

(2) Supervise the inventory, check the quantity and status of the inventory and the expiration date of the product; for the inventory of the overseas company, the auditor went to the overseas company to

conduct the supervision and check the fishing situation of the vessel in November 2019, and in the follow-up audit process checked the sales and collection of inventory.

(3) Obtain the age list of inventory at the end of period, and conduct an analytical review of the long-age inventory to confirm whether the provision for inventory depreciation is reasonable.

(4) Check the implementation of relevant accounting policies and the changes in the inventory impairment of the previous year, and analyze whether the provision for inventory impairment is sufficient. Obtain the latest price of tuna in Japan's Shimizu fishery around the balance sheet date, and compare the price of sample sold in 2020 with the price we estimated.

(5) Obtain management's relevant basis for impairment calculation, check the critical data and recalculate to evaluate the accuracy of management's impairment calculation process, and review whether the financial statements are adequately and appropriately disclosed.

IV. Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E. Evaluate the overall presentation, structure and content of the financial statements, 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.

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.

Certified Public Accountant of China zhongbenqing

(Engagement partner)

Certified Public Accountant of China zhanglifa

China . Beijing

Date: March 25 , 2020

Consolidated Balance Sheet

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

Dec 31, 2019

Unit: RMB Yuan

It	Note	As at 31/12/2019	As at 1/1/2019	As at 31/12/2018
Current assets:				
Cash at bank and on hand	5.1	186,011,644.29	183,453,073.56	183,453,073.56
Financial assets held for trading				
Financial assets measured at fair value through profit or loss for the current period				
Derivative financial assets				
Notes receivable				
Accounts receivable	5.2	70,003,394.30	63,961,900.00	63,961,900.00
Receivables for financing				
Prepayments	5.3	17,350,069.13	22,389,784.46	22,389,784.46
Other receivables	5.4	4,343,207.56	5,529,723.80	5,529,723.80
Including: Interest receivable				
Dividends receivable				
Inventories	5.5	375,744,116.36	330,591,120.00	330,591,120.00
Held-for-sale assets				
Non-current assets due within one year				
Other current assets	5.6	32,027,587.58	32,310,466.77	32,310,466.77
Total current		685,480,019.22	638,236,068.59	638,236,068.59
Non-current assets:				
Debt investments				
Available-for-sale financial assets				
Other debt investments				
Held-to-maturity investments				
Long-term receivables				
Long-term equity investments				
Other equity instrument investments	5.7			
Other non-current financial assets				
Investment property	5.8	32,761,086.11	30,464,518.89	30,464,518.89
Fixed assets	5.9	551,167,599.49	514,332,752.28	514,332,752.28
Construction in process	5.10		11,073,476.37	11,073,476.37
Productive biological assets				
Oil and gas assets				
Intangible assets	5.11	13,196,284.54	13,665,376.82	13,665,376.82
Development expenditures				
Goodwill				
Long-term deferred expenses	5.12	435,134.13	524,811.27	524,811.27
Deferred tax assets	5.13	1,845,872.82	1,926,163.26	1,926,163.26
Other non-current assets	5.14	3,640,847.49	3,059,416.20	3,059,416.20
Total non-current assets		603,046,824.58	575,046,515.09	575,046,515.09
Total		1,288,526,843.80	1,213,282,583.68	1,213,282,583.68

Legal representative: lulianning

Person in charge of accounting function: fuchuanhai

Person in charge of accounting department: leilixin

Consolidated Balance Sheet (Continued)

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

Dec 31, 2019

Unit: RMB Yuan

It	Note	As at 31/12/2019	As at 1/1/2019	As at 31/12/2018
Current liabilities:				
Short-term loans	5.15	51,662,365.00	78,598,128.38	78,352,320.05
Financial liabilities held for trading				
Financial liabilities measured at fair value through profit or loss for the current period				
Derivative financial liabilities				
Notes payable				
Accounts payable	5.16	94,725,231.68	108,371,599.66	108,371,599.66
Advances from customers	5.17	18,477,646.54	17,561,329.01	17,561,329.01
Employee benefits payable	5.18	49,149,654.32	44,016,063.96	44,016,063.96
Taxes and surcharges payable	5.19	3,597,925.54	2,841,394.90	2,841,394.90
Other payables	5.20	8,634,438.40	6,797,885.62	7,043,693.95
Including: Interest payable	5.20			245,808.33
Dividends payable				
Held-for-sale liabilities				
Non-current liabilities due within one year	5.21		866,585.48	866,585.48
Other current liabilities				
Total current liabilities		226,247,261.48	259,052,987.01	259,052,987.01
Non-current liabilities:				
Long-term loans				
Bonds payable				
Including: Preference shares				
Perpetual loans				
Other long-term payables				
Long-term employee benefits payable	5.22	1,378,471.70	1,513,560.34	1,513,560.34
Provisions				
Deferred income	5.23	15,764,480.48	8,839,283.66	8,839,283.66
Deferred tax liabilities				
Other non-current liabilities				
Total non-current liabilities		17,142,952.18	10,352,844.00	10,352,844.00
Total		243,390,213.66	269,405,831.01	269,405,831.01
Shareholders' equity:				
Share capital	5.24	266,071,320.00	266,071,320.00	266,071,320.00
Other equity instruments				
Including: Preference shares				
Perpetual loans				
Capital reserve	5.25	284,054,997.75	284,054,997.75	284,054,997.75
Less: treasury shares				
Other comprehensive income	5.26	707,156.17	-675,743.05	-675,743.05
Special reserve				
Surplus reserve	5.27	21,908,064.19	21,908,064.19	21,908,064.19
Retained earnings	5.28	314,460,431.58	232,148,801.35	232,148,801.35
Equity attributable to parent company		887,201,969.69	803,507,440.24	803,507,440.24
Minority interests		157,934,660.45	140,369,312.43	140,369,312.43
Total equity		1,045,136,630.14	943,876,752.67	943,876,752.67
Total liabilities and equity		1,288,526,843.80	1,213,282,583.68	1,213,282,583.68

Legal representative: Lulianxing

Person in charge of accounting function: fuchuanhai

Person in charge of accounting department: leilixin

Balance Sheet

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

Dec 31,2019

Unit:RMB Yuan

It	Note	As at 31/12/2019	As at 1/1/2019	As at 31/12/2018
Current assets:				
Cash at bank and on hand		56,205,332.78	58,180,225.27	58,180,225.27
Financial assets held for trading				
Financial assets measured at fair value through profit or loss for the current period				
Derivative financial assets				
Notes receivable				
Accounts receivable	13.1	29,071,151.64	4,640,846.24	4,640,846.24
Receivables for financing				
Prepayments		4,729,985.40	2,745,721.08	2,745,721.08
Other receivables	13.2	181,768,872.70	174,132,348.14	174,132,348.14
Including:Interest receivable				
Dividends receivable	13.2	94,566,287.92	92,964,132.10	92,964,132.10
Inventories		34,787,467.34	39,765,975.21	39,765,975.21
Held-for-sale assets				
Non-current assets due within one year				
Other current assets		2,079,593.94	1,703,493.59	1,703,493.59
Total current		308,642,403.80	281,168,609.53	281,168,609.53
Non-current assets:				
Debt investments				
Available-for-sale financial assets				
Other debt investments				
Held-to-maturity investments				
Long-term receivables		5,196,204.31	5,432,212.74	5,432,212.74
Long-term equity investments	13.3	232,189,455.23	232,189,455.23	232,189,455.23
Other equity instrument investments				
Other non-current financial assets				
Investment property		32,761,086.11	30,464,518.89	30,464,518.89
Fixed assets		58,708,493.74	66,833,497.57	66,833,497.57
Construction in process				
Productive biological assets				
Oil and gas assets				
Intangible assets		846,324.29	1,106,244.75	1,106,244.75
Development expenditures				
Goodwill				
Long-term deferred expenses		88,996.85	302,589.05	302,589.05
Deferred tax assets				
Other non-current assets		1,279,247.49	426,581.20	426,581.20
Total non-current assets		331,069,808.02	336,755,099.43	336,755,099.43
Total		639,712,211.82	617,923,708.96	617,923,708.96

Legal representativeLegal: lulianxing

Person in charge of accounting function: fuchuanhai

Person in charge of accounting department: leilixin

Balance Sheet (Continued)

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

Dec 31, 2019

Unit: RMB Yuan

It	Note	As at 31/12/2019	As at 1/1/2019	As at 31/12/2018
Current liabilities:				
Short-term loans				
Financial liabilities held for trading				
Financial liabilities measured at fair value through profit or loss for the current period				
Derivative financial liabilities				
Notes payable				
Accounts payable		6,504,914.36	8,034,779.37	8,034,779.37
Advances from customers		2,161,006.77	9,957,655.47	9,957,655.47
Employee benefits payable		16,431,213.09	19,729,495.62	19,729,495.62
Taxes and surcharges payable		452,563.73	333,936.38	333,936.38
Other payables		88,931,206.55	78,713,961.06	78,713,961.06
Including: Interest payable				
Dividends payable				
Held-for-sale liabilities				
Non-current liabilities due within one year				
Other current liabilities				
Total current liabilities		114,480,904.50	116,769,827.90	116,769,827.90
Non-current liabilities:				
Long-term loans				
Bonds payable				
Including: Preference shares				
Perpetual loans				
Other long-term payables				
Long-term employee benefits payable		984,566.68	1,092,153.95	1,092,153.95
Provisions				
Deferred income				
Deferred tax liabilities				
Other non-current liabilities				
Total non-current liabilities		984,566.68	1,092,153.95	1,092,153.95
Total		115,465,471.18	117,861,981.85	117,861,981.85
Shareholders' equity:				
Share capital		266,071,320.00	266,071,320.00	266,071,320.00
Other equity instruments				
Including: Preference shares				
Perpetual loans				
Capital reserve		279,115,900.17	279,115,900.17	279,115,900.17
Less: treasury shares				
Other comprehensive income				
Special reserve				
Surplus reserve		19,184,672.34	19,184,672.34	19,184,672.34
Retained earnings		-40,125,151.87	-64,310,165.40	-64,310,165.40
Total equity		524,246,740.64	500,061,727.11	500,061,727.11
Total liabilities and equity		639,712,211.82	617,923,708.96	617,923,708.96

Legal representative: Lulianxing

Person in charge of accounting function: fuchuanhai

Person in charge of accounting department: leilixin

Consolidated Statement of Income

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

For the year ended 31 December 2019

Unit:RMB Yuan

Item	Note	Year ended 31/12/2019	Year ended 31/12/2018
1.Operating income	5.29	1,128,951,902.68	1,023,348,055.53
Less: Operating costs	5.29	948,853,930.90	851,104,238.77
Taxes and surcharges	5.30	3,133,193.01	2,952,542.96
Selling and distribution expenses	5.31	24,928,000.04	35,257,027.14
General and administrative expenses	5.32	63,613,565.72	61,300,717.66
Research and development expenses	5.33	274,338.75	
Finance expenses	5.34	4,648,252.61	-4,287,046.06
Including:Interest expenses	5.34	4,119,308.06	5,170,331.97
Interest income	5.34	1,032,203.87	513,573.16
Add: Other income	5.35	23,209,608.02	29,185,715.50
Investment income("-" for loss)			
Including: Investment income from associates and joint ventures			
Income from derecognition of financial assets measured at amortised cost			
Gains from net position hedging ("- " for loss)			
Gain from fair value changes("-" for loss)			
Credit impairment losses("-" for loss)	5.36	-364,245.40	
Impairment on assets ("- " for loss)	5.37	-4,630,333.82	-4,200,111.14
Gains from disposal of assets("-" for loss)	5.38		-144,859.41
2.Operating profits("-" for loss)		101,715,650.45	101,861,320.01
Add: Non-operating income	5.39	336,071.70	325,858.06
Less:Non-operating expenses	5.40	358,618.18	674,407.58
3.Profit before tax("-" for loss)		101,693,103.97	101,512,770.49
Less:income tax expenses	5.41	2,918,559.26	3,450,194.27
4.Net profit ("- " for net loss)		98,774,544.71	98,062,576.22
Categorized by going concern basis:			
(1)Profit or loss from continuing operations ("- " for net loss)		98,774,544.71	98,062,576.22
(2)Profit or loss from discontinued operations ("- " for net loss)			
Categorized by ownership:			
(1)Net profit attributable to parent company ("- " for net loss)		82,311,630.23	90,281,584.29
(2)Profit/loss attributable to minority ("- " for net loss)shareholders		16,462,914.48	7,780,991.93
5.Other comprehensive income net of tax		2,485,332.76	6,723,281.32
Total comprehensive income attributable to parent company		1,382,899.22	5,399,271.07
(1) Comprehensive income not to be reclassified to profit or loss			
1)Changes in remeasurement of defined benefit obligations			
2)Other comprehensive income not to be reclassified to profit or loss in equity method			
3)Fair value changes in other equity instrument investments			
4)Fair value changes in the enterprise's own credit risk			
(2) Comprehensive income to be reclassified to profit or loss		1,382,899.22	5,399,271.07
1) Other comprehensive income to be reclassified to profit or loss in equity method			
2) Gain or loss from fair value changes of other debt instruments			
3) Gain or loss from fair value changes of available-for-sale financial assets			
4) The amount of financial assets reclassified to other comprehensive income			
5) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6) Credit impairment provision of other debt investment			
7) Cash flow hedging reserve			
8) Currency translation difference		1,382,899.22	5,399,271.07
9) Others			
Other comprehensive income attributable to minority share-holders, net of tax		1,102,433.54	1,324,010.25
Total comprehensive income		101,259,877.47	104,785,857.54
Total comprehensive income attributable to parent company		83,694,529.45	95,680,855.36
Total comprehensive income attributable to minority shareholders		17,565,348.02	9,105,002.18
Earnings per share			
Basic earnings per share		0.31	0.34
Diluted earnings per share		0.31	0.34

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

Statement of Income

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

For the year ended 31 December 2019

Unit:RMB Yuan

Item	Note	Year ended 31/12/2019	Year ended 31/12/2018
1.Operating income	13.4	170,356,633.00	196,795,209.39
Less: Operating costs	13.4	122,798,661.30	145,880,407.70
Taxes and surcharges		744,934.84	684,300.47
Selling and distribution expenses		6,373,920.42	17,349,906.40
General and administrative expenses		29,898,532.60	25,924,371.10
Research and development expenses			
Finance expenses		-337,913.75	-977,099.68
Including:Interest expenses		1,106,706.22	1,418,278.77
Interest income		471,726.01	272,307.27
Add: Other income		12,084,180.12	15,418,300.00
Investment income("-" for loss)	13.5	2,725,025.89	92,964,132.10
Including: Investment income from associates and joint ventures			
Income from derecognition of financial assets measured at amortised cost			
Gains from net position hedging ("- " for loss)			
Gain from fair value changes("-" for loss)			
Credit impairment losses("-" for loss)		-841,673.91	
Impairment on assets ("- " for loss)		-547,839.65	-151,243.54
Gains from disposal of assets("-" for loss)			
2.Operating profits("-" for loss)		24,298,190.04	116,164,511.96
Add: Non-operating income		27,023.49	22,569.02
Less:Non-operating expenses		140,200.00	314,000.00
3.Profit before tax("-" for loss)		24,185,013.53	115,873,080.98
Less:income tax expenses			
4.Net profit ("- " for net loss)		24,185,013.53	115,873,080.98
Profit or loss from continuing operations ("- " for loss)		24,185,013.53	115,873,080.98
Profit or loss from discontinued operations ("- " for loss)			
5.Other comprehensive income net of tax			
(1) Comprehensive income not to be reclassified to profit or loss			
1)Changes in remeasurement of defined benefit obligations			
2)Other comprehensive income not to be reclassified to profit or loss in equity method			
3)Fair value changes in other equity instrument investments			
4)Fair value changes in the enterprise's own credit risk			
(2) Comprehensive income to be reclassified to profit or loss			
1) Other comprehensive income to be reclassified to profit or loss in equity method			
2) Gain or loss from fair value changes of other debt instruments			
3) Gain or loss from fair value changes of available-for-sale financial assets			
4) The amount of financial assets reclassified to other comprehensive income			
5) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6) Credit impairment provision of other debt investment			
7) Cash flow hedging reserve			
8) Currency translation difference			
9) Others			
Total comprehensive income		24,185,013.53	115,873,080.98
Earnings per share			
Basic earnings per share			
Diluted earnings per share			

Legal representativeLegal: lulianxing

Person in charge of accounting function: fuchuanhai

Person in charge of accounting department: leilixin

Consolidated Statement of Cash Flows

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

For the year ended 31 December 2019

Unit:RMB Yuan

It	Note	Year ended 31/12/2019	Year ended 31/12/2018
1.Cash flows from operating activities			
Cash received from sales and services		1,137,807,547.33	1,009,191,659.05
Taxes and surcharges refunds		40,948,497.75	52,916,366.93
Cash received related to other operating activities	5.42	42,110,856.39	40,209,712.63
Total cash inflows from operating activities		1,220,866,901.47	1,102,317,738.61
Cash paid for goods and services		872,579,856.11	820,767,322.08
Cash paid to and for employees		173,125,879.15	135,310,638.26
Taxes and surcharges cash payments		14,144,537.13	12,736,545.08
Cash paid related to other operating activities	5.42	50,720,086.41	63,867,337.54
Total cash outflows from operating activities		1,110,570,358.80	1,032,681,842.96
Net cash flows from operating activities		110,296,542.67	69,635,895.65
2.Cash flows from investing activities:			
Cash received from withdraw of investments			
Cash received from investment income			
Net cash received from disposal of \property, plant and equipment,intangible assets and other long-term assets		8,235.37	66,101.40
Net cash received from disposal of subsidiaries and other business units			
Cash received related to other investing activities			
Total cash inflows from investing activities		8,235.37	66,101.40
Cash paid for property, plant and equipment,intangible assets and other long-term assets		75,638,420.93	38,645,395.27
Cash payments for investments			
Net cash paid for acquiring subsidiaries and other business units			
Cash paid related to other investing activities			
Total cash outflows from investing activities		75,638,420.93	38,645,395.27
Net cash flows from investing activities		-75,630,185.56	-38,579,293.87
3.Cash flows from financing activities:			
Cash received from investments by others			100,000,000.00
Including:cash received by subsidiaries from minority shareholders' investments			100,000,000.00
Cash received from borrowings		112,412,418.06	124,663,840.58
Cash received related to other financing activities			
Total cash inflows from financing activities		112,412,418.06	224,663,840.58
Cash repayments for debts		140,351,397.37	222,589,747.85
Cash payments for distribution of dividends, profit and interest expenses		4,050,392.95	5,218,646.53
Including:dividends or profit paid by subsidiaries to minority shareholders			
Cash paid related to other financing activities			
Total cash outflows from financing activities		144,401,790.32	227,808,394.38
Net cash flows from financing activities		-31,989,372.26	-3,144,553.80
4.Effect of foreign exchange rate changes on cash and cash		-840,471.61	7,787,725.68
5.Net increase in cash and cash equivalents		1,836,513.24	35,699,773.66
Add:beginning balance of cash and cash equivalents		182,767,125.48	147,067,351.82
6.Ending balance of cash and cash equivalents		184,603,638.72	182,767,125.48

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

Statement of Cash Flows

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

For the year ended 31 December 2019

Unit:RMB Yuan

It	Note	Year ended 31/12/2019	Year ended 31/12/2018
1.Cash flows from operating activities		137,664,498.19	192,640,702.72
Cash received from sales and services			
Taxes and surcharges refunds		28,420,446.80	20,435,313.75
Cash received related to other operating activities		166,084,944.99	213,076,016.47
Total cash inflows from operating activities		93,241,677.36	107,932,129.20
Cash paid for goods and services		40,950,588.99	44,366,095.23
Cash paid to and for employees		1,052,869.57	888,132.93
Taxes and surcharges cash payments		15,468,351.42	25,738,044.04
Cash paid related to other operating activities		150,713,487.34	178,924,401.40
Total cash outflows from operating activities		15,371,457.65	34,151,615.07
Net cash flows from operating activities			
2.Cash flows from investing activities:			
Cash received from withdraw of investments			
Cash received from investment income			
Net cash received from disposal of \property, plant and equipement,intangible assets and other			
Net cash received from disposal of subsidiaries and other business units			10,000,000.00
Cash received related to other investing activities			10,000,000.00
Total cash inflows from investing activities		7,046,061.27	1,384,864.55
Cash paid for property, plant and equipement,intangible assets and other long-term assets			28,000,000.00
Cash payments for investments			
Net cash paid for acquiring subsidiaries and other business units		14,595,624.89	11,596,396.40
Cash paid related to other investing activities		21,641,686.16	40,981,260.95
Total cash outflows from investing activities		-21,641,686.16	-30,981,260.95
Net cash flows from investing activities			
3.Cash flows from financing activities:			
Cash received from investments by others			
Cash received from borrowings		4,000,000.00	7,000,000.00
Cash received related to other financing activities		4,000,000.00	7,000,000.00
Total cash inflows from financing activities			
Cash repayments for debts			
Cash payments for distribution of dividends, profit and interest expenses			
Cash paid related to other financing activities			
Total cash outflows from financing activities		4,000,000.00	7,000,000.00
Net cash flows from financing activities		295,336.02	-24,982.26
4.Effect of foreign exchange rate changes on cash and cash equivalents		-1,974,892.49	10,145,371.86
5.Net increase in cash and cash equivalents		58,180,225.27	48,034,853.41
Add:beginning balance of cash and cash equivalents		56,205,332.78	58,180,225.27
6.Ending balance of cash and cash equivalents		137,664,498.19	192,640,702.72

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

Consolidated Statement of Changes in Equity

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

For the year ended 31 December 2019

Unit:RMB Yuan

Item	Year 2019												Minority interests	Total equity
	Equity attributable to shareholders of parent													
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total			
Preference		Perpetual	Other											
1. Ending balance of last year	266,071,320.00				284,054,997.75		-675,743.05		21,908,064.19	232,148,801.35	803,507,440.24	140,369,312.43	943,876,752.67	
Add: Impact from changes in accounting policies														
Impact from corrections of errors in prior														
Business combination under common control														
Others														
2. Beginning balance of current year	266,071,320.00				284,054,997.75		-675,743.05		21,908,064.19	232,148,801.35	803,507,440.24	140,369,312.43	943,876,752.67	
3. Movement for current year ("-" for decrease)							1,382,899.22			82,311,630.23	83,694,529.45	17,565,348.02	101,259,877.47	
(1) Total comprehensive income							1,382,899.22			82,311,630.23	83,694,529.45	17,565,348.02	101,259,877.47	
(2) Shareholder's contributions and withdrawals of capital														
1) Common stock contributed by shareholders														
2) Capital contributed by other equity instruments holders														
3) Share-based payment recorded in shareholder's equity														
4) Others														
(3) Profits distribution														
1) Appropriation of surplus reserve														
2) Distribution to shareholders														
3) Others														
(4) Internal transfer within shareholder's equity														
1) Conversion of capital reserve into share capital														
2) Conversion of surplus reserve into share capital														
3) Recover of loss by surplus reserve														
4) Change of defined benefit obligations carried forward to retained earnings														
5) Other comprehensive income carried forward to retained earnings														
6) Others														
(5) Special reserve														
1) Accrual of special reserve														
2) Utilization of special reserve														
(6) Others														
4. Ending balance of current year	266,071,320.00				284,054,997.75		707,156.17		21,908,064.19	314,460,431.58	887,201,969.69	157,934,660.45	1,045,136,630.14	

Legal representative: lulianxing

Person in charge of accounting function: fuchuanhai

Person in charge of accounting department: leilixin

Consolidated Statement of Changes in Equity (Continued)

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

For the year ended 31 December 2019

Unit:RMB Yuan

Item	Year 2018												Minority interests	Total equity
	Equity attributable to shareholders of parent													
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive	Special reserve	Surplus reserve	Retained earnings	Sub-total			
Preference		Perpetual	Other											
1. Ending balance of last year	266,071,320.00				279,998,206.82		-6,075,014.12		21,908,064.19	141,867,217.06	703,769,793.95	35,321,101.18	739,090,895.13	
Add: Impact from changes in accounting policies														
Impact from corrections of errors in prior														
Business combination under common control														
Others														
2. Beginning balance of current year	266,071,320.00				279,998,206.82		-6,075,014.12		21,908,064.19	141,867,217.06	703,769,793.95	35,321,101.18	739,090,895.13	
3. Movement for current year("-" for decrease)					4,056,790.93		5,399,271.07			90,281,584.29	99,737,646.29	105,048,211.25	204,785,857.54	
(1) Total comprehensive income							5,399,271.07			90,281,584.29	95,680,855.36	9,105,002.18	104,785,857.54	
(2) Shareholder's contributions and withdrawals of capital					4,056,790.93						4,056,790.93	95,943,209.07	100,000,000.00	
1) Common stock contributed by shareholders														
2) Capital contributed by other equity instruments holders														
3) Share-based payment recorded in shareholder's equity														
4) Others					4,056,790.93						4,056,790.93	95,943,209.07	100,000,000.00	
(3) Profits distribution														
1) Appropriation of surplus reserve														
2) Distribution to shareholders														
3) Others														
(4) Internal transfer within shareholder's equity														
1) Conversion of capital reserve into share capital														
2) Conversion of surplus reserve into share capital														
3) Recover of loss by surplus reserve														
4) Change of defined benefit obligations carried forward to retained earnings														
5) Other comprehensive income carried forward to retained earnings														
6) Others														
(5) Special reserve														
1) Accrual of special reserve														
2) Utilization of special reserve														
(6) Others														
4. Ending balance of current year	266,071,320.00				284,054,997.75		-675,743.05		21,908,064.19	232,148,801.35	803,507,440.24	140,369,312.43	943,876,752.67	

Legal representative: lulianxing

Person in charge of accounting function: fuchuanhai

Person in charge of accounting department: leilixin

Statement of Changes in Equity

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

For the year ended 31 December 2019

Unit:RMB Yuan

Item	Year 2019										
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive	Special reserve	Surplus reserve	Retained earnings	Total equity
		Preferenc	Perpetu	Others							
1. Ending balance of last year	266,071,320.00				279,115,900.17				19,184,672.34	-64,310,165.40	500,061,727.11
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											
2. Beginning balance of current year	266,071,320.00				279,115,900.17				19,184,672.34	-64,310,165.40	500,061,727.11
3. Movement for current year("-" for decrease)										24,185,013.53	24,185,013.53
(1) Total comprehensive income										24,185,013.53	24,185,013.53
(2) Shareholder's contributions and withdrawals of capital											
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution											
1) Appropriation of surplus reserve											
2) Distribution to shareholders											
3) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Change of defined benefit obligations carried forward to retained earnings											
5) Other comprehensive income carried forward to retained earnings											
6) Others											
(5) Special reserve											
1) Accrual of special reserve											
2) Utilization of special reserve											
(6) Others											
4. Ending balance of current year	266,071,320.00				279,115,900.17				19,184,672.34	-40,125,151.87	524,246,740.64

Legal representative: lujianxing

Person in charge of accounting function: fuchuanhai

Person in charge of accounting department: Leilixin

Statement of Changes in Equity (Continued)

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

For the year ended 31 December 2019

Unit:RMB Yuan

Item	Year 2018										
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
		Preference shares	Perpetual loans	Others							
1. Ending balance of last year	266,071,320.00				279,115,900.17				19,184,672.34	-180,183,246.38	384,188,646.13
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											
2. Beginning balance of current year	266,071,320.00				279,115,900.17				19,184,672.34	-180,183,246.38	384,188,646.13
3. Movement for current year("-" for decrease)										115,873,080.98	115,873,080.98
(1) Total comprehensive income										115,873,080.98	115,873,080.98
(2) Shareholder's contributions and withdrawals of capital											
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution											
1) Appropriation of surplus reserve											
2) Distribution to shareholders											
3) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Change of defined benefit obligations carried forward to retained earnings											
5) Other comprehensive income carried forward to retained earnings											
6) Others											

(5) Special reserve											
1) Accrual of special reserve											
2) Utilization of special reserve											
(6) Others											
4. Ending balance of current year	266,071,320.00				279,115,900.17				19,184,672.34	-64,310,165.40	500,061,727.11

Legal representative: lulianxing

Person in charge of accounting function: fuchuanhai

Person in charge of accounting department: leilixin

SHANDONG ZHONGLU OCEANIC FISHERIES CO., LTD.

Notes to the Financial Statements

(All amounts in Chinese Renminbi Yuan unless otherwise stated)

1. Company profile

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

Shandong Zhonglu Oceanic Fisheries Co., Ltd. (the “Company”), whose registered address is No.29, Miaoling Road, Qingdao, Shandong, was incorporated as a liability limited company in the People’s Republic of China on July 30, 1999 according to the document of Lu Ti Gai Zi [1999] No.85 issued by Shandong Development and Reform Commission, and the holding company of the Company is Shandong Fisheries Enterprise Group General Corporation. On June 26, 2000, the Company issued 120 million domestic listed foreign shares (B shares) to foreign investors with face value of 1 Yuan per share according to the document of Zheng Jian Fa Xing Zi [2000] No.82 issued by the China Securities Regulatory Commission. The B shares, Zhonglu B with stock code of 200992, have been listed on the Shenzhen Stock Exchange since July 24, 2000.

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

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

Operating activity: ocean fisheries

Main product: tuna and its products.

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

Advance licensed operating scope: marine and oceanic fishing;

1.3 The approver and approval date of the financial reporting.

The financial statement is predetermined and authorized by the board of company on 25th March, 2020.

1.4 The consolidation scope of financial year 2019 consolidated financial statements includes the Company and its subsidiaries (hereafter referred to as "the Company").

Consolidation scope of financial statement includes: 4 wholly-owned subsidiaries: Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.; Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.; HABITAT INTERNATIONAL CORP; Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd. ; 4 sub-subsidiaries: LAIF FISHERIES COMPANY LIMITED; Shandong Zhonglu Oceanic Fisheries Refrigeraton Co., Ltd; AFRICA STAR FISHERIES LIMITED; ZHONG GHA FOODS COMPANY LIMITED; 1 operational entity through control over operating leases: YAW ADDO FISHERIES COMPANY LIMITED. More information is disclosed in Note.7 “ Equity disclosure in other entities” .

2. Basis of preparation of financial statements

2.1 Basis of preparation

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

2.2 Going concern

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

3. Significant accounting policies and accounting estimates

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

3.1 Declaration on compliance with the Accounting Standards for Business Enterprises

The financial statements have been prepared in compliance with the Accounting Standards for Business Enterprises to truly and completely reflect the Company’ s financial position as of 31 December 2019 and its operating results, cash flows and other relevant information for the year ended 31 December 2019.

3.2 Accounting period

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

3.3 Operating cycle

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

3.4 Functional currency

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

3.5 Business combination

3.5.1 Business combinations involving enterprises under common control

In a business combination involving enterprises under common control, if the acquirer pays for the business combination in cash, by transferring of non-cash assets or assuming liabilities, the initial investment cost is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. If the acquirer issues equity instruments for the business combination, the acquirer measures the share capital by the par value of the shares issued. The difference between the original investment cost and the carrying amount (or the total par value of shares issued) will be adjusted to the capital reserve. If the capital reserve is insufficient to absorb the difference, the remaining amount shall be deducted from the retained earnings.

3.5.2 Business combinations involving enterprises not under uncommon control

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

3.6 Preparation of consolidated financial statements

3.6.1 The scope of consolidated financial statements

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

3.6.2 Uniform accounting policies, balance sheet date and accounting period

If the subsidiaries adopt different accounting policies or accounting periods compared with those of the Company, the Company makes necessary adjustments on the subsidiaries' financial statements according to its accounting policies or accounting period when the consolidated financial statements are prepared.

3.6.3 The elimination in the preparation of consolidated financial statements

The consolidated financial statements are prepared based on the individual financial statements of the Company and its subsidiaries, after elimination of the transactions incurred among the Company and the subsidiaries. The portion of a subsidiary's equity that is

not attributable to the Company is treated as minority interests and presented in the consolidated balance sheet within equity. The equity investment of the Company held by one subsidiary is treated as the Company's treasury shares and a deduction of the shareholders' equity which is presented as "less: treasury shares" in the consolidated balance sheet within equity.

3.6.4 The accounting treatment for obtaining subsidiaries through a business combination

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

3.6.5 The accounting treatment for disposal of equity investment in a subsidiary

In the consolidated financial statements, when the Company partly disposes its investment in a subsidiary without losing its control on the subsidiary, the difference between the consideration received and its corresponding portion of the net asset continually calculated from the purchase date or combination date should be adjusted to the capital reserve and if the capital reserve is insufficient to absorb the difference, the remaining amount will be deducted from the retained earnings.

If the Company loses its control on an investee because of disposing some portion of its equity investment in the investee, when it prepares its consolidated financial statements, the remaining balance of its equity investment will be remeasured at the fair value of the date at which it loses its control. The difference between the sum of the consideration received and the fair value of the remaining equity investment, and its corresponding interest portion of the net asset continually calculated from the purchase date or the combination date should be recorded in the investment income of the current period, and be deducted to goodwill simultaneously. Other comprehensive income (OCI) etc. relating to the investment in the former subsidiary will be transferred to the investment income in the same period in which it loses its control.

3.7 Joint arrangement classification and accounting treatments

3.7.1 The classification of joint arrangement

Joint arrangements are classified as joint operations or joint ventures. A joint arrangement will be classified as joint operation when the joint arrangement achieves not through an individual entity. Individual entity is an entity with individual identifiable finance structure, including single legal entity and entity unqualified as legal entity but

qualified as lawful entity. A joint arrangement is usually be classified as joint venture when the joint arrangement achieves through incorporating an individual entity. When changes arising from relevant events or environment cause changes of the cooperative parties' rights and obligations in the joint arrangements, the cooperative parties shall reassess the classification of the joint arrangements.

3.7.2 The accounting treatment of joint operations

The Company acted as a party participating in joint operations, recognises the following items relating to its interests in the joint operations and accounts for them in accordance with related requirements of Accounting Standards for Business Enterprises: (a) Its solely-held assets and solely-assumed liabilities, and its share of any assets and liabilities held jointly; (b) Its revenue from the sale of its share of the output arising from the joint operation; (c) Its share of the revenue from the sale of the output by the joint operation; (d) Its own expenses and its share of any expenses incurred jointly.

The Company acted as a party involving in joint operations without common control power, accounts for its investments referring to the treatment method of joint operation participants if it is entitled to relevant assets and undertake relevant liabilities of the joint operations, otherwise, it accounts for its investments according to related requirements of Accounting Standards for Business Enterprises.

3.7.3 The accounting treatment of joint ventures

The Company accounts for its investments in accordance with Accounting Standards for Business Enterprises No.2 - Long-term Equity Investment if it is one of the participating parties with common control power in joint ventures. And the Company accounts for its investments according to its influence extent on the joint ventures if it is not one of the participating parties with common control power involved in the joint ventures.

3.8 Cash and cash equivalents

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

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

3.9.1 Translation of foreign currency transactions

The Company records foreign currency transactions in RMB for accounting purpose using the spot exchange rate prevailing at the date when the transactions occurs. At the balance sheet date, monetary items denominated in foreign currency are translated to RMB by adopting the prevailing exchange rate on that date. Foreign exchange difference between the prevailing exchange rate on that date

and the prevailing exchange rate on initial recognition or on the previous balance sheet date are recognised in profit or loss for the current period, except the foreign exchange arising from specific loan denominated in foreign currency qualified as capital expenditure and included in the cost of related assets. Non-monetary items denominated in foreign currency that are measured at historical cost are still translated at amount in functional currency exchanged at the prevailing exchange rate at the transaction date. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rate at the date when fair value was determined and the difference between the translated functional currency amount and the prior translated amount on initial recognition or on the previous balance sheet date are recorded in profit or loss for the current period or other comprehensive income.

3.9.2 The translation of financial statements denominated in foreign currency

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

3.10 Financial instruments

3.10.1 Classification and reclassification of financial instruments

Financial instruments are the contracts under which the financial assets of an entity are formed and correspondingly the financial liabilities or equity instruments of any other entity are formed.

3.10.1.1 Financial assets

The Company classifies a financial asset as subsequently measured at amortised cost that meets both of the following conditions:

a) the financial asset is held within a business model whose objective is to collect contractual cash

flows; and

b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company classifies a financial asset as subsequently measured at fair value through other comprehensive income that meets both of the following conditions:

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset, and
- b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company may make an irrevocable election at initial recognition to designate non-traded equity instruments as subsequently measured at fair value through other comprehensive income. The designation is made on the basis of single investment which meets the equity instrument definition from the aspect of the issuer.

The Company classifies a financial asset as subsequently measured at fair value through profit or loss unless it is subsequently measured at amortised cost or measured at fair value through other comprehensive income. The Company may make an irrevocable election at initial recognition to designate a financial asset as subsequently measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

When the Company changes its business model for managing financial assets, all affected financial assets are reclassified from the first day of the next subsequent reporting period after the business model changes and the reclassification is applied prospectively from the reclassification date, meaning that any previously recognised gains, losses (including impairment gains or losses) or interest will not be restated.

3.10.1.2 Financial liabilities

Financial liabilities are classified at initial recognition as: a) financial liabilities measured at fair value through profit or loss; b) financial liabilities that arise when transfers of financial assets do not qualify for derecognition or when the continuing involvement approach applies; and financial liabilities as subsequently measured at amortised cost. All financial liabilities are not be reclassified.

3.10.2 Measurement of financial instruments

The Company measures financial instruments at fair value upon their initial recognition. The related transaction fees for the financial assets and financial liabilities subsequently measured at fair value through profit or loss are charged in profit or loss directly. The related transaction fees for other financial assets and financial liabilities are included in their initial costs. The Company measures the accounts receivable and notes receivable deriving from selling goods or providing services at their transaction price if the accounts receivable and notes receivable do not contain a significant financing component or the Company applies the practical expedient not considering the significant financing component. The subsequent measurement of a financial instrument is determined by its classification.

3.10.2.1 Financial assets

A. Financial assets measured at amortised cost

The financial assets are measured subsequently at amortised cost using the effective interest method after initial recognition. The gains or losses calculated by the effective interest method which do not belong to any hedging relationships are recognised in profit or loss when the financial assets are derecognised, reclassified, amortized or impaired.

B. Financial assets measured at fair value through profit or loss

After initial recognition, the financial assets are measured subsequently at fair value except that they belong to any hedging relationships, and any gains or losses including interests and dividends are recognised in profit or loss.

C. Financial assets measured at fair value through other comprehensive income

After initial recognition, the financial assets are measured subsequently at fair value. The interest calculated by the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss and other gains or losses are recognised in other comprehensive income. The accumulated gains or losses recognised in other comprehensive income will be reclassified in profit or loss upon derecognition of the financial assets.

3.10.2.2 Financial liabilities

A. Financial liabilities measured at fair value through profit or loss

The category includes financial liabilities held for trading, derivative financial liabilities and financial liabilities designated as measured at fair value through profit or loss. After initial recognition, financial liabilities in this category are measured at fair value and the gains and losses from changes of fair value of financial liabilities held for trading are recognised in profit or loss except those relating to hedging accounting. For financial liabilities designated as measured at fair value through profit or loss, the change of fair value due to the change of the Company's self-credit risk are recognised in other comprehensive income, and other changes of fair value are recognised in profit or loss. If the recognition in other comprehensive income for the change of fair value due to the change of the financial liabilities' self-credit risk will cause or enhance an accounting mismatch in profit or loss, the Company recognises all gains or losses from the financial liabilities in profit or loss.

B. Financial liabilities measured at amortised cost

After initial recognition, financial liabilities in this category are measured at amortised cost using the effective interest method.

3.10.3 Measurement method of financial instruments' fair value

For financial instruments that active markets exist, the Company uses the quoted prices in the active markets to determine their fair value. If there is no active market for the financial instruments, the Company uses valuation techniques to determine their fair value.

The valuation techniques mainly include market approach, income approach and cost approach. In limited conditions, if there is no

sufficient updated information to determine the fair value, or the range of estimated fair value is so wide that the cost indicates the best estimate of the fair value, the cost may represent the appropriate estimate of the fair value within the distribution range. The Company makes use of all available information concerning the investee's business performance and operation to determine if the cost may represent its fair value.

3.10.4 The recognition basis and measurement approach for transfer of financial assets and liabilities

3.10.4.1 Financial assets

A financial asset of the Company is derecognised when it meets one of the following conditions: a) the contractual rights to the cash flows from the financial asset expire, or b) the financial asset has been transferred and the Company transfers substantially all the risks and rewards of ownership of the financial asset; c) the financial asset has been transferred, although the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it has not retained control.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, and recognises related financial liabilities correspondingly.

On derecognition of a financial asset in its entirety, the difference between the following two items is recognised in profit or loss:

- (a) the carrying amount measured at the date of derecognition.
- (b) the sum of the consideration received and the accumulated change amount of fair value recognised directly in other comprehensive income for the corresponding derecognition financial asset (relating to a financial asset measured at fair value through other comprehensive income) .

If a financial asset is partly transferred, the entire carrying amount of the financial asset is split into the derecognised part and retained part according to their respective fair value at the derecognition date, and the difference between the following two items is recognised in profit or loss:

- (a) the carrying amount measured at the date of derecognition which is allocated to the derecognized part; and
- (b) the sum of the consideration received for the derecognised part and the accumulated change amount of fair value which has been recognised in other comprehensive income belonging to the corresponding derecognised part (relating to a financial asset measured at fair value through other comprehensive income).

3.10.4.2 Financial liabilities

When the present obligation specified in the contract is extinguished, the Company derecognises a financial liability (or a part of a financial liability).

When a financial liability (or a part of a financial liability) is derecognised, the Company recognises the difference between the

carrying amount of the financial liability (or a part of the financial liability) and the consideration paid (including any non-cash assets transferred or liabilities assumed) in profit or loss.

3.11 The approach and accounting treatment of expected credit losses (ECL)

3.11.1 The approach of expected credit losses

The Company recognises loss allowance based on ECL on financial assets that are measured at amortized cost (including accounts receivable), financial assets measured at fair value through other comprehensive income (including receivables for financing), lease receivables, and contract assets.

The Company assesses whether the credit risk on financial instruments have increased significantly since initial recognition at each balance sheet date and divides the credit risk impairment process into three stages and adopts different accounting treatment:

(a) In the first stage, the credit risk on financial instruments has not significantly increased since initial recognition. The Company measures the loss allowance for the financial instruments at an amount equal to 12-month expected credit losses, and calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets.

(b) In the second stage, the credit risk on financial instruments has significantly increased since initial recognition which are not subject to impairment. The Company measures the loss allowance for the financial instruments at an amount equal to the lifetime expected credit losses, and calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets.

(c) In the third stage, the financial instruments are subject to impairment since initial recognition. The Company measures the loss allowance for the financial instruments at an amount equal to the lifetime expected credit losses, and calculates interest income by applying the effective interest rate to the net carrying amount (gross carrying amount minus the impairment allowance) of the financial instruments.

3.11.1.1 The approach of expected credit losses for the financial instruments with a low risk of default

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition directly without comparing the credit risk with that on initial recognition if the financial instrument is determined to have a low credit risk at the balance sheet date.

If the financial instrument has a a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations, the financial instrument is considered to have a low credit risk.

3.11.1.2 The approach of expected credit losses for accounts receivable, lease receivables, and contract assets

The Company adopts simplified approach, i.e. the measurement of lifetime ECL, to determine the impairment losses for accounts receivable and contract assets that result from transactions within the scope of Accounting Standards for Business Enterprises No. 14- Revenue, and the lease receivables that result from transactions within the scope of Accounting Standards for Business Enterprises No. 21- Lease, regardless whether they contain a significant financing component or not.

The Company assesses whether the credit risk on a financial instrument has increased significantly or not since initial recognition on an individual or group basis according to the characteristics of the financial instruments. The Company segments notes receivable and accounts receivable into several groups on the basis of shared credit risk characteristics to calculate ECL, and the segmentation bases are determined as follows:

- (a) The company has combined receivables between all enterprises within the scope of the report, and there are not expected credit loss or provisions for credit loss.
- (b) The company has combined accounts receivable outside of enterprises within the scope of the report, made aging of account receivable and expected credit loss rate comparison table of the entire duration, also calculated the expected credit loss by referring to historical credit loss experience, combining with the current situation and predicting economy in the future.
- (c) If the sufficient evidence of a significant increase in credit risk from single accounts receivable could be obtained, the company shall confirm the expected credit loss for the account receivable and make provisions for loss in accordance with the balance between the carrying amount of account receivables and the present value of the cash flows expected to be received.

3.11.1.3 The approach of expected credit losses for other financial instruments

The Company adopts the normal approach, i.e. the three-stage model, to determine the impairment losses for other financial instruments except aforementioned financial assets, like debt investments, other debt investments, other receivables, long-term receivables excluding lease receivables etc.

3.11.2 The accounting treatment of expected credit losses

The Company remeasures ECL at each balance sheet date to reflect the credit risk change of financial instruments after initial recognition and recognises the additional or reverse amount of the impairment allowance in profit or loss of the current period as impairment losses or gains, which will be deducted from the carrying amount of the financial assets in the balance sheet, or recorded to the provisions for loan commitments or financial guarantee contracts or in other comprehensive income for financial assets measured at fair value through other comprehensive income depending on the category of the financial instruments.

3.12 Inventories

3.12.1 Categories of inventories

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

3.12.2 Measurement of inventories upon delivery

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

3.12.3 Provision for diminution in value of inventories

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

(a) Finished goods' net realizable value is the amount of an estimated price minus the estimated cost of sales and relevant taxes.

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

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

3.12.4 Inventory count system

The Company adopts the perpetual inventory system.

3.12.5 Amortization methods of low-value consumables and packaging materials

Low-cost consumables and packaging materials are amortized by the equal-split amortization method.

3.13 Long-term equity investment

3.13.1 Determination of initial investment cost

Long-term equity investment acquired through a business combination: For a business combination involving enterprises under common control, the initial investment cost of a long-term equity investment is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. For a business combination not involving enterprises under common control, the initial investment cost of a long-term equity investment is the cost of acquisition determined at the date of acquisition. For a long-term equity investment acquired in cash, the initial investment cost is the amount of cash paid. For a long-term equity investment acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued. For a long-term equity investment acquired by debt restructuring, the initial investment cost is

determined according to related requirements of Accounting Standards for Business Enterprises No. 12- Debt Restructuring. For a long-term equity investment acquired by exchange of non-cash assets, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 7- Exchange of Non-monetary Assets .

3.13.2 Subsequent measurement and recognition of profit or loss

Where the Company is able to exercise control over an investee, the long-term equity investment is accounted for using the cost method. Where the Company has investment in associates and joint ventures, the long-term equity investment is accounted for using the equity method. Where portion of the long-term equity investment in an associate is indirectly held through venture capital organizations, mutual funds, trust companies or similar entities including investment-linked insurance funds, regardless whether these entities can exercise significant influence on the investments, the Company treats the investment portion according to Accounting Standards for Business Enterprises No. 22- Financial Instrument Recognition and Measurement and accounts for the remaining portion using the equity method.

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

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

3.14 Investment property

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

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

3.15 Fixed assets

3.15.1 Recognition criteria for fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, services rendering, renting or business

administration with useful lives exceeding one accounting year. Fixed assets can be recognised when the following criteria are met: a) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and b) The costs of the fixed assets can be measured reliably.

3.15.2 Classification and depreciation method of fixed assets

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

Category	Depreciation period (years)	Residual rate (%)	Annual depreciation rate (%)
Buildings	20—40	0—10	2.25-5.00
Boats & nets	5—30	3—5	3.17-19.40
Machinery & equipment	8—20	0—10	4.50-12.50
Transportation equipment	5	0—10	18.00-20.00
Furniture and office equipment	5	0—10	18.00-20.00

3.16 Construction in progress

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

3.17 Borrowing costs

3.17.1 Recognition criteria for capitalization of borrowing costs

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

3.17.2 Calculation of capitalization cost

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

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

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

3.18 Intangible assets

3.18.1 The measurement of intangible assets

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

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

3.18.2 The assessment basis for indefinite useful life

Intangible assets without foreseeable period to bring economic benefits to the Company or with uncertain useful life are classified as

intangible assets of indefinite life. The judgment basis for indefinite life includes: a) The legal rights are derived from contractual rights or other legal rights, however there is no explicit useful life indicated in the contracts or regulations; b) Although considering the industry practice or demonstration from related professionals comprehensively, the benefit period of the intangible assets still can't be decided.

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

3.18.3 The specific criteria for research phase and development phase of internally generated projects, and the specific criteria for capitalization of expenditure incurred during development phase

Expenditure in the research phase is recognised as an expense in profit or loss for current period when it is incurred. Expenditure in the development phase of internally generated projects is capitalized if they meet the criteria of intangible assets.

3.19 Impairment of long-term assets

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

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

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

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

3.20 Long-term deferred expenses

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

3.21 Employee benefits

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

3.21.1 Short-time employee benefits

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

3.21.2 Post-employment benefits

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

3.21.3 Termination benefits

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

expenses related to the restructuring that involves the payment of termination benefits.

3.21.4 Other long-term employee benefits

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

3.22 Revenues

3.22.1 Revenue from sales goods

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

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

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

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

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

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

3.22.2 Revenue from providing services

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

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

3.22.3 Revenue from abalienating of right to use assets

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

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

3.23 Government grants

3.23.1 Category and accounting treatment of government grants

Government grants are the monetary assets and non-monetary assets received from the government without consideration to be paid which are not including the capital injected by the government acted as an owner role. Government grants in the form of monetary assets are measured for the received or receivable amount, while government grants in the form of non-monetary assets are measured at fair value. When the fair value of non-monetary assets can't be obtained reliably, the government grants are measured at nominal amount.

Government grants related to the Company's routine operation will be recorded in other income based on the nature of its economic substance and government grants not related to the Company's routine operation will be recorded in non-operating income or expenses.

If the government documents explicitly state that the government grants will be used to establish or form long-term assets, the government grants will be classified as government grants related to assets. If there is no explicit subsidy object in the government document, the portion related to long-term assets will be classified as government grants related to assets and the rest portion will be

classified as government grants related to income. If the category of a government grant can't be distinguished reasonably, all the government grant will be classified as government grants related to income. Government grants related to assets are recognised as deferred income which are amortized in profit or loss for each period over the related assets' estimated useful period on a systematic basis.

Except those grants which are classified as government grants related to assets, other government grants are classified as government grants related to income. If the grant related to income is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and amortized in profit or loss over the periods in which the related costs are recognised. If the grant related to income is a compensation for related expenses or losses already incurred, the grant is recognised directly in profit or loss for the current period.

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

3.23.2 The recognition timing for government grants

The government grants will be recognised when the Company meets the accompanying conditions of the government grants which are entitled to be received. The receivable government grants will be recognised when there are conclusive evidence to indicate the Company could meet all related requirements of the government grants and the Company expects to receive the government grants in the future. Other government grants will be recognised when the grant fund is received.

3.24 Deferred tax asset and deferred tax liability

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

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

3.24.3 The taxable temporary differences associated with investments in subsidiaries and associates shall be recognised deferred tax

liability; except the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The deductible temporary differences associated with investments in subsidiaries, associates, the corresponding deferred tax asset is recognised when it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profits will be available in the future against which the temporary difference can be utilized.

3.25 Leases

3.25.1 The accounting treatment for operating lease

The Company recognises lease payments for operating leases in profit or loss applying a straight-line basis in each period over the lease term. The Company capitalized the initial direct expenses incurred which are amortized in profit or loss over the lease term on the same recognition basis as the lease income.

3.25.2 The accounting treatment for finance lease

The Company recognises the unearned finance income by the difference between the sum of finance lease receivable and unguaranteed residual value, and their present value at the commencement date, which will be recognised as lease income in the periods to collect lease payment. The initial direct expenses incurred relating to the lease transaction will be included in the initial carrying amount of finance lease receivable.

3.26 Changes of significant accounting policies and accounting estimates

3.26.1 The changes of accounting policies and reason for change

3.26.1.1 On March 3, 2017, the Ministry of Finance issued the “Chinese Accounting Standards for Business Enterprises No.22 - Determination and measurement of financial instruments (Revised in 2017)” (Accounting [2017] No. 7), "Accounting Standards for Business Enterprises No. 23" Transfer of Financial Assets (Revised in 2017) (Accounting [2017] No. 8), "Accounting Standards for Business Enterprises No. 24 - Hedge Accounting (Revised in 2017)" (Accounting [2017] No. 9). On May 2 2017, the Ministry of Finance issued “Accounting Standards for Business Enterprises No. 37 - Financial Instruments Presentation (Revised in 2017)” (Accounting [2017] No. 14) (the above-mentioned guidelines are collectively referred to as the “New Financial Instruments Guidelines”), and domestic listed companies are required to implement it from January 1, 2019.

On the implementation date of the new financial instrument standard, the business model of managing financial assets is evaluated based on the facts and circumstances of the company on the implementation date. According to the contractual cash flow characteristics on the financial assets, which are evaluated based on the facts and circumstances at the initial recognition of the financial assets, financial assets are classified into three categories: measured at amortised cost, measured at fair value through other comprehensive income, and measured at fair value through profit or loss. In case of an equity instrument investment measured at fair

value through other comprehensive income, when the financial asset is derecognised, the accumulated gain or loss previously recognised in other comprehensive income is transferred to retained earnings, rather than profit and loss.

Under the new financial instrument standard, the Company accrues impairment provision and recognizes credit impairment losses for financial assets measured at amortized cost, debt instrument investments measured at fair value through other comprehensive income, lease receivables, contract assets and the financial guarantee contract based on expected credit losses. Under the new financial instrument standard, the specific accounting policies of the company are shown in Note 3.10 and 3.11.

3.26.1.2 The Ministry of Finance released < Notice for amendments of financial statements format of industrial and commercial enterprises>(Caikuai (2019) No.6) (hereinafter referred to as "Financial Statements Format") in April of year 2019 and the enterprises who adopt Accounting Standards for Business Enterprises should prepare financial statements in according to Accounting Standards for Business Enterprises and the Notice.

3.26.2 The impact of accounting policies change

3.26.2.1 The application impact of implementing the new financial instrument rules

Consolidated statement item	As at 31/12/2018	Amount of impact	As at 1/1/2019
Liabilities:			
Other payables	7,043,693.95	-245,808.33	6,797,885.62
Short-term loans	78,352,320.05	245,808.33	78,598,128.38

According to the new rules of financial instrument, the company has adjusted classification of financial instruments on its date of implementation(that is January 1, 2019), available-for-sale financial assets have been reclassified into the investment of other equity instruments, which has 0 book value, the original book value of financial instruments is not needed to adjust.

3.26.2.2 The application impact of revised Financial Statements Format

The Company has divided "Notes and accounts receivable" into two items of "Notes receivable" and "Accounts receivable" in accordance with the requirement of Financial Statements Format; and has divided "Notes and accounts payable" into two items of "Notes payable" and "Accounts payable". The Company retrospectively adjusted the comparative financial statements accordingly and the accounting policy change has no influence on the consolidated and the parent's net profit and on the shareholders' equity .

4. Taxes

4.1 Main taxes categories and tax rates

Tax category	Tax base	Tax rate
Value added tax	Output tax deducted input tax that can be credited against the output tax	16%、13%、10%、9%、6%、5%
Urban maintenance and construction tax	Turnover taxes already paid	7%
Enterprise income tax	Taxable income	Tax exemption、25%、8%

Income tax rate of taxpayers adopting different income tax rate

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

4.2 Significant tax incentives and approval documents

4.2.1 Value added tax preferences

According to the government document Cai Shui Zi (1997) No.64 <Notice of pelagic fishery enterprises taxation about import fishing equipment and shipped back self trapping aquatic products>, self trapping aquatic products shipped back for domestic sale are regarded as the domestic products that are free from tariff and import value added tax. Corresponding, the domestic sale business belongs to primary agricultural products sale business are free from value added tax according to the rules of value added tax. So, the company' revenue from the pelagic fishery is free value added tax.

4.2.2 Enterprise income tax preferences

On the basis of relevant policies in the following documents: Cai Shui Zi (1994) No. 001 < Notice of income tax preferential policies of the Company>, Cai Shui Zi (1997) No.114 < Notice of income tax of domestic-funded fishery companies engaged in fishing business>, finance and agriculture document of Ministry of Finance (2000) No.104 < Document of suggestions on development

acceleration of pelagic fishery industry in our country>, Order of the Chairman of the People's Republic of China (2007) No.63 <People's Republic of China Enterprise Income Tax Law>, Decree of the State Council of the People's Republic of China No.512 <Enforcement regulations of People's Republic of China Enterprise Income Tax Law>. Income from activities of pelagic fishery and preliminary production of agricultural products in which the Company is engaged is exempt from income tax. Income from activities other than pelagic fishery and preliminary production of agriculture products that the Company is engaged in is taxed 25%.

5. Notes to the consolidated financial statements

5.1 Cash at bank and on hand

Item	Balance as at 31/12/2019	Balance as at 1/1/2019
Cash on hand	4,956,965.73	1,213,325.43
Cash at bank	179,646,672.99	181,553,800.05
Other monetary funds	1,408,005.57	685,948.08
Total	186,011,644.29	183,453,073.56
Including: the total balance deposited overseas	32,175,289.98	22,689,473.81

Note: The other monetary funds of RMB 1,408,005.57 is the credit guarantee of the letter of credit; the deposits outside the territory of China are the cash and bank deposits of the overseas subsidiaries.

5.2 Accounts receivable

5.2.1 Accounts receivable by category

Item	As at 31/12/2019			
	Balance		Allowance for credit losses	
	Amount	PCT (%)	Amount	Allowance rate (%)
Individual assessment subject to allowance for credit losses				
Grouping assessment subject to allowance for credit losses	80,013,699.94	100.00	10,010,305.64	12.51
Total	80,013,699.94	100.00	10,010,305.64	12.51

Item	As at 1/1/2019			
	Balance		Allowance for credit losses	
	Amount	PCT(%)	Amount	Allowance rate (%)
Individual assessment for allowance for credit losses				

Item	As at 1/1/2019			
	Balance		Allowance for credit losses	
	Amount	PCT(%)	Amount	Allowance rate (%)
Grouping assessment subject to allowance for credit losses	73,642,493.01	100.00	9,680,593.01	13.15
Total	73,642,493.01	100.00	9,680,593.01	13.15

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

Aging	As at 31/12/2019			As at 1/1/2019		
	Balance	ECL rate(%)	Allowance for credit losses	Balance	ECL rate(%)	Allowance for credit losses
Within 6 months	71,744,909.33	5.00	3,587,245.46	65,038,390.05	5.00	3,251,919.50
6 months-1 years	1,168,153.04	10.00	116,815.27	1,435,902.79	10.00	143,590.28
1-2 years	800,904.90	30.00	240,271.47	1,258,226.20	30.00	377,467.86
2-3 years	467,518.46	50.00	233,759.23	4,717.20	50.00	2,358.60
More than 3 years	5,832,214.21	100.00	5,832,214.21	5,905,256.77	100.00	5,905,256.77
Total	80,013,699.94		10,010,305.64	73,642,493.01		9,680,593.01

5.2.2 Provision, recovery or reversal of allowance for credit losses during the year

Provision of allowance for credit losses within this year is RMB 329,712.63 and recovery or reversal of provision during the year is RMB 0.00.

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

Company name	Balance as at 31/12/2019	(%)Percentage in total accounts receivable (%)	Balance of allowance for credit losses as at 31/12/2019
Haixinshen Co.Ltd	14,289,630.06	17.86	714,481.50
SOCIETE DES MAREYEURS GROSSISTES	7,026,493.51	8.78	351,324.68
Shenzhen shenzhiyang trading Co. Ltd	5,421,984.39	6.78	271,099.22
LUEN THAI SEAFOODS INTERNATIONAL LTD	5,331,337.89	6.66	266,566.89
AFKO FISHERIES COMPANY LIMITED	5,327,879.37	6.66	266,393.97
Total	37,397,325.22	46.74	1,869,866.26

5.3 Prepayments

5.3.1 Aging analysis of prepayments

Aging	As at 31/12/2019		As at 1/1/2019	
	Balance	PCT(%)	Balance	PCT(%)
Within 1 year	16,715,518.41	96.34	22,072,783.23	98.58
1-2 years	564,788.72	3.26	223,289.45	1.00
2-3 years	69,762.00	0.40	93,711.78	0.42
Total	17,350,069.13	100.00	22,389,784.46	100.00

5.3.2 The top five prepayments are as follows:

Company name	Balance as at 31/12/2019	Percentage in total prepayment(%)
DONGYISHIPPING ENTERPRISE PRIVATE LIMITED	3,168,587.04	18.26
KIRIBATI GOVERNMENT	2,002,797.26	11.54
MECA DIESEL	1,366,636.18	7.88
BOSHUN LOGISTICS LIMITED	1,279,755.43	7.38
DEHUA ANGU LIFE INSURANCE CO., LTD YANTAI CENTER BRANCH	1,028,000.00	5.93
Total	8,845,775.91	50.99

5.4 Other receivables

Category	Balance as at 31/12/2019	Balance as at 1/1/2019
Interest receivable		
Dividends receivable		
Other receivables	9,410,449.31	10,598,613.88
Less: Allowance for credit losses	5,067,241.75	5,068,890.08
Total	4,343,207.56	5,529,723.80

Other receivables

5.4.1.1 Category of other receivables by nature

Nature	Balance as at 31/12/2019	Balance as at 1/1/2019
Guarantee deposit	571,699.92	974,139.13

Nature	Balance as at 31/12/2019	Balance as at 1/1/2019
Current account and others	8,838,749.39	9,624,474.75
Less: Allowance for credit losses	5,067,241.75	5,068,890.08
Total	4,343,207.56	5,529,723.80

5.4.1.2 Aging analysis of other receivables

Aging	Balance as at 31/12/2019		Balance as at 1/1/2019	
	Balance	PCT (%)	Balance	PCT (%)
Within 6 months	3,305,959.08	35.13	4,374,247.95	41.27
6 months-1 years	708,988.05	7.53	593,633.99	5.60
1-2 years	433,604.70	4.61	1,031,485.56	9.73
2-3 years	521,868.18	5.55	235,755.69	2.23
More than 3 years	4,440,029.30	47.18	4,363,490.69	41.17
Total	9,410,449.31	100.00	10,598,613.88	100.00

5.4.1.3 The provision of allowance for credit losses

The allowance for credit losses	Stage one	Stage two		Stage three		Total
	12-month ECL	Lifetime (credit-unimpaired)	ECL	Lifetime (credit-impaired)	ECL	
Beginning balance	705,399.39			4,363,490.69		5,068,890.08
Revaluation of beginning balance	705,399.39			4,363,490.69		5,068,890.08
Provision	-68,989.19			83,186.34		14,197.15
Reversal						
Write-off	9,197.75			6,647.73		15,845.48
Other changes						
Ending balance	627,212.45			4,440,029.30		5,067,241.75

5.4.1.4 Significant recovery or reversal of allowance for credit losses during the year

Provision of allowance for credit losses within this year is RMB 14,197.15 and recovery or reversal of provision during the year is RMB 15,845.48.

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

Debtor name	Nature of balance	Balance as at 31/12/2019	Aging	Percentage in total other receivables(%)	Balance of allowance for credit losses as at 31/12/2019
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Debtor name	Nature of balance	Balance as at 31/12/2019	Aging	Percentage in total other receivables(%)	Balance of allowance for credit losses as at 31/12/2019
BAK SEONG HO	Employee loan	607,013.25	Within 6 months	6.45	30,350.66
CHINA SHIPOWNERS MUTUAL ASSURANCE ASSOCIATION	Advance money for another	371,477.80	0-3 years	3.95	60,714.23
ALEXANDER PERCIVAL	Employee loan	365,325.25	6 months-1 years、 2-3 years	3.88	78,041.75
JU IL SU	Employee loan	293,494.11	Within 6 months、 1-2 years	3.12	26,807.22
TINGLE WANG	Employee loan	250,328.45	More than 3 years	2.66	250,328.45
Total		1,887,638.86		20.06	446,242.31

5.5 Inventories

5.5.1 Inventories by categories

Category	As at 31/12/2019			As at 1/1/2019		
	Book balance	Provision for diminution in value	Carrying amount	Book balance	Provision for diminution in value	Carrying amount
Raw materials	139,142,998.02	1,506,520.94	137,636,477.08	135,309,542.43		135,309,542.43
Low-value consumables	803,538.67		803,538.67	764,872.41		764,872.41
Finished goods	236,151,661.21	3,116,468.80	233,035,192.41	190,905,725.74	2,596,127.95	188,309,597.79
Revolving materials work in progress	989,692.35		989,692.35	1,199,427.12		1,199,427.12
Goods in transit	3,279,215.85		3,279,215.85	5,007,680.25		5,007,680.25
Total	380,367,106.10	4,622,989.74	375,744,116.36	333,187,247.95	2,596,127.95	330,591,120.00

5.5.2 Provision for diminution in value of inventories

Category	As at 1/1/2019	Provision for the year	Reductions during the year		As at 31/12/2019
			Reversal	Write-down	
Raw materials		1,506,520.94			1,506,520.94
Finished goods	2,596,127.95	3,123,812.88		2,603,472.03	3,116,468.80

Category	As at 1/1/2019	Provision for the year	Reductions during the year		As at 31/12/2019
			Reversal	Write-down	
Total	2,596,127.95	4,630,333.82		2,603,472.03	4,622,989.74

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

Note2: The reversal of provision for diminution is induced by the finished goods which were sold.

5.6 Other current assets

Item	Balance as at 31/12/2019	Balance as at 1/1/2019
Input tax of value added tax	31,837,201.31	32,221,986.22
Prepaid income tax	177,922.66	88,480.55
Prepaid other taxes	12,463.61	
Total	32,027,587.58	32,310,466.77

5.7 Other equity instrument investments

Item	Investment cost	Balance as at 1/1/2019	Balance as at 31/12/2019	Dividends income in year 2019	The aggregated amount carried forward from OCI to retained earnings	Reason for carrying forward
Equity investment-China Southern Securities	33,000,000.00					
Total	33,000,000.00					

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

5.8 Investment property

Investment property measured by cost

Item	Buildings	Total
I Cost		
1. Balance as at 1/1/2019	47,701,971.19	47,701,971.19

2.Additions	3,606,607.16	3,606,607.16
Fixed assets transfer in	3,606,607.16	3,606,607.16
3. Reductions		
4. Balance as at 31/12/2019	51,308,578.35	51,308,578.35
II Accumulated depreciation or amortization		
1. Balance as at 1/1/2019	16,350,940.24	16,350,940.24
2.Additions	1,310,039.94	1,310,039.94
Depreciation or amortization	1,310,039.94	1,310,039.94
3. Reductions		
4. Balance as at 31/12/2019	17,660,980.18	17,660,980.18
III. Provision for impairment		
1. Balance as at 1/1/2019	886,512.06	886,512.06
2. Additions		
3. Reductions		
4. Balance as at 31/12/2019	886,512.06	886,512.06
IV. Carrying amount		
1. As at 31/12/2019	32,761,086.11	32,761,086.11
2. As at 1/1/2019	30,464,518.89	30,464,518.89

5.9 Fixed assets

Category	Balance as at 31/12/2019	Balance as at 1/1/2019
Fixed assets	539,836,438.92	514,490,325.78
Disposal of fixed assets	11,488,734.07	
Less: Provision for impairment	157,573.50	157,573.50
Total	551,167,599.49	514,332,752.28

Note: The fixed assets liquidation company has prepared to clean up the ship that has caught fire belong to its subsidiary HABITAT INTERNATIONAL CORPORATION, but not yet. For more details, please refer to the attachment "12. Other important matters (3)".

Fixed assets

Item	Buildings	Boats & nets	Machinery & equipment	Transportation vehicles	Furniture and office equipment	Total
I . Cost						

Item	Buildings	Boats & nets	Machinery & equipment	Transportation vehicles	Furniture and office equipment	Total
1. Balance as at 1/1/2019	117,959,528.18	627,875,972.13	44,678,963.52	7,442,646.99	11,975,650.33	809,932,761.15
2. Additions		82,381,860.00	3,745,234.19	1,757,941.27	295,372.43	88,180,407.89
(1) Purchase		10,111,057.20	3,744,353.60	1,705,293.84	286,123.18	15,846,827.82
(2) Transfer from construction in process		69,408,076.40				69,408,076.40
(3) Impact of exchange rate fluctuations		2,862,726.40	880.59	52,647.43	9,249.25	2,925,503.67
3. Reductions	3,723,928.91	31,318,029.01	728,287.18	53,442.00	343,788.94	36,167,476.04
(1) Disposals or scrap	117,321.75	31,318,029.01	728,287.18	53,442.00	343,788.94	32,560,868.88
(2) Others	3,606,607.16					3,606,607.16
4. Balance as at 31/12/2019	114,235,599.27	678,939,803.12	47,695,910.53	9,147,146.26	11,927,233.82	861,945,693.00
II. Accumulated depreciation						
1. Balance as at 1/1/2019	28,860,728.72	233,594,946.75	20,358,817.99	4,224,455.94	8,403,485.97	295,442,435.37
2. Additions	3,091,530.00	39,447,870.76	2,920,087.54	1,147,969.33	787,520.59	47,394,978.22
Provision	3,091,530.00	39,447,870.76	2,920,087.54	1,147,969.33	787,520.59	47,394,978.22
3. Reductions		19,829,294.94	512,621.36	48,097.80	338,145.41	20,728,159.51
Disposals or scrap		19,829,294.94	512,621.36	48,097.80	338,145.41	20,728,159.51
4. Balance as at 31/12/2019	31,952,258.72	253,213,522.57	22,766,284.17	5,324,327.47	8,852,861.15	322,109,254.08
III. Provision for impairment						
1. Balance as at 1/1/2019		157,573.50				157,573.50
2. Additions						
3. Reductions						
4. Balance as at 31/12/2019		157,573.50				157,573.50
IV. Carrying amount						
1. As at 31/12/2019	82,283,340.55	425,568,707.05	24,929,626.36	3,822,818.79	3,074,372.67	539,678,865.42
2. As at 1/1/2019	89,098,799.46	394,123,451.88	24,320,145.53	3,218,191.05	3,572,164.36	514,332,752.28

Note1: The original value of fixed assets that has been fully depreciated but still in use is RMB 78,847,052.41 as at December 31 2019.

Note2: According to the Debt Repayment Advice signed between the Company and Shandong Fishery Group Corporation in April 2006, and Civil Ruling Li Zhi Zi No.1299 published by Lixia District People's Court of Jinan in 2005, the building of Shandong

Fishery Group Corporation located at Heping road No.43 Lixia District of Jinan was used to repay debt. The transfer procedure of the property right certificate is not yet accomplished.

Note3: Other reductions in buildings during the period were transferred to Investment property.

5.10 Construction in process

Category	Balance as at 31/12/2019	Balance as at 1/1/2019
Projects constructed in process	4,077,658.55	15,151,134.92
Construction materials		
Less: Provision for impairment	4,077,658.55	4,077,658.55
Total		11,073,476.37

5.10.1 Projects constructed in process

5.10.1.1 Construction in process

Item	As at 31/12/2019			As at 1/1/2019		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
The Atlantic Seine project	4,077,658.55	4,077,658.55		4,077,658.55	4,077,658.55	
Long line fishing boat tai xiang NO.11				11,073,476.37		11,073,476.37
Total	4,077,658.55	4,077,658.55		15,151,134.92	4,077,658.55	11,073,476.37

5.10.1.2 Movement of significant construction in progress

Project name	Budget	As at 1/1/2019	Additions	Transfer to fixed assets	Other reductions	As at 31/12/2019
Long line fishing boat tai xiang NO.11	16,000,000.00	11,073,476.37	6,971,086.44	18,044,562.81		
“Sea mark” wheel	45,000,000.00		45,327,450.89	45,327,450.89		
The improved overhaul project of” tailing NO.1”	7,831,400.00		6,036,062.70	6,036,062.70		

Project name	Budget	As at 1/1/2019	Additions	Transfer to fixed assets	Other reductions	As at 31/12/2019
Total	68,831,400.00	11,073,476.37	58,334,600.03	69,408,076.40		

Movement of significant construction in progress(Continued)

Project name	(%) Percentage of current input over budget (%)	(%) Construction progress(%)	Accumulated capitalized interest	Including: Interest capitalized in current period	(%) Capitalization rate in current period (%)	Sources of funds
Long line fishing boat tai xiang NO.11	112.78	100.00				self-raised funds
“ Sea mark ” wheel	100.73	100.00				self-raised funds
The improved overhaul project of”tailing NO.1”	77.08	100.00				self-raised funds
Total						

5.10.1.3 Provision for impairment of construction in progress

Item	Balance as at 1/1/2019	Additions	Reductions	Balance as at 31/12/2019	Reason for provision
The Atlantic Seine project	4,077,658.55			4,077,658.55	Suspend project
Total	4,077,658.55			4,077,658.55	

5.11 Intangible assets

Item	Land use rights	Computer software	Total
I Cost			
1. Balance as at 1/1/2019	17,154,729.00	1,751,396.71	18,906,125.71
2. Additions		199,375.13	199,375.13
Purchase		199,375.13	199,375.13
3. Reductions			
4. Balance as at 31/12/2019	17,154,729.00	1,950,771.84	19,105,500.84
II. Accumulated depreciation			
1. Balance as at 1/1/2019	4,837,642.49	403,106.40	5,240,748.89
2. Additions	383,870.16	284,597.25	668,467.41

Provision	383,870.16	284,597.25	668,467.41
3. Reductions			
4. Balance as at 31/12/2019	5,221,512.65	687,703.65	5,909,216.30
III. Provision for impairment			
1. Balance as at 1/1/2019			
2. Additions			
3. Reductions			
4. Balance as at 31/12/2019			
IV. Carrying amount			
1. As at 31/12/2019	11,933,216.35	1,263,068.19	13,196,284.54
2. As at 1/1/2019	12,317,086.51	1,348,290.31	13,665,376.82

5.12 Long-term deferred expenses

Item	Balance as at 1/1/2019	Additions	Amortization	Reductions	Balance as at 31/12/2019
Office renovation costs	524,811.27	274,093.33	363,770.47		435,134.13
Total	524,811.27	274,093.33	363,770.47		435,134.13

5.13 Deferred tax assets

5.13.1 Deferred tax assets and deferred tax liabilities before offsetting

Item	As at 31/12/2019		As at 1/1/2019	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Deferred tax assets:				
Provisions for impairment of assets	239,339.79	957,359.10	226,163.26	904,653.01
Deferred income	1,606,533.03	6,426,132.12	1,700,000.00	6,800,000.00
Sub-total	1,845,872.82	7,383,491.22	1,926,163.26	7,704,653.01

5.13.2 The items not recognised deferred tax assets

Item	Balance as at 31/12/2019	Balance as at 1/1/2019
Provisions for impairment of assets	14,173,205.87	13,844,830.08
Allowance for doubtful debts	4,569,972.16	2,596,127.95
Provision for impairment of construction in progress	4,077,658.55	4,077,658.55

Item	Balance as at 31/12/2019	Balance as at 1/1/2019
Deductible tax losses		2,186,759.26
Total	22,820,836.58	22,705,375.84

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

5.14 Other non-current assets

Item	Balance as at 31/12/2019	Balance as at 1/1/2019
Prepaid for land	2,000,000.00	2,000,000.00
Prepaid for construction in process	1,640,847.49	1,059,416.20
Total	3,640,847.49	3,059,416.20

5.15 Short-term loans

Borrowing condition	Balance as at 31/12/2019	Balance as at 1/1/2019
Pledge loans	28,038,983.33	36,052,731.67
Loans on credit	23,623,381.67	42,545,396.71
Total	51,662,365.00	78,598,128.38

Note: the current loan includes interest expense of RMB 255,546.53.

5.16 Accounts payable

Item	Balance as at 31/12/2019	Balance as at 1/1/2019
Within 1 year(including 1 year)	89,503,027.66	101,802,514.32
More than 1 year	5,222,204.02	6,569,085.34
Total	94,725,231.68	108,371,599.66

5.17 Advances from customers

Item	Balance as at 31/12/2019	Balance as at 1/1/2019
Within 1 year(including 1 year)	17,765,800.17	16,738,922.45
More than 1 year	711,846.37	822,406.56
Total	18,477,646.54	17,561,329.01

5.18 Employee benefits payable

5.18.1 Movement of employee benefits payable

Item	As at 1/1/2019	Increase	Decrease	As at 31/12/2019
I. Short-term employee benefits	43,969,399.58	163,596,252.99	161,835,620.99	45,730,031.58
II. Post-employment benefits — defined contribution plans	39.60	14,938,016.94	11,586,454.00	3,351,602.54
III. Termination benefits	36,077.22	253,701.35	255,155.68	34,622.89
IV. Other benefits due within one year	10,547.56	81,554.11	58,704.36	33,397.31
Total	44,016,063.96	178,869,525.39	173,735,935.03	49,149,654.32

5.18.2 Details of the short-term employee benefits

Item	As at 1/1/2019	Accrued	Paid	As at 31/12/2019
Salaries, bonus, and allowances	42,512,492.76	149,794,460.04	148,034,134.04	44,272,818.76
Staff welfare		4,464,191.71	4,464,191.71	
Social insurances		4,863,509.83	4,863,509.83	
Including: Medical insurance		3,980,336.95	3,980,336.95	
Work injury insurance		244,405.17	244,405.17	
Maternity insurance		638,767.71	638,767.71	
Housing Fund		3,814,517.49	3,814,517.49	
Union funds and employee education fee	1,456,906.82	659,573.92	659,267.92	1,457,212.82
Total	43,969,399.58	163,596,252.99	161,835,620.99	45,730,031.58

5.18.3 Defined contribution plans

Item	As at 1/1/2019	Accrued	Paid	As at 31/12/2019
Primary endowment insurance	39.60	7,851,606.77	7,851,646.37	
Unemployment insurance		329,292.13	329,292.13	
Pension insurance		6,668,139.68	3,316,537.14	3,351,602.54
Social security and subsidies for retired workers		88,978.36	88,978.36	
Total	39.60	14,938,016.94	11,586,454.00	3,351,602.54

5.19 Taxes and surcharges payable

Category	Balance as at 31/12/2019	Balance as at 1/1/2019
Value added tax	239,608.16	271,436.90
Enterprise income tax	1,802,946.98	1,461,511.10
Urban maintenance and construction tax	9,769.37	8,627.10
Estate tax	207,304.90	247,500.87
Land use tax	133,639.72	157,965.18
Individual income tax	399,027.16	148,253.52
Educational surtax	4,186.87	3,697.33
Other taxes and surcharges	801,442.38	542,402.90
Total	3,597,925.54	2,841,394.90

5.20 Other payables

Category	Balance as at 31/12/2019	Balance as at 1/1/2019
Interest payable		
Dividends payable		
Other payables	8,634,438.40	6,797,885.62
Total	8,634,438.40	6,797,885.62

Other payables

Other payables by nature

Nature	Balance as at 31/12/2019	Balance as at 1/1/2019
Deposit	1,270,350.00	338,541.67
Staff cost	1,409,892.00	926,783.09
Others	5,954,196.40	5,532,560.86
Total	8,634,438.40	6,797,885.62

5.21 Non-current liabilities due within one year

Item	Balance as at 31/12/2019	Balance as at 1/1/2019
Deferred income due within one year		866,585.48
Total		866,585.48

5.22 Long-term employee benefits payable

Category	Balance as at 31/12/2019	Balance as at 1/1/2019
Post -employment benefits—defined benefits plans	448,146.54	482,769.43
Other long-term benefits	930,325.16	1,030,790.91
Total	1,378,471.70	1,513,560.34

5.23 Deferred income

5.23.1 Deferred income by category

Item	Balance as at 1/1/2019	Increase	Decrease	Balance as at 31/12/2019	Reason for the deferred income
Government grants	8,839,283.66	7,996,585.48	1,071,388.66	15,764,480.48	Government grants related asset
Total	8,839,283.66	7,996,585.48	1,071,388.66	15,764,480.48	

5.23.2 Deferred income from government grants

Item	Balance as at 1/1/2019	Increase	Recorded in profit or loss for current period	Other movement	Balance as at 31/12/2019	Related to assets/income
Construction special fund	8,191,363.02	2,000,000.00	986,012.66	838,209.48	10,043,559.84	Assets
Subsidy of boat manufacture	647,920.64	5,130,000.00	85,376.00	28,376.00	5,720,920.64	Assets
Total	8,839,283.66	7,130,000.00	1,071,388.66	866,585.48	15,764,480.48	

5.24 Share capital

Item	Balance as at 1/1/2019	Movement					Balance as at 31/12/2019
		Issuance of new share	Bonus shares	Capital reserve transfer in	Others	sub-total	
Total shares	266,071,320.00						266,071,320.00

5.25 Capital reserve

Category	Balance as at 1/1/2019	Increase	Decrease	Balance as at 31/12/2019
I . Share premiums	189,093,492.79			189,093,492.79
II . Other capital reserve	94,961,504.96			94,961,504.96

Category	Balance as at 1/1/2019	Increase	Decrease	Balance as at 31/12/2019
Total	284,054,997.75			284,054,997.75

5.26 Other comprehensive income

Item	Balance as at 1/1/2019	Amount before tax	Movement in the year					Balance as at 31/12/2019
			Less: OCI in prior periods transfer in profit or loss for the current period	Less: OCI in prior periods carried forward to retained earnings	Less: income tax	Amount after tax attributable to the Company	Amount after tax attributable to minority interests	
OCI items which will be reclassified subsequently to profit or loss	-675,743.05	2,485,332.76				1,382,899.22	1,102,433.54	707,156.17
Translation differences from translation of foreign currency financial statements	-675,743.05	2,485,332.76				1,382,899.22	1,102,433.54	707,156.17
Total of OCI	-675,743.05	2,485,332.76				1,382,899.22	1,102,433.54	707,156.17

5.27 Surplus reserve

Category	Balance as at 1/1/2019	Increase	Decrease	Balance as at 31/12/2019
Statutory surplus reserve	21,908,064.19			21,908,064.19
Total	21,908,064.19			21,908,064.19

5.28 Retained earnings

Item	As at 31/12/2019	
	Amount	Appropriation proportion
Retained earnings as at 1/1/2019 before adjustment	232,148,801.35	
The total adjustment of retained earnings as at 1/1/2019 (Increase+, decrease-)		
Retained earnings as at 1/1/2019 after adjustment	232,148,801.35	
Add: Net profit attributable to the Company during the year	82,311,630.23	
Less: Appropriation of statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Common share dividends payable		
Common share dividends converted to share capital		
Retained earnings as at 31/12/2019	314,460,431.58	

5.29 Operating income and operating costs

Item	Year ended 31/12/2019		Year ended 31/12/2018	
	Income	Costs	Income	Costs
I . Primary operating business	1,120,738,842.04	946,989,300.61	1,017,063,512.24	849,379,908.98
II . Other operating business	8,213,060.64	1,864,630.29	6,284,543.29	1,724,329.79
Total	1,128,951,902.68	948,853,930.90	1,023,348,055.53	851,104,238.77

5.30 Taxes and surcharges

Item	Year ended 31/12/2019	Year ended 31/12/2018
Urban maintenance and construction tax	536,116.79	378,299.19
Educational surcharge	229,764.31	162,128.24
Local educational surcharge	153,176.25	108,085.50
Local water conservancy construction fund	38,294.06	26,592.79
Property tax	1,299,489.61	1,214,804.99
Land use tax	535,449.76	631,860.72
Stamp duty	305,583.83	395,798.81
Vehicle and vessel tax	35,164.36	34,972.72
Others	154.04	
Total	3,133,193.01	2,952,542.96

5.31 Selling and distribution expenses

Item	Year ended 31/12/2019	Year ended 31/12/2018
Port charges	13,007,276.29	20,516,081.40
Employee compensation expenditure	2,987,027.62	1,744,289.71
Transport charges	4,658,598.15	5,187,559.78
Business promotion fees	816,361.72	781,426.37
Travelling expenses	495,396.75	423,463.39
Depreciation charges	79,121.02	58,765.57
Communication expenses	14,981.46	16,544.98
Agency fees	1,636,396.22	3,457,585.78
Handling charges	507,169.59	457,237.66
Others	725,671.22	2,614,072.50

Item	Year ended 31/12/2019	Year ended 31/12/2018
Total	24,928,000.04	35,257,027.14

5.32 General and administrative expenses

Item	Year ended 31/12/2019	Year ended 31/12/2018
Employee compensation expenditure	43,276,129.10	33,260,890.97
Depreciation and amortization charges	1,857,224.86	4,281,775.32
Travelling expenses	2,081,023.00	2,542,831.55
Business entertainment	1,287,516.23	1,325,256.28
Vehicle expenses	1,299,675.12	1,050,963.84
Agent service fees	1,101,745.19	1,432,241.85
Office expenses	4,550,320.09	4,134,080.68
Water and electricity expenses	1,416,329.41	1,195,817.62
Fishing moratorium costs		7,260,623.46
Others	6,743,602.72	4,816,236.09
Total	63,613,565.72	61,300,717.66

5.33 Research and development expenses

Item	Year ended 31/12/2019	Year ended 31/12/2018
Materials	26,338.75	
Others	248,000.00	
Total	274,338.75	

5.34 Finance expenses

Item	Year ended 31/12/2019	Year ended 31/12/2018
Interest expenses	4,119,308.06	5,170,331.97
Less: interest income	1,032,203.87	513,573.16
Losses or gains from foreign exchange	95,531.07	-10,165,843.64
Finance charges	1,322,486.27	1,101,369.19
Others	143,131.08	120,669.58
Total	4,648,252.61	-4,287,046.06

5.35 Other income

Item	Year ended 31/12/2019	Year ended 31/12/2018	Related to assets/Related to income
International Fisheries Resources Development and Utilization Grants	20,504,756.24	25,677,010.02	Related to income
Tuna backhaul subsidy	1,621,411.00	2,624,900.00	Related to income
Ciq science and technology innovation subsidy		17,220.00	Related to income
Financial shipbuilding subsidy fund	85,376.00	28,376.00	Related to assets
Financial subsidy for Special Construction funds in Blue Economic Zone	747,735.76	838,209.48	Related to assets
Special fund for cold chain logistics	238,276.90		Related to assets
Return of individual income tax service charge	12,052.12		Related to income
Total	23,209,608.02	29,185,715.50	

Note 1: The company received RMB 20,504,756.24 government grants about development and utilization of international fishery resources from Qingdao finance bureau;

Note 2: The company received RMB1,621,411.00 government grants about tuna transportation;

Note 3: According to <Issued the Second Batch of 800 Million "Two Districts" in 2011 Notice of the Second Batch of Specialized Fund Investment Plans for the Blue Peninsula Economic Development Zone in Shandong Peninsula and the High-efficient Ecological Economic Zone in the Yellow River Delta in 2011> (NO. 【2011】 464) issued by Yantai Development and Reform Commission and Yantai Finance Bureau, <Notice on Issuing Unit Budget Indicators for 2011> (NO 【2011】 514) issued by Yantai Economic and Technological Development Zone Finance Bureau, Yantai Development Zone Finance Bureau issued a special indicator of the company blue economic zone construction RMB 13,600,000.00, RMB 6,800,000.00 in 2012, RMB 6,800,000.00 in 2013, the company kept accounts in deferred income when receiving the funds and are amortized in profit and loss for each period over the asset's estimated useful period on a systematic basis. Other income amounts to 747,735.76 in 2019.

5.36 Credit impairment losses

Item	Year ended 31/12/2019	Year ended 31/12/2018
Allowance for credit losses of accounts receivable	-244,850.74	
Allowance for credit losses of other receivables	-119,394.66	
Total	-364,245.40	

5.37 Impairment on assets

Item	Year ended 31/12/2019	Year ended 31/12/2018
Allowance for doubtful debts		-1,625,574.46
Provision for diminution in value of inventory	-4,630,333.82	-2,574,536.68
Total	-4,630,333.82	-4,200,111.14

5.38 Gains from disposal of assets

Item	Year ended 31/12/2019	Year ended 31/12/2018
Gains (Losses) from disposal of fixed assets		-144,859.41
Total		-144,859.41

5.39 Non-operating income

Non-operating income by category

Item	Year ended 31/12/2019	Year ended 31/12/2018	Amount to be included in non-recurring gain or loss for the year
Reparations income	289,655.03		289,655.03
Others	46,416.67	325,858.06	46,416.67
Total	336,071.70	325,858.06	336,071.70

5.40 Non-operating expenses

Item	Year ended 31/12/2019	Year ended 31/12/2018	Amount to be included in non-recurring gain or loss for the year
Loss of scrapped fixed assets	218,418.18	7,071.65	218,418.18
Employee's compensation for industrial injury		78,000.00	
donating	108,000.00	190,000.00	108,000.00
Late fees	200.00	353,335.93	200.00
Others	32,000.00	46,000.00	32,000.00
Total	358,618.18	674,407.58	358,618.18

5.41 Income tax expenses

5.41.1 Details of income tax expenses

Item	Year ended 31/12/2019	Year ended 31/12/2018
Current income tax expense calculated according to tax laws	2,838,268.82	5,089,661.48

Item	Year ended 31/12/2019	Year ended 31/12/2018
Deferred income tax	80,290.44	-1,639,467.21
Total	2,918,559.26	3,450,194.27

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

Item	Amount
Profit before tax	101,693,103.97
Income tax expenses calculated at statutory/applicable tax rates	25,423,275.99
Effect of different tax rate of subsidiaries	-6,567,480.85
Effect of adjustment for income tax in prior year	51,044.20
Effect of income not subject to income tax	-17,838,189.68
Effect of expenses nondeductible for tax purposes	833,570.72
Additional deductions for r & d expenditures	-51,438.51
Effect of utilization of deductible temporary differences or deductible losses in prior years which haven't been recognised deferred tax assets	-546,689.82
Effect of unrecognised deductible temporary differences and deductible losses in current period	1,614,467.21
Income tax expenses	2,918,559.26

5.42 Notes to statement of cash flows

Cash received or paid relating to other operating activities

Item	Year ended 31/12/2019	Year ended 31/12/2018
Cash received related to other operating activities	42,110,856.39	40,209,712.63
Including: Finance expenses- interest income	1,032,203.87	513,573.16
Government grants and others	29,604,291.06	28,706,478.06
Credit deposit	8,249,651.54	4,088,888.54
Current account and other	3,224,709.92	6,900,772.87
Cash paid related to other operating activities	50,720,086.41	63,867,337.54
Including: Cash payment to selling expenses	21,861,851.40	33,453,971.86
Cash payment to administrative expense	18,149,500.96	23,792,355.02
Cash payment to research and development expenses	274,338.75	
Security deposit	8,971,709.03	4,352,344.90
Current account and other	1,462,686.27	2,268,665.76

5.43 Supplement to statement of cash flows

5.43.1 Supplement to statement of cash flows

Item	Year ended 31/12/2019	Year ended 31/12/2018
1. Net profit adjusted to cash flows from operating activities		
Net profit	98,774,544.71	98,062,576.22
Add: credit impairment losses	364,245.40	
Provision for asset impairment	4,630,333.82	4,200,111.14
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets and depreciation of investment property	48,705,018.16	43,303,777.20
Amortization of intangible assets	668,467.41	550,570.94
Amortization of long-term deferred expenses	363,770.47	241,369.98
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)		144,859.41
Losses on write-down of fixed assets ("-" for gains)	218,418.18	7,071.65
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for income)	6,200,569.12	952,213.20
Investments losses ("-" for gains)		
Decreases in the deferred tax assets ("-" for increases)	80,290.44	-1,639,467.21
Increases in the deferred tax liabilities ("-" for decreases)		
Decreases in inventories ("-" for increases)	-49,783,330.18	-89,421,066.61
Decreases in operating receivables ("-" for increases)	-582,505.33	-27,345,443.33
Increases in operating payables ("-" for decreases)	656,720.47	40,579,323.06
Others		
Net cash flows from operating activities	110,296,542.67	69,635,895.65
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 31/12/2019	184,603,638.72	182,767,125.48
Less: cash as at 1/1/2019	182,767,125.48	147,067,351.82
Add: cash equivalents as at 31/12/2019		
Less: cash equivalents as at 1/1/2019		
Net increase in cash and cash equivalents	1,836,513.24	35,699,773.66

5.43.2 Cash and cash equivalents

Item	Balance as at 31/12/2019	Balance as at 1/1/2019
I . Cash	184,603,638.72	182,767,125.48
Including: cash on hand	4,956,965.73	1,213,325.43
Unrestricted bank deposits	179,646,672.99	181,553,800.05
Unrestricted other cash and cash equivalents		
II . Cash equivalents		
III. Cash and cash equivalents as at 31/12/2019	184,603,638.72	182,767,125.48

5.44 Ownership or using rights of assets subject to restriction

Item	Carrying amount as at 31/12/2019	Restriction reason
Cash at bank and on hand	1,408,005.57	Marginal deposit
Fixed assets	31,604,235.43	Pledge loans
Intangible assets	5,506,720.75	Pledge loans
Total	38,518,961.75	--

5.45 Monetary items denominated in foreign currency

5.45.1 Monetary items denominated in foreign currency

Item	Balance in foreign currency as at 31/12/2019	Exchange rate	Balance translated into RMB as at 31/12/2019
Cash at hand and in banks			114,256,176.88
Including: USD	14,598,949.05	6.9762	101,845,188.36
Euro	928,775.78	7.8155	7,258,847.11
JPY	23,447,614.00	0.0641	1,502,992.06
GHS	2,892,834.63	1.2597	3,644,103.78
XAF	423,997.43	0.0119	5,045.57
Accounts receivable			56,023,387.00
Including: USD	6,731,417.25	6.9762	46,959,713.02
JPY	49,584,032.00	0.0641	3,178,336.45

GHS	1,908,311.65	1.2597	2,403,900.19
XAF	292,557,760.00	0.0119	3,481,437.34
Accounts receivable			289,101,140.09
Including: USD	37,533,588.16	6.9762	261,841,817.72
JPY	2,724,412.00	0.0641	174,634.81
GHS	21,500,903.04	1.2597	27,084,687.56
Accounts payable			29,097,830.04
Including: USD	3,944,601.99	6.9762	27,518,332.40
Euro	234.43	7.8155	1,832.19
JPY	18,272,696.00	0.0641	1,171,279.81
XAF	34,150,054.00	0.0119	406,385.64
Other payables			285,141,856.59
Including: USD	40,220,085.92	6.9762	280,583,363.40
GHS	3,618,713.34	1.2597	4,558,493.19

5.45.2 Reporting currencies of significant foreign operating entities

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

6. Changes in consolidation scope

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

7. Interest in other entities

7.1 Interest in subsidiaries

7.1.1 Constitution of the Company

Subsidiary name	Registration place	Principal place of business	Business nature	Shareholding (%)		Acquisition method
				Direct	Indirect	

Subsidiary name	Registration	Principal place of business	Business nature	Shareholding (%)		Acquisition method
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.	Shandong Qingdao	Shandong Qingdao	Refrigeration transportation	100.00		Investment
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	Shandong Yantai	Shandong Yantai	Food processing	74.23	25.77	Investment
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	Shandong Qingdao	Shandong Qingdao	Oceanic fishing	59.05		Investment
HABITAT INTERNATIONAL CORPORATION	The Republic of Panama	The Republic of Panama	Refrigeration transportation	100.00		Investment
LAIF FISHERIES COMPANY LIMITED	The Republic of Ghana	The Republic of Ghana	Oceanic fishing		100.00	Investment
AFRICA STAR FISHERIES LIMITED	The Republic of Ghana	The Republic of Ghana	Oceanic fishing		100.00	Investment
ZHONG GHA FOODS COMPANY LIMITED	The Republic of Ghana	The Republic of Ghana	Oceanic fishing		100.00	Investment
Shandong zhonglu ocean refrigeration co. LTD	Shandong Yantai	Shandong Yantai	Food processing		100.00	Investment
YAW ADDO FISHERIES COMPANY LIMITED	The Republic of Ghana	The Republic of Ghana	Oceanic fishing			Operating lease

7.1.2 Significant non-wholly owned subsidiary

No.	Company name	Minority shareholding (%)	Profit or loss attributable to the minority for the current period	Dividends announced to distribute to the minority	Balance of the minority interests as at 31/12/2019
1	Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	40.95%	16,462,914.48		157,934,660.45

7.1.3 Main financial information of significant non-wholly owned subsidiary

Subsidiary name	As at 31/12/2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	250,897,851.01	247,531,784.99	498,429,636.00	107,042,602.15	5,720,920.64	112,763,522.79

(Continued)

Subsidiary name	As at 1/1/2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	205,643,783.93	246,339,332.14	451,983,116.07	108,563,704.98	647,920.64	109,211,625.62

Subsidiary name	Year ended 31/12/2019			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	305,764,051.82	40,202,477.37	2,692,145.39	17,467,091.39

(Continued)

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

8. Related risks of financial instruments

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

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

1. Credit risk

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

2. Liquidity Risk

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

3. Market risk

(1) Foreign exchange risk

Foreign exchange risk is referred to the risk incurred due to loss of changes in exchange rate. The company's foreign exchange risk is mainly derived from the dollar denominated financial assets. The amount of foreign currency denominated financial assets to be converted into RMB is as V.45 the foreign currency monetary items stated.

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of the financial instruments fluctuate due to the fluctuation of market interest rate. The company's interest rate risk is mainly derived from long-term bank borrowings, the company's borrowing are floating interest rates, there is a risk of RMB benchmark interest rate changes.

9. Related parties and transactions

9.1 The parent company of the Company

Name of parent company	Registration place	Type of business	Registered capital	(%)Shareholding ratio of the Company(%)	(%)Voting rights proportion % of the Company
Shandong State-owned assets investment Co. Ltd	Shandong Jinan	Investment and management, asset management and capital operation, entrustment management, investment consulting	450,000	47.25	47.25

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

9.2 Subsidiaries of the Company

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

9.3 Other related parties

Entity name	Relationship
Inspur General Software co., Ltd.	A company that has a transaction in the current period controlled by the

Entity name	Relationship
	same parent company
Bank of Texas co., LTD.	A company that has a transaction in the current period controlled by the same parent company

9.4 Transactions with related parties

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

Name	Type	Contents	Pricing mode and determination process	Year ended 31/12/2019		Year ended 31/12/2018	
				Amount	. of the same type transactions (%)	Amount	Pct. of the same type transactions (%)
Purchase of goods/receipt of services:							
Inspur General Software co., Ltd.	Purchase	Software	Market price			720,000.00	100.00

9.4.2 Remuneration of key management

Remuneration of key management	Year ended 31/12/2019	Year ended 31/12/2018
Total	2,053,124.00	1,804,800.00

9.4.3 Other related transactions

9.4.3.1 Deposit of monetary funds of related parties

Account name	Related party	Balance as at 31/12/2019	Balance as at 1/1/2019
Cash at bank	Bank of Texas co., LTD.	3,201,870.61	
Total		3,201,870.61	

9.4.3.2 Others

Account name	Related party	Year ended 31/12/2019	Year ended 31/12/2018
Interest revenue	Bank of Texas co., LTD.	3,284.72	
Total		3,284.72	

9.5 Receivables due from and payables due to related parties

9.5.1 Receivables due from related parties

Account name	Related party	Balance as at 31/12/2019	Balance as at 1/1/2019
Prepayments	Inspur general software co. LTD	394,857.06	
Total		394,857.06	

9.5.2 Payables due to related parties

Account name	Related party	Balance as at 31/12/2019	Balance as at 1/1/2019
Other payables	Inspur general software co. LTD		16,024.00
Total			16,024.00

10. Commitments and contingencies

10.1 Commitments

None

10.2 Contingencies

None

11. Post balance sheet events

None

12. Other significant events

12.1 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 6.67 million, relevant information shall be referred to "Attachment 5 (18) employee pay payable".

12.2 Segment reporting

12.2.1 Determination basis of segment reporting and related accounting policy

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

12.2.2 Financial information of segment reporting

	Oceanic fishing	Vessels leasing	Aquatic products processing	Others	Elimination between branches	Total
1. Operating income	478,523,402.07	101,294,857.68	669,347,611.32	611,786.40	-129,038,815.43	1,120,738,842.04
2. Operating cost	375,102,964.63	63,289,589.21	637,242,915.37	392,646.83	-129,038,815.43	946,989,300.61
3. Credit impairment losses	-932,220.86	-41,631.75	657,411.90	-47,804.69		-364,245.40
4. Impairment of assets	-887,430.25		-3,729,901.77	-13,001.80		-4,630,333.82
5. Depreciation and amortization	31,723,211.68	9,026,249.96	6,780,634.14	1,843,389.79		49,373,485.57
6. Profit before tax	81,873,996.50	32,488,150.63	7,507,067.77	-20,176,110.93		101,693,103.97
7. Income tax expenses		1,611,474.86	1,307,084.40			2,918,559.26
8. Net profit	81,873,996.50	30,876,675.77	6,199,983.37	-20,176,110.93		98,774,544.71
9. Total assets	827,846,708.78	302,355,475.20	419,827,740.40	141,787,676.56	-403,290,757.14	1,288,526,843.80
10. Total liabilities	221,509,747.67	32,403,124.27	200,076,436.75	196,235,167.41	-406,834,262.44	243,390,213.66

12.3 Others

The panamanian ship named 'SEA MARK', which belonged to wholly-owned subsidiary HABITAT INTERNATIONAL CORPORATION, had been caught fire in the engine room caused by mechanical equipment when sailed to waters near the Ogasawara islands southeast of Japan. The ship initiated emergency response procedures immediately to rescue and put out the fire,

but unfortunately, it was difficult to control the dangerous situation, therefore the ship had to be abandoned. Then, the 23 people were moved to the survival craft safely. At the same time, the company adopted the contingency plan immediately, working with Maritime Safety Bureau of The Ministry of Transport Search and Rescue Center, Japan coast guard and the US coast guard. Finally, the 23 people were rescued successfully at 21:30 on that day. As of now, according to the agreed sailing range, insurance conditions and insurance amount specified in the contract with China Shipowners Mutual Assurance Association and PICC Property and Casualty Company Limited, the people and property of the ‘SEA MARK’ are within the scope of contract by the insurance company, and the company is negotiating with the insurance company about the insurance payment.

Apart from the above, there are no other important matters to be disclosed by the company

13. Notes to the financial statements of the Company

13.1 Accounts receivable

13.1.1 Accounts receivable by category

Item	As at 31/12/2019			
	Balance		Allowance for credit losses	
	Amount	PCT (%)	Amount	Allowance rate (%)
Individually assessment subject to allowance for credit losses				
Grouping assessment subject to allowance for credit losses	35,605,161.90	100.00	6,534,010.26	18.35
Group 1: Non-affiliated party customer portfolio	20,823,141.90	58.48	6,534,010.26	31.38
Group 2: Combination of related parties	14,782,020.00	41.52		
Total	35,605,161.90	100.00	6,534,010.26	18.35

Item	As at 1/1/2019			
	Balance		Allowance for credit losses	
	Amount	PCT(%)	Amount	Allowance rate (%)
Individually assessment for allowance for credit losses				
Grouping assessment subject to allowance for credit losses	10,378,632.53	100.00	5,737,786.29	55.28
Group 1: Non-affiliated party customer portfolio	6,664,383.53	64.21	5,737,786.29	86.10
Group 2: Combination of related parties	3,714,249.00	35.79		
Total	10,378,632.53	100.00	5,737,786.29	55.28

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

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

Aging	As at 31/12/2019			As at 1/1/2019		
	Balance	ECL rate(%)	Allowance for credit losses	Balance	ECL rate(%)	Allowance for credit losses
Within 6 months	14,465,969.20	5.00	723,298.46	975,365.52	5.00	48,768.28
6 months-1 years	393,763.10	10.00	39,376.31		10.00	
1-2 years	274,391.59	30.00	82,317.48		30.00	
More than 3 years	5,689,018.01	100.00	5,689,018.01	5,689,018.01	100.00	5,689,018.01
Total	20,823,141.90		6,534,010.26	6,664,383.53		5,737,786.29

②Group 2: Accounts receivable due from combination of related parties :

Aging	As at 31/12/2019			As at 1/1/2019		
	Balance	ECL rate(%)	Allowance for credit losses	Balance	ECL rate(%)	Allowance for credit losses
combination of related parties	14,782,020.00			3,714,249.00		
Total	14,782,020.00			3,714,249.00		

13.1.2 Provision, recovery or reversal of allowance for credit losses during the year

Provision of allowance for credit losses within this year is RMB 796,223.97 and recovery or reversal of provision during the year is RMB 0.00.

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

Company name	Balance as at 31/12/2019	(%)Percentage in total accounts receivable (%)	Balance of allowance for credit losses as at 31/12/2019
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	14,782,020.00	41.52	
AFKO FISHERIES COMPANY LIMITED	4,399,294.20	12.36	219,964.71
HAIXINSHEN CO.,LTD	3,718,020.20	10.44	185,901.01
PACIFIC PANDA.INC	3,600,962.12	10.11	3,600,962.12
SOCIETE DES MAREYEURS GROSSISTES	3,551,148.31	9.97	177,557.42
Total	30,051,444.83	84.40	4,184,385.26

13.2 Other receivables

Category	Balance as at 31/12/2019	Balance as at 1/1/2019
Interest receivable		
Dividends receivable	94,566,287.92	92,964,132.10
Other receivables	90,924,556.66	84,884,082.37
Less: Allowance for credit losses	3,721,971.88	3,715,866.33
Total	181,768,872.70	174,132,348.14

13.2.1 Dividends receivable

Item	Balance as at 31/12/2019	Balance as at 1/1/2019
Subsidiary dividend	94,566,287.92	92,964,132.10
Less: Allowance for credit losses		
Total	94,566,287.92	92,964,132.10

13.2.2 Other receivables

13.2.2.1 Category of other receivables by nature

Nature	Balance as at 31/12/2019	Balance as at 1/1/2019
Internal current account	86,430,396.31	80,308,190.23
Revolving fund and other	4,494,160.35	4,575,892.14
Total	90,924,556.66	84,884,082.37

13.2.2.2 Aging analysis of other receivables

Aging	Balance as at 31/12/2019		Balance as at 1/1/2019	
	Balance	PCT (%)	Balance	PCT (%)
Within 6 months	28,899,712.54	31.79	38,060,553.71	44.84
6 months-1 years	10,532,528.69	11.58	6,746,776.53	7.95
1-2 years	19,060,919.56	20.96	6,780,110.02	7.99
2-3 years	5,249,795.25	5.77	4,321,610.27	5.09
More than 3 years	27,181,600.62	29.90	28,975,031.84	34.13
Total	90,924,556.66	100.00	84,884,082.37	100.00

13.2.2.3 The provision of allowance for credit losses

The allowance for credit losses	Stage one	Stage two		Stage three		Total
	12-month ECL	Lifetime (credit-unimpaired)	ECL	Lifetime (credit-impaired)	ECL	
Beginning balance	223,504.35			3,492,361.98		3,715,866.33
Revaluation of beginning balance	223,504.35			3,492,361.98		3,715,866.33
Provision	-4,568.30			10,673.85		6,105.55
Reversal						
Write-off						
Other changes						
Ending balance	218,936.05			3,503,035.83		3,721,971.88

13.2.2.4 Provision, recovery or reversal of allowance for credit losses during the year

Provision of allowance for credit losses within this year is RMB6,105.55 and recovery or reversal of provision during the year is RMB 0.00.

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

Debtor name	Nature of balance	Balance as at 31/12/2019	Aging	Percentage in total other receivables(%)	Balance of allowance for credit losses as at 31/12/2019
AFRICA STAR FISHERIES LIMITED	Internal current account	18,152,664.71	0-3 years	19.96	
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.	Internal current account	17,253,355.96	0-3 years	18.98	
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	Internal current account	13,549,901.34	Within 1 years	14.90	
YAW ADDO FISHERIES COMPANY LIMITED	Internal current account	11,674,713.50	0-3 years	12.84	
ZHONG GHA FOODS COMPANY LIMITED	Internal current account	8,844,012.27	0-3 years	9.73	
Total		69,474,647.78		76.41	

13.3 Long-term equity investments

Item	As at 31/12/2019			As at 1/1/2019		
	Balance	Provision for impairment	Carrying amount	Balance	Provision for impairment	Carrying amount
Investment to subsidiaries	232,189,455.23		232,189,455.23	232,189,455.23		232,189,455.23
Total	232,189,455.23		232,189,455.23	232,189,455.23		232,189,455.23

13.3.1 Investment to subsidiaries

Investee	Balance as at 1/1/2019	Additions	Reductions	Balance as at 31/12/2019	Provision for impairment in current period	Balance of provision for impairment as at 31/12/2019
HABITAT INTERNATIONAL CORP.	12,476,145.60			12,476,145.60		
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.	22,869,513.38			22,869,513.38		
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	55,448,185.24			55,448,185.24		
Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	141,395,611.01			141,395,611.01		
Total	232,189,455.23			232,189,455.23		

13.4 Operating income and operating costs

Operating income and operating costs by category

Item	Year ended 31/12/2019		Year ended 31/12/2018	
	Income	Cost	Income	Cost
I . Primary operating business	165,454,472.43	120,934,031.01	192,706,902.46	144,156,077.91
II . Other operating business	4,902,160.57	1,864,630.29	4,088,306.93	1,724,329.79
Total	170,356,633.00	122,798,661.30	196,795,209.39	145,880,407.70

13.5 Investment income

Item	Year ended 31/12/2019	Year ended 31/12/2018
Gain/(Loss) from long-term equity investments in cost method	2,725,025.89	92,964,132.10
Total	2,725,025.89	92,964,132.10

14. Supplementary information

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

Item	Amount	备注 Remark
Government grants (except the government grants closely related to the business of the Company and enjoyed according to unified quota or ration standards)	2,704,851.78	
Other non-operating income/(expenses) except the above items	-22,546.48	
Other gain or loss items qualified the definition of non-recurring item		
Effects of income tax on non-recurring items	-229,456.99	
Effects of non-recurring items attributable to the minority shareholders of the Company	-552,118.10	
Total	1,900,730.21	

The Company identifies that some "other items qualified the definition of non-recurring gain or loss" should be classified as "recurring gain or loss items" considering nature and character of the Company's normal operation activities:

Item	Amount	Remark
International Fisheries Resources Development and Utilization Grants	20,504,756.24	Government grants of national standard quota and related to operating activities of the Company

14.2 Return on equity and earnings per share

Profit in report period	Weighted average return on equity(%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	Year ended 31/12/2019	Year ended 31/12/2018	Year ended 31/12/2019	Year ended 31/12/2018	Year ended 31/12/2019	Year ended 31/12/2018
Net profit attributable to the common share holders	9.74	12.06	0.3094	0.3393	0.3094	0.3393
Net profit attributable to the common shareholders after deducting non-recurring gain or loss items	9.52	11.79	0.3022	0.3314	0.3022	0.3314

Section XIII. Documents available for reference

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

Shandong Zhonglu Oceanic Fisheries Co., Ltd.
Chairman: Lu Lianxing

25 March 2020