

Shandong Zhonglu Oceanic Fisheries Co., Ltd.

Annual Report for Year of 2017

March 2018

Section I. Important Notice, Contents and Paraphrase

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

Lu Lianxing, Principal of the Company, Zhao Minkun, person in charge of accounting works and Lei Lixin, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2017 Annual Report is authentic, accurate and complete.

All directors are attended the Board Meeting for report deliberation.

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

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

and Analysis on Operation”, which shall be brought to attention of investors.

This report is prepared in both of Chinese and English. The Chinese version shall prevail when there are any controversial statements in the two versions.

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

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Paraphrase

Items	Refers to	Contents
“The Company” or “Company”	Refers to	Shandong Zhonglu Oceanic Fisheries Co., Ltd.
“Shandong State-owned Assets Investment”	Refers to	Shandong State-owned Assets Investment Holding Company Limited
“Luxin Group”	Refers to	Shandong Luxin Investment Holding Company Limited
“SASACP”	Refers to	State-owned Assets Supervision and Administration Commission of Shandong Provincial Government
“CSRC”	Refers to	China Securities Regulatory Commission
“The report”	Refers to	Annual Report for 2017 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>
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Website for annual report publish appointed by CSRC	http://www.cninfo.com.cn
Preparation place for annual report	Office of the Board, Shenzhen Stock Exchange

IV. Registration changes of the Company

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

V. Other relevant information

CPA engaged by the Company

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

VI. Main accounting data and financial indexes

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

☐ Yes ☒ No

	2017	2016	Changes over last year	2015
Operating income (RMB)	924,116,785.80	845,877,519.52	9.25%	723,723,003.05
Net profit attributable to shareholders of the listed company (RMB)	91,517,485.28	52,585,070.74	74.04%	12,141,360.21
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	85,499,842.39	47,095,370.03	81.55%	14,060,740.19
Net cash flow arising from operating activities (RMB)	63,205,894.49	87,435,723.19	-27.71%	55,443,390.22
Basic earnings per share	0.34	0.20	70.00%	0.05

(RMB/Share)				
Diluted earnings per share (RMB/Share)	0.34	0.20	70.00%	0.05
Weighted average ROE	13.79%	8.88%	4.91%	2.16%
	End of 2017	End of 2016	Changes over end of last year	End of 2015
Total assets (RMB)	1,065,483,763.80	835,239,699.07	27.57%	798,232,793.11
Net assets attributable to shareholder of listed company (RMB)	703,769,793.95	617,662,263.72	13.94%	565,708,222.79

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

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

VIII. Quarterly main financial index

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	216,338,301.13	223,839,790.62	236,982,664.29	246,956,029.76
Net profit attributable to shareholders of the listed company	8,613,898.03	23,387,692.83	12,192,814.54	47,323,079.88
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	8,590,563.93	22,800,451.17	11,720,799.33	42,388,027.96
Net cash flow arising from operating activities	-21,126,040.30	39,002,196.84	17,321,201.66	28,008,536.29

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

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

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

In RMB

Item	Amount in 2017	Amount in 2016	Amount in 2015	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	422,100.74	2,552,387.02	-4,260,148.37	
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)	6,401,185.48	4,123,881.73	2,021,471.48	
Other non-operating income and expenditure except for the aforementioned items	-83,259.70	-4,353.25	82,182.68	
Less: impact on income tax	197,626.19	194,279.09		
Impact on minority's equity (after-tax)	524,757.44	987,935.70	-237,114.23	
Total	6,017,642.89	5,489,700.71	-1,919,379.98	--

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	23,359,800.00	The subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business

Section III Summary of Company Business

I. Main businesses of the company in the reporting period

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

No

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

(I) Business introduction

1. Ocean-going fishing

During the reporting period, the company has owned a total of 22 vessels for ocean-going fishing, including 7 large-scale tuna seiners, 13 large ultra-low temperature tuna long liners, and 2 medium-sized trawlers, which have been respectively working in Indian Ocean and the Atlantic Ocean. During the reporting period, the pattern of world's tuna resources have been changing, some fishery resources decline sharply, the company has adhered to the principle of combining deploying and retracting, operated scientifically, deployed reasonably, and positively implemented offshore production based on the fishing characteristics and the actual situation of offshore production. As for the long-line fishing, the company became more familiar with the distribution of the fishing waters along with the continuous exploration and in-depth development to the Indian Ocean, and maintained rather good production and management efficiency. As for the purse seine fishing, according to the industry environment and development situation, The Company bought five large tuna purse seine fishing vessels in overseas market for fishing operation in the Atlantic Ocean. Currently, two of the vessels have commenced operation. Together with the two purse seine fishing vessels transferred from the central and west Pacific ocean, a total of four purse seine fishing vessels are put into operation in the Atlantic ocean to meet the expected results. The fishing production of Ghana trawl project has reduced compared with the previous reporting period, mainly caused by the reduction of trawl fish resources and aging of ships.

2. Refrigerated transport

During the reporting period, the company had 7 ocean cold-storage boats for operation service and took various measures to complete the annual economic indicators. The first was to stand on the special refrigerated shipping market, conform to the market demands, expand the navigation area, increase the transport capacity, and strive to enhance the market share. The second was to strictly control the cost accounting, and ensure all expenses, especially the overwhelming expenses were under surveillance all the time. The third was to take account of the non-operating income, especially focus on the exchange rate trend of US dollar against RMB, so as to make foreign exchange settlement at the appropriate time. The fourth was to strengthen the risk management and control, and minimize the risk factors of uncertainties. The fifth was to increase the self-repair efforts to ships, and achieved a good effect.

3. Refrigeration processing trade

During the reporting period, the company's refrigeration processing trade had a foothold on "two markets", the first was to insist on internal absorption and external introduction, give full play to advantages of industrial

clusters, resist the risks and face the market development together with fishing industry, strengthen efforts to the return shipping and deep processing of tuna, form a processing industry chain by centering on Zhonglu food, and give a real play to the distributing centre as the deep-processing of deep-sea fishing products and cold-chain logistics base in Shandong Province and the tuna trading center of China, and had far-reaching significance to refine and strengthen the tuna industry chain. The second was to focus on improving the automatic mechanization level of processing, strive to improve the automatic mechanization level of important processes and key processes in the production, which increased the production capacity, reduced the waste of raw materials, stabilized the product quality and reduced the operating costs. The third was to expand the processing business, and increase the market development efforts.

(II) Industry development

In general, the Company's strategy adjustment focusing on tuna purse seine fishing has been proven to be accurate and proper since both domestic and overseas economic conditions and the macro environment remains uncertainty in 2017. In addition, it seized the opportunity to buy five large purse seine fishing vessels for fishing operation in the Atlantic ocean, and other business segments experienced balanced development with stable growth or minor decline, which indicated that it was right for the Company to insist on the policy of "develop balanced industry chain and optimize assets structure" for years. The relatively matured industry chain formed by the Company and win-win benefits achieved among various business segments played an essential role during the general development depression of distant fishery industry.

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 110.2918 million Yan on a y-o-y basis, mainly due to the purchasement of vessels and fishing net
Intangible assets	No major change.
Construction in progress	The project got shelved and accrual assets impairment losses of 4.0777 million Yuan

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)
ZHONG	Wholly-owne		The Republic	Independent	A		20.97%	N

GHA FOODS COMPANY LIMITED	d subsidiary established aboard	154,993,994. 63 Yuan	of Ghana	operation	professional management team overseas posting and ship & personnel insurance	-8,977,749.75 Yuan		
HABITAT INTERNATI ONAL CORPORATI ON	Wholly-owne d subsidiary established aboard	210,971,306. 10Yuan	Panama	Independent operation	Ship and personnel insurance	17,958,095.2 4 Yuan	28.54%	N

III. Core competitive-ness analysis

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

No

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

As a comprehensive fishery enterprise, the company's core competitiveness is mainly reflected in the following aspects: Firstly, the company is a comprehensive fishery enterprise integrating deep-sea fishing, refrigerated transport, and refrigeration and processing and trading of aquatic products, its main business involves all key links of industry chain, and the businesses among all operating entities are highly related, possess the conditions for overall collaborative operation, and provides guarantee for strengthening and extending the industrial chain strategy; secondly, as one of the enterprises engaged in deep-sea fishing business at the earliest in China, the company starts the production and operation early with high starting point, and high-quality talents and assets. After many years of professional management, the company has accumulated a large number of professional talents covering all fields of deep-sea fishing. For both vessel numbers, gross tonnage and profitability of current refrigerated transport fleet, the Company occupies the national leading level. We own biggest super-low temperature cold storage and raw food processing factory in China. The advantage of tuna processing and trading ability are being strengthen by the Tuna Trading Center and new Tuna E-Trading Platform System; the 30000 tons variable-temperature cold storage and supporting facilities in tide refrigerated logistic center adopted many new technology and operates well; Thirdly, the 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 products of distant water fineries are mainly out from the deep ocean, which have a favorable market prospect for being pure natural, high-quality and unconditioned secure. Fourthly, the Company enlarge the tuna seine fleet in Atlantic, under the shelter of tight regulations from WCPFC in WCPO and ICCAT, the tuna seine business will have a stable growth.

The above mentioned factors were provided a powerful strategic support for the development of the Company; the Company will make good use of these strategic resources, creating innovative, and participated in the construction of new-aged energy transform actively, accelerate the strategic transformation, and vigorously implement the

industrial chain extension projects to upgrade the influence and complete in deep-sea fishing market in and out of China.

Section IV Discussion and Analysis on Operation

I. Introduction

In 2017, the Company keeps growing with its best efforts for development. During the reporting period, the Company seeks for benefits and development with united efforts focusing on completion of the established objectives. It takes all effective measures to expand the scale of business, strengthen cost management, refine fund management, which enables it to over fulfill the budget target determined at the beginning of the year.

(I) Business review during the reporting period

1. Refrigerated transportation leasing business segment: With the target of reducing safety accident and increasing voyage rate of vessels, the Company reinforced vessel safety inspection and provision of operation guidance to secure safety shipping days. Besides, it emphasized cost management through in-house repair for vessels, which not only practiced and improved its professional capability, but also brought down cost. It recorded operating income of RMB96.84 million from this business segment with a year-on-year increase of 5.82%; it recorded net profit of RMB23.4673 million from this business segment with a year-on-year increase of 22.73%.

2. Distant fishery business segment: the two set of purse seine fishing vessels which turned to work for the Company in the Atlantic ocean made successful fishing operation, which led to substantial increase of production capacity. A total of five new purse seine vessels were acquired by the Company, among which, two were put into operation during the year which satisfied the Company with expected fishing performance. Besides, benefiting from the general high price of tune captured via purse seine fishing vessels in 2017, the profit generated from purse seine fishing business exceeded the initial target with net profit amounting to RMB14.6377 million. With respect to tune longline business, the fishing grounds were adjusted on a scientific basis and reasonable operation hours were arranged to make its best to improve production capacity. Besides, it enhanced cost management while saving expenditure. It realized profit of RMB35.8743 million for the year, with an increase of RMB0.5085 million.

3. Refrigeration, processing and trading of aquatic products business segment: increase development for new market, customers and products, strengthen inventory management and capital management, and strive to expand overseas market to increase export. During the reporting period, it recorded operating income of RMB678.66 million from this business segment with a year-on-year increase of 2.59%; it recorded net profit of RMB24.1461 million from this business segment with a year-on-year increase of 8.48%.

(II) General operation

In reporting period, the Company achieved business revenue of 924.1168 million Yuan, increased 9.25% compared last year's 845.8775 million Yuan; total profit achieved 97.8998 million Yuan, increased 39.0516 million Yuan over that of 58.8482 million Yuan in last period with growth of 66.36%; net profit attributable to parent company amounted as 91.5175 million Yuan, an 74.04% growth over that of 38.9324 million Yuan at last year. Total assets amounted as 1065.4838 million Yuan with 27.57% growth over that of period-begin. Profit have a majority growth mainly because, the tuna seine business reached a major growth from a year eariler.

II. Main business analysis

1. Introduction

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

2. Revenue and cost

(1) Constitute of operation revenue

In RMB

	2017		2016		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total of operation revenue	924,116,785.80	100%	845,877,519.52	100%	9.25%
According to industries					
Seine tuna fishing	101,348,675.03	10.97%	5,180,247.30	0.61%	1,856.44%
Longlines tuna fishing	29,227,283.99	3.16%	68,475,554.71	8.10%	-57.32%
Boat rental	96,839,023.35	10.48%	91,513,054.10	10.82%	5.82%
Other deep-sea fishing	10,270,768.88	1.11%	10,304,142.94	1.22%	-0.32%
Aquatic products refrigerated processing trade	678,661,095.40	73.44%	661,507,107.61	78.20%	2.59%
House rental	3,793,486.57	0.41%	4,691,924.05	0.55%	-19.15%
Waste income and others	3,976,452.58	0.43%	4,205,488.81	0.50%	-5.45%
According to products					
Seine tuna fishing	101,348,675.03	10.97%	5,180,247.30	0.61%	1,856.44%
Longlines tuna fishing	29,227,283.99	3.16%	68,475,554.71	8.10%	-57.32%
Boat rental	96,839,023.35	10.48%	91,513,054.10	10.82%	5.82%
Other deep-sea fishing	10,270,768.88	1.11%	10,304,142.94	1.22%	-0.32%
Aquatic products refrigerated processing trade	678,661,095.40	73.44%	661,507,107.61	78.20%	2.59%

House rental	3,793,486.57	0.41%	4,691,924.05	0.55%	-19.15%
Waste income and others	3,976,452.58	0.43%	4,205,488.81	0.50%	-5.45%
According to region					
Japan	323,521,991.97	35.01%	285,073,795.29	33.70%	13.49%
China	167,609,757.40	18.14%	300,038,378.94	35.47%	-44.14%
South Korea	25,985,955.53	2.81%	32,022,697.43	3.79%	-18.85%
Singapore	16,006,430.12	1.73%	13,237,412.63	1.56%	20.92%
Taiwan	214,730,006.65	23.24%	102,493,887.61	12.12%	109.51%
Ghana	21,347,108.49	2.31%	14,347,425.72	1.70%	48.79%
Other	154,915,535.64	16.76%	98,663,921.90	11.66%	57.01%

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

√Applicable □Not applicable

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

No

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Seine tuna fishing	101,348,675.03	53,850,966.50	46.87%	1,856.44%	1,067.35%	35.92%
Boat rental	96,839,023.35	58,302,833.08	39.79%	5.82%	-15.58%	15.26%
Aquatic products refrigerated processing trade	678,661,095.40	613,140,850.89	9.65%	2.59%	-2.75%	4.96%
According to products						
Seine tuna fishing	101,348,675.03	53,850,966.50	46.87%	1,856.44%	1,067.35%	35.92%
Boat rental	96,839,023.35	58,302,833.08	39.79%	5.82%	-15.58%	15.26%
Aquatic products refrigerated processing trade	678,661,095.40	613,140,850.89	9.65%	2.59%	-2.75%	4.96%
According to region						
Japan	323,521,991.97	297,085,055.06	8.17%	13.49%	15.18%	-1.35%
China	167,609,757.40	117,990,458.58	29.60%	-44.14%	-38.38%	-6.58%

Taiwan	214,730,006.65	153,148,553.78	28.68%	109.51%	104.24%	1.84%
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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	2017	2016	Increase/decrease y-o-y
Deep-sea fishing and re-processing	Sales volume	Ton	12,848	5,814	120.98%
	Production	Ton	17,822	5,825	205.95%
	Inventory	Ton	6,508	1,534	324.23%
Aquatic products processing, refrigerator and others sales volume	Sales volume	Ton	16,617	18,469	-10.03%
	Production	Ton	17,059	23,367	-27.00%
	Inventory	Ton	4,813	4,371	10.11%

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

☒ Applicable ☐ Not applicable

Deep-sea fishing and re-processing have a 205.95% growth of production volume on a year-on-year basis, mainly because two purse seiner have larger fishery ability in the year (same period of last year in the moratorium temporary); furthermore, another two purse seiners have a good operates in fishery, the volume approached expected target; sales volume growth 120.98% from a year earlier mainly due to the increase of productions; inventory has major increase from a year earlier, mainly because most of the fishes are not setting out for sales in the period yet.

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

☐ Applicable ☒ Not applicable

(5) Constitute of operation cost

Industry classification

Industry classification

In RMB

Industry classification	Item	2017		2016		Y-o-y changes
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Seine tuna fishing	Access fishing fee	1,710,859.10	3.18%	32,847.88	0.71%	5,108.43%
Seine tuna fishing	Raw material	10,502,687.49	19.50%	284,557.19	6.17%	3,590.89%
Seine tuna fishing	Fuel power	12,123,788.08	22.51%	887,587.30	19.24%	1,265.93%

Seine tuna fishing	Employee compensation	10,189,429.86	18.92%	1,599,487.30	34.67%	537.04%
Seine tuna fishing	Depreciation charge	6,808,808.92	12.64%	1,318,059.63	28.57%	416.58%
Seine tuna fishing	Other	12,515,393.05	23.25%	490,559.19	10.63%	2,451.25%
Seine tuna fishing	Total	53,850,966.50	100.00%	4,613,098.49	100.00%	1,067.35%
Longlines tuna fishing	Access fishing fee	609,811.22	2.68%	1,605,983.95	2.94%	-62.03%
Longlines tuna fishing	Raw material	4,741,002.35	20.87%	15,523,773.54	28.42%	-69.46%
Longlines tuna fishing	Fuel power	7,495,326.13	32.99%	14,626,043.32	26.78%	-48.75%
Longlines tuna fishing	Employee compensation	5,207,375.40	22.92%	9,225,406.84	16.89%	-43.55%
Longlines tuna fishing	Depreciation charge	1,613,354.27	7.10%	3,918,851.37	7.17%	-58.83%
Longlines tuna fishing	Other	3,053,740.66	13.44%	9,718,908.55	17.79%	-68.58%
Longlines tuna fishing	Total	22,720,610.04	100.00%	54,618,967.57	100.00%	-58.40%
Boat rental	Employee compensation	27,807,218.57	47.69%	27,452,639.89	39.75%	1.29%
Boat rental	Depreciation charge	8,377,195.44	14.37%	9,995,678.65	14.47%	-16.19%
Boat rental	Material	7,489,336.19	12.85%	12,890,662.42	18.67%	-41.90%
Boat rental	Other	2,655,613.95	4.55%	5,565,061.56	8.06%	-52.28%
Boat rental	Insurance premium	3,527,376.77	6.05%	4,232,481.15	6.13%	-16.66%
Boat rental	Fuel	2,878,178.31	4.94%	5,247,961.59	7.60%	-45.16%
Boat rental	Repairs fee	4,053,539.65	6.95%	1,592,330.61	2.31%	154.57%
Boat rental	Inspection fee	1,514,374.20	2.60%	2,085,697.63	3.02%	-27.39%
Boat rental	Total	58,302,833.08	100.00%	69,062,513.50	100.00%	-15.58%
Other deep-sea fishing	Fuel power	4,403,186.71	42.53%	3,396,209.80	36.22%	29.65%
Other deep-sea fishing	Raw material	740,737.98	7.15%	1,607,813.42	17.15%	-53.93%
Other deep-sea fishing	Labor charges	2,071,330.94	20.01%	1,092,601.29	11.65%	89.58%

Other deep-sea fishing	Depreciation charge	835,870.99	8.07%	634,964.98	6.77%	31.64%
Other deep-sea fishing	Other	2,302,718.41	22.24%	2,644,837.84	28.21%	-12.94%
Other deep-sea fishing	Total	10,353,845.03	100.00%	9,376,427.33	100.00%	10.42%
Aquatic product processing	Direct materials	536,276,159.88	87.46%	558,440,160.95	88.58%	-3.97%
Aquatic product processing	Packaging	12,473,421.01	2.03%	11,737,782.79	1.86%	6.27%
Aquatic product processing	Labor wage	24,692,908.62	4.03%	24,005,569.26	3.81%	2.86%
Aquatic product processing	Depreciation	4,817,731.61	0.79%	4,636,574.72	0.74%	3.91%
Aquatic product processing	Other	34,880,629.77	5.69%	31,634,400.86	5.02%	10.26%
Aquatic product processing	Total	613,140,850.89	100.00%	630,454,488.60	100.00%	-2.75%
House rental	Labor charges	65,010.00	3.73%	64,800.00	3.60%	0.32%
House rental	Out-of-pocket expenses	27,037.84	1.55%	26,647.10	1.48%	1.47%
House rental	Depreciation charge	1,225,193.44	70.21%	1,218,665.52	67.71%	0.54%
House rental	Electric charge	148,338.16	8.50%	216,953.47	12.05%	-31.63%
House rental	Repairs fee etc.	73,237.39	4.20%	97,853.83	5.44%	-25.16%
House rental	Heating fee	206,133.30	11.81%	175,030.45	9.72%	17.77%
House rental	Total	1,744,950.13	100.00%	1,799,950.37	100.00%	-3.06%

Note

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

√ Yes □ No

In 2017, Shandong Zhonglu Haiyan Oceanic Fishery Co., Ltd. established a subsidiary-AFRICA STAR FISHERIES LIMITED and ZHONG GHA FOODS COMPANY LIMITED in Republic of Ghana, and the two companies are included in consolidate statement.

(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)	394,080,353.75
Proportion in total annual sales volume for top five clients	42.64%
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	Hong Kong Liantai Co., Ltd.	119,174,860.56	12.90%
2	F.C.F Fishery Co., Ltd.	96,839,023.35	10.48%
3	Japan Wiki	68,529,574.11	7.42%
4	Japan Daoshui	59,683,779.12	6.46%
5	Japan SanKo Co., Ltd.	49,853,116.61	5.39%
Total	--	394,080,353.75	42.64%

Other situation of main clients

☐ Applicable ☒ Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	258,987,420.40
Proportion in total annual purchase amount for top five suppliers	36.64%
Ratio of related parties in annual total sales among the top five suppliers	0.00%

Information of top five suppliers of the Company

Serial	Name	Purchases (RMB)	Proportion in total annual purchase
1	Yantai Beijing Ocean Fishery Co., Ltd.	80,259,889.00	11.35%
2	CNFC Overseas Fishery Co., Ltd.	54,515,350.00	7.71%
3	Shenzhen South Fishery Co., Ltd.	50,544,995.90	7.15%
4	Rongcheng Ocean Fishery Co., Ltd.	38,601,516.00	5.46%
5	Shenzhen Lianmei Commerce Co., Ltd.	35,065,669.50	4.96%
Total	--	258,987,420.40	36.64%

Other notes of main suppliers of the Company

☐ Applicable ☒ Not applicable**3. Expense**

In RMB

	2017	2016	Y-o-y changes	Note
Sales expense	14,174,043.49	6,016,283.26	135.59%	Major expenditure in port miscellaneous charges in the period
Management expense	56,525,982.12	57,369,652.49	-1.47%	
Financial expense	16,828,357.12	-6,330,453.36	-365.83%	More increased in interest costs and exchange losses

4. R&D investment

☐ Applicable ☒ Not applicable

5. Cash flow

In RMB

Item	2017	2016	Y-o-y changes
Subtotal of cash in-flow from operation activity	1,031,418,431.05	945,613,387.44	9.07%
Subtotal of cash out-flow from operation activity	968,212,536.56	858,177,664.25	12.82%
Net cash flow from operation activity	63,205,894.49	87,435,723.19	-27.71%
Subtotal of cash in-flow from investment activity	703,494.70	5,930,806.81	-88.14%
Subtotal of cash out-flow from investment activity	149,566,249.27	32,045,019.74	366.74%
Net cash flow from investment activity	-148,862,754.57	-26,114,212.93	470.04%
Subtotal of cash in-flow from financing activity	216,117,252.93	69,109,844.43	212.72%
Subtotal of cash out-flow from financing activity	102,491,433.08	80,873,244.26	26.73%
Net cash flow from financing activity	113,625,819.85	-11,763,399.83	-1,065.93%
Net increased amount of cash and cash equivalent	18,329,690.04	57,273,291.78	-68.00%

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

☒ Applicable ☐ Not applicable

(1) Net cash flow from operation activity decreased from a year earlier mainly because: the cash paid for purchasing goods and receiving labors and cash paid for other operation activities in the period are more over than last year;

(2) Net cash flow from investment activity decreased from a year earlier mainly because: we purchased five tuna seine ships in the period, and no such amount occurred at same period of last year;

(3) Net cash flow from financing activity has major amount occurred mainly because the amount from financing are larger than last year.

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

√ Applicable □ Not applicable

(1) Asset impairment loss, depreciation and amortization of fixed assets and intangible assets and financial expenses affect the net profits but not affect the operating cash flow project 53,110,000 Yuan, which makes the net profit is 53,110,000 Yuan less than the operating cash flow;

(2) The inventory balance of 2017 has increased by 90,340,000 Yuan compared with the inventory balance of 2016, resulting in a decrease of operating cash flow of 90,340,000 Yuan;

(3) The operating receivables of 2017 has increased by 15,280,000 Yuan compared to 2016, resulting in a decrease of operating cash flow of 15,280,000 Yuan; The operating receivables of 2016 has increased by 20,550,000 Yuan compared to 2015, resulting in an increase of operating cash flow of 20,550,000 Yuan; the above caused the differences between net profit and operating cash flow.

III. Analysis of the non-main business

√Applicable □Not applicable

In RMB

	Amount	Ratio in total profit	Note	Whether be sustainable
Asset impairment	5,781,049.23	5.91%	Including bad debt losses 472400 Yuan, inventory falling price loss of 1.231 million Yuan and devaluation loss in construction project 4.0777 million Yuan	No sustainable.
Non-operating income	3,228,686.87	3.30%	Headquarter of the Company moves to Qingdao from Jinan, and in 2017, we received one-off financial subsidy from Qingdao Finance Bureau 3 million Yuan.	No sustainable.
Non-operating expense	311,946.57	0.32%	Work compensation for staffs	No sustainable.

IV. Assets and liability

1. Major changes of assets composition

In RMB

	End of 2017		End of 2016		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	147,489,843.54	13.84%	129,521,203.29	15.51%	-1.67%	
Account receivable	38,792,912.89	3.64%	42,679,066.65	5.11%	-1.47%	
Inventory	243,744,590.07	22.88%	154,636,414.05	18.51%	4.37%	Volume of fishes increased, and most of them are not sales
Investment real estate	31,694,375.13	2.97%	32,338,392.18	3.87%	-0.90%	
Long term equity investment					0.00%	
Fixed assets	525,975,263.88	49.36%	415,683,489.86	49.77%	-0.41%	The Company purchase 5 large tuna seine boats in the period
Construction in progress			4,066,989.68	0.49%	-0.49%	The project on hold, and accrual asset impairment loss in full
Short-term borrowing	176,394,931.62	16.56%	54,961,454.59	6.58%	9.98%	Borrow 100 million Yuan from China Citic Bank

2. Assets and liability measure by fair value

☐ Applicable ☒ Not applicable

3. Assets right restriction till end of reporting period

Item	Ending book value	Limited cause
Monetary fund	862,500.14	L/C
Fixed assets	88,200,769.64	Loan mortgage
Intangible assets	12,700,956.67	Loan mortgage
Total	101,764,226.45	--

V. Investment

1. Overall situation

√Applicable □Not applicable

Amount invested (RMB)	Last period's amount (RMB)	Changes
162,425,625.20	0.00	100.00%

2. The major equity investment obtained in Reporting Period

□ Applicable √ Not applicable

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

√Applicable □Not applicable

In RMB

Project	Investment way	Whether it is a fixed assets investment (Y/N)	Investment industry	Amount input in the period	Amount actual invested up to period-end	Capital resources	Progress	Estimated earnings	Earnings achieved ended as period-end	Reasons of fails to the estimated earnings and plans	Disclosure date (if applicable)	Disclosure index (if applicable)
Purchased the tuna seine boat	Acquisition	Y	Fishery	162,425,625.20	162,425,625.20	Short-term loans from the bank and owned fund	100.00%	0.00	3,576,876.32	Not applicable	2016-12-31	http://www.cninfo.com.cn
Total	--	--	--	162,425,625.20	162,425,625.20	--	--	0.00	3,576,876.32	--	--	--

4. Financial assets investment

(1) Securities investment

□ Applicable √ Not applicable

The company had no securities investment in the reporting period.

(2) Derivative investment

□ Applicable √ Not applicable

The company had no derivative investment in the reporting period.

5. Application of raised proceeds

☐ Applicable ☒ Not applicable

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

VI. Sales of major assets and equity

1. Sales of major assets

☐ Applicable ☒ Not applicable

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

2. Sales of major equity

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

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

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	Subsidiary	Food processing	75,593,300	363,039,088.24	187,435,982.88	682,192,667.23	25,437,679.69	24,146,113.50
Shandong Zhonglu Haiyan Oceanic Fishery Co., Ltd.	Subsidiary	Marine fishing	138,731,900	363,393,284.47	188,435,478.45	113,240,985.79	19,877,216.91	19,410,369.85
HABITAT INTERNATIONAL CORPORATION	Subsidiary	Refrigerated shipment	12,476,146	210,971,306.10	202,740,844.50	62,806,895.00	17,956,056.08	17,958,095.24
Shandong Zhonglu	Subsidiary	Refrigerated	22,505,600	38,598,880.3	7,390,009.77	34,032,128.3	6,321,474.45	5,509,247.60

Fishery Shipping Co., Ltd.		shipment		6		5		
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Particular about subsidiaries obtained or disposed in report period

☐ Applicable ☒ Not applicable

Notes of main holding company and stock-jointly companies

VIII. Structured vehicle controlled by the Company

☐ Applicable ☒ Not applicable

IX. Outlook of future development

(I)The prevailing development and future development trend

With the country's a series of policy supports to the ocean fishery, 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, which means ocean fishery will be offered with new opportunities for development, adjustment and transformation. With respect to development trend, it is expected that: (i)stable development of ocean fishery in international waters, and increase fishing scale for fishes living in the middle and upper level of the waters, cephalopod, Antarctic krill and other varieties which have the potential for further development; (ii)consolidate and improve ocean fishery in other countries sea, aiming to facilitating transformation and upgrade of this kind of fishery through change of cooperation model, enhancement of management, vessel update and remake and projects merger and acquisition; (iii)optimize industry structure and extend industry chain, develop refrigeration, processing and trading of aquatic products; (iv)strengthen construction of fishery production service supporting system, greatly develop overseas fishing bases and ocean production platforms, and conduct a series of value-added services, such as fishing port wharf, fishing goods storage logistics, fishing vessel repair, ocean transportation and recharge.

(II)Outlook of major business

1. Ocean fishery

The Company continues to develop the ocean fishery business with purse seine and longline fishing as the core business. In respect of tuna purse seine, the Company bought five large tuna purse seine fishing vessels in overseas market for fishing operation in the Atlantic Ocean during the reporting period. Currently, two of the vessels have commenced operation. Together with the two purse seine fishing vessels transferred from the central and west Pacific Ocean fishing grounds, a total of four purse seine fishing vessels are put into operation in the Atlantic Ocean to meet the expected results. For the upcoming year, the five vessels will become our new point of growth upon full and complete operation. In respect of longline business, the Company has become further familiar with the distribution of fishing grounds in the Indian Ocean as it continues to explore and develop this region. By reasonable coordination, the Company is able to maintain satisfying operating results and provide stable revenue source.

2. Refrigerated transport

Consolidate and enhance refrigerated transportation business. Ocean refrigerated transportation has always been the business segment contributing stable operating results for the Company. Based on the specific condition of refrigerated transportation market, we plan to gradually eliminate the old and small vessels with small capacity, to be replaced with those vessels with moderate capacity and relatively young shipping age, so as to continue to maintain the leading position of our transportation fleet in the industry.

3. Refrigeration, processing and trading

Actively develop and extend refrigeration, processing and trading business. First of all, the Company seeks development by innovation. It continues to optimize product structure to improve our competitiveness and risk-prevention ability. Second, it continues to increase acquisition, processing and sales of tunas fished by ocean fishery enterprises, making its best to expand both domestic and international market. Third, the Company increase development of new products and further-processed products with high added-value in addition to the existing business, expecting to make new point of growth.

(III)Future development strategy

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

(IV)Working plan for 2018

Under the working target of “maintain growth, emphasize regulation, adjust structure and promote transformation”, the Company plans to improve its development quality, enhance economic performance, focus on switch of new and old kinetic energy and market penetration, propel construction of significant projects, seeking for moderate and stable growth. In respect of the major problems restricting its development, the Company makes its best to conduct operation, adjust transformation, market penetration and regulate management, aiming to making new point of growth. Besides, it continues to strengthen and improve its ability of control, competitiveness, and influence and risk prevention, ensuring that the annual operating tasks could be successfully completed in full. The relevant plans are summarized as follows: (1)to accelerate development of fishing and transportation fleet and aquatic products refrigeration and processing business, thus to enable the Company to develop on a quality, scaled and professional basis; (2)to insist on development with diversified business and market participation, thus to propel the Company to transform into a comprehensive enterprise; (3)to strengthen industry chain construction and optimize and integrate operating business, thus to propel the Company on an integrated basis; (4)to propel the Company to transform into a stable overseas-engaged enterprise by orderly explore of quality and regulated overseas market projects; (5)to materialize a series of effective measures to further deepen reform of the Company, thus to enable it to transform into a regulated and growing enterprise; (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. The risk of change of resources, especially the decrease of resources of major varieties to be fished. Though various international fishery resources protection organizations, resources countries and responsible fishing enterprises are committed to secure sustainable fishery, fishing resources are still subject to fluctuation, including decrease of fishing resources, due to lots of factors such as periodic change of resources, climate and water conditions, which will directly lead to deduction of our production capacity. We have made scientific and reasonable arrangement for supporting works, including maintenance of vessels, repair of equipment, material resources, bait, facilities and staff, to ensure our shipping rate.

2.The risk of fish price fluctuation. Fish price may continue to decline and maintain running at low price, which may affect the revenue throughout the year. In this regard, we make every chance to sell out the fishes captured to minimize the loss arising from price decline. Besides, the supporting policies issued by the national and local governments are fully capitalized by us through processing to improve the product's added-value.

3.The risk of exchange rate. Appreciation of RMB against US dollar and Yen will impose certain influence upon our export of products and vessel leasing service. Therefore, we pay close attention to development trend of exchange rate, and adopt effective financial instruments (such as forward settlement and sale of exchange) to lock in exchange rate in advance, so as to bring down exchange risk to the largest extent.

4.The risk of change of preferential and supporting policies in the industry. These policies include but not limited to the subsidy policy for development and utilization of international fishing resources and the tax refund policy for export. Decrease of subsidy or drop of tax refund rate may lead to decrease of our non-operating income.

5.The risk of price change of raw materials and equipment and components. The biggest cost component of our processing business is procurement of raw materials, which means increase of raw material price will further press our space of profit. Maintenance of ocean fishing vessels requires prompt maintenance or update of key equipment or components, the price change of which will also affect cost fluctuation of fishing business. The Company will strengthen strategic cooperation with these major raw materials suppliers to respond to the risk of price change of raw materials, and increase use of key equipment or components made by domestic manufacturers to minimize the influence on cost.

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
2017-01-09	Telephone communication	Individual	Operation of the Company and no material required
2017-04-05	Telephone communication	Individual	Asking about cause of suspension
2017-05-02	Telephone communication	Individual	Operation of the Company and no material required
2017-06-12	Telephone communication	Individual	Lawsuits and operation of the

			Company ,no material required
2017-08-16	Telephone communication	Individual	Operation of the Company and no material required
2017-11-01	Telephone communication	Individual	Operation of the Company and no material required
2017-11-24	Telephone communication	Individual	Operation of the Company and no material required
2017-12-14	Telephone communication	Individual	Operation of the Company and no material required
Reception (times)			8
Number of hospitality			0
Number of individual reception			8
Number of other reception			0
Disclosed, released or let out major undisclosed information		No	

Section V. Important Events

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

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

☐ Applicable ☒ Not applicable

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

In latest three years, after cover the deficit of previous years, the retained profit at period-end still negative; being deliberated and approved by the Board and Shareholders' General Meeting, no profit distributed either. The Company has no plan of cash dividend distribution, no bonus distributed and capitalizing of common reserves either for year of 2017.

The Company, though as a listed company offering B shares, has almost never conducted financing from securities market since its listing, which means the parent company and its subsidiaries could merely operate with its own profits made. Therefore, no mandatory dividend policy is issued on its subsidiaries. Due to a series of reasons, including the operation of the parent company, no dividend is paid in respect of the distributable profit of subsidiaries and past reorganization, the accumulated profit available for distribution to shareholders of ordinary shares of the parent company is negative during the reporting period.

The Company held the 10th meeting of the 6th session of board of directors on 26 October 2017 to amend the Subsidiary Management System with addition of chapter six "Obligation of income payment": in case that any subsidiary records profit for a year and the accumulated undistributed profit is positive, the subsidiary shall pay shareholders cash dividend with an amount not less than 30% of the distributable net profit for the year. If the subsidiary is not able to make cash dividend at the prescribed proportion due to significant investment or shortage of operating capital, it shall apply to the Company in advance and be subject to approval from the Company. During the reporting period, the four subsidiaries realized total net profit of RMB67,0238 million. The Company will demand the subsidiaries to make dividend payment to the parent company according to relevant requirements based on the audited results issued by Daxin Accounting Firm and other conditions.

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

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Amount for cash bonus by other ways	Proportion for cash bonus by other ways
2017	0.00	91,517,485.28	0.00%	0.00	0.00%
2016	0.00	52,585,070.74	0.00%	0.00	0.00%

2015	0.00	12,141,360.21	0.00%	0.00	0.00%
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The Company gains profits in reporting period and the retained profit of common stock shareholders provided by parent company is positive but no plan of cash dividend proposed of common stock

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

III. Implementation of commitment

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

The Ministry of Finance issued the Enterprise Accounting Standards No.42 - Non-current Assets Held for Trading, Disposal Group and Discontinued Operation in 2017, which came into effect since 28 May 2017. The non-current assets held for trading, disposal group and discontinued operation existed as of the implementation date are required to be treated by prospective application method.

The Ministry of Finance amended the Enterprise Accounting Standards No.16 - Government Subsidy in 2017, which came into effect since 12 June 2017. the government subsidy existed as of 1 January 2017 is required to be treated under prospective application method; the government subsidy newly granted during the period from 1 January 2017 to the implementation date shall be adjusted under the amended standard.

The Ministry of Finance released in 2017 the Notice relating to Amending and Printing of Financial Statement Forms of General Enterprises (CK[2017]No.30). enterprises adopting Enterprise Accounting Standards shall prepare their financial statements for 2017 and other accounting periods according to the Enterprise Accounting Standards and the Notice.

Changes of contents and reasons	Items changed	Amount changed	Re-stated amount last period	Amount in non-operation revenue last period	Amount in non-operation expenditures last period
1. Government subsidy with routine operation activities concerned are reckoned into other income	Other income	26,760,985.48	—	43,105,385.48	—
2. Adjustment of assets disposal gains/losses	Assets disposal income	422,100.74	2,552,387.02	2,657,141.63	104,754.61

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

In 2017, Shandong Zhonglu Haiyan Oceanic Fishery Co., Ltd. established a subsidiary- AFRICA STAR FISHERIES LIMITED and ZHONG GHA FOODS COMPANY LIMITED in Republic of Ghana, and the two companies are included in consolidate statement.

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

Accounting firm appointed

Name of domestic accounting firm	PKF Daxin Certified Public Accountants LLP
Remuneration for domestic accounting firm (in 10 thousand Yuan)	40
Continuous life of auditing service for domestic accounting firm	15
Name of domestic CPA	Zhang Lifa; Chen Xiujian

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 2016, the Company engaged PKF Daxin Certified Public Accountants LLP to be the auditing CPA for internal control 2017 of the Company, totally 100,000 Yuan are paid in the period.

X. Particular about suspended and delisting after annual report disclosed

☐ Applicable ☒ Not applicable

XI. Bankruptcy reorganization

☐ Applicable ☒ Not applicable

No bankruptcy reorganization for the Company in reporting period.

XII. Significant lawsuits and arbitrations of the Company

☒ Applicable ☐ Not applicable

Basic Situation of Litigation (Arbitration)	Amount Related to the Case (Yuan)	Whether Formed Accrued Liabilities(Y/N)	Progress of Litigation (Arbitration)	Trial Results and Effects of Litigation (Arbitration)	Judgment Implementation of Litigation (Arbitration)	Disclosure Date	Disclosure Index
In the process of implementing the loan dispute case of Shenzhen Qiwu Wealth Management Co., Ltd. and Shandong Longkou Aquatic Integrated Co., Ltd., the execution applicant Shenzhen Qiwu Wealth Management Co., Ltd. applied for adding the Company as the person subject to enforcement to Jinan Intermediate People's Court.	1,936.24	No	Shandong Higher People's Court dismissing the claims from applicant for reconsideration - Shenzhen Qiwu Wealth Management Co., Ltd. and upheld the ruling from Jinan	It is ruled that the application is rejected and this rule shall be deemed as the final verdict. This lawsuit will not materially affect the profit for the period or subsequent periods of the Company.	Reject an application, unenforced	2017-06-10	Progress of the Lawsuits (Notice No.: 2017-15 ; No.: 2017-18; No.: 2017-19 and No.: 2017-37) on Juchao website

			Intermediate People's Court (2017) Lu 01 ZY No. 235				
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XIII. Penalty and rectification

☐ Applicable ☒ Not applicable

No penalty and rectification for the Company in reporting period.

XIV. Integrity of the company and its controlling shareholders and actual controllers

☒ Applicable ☐ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

XVI. Material related transactions

1. Related transaction with daily operation concerned

☐ Applicable ☒ Not applicable

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

2. Related transactions by assets acquisition and sold

☐ Applicable ☒ Not applicable

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

3. Main related transactions of mutual investment outside

☐ Applicable ☒ Not applicable

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

4. Contact of related credit and debt

☐ Applicable ☒ Not applicable

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

5. Other material related transactions

☐ Applicable ☒ Not applicable

No other material related transactions for the Company in reporting period

XVII. Major contract and implantation

1. Trusteeship, contract and leasing

(1) Trusteeship

☐ Applicable ☒ Not applicable

No trusteeship for the Company in reporting period

(2) Contract

☐ Applicable ☒ Not applicable

No contract for the Company in reporting period

(3) Leasing

☐ Applicable ☒ Not applicable

No leasing for the Company in reporting period

2. Major guarantee

☐ Applicable ☒ Not applicable

No guarantee for the Company in reporting period

3. Entrust others to cash asset management

(1) Trust financing

☐ Applicable ☒ Not applicable

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. Execution of other social responsibility

The Company did not have precision poverty alleviation in the period, and there are no subsequent precision poverty alleviation programs either in the period

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
Performance Forecast for year of 2016	2017-1-7	http://www.cninfo.com.cn
Notice of the Resignation of Directors	2017-2-18	http://www.cninfo.com.cn
Resolution of 5th session of 6th BOD	2017-3-4	http://www.cninfo.com.cn
Resolution of 4th session of 6th Supervisory Committee	2017-3-4	http://www.cninfo.com.cn
Summary of Annual Report 2016	2017-3-4	http://www.cninfo.com.cn
Notice of Suspension of Important Matters	2017-4-6	http://www.cninfo.com.cn
Performance Forecast for 1Q	2017-4-11	http://www.cninfo.com.cn
Progress of Suspension of Important Matters	2017-4-12	http://www.cninfo.com.cn
Notice of Resumption of Important Matters	2017-4-19	http://www.cninfo.com.cn
Summary of 1Q of 2017	2017-4-29	http://www.cninfo.com.cn
Notice of Change the Office Address, Contact Way and Logo of the Company	2017-4-29	http://www.cninfo.com.cn

Resolution of 7th session of 6th BOD	2017-5-26	http://www.cninfo.com.cn
Notice of Convening the AGM 2016	2017-5-26	http://www.cninfo.com.cn
Reminder Notice of Convening the AGM 2016	2017-6-9	http://www.cninfo.com.cn
Notice of Lawsuits	2017-6-10	http://www.cninfo.com.cn
Resolution of AGM of 2016	2017-6-16	http://www.cninfo.com.cn
Performance pre-notice of half year of 2017	2017-7-11	http://www.cninfo.com.cn
Lawsuit Progress	2017-7-14	http://www.cninfo.com.cn
Lawsuit Progress	2017-7-21	http://www.cninfo.com.cn
Resolution Notice of 6 th Meeting of 8 th Session of the Board	2017-8-16	http://www.cninfo.com.cn
Related Transactions on Received Loans by Mandate and Guarantee Period from Controlling Subsidiary	2017-8-16	http://www.cninfo.com.cn
Convening the First Extraordinary Shareholders General meeting of 2017	2017-8-16	http://www.cninfo.com.cn
Resolution Notice of 6 th Meeting of 9 th Session of the Board	2017-8-31	http://www.cninfo.com.cn
Summary of Semi-annual Report for year of 2017	2017-8-31	http://www.cninfo.com.cn
CFO Resignation	2017-8-31	http://www.cninfo.com.cn
Resolution Notice of First Extraordinary Shareholders General meeting of 2017	2017-9-1	http://www.cninfo.com.cn
Participate in Investor Online Reception Day	2017-9-12	http://www.cninfo.com.cn
3 Q Performance Forecast for year of 2017	2017-10-13	http://www.cninfo.com.cn
Resolution Notice of 6 th Meeting of 10 th Session of the Board	2017-10-27	http://www.cninfo.com.cn
Resolution Notice of 6 th Meeting of 7 th Session of the Board of supervisors	2017-10-27	http://www.cninfo.com.cn
Summary of Third Quarterly Report for year of 2017	2017-10-27	http://www.cninfo.com.cn
Change of Accounting Policy	2017-10-27	http://www.cninfo.com.cn
Notice of Chairman Pass Away	2017-11-1	http://www.cninfo.com.cn
Received Government Subsidy	2017-11-4	http://www.cninfo.com.cn
Resolution Notice of 6 th Meeting of 11 th Session of the Board	2017-12-13	http://www.cninfo.com.cn
Convening the Second Extraordinary Shareholders General meeting of 2017	2017-12-13	http://www.cninfo.com.cn
Lawsuit Progress	2017-12-19	http://www.cninfo.com.cn
Resolution Notice of Second Extraordinary Shareholders General meeting of 2017	2017-12-29	http://www.cninfo.com.cn
Election of the Staff Representative Director	2017-12-30	http://www.cninfo.com.cn
Change of Staff Representative Director	2017-12-30	http://www.cninfo.com.cn

XX. Significant event of subsidiary of the Company

√Applicable □Not applicable

The fourth meeting of the 6th Board of Directors of the Company examined and approved the Proposal on the Purchase of Tuna Seine Boat Project, agreed the company's holding subsidiary – Shandong Zhonglu Haiyan

Oceanic Fishery Co., Ltd. to purchase five tuna seine boats with ICCAT registered fishing license. During the reporting period, RMB 162,425,625.20 was invested, and five boats have been handed over up to the disclosure date of this report, and one boat has gone to sea for fishing, the maintenance and preparation and operations of relevant assets of other boats are being processed actively and shall be put into operation.

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in shares

1. Changes in shares

In Share

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

Reasons for share changed

☐ Applicable ☒ Not applicable

Approval of share changed

☐ Applicable ☒ Not applicable

Ownership transfer of share changed

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

2. Changes of restricted shares

☐ Applicable ☒ Not applicable

II. Securities issue and listing

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

3. Existing internal staff shares

☐ Applicable ☒ Not applicable

III. Shareholders and actual controller

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

In Share

Total common stock shareholders in reporting period-end	11,863	Total common stock shareholders at end of last month before annual report disclosed	11,823	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note8)	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of unlisted outstanding shares held	Amount of listed outstanding shares held	Number of shares pledged/frozen	
							State of share	Amount
Shandong State-owned	State-owned legal person	33.07%	88,000,000		88,000,000			

Assets Investment Holding Co., Ltd								
Shandong Luxin Investment Holding Group Co., Ltd	State-owned legal person	14.18%	37,731,320		37,731,320			
Shenwan HongYuan (H.K.) Limited	Foreign legal person	3.52%	9,367,590			9,367,590		
Chen Tianming	Foreign nature person	2.16%	5,760,427			5,760,427		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	1.87%	4,978,704			4,978,704		
Haitong International Securities Company Limited-Account Client	Foreign legal person	0.82%	2,176,900			2,176,900		
China National Heavy Duty Truck Group Jinan Truck LLC	State-owned legal person	0.73%	1,950,000		1,950,000			
Cai Yujiu	Domestic nature person	0.52%	1,370,917			1,370,917		
Wang Dongsheng	Foreign nature person	0.46%	1,215,203			1,215,203		
Qin Jun	Domestic nature person	0.41%	1,083,220			1,083,220		
Strategy investors or general legal person becomes top 10 shareholders due to rights issued (if applicable) (see note3)	Not applicable							
Explanation on associated relationship among the aforesaid shareholders	Shandong State-owned Assets Investment Holding Co., Ltd and Shandong Luxin Investment Holding Group Co., Ltd are provincial state-owned enterprises under the same stock controlling of Shandong Provincial Commission; China National Heavy Duty Truck Group Jinan Truck LLC is the sponsor shareholder of the Company, Shandong State-owned Assets Investment Holding Co., Ltd has 20% shares of China National Heavy Duty Truck Group Jinan Truck LLC. Rests of the shareholders are the domestically listed foreign shareholders, and t he							

	Company is unknown whether there exists associated relationship or belongs to consistent actor regulated by “ <i>management method for acquisition of listed company</i> ” among the above said shareholders		
Shareholding of top 10 circulated shareholders			
Shareholders	Amount of listed shares held at end of the Period	Type of shares	
		Type	Amount
Shenwan HongYuan (H.K.) Limited	9,367,590	Domestically listed foreign shares	9,367,590
Chen Tianming	5,760,427	Domestically listed foreign shares	5,760,427
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	4,978,704	Domestically listed foreign shares	4,978,704
Haitong International Securities Company Limited-Account Client	2,176,900	Domestically listed foreign shares	2,176,900
Cai Yujiu	1,370,917	Domestically listed foreign shares	1,370,917
Wang Dongsheng	1,215,203	Domestically listed foreign shares	1,215,203
Qin Jun	1,083,220	Domestically listed foreign shares	1,083,220
Yi Ying	1,078,200	Domestically listed foreign shares	1,078,200
Huang Jiayi	1,048,687	Domestically listed foreign shares	1,048,687
Lin Mingyu	964,001	Domestically listed foreign shares	964,001
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and	The Company is unknown whether there exists associated relationship or belongs to consistent actor regulated by “ <i>management method for acquisition of listed company</i> ” among the above said shareholders.		

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

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

☐ Yes ☒ No

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

2. Controlling shareholders

Nature of controlling shareholders: local state-owned holding

Type of controlling shareholders: legal person

Controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
Shandong State-owned Assets Investment Holding Co., Ltd	Li Guangqing	1994-03-25	91370000163073167C	Operating management and disposal on state-owned assets (shares), assets management, equity investment management and operation, enterprise re-construction, acquisition and combination, investment consultant

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	Zhang Bin	2004-06-18	N/A	Performing responsibilities of investors, monitoring the preserve and increase value for state-owned assets that

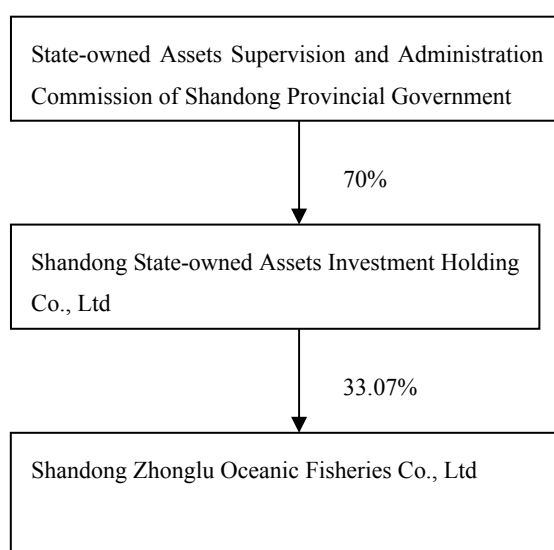
Government				supervised etc.
Equity of other foreign/domestic listed company that controlled by actual controller in reporting period	Not applicable			

Changes of actual controllers reporting period

☐ Applicable ☒ Not applicable

No changes of actual controllers for the Company in reporting period

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



Actual controller controlling the Company by entrust or other assets management

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

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

				operation, capital operation; guarantee; hotel management; leasing house and property management
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5. Limitation and reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects

☐ Applicable ☒ Not applicable

Section VII. Preferred Stock

☐ Applicable ☒ Not applicable

The Company had no preferred stock in the reporting.

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

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

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Increasing shares held in this period (Share)	Decreasing shares held in this period (Share)	Other changes (Share)	Shares held at period-end (Share)
Lu Xiaonan	Director	Currently in office	M	44	2016-05-19	2019-05-18	0	0	0	0	0
Sui Jianshi	Director/ Deputy GM	Currently in office	M	58	2017-03-02	2019-05-18	0	0	0	0	0
Jiang Lu	Independent director	Currently in office	M	58	2016-05-19	2019-05-18	0	0	0	0	0
Song Xiliang	Independent director	Currently in office	M	52	2016-05-19	2019-05-18	0	0	0	0	0
Li Ming	Director/ Deputy GM/Secretary of the Board	Currently in office	M	52	2015-04-28	2019-05-18	0	0	0	0	0
Zhang Liqing	Chairman of Supervisory Committee	Currently in office	F	52	2016-05-19	2019-05-18	0	0	0	0	0
Hou Zhenkai	Supervisor	Currently in office	M	35	2016-05-19	2019-05-18	0	0	0	0	0
Qiu Hong	Supervisor	Currently in office	F	50	2017-12-29	2019-05-18	0	0	0	0	0
Wang Huan	Deputy GM	Currently in office	M	49	2016-03-03	2019-05-18	0	0	0	0	0

Zhao Minkun	CFO	Currently in office	M	34	2017-08-29	2019-05-18	0	0	0	0	0
Chi Weizhen	Chairman /GM	Demission	M	51	2016-05-19	2017-10-31	0	0	0	0	0
Zhao Zhiguo	Director	Demission	M	54	2016-05-19	2017-06-15	0	0	0	0	0
Shang Qinghua	Supervisor	Demission	F	47	2003-10-23	2017-12-29	0	0	0	0	0
Yue Juan	CFO	Demission	F	42	2016-03-03	2017-08-29	0	0	0	0	0
Total	--	--	--	--	--	--	0	0	0	0	0

II. Changes of directors, supervisors and senior executives

√ Applicable □ Not applicable

Name	Title	Type	Date	Reasons
Chi Weizhen	Chairman	Demission	2017-10-31	Mort death
Chi Weizhen	GM	Dismissal	2017-10-31	Mort death
Zhao Zhiguo	Director	Demission	2017-06-15	Work changes
Shang Qinghua	Supervisor	Demission	2017-12-29	Work changes
Yue Juan	CFO	Dismissal	2017-08-29	Work changes

III. Post-holding

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

1. Directors

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

Sui Jianshi, graduate student, and a member of the CPC; he was appointed as deputy GM of Qingdao Wenhua Real Estate Development Co., Ltd.; deputy GM of Shandong Luxin Property Co., Ltd.; deputy GM of Shandong Luxin Tiandi Property Co., Ltd. and deputy GM of Yantai Zhenghai Wire Drawing Mold Co., Ltd.; he serves as deputy GM of the Company since 2 March 2017 and serves as director of the Company since 15 Jun 2017.

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

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

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

2. Supervisor

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

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

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

3. Senior executive

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

Zhao Minkun, university degree, intermediate accountant and a CPA. He worked as a senior staff in financial

department under the name of Shandong Luxin Investment Group; a senior staff, business chief and senior business manager in financial management department under the name of Shandong Luxin Investment Holding. He serves as CFO of the Company since 29 August 2017.

Post-holding in shareholder's unit

√Applicable □Not applicable

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

Post-holding in other unit

√Applicable □Not applicable

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

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

□ Applicable √ Not applicable

IV. Remuneration for directors, supervisors and senior executives

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

In accordance with relevant requirement and regulation of "Code of Corporate Governance for Listed Companies" from CSRC, the remuneration plan for directors, supervisors and senior executives of the Company was proposed by remuneration and appraisal committee of the Board, and being deliberated by 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	Age	Post-holding status	Total remuneration obtained from the Company	Whether remuneration obtained from related party of the Company
Lu Xiaonan	Director	M	44	Currently in office	0	Y
Sui Jianshi	Director/Deputy GM	M	58	Currently in office	34.93	N
Jiang Lu	Independent director	M	58	Currently in office	4	N
Song Xiliang	Independent director	M	52	Currently in office	4	N
Li Ming	Director/Deputy GM/ secretary of the Board	M	52	Currently in office	41.92	N
Zhang Liqing	Chairman of supervisory committee	F	52	Currently in office	0	Y
Hou Zhenkai	Supervisor	M	35	Currently in office	0	Y
Qiu Hong	Supervisor	F	50	Currently in office	18.41	N
Wang Huan	Deputy GM	M	49	Currently in office	42.62	N
Zhao Minkun	CFO	M	34	Currently in office	13.97	N
Chi Weizhen	Chairman, GM	M	51	Demission	46.91	N
Zhao Zhiguo	Director	M	54	Demission	0	N
Shang Qinghua	Supervisor	F	47	Demission	16.21	N
Yue Juan	CFO	F	42	Demission	27.95	N
Total	--	--	--	--	250.92	--

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)	161
Serving staff in main subsidiaries (person)	896
Total serving staff (person)	1,057
Total staff in payroll in current period (person)	1,060
Retired staff with charges paid by the parent company and main subsidiaries (person)	81
Professional constitution	
Type	Number
Production personnel	874
Sales man	17
Technicians	14
Fianncial personnel	28
Administrative personnel	124
Total	1,057
Education background	
Type	Number
Master's degree	6
Bachelor degree	63
Junior college	132
Technical secondary school	153
High school or below	703
Total	1,057

2. Remuneration policy

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

3. Training plan

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

4. Labor outsourcing

☐ Applicable ☒ Not applicable

Section IX. Corporate Governance

I. Basic state of corporate governance

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

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

☐ Yes ☒ No

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

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

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

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

III. Horizontal Competition

☐ Applicable ☒ Not applicable

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

1. Annual Shareholders' General Meeting in the report period

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
Annual General Meeting of 2016	Annual General Meeting	51.07%	15 June 2017	16 June 2017	"Annual General Meeting of 2016" (No.: 2017-16) published on <i>China Securities Journal</i> , <i>Hong Kong Commercial Daily</i> and Juchao Website
First Extraordinary Shareholders Meeting of 2017	Extraordinary shareholders meeting	51.27%	31 August 2017	1 Sept. 2017	"Resolution Notice of First Extraordinary Shareholders Meeting of 2017" (No.: 2017-26) published on <i>China Securities Journal</i> , <i>Hong Kong Commercial Daily</i> and Juchao Website
Second Extraordinary Shareholders Meeting of 2017	Extraordinary shareholders meeting	48.09%	28 Dec. 2017	29 Dec. 2017	"Resolution Notice of Second Extraordinary Shareholders Meeting of 2017" (No.: 2017-38) published on <i>China Securities Journal</i> , <i>Hong Kong Commercial Daily</i> and Juchao Website

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

☐ Applicable ☒ Not applicable

V. Responsibility performance of independent directors in report period

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

The attending of independent directors

Name of independent director	Times of Board meeting supposed to attend in the report period	Times of present in person	Times of attending by communication	Times of entrusted presence	Times of Absence	Whether absent the Meeting for the second time in a row or not
Jiang Lu	7	1	6	0	0	N
Song Xiliang	7	1	6	0	0	N
Times presented in shareholders' general meeting by independent directors	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 2016", "1Q Report of 2017", "Semi-Annual Report of 2017", "3Q Report of 2017" and relevant events respectively.

2. Final report of the auditing works for year of 2017 from PKF Daxin Certified Public Accountants

Auditing committee took an all-around review on auditing works for year of 2017 and after standard unqualified

auditors report and relevant documents issued by Daxin CPA while all auditing procedures completed, auditing committee held the first meeting of 2018 and they believes that the Daxin is able to exercise relevant auditing procedures and quality controlling system of the CPA in line with new auditing rules, the CPA owns good business qualities and fulfill their duties to complete vary auditing works. Therefore, auditing committee submit to the Board for Daxin CPA re-engagement as the auditing body for year of 2018 and auditing organization for internal control as well.

(II) Nomination Committee

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

(III) Strategy Committee

During the reporting period, the strategy committee of the Board has convened one meeting which seriously reviewed the proposal of Company's 13th Five-Year Plan in accordance with requirement of "Strategy Committee Implementing Rules"

VII. Works from Supervisory Committee

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

☐ Yes ☒ No

Supervisory committee has no objection about supervision events in reporting period

VIII. Appraisal and incentive mechanism for senior executives

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

IX. Internal Control

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

☐Yes ☒No

2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	2018-03-08	
Disclosure index of full internal control evaluation report	www.cninfo.com.cn	
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements	99.05%	
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements	98.85%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	Major deficiencies: a. fraud of directors, supervisors and senior management; b. Material misstatements found in current financial statements by the external audit which are not found in the process of internal control; c. the supervision of audit committee and internal audit service to internal control is invalid. Significant deficiencies: The misstatements caused by single deficiency or together with other deficiencies that cannot be timely prevented or found and corrected in the financial report and has not reached or has exceed the major deficiencies but still should be taken into account by the management; other circumstances determined by the degree of influence. Common deficiencies: other internal control deficiencies do not constitute	Major deficiencies: a) violation of state laws and regulations, such as environmental pollution; b) project decision-making process is not scientific, wrong decision-making caused by lack of democratic decision-making process; c) brain drain of managers or technicians; d) frequent negative news on media; e) the results of internal control evaluation especially major deficiencies and significant deficiencies have not been rectified and reformed; f) significant business is lack of system control or systematic-ness is invalid. Significant deficiencies: The deficiencies caused by single deficiency or together with other deficiencies of which the severity, direct or potential negative

	major or significant deficiencies.	impact have not reached or has exceed the major deficiencies but still should be taken into account by the management; other circumstances determined by the degree of influence. Common deficiencies: other internal control deficiencies do not constitute major or significant deficiencies.
Quantitative criteria	Compare the misstatements and missing reports (i.e. amount affected by internal control deficiencies) of some subjects in the financial reports that may cause or have caused by internal control deficiencies with certain ratio of total profits in the company's current consolidated financial statements, and determine the type of deficiencies in internal control as follows: it should be judged to be major deficiency if the amount affected by internal control deficiencies is more than 5% of total profits; it should be judged to be significant deficiency if the amount affected by internal control deficiencies is more than 3% but less than 5% (including 5%) of total profits; it should be judged to be common deficiency if the amount affected by internal control deficiencies is less than 3% (including 3%) of total profits;	Compare the amount of direct property loss with certain ratio of total profits in the company's current consolidated financial statements, and determine the type of deficiencies in internal control as follows: it should be judged to be major deficiency if the amount of direct property loss is more than 5% of total profits; it should be judged to be significant deficiency if the amount of direct property loss is more than 3% but less than 5% (including 5%) of total profits; it should be judged to be common deficiency if the amount of direct property loss is less than 3% (including 3%) of total profits;
Amount of significant defects in financial reports		0
Amount of significant defects in non-financial reports		0
Amount of important defects in financial reports		0
Amount of important defects in non-financial reports		0

X. Auditing report of internal control

√Applicable □Not applicable

Deliberation section of auditing report of IC

In our opinion, the Company, in line with Basic Norms of Enterprises Internal Control and relevant regulations, shows an effectiveness internal control of financial report in all major aspects.	
Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	2018-03-08
Index of audit report of internal control (full-text)	www.cninfo.com.cn
Opinion type of auditing report of IC	Standard unqualified
Whether the non-financial report had major defects	No

Issued a modified audit opinions for internal control

☐ Yes ☒ No

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

☒ Yes ☐ No

Section X Corporation bonds

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

No

Auditor's Report

DAXIN SHEN ZI [2018] No. 3-00026

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, 2017, 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, 2017, and of its financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

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

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

III. Key Audit Matters

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

A. The existence, valuation and allocation and impairment test of vessels

1. The Matter

As disclosed in note 3.15 and note 5.9 fixed assets, the Company held RMB 525.98 million of fixed assets at December 31 2017, of which vessels and nets accounted for 77.02% of the total net value. The carrying value of the company's fixed assets

accounted for 49.36% of the total consolidated assets as at December 31 2017 and 91.40% of the total consolidated non-current assets at December 31 2017. The Company purchased 5 seine vessels which increased the cost of fixed assets by RMB 140.78million. The management should determine the significant accounting estimates and judgements such as period of depreciation, residual rate and the future cash flow generated from the cash-generating units including the vessels according to specific conditions of each vessel because the newly purchased seine vessels are old ones from other countries. As a result, we identified the existence, valuation and allocation and impairment test of vessels as a key audit matter.

2.Audit response

(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) We verified the completeness of related examination and approval procedures,purchase contracts,funds payment documents of newly purchased vessels. We reviewed the correctness of related accounting treatments.

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

B. The recognition of seine tuna fishing revenue

1. The Matter

As described in the Accounting Policies in note 3.22 Revenue and disclosed in note 5.30 Operating income and operating cost to the Financial Statements, the Company's seine fishery revenue is recognized by the transfer of goods' ownership on the basis of sales agreement and final settlement. The Company recognizes the revenue on the basis of sales agreement and final settlement. The Company's seine fishery revenue increases sharply from RMB5.18 million in year 2016 to RMB101.35 million in year 2017 due to the growth of operation time and numbers of seine tuna fishing vessels in year 2017 and the circulation of related fishery goods is finished overseas completely. As a result, there may be potential misstatements whether the revenue is recorded in the appropriate financial statement period and whether the amount of revenue recognized is accurate. Consequently we identified the recognition of seine tuna fishing revenue as a key audit matter.

2. Audit response

(1) We interviewed the management about the operation procedure of seine tuna fishing and evaluated the design and operation effectiveness of key internal controls of seine tuna fishing and related revenue recognition.

(2) We evaluated whether the Company's seine tuna fishing revenue recognition policy is in compliance with Accounting Standards for Business Enterprises concerning the actual situations of sale contracts and circulation of fishery goods.

(3) We analyzed and judged the possibility and rationality of the fishing quantity and sales quantity by checking the key operation index such as operating vessel numbers, operating days in the whole year, major operating maritime space, fuel consumption, and also referring to historic seine tuna fishing quantity and sales quantity.

(4) We performed sampling test on related supportive documents of revenue recognition during the reporting period, including sales contracts, bills of lading, final settlements and so on. We also checked the collection of related revenue and performed confirmation procedure.

(5) We evaluated whether revenue is recorded in the appropriate accounting period by checking bills of lading and marine transportation cycle based on the assessment of the marine transportation time of different customers. We checked if there's revenue recognized in improper reporting period by reviewing supportive documents like final settlements of revenue around balance sheet date.

IV. Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

of the group audit. We remain solely responsible for our audit opinion.

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

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

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

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.

Certified Public Accountant of China

(Engagement partner)

Certified Public Accountant of China

Beijing . China

Date: March 6 , 2018

Consolidated Balance Sheet

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

December 31, 2017

Unit: RMB Yuan

Item	Note	As at 31/12/2017	As at 1/1/2017
Current assets:			
Cash at bank and on hand	5.1	147,489,843.54	129,521,203.29
Financial assets measured at fair value through profit or loss for the current period			
Derivative financial assets			
Notes receivable			
Accounts receivable	5.2	38,792,912.89	42,679,066.65
Prepayments	5.3	18,573,111.58	7,787,603.40
Interest receivable			
Dividends receivable			
Other receivables	5.4	11,305,713.11	9,384,672.16
Inventories	5.5	243,744,590.07	154,636,414.05
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	5.6	30,081,962.56	23,748,949.31
Total current assets		489,988,133.75	367,757,908.86
Non-current assets:			
Available-for-sale financial assets	5.7		
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments			
Investment property	5.8	31,694,375.13	32,338,392.18
Property, plant and equipment	5.9	525,975,263.88	415,683,489.86
Construction in process	5.1		4,066,989.68
Construction materials			
Disposal of property, plant and equipment			
Productive biological assets			
Oil and gas assets			
Intangible assets	5.11	13,495,947.76	13,107,393.57
Development expenditures			
Goodwill			

Long-term deferred expenses	5.12	516,181.25	
Deferred tax assets	5.13	286,696.05	
Other non-current assets	5.14	3,527,165.98	2,285,524.92
Total of non-current assets		575,495,630.05	467,481,790.21
Total of assets		1,065,483,763.80	835,239,699.07

Legal representativeLegal: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Balance Sheet (Continued)

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

December 31,2017

Unit:RMB Yuan

Item	Note	As at 31/12/2017	As at 1/1/2017
Current liabilities:			
Short-term loans	5.15	176,394,931.62	54,961,454.59
Financial liabilities measured at fair value through profit or loss for the current period			
Derivative financial liabilities			
Notes payable			
Accounts payable	5.16	65,204,257.98	59,173,732.88
Advances from customers	5.17	19,875,122.76	19,940,900.11
Employee benefits payable	5.18	42,854,174.79	30,612,403.76
Taxes and surcharges payable	5.19	3,378,698.19	1,344,879.85
Interest payable	5.20	360,208.32	86,747.10
Dividends payable			
Other payables	5.21	6,175,352.76	5,221,040.82
Held-for-sale liabilities			
Non-current liabilities due within one year	5.22	866,585.48	866,585.48
Other current liabilities			
Total of current liabilities		315,109,331.90	172,207,744.59
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: Preference shares			
Perpetual loans			
Other long-term payables			
Long-term employee benefits payable	5.23	1,577,667.63	1,699,751.84
Specific payables			
Provisions			
Deferred income	5.24	9,705,869.14	10,572,454.62

Deferred tax liabilities			
Other non-current liabilities			
Total of non-current liabilities		11,283,536.77	12,272,206.46
Total of liabilities		326,392,868.67	184,479,951.05
Equity:			
Paid-in capital (or Share capital)	5.25	266,071,320.00	266,071,320.00
Other equity instruments			
Including: Preference shares			
Perpetual loans			
Capital reserve	5.26	279,998,206.82	279,998,206.82
Less:treasury shares			
Other comprehensive income	5.27	-6,075,014.12	-665,059.07
Special reserve			
Surplus reserve	5.28	21,908,064.19	21,908,064.19
Retained earnings	5.29	141,867,217.06	50,349,731.78
Equity attributable to parent company		703,769,793.95	617,662,263.72
Minority interests		35,321,101.18	33,097,484.30
Total equity		739,090,895.13	650,759,748.02
Total liabilities and equity		1,065,483,763.80	835,239,699.07

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

Balance Sheet

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

December 31,2017

Unit:RMB Yuan

Item	Note	As at 31/12/2017	As at 1/1/2017
Current assets:			
Cash at bank and on hand		48,034,853.41	43,007,956.89
Financial assets measured at fair value through profit or loss for the current period			
Derivative financial assets			
Notes receivable			
Accounts receivable	13.1	8,484,060.27	13,062,916.00
Prepayments		2,760,665.71	734,980.49
Interest receivable			
Dividends receivable			
Other receivables	13.2	64,689,774.99	39,910,882.35
Inventories		49,373,616.72	35,431,052.28
Held-for-sale assets			
Non-current assets due within one year		1,016,912.35	848,434.74
Other current assets			
Total current assets		174,359,883.45	132,996,222.75

Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables		5,397,947.02	6,078,056.38
Long-term equity investments	13.3	204,189,455.23	204,189,455.23
Investment property		31,694,375.13	32,338,392.18
Property, plant and equipment		76,550,539.61	89,752,865.40
Construction in process			
Construction materials			
Disposal of property, plant and equipment			
Productive biological assets			
Oil and gas assets			
Intangible assets		525,800.21	22,566.74
Development expenditures			
Goodwill			
Long-term deferred expenses		516,181.25	
Deferred tax assets			
Other non-current assets		196,581.20	285,524.92
Total of non-current assets		319,070,879.65	332,666,860.85
Total of assets		493,430,763.10	465,663,083.60

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

Balance Sheet (Continued)

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

December 31, 2017

Unit: RMB Yuan

Item	Note	As at 31/12/2017	As at 1/1/2017
Current liabilities:			
Short-term loans			
Financial liabilities measured at fair value through profit or loss for the current period			
Derivative financial liabilities			
Notes payable			
Accounts payable		14,290,700.38	10,161,960.89
Advances from customers		3,883,689.36	2,530,163.00
Employee benefits payable		22,130,930.92	15,154,703.75
Taxes and surcharges payable		278,991.52	242,626.86
Interest payable			
Dividends payable			
Other payables		67,530,200.11	81,881,163.31
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total of current liabilities		108,114,512.29	109,970,617.81
Non-current liabilities:			

Long-term loans			
Bonds payable			
Including: Preference shares			
Perpetual loans			
Other long-term payables			
Long-term employee benefits payable		1,127,604.68	1,188,790.98
Specific payables			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total of non-current liabilities		1,127,604.68	1,188,790.98
Total of liabilities		109,242,116.97	111,159,408.79
Equity:			
Paid-in capital (or Share capital)		266,071,320.00	266,071,320.00
Other equity instruments			
Including: Preference shares			
Perpetual loans			
Capital reserve		279,115,900.17	279,115,900.17
Less:treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		19,184,672.34	19,184,672.34
Retained earnings		-180,183,246.38	-209,868,217.70
Total equity		384,188,646.13	354,503,674.81
Total liabilities and equity		493,430,763.10	465,663,083.60

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

Consolidated Statement of Income

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

For the year ended 31 December 2017

Unit:RMB Yuan

Item	Note	Year ended 31/12/2017	Year ended 31/12/2016
1.Operating income	5.30	924,116,785.80	845,877,519.52
Less: Operating cost	5.30	760,114,055.67	769,925,445.84
Taxes and surcharges	5.31	2,893,283.05	2,525,544.74
Selling and distribution expenses	5.32	14,174,043.49	6,016,283.26
General and administrative expenses	5.33	56,525,982.12	57,369,652.49
Finance expenses	5.34	16,828,357.12	-6,330,453.36
Impairment on assets	5.35	5,781,049.23	3,236,092.07
Add: Gain from fair value changes("-" for loss)			

Investment income("-" for loss)			
Including: Investment income from associates and joint ventures			
Gains from disposal of assets("-" for loss)	5.36	422,100.74	2,552,387.02
Other income	5.37	26,760,985.48	
2. Operating profits("-" for loss)		94,983,101.34	15,687,341.50
Add: Non-operating income	5.38	3,228,686.87	43,838,443.79
Less: Non-operating expenses	5.39	311,946.57	677,615.31
3. Profit before tax("-" for loss)		97,899,841.64	58,848,169.98
Less: Income tax expenses	5.40	2,744,853.05	1,207,900.13
4. Net profit("-" for net loss)		95,154,988.59	57,640,269.85
Net profit attributable to parent company		91,517,485.28	52,585,070.74
Profit/loss attributable to minority share-holders		3,637,503.31	5,055,199.11
Profit or loss from continuing operations		95,154,988.59	57,640,269.85
Profit or loss from discontinued operations			
5. Other comprehensive income, net of tax		-6,823,841.48	-631,029.81
Total other comprehensive income attributable to parent company		-5,409,955.05	-631,029.81
(1) Comprehensive income not to be reclassified as profit or loss			
1) Changes in remeasured defined benefit obligations or net assets			
2) Portion of comprehensive income not to be reclassified as profit or loss under equity method			
(2) Comprehensive income to be reclassified as profit or loss		-5,409,955.05	-631,029.81
1) Portion of comprehensive income to be reclassified as profit or loss under equity method			
2) Gain or loss from fair value changes of available-for-sale financial assets			
3) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4) Gain or loss on effective cash flow hedging			
5) Currency translation difference		-5,409,955.05	-631,029.81
6) Others			
Other comprehensive income attributable to minority share-holders, net of tax		-1,413,886.43	
6. Total comprehensive income		88,331,147.11	57,009,240.04
Total comprehensive income attributable to share-holders of parent company		86,107,530.23	51,954,040.93
Total comprehensive income attributable to minority share-holders		2,223,616.88	5,055,199.11
7. Earnings per share			
(1) Basic earnings per share		0.34	0.20
(2) Diluted earnings per share		0.34	0.20

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

Statement of Income

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

For the year ended 31 December 2017

Unit: RMB Yuan

Item	Note	Year ended 31/12/2017	Year ended 31/12/2016
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1.Operating income	13.4	144,277,906.55	70,580,279.73
Less: Operating cost	13.4	91,872,006.62	64,033,624.56
Taxes and surcharges		679,940.56	576,726.24
Selling and distribution expenses		8,609,358.81	437,044.09
General and administrative expenses		28,179,715.55	39,535,683.20
Finance expenses		1,449,077.72	-953,222.95
Impairment on assets		508,778.67	899,373.68
Add: Gain from fair value changes("-" for loss)			
Investment income("-" for loss)			
Including: Investment income from associates and joint ventures			
Gains from disposal of assets("-" for loss)		413,354.51	
Other income		13,552,100.00	
2.Operating profits("-" for loss)		26,944,483.13	-33,948,949.09
Add: Non-operating income		3,010,737.38	23,576,885.98
Less: Non-operating expenses		270,249.19	7,516.91
3.Profit before tax("-" for loss)		29,684,971.32	-10,379,580.02
Less: Income tax expenses			
4.Net profit("-" for net loss)		29,684,971.32	-10,379,580.02
Profit or loss from continuing operations		29,684,971.32	-10,379,580.02
Profit or loss from discontinued operations			
5.Other comprehensive income net of tax			
(1) Comprehensive income not to be reclassified as profit or loss			
1)Changes in remeasured defined benefit obligations or net assets			
2)Portion of comprehensive income not to be reclassified as profit or loss under equity method			
(2) Comprehensive income to be reclassified as profit or loss			
1) Portion of comprehensive income to be reclassified as profit or loss under equity method			
2) Gain or loss from fair value changes of available-for-sale financial assets			
3) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4) Gain or loss on effective cash flow hedging			
5) Currency translation difference			
6) Others			
6. Total comprehensive income		29,684,971.32	-10,379,580.02
7. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

Consolidated Statement of Cash Flows

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

For the year ended 31 December 2017 Unit:RMB Yuan

Item	Note	Year ended	Year ended
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		31/12/2017	31/12/2016
1.Cash flows from operating activities			
Cash received from sales and services		937,924,177.76	849,958,354.36
Taxes and surcharges refunds		60,397,864.61	48,100,549.00
Cash received related to other operating activities	5.41	33,096,388.68	47,554,484.08
Total cash inflows from operating activities		1,031,418,431.05	945,613,387.44
Cash paid for goods and services		803,413,479.45	710,308,874.30
Cash paid to and for employees		122,484,248.87	110,895,303.01
Taxes and surcharges cash payments		5,930,500.68	8,766,120.05
Cash paid related to other operating activities	5.41	36,384,307.56	28,207,366.89
Total cash outflows from operating activities		968,212,536.56	858,177,664.25
Net cash flows from operating activities		63,205,894.49	87,435,723.19
2.Cash flows from investing activities:			
Cash received from withdraw of investments			
Cash received from investment income			
Net cash received from disposal of \property, plant and equipement,intangible assets and other long-term assets		703,494.70	5,282,538.12
Net cash received from disposal of subsidiaries and other business units			
Cash received related to other investing activities	5.41		648,268.69
Total cash inflows from investing activities		703,494.70	5,930,806.81
Cash paid for property, plant and equipement,intangible assets and other long-term assets		149,566,249.27	32,045,019.74
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		149,566,249.27	32,045,019.74
Net cash flows from investing activities		-148,862,754.57	-26,114,212.93
3.Cash flows from financing activities:			
Cash received from investments by others			
Including: Cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		216,117,252.93	69,109,844.43
Cash received related to other financing activities			
Total cash inflows from financing activities		216,117,252.93	69,109,844.43
Cash repayments for debts		94,579,750.06	62,359,333.28
Cash payments for distribution of dividends, profit and interest expenses		7,911,683.02	3,883,910.98
Including: Dividends or profit paid by subsidiaries to minority shareholders			
Cash paid related to other financing activities	5.41		14,630,000.00
Total cash outflows from financing activities		102,491,433.08	80,873,244.26
Net cash flows from financing activities		113,625,819.85	-11,763,399.83
4.Effect of foreign exchange rate changes on cash and cash equivalents		-9,639,269.73	7,715,181.35
5.Net increase in cash and cash equivalents		18,329,690.04	57,273,291.78
Add:beginning balance of cash and cash equivalents		128,737,661.78	71,464,370.00
6.Ending balance of cash and cash equivalents		147,067,351.82	128,737,661.78

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

Statement of Cash Flows

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

For the year ended 31 December 2017

Unit:RMB Yuan

Item	Note	Year ended 31/12/2017	Year ended 31/12/2016
1.Cash flows from operating activities			
Cash received from sales and services		141,631,041.41	55,717,739.89
Taxes and surcharges refunds			
Cash received related to other operating activities		17,853,926.89	39,215,516.79
Total cash inflows from operating activities		159,484,968.30	94,933,256.68
Cash paid for goods and services		70,513,904.42	46,522,451.03
Cash paid to and for employees		32,792,031.58	25,152,151.66
Taxes and surcharges cash payments		754,683.14	3,323,847.61
Cash paid related to other operating activities		17,176,220.60	14,803,988.31
Total cash outflows from operating activities		121,236,839.74	89,802,438.61
Net cash flows from operating activities		38,248,128.56	5,130,818.07
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		548,468.64	
Net cash received from disposal of subsidiaries and other business units			
Cash received related to other investing activities			648,268.69
Total cash inflows from investing activities		548,468.64	648,268.69
Cash paid for property, plant and equipment,intangible assets and other long-term assets		1,465,010.50	16,105,162.79
Cash payments for investments			
Net cash paid for acquiring subsidiaries and other business units			
Cash paid related to other investing activities		14,482,617.25	
Total cash outflows from investing activities		15,947,627.75	16,105,162.79
Net cash flows from investing activities		-15,399,159.11	-15,456,894.10
3.Cash flows from financing activities:			
Cash received from investments by others			
Cash received from borrowings			
Cash received related to other financing activities		7,000,000.00	14,000,000.00
Total cash inflows from financing activities		7,000,000.00	14,000,000.00
Cash repayments for debts			1,900,000.00
Cash payments for distribution of dividends, profit and interest expenses			250,237.72
Cash paid related to other financing activities		24,500,000.00	
Total cash outflows from financing activities		24,500,000.00	2,150,237.72
Net cash flows from financing activities		-17,500,000.00	11,849,762.28
4. Effect of foreign exchange rate changes on cash and cash equivalents		-322,072.93	871,415.47
5. Net increase in cash and cash equivalents		5,026,896.52	2,395,101.72
Add:beginning balance of cash and cash equivalents		43,007,956.89	40,612,855.17
6. Ending balance of cash and cash equivalents		48,034,853.41	43,007,956.89

Legal representative: Person in charge of accounting function:

Person in charge of accounting department:

Consolidated Statement of Changes in Equity

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

For the year ended 31 December 2017

Unit: RMB Yuan

Item	Year 2017												
	Equity attributable to shareholders of parent company											Minority interests	Total equity
	Share capital	Other equity instruments			Capital reserve	Less:treas ury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total		
Preferenc e shares		Perpetu al loans	Others										
1.Ending balance of last year	266,071,320.00				279,998,206.82		-665,059.07		21,908,064.19	50,349,731.78	617,662,263.72	33,097,484.30	650,759,748.02
Add: Impact from changes in accounting policies													
Impact from corrections of errors in prior period													
Business combination under common control													
Others													
2.Beginning balance of current year	266,071,320.00				279,998,206.82		-665,059.07		21,908,064.19	50,349,731.78	617,662,263.72	33,097,484.30	650,759,748.02
3.Movement for current year("-" for decrease)							-5,409,955.05			91,517,485.28	86,107,530.23	2,223,616.88	88,331,147.11
(1) Total comprehensive income							-5,409,955.05			91,517,485.28	86,107,530.23	2,223,616.88	88,331,147.11
(2) Shareholder's contributions and withdrawals of capital													
1) Common stock contributed by shareholders													
2) Capital contributed by other equity instruments holders													
3) Share-based payment recorded in shareholder's equity													
4) Others													
(3) Profits distribution													
1) Appropriation of surplus reserve													
2) Distribution to shareholders													
3) Others													
(4) Internal transfer within shareholder's equity													
1) Conversion of capital reserve into share capital													
2) Conversion of surplus reserve													

into share capital													
3) Recover of loss by surplus reserve													
4) Others													
(5) Special reserve													
1) Accrual of special reserve													
2) Utilization of special reserve													
(6) Others													
4. Ending balance of current year	266,071,320.00				279,998,206.82		-6,075,014.12		21,908,064.19	141,867,217.06	703,769,793.95	35,321,101.18	739,090,895.13

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

Consolidated Statement of Changes in Equity (Continued)

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

For the year ended 31 December 2017

Unit:RMB Yuan

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

3) Share-based payment recorded in shareholder's equity													
4) Others													
(3) Profits distribution													
1) Appropriation of surplus reserve													
2) Distribution to shareholders													
3) Others													
(4) Internal transfer within shareholder's equity													
1) Conversion of capital reserve into share capital													
2) Conversion of surplus reserve into share capital													
3) Recover of loss by surplus reserve													
4) Others													
(5) Special reserve													
1) Accrual of special reserve													
2) Utilization of special reserve													
(6) Others													
4. Ending balance of current year	266,071,320.00				279,998,206.82		-665,059.07		21,908,064.19	50,349,731.78	617,662,263.72	33,097,484.30	650,759,748.02

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

Statement of Changes in Equity

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

For the year ended 31 December 2017

Unit: RMB Yuan

Item	Year 2017										
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
		Preference shares	Perpetual loans	Others							
1. Ending balance of last year	266,071,320.00				279,115,900.17				19,184,672.34	-209,868,217.70	354,503,674.81
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											
2. Beginning balance of current year	266,071,320.00				279,115,900.17				19,184,672.34	-209,868,217.70	354,503,674.81
3. Movement for current year("-" for decrease)										29,684,971.32	29,684,971.32
(1) Total comprehensive income										29,684,971.32	29,684,971.32
(2) Shareholder's contributions and withdrawals of captial											
1) Common stock contributed by shareholders											

2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution											
1) Appropriation of surplus reserve											
2) Distribution to shareholders											
3) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Others											
(5) Special reserve											
1) Accrual of special reserve											
2) Utilization of special reserve											
(6) Others											
4. Ending balance of current year	266,071,320.00				279,115,900.17				19,184,672.34	-180,183,246.38	384,188,646.13

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

Statement of Changes in Equity (Continued)

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

For the year ended 31 December 2017

Unit: RMB Yuan

Item	Year 2016										
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
		Preference shares	Perpetual loans	Others							
1. Ending balance of last year	266,071,320.00				279,115,900.17				19,184,672.34	-199,488,637.68	364,883,254.83
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											

2. Beginning balance of current year	266,071,320.00				279,115,900.17				19,184,672.34	-199,488,637.68	364,883,254.83
3. Movement for current year("-" for decrease)										-10,379,580.02	-10,379,580.02
(1) Total comprehensive income										-10,379,580.02	-10,379,580.02
(2) Shareholder's contributions and withdrawals of capital											
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution											
1) Appropriation of surplus reserve											
2) Distribution to shareholders											
3) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Others											
(5) Special reserve											
1) Accrual of special reserve											
2) Utilization of special reserve											
(6) Others											
4. Ending balance of current year	266,071,320.00				279,115,900.17				19,184,672.34	-209,868,217.70	354,503,674.81

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

SHANDONG ZHONGLU OCEANIC FISHERIES CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(All amounts in Chinese Renminbi Yuan unless otherwise stated)

1. Company profile

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

Shandong Zhonglu Oceanic Fisheries Co., Ltd. (the "Company"), whose registered address is No.29, Miaoling Road, Qingdao, Shandong, was incorporated as a liability limited company in the People's Republic of China on July 30, 1999 according to the document of Lu Ti Gai Zi [1999] No.85 issued by Shandong Development and Reform Commission, and the holding company of the Company is Shandong Fisheries Enterprise Group General Corporation. On June 26, 2000, the Company issued 120 million domestic listed foreign shares (B shares) to foreign investors with face value of 1 Yuan per share according to the document of Zheng Jian Fa Xing Zi [2000] No.82 issued by the China Securities Regulatory Commission. The B shares, Zhonglu B with stock code of 200992, have been listed on the Shenzhen Stock Exchange since July 24, 2000. On August 22, 2000.

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

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

Operating activity: ocean fisheries

Main product: tuna and its products.

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

Advance licensed operating scope: marine and oceanic fishing;

1.3 The approver and approval date of the financial reporting.

The financial statement is predetermined and authorized by the board of company on 6th March, 2018.

1.4 The consolidation scope of financial year 2017 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 2017 and its operating results, cash flows and other relevant information for the year ended 31 December 2017.

3.2 Accounting period

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

3.3 Operating cycle

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

3.4 Functional currency

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

3.5 Business combination

3.5.1 Business combinations involving enterprises under common control

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

3.5.2 Business combinations involving enterprises not under common control

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

3.6 Preparation of consolidated financial statements

3.6.1 The scope of consolidated financial statements

The Company incorporates all its subsidiaries (including individual entities under its control) into

the scope of the consolidated financial statements, including the enterprises controlled by the Company, divisible part in the investees and structured entities.

3.6.2 Uniform accounting policies, balance sheet date and accounting period

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

3.6.3 The elimination in the preparation of consolidated financial statements

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

3.6.4 The accounting treatment for obtaining subsidiaries through a business combination

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

3.7 Joint arrangement classification and accounting treatments

3.7.1 The classification of joint arrangement

Joint arrangements are classified as joint operations or joint ventures. A joint arrangement will be classified as joint operation when the joint arrangement achieves not through an individual entity. Individual entity is an entity with

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

3.7.2 The accounting treatment of joint operations

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

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

3.7.3 The accounting treatment of joint ventures

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

3.8 Cash and cash equivalents

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

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

currency

3.9.1 Translation of foreign currency transactions

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

3.9.2 The translation of financial statements denominated in foreign currency

If the Company's controlled subsidiaries, joint ventures and associates etc. adopt different reporting currency, their financial statements denominated in foreign currency shall be translated to financial statements in RMB when preparing consolidated financial statements. The assets and liabilities are translated to RMB amounts using the spot exchange rate at the balance sheet date. Items of the equity, except for "retained earnings ", are translated at the spot exchange rate at the dates on which such items occurred. The revenue and expenditures in the statement of income are translated using the spot exchange rate at the transaction date. The difference arising from foreign currency financial statements translation is presented in other comprehensive income at the consolidated balance sheet within equity. Items of the statement of cash flows are determined by systemic method and translated using the spot exchange rate when they incurred. Effect arising

from changes of exchange rates on cash and cash equivalents is presented separately in the statement of cash flows. When disposing of foreign operations, exchange differences of foreign currency financial statements attributable to the foreign operations are transferred to profit or loss for the current period entirely or in proportion with the disposal portion of the foreign operations.

3.10 Financial instruments

3.10.1 Recognition and classification of financial instruments

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

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

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

3.10.2 Measurement of financial instruments

The Company measures the financial instruments at fair value upon initial recognition. The subsequent measurement includes: a) FVTPL financial assets, AFS financial assets and FVTPL

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

3.10.3 Recognition method of financial instruments' fair value

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

3.10.4 Recognition and measurement of transfer of financial assets

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

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

3.10.5 Impairment of financial assets

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

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

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

For investments of equity instruments, the Company determines the following specific criteria for their fair value decline "seriously" or "non-temporarily", calculation of cost, fair value determination at period end and continuous decline periods:

Specific quantitative criteria for fair value decline "seriously"	Decrease in closing fair value relative to the cost has reached or exceeded 50%
Specific quantitative criteria for fair value decline "non-temporarily"	Fall for 12 consecutive months
Calculation of cost	Consideration of payment at acquisition (net of cash dividends declared but not yet paid or due but unpaid interest on bonds) and the relevant transaction cost are recognized as the investment cost.
Fair value determination at period end	As for a financial instrument for which there is an active market, the quoted prices in the active market shall be used to recognize the fair values thereof. Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques to determine its fair value.
Definition of continuous decline periods	The rebound in the continuous fall or the period with the trend of fall is less than 20% margin. Rebound duration not more than six months is treated as continuous decrease period.

3.11 Receivables

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

3.11.1 Provision of doubtful debts allowance for individually significant receivables

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

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

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

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

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

3.11.3 Provision of doubtful debts allowance for individually insignificant receivables

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

3.12 Inventories

3.12.1 Categories of inventories

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

3.12.2 Measurement of inventories upon delivery

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

3.12.3 Provision for diminution in value of inventories

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

The basis of determining inventory net realizable value:

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

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

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

3.12.4 Inventory count system

The Company adopts the perpetual inventory system.

3.12.5 Amortization methods of low-value consumables and packaging materials

Equal-split amortization method.

3.13 Long-term equity investment

3.13.1 Determination of initial investment cost

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

3.13.2 Subsequent measurement and recognition of profit or loss

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

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

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

3.14 Investment property

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

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

3.15 Fixed assets

3.15.1 Recognition criteria for fixed assets

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

3.15.2 Classification and depreciation method of fixed assets

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

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

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

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

3.16 Construction in progress

The construction in progress of the Company includes self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when it has reached the working condition for its intended use. The recognition criteria of intended use include any of the followings: a) The tangible work of fixed assets (including installation) have been entirely or

substantively completed; b) Trial production or trial operation has occurred whose outcome indicates the asset can be operated properly or manufacture quality product steadily; c) No expenditure or insignificant expenditure occur subsequently for the constructed asset; d) The constructed asset has achieved or substantively achieved the requirement of design or contract.

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

3.17 Borrowing costs

3.17.1 Recognition criteria for capitalization of borrowing costs

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

3.17.2 Calculation of capitalization cost

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

For designated borrowings, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing less any bank interest earned from unused funds of the designated borrowings or any investment income on the temporary investment of those funds. For funds borrowed for general purpose, the amount of interest to be capitalized on such borrowings is calculated by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of designated borrowings.

Capitalization rate is determined by calculating weighted average interest rate of general borrowings. If there is any premium or discount of the borrowings, the interest cost shall be adjusted in every accounting period by the amortized amount of premium or discount calculating by effective interest method.

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

3.18 Intangible assets

3.18.1 The measurement of intangible assets

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

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

3.18.2 The assessment basis for indefinite useful life

Intangible assets without foreseeable period to bring economic benefits to the Company or with uncertain useful life are classified as intangible assets of indefinite life. The judgment basis for

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

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

3.19 Impairment of long-term assets

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

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

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

group portfolio, then be deducted from the carrying amounts of other assets' based on the proportions of their carrying amounts in the asset group or asset groups portfolio.

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

3.20 Long-term deferred expenses

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

3.21 Employee benefits

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

3.21.1 Short-time employee benefits

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

3.21.2 Post-employment benefits

During the accounting period in which employees provide the service, the Company calculates the

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

3.21.3 Termination benefits

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

3.21.4 Other long-term employee benefits

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

3.22 Revenues

3.22.1 Revenue from sales goods

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

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

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

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

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

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

3.22.2 Revenue from providing services

If the outcome of a transaction involving the rendering of services can be estimated reliably, at the balance sheet date, revenue associated with the transaction is recognized using the percentage of

completion method. When the outcome of a transaction involving the rendering of services cannot be estimated reliably on balance sheet date, different accounting treatments shall be adopted depending on the circumstances:

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

3.22.3 Revenue from abalienating of right to use assets

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

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

3.23 Government grants

3.23.1 Category of government grants

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

3.23.2 Accounting treatment of government grants

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

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

Government grants related to income are treated as follows: a) If the grant is a compensation for

related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized.;

b) if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period. Government grants related to the Company's routine operation will be recorded in other income and government grants not related to the Company's routine operation will be recorded in non-operating income

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

Government grants obtained by the Company for purchase, construction or formation of long-term assets are recognized as the government grants related to assets. The government grants other than the government grants related to assets are classified as government grants related to income.

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

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

3.23.4 The recognition time point for government grants

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

3.23.5 Accounting treatment for concessional loan

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

B. When the Company receives the discount interest fund from the financial sector directly, the

discount interest fund will be deducted from related borrowing cost.

3.24 Deferred tax asset and deferred tax liability

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

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

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

3.25 Leases

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

3.25.2 The accounting treatment for financing lease: the Company will recognize the lower of the fair value of leased asset or the present value of minimum lease payments as the initial book value

of the leased asset. The difference between carrying amount of leased asset and the present value of minimum lease payments is recognized as future finance charge which is amortized over the lease period by effective interest method. Minimum lease payments deducted unrecognized finance charge is presented as long-term payables.

3.26 Main changes of accounting policies and accounting estimates

The Ministry of Finance released < CAS No.42-Held for sale Assets and Discontinued Operations> in year 2017 which will be in effect from May 28, 2017. The accounting standard requires prospective application for the existed held for sale assets and discontinued operations.

The Ministry of Finance revised < CAS No.16-Government grants> which will be in effect from June 12, 2017. The accounting standard requires prospective application for the existed government grants at January 1, 2017 and adjustment for the government grants received from January 1, 2017 to the enforcement date.

The Ministry of Finance released < Notice for amendments of financial statements format of industrial and commercial enterprises>(Caikuai (2017) No.30) in year 2017 and the enterprises who adopt <Accounting Standards for Business Enterprises> should prepare the financial statements for year 2017 and the following financial periods in according to <Accounting Standards for Business Enterprises> and the Notice.

The main influence on the financial statements after the Company adopts the above two standards and the Notice (Caikuai (2017) No.30) is as following:

Reason and content of accounting policy change	Item affected	The amount of item affected	Restatement amount of prior period	Amount presented in non-operating income of prior period	Amount presented in non-operating expenses of prior period
1.Government grants related to the Company's routine operation recorded in other income	Other income	26,760,985.48	—	43,105,385.48	—
2.Presentation adjustment for gains(losses) from disposal of assets	Gains (Losses) from disposal of assets	422,100.74	2,552,387.02	2,657,141.63	104,754.61

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	17%,13%,11%, 6%

Tax category	Tax base	Tax rate
	can be credited against the output tax	
Urban maintenance and construction tax	Turnover taxes already paid	7%
Enterprise income tax	Taxable income	Tax exemption、 25%、 8%

Income tax rate of taxpayers adopting different income tax rate

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

4.2 Significant tax incentives and approval documents

4.2.1 Value added tax preferences

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

4.2.2 Enterprise income tax preferences

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

regulations of People's Republic of China Enterprise Income Tax Law>. Income from activities of pelagic fishery and preliminary production of agricultural products in which the Company is engaged is exempt from income tax. Income from activities other than pelagic fishery and preliminary production of agriculture products that the Company is engaged in is taxed 25%.

5. Notes to the consolidated financial statements

5.1 Cash at bank and on hand

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Cash on hand	1,252,378.69	1,741,848.59
Cash at bank	145,374,964.71	126,995,290.36
Other monetary funds	862,500.14	784,064.34
Total	147,489,843.54	129,521,203.29
Including: the total balance deposited overseas	8,621,445.18	1,840,479.27

Note: The other monetary funds of RMB 862,500.14 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 31/12/2017			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	46,984,593.00	100.00	8,191,680.11	17.43
Individually insignificant but allowance for doubtful debts individually				
Total	46,984,593.00	100.00	8,191,680.11	17.43

Item	As at 1/1/2017			
	Balance		Allowance for doubtful debts	
	Amount	PCT(%)	Amount	Allowance rate (%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	50,739,789.74	100.00	8,060,723.09	15.89
Individually insignificant but allowance for				

Item	As at 1/1/2017			
	Balance		Allowance for doubtful debts	
	Amount	PCT(%)	Amount	Allowance rate (%)
doubtful debts individually				
Total	50,739,789.74	100.00	8,060,723.09	15.89

Allowance for doubtful debts on portfolio

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

Aging	As at 31/12/2017			As at 1/1/2017		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Within 6 months	39,370,753.63	5.00	1,968,537.67	44,125,508.62	5.00	2,206,275.44
6 months-1 years	525,987.40	10.00	52,598.74	598,001.95	10.00	59,800.20
1-2 years	1,182,595.20	30.00	354,778.56	290,005.66	30.00	87,001.70
2-3 years	178,983.26	50.00	89,491.63	37,255.50	50.00	18,627.74
More than 3 years	5,726,273.51	100.00	5,726,273.51	5,689,018.01	100.00	5,689,018.01
Total	46,984,593.00		8,191,680.11	50,739,789.74		8,060,723.09

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

Provision of allowance for doubtful debts within this year is RMB130,957.02 and no recovery or reversal of provision during the year.

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

Company name	Balance as at 31/12/2016	Percentage in total accounts receivable (%)	Allowance for doubtful debts as at 31/12/2016
TAI UNION ENTERPRISE CO., LTD	6,502,655.38	13.84	325,132.77
PACIFIC PANDA.INC	3,600,962.12	7.66	3,600,962.12
LUEN THAI SEAFOODS INTERNATIONAL LTD.	3,135,644.77	6.67	156,782.24
H&T SEAFOOD INC	2,795,773.06	5.95	139,788.65
Qingdao Hengxin Aquatic Products Co., Ltd.	2,780,436.40	5.92	139,021.82
Total	18,815,471.73	40.05	4,361,687.60

5.3 Prepayments

5.3.1 Aging analysis of prepayments

Aging	As at 31/12/2017		As at 1/1/2017	
	Balance	PCT (%)	Balance	PCT (%)
Within 1 year	18,410,772.78	99.13	7,773,914.94	99.82
1-2 years	162,338.80	0.87	13,688.46	0.18
Total	18,573,111.58	100.00	7,787,603.40	100.00

5.3.2 The top five prepayments are as follows:

Company name	Balance as at 31/12/2017	Percentage in total prepayment (%)
SEAN WARD (FISH EXPORTS) LTD	2,466,582.09	13.28
Sjr International Inc.	2,357,016.62	12.69
TONG AIK MARINE ENTERPRISE PTE LTD	2,047,352.59	11.02
KIRIBATI GOVERNMENT	1,340,001.07	7.21
FUESHIN FISHERY LTD	1,339,079.74	7.21
Total	9,550,032.11	51.42

5.4 Other receivables

5.4.1 Other receivables

Category	As at 31/12/2017			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate (%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	16,219,704.01	100.00	4,913,990.90	30.30
Individually insignificant but allowance for doubtful debts individually				
Total	16,219,704.01	100.00	4,913,990.90	30.30

Category	As at 1/1/2017			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate (%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	13,943,479.12	100.00	4,558,806.96	32.69
Individually insignificant but allowance for doubtful debts individually				
Total	13,943,479.12	100.00	4,558,806.96	32.69

Allowance for doubtful debts on portfolio

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

Aging	As at 31/12/2017			As at 1/1/2017		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Within 6 months	4,243,117.54	5.00	212,155.85	2,355,970.40	5.00	117,798.52
6 months-1 years	1,325,979.51	10.00	132,597.97	359,240.66	10.00	35,924.07
1-2 years	645,060.98	30.00	193,518.31	264,584.44	30.00	79,375.34
2-3 years	178,539.17	50.00	89,269.59	89,834.35	50.00	44,917.18
More than 3 years	4,286,449.18	100.00	4,286,449.18	4,280,791.85	100.00	4,280,791.85
Total	10,679,146.38		4,913,990.90	7,350,421.70		4,558,806.96

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

Category	As at 31/12/2017			As at 1/1/2017		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Export tax refund receivable	5,540,557.64			5,593,057.42		-
Shandong Maritime Safety Administration				1,000,000.00		
Total	5,540,557.64			6,593,057.42		-

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

Provision of allowance for doubtful debts within this year is RMB 355,183.94 and there is no recovery or reversal of provision during the year.

5.4.3 Other receivables by nature

Nature of balance	Balance as at 31/12/2017	Balance as at 1/1/2017
Export tax refund receivable	5,540,557.64	5,593,057.42
Guarantee deposit	421,456.37	1,021,836.03
Insurance claim	244,407.54	220,450.00
Current account and others	10,013,282.46	7,108,135.67
Total	16,219,704.01	13,943,479.12

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

Debtor name	Nature of balance	Balance as at 31/12/2017	Aging	Percentage in total other receivables (%)	Allowance for doubtful debts as at 31/12/2017
Export tax refund receivable	Export tax refund	5,540,557.64	Within 6 months	34.16	
BAKSEONGHO	Employee loan	573,885.57	Within 6 months	3.54	28,694.28
LIHENGLAI	Employee loan	467,457.91	Within 6 months	2.88	23,372.90
GAOLONGXI	Employee loan	303,721.83	Within 6 months	1.87	15,186.09
DAFA Japan	intercourse credit	288,896.39	More than 3 years	1.78	288,896.39
Total		7,174,519.34		44.23	356,149.66

5.5 Inventories

5.5.1 Inventories by categories

Category	As at 31/12/2017			As at 1/1/2017		
	Book balance	Provision for diminution in value	Carrying amount	Book balance	Provision for diminution in value	Carrying amount
Raw materials	125,849,777.03	45,543.42	125,804,233.61	71,541,108.42	32,811.83	71,508,296.59
Low-value consumables	688,367.24		688,367.24	813,924.17		813,924.17
Finished goods	98,514,789.13	1,349,243.78	97,165,545.35	84,023,702.28	2,472,715.03	81,550,987.25
Revolving and packaging materials	1,038,881.75		1,038,881.75	763,206.04		763,206.04
Goods in transit	19,047,562.12		19,047,562.12			
Total	245,139,377.27	1,394,787.20	243,744,590.07	157,141,940.91	2,505,526.86	154,636,414.05

5.5.2 Provision for diminution in value of inventories

Category	As at 1/1/2017	Provision for the year	Reductions during the year		As at 31/12/2017
			Reversal	Write-down	
Raw materials	32,811.83	21,180.61		8,449.02	45,543.42
Finished goods	2,472,715.03	1,209,824.18		2,333,295.43	1,349,243.78
Total	2,505,526.86	1,231,004.79		2,341,744.45	1,394,787.20

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

Note2: The reversal of provision for diminution is induced by the raw materials, revolving materials and packaging materials which were used for production and finished goods which were sold.

5.6 Other current assets

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Input tax of value added tax	29,993,482.01	23,616,544.28
Prepaid income tax	88,480.55	88,480.55
Prepaid other taxes		43,924.48
Total	30,081,962.56	23,748,949.31

5.7 Available-for-sale financial assets

5.7.1 Available-for-sale financial assets

Item	As at 31/12/2017			As at 1/1/2017		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instruments	33,000,000.00	33,000,000.00	-	33,000,000.00	33,000,000.00	-
Including: Measured at cost	33,000,000.00	33,000,000.00	-	33,000,000.00	33,000,000.00	-
Total	33,000,000.00	33,000,000.00	-	33,000,000.00	33,000,000.00	-

5.7.2 Available-for-sale financial assets measured at cost

Investee	Book balance				Provision for impairment				Share holding percentage (%)	Cash dividend in year 2017
	As at 1/1/2017	Increase	Decrease	As at 31/12/2017	As at 1/1/2017	Increase	Decrease	As at 31/12/2017		
Equity investment-China Southern Securities	33,000,000.00			33,000,000.00	33,000,000.00			33,000,000.00	0.87	
Total	33,000,000.00			33,000,000.00	33,000,000.00			33,000,000.00		

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

Southern Securities.

5.8 Investment property

Investment property measured by cost

Item	Buildings	Total
I. Cost		
1. Balance as at 1/1/2017	47,120,794.80	47,120,794.80
2. Additions	581,176.39	581,176.39
Fixed assets transfer in	581,176.39	581,176.39
3. Reductions		
4. Balance as at 31/12/2017	47,701,971.19	47,701,971.19
II. Accumulated depreciation or amortization		
1. Balance as at 1/1/2017	13,895,890.56	13,895,890.56
2. Additions	1,225,193.44	1,225,193.44
(1) Depreciation or amortization	1,225,193.44	1,225,193.44
3. Reductions		
4. Balance as at 31/12/2017	15,121,084.00	15,121,084.00
III. Provision for impairment		
1. Balance as at 1/1/2017	886,512.06	886,512.06
2. Additions		
3. Reductions		
4. Balance as at 31/12/2017	886,512.06	886,512.06
IV. Carrying amount		
1. As at 31/12/2017	31,694,375.13	31,694,375.13
2. As at 1/1/2017	32,338,392.18	32,338,392.18

5.9 Fixed assets

Movement of fixed assets

Item	Buildings	Boats & nets	Machinery & equipment	Transportation equipment	Furniture and office equipment	Total
I. Cost						
1. Balance as at 1/1/2017	117,457,596.34	459,879,579.56	40,577,242.13	7,142,397.05	11,139,890.83	636,196,705.91

Item	Buildings	Boats & nets	Machinery & equipment	Transportation equipment	Furniture and office equipment	Total
2. Additions		143,632,728.68	2,080,727.58	119,789.79	745,996.76	146,579,242.81
(1) Purchase		140,775,434.31	2,080,727.58	119,789.79	745,996.76	143,721,948.44
(2) Transfer from construction in process		2,857,294.37				2,857,294.37
3. Reductions	714,141.41	672,822.03		1,355,792.65	469,388.06	3,212,144.15
Disposals or scrap	132,965.02			1,341,210.97	460,143.36	1,934,319.35
Exchange difference adjustment	581,176.39	672,822.03		14,581.68	9,244.70	1,277,824.80
4. Balance as at 31/12/2017	116,743,454.93	602,839,486.21	42,657,969.71	5,906,394.19	11,416,499.53	779,563,804.57
II. Accumulated depreciation						
1. Balance as at 1/1/2017	22,569,125.34	169,453,741.31	15,716,521.23	4,990,349.64	7,625,905.03	220,355,642.55
2. Additions	3,304,926.49	28,140,801.56	2,200,990.92	497,241.85	659,392.90	34,803,353.72
Provision	3,304,926.49	28,140,801.56	2,200,990.92	497,241.85	659,392.90	34,803,353.72
3. Reductions				1,282,944.63	445,084.46	1,728,029.09
Disposals or scrap				1,282,944.63	445,084.46	1,728,029.09
4. Balance as at 31/12/2017	25,874,051.83	197,594,542.87	17,917,512.15	4,204,646.87	7,840,213.47	253,430,967.19
III. Provision for impairment						
1. Balance as at 1/1/2017		157,573.50				157,573.50
2. Additions						
3. Reductions						
4. Balance as at 31/12/2017		157,573.50				157,573.50
IV. Carrying amount						
1. As at 31/12/2017	90,869,403.10	405,087,369.84	24,740,457.56	1,701,747.32	3,576,286.06	525,975,263.88
2. As at 1/1/2017	94,888,471.00	290,268,264.75	24,860,720.90	2,152,047.41	3,513,985.80	415,683,489.86

Note1: The original value of fixed assets that has been fully depreciated but still in use is RMB 76,340,630.41 as at December 31 2017.

Note2: According to the Debt Repayment Advice signed between the Company and Shandong Fishery Group Corporation in April 2006, and Civil Ruling Li Zhi Zi No.1299 published by Lixia District People's Court of Jinan in 2005, the building of Shandong Fishery Group Corporation located at Heping road No.43 Lixia District of Jinan with the value of 54,221,197.05 Yuan was used to repay debt. The transfer procedure of the property right certificate is not yet accomplished; The board of management coordinates actively relevant parties and the property right certificate is still in process.

5.10 Construction in process

5.10.1 Construction in process

Item	Balance as at 31/12/2017			Balance as at 1/1/2017		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Atlantic seine project	4,077,658.55	4,077,658.55		4,066,989.68		4,066,989.68
Total	4,077,658.55	4,077,658.55		4,066,989.68		4,066,989.68

5.10.2 Provision for impairment of construction in progress

Item	Balance as at 1/1/2017	Additions	Reductions	Balance as at 31/12/2017	Reason for provision
Atlantic seine project		4,077,658.55		4,077,658.55	Project suspension(Note)
Total		4,077,658.55		4,077,658.55	

Note: The construction in process is the fishing quota of two tuna fishing vessels bought in 2014 and the Company intended to exchange it for fishing quota of one tuna seine vessel. At present, the project has been suspended due to the adjustment of the project plan, and there is no use plan for a short period of time. Also the possibility of realizing cash flow in the future is small. For prudence, full provision for impairment was made.

5.11 Intangible assets

Item	Land use rights	Computer software	Total
I. Cost			
1.As at 1/1/2017	17,154,729.00	197,000.00	17,351,729.00
2. Additions		834,396.71	834,396.71
Purchase		834,396.71	834,396.71
3. Reductions			

Item	Land use rights	Computer software	Total
4. As at 31/12/2017	17,154,729.00	1,031,396.71	18,186,125.71
II. Accumulated depreciation			
1. As at 1/1/2017	4,069,902.17	174,433.26	4,244,335.43
2. Additions	383,870.16	61,972.36	445,842.52
Provision	383,870.16	61,972.36	445,842.52
3. Reductions			
4. As at 31/12/2017	4,453,772.33	236,405.62	4,690,177.95
III. Provision for impairment			
IV. Carrying amount			
1. As at 31/12/2017	12,700,956.67	794,991.09	13,495,947.76
2. As at 1/1/2017	13,084,826.83	22,566.74	13,107,393.57

5.12 Long-term deferred expenses

Item	Balance as at 1/1/2017	Additions	Amortization	Reductions	Balance as at 31/12/2017
Office renovation costs		640,776.70	124,595.45		516,181.25
Total		640,776.70	124,595.45		516,181.25

5.13 Deferred tax assets

5.13.1 Deferred tax assets

Item	As at 31/12/2017		As at 1/1/2017	
	Deferred tax assets	Deductable temporary differences	Deferred tax assets	Deductable temporary differences
Deferred tax assets:				
Provisions for impairment of assets	286,696.05	1,146,784.18		
Sub-total	286,696.05	1,146,784.18		

5.13.2 The items not recognized deferred tax assets

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Provisions for impairment of assets	11,958,886.83	12,619,530.05
Allowance for doubtful debts	1,394,787.20	2,505,526.86
Provision for impairment of construction in progress	4,077,658.55	
Deductible tax losses	66,496,331.84	78,385,077.11
Total	83,927,664.42	93,510,134.02

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. In the future, there is no tax liability for income tax, so there will be no temporary differences adjustments in income tax.

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

Year	Balance as at 31/12/2017	Balance as at 1/1/2017	Remark
2017		9,076,877.08	
2018		2,332,822.24	
2019		19,540,058.22	
2020	67,342,296.02	42,543,508.71	
2021	16,690,414.60	16,690,414.60	
Total	84,032,710.62	90,183,680.85	

5.14 Other non-current assets

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Prepaid for land	2,000,000.00	2,000,000.00
Prepaid for construction in process	1,527,165.98	285,524.92
Total	3,527,165.98	2,285,524.92

5.15 Short-term loans

Short-term loans by categories:

Borrowing condition	Balance as at 31/12/2017	Balance as at 1/1/2017
Pledge loans	36,000,000.00	28,000,000.00
Guarantee loans	100,000,000.00	
Loans on credit	40,394,931.62	26,961,454.59
Total	176,394,931.62	54,961,454.59

5.16 Accounts payable

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Within 1 year(including 1 year)	57,101,822.73	52,427,574.40
More than 1 year	8,102,435.25	6,746,158.48
Total	65,204,257.98	59,173,732.88

Significant accounts payable with aging over 1 year

Creditor	Balance as at 31/12/2017	Unpaid reason
Hai Yu Machinery Co., Ltd.	1,910,882.29	Payment according to agreed period under the contract
Total	1,910,882.29	

5.17 Advances from customers

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Within 1 year(including 1 year)	19,187,510.18	19,591,036.39
More than 1 year	687,612.58	349,863.72
Total	19,875,122.76	19,940,900.11

5.18 Employee benefits payable

5.18.1 Movement of employee benefits payable

Item	As at 1/1/2017	Increase	Decrease	As at 31/12/2017
I. Short-term employee benefits	30,320,927.64	127,677,992.55	115,267,928.84	42,730,991.35
II. Post-employment benefits — defined contribution plans		6,707,133.27	6,707,095.57	37.7
III. Termination benefits	253,690.98	286,599.63	454,468.35	85,822.26
IV. Other benefits due within one year	37,785.14	54,122.90	54,584.56	37,323.48
Total	30,612,403.76	134,725,848.35	122,484,077.32	42,854,174.79

5.18.2 Details of the short-term employee benefits

Item	As at 1/1/2017	Accrued	Paid	As at 31/12/2017
1. Salaries, bonus, and allowances	28,903,757.58	116,662,209.13	104,302,144.69	41,263,822.02
2. Staff welfare		4,048,777.44	4,048,777.44	
3. Social insurances		3,581,133.07	3,581,133.07	
Including: Medical insurance		2,986,336.64	2,986,336.64	
Work injury insurance		284,000.06	284,000.06	
Maternity insurance		310,796.37	310,796.37	
4. Housing Fund		2,839,703.53	2,839,703.53	
5. Union funds and employee education fee	1,417,170.06	546,169.38	496,170.11	1,467,169.33
Total	30,320,927.64	127,677,992.55	115,267,928.84	42,730,991.35

5.18.3 Defined contribution plans

Item	As at 1/1/2017	Accrued	Paid	As at 31/12/2017
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1. Primary endowment insurance		6,262,418.75	6,262,381.05	37.7
2. Unemployment insurance		248,829.73	248,829.73	
3. Pension insurance		195,884.79	195,884.79	
Total		6,707,133.27	6,707,095.57	37.7

5.19 Taxes and surcharges payable

Category	Balance as at 31/12/2017	Balance as at 1/1/2017
Value added tax	298,473.86	147,692.07
Enterprise income tax	2,271,827.08	701,435.86
Urban maintenance and construction tax	32,054.49	2,068.39
Estate tax	273,051.86	211,836.25
Land use tax	158,804.18	154,055.30
Individual income tax	119,102.33	120,112.87
Educational surtax	22,896.07	886.45
Other taxes and surcharges	202,488.32	6,792.66
Total	3,378,698.19	1,344,879.85

5.20 Interest payable

Category	Balance as at 31/12/2017	Balance as at 1/1/2017
Interest payable for short-term loan	360,208.32	86,747.10
Total	360,208.32	86,747.10

5.21 Other payables

Nature	Balance as at 31/12/2017	Balance as at 1/1/2017
Collect money		13,573.83
Deposit	633,984.87	150,000.00
Staff cost	1,259,769.66	622,365.00
Others	4,281,598.23	4,435,101.99
Total	6,175,352.76	5,221,040.82

5.22 Non-current liabilities due within one year

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Deferred income due within one year	866,585.48	866,585.48
Total	866,585.48	866,585.48

5.23 Long-term employee benefits payable

Category	Balance as at 31/12/2017	Balance as at 1/1/2017
Post -employment benefits—defined benefits plans	518,846.65	648,548.88
Other long-term benefits	1,058,820.98	1,051,202.96
Total	1,577,667.63	1,699,751.84

5.24 Deferred income

5.24.1 Deferred income by category

Item	Balance as at 1/1/2017	Increase	Decrease	Balance as at 31/12/2017	Reason for the deferred income
Government grants	10,572,454.62		866,585.48	9,705,869.14	Government grants related asset
Total	10,572,454.62		866,585.48	9,705,869.14	

5.24.2 Deferred income – government grants

Item	Balance as at 1/1/2017	Increase	Recorded in current non-operating income	Other movement	Balance as at 31/12/2017	Related to assets/income
Construction special fund	9,867,781.98		838,209.48		9,029,572.50	Assets
Subsidy of boat manufacture	704,672.64		28,376.00		676,296.64	Assets
Total	10,572,454.62		866,585.48		9,705,869.14	

5.25 Share capital

Item	Balance as at 1/1/2017	Movement					Balance as at 31/12/2017
		Issuance of new share	Bonus shares	Capital reserve transfer in	Others	sub-total	
Total shares	266,071,320.00						266,071,320.00

5.26 Capital reserve

Category	Balance as at 1/1/2017	Increase	Decrease	Balance as at 31/12/2017
I. Share premiums	185,036,701.86			185,036,701.86
II. Other capital reserves	94,961,504.96			94,961,504.96
Total	279,998,206.82			279,998,206.82

5.27 Other comprehensive income

Item	As at 1/1/2017	Movement in the year					As at 31/12/2017
		Amount before tax	Less: other comprehensive income in prior periods transfer in profit or loss for the current period	Less: income tax	Amount after tax attributable to the Company	Amount after tax attributable to minority interests	
I. Other comprehensive income items which will not be reclassified subsequently to profit or loss							
II. Other comprehensive income items which will be reclassified subsequently to profit or loss	-665,059.07	-6,823,841.48				-1,413,886.43	-6,075,014.12
Including: Translation differences from translation of foreign currency financial statements	-665,059.07	-6,823,841.48				-1,413,886.43	-6,075,014.12
Total of other comprehensive income	-665,059.07	-6,823,841.48				-1,413,886.43	-6,075,014.12

5.28 Surplus reserve

Category	Balance as at 1/1/2017	Increase	Decrease	Balance as at 31/12/2017
Statutory surplus	21,908,064.19			21,908,064.19
Total	21,908,064.19			21,908,064.19

5.29 Retained earnings

Item	As at 31/12/2017	
	Amount	Appropriation proportion
Retained earnings as at 1/1/2017 before adjustment	50,349,731.78	
The total adjustment of retained earnings as at 1/1/2017 (Increase+, decrease-)		

Retained earnings as at 1/1/2017 after adjustment	50,349,731.78	
Add: Net profit attributable to the Company during the year	91,517,485.28	
Less: Appropriation of statutory surplus reserve		
Retained earnings as at 31/12/2016	141,867,217.06	

5.30 Operating income and operating cost

Item	Year ended 31/12/2017		Year ended 31/12/2017	
	Income	Cost	Income	Cost
I. Primary operating business	916,346,846.65	758,381,626.82	836,980,106.66	768,125,495.47
Seine tuna fishing	101,348,675.03	53,850,966.50	5,180,247.30	4,613,098.49
Long-line tuna fishing	29,227,283.99	22,720,610.04	68,475,554.71	54,618,967.57
Boat lease	96,839,023.35	58,302,833.08	91,513,054.10	69,062,513.50
Other pelagic fishing	10,270,768.88	10,353,845.03	10,304,142.94	9,376,427.33
Aquatic products refrigeration and processing trade	678,661,095.40	613,153,372.17	661,507,107.61	630,454,488.58
II. Other operating business	7,769,939.15	1,732,428.85	8,897,412.86	1,799,950.37
House lease	3,793,486.57	1,584,090.69	4,691,924.05	1,799,950.37
Sales of waste material and others	3,976,452.58	148,338.16	4,205,488.81	
Total	924,116,785.80	760,114,055.67	845,877,519.52	769,925,445.84

5.31 Taxes and surcharges

Item	Year ended 31/12/2017	Year ended 31/12/2017
Business tax		68,150.00
Urban maintenance and construction tax	342,007.05	491,531.65
Educational surcharge	146,556.58	210,639.92
Local educational surcharge	97,704.40	140,426.61
Local water conservancy construction fund	48,151.89	70,213.31
Property tax	1,233,859.68	905,104.22
Land use tax	638,891.55	444,314.17
Stamp duty	357,407.46	170,564.87
Vehicle and vessel tax	28,190.26	24,599.99

Item	Year ended 31/12/2017	Year ended 31/12/2017
Others	514.18	
Total	2,893,283.05	2,525,544.74

5.32 Selling and distribution expenses

Item	Year ended 31/12/2017	Year ended 31/12/2016
Port charges	9,597,938.59	3,227,450.31
Employee compensation expenditure	1,549,084.25	1,228,416.33
Transport charges	2,393,490.45	1,211,535.22
Business promotion fees	255,154.66	201,854.99
Travelling expenses	101,635.36	60,209.90
Depreciation charges	38,319.66	36,429.27
Communication expenses	11,253.47	18,446.42
Agency fees	178,570.08	12,092.23
Handling charges	11,703.04	8,987.42
Customs charges		424.53
Others	36,893.93	10,436.64
Total	14,174,043.49	6,016,283.26

5.33 General and administrative expenses

Item	Year ended 31/12/2017	Year ended 31/12/2016
Employee compensation expenditure	33,422,096.52	28,513,903.94
Depreciation and amortization charges	3,315,896.29	1,850,906.41
Travelling expenses	2,740,393.19	1,656,384.91
Business entertainment	1,264,336.30	1,294,251.61
Expense taxes		841,798.70
Vehicle expenses	677,865.92	1,103,660.98
Agent service fees	1,178,783.06	1,275,426.21
Office expenses	4,362,588.33	1,040,067.47
Water and electricity expenses	851,980.11	371,236.49
Fishing moratorium costs	4,351,750.85	16,480,868.46
Others	4,360,291.55	2,941,147.31
Total	56,525,982.12	57,369,652.49

5.34 Finance expenses

Item	Year ended 31/12/2017	Year ended 31/12/2016
Interest expenses	8,129,314.22	3,348,913.42
Less: interest income	453,193.11	703,520.24
Exchange gain or loss	8,471,798.27	-9,495,860.55
Finance charges	556,287.91	401,709.10
Others	124,149.83	118,304.91
Total	16,828,357.12	-6,330,453.36

5.35 Impairment on assets

Item	Year ended 31/12/2017	Year ended 31/12/2016
Allowance for doubtful debts	472,385.89	730,565.21
Provision for diminution in value of inventory	1,231,004.79	2,505,526.86
Impairment loss on construction in process	4,077,658.55	
Total	5,781,049.23	3,236,092.07

5.36 Gains (Losses) from disposal of assets

Item	Year ended 31/12/2017	Year ended 31/12/2016
Gains (Losses) from disposal of fixed assets	422,100.74	2,552,387.02
Total	422,100.74	2,552,387.02

5.37 Other income

Item	Year ended 31/12/2017	Year ended 31/12/2016	Related to assets/Related to income
International Fisheries Resources Development and Utilization Grants	23,359,800.00		Related to income
Tuna backhaul subsidy	2,534,600.00		Related to income
Shipbuilding financial discount	28,376.00		Related to assets
Financial subsidy for Special Construction funds in Blue Economic Zone	838,209.48		Related to assets
Total	26,760,985.48		

Note 1: The company received RMB 23,359,800.00 government grants about development and utilization of international fishery resources from Qingdao finance bureau according to< Qingdao Municipal Bureau of Oceanic and Fishery Circular on Dissemination of Public Funding of Ship Scrapping and Shipbuilding Standardization (Offshore Fisheries) for 2017> (NO. 【2017】 24)

Note 2: The company received RMB 2,534,600.00 government grants about tuna transportation according to<

Notice of Qingdao Municipal Bureau of Finance on Disposal of Specific Funds for the Development of Offshore Fisheries in 2016> (NO. 【2017】 36)

Note 3: According to <Issued the Second Batch of 800 Million "Two Districts" in 2011 Notice of the Second Batch of Specialized Fund Investment Plans for the Blue Peninsula Economic Development Zone in Shandong Peninsula and the High-efficient Ecological Economic Zone in the Yellow River Delta in 2011> (NO. 【2011】464) issued by Yantai Development and Reform Commission and Yantai Finance Bureau, <Notice on Issuing Unit Budget Indicators for 2011> (NO【2011】514) issued by Yantai Economic and Technological Development Zone Finance Bureau, Yantai Development Zone Finance Bureau issued a special indicator of the company blue economic zone construction RMB 13,600,000.00, RMB 6,800,000.00 in 2012, RMB 6,800,000.00 in 2013, the company kept accounts in deferred income when receiving the funds and are amortized in profit and loss for each period over the asset's estimated useful period on a systematic basis. Other income amounts to 838,209.48 in 2017.

Note 4: According to< Circular on Issuing the Budget Targets of Fiscal Discounted Funds for Provincial-level Fishery Enterprises in 2013 issued on Jun.25 2013> (NO 【2013】 32) by Shandong Provincial Department of Finance, the company received Financial discount RMB 830,000.00 in 2013 for vessel construction subsidy, 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 28,376.00 in 2017.

5.38 Non-operating income

5.38.1 Non-operating income by category

Item	Year ended 31/12/2017	Year ended 31/12/2016	Amount to be included in non-recurring gain or loss for the year
Government grants	3,000,000.00	43,165,181.73	3,000,000.00
Others	228,686.87	673,262.06	228,686.87
Total	3,228,686.87	43,838,443.79	3,228,686.87

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

Item	Year ended 31/12/2017	Year ended 31/12/2016	Related to assets/income
Fuel subsidy		39,041,300.00	Related to income
Fisheries development Assistance		3,197,500.00	Related to income
Fund for construction of Blue Economy Zone		838,209.48	Related to assets
Financial subsidy		28,376.00	Related to assets
Others		59,796.25	Related to income

Item	Year ended 31/12/2017	Year ended 31/12/2016	Related to assets/income
One-time settlement financial subsidies(Note)	3,000,000.00		Related to income
Total	3,000,000.00	43,165,181.73	

Note: The company headquarter moved from Jinan to Qingdao in 2017, according to Notice of Qingdao Municipal Bureau of Finance on Disposal of Specific Funds for the Development of Offshore Fisheries in 2016(NO. 【2017】36), the company received one-time settlement financial subsidies RMB 3,000,000.00 from Qingdao Municipal Bureau of Finance.

5.39 Non-operating expenses

Item	Year ended 31/12/2017	Year ended 31/12/2016	Amount to be included in non-recurring gain or loss for the year
Penalty		490,642.50	
Employee's compensation for industrial injury	265,966.81		265,966.81
Others	45,979.76	186,972.81	45,979.76
Total	311,946.57	677,615.31	311,946.57

5.40 Income tax expenses

5.40.1 Details of income tax expenses

Item	Year ended 31/12/2017	Year ended 31/12/2016
Current income tax expense calculated according to tax laws	3,031,549.10	1,207,900.13
Deferred income tax	-286,696.05	
Total	2,744,853.05	1,207,900.13

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

Item	Amount
Profit before tax	97,899,841.64
Income tax expenses calculated at statutory/applicable tax rates	24,474,960.41
Effect of different tax rate	-12,925,040.90
Effect of adjustment for income tax in prior year	-87,958.83
Effect of income not subject to income tax	-5,141,726.64
Effect of expenses undeductible for tax purposes	70,134.20
Effect of utilization of tax losses in prior years which haven't been recognized deferred tax assets	-8,359,421.35
Effect of unrecognized deductible temporary differences and	4,713,906.14

Item	Amount
deductible losses in current period	
Income tax expenses	2,744,853.05

5.41 Notes to statement of cash flows

5.41.1 Cash received or paid relating to other operating activities

Item	Year ended 31/12/2017	Year ended 31/12/2016
Cash received related to other operating activities	33,096,388.68	47,554,484.08
Including: Finance expenses- interest income	453,193.11	703,520.24
Government grants and others	29,017,295.18	42,323,589.62
Credit deposit	3,428,428.94	2,465,396.97
Current account and other	197,471.45	2,061,977.25
Cash paid related to other operating activities	36,384,307.56	28,207,366.89
Including: cash payment to selling expenses	12,587,166.05	4,751,437.66
Cash payment to administrative expense	18,453,510.96	19,973,413.37
Security deposit	3,067,379.15	2,284,886.54
Current account and other	2,276,251.40	1,197,629.32

5.41.2 Cash received or paid related to other investing activities

Item	Year ended 31/12/2017	Year ended 31/12/2016
Cash received related to other investing activities		648,268.69
Including: No.102 Taifu insurance indemnity		648,268.69

5.41.3 Cash received or paid related to other financing activities

Item	Year ended 31/12/2017	Year ended 31/12/2016
Cash received related to other financing activities		14,630,000.00
Including: Staff borrowing		14,630,000.00

5.42 Supplement to statement of cash flows

5.42.1 Supplement to statement of cash flows

Item	Year ended 31/12/2017	Year ended 31/12/2016
1. Net profit adjusted to cash flows from operating activities		
Net profit	95,154,988.59	57,640,269.85
Add: provision for asset impairment	5,781,049.23	3,236,092.07
Depreciation of fixed assets, depreciation and depletion of oil and gas assets and depreciation of productive biological assets	36,028,547.16	34,610,398.91

Item	Year ended 31/12/2017	Year ended 31/12/2016
Amortization of intangible assets	445,842.52	391,470.12
Amortization of long-term deferred expenses	124,595.45	
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-422,100.74	-2,552,387.02
Financial expenses ("-" for income)	11,443,077.58	-4,997,297.74
Decreases in the deferred tax assets ("-" for increases)	-286,696.05	
Decreases in inventories ("-" for increases)	-90,339,180.81	31,943,609.43
Decreases in operating receivables ("-" for increases)	-15,275,360.83	-32,385,780.43
Increases in operating payables ("-" for decreases)	20,551,132.39	-450,652.00
Others		
Net cash flows from operating activities	63,205,894.49	87,435,723.19
2. Significant investing and financing activities not involving cash inflow and outflow		
3. Net change in cash and cash equivalents		
Cash as at 31/12/2017	147,067,351.82	128,737,661.78
Less: cash as at 1/1/2017	128,737,661.78	71,464,370.00
Add: cash equivalents as at 31/12/2017		
Less: cash equivalents as at 1/1/2017		
Net increase in cash and cash equivalents	18,329,690.04	57,273,291.78

5.42.2 Cash and cash equivalents

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
I. Cash	147,067,351.82	128,737,661.78
Including: cash on hand	1,252,378.69	1,741,848.59
Unrestricted bank deposits	145,374,973.13	126,995,290.36
Unrestricted other cash and cash equivalents	440,000.00	522.83
II. Cash equivalents		
III. Cash and cash equivalents as at 31/12/2017	147,067,351.82	128,737,661.78

5.43 Ownership or using rights of assets subject to restriction

Item	Carrying amount as at 31/12/2017	Restriction reason
Cash at bank and on hand	862,500.14	Marginal deposit

Fixed assets	88,200,769.64	Pledge loans
Intangible assets	12,700,956.67	Pledge loans
Total	101,764,226.45	--

5.44 Monetary items denominated in foreign currency

5.44.1 Monetary items denominated in foreign currency

Item	Balance in foreign currency as at 31/12/2017	Exchange rate	Balance translated into RMB as at 31/12/2017
Cash			72,166,578.53
Including: USD	8,604,964.07	6.5342	56,226,553.06
Euro	29,432.79	7.8023	229,643.46
JPY	247,166,535.00	0.0579	14,306,740.54
GHS	947,358.23	1.4798	1,401,901.94
XAF	135,000.00	0.0129	1,739.53
Accounts receivable			27,511,934.75
Including: USD	3,510,855.48	6.5342	22,940,631.88
JPY	78,854,077.00	0.0579	4,564,310.53
GHS	4,725.30	1.4798	6,992.34
Other receivables			3,281,023.65
Including: USD	250,638.67	6.5342	1,637,723.20
GHS	1,110,514.19	1.4798	1,643,300.46
Accounts payable			23,539,452.36
Including: USD	3,274,247.75	6.5342	21,394,602.72
JPY	37,054,915.00	0.0579	2,144,849.64
Other payables			547,954.08
Including: USD	25,180.00	6.5342	164,531.16
JPY	259,110.62	1.4798	383,422.93

5.44.2 Reporting currencies of significant foreign operating entities

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

5.45 Government grants

1. The Company has received government grants a total amount of RMB 28,894,400.00 in 2017, of which the amount of government grants related to income is 28,894,400.00.

2. government grants related to income

Item	Presented amount in profit and loss of current period	Presented item in profit and loss
One-time settlement financial subsidies	3,000,000.00	Non-operating income
Tuna backhaul subsidy	2,534,600.00	Other income
International Fisheries Resources Development and Utilization Grants	23,359,800.00	Other income
TOTAL	28,894,400.00	—

6. Changes in consolidation scope

Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd. set up subsidiaries AFRICA STAR FISHERIES LIMITE D and ZHONG GHA FOODS COMPANY LIMITED in The Republic of Ghana in 2017 and included them in the consolidated statements.

7. Interest in other entities

7.1 Interest in subsidiaries

7.1.1 Constitution of the Company

Subsidiary name	Registration place	Principal place of business	Business nature	Shareholding (%)	Acquisition method
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.	Shandong Qingdao	Shandong Qingdao	Refrigeration transportation	100.00	Investment
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	Shandong Yantai	Shandong Yantai	Food processing	100.00	Investment
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	Shandong Qingdao	Shandong Qingdao	Oceanic fishing	81.26	Investment
HABITAT INTERNATIONAL CORPORATION	The Republic of Panama	The Republic of Panama	Refrigeration transportation	100.00	Investment
YAW ADDO FISHERIES 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 31/12/2017
1	Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	18.74%	3,637,503.31		35,321,101.18

7.1.3 Main financial information of significant non-wholly owned subsidiary

Subsidiary name	As at 31/12/2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	137,172,698.60	226,220,585.87	363,393,284.47	174,281,509.38	676,296.64	174,957,806.02

(Continued)

Subsidiary name	As at 1/1/2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	96,844,105.24	92,416,572.75	189,260,677.99	12,017,618.20	704,672.64	12,722,290.84

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

(Continued)

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

8. Related risks of financial instruments

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

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

1. Credit risk

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

2. Liquidity Risk

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

3. Market risk

(1) Foreign exchange risk

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

(2) Interest rate risk

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

changes.

9. Related parties and transactions

9.1 The parent company of the Company

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

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

9.2 Subsidiaries of the Company

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

9.3 Other related parties

Name	Relationship
Shandong Luxin Investment Holdings Ltd.	Shareholder($\geq 5\%$)
Inspur General Software co., Ltd.	A company that has a transaction in the current period controlled by the same parent company

9.4 Transactions with related parties

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

Name	Type	Contents	Pricing mode and determination process	Year ended 31/12/2017		Year ended 31/12/2016	
				Amount	Pct. of the same type transactions (%)	Amount	Pct. of the same type transactions (%)
Purchase of goods/receipt of services:							
Inspur General Software co., Ltd.	Purchase	Software	Market price	612,800.00	73.44		

9.4.2 Guarantee activities with related parties

Guarantor	Guarantee	Amount of guarantee	Start date	Maturity date	Guarantee obligation expired or not
Shandong State-owned	Shandong zhonglu Haiyan	100,000,000.00	2017-4-28	2018-2-28	Not

Guarantor	Guarantee	Amount of guarantee	Start date	Maturity date	Guarantee obligation expired or not
assets investment Co. Ltd	Oceanic Fisheries Co., Ltd				

9.4.3 Remuneration of key management

Remuneration of key management	Year ended 31/12/2017	Year ended 31/12/2016
Total	2,245,100.00	2,025,800.00

10. Commitments and contingencies

10.1 Commitments

None

10.2 Contingencies

None

11. Post balance sheet events

The 14th meeting (temporary meeting) of the company's 6th board of directors deliberated and approved< the Proposal On Increasing the Capital of the Holding Subsidiary and Gave up the Right to Increase the Capital in the Same Proportion > on Feb 9 2018. The company's holding subsidiary Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd. intends to increase in capital and shares by original shareholders in order to ease the pressure of development funds tension and guarantee the capital turnover of its daily operation and new business. Shandong State-owned assets investment Co. Ltd contributed RMB10, 10,000 in currency; The Company contributed RMB 2,800, 000 in currency, and gave up the right to increase capital in the same proportion at the same time. After the increase, the Company's shareholding ratio was changed to 59.05%, so as to continue to maintain the status of controlling shareholder. Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd. is still included in the scope of consolidation of the Company.

12. Other significant events

12.1 Segment reporting

12.1.1 Determination basis of segment reporting and related accounting policy

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

12.1.2 Financial information of segment reporting

Item	Oceanic fishing	Vessels leasing	Aquatic products processing	Others	Elimination between branches	Total
1. Operating income	253,280,525.02	96,839,023.35	678,661,095.40	10,270,768.88	-122,704,566.00	916,346,846.65
2. Operating cost	171,981,908.37	58,302,833.08	640,447,606.34	10,353,845.03	-122,704,566.00	758,381,626.82
3. Impairment of assets	5,212,417.11	6,939.52	478,657.99	83,034.61		5,781,049.23
4. Depreciation and amortization	19,779,816.42	8,712,038.62	6,224,436.89	1,312,255.23		36,028,547.16
5. Profit before tax	59,053,921.67	24,238,542.16	25,437,009.84	-10,829,632.03		97,899,841.64
6. Income tax expenses	682757.39	771199.32	1,290,896.34			2,744,853.05
7. Net profit	58,371,164.28	23,467,342.84	24,146,113.50	-10,829,632.03		95,154,988.59
8. Total assets	612,762,811.13	249,570,186.46	363,039,088.24	249,305,578.69	-409,193,900.72	1,065,483,763.80
9. Total liabilities	271,074,267.86	39,439,332.19	175,603,105.36	249,470,063.98	-409,193,900.72	326,392,868.67

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

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

13. Notes to the financial statements of the Company

13.1 Accounts receivable

13.1.1 Accounts receivable by category

Category	As at 31/12/2017			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	14,421,567.93	100.00	5,937,507.66	41.17
Individually insignificant but allowance for doubtful debts individually				
Total	14,421,567.93	100.00	5,937,507.66	41.17

Category	As at 1/1/2017			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)

Category	As at 1/1/2017			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	18,751,934.01	100.00	5,689,018.01	30.34
Individually insignificant but allowance for doubtful debts individually				
Total	18,751,934.01	100.00	5,689,018.01	30.34

13.1.1.1 Allowance for doubtful debts on portfolio

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

Aging	As at 31/12/2017			As at 1/1/2017		
	Balance	Allowance rate(%)	Allowance for doubtful debts	Balance	Allowance rate(%)	Allowance for doubtful debts
Within 6 months	4,969,792.92	5.00	248,489.65			
More than 3 years	5,689,018.01	100.00	5,689,018.01	5,689,018.01	100.00	5,689,018.01
Total	10,658,810.93		5,937,507.66	5,689,018.01		5,689,018.01

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

Category	As at 31/12/2017			As at 1/1/2017		
	Balance	Allowance rate(%)	Allowance for doubtful debts	Balance	Allowance rate(%)	Allowance for doubtful debts
Riskless combination	3,762,757.00			13,062,916.00		-
Total	3,762,757.00			13,062,916.00		

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

Company name	Balance as at 31/12/2017	Percentage in total accounts receivable (%)	Allowance for doubtful debts as at 31/12/2017
TAI UNION ENTERPRISE CO., LTD	4,965,502.92	34.43	248,275.15
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	3,762,757.00	26.09	
PACIFIC PANDA, INC	3,600,962.12	24.97	3,600,962.12
Qingdao Haifeng Group Co., Ltd.	430,625.10	2.99	430,625.10
Lvming	158,154.98	1.10	158,154.98
Total	12,918,002.12	89.57	4,438,017.35

13.2 Other receivables

13.2.1 Other receivables

Category	As at 31/12/2017			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	68,363,431.90	100.00	3,673,656.91	5.37
Individually insignificant but allowance for doubtful debts individually				
Total	68,363,431.90	100.00	3,673,656.91	5.37

Category	As at 1/1/2017			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	Allowance rate(%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	43,482,072.02	100.00	3,571,189.67	8.21
Individually insignificant but allowance for doubtful debts individually				
合 计 Total	43,482,072.02	100.00	3,571,189.67	8.21

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

Aging	As at 31/12/2017			As at 1/1/2017		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Within 6 months	683,139.79	5.00	34,156.99	551,508.88	5.00	27,575.44
6 months-1year	501,682.83	10.00	50,168.29	211,193.41	10.00	21,119.35
1-2 years	276,406.49	30.00	82,921.95	210,636.11	30.00	63,190.84
2-3 years	155,408.10	50.00	77,704.05	59,397.23	50.00	29,698.62
More than 3 years	3,428,705.63	100.00	3,428,705.63	3,429,605.42	100.00	3,429,605.42
Total	5,045,342.84		3,673,656.91	4,462,341.05		3,571,189.67

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

Category	As at 31/12/2017			As at 1/1/2017		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts

Category	As at 31/12/2017			As at 1/1/2017		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Associated parties in the scope of consolidation	63,318,089.06			39,019,730.97		
Total	63,318,089.06			39,019,730.97		

13.2.2 Other receivables by nature

Nature of balance	Balance as at 31/12/2017	Balance as at 1/1/2017
Internal current account	63,318,089.06	39,019,730.97
Revolving fund and other	5,045,342.84	4,462,341.05
Total	68,363,431.90	43,482,072.02

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

Debtor name	Nature of receivable	Balance as at 31/12/2017	Aging	Percentage in total other receivables (%)	Allowance for doubtful debts as at 31/12/2017
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.	Internal current account	24,716,830.96	More than 3 years	36.16	
YAW ADDO FISHERIES COMPANY LIMITED	Internal current account	12,011,222.79	Within 1 year, 1-2year、 More than 3 years	17.57	
LAIF FISHERIES COMPANY LIMITED	Internal current account	11,928,106.07	Within 1 year,	17.45	
AFRICA STAR FISHERIES LIMITED	Internal current account	6,207,490.00	Within 1 year,	9.08	
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	Internal current account	6,000,000.00	Within 1 year,	8.78	
Total		60,863,649.82		89.03	—

13.3 Long-term equity investments

Item	As at 31/12/2017			As at 1/1/2017		
	Balance	Provision for impairment	Carrying amount	Balance	Provision for impairment	Carrying amount
Investment to subsidiaries	204,189,455.23		204,189,455.23	204,189,455.23		204,189,455.23

Total	204,189,455.23		204,189,455.23	204,189,455.23		204,189,455.23
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13.3.1 Investment to subsidiaries

Investee	As at 1/1/2017	Additions	Reductions	As at 31/12/2017	Provision for impairment in current period	Provision for impairment as at 31/12/2017
HABITAT INTERNATIONAL CORP.	12,476,145.60			12,476,145.60		
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.	22,869,513.38			22,869,513.38		
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	55,448,185.24			55,448,185.24		
Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	113,395,611.01			113,395,611.01		
Total	204,189,455.23			204,189,455.23		

13.4 Operating income and operating cost

Item	Year ended 31/12/2017		Year ended 31/12/2016	
	Income	Cost	Income	Cost
I. Primary operating business	140,286,633.63	90,139,577.77	65,888,355.68	62,233,674.19
Seine tuna fishing	84,551,266.16	45,828,407.82	5,180,247.30	4,613,098.49
Long-line tuna fishing	55,488,273.07	44,145,494.76	60,708,108.38	57,620,575.70
Aquatic products refrigeration and processing trade	247,094.40	165,675.19		
II. Other operating business	3,991,272.92	1,732,428.85	4,691,924.05	1,799,950.37
House lease	3,793,486.57	1,584,090.69	4,691,924.05	1,799,950.37
Sales of waste material and others	197,786.35	148,338.16		
Total	144,277,906.55	91,872,006.62	70,580,279.73	64,033,624.56

14. Supplementary information

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

Item	Amount	Remark
1. Gain or loss on disposal of non-current assets, including the written-down portion for impairment provision	422,100.74	
2. Government grants (except the government grants closely related to the business of the Company and enjoyed according to unified quota or ration standards)	6,401,185.48	

Item	Amount	Remark
3. Other non-operating income/(expenses) except the above items	-83,259.70	
4. Effects of income tax on non-recurring items	-197,626.19	
5. Effects of non-recurring items attributable to the minority shareholders of the Company	-524,757.44	
Total	6,017,642.89	

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

Item	Amount	Remark
International Fisheries Resources Development and Utilization Grants	23,359,800.00	Government grants of national standard quota and related to operating activities of the Company

14.2 Return on equity and earnings per share

Profit in report period	Weighted average return on equity (%)		Earnings per share	
	Year ended 31/12/2017	Year ended 31/12/2016	Year ended 31/12/2017	Year ended 31/12/2016
Net profit attributable to the common share holders	13.79	8.88	0.3440	0.1976
Net profit attributable to the common share holders after deducting non-recurring gain or loss items	12.89	7.96	0.3213	0.1770

Section XII. Documents available for reference

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

Shandong Zhonglu Oceanic Fisheries Co., Ltd.

Chairman: Lu Lianxing

6 March 2018