

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

## **Semiannual Report of 2023**

**[August 29, 2023]**

## **Section I Important Information, Contents, and Definitions**

**The Company’s Board of Directors, Board of Supervisors, directors, supervisors, and officers ensure that the content of semiannual report is true, accurate, and complete without any false record, misleading statement, or significant omission and bear joint and several legal liability.**

**Wang Huan, the principal of the Company, Fu Chuanhai, the person in charge of accounting, and Lei Lixin, the person in charge of the accounting body (accounting supervisor), declare that the financial report in this semiannual report is true, accurate, and complete.**

**All directors attended the Board meeting at which this semiannual report was considered.**

**The Company describes potential risks in its operations and countermeasures in “X. Risks faced by the company and countermeasures” in Section III, “The Management’s Discussion and Analysis.” Investors are reminded to pay attention to the relevant content.**

**This report is prepared in Chinese and English. Where the Chinese and English texts are interpreted in different ways, the Chinese text shall prevail.**

**During the Reporting Period, There is no significant risk that has a substantial impact on the production and business operation of the company. Investors are requested to pay attention and read it carefully.**

**The Company plans not to distribute cash dividends, not to distribute bonus shares, and not to convert reserves into share capital.**

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## **List of Documents for Reference**

- (I) Financial statements with the signatures of the principal of the Company, the person in charge of accounting, and the person in charge of the accounting body and affixed with the Company's seal.
- (II) The originals of all corporate documents and the manuscripts of all announcements disclosed during the Reporting Period.
- (III) The text of the company's 2023 semi-annual report containing the signature of the company's responsible person.

## Definitions

Term	Refers to	Content
The Company, Company	Refers to	Shandong Zhonglu Oceanic Fisheries Co., Ltd.
Shandong Guotou	Refers to	Shandong State-owned Assets Investment Holdings Co., Ltd.
This report	Refers to	The Semiannual report of 2023 prepared by the Company

## Section II Company Introduction and Key Financial Indicators

### I. Company's Information

Short stock name	Zhonglu B	Stock code	200992
Securities exchange where the stocks are listed	Shenzhen Stock Exchange		
Chinese name	山东省中鲁远洋渔业股份有限公司		
Short Chinese name (if any)	中鲁远洋		
Foreign name (if any)	Shandong Zhonglu Oceanic Fisheries Company Limited		
Acronym of the foreign name (if any)	ZLYY		
Legal representative	Wang Huan		

### II. Contact Person and Contact Information

	Board Secretary	Securities Affairs Representative
Name	Liang Shanglei	Tang Yuntao
Address	25th Floor, Building 1, Guoxin Financial Center, No. 31 Xianxialing Road, Laoshan District, Qingdao, Shandong	25th Floor, Building 1, Guoxin Financial Center, No. 31 Xianxialing Road, Laoshan District, Qingdao, Shandong
Tel	0532-55717968	0532-55715968
Fax	0532-55719258	0532-55719258
Email	z1000992@163.com	z1000992@163.com

### III. Other information

#### 1. Contact information of the company

Has the registered address, office address, postal code, website, email address, etc. of the company changed during the reporting period

Applicable Not applicable

The company's registered address	No 31, Xianxialing Road, Qingdao, Shandong Province
The postal code of the company's registered address	266061
The company's office address	25th Floor, Building 1, Guoxin Financial Center, No. 31, Xianxialing Road, Laoshan District, Qingdao, Shandong Province
The postal code of the company's office address	266061
The company's website	<a href="http://www.zofco.cn/">http://www.zofco.cn/</a>
The company's email box	z1000992@163.com
Query date of designated website for temporary announcement disclosure (if any)	May 26, 2023
Query index for designated website for temporary announcement disclosure (if any)	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## 2. Information disclosure and preparation location

Has the information disclosure and preparation location changed during the reporting period

Applicable Not applicable

The website and media name and website of the stock exchange where the company discloses its semi-annual report, and the preparation location of the company's semi-annual report remain unchanged during the reporting period, as detailed in the 2022 annual report.

## 3. Other relevant information

Is there any change in other relevant information during the reporting period

Applicable Not applicable

## IV. Key Accounting Data and Financial Indicators

Whether the Company is required to make retroactive adjustments or restate the accounting data for previous years

Yes No

	Current reporting period	Same period of previous year	Increase/decrease of current reporting period compared with the same period of previous year
Operating revenue (RMB)	454,219,264.20	370,548,994.76	22.58%
Net profits attributable to the Company's shareholders (RMB)	-10,201,333.02	-9,019,125.78	-13.11%
Net profits attributable to the Company's shareholders after deducting nonrecurring items (RMB)	-12,246,427.51	-15,517,270.20	21.08%
Net cash flows from operating activities (RMB)	-54,465,959.61	-68,718,086.21	20.74%
Base earnings per share (RMB/share)	-0.0383	-0.0339	-12.98%
Diluted earnings per share (RMB/share)	-0.0383	-0.0339	-12.98%
Weighted average return on equity	-1.04%	-0.96%	-0.08%
	End of current reporting period	End of previous year	Increase/decrease at the end of current reporting period compared with that at end of previous year
Total assets (RMB)	1,988,776,945.81	1,838,429,134.17	8.18%
Net assets attributable to the Company's shareholders (RMB)	983,964,081.69	987,072,734.95	-0.31%

## V. Differences in Accounting Data under Domestic and Foreign Accounting Standards

### 1. Differences in net profits and net assets in the financial report disclosed both according to international accounting standards and Chinese accounting standards

Applicable Not applicable

For the Company, there was no difference in net profits and net assets in the financial report disclosed both according to international accounting standards and Chinese accounting standards during the Reporting Period.

## 2. Differences in net profits and net assets in the financial report disclosed both according to overseas accounting standards and Chinese accounting standards

Applicable Not applicable

For the Company, there was no difference in net profits and net assets in the financial report disclosed both according to overseas accounting standards and Chinese accounting standards during the Reporting Period.

## VI. Non-recurring profit and loss items and amounts

Applicable Not applicable

Unit:RMB

Item	Amount	Remark
Government grants recognized in profit or loss (closely related to the Company's business, government grants that meet the standards of national policies and are received in a certain quota or quantity according to unified national standards)	1,528,046.31	
Trustee income from trusteeship	849,056.60	
Other non-operating incomes and expenditures than the above	526,435.99	
Less: amount of the effect of the income tax	133,125.10	
amount of the effect of the minority interest (after tax)	725,319.31	
Total	2,045,094.49	

Details of other profit/loss items that conform to the definition of nonrecurring items:

Applicable Not applicable

For the Company, there was no detail of other profit/loss items that conform to the definition of nonrecurring items.

Explanation of the situation where the nonrecurring items listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Nonrecurring Items are defined as recurring items

Applicable Not applicable

The Company had no situation where it defined the nonrecurring items listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Nonrecurring Items as recurring items.

## **Section III The Management's Discussion and Analysis**

### **I. Company's Main Businesses during the Reporting Period**

During the Reporting Period, the Company's main businesses included long range fishing, Ocean shipping, and cold storage processing and trading. Rely on and promote each other, forming a complete industrial chain.

#### **1. Long range fishing**

During the Reporting Period, the Company had 27 long range fishing boats, including 9 sets of large tuna seiners, 14 large ultra-low temperature tuna longliners, 2 medium-sized trawlers, and 2 squid fishing boats, which were operated in the Indian Ocean, the Atlantic, and the Pacific, respectively. (1) In terms of longline fishing, the Company's boats mainly worked in the Indian Ocean, Affected by factors such as global climate during the same period last year, the production of longline fishing was relatively low. During this reporting period, there has been a significant increase in production compared to the same period last year. (2) In terms of seine fishing operations, the main operating area is in the Atlantic Ocean. Due to the impact of marine environment such as seawater temperature and currents, the yield of seining fishing in this period has slightly decreased compared to the same period last year. (3) In terms of squid fishing boat operations, in the first half of the year, squid fishing boats transferred from Argentine fishing grounds to Peruvian fishing grounds, with fewer days of operation and lower total production. (4) The company's trawlers were undergoing replacement, thus production has not been carried out.

#### **2. Ocean shipping**

During the reporting period, the company's 8 ships were engaged in ocean shipping business, of which 7 had a displacement of over 8000 tons. Its service area covers most of the waters of the Pacific, Indian Ocean, and Atlantic Ocean. The ships are equipped advanced equipment, their performance is excellent, management is strict and services are standard, and they are used for ocean freezing and refrigerated transportation of aquatic products, meat and poultry, vegetables and fruits.

#### **3. Refrigerated processing trade**

During the reporting period, the company's refrigerated processing trade sector faced severe situations such as complex and volatile industry in 2023, sluggish international and domestic market demand, increasingly fierce market competition, and significant drop in raw material prices. Its focus was mainly to adjust inventory structure, fully utilize the "two markets and two resources" of both international and domestic markets, and stabilize market share. There are more than 20 varieties of tuna processed in this section, including big eye, yellow fin, blue fin, long fin, sword flag, red flag, black flag, etc. They are processed into tuna slices, chops, and plates. The products are mostly exported to Japan, the United States, Russia, the European Union, South Korea, and Israel. The Company has passed the HACCP, EU, BRC, MSC, and SEDEX certifications. In the domestic market, the Company has built a sales network where WeChat commerce, e-commerce, supermarkets, and distributed warehouses integrate with each other to form a system, and has established a diversified and three-dimensional product system including cooked food products, health food, and skincare products, which has laid a foundation for the company to further open up the domestic consumer market for deep and far seawater products for tuna and others, and lead the domestic market in consumption upgrading and dietary structure transformation. The transformation of online and offline "double line" sales model has been accelerated and online Tiktok live broadcast has been launched to actively follow the trend of the "Internet plus" era, constantly use new platforms to explore new technologies, research and develop new products, establish a diversified three-dimensional product system, implement the "double line" sales model, create a "100-city and 1000- outlet" sales pattern, making the high-quality brand image of "Zhonglu Tuna" penetrate into thousands of households, and enable more Chinese people eat deep blue, green, healthy, and perfect tuna.

Business model: The Company conducts business in a centralized and diversified manner.

Market position: China's top five oceanic fishery companies, the vice-presidential unit of the China Overseas Fisheries Association, and the presidential unit of the Qingdao Overseas Fisheries Association.

## II. Analysis of Core Competitiveness

The Company is a comprehensive and export-oriented company engaged in overseas fishing that was incorporated in July 1999 with the approval of the Shandong Provincial People's Government. It has a well-established industrial chain and is a leading enterprise in Shandong's overseas fishing industry. As a comprehensive listed fishing company, the Company's core competitiveness lies in the following aspects: (1) Through more than 20 years of development, the Company has grown into a comprehensive fishing enterprise that is engaged in a combination of businesses, including overseas fishing, deep processing, trading, cold storage logistics, Ocean shipping, the development and production of marine biomedicines, and entrepreneurship and investment in the modern marine industry. The Company's main businesses involve key links in the industrial chain. The businesses of the Company's operating entities are highly associated, which meets the conditions for holistically collaborative operations. This provides a guarantee for the Company to reform its operations and strengthen and extend the industrial chain. (2) As one of the earliest companies engaged in overseas fishing in China, the Company started production and operations early from a high ground with competent human resources and assets. Through years of dedicated operations, the Company has gathered a pool of professionals specializing in relevant fields. (3) Long range fishing industry is part of China's strategy of "going global" and building a strong marine country, and Shandong's strategy of building a strong marine province. There are development opportunities from the adjustment of the industrial depth. The Company has 14 ultra-low temperature tuna fishing boats engaged in the longline fishing of tuna in the Indian Ocean. This is one of the Company's main businesses, making outstanding contributions to the Company's business performance over the years. The Company's tuna seining project in the Atlantic can maintain the steady development of its tuna seining under the protection of ICCAT's strict rules. (4) Ocean shipping is an important part of the Company's main businesses. The Company's current cold storage transportation fleet is among the industry's top in the Southeastern transportation market, in terms of the number of vessels, total tonnage, and profitability. (5) The Company has the earliest and largest ultra-low temperature refrigeration storage and raw food processing plant in China. Also, the China Tuna Exchange and the newly built electronic tuna trading platform system strengthen the Company's in tuna processing and trading. (6) The Company carries out long range fishing in the Atlantic the Pacific and Indian Oceans, reaches most of the world's major ports with its Ocean shipping, and covers many countries with import and export. With the implementation of the "Belt and Road" strategy, the countries along the "Belt and Road" will have stronger trust in each other and establish closer cooperation. In addition, the Company and the governments at all levels have rolled out a suite of development plans and industrial preference policies. All these have brought new opportunities for the development of the Company. The Company will leverage the aforementioned advantages to pioneer, innovate, forge ahead, and proactively engage itself in the conversion of old and new growth drivers. It will accelerate strategic transformation, vigorously extend the industrial chain, and further improve its influence and competitiveness in domestic and even international markets.

## III. Analysis of Main Businesses

### 1. Overview

Refer to "I. Company's Main Businesses during the Reporting Period"

Year-on-year changes in major financial data

Unit:RMB

	This reporting period	Same period last year	Year-on-year increase or decrease	Reason for change
Operating income	454,219,264.20	370,548,994.76	22.58%	

Operating costs	436,204,233.19	365,817,738.76	19.24%	
Sales expenses	1,891,807.78	1,445,349.37	30.89%	Due to the increase in fish sales in this period
Administrative expenses	29,182,163.89	25,639,725.37	13.82%	
Financial expenses	-2,923,061.46	-2,632,280.81	-11.05%	
Income tax expenses	1,099,110.53	358,112.38	206.92%	Due to the increase in refrigeration revenue and management service revenue in this period
R&D investment	659,005.73	332,543.96	85.08%	Increase in research and development expenditure in this period
Net cash flow generated from operating activities	-54,465,959.61	-68,718,086.21	20.74%	
Net cash flow generated from investment activities	-157,543,076.25	-9,566,993.27	-1,546.74%	Loan for current shipbuilding projects
Net cash flow generated from financing activities	159,706,492.74	79,756,048.11	100.24%	Loan for current shipbuilding projects
Net increase in cash and cash equivalents	-50,682,108.60	3,286,825.12	-1,641.98%	

Significant changes in the composition or source of profits of the company during the reporting period

Applicable Not applicable

There have been no significant changes in the composition or source of profits of the company during the reporting period.

Composition of operating income

Unit:RMB

	This reporting period		Same period last year		Year-on-year increase or decrease
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	454,219,264.20	100%	370,548,994.76	100%	22.58%
By industry					
Long range fishing	184,991,696.92	40.73%	111,100,654.53	29.98%	66.51%
Ocean shipping	63,548,295.62	13.99%	48,813,484.03	13.17%	30.19%

Cold storage processing and trading	242,865,824.14	53.47%	247,788,335.98	66.87%	-1.99%
Others	3,395,000.15	0.75%	2,454,621.20	0.66%	38.31%
Internal offset	-40,581,552.63	-8.93%	-39,608,100.98	-10.69%	2.46%
<b>By product</b>					
Long range fishing	184,991,696.92	40.73%	111,100,654.53	29.98%	66.51%
Ocean shipping	63,548,295.62	13.99%	48,813,484.03	13.17%	30.19%
Cold storage processing and trading	242,865,824.14	53.47%	247,788,335.98	66.87%	-1.99%
Others	3,395,000.15	0.75%	2,454,621.20	0.66%	38.31%
Internal offset	-40,581,552.63	-8.93%	-39,608,100.98	-10.69%	2.46%
<b>By region</b>					
China	335,496,370.26	73.86%	177,120,804.22	47.80%	89.42%
Foreign countries	118,722,893.94	26.14%	193,428,190.54	52.20%	-38.62%

Industries, products, or regions that account for more than 10% of the company's operating revenue or profit

Applicable  Not applicable

Unit:RMB

	Operating revenue	Operating costs	Gross profit margin	Year-on-year increase/decrease in operating revenue	Year-on-year increase/decrease in operating costs	Year-on-year increase/decrease in gross profit margin
<b>By industry</b>						
Long range fishing	184,991,696.92	196,183,179.05	-6.05%	66.51%	55.52%	7.49%
Ocean shipping	63,548,295.62	51,140,020.97	19.53%	30.19%	11.97%	13.10%
Cold storage processing and trading	242,865,824.14	228,529,277.69	5.90%	-1.99%	-1.72%	-0.25%
<b>By product</b>						
Long range fishing	184,991,696.92	196,183,179.05	-6.05%	66.51%	55.52%	7.49%
Ocean shipping	63,548,295.62	51,140,020.97	19.53%	30.19%	11.97%	13.10%
Cold storage processing and trading	242,865,824.14	228,529,277.69	5.90%	-1.99%	-1.72%	-0.25%
<b>By region</b>						
China	335,496,370.26	322,682,269.88	3.82%	89.42%	79.33%	5.41%
Foreign countries	118,722,893.94	113,521,963.31	4.38%	-38.62%	-38.93%	0.48%

When the statistical caliber of the company's main business data is adjusted during the reporting period, the company's main business data for the most recent period adjusted based on the caliber at the end of the reporting period

Applicable  Not applicable

#### IV. Analysis of Non-main Businesses

Applicable  Not applicable

Unit:RMB

	Amount	Proportion in total profits	Reasons of formation	Whether it is sustainable
Investment income	-253,775.04	1.90%	Investment losses on associated enterprise	No
Asset impairment	-2,699,370.85	20.22%	Accrued inventory depreciation provision	No
Non-operating income	529,150.50	-3.96%	Insurance compensation income	No
Non-operating expenses	2,714.51	-0.02%	Equipment scrapping loss	No

## V. Analysis of Assets and Liabilities

### 1. Significant changes in asset components

Unit:RMB

	This reporting period end		Same period last year		Increase/Decrease (%)	Explanation of significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary capital	176,582,233.71	8.88%	227,264,342.31	12.36%	-3.48%	
Accounts receivable	49,649,021.78	2.50%	57,833,671.83	3.15%	-0.65%	
Inventory	514,432,161.66	25.87%	426,125,273.33	23.18%	2.69%	
Investment property	28,119,817.73	1.41%	28,782,856.07	1.57%	-0.16%	
Long-term equity investment	1,730,148.44	0.09%	1,983,923.48	0.11%	-0.02%	
Fixed assets	1,046,244,239.75	52.61%	630,970,963.32	34.32%	18.29%	Mainly due to the transfer of seining boats into fixed assets
Construction in progress	51,354,770.09	2.58%	344,727,296.32	18.75%	-16.17%	Mainly due to the transfer of seining boats into fixed assets
Right-of-use assets	351,952.31	0.02%	410,045.97	0.02%		
Short-term borrowings	87,441,269.40	4.40%	20,024,144.40	1.09%	3.31%	Mainly due to an increase in working capital borrowings
Contractual liabilities	56,718,860.93	2.85%	49,576,606.91	2.70%	0.15%	
Long-term borrowings	386,430,361.46	19.43%	283,557,577.77	15.42%	4.01%	Mainly due to an increase in borrowing for shipbuilding projects
Lease liabilities	186,871.11	0.01%			0.01%	

**2. Major overseas assets**

☑Applicable ☐Not applicable

Specific content of assets	Reasons of formation	Asset size	Location	Operation model	Control measures to guarantee asset security	Return on assets	Proportion of overseas assets in the Company's net assets	Whether there is any significant impairment risk
HABITAT INTERNATIONAL CORPORATION	Wholly-owned subsidiary incorporated overseas	310,428,069.01	Panama	Independent operations	Vessel and personnel insurance	9,907,703.20	24.98%	No
ZHONGGHA FOODS COMPANY LIMITED	Wholly-owned subsidiary incorporated overseas	138,189,169.76	Ghana	Independent operations	Professional management team stationed overseas and vessel and personnel insurance	-3,155,925.88	11.12%	No

**3. Assets and liabilities measured at fair value**

☐Applicable ☑Not applicable

**4. Restrictions over asset rights as of the end of the Reporting Period**

Item	Period-end book value	Reasons
Fixed assets	474,879,441.40	Mortgage loans
Intangible assets	4,676,999.00	Mortgage loans
Construction in progress	15,566,963.14	Mortgage loans
Total	495,123,403.54	

**VI. Investment Analysis****1. Overview**

☑Applicable ☐Not applicable

Investment amount for the Reporting Period (RMB)	Investment amount for the same period in the previous year (RMB)	Changes (%)
157,096,476.37	15,432,021.04	917.99%

**2. Significant equity investment acquired during the Reporting Period**

☐Applicable ☑Not applicable

**3. Significant non-equity investment in progress during the Reporting Period**

Applicable Not applicable

Unit:RMB

Project name	Investment method	Whether it is an investment in fixed assets	Industries involved in the investment	Investment amount for the Reporting Period	Total actual investment amount as at the end of the Reporting Period	Fund source	Project progress	Expected investment	Total income realized as of the end of the Reporting Period	Reasons for failure to reach the planned progress and realize the expected income	Disclosure date (if any)	Disclosure index (if any)
Construction of two large tuna seiners	Self-construction	Yes	Fishery	45,591,103.1	376,360,439.54	Self-owned fund and bank loans	100.00%			The designed capacity is reached.		
Zhonglu Marine Innovation Industry Park	Self-construction	Yes	Processing and trading of aquatic products and cold chain logistics	19,137,396.21	92,578,345.96	Self-owned fund and bank loans	10.00%			The designed capacity is not reached.		
合计	--	--	--	64,728,499.32	468,938,785.50	--	--	0.00	0.00	--	--	--

**4. Financial asset investment****(1) Securities investment**Applicable Not applicable

The Company did not have securities investments during the Reporting Period.

**(2) Derivative investment**Applicable Not applicable

The Company did not have derivative investments during the Reporting Period.

**5. Use of raised funds**Applicable Not applicable**VII. Sale of Significant Assets and Equity**

**1. Sale of significant assets**

Applicable Not applicable

The Company did not sell any significant assets during the Reporting Period.

**2. Sale of significant equity**

Applicable Not applicable

**VIII. Analysis of Key Shareholding Companies**

Applicable Not applicable

Key subsidiaries and shareholding companies affecting the Company's net profits by more than 10%

Unit:RMB

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating revenue	Operating profits	Net profits
Shandong Zhonglu Aquatic Shipping Co., Ltd	Subsidiary	Ocean shipping	22,505,600.00	35,728,798.15	24,364,210.85	11,540,923.97	1,733,956.87	1,258,551.76
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	Subsidiary	Food processing	104,322,300.00	512,098,304.39	345,186,976.03	242,865,824.14	6,147,085.83	5,523,380.41
HABITAT INTERNATIONAL CORPORATION	Subsidiary	Ocean shipping	12,476,145.60	310,428,069.01	214,373,551.92	55,063,975.41	9,907,703.20	9,907,703.20
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.	Subsidiary	Ocean fishing	221,617,349.00	541,408,185.32	399,559,683.29	123,113,716.41	14,612,350.35	-85

Acquisition and disposal of subsidiaries during the Reporting Period

Applicable Not applicable

Information of key shareholding companies

Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd.: Operating profits for the Reporting Period reached RMB-14,612,350.35, representing a substantial increase of 27.16% year-on-year, which was mainly due to the increase in production from seining and the rising sales prices;

Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.: Operating profits for the Reporting Period reached RMB6,147,085.83, representing a decrease of 32.18% year-on-year, which was mainly because: The market capacity in major consumer regions such as Japan is shrinking and prices continue to decline, causing a significant impact on exports of tuna and other products;

HABITAT INTERNATIONAL CORPORATION: Operating profits for the Reporting Period reached RMB9,907,703.20, representing a substantial increase of 172.83% year-on-year, which was mainly due to more lease incomes from new cold storage transportation vessels and exchange rate changes.

Shandong Zhonglu Aquatic Shipping Co., Ltd.: Operating profits for the Reporting Period reached RMB1,733,956.87, representing a decrease of 63.60% year-on-year, which was mainly because: The disposal of transportation ships generated a disposal income of 5.11 million yuan in the same period last year.

## IX. Structured Entities Controlled by the Company

Applicable Not applicable

## X. Risks facing the Company and countermeasures

1. Risk of fishing resource fluctuations: Fishing resources usually fluctuate, and sometimes the fluctuations are big. Greater decreases in fishing resources will have a greater impact on the Company's profits. Cyclic changes, climates, hydrological conditions, and other relevant conditions are all likely to cause fluctuations in fishing resources.

Countermeasures: Firstly, actively open up new fishing grounds and scientifically dispatch fishing grounds for vessel operations; Secondly, update fishing production equipment, gradually update production vessels, strengthen logistics support for ship maintenance, equipment repair, supplies, bait, spare parts, and personnel, and ensure the ship departure rate.

2. Risk of price fluctuations: Demand from overseas markets is shrinking in the context of the economic downturn, causing lingering impacts on the aquatic processing industry, fish product prices fluctuate substantially

Countermeasures: The Company will accelerate the building of a new paradigm focusing on domestic circulation with mutual promotion between domestic and international circulations. It will precisely target the domestic market, develop cooked products that accommodate consumers' needs, and expand domestic sales channels.

3. The risk of exchange rate fluctuations. Affected by factors such as the Federal Reserve's interest rate hike, exchange rate fluctuations are significant.

Countermeasures: The company will closely monitor the exchange rate trend and settle foreign exchange in a timely manner; At the same time, strengthen cooperation with financial institutions in exchange rate risk management, and adjust the balance of foreign currency assets held to the extent possible. If necessary, use hedging tools to mitigate foreign exchange risks.

4. Risk of safety accidents.

Countermeasures: The Company will uphold the production safety policies, implement production safety measures, conduct safety education regularly, prevent major safety accidents, and make tangible efforts to place production safety as a top priority.

5. The risk of a significant increase in company oil costs. In the future, oil prices will continue to remain high. In recent years, the company's fleet has expanded, and the demand for oil has further increased. The pressure on operating costs caused by the rise in oil prices will be more significant.

Countermeasures: Improve the refined management level, reduce ineffective sailing time and improve the efficiency of vessel operations by properly arranging vessel transfer operations, selecting nearby dock repair locations, and improving the precise positioning ability of shoals of fish.

## Section IV Corporate Governance

### I. Relevant information on annual and extraordinary shareholders' meetings held during the reporting period

#### 1. Situation of the shareholders' meeting during this reporting period

Session	Type	Investor participation ratio	Date of holding	Date of disclosing	Resolution
Annual general meeting 2022	Annual general meeting	47.63%	May 25, 2023	May 26, 2023	Refer to the Announcement on the Resolution of the Annual general meeting General Meeting of Shareholders in 2022 (Announcement No. 2023-14) disclosed in the China Securities Journal, and CNINFO

#### 2. Preferred shareholders with restored voting rights request to convene an extraordinary shareholders' meeting

Applicable Non applicable

### II. Information on the directors, supervisors, and senior management of the company

Applicable Non applicable

Name	Position	Type	Date	Reason
Lu Lianxing	Chairman of the board	Leaving office	May 06, 2023	Work adjustment

### III. The Company's profit distribution and capitalization of capital reserves

Applicable Not Applicable

The Company plans not to distribute cash dividends or bonus shares, or increase share capital from public reserves.

### IV. Implementation of the Company's equity incentive plan, employee stock ownership plan or other employee incentive measures

Applicable Not Applicable

During the reporting period, the Company had no equity incentive plan, employee stock ownership plan or other employee incentive measures and their implementation.

## Section V Environmental and Social Responsibility

### I. Major environmental issues

Whether the listed company and its subsidiaries belong to the key pollutant discharge enterprises announced by the environmental protection department

Yes  No

Administrative penalties due to environmental issues during the reporting period

Company or Subsidiary Name	Reason for punishment	Violation	Penalty result	The impact on the production and operation of listed companies	The company's corrective measures
none	none	none	none	none	none

Other environmental information disclosed by reference with key pollutant discharge units

not applicable

Measures and effects taken to reduce its carbon emissions during the reporting period

Applicable  Not Applicable

Reasons for not disclosing other environmental information

The Company and its subsidiaries do not belong to the key pollutant discharge enterprises announced by the environmental protection department. There is no other environmental information that needs to be disclosed.

### II. Social Responsibility

The Company always regards assuming social responsibility and supporting social welfare as one of the core values of the enterprise, and practices corporate social responsibility by respecting employees' rights, preventing pollution, promoting sustainable utilization of resources, and paying attention to participating in public welfare undertakings.

## Section VI Important Matters

### **I. Commitments fulfilled by the Company's actual controller, shareholders, related parties, acquirers, the Company and other relevant parties, and commitments that commitments that have not been fully fulfilled as of the end of the reporting period**

Applicable Not applicable

There are no commitments made by the actual controllers, shareholders, related parties, acquirers, and other related parties of the company during the reporting period that have been fulfilled or have not been fulfilled by the end of the reporting period.

### **II. Non-operating capital occupation of listed companies by controlling shareholders and other related parties**

Applicable Not Applicable

During the reporting period of the Company, there was no non-operating capital occupation of listed companies by controlling shareholders and other related parties.

### **III. Illegal external guarantees**

Applicable Not Applicable

The Company had no external guarantees in violation of regulations.

### **IV. Appointment and dismissal of accounting firms**

Has the semi-annual financial report been audited

Yes  No

The company's semi-annual report has not been audited.

### **V. Explanation of the board of directors, board of supervisors on the "non-standard audit report" of the accounting firm for the reporting period**

Applicable Not Applicable

### **VI. Explanation by the board of directors on the relevant situation of the "non-standard audit report" of the previous year**

Applicable  Not applicable

### **VII. Matters related to bankruptcy and reorganization**

Applicable Not Applicable

During the reporting period, there were no matters related to bankruptcy and reorganization of the Company.

### **VIII. Litigation matters**

Major litigation and arbitration matters

Applicable Not applicable

During this reporting period, the company has no major litigation or arbitration matters.

Other litigation matters

Applicable Not applicable

## **IX. Punishment and rectification**

Applicable Not Applicable

## **X. Integrity status of the Company and its controlling shareholders and actual controllers**

Applicable  Not applicable

The Company, its controlling shareholders and actual controllers did not fail to perform effective court judgments, or owe large amounts of debts that were due and unpaid.

## **XI. Significant connected transactions**

### **1. Connected transactions related to daily operations**

Applicable Not Applicable

During the reporting period of the Company, there was no connected transaction related to daily operation.

### **2. Connected transactions in the acquisition and sale of assets or equity**

Applicable Not Applicable

During the reporting period, there was no connected transaction involving asset or equity acquisition or sale.

### **3. Connected transactions of joint foreign investment**

Applicable Not Applicable

During the reporting period, there was no connected transaction involving joint external investment.

### **4. Related creditor's rights and debts**

Applicable Not Applicable

During the reporting period, the company had no related creditor's rights and debts.

### **5. Contacts with associated financial companies t**

Applicable Not Applicable

There is no deposit, loan, credit or other financial business between the Company and associated financial company or the related party.

### **6. Communications between financial companies controlled by the Company and related parties**

Applicable Not Applicable

There is no deposit, loan, credit or other financial business between the financial company controlled by the Company and related parties.

### **7. Other major connected transactions**

Applicable Not applicable

There were no other significant related party transactions during the reporting period of the company.

## XII. Significant contracts and their performance

### 1. Matters concerning trusteeship, contracting and leasing

#### (1) Trusteeship

Applicable  Not applicable

Explanation on trusteeship

April 2022, the Company has been entrusted by Shandong State-owned Assets Investment Holding Co., Ltd. to manage its subsidiary Zhongtai Xincheng Asset Management Co., Ltd. (hereinafter referred to as "Zhongtai Xincheng"); as the shareholder proxy of Zhongtai Xincheng, the Company shall comply with relevant provisions of the entrusted management agreement. Zhongtai Xincheng is not included in the scope of the Company's consolidated statements.

Projects that bring profit or loss to the Company amounting to more than 10% of the Company's total profit in the reporting period

Applicable Not Applicable

During the reporting period of the Company, there was no trusteeship project which brings profit or loss for the Company amounting to more than 10% of the total profit of the Company.

#### (2) Contracting status

Applicable Not Applicable

There was no contracting in the reporting period of the Company.

#### (3) Lease situation

Applicable Not Applicable

There was no lease in the reporting period of the Company.

### 2. Major guarantee

Applicable Not Applicable

Unit:RMB 10,000

External guarantees provided by the company and its subsidiaries (excluding guarantees provided to subsidiaries)										
Name of guarantee object	Disclosure date of relevant announcements on guarantee line	Guarantee line	Actual occurrence date	Actual guarantee date	Guarantee type	Collateral (if any)	Counter guarantee situation (if any)	Guarantee period	Has the performance completed or not	Is it a guarantee for related parties
The company's guarantee for subsidiaries										
Name of guarantee object	Disclosure date of	Guarantee line	Actual occurrence date	Actual guarantee date	Guarantee type	Collateral (if any)	Counter guarantee	Guarantee period	Has the performance	Is it a guarantee for

	relevant announcements on guarantee line						situation (if any)		completed or not	related parties
Shandong Zhonglu Oceanic Fisheries Food (Yantai) Co., Ltd	June 03, 2023	25,046	May 30, 2023	25,046	Joint and several liability guarantee			Three years from the day after the expiration of the loan term	No	No
Total approved guarantee lines for subsidiaries (B1) during the reporting period		300,000		Total actual amount of guarantee for subsidiaries during the reporting period (B2)		26,763				
Total approved guarantee lines for subsidiaries at the end of the reporting period (B3)		300,000		Total actual amount of guarantee balance for subsidiaries at the end of the reporting period (B4)		36,113				
Guarantee of subsidiaries for subsidiaries										
Name of guarantee object	Disclosure date of relevant announcements on guarantee line	Guarantee line	Actual occurrence date	Actual guarantee date	Guarantee type	Collateral (if any)	Counter guarantee situation (if any)	Guarantee period	Has the performance completed or not	Is it a guarantee for related parties
Total amount of company guarantee (i.e. the total of the first three major items)										
Total approved guarantee lines during the reporting period (A1+B1+C1)		300,000		Total actual amount of guarantee incurred during the reporting period (A2+B2+C2)		26,763				
Total approved guarantee lines at the end of the reporting period (A3+B3+C3)		300,000		Total actual guarantee balance at the end of the reporting period (A4+B4+C4)		36,113				
The proportion of actual total guarantee amount (i.e. A4+B4+C4) to the company's net assets				36.70%						
Including:										

### **3. Entrusted financial management**

Applicable Not Applicable

There was no entrusted wealth management in the reporting period of the Company.

### **4. Other major contracts**

Applicable Not Applicable

There were no other major contracts in the reporting period of the Company.

## **XIII. Notes to other major items**

Applicable Not applicable

1. During this reporting period, Mr. Lu Lianxing resigned from board chairman and director of the 8<sup>th</sup> session of board of directors of the Company, and resigned from convener of Strategic Committee and Nomination Committee of the 8<sup>th</sup> session of board of directors of the Company. Before new board chairman and convener of Strategic Committee are elected, Mr. Wang Huan, the director and general manager of the Company, was elected by majority of directors of the Company to perform the duties of board chairman and convener of Strategic Committee temporarily. Refer to Announcement on the Resignation of the Chairman (No. 2023-13) disclosed by the Company on China Securities Journal and CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) on 6 May 2023 for details. Currently, the Company has not elected new directors and board chairman; in accordance with relevant provisions of Articles of Association of the Company, Mr. Wang Huan, the director and general manager of the Company, temporarily performs the duties of legal representative.

2. The general meeting of the Company for the year of 2022 adopted Resolution on Changing the Domicile of the Company and Revising Articles of Association, changing the domicile from “No. 29, Miaoling Road, Qingdao City, Shandong Province” to “No. 31, Xianxialing Road, Qingdao City, Shandong Province”. Refer to Announcement on the Resolution of General Meeting of 2022 (No. 2023-14) disclosed by the Company on China Securities Journal and CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) on 26 May 2023 for details. The issues of changing corporate domicile have not been registered at Qingdao Administrative Examination and Approval Service Bureau, and the registered address after this change is subject to the content approved by administrative examination and approval authority.

## **XIV. Significant events of the Company's subsidiaries**

Applicable Not applicable

## Section VII Changes in Shares and Information on Shareholders

### I. Changes in shares

#### 1. Changes in shares

Unit: share

	Before this change		Increase or decrease in this change (+, -)					After this change	
	Quantity	Proportion	Issuance of new shares	Bonus shares	Provident fund transfer	Other	Subtotal	Quantity	Proportion
I. Unlisted tradable shares	128,071,320	48.13%						128,071,320	48.13%
1. Promoter shares	128,071,320	48.13%						128,071,320	48.13%
Of which: shares held by the state	127,811,320	48.04%						127,811,320	48.04%
Shares held by domestic legal persons	260,000	0.09%						260,000	0.09%
Shares held by foreign legal persons									
Other									
2. Raising legal person shares									
3. Internal staff shares									
4. Preferred stock or other									
II. Listed tradable shares	138,000,000	51.87%						138,000,000	51.87%
1. RMB ordinary shares									

2. Foreign shares listed in China	138,000,0 00	51.87%						138,000,0 00	51.87%
3. Foreign shares listed overseas									
4. Others									
III. Total number of shares	266,071,3 20	100.00%						266,071,3 20	100.00%

## Reason for Share Change

Applicable Not Applicable

## Approval status of shareholding changes

Applicable Not Applicable

## Transfer status of share changes

Applicable Not Applicable

## Implementation progress of share repurchase

Applicable Not Applicable

## Implementation progress of reducing share repurchase through centralized bidding

Applicable Not Applicable

## The impact of shareholding changes on financial indicators such as basic earnings per share, diluted earnings per share, and net assets per share attributable to ordinary shareholders of the Company in the last year and the latest period

Applicable Not Applicable

## Other content that the Company deems necessary or required by securities regulators to disclose

Applicable Not Applicable

## 2. Changes in restricted shares

Applicable Not Applicable

## II. Securities Issuance and Listing

Applicable Not Applicable

## III. Number of shareholders and shareholding status of the Company

Unit: share

Total number of ordinary shareholders at the end of the reporting period	9,892	Total number of preferred shareholders with voting rights restored at the end of the reporting period (if any) (see note 8)	0				
Shareholdings of ordinary shareholders holding more than 5% of the shares or the top 10 ordinary shareholders							
Shareholder	Nature of	Shareholding	Number of	Increase/decr	Number of	Number of	Pledge, Mark or Frozen Situation

name	shareholders	ratio	common shares held at the end of the reporting period	ease changes during the reporting period	unlisted and non-circulating ordinary shares held	listed and circulating ordinary shares held	Share Status	Quantity
Shandong State-owned Assets Investment Holding Co., Ltd.	State-owned legal person	47.25%	125,731,320		125,731,320			
Chen Tianming	foreign natural person	2.16%	5,760,427			5,760,427		
Zhu Shuzhen	Domestic natural person	1.88%	5,002,046			5,002,046		
Cai Yujiu	Domestic natural person	1.75%	4,668,300			4,668,300		
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED	Foreign legal person	1.10%	2,936,425	-16000		2,936,425		
Zhan Changcheng	Domestic natural person	1.01%	2,693,815			2,693,815		
China National Heavy Duty Truck Group Co., Ltd.	State-owned legal person	0.73%	1,950,000		1,950,000			
Shenwan Hongyuan Securities (Hong Kong) Co., Ltd.	Foreign legal person	0.71%	1,897,854			1,897,854		
Lin Mingyu	Domestic natural person	0.56%	1,500,001			1,500,001		
Wang Dongsheng	Foreign natural person	0.42%	1,108,304	-28000		1,108,304		
Situation of strategic investors or general legal persons becoming the top 10 ordinary shareholders due to the placement of new shares (if any) (see Note 3)			not applicable					
Explanation on the related relationship or concerted action of aforesaid shareholders			The Company does not know whether it has an associated relationship or is a person acting in concert as stipulated in the "Administrative Measures for Information Disclosure of Shareholding Changes in Listed Companies".					
Explanation of the above-mentioned shareholders involved in entrusted/entrusted voting rights and waiver of			none					

voting rights			
Special instructions for repurchase accounts among the top 10 shareholders (if any) (see Note 11)	not applicable		
Shareholding status of the top 10 circulating common stock shareholders			
Shareholder name	Number of listed and circulating common shares held at the end of the reporting period	Type of shares	
		Type of shares	Quantity
Chen Tianming	5,760,427	Domestic listed foreign shares	5,760,427
Zhu Shuzhen	5,002,046	Domestic listed foreign shares	5,002,046
Cai Yujiu	4,668,300	Domestic listed foreign shares	4,668,300
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED	2,936,425	Domestic listed foreign shares	2,936,425
Zhan Changcheng	2,693,815	Domestic listed foreign shares	2,693,815
Shenwan Hongyuan Securities (Hong Kong) Limited company	1,897,854	Domestic listed foreign shares	1,897,854
Lin Mingyu	1,500,001	Domestic listed foreign shares	1,500,001
Wang Dongsheng	1,108,304	Domestic listed foreign shares	1,108,304
Chen Cirou	1,093,860	Domestic listed foreign shares	1,093,860
Huang Jiayi	1,048,687	Domestic listed foreign shares	1,048,687
Note for the association or concerted action between the top 10 shareholders of ordinary shares with unrestricted sales conditions, as well as between the top 10 shareholders of ordinary shares with unrestricted sales conditions and the top 10 shareholders of ordinary shares	The Company is not aware of whether the aforesaid shareholders have any associated relationship or are persons acting in concert as stipulated in the "Administrative Measures for the Disclosure of Information on Changes in Shareholding of Shareholders of Listed Companies".		
Note for the top 10 ordinary shareholders participating in	not applicable		

margin trading (if any) (see Note 4)	
--------------------------------------	--

Whether the Company's top 10 shareholders of common shares and top 10 shareholders of common shares not subject to sales restrictions conducted agreed repurchase transactions during the reporting period

Yes  No

The Company's top 10 shareholders of common shares and top 10 shareholders of common shares not subject to sales restrictions did not conduct agreed repurchase transactions during the reporting period.

#### **IV. Changes in Shareholding of Directors, Supervisors, and Senior Management**

Applicable  Not applicable

There has been no change in shareholding situation of the company's directors, supervisors, and senior management personnel during the reporting period, as detailed in the 2022 annual report.

#### **V. Changes in controlling shareholders or actual controllers**

Changes in controlling shareholders during the reporting period

Applicable  Not applicable

There has been no change in the controlling shareholder of the company during the reporting period.

Changes in actual controller during the reporting period

Applicable  Not applicable

There has been no change in the actual controller of the company during the reporting period.

## Section VIII Preferred Shares

Applicable Not Applicable

During the reporting period, the Company had no preferred shares.

## **Section IX Bonds**

Applicable Not Applicable

## Section X Financial Report

### I. Audit Report

Has the semi-annual report been audited

Yes  No

The company's semi-annual financial report has not been audited.

### II. Financial Statements

The monetary unit of the financial statements in the financial notes is: RMB

#### 1.Consolidated balance sheet

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

June 30, 2023

Unit:RMB

Item	June 30, 2023	January 1, 2023
Current assets:		
Monetary funds	176,582,233.71	227,264,342.31
Settlement provisions		
Lending funds		
Trading financial assets		
Derivative financial assets		
Notes receivable		
Accounts receivable	49,649,021.78	57,833,671.83
Accounts receivable financing		
Prepayments	33,773,906.37	26,860,050.66
Premium receivable		
Accounts receivable reinsurance		
Reinsurance contract reserve receivable		
Other receivables	6,370,630.00	5,562,546.59
Including: Interest receivable		
Dividends receivable		
Buying back the sale of financial assets		
Inventory	514,432,161.66	426,125,273.33
Contract assets		
Assets held for sale		
Non-current assets maturing within one year		
Other current assets	8,698,262.22	10,791,446.11
Total current assets	789,506,215.74	754,437,330.83

Non-current assets:		
Issuance of loans and advances		
Debt investment		
Other debt investments		
Long-term receivables		
Long-term equity investment	1,730,148.44	1,983,923.48
Other equity instrument investments		
Other non-current financial assets		
Investment real estate	28,119,817.73	28,782,856.07
Fixed assets	1,046,244,239.75	630,970,963.32
Construction in progress	51,354,770.09	344,727,296.32
Productive biological assets		
Oil and gas assets		
Right of use assets	351,952.31	410,045.97
Intangible assets	61,786,870.88	62,627,704.04
Development expenditure		
Goodwill		
Long-term deferred expenses	69,204.04	79,090.36
Deferred tax assets	1,514,277.65	1,557,933.07
Other non-current assets	8,099,449.18	12,851,990.71
Total non-current assets	1,199,270,730.07	1,083,991,803.34
Total assets	1,988,776,945.81	1,838,429,134.17
Current liabilities:		
Short-term loans	87,441,269.40	20,024,144.40
Borrowing from the Central Bank		
Borrowing funds		
Trading financial liabilities		
Derivative financial liabilities		
Notes payable		
Accounts payable	126,152,497.34	134,272,304.05
Advance payment	1,879,098.03	1,684,961.19
Contract liabilities	56,718,860.93	49,576,606.91
Financial assets sold for repurchase		
Deposit taking and interbank deposits		
Acting trading securities		
Acting underwriting securities		
Employee compensation payable	48,050,168.40	55,116,034.18
Taxes and fees payable	2,482,139.64	4,341,676.32
Other payables	17,524,810.27	18,326,716.51
Including: Interest payable		
Dividends payable		
Handling fees and commissions payable		

Accounts payable reinsurance		
Held for sale liabilities		
Non-current liabilities maturing within one year	3,300,000.00	6,502,041.67
Other current liabilities	5,813.08	223,557.01
Total current liabilities	343,554,657.09	290,068,042.24
Non-current liabilities:		
Insurance contract reserves		
Long-term loans	386,430,361.46	283,557,577.77
Bonds payable		
Including: Preferred stock		
Perpetual bonds		
Lease liabilities	186,871.11	
Long-term accounts payable		
Long-term employee compensation payable	551,802.08	616,935.20
Estimated liabilities		
Deferred income	12,873,647.49	13,500,315.67
Deferred tax liability	2,526,954.30	2,610,499.36
Other non-current liabilities		
Total non-current liabilities	402,569,636.44	300,285,328.00
Total liabilities	746,124,293.53	590,353,370.24
Owner's equity:		
Capital stock	266,071,320.00	266,071,320.00
Other equity instruments		
Including: Preferred stock		
Perpetual bonds		
Capital reserve	295,620,272.02	295,620,272.02
Less: Treasury stock		
Other comprehensive income	498,039.84	-6,291,344.58
Special reserves	303,295.34	
Surplus reserves	21,908,064.19	21,908,064.19
General risk provision		
Undistributed profits	399,563,090.30	409,764,423.32
Total owner's equity attributable to the parent company	983,964,081.69	987,072,734.95
Minority shareholders' equity	258,688,570.59	261,003,028.98
Total owner's equity	1,242,652,652.28	1,248,075,763.93
Total liabilities and owner's equity	1,988,776,945.81	1,838,429,134.17

Legal representative: Wang Huan, Person in charge of accounting work: Fu Chuanhai, Person in charge of accounting agency: Lei Lixin

## 2. Balance sheet of the parent company

Unit:RMB

Item	June 30, 2023	January 1, 2023
Current assets:		

Monetary funds	16,404,474.88	50,352,735.39
Trading financial assets		
Derivative financial assets		
Notes receivable		
Accounts receivable	6,392,835.65	416,945.02
Accounts receivable financing		
Prepayments	14,436,270.77	11,978,519.28
Other receivables	165,324,368.33	124,833,179.13
Including: Interest receivable	614,333.33	
Dividends receivable	79,137,061.83	79,137,061.83
Inventory	108,934,818.12	73,584,901.53
Contract assets		
Assets held for sale		
Non-current assets maturing within one year		
Other current assets	1,244,593.24	1,036,415.04
Total current assets	312,737,360.99	262,202,695.39
Non-current assets:		
Debt investment		
Other debt investments		
Long-term receivables	4,289,611.23	3,852,541.51
Long-term equity investment	328,189,455.23	328,189,455.23
Other equity instrument investments		
Other non-current financial assets		
Investment real estate	28,119,817.73	28,782,856.07
Fixed assets	492,932,368.07	112,981,919.66
Construction in progress	16,560,747.31	330,769,336.43
Productive biological assets		
Oil and gas assets		
Right of use assets		
Intangible assets	147,854.76	242,789.22
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred tax assets		
Other non-current assets		3,677,308.80
Total non-current asset	870,239,854.33	808,496,206.92
Total assets	1,182,977,215.32	1,070,698,902.31
Current liabilities:		
Short-term loans	49,400,000.00	
Trading financial liabilities		
Derivative financial liabilities		

Notes payable		
Accounts payable	26,962,250.04	44,867,412.91
Advance receipts	1,879,098.03	1,684,961.19
Contract liabilities	15,525,210.72	19,914,211.04
Employee compensation payable	14,033,911.90	16,132,001.87
Taxes and fees payable	324,075.22	847,721.94
Other payables	168,323,092.75	161,941,857.71
Including: Interest payable		
Dividends payable		
Held for sale liabilities		
Non-current liabilities maturing within one year	3,300,000.00	6,502,041.67
Other current liabilities		
Total current liabilities	279,747,638.66	251,890,208.33
Non-current liabilities:		
Long-term loans	386,430,361.46	283,557,577.77
Bonds payable		
Including: Preferred stock		
Perpetual bonds		
Lease liabilities		
Long-term accounts payable		
Long-term employee compensation payable	463,135.85	528,268.97
Estimated liabilities		
Deferred income		
Deferred tax liability		
Other non-current liabilities		
Total non-current liabilities	386,893,497.31	284,085,846.74
Total liabilities	666,641,135.97	535,976,055.07
Owner's equity:		
Capital stock	266,071,320.00	266,071,320.00
Other equity instruments		
Including: Preferred stock		
Perpetual bonds		
Capital reserve	279,115,900.17	279,115,900.17
Less: Treasury stock		
Other comprehensive income		
Special reserve		
Surplus reserves	19,184,672.34	19,184,672.34
Undistributed profits	-48,035,813.16	-29,649,045.27
Total owner's equity	516,336,079.35	534,722,847.24
Total liabilities and owner's equity	1,182,977,215.32	1,070,698,902.31

**3.Consolidated income statement**

Unit:RMB

Item	Half year of 2023	Half year of 2022
I. Total operating income	454,219,264.20	370,548,994.76
Including: Operating income	454,219,264.20	370,548,994.76
Interest income		
Earned premium		
Handling fee and commission income		
II. Total operating costs	466,379,504.41	392,178,058.04
Including: Operating costs	436,204,233.19	365,817,738.76
Interest expenses		
Handling fees and commission expenses		
Surrender deposit		
Net compensation expenses		
Net amount of insurance liability reserve withdrawn		
Expenditures dividend policy		
Reinsurance expenses		
Taxes and surcharges	1,408,885.26	1,574,981.39
Sales expenses	1,891,807.78	1,445,349.37
Administrative expenses	29,182,163.89	25,639,725.37
R&D expenses	615,475.75	332,543.96
Financial expenses	-2,923,061.46	-2,632,280.81
Including: Interest expenses	4,110,188.21	1,350,577.27
Interest income	908,757.25	202,305.23
Plus: Other income	1,528,046.31	688,100.25
Investment income (loss , using "-")	-253,775.04	1,076,034.24
Including: Investment income from associates and joint ventures	-253,775.04	
Income from derecognition of financial assets measured at amortized cost		
Exchange gains (losses, using "-")		
Net exposure hedging income (loss, using "-")		
Income from changes in fair value (loss , using "-")		-96,000.00
Credit impairment loss (loss , using "-")	-289,385.20	360,747.35
Asset impairment loss (loss ,	-2,699,370.85	

using "-")		
Asset disposal income (loss , using "-")		5,105,581.41
III. Operating profit (loss , using "-")	-13,874,724.99	-14,494,600.03
Plus: Non-operating income	529,150.50	37,000.10
Less: Non-operating expenses	2,714.51	1,337.00
IV. Total profit (total loss, using "-")	-13,348,289.00	-14,458,936.93
Less: Income tax expenses	1,099,110.53	358,112.38
V. Net profit (net loss, using "-")	-14,447,399.53	-14,817,049.31
(I) Classified by business continuity		
1. Net profit from continuing operations (net loss , using "-")	-14,447,399.53	-14,817,049.31
2. Net profit from discontinuing operations (net loss , using "-")		
(II) Classification by ownership		
1. Net profit attributable to shareholders of the parent company (net loss, using "-")	-10,201,333.02	-9,019,125.78
2. Minority shareholder gains and losses (net loss, using "-")	-4,246,066.51	-5,797,923.53
VI. After-tax net amount of other comprehensive income	8,720,992.54	9,914,560.92
After-tax net amount of other comprehensive income attributable to the owner of the parent company	6,789,384.42	7,634,270.71
Other comprehensive income that cannot be reclassified into profit or loss		
1. Changes in remeasurement of defined benefit plans		
2. Other comprehensive income that cannot be transferred to gain or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of enterprise's own credit risk		
5. Others		
Other comprehensive income to be reclassified into profit or loss	6,789,384.42	7,634,270.71
6. Other comprehensive income that can be transferred to profit or loss under the equity method		
7. Changes in fair value of other credit investments		
8. Reclassification of financial assets into other comprehensive income		
9. Credit impairment provision of other debt investments		
10. Cash flow hedging reserves		

11. Translation differences in foreign currency financial statements	6,789,384.42	7,634,270.71
12. Others		
13. After-tax net amount of other comprehensive income attributable to minority shareholders	1,931,608.12	2,280,290.21
VII. Total comprehensive income	-5,726,406.99	-4,902,488.39
Total comprehensive income attributable to the owners of the parent company	-3,411,948.60	-1,384,855.07
Total comprehensive income attributable to minority shareholders	-2,314,458.39	-3,517,633.32
VIII. Earnings per share:		
(I) Basic earnings per share	-0.0383	-0.0339
(II) Diluted earnings per share	-0.0383	-0.0339

If a business merger occurs under the same control in the current period, the net profit realized by the merged party before the merger is: RMB, while the net profit realized by the merged party in the previous period is:RMB.

Legal representative: Wang Huan, Person in charge of accounting work: Fu Chuanhai, Person in charge of accounting agency: Lei Lixin

#### 4. Profit statement of the parent company

Unit:RMB

Item	Half year of 2023	Half year of 2022
1. Operating income	67,009,605.79	43,901,252.32
Less: Operating costs	68,186,430.48	43,006,535.77
Taxes and surcharges	650,364.27	630,255.58
Sales expenses	377,736.62	89,075.70
Administrative expenses	14,849,393.19	14,332,990.11
R&D expenses		26,409.47
Financial expenses	1,370,887.76	-2,310,031.96
Including: Interest expenses	4,595,212.38	1,182,579.77
Interest income	729,369.72	104,634.80
Plus: Other income	18,491.94	17,154.36
Investment income (loss , using "-")		1,076,034.24
Including: Investment income from associates and joint ventures		
Income from derecognition of financial assets measured at amortized cost (loss , using "-")		
Net exposure hedging income (loss , using "-")		
Income from changes in fair value (loss , using "-")		
Credit impairment loss (loss , using "-")	22,331.21	542,539.78
Asset impairment loss (loss ,		

using "-")		
Asset disposal income (loss , using "-")		
II. Operating profit (loss , using "-")	-18,384,383.38	-10,238,253.97
Plus: Non-operating income	330.00	22,759.94
Less: Non-operating expenses	2,714.51	1,337.00
III. Total profit (total loss , using "-")	-18,386,767.89	-10,216,831.03
Less: Income tax expenses		
IV. Net profit (net loss , using "-")	-18,386,767.89	-10,216,831.03
(I) Net profit from continuing operations (net loss , using "-")	-18,386,767.89	-10,216,831.03
(2) Net profit from discontinuing operations (net loss , using "-")		
V.After-tax net amount of other comprehensive income		
(I) Other comprehensive income that cannot be reclassified into profit or loss		
1.Remeasured changes in defined benefit plans		
2.Other comprehensive income that cannot be transferred to gain or loss under the equity method		
3.Changes in fair value of other equity instrument investments		
4.Changes in fair value of enterprise's own credit risk		
5. Others		
(II) Other comprehensive income to be reclassified into profit or loss		
1. Other comprehensive income that can be transferred to profit or loss under the equity method		
2.Changes in fair value of other credit investments		
3.Financial assets reclassified into other comprehensive income		
4.Provision for credit impairment of other debt investments		
5.Cash flow hedging reserves		
6. Translated differences in foreign currency financial statements		
7. Others		
VI. Total comprehensive income	-18,386,767.89	-10,216,831.03
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

## 5.Consolidated cash flow statement

Unit:RMB

Item	Half year of 2023	Half year of 2022
I. Cash flow generated from operating activities:		
Cash received from selling goods and	466,860,334.47	359,507,267.53

providing services		
Net increase in customer deposits and interbank deposits and loans		
Net increase in borrowings from the Central Bank		
Net increase in borrowing funds from other financial institutions		
Cash received from original insurance contract premiums		
Net cash received from reinsurance business		
Net increase in insured deposits and investments		
Cash received for interest, handling fees, and commissions		
Net increase in borrowing funds		
Net increase in repurchase business funds		
Net cash received from proxy trading of securities		
Received refunds of taxes	14,575,860.89	18,349,028.22
Received other cash related to operating activities	3,850,915.87	11,729,762.30
Subtotal of cash inflows from operating activities	485,287,111.23	389,586,058.05
Cash paid for purchasing goods and receiving services	438,723,024.15	352,360,139.26
Net increase in customer loans and advances		
Net increase in deposits with Central Bank and interbank funds		
Cash paid for compensation under the original insurance contract		
Net increase in lending funds		
Cash paid for interest, handling fees, and commissions		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	75,715,483.99	79,035,276.88
Various taxes and fees paid	7,762,355.65	8,668,847.08
Other cash payments related to operating activities	17,552,207.05	18,239,881.04
Subtotal of cash outflows from operating activities	539,753,070.84	458,304,144.26
Net cash flow generated from operating activities	-54,465,959.61	-68,718,086.21
II. Cash flow generated from investment activities		
Cash received from investment recovery		260,000,000.00
Cash received from obtaining investment income		1,076,034.24
Net cash received from disposal of fixed assets, intangible assets, and other long-		7,554,887.43

term assets		
Net cash received from disposal of subsidiaries and other business units		
Received other cash related to investment activities		
Subtotal of cash inflows from investment activities		268,630,921.67
Cash paid for the purchase and construction of fixed assets, intangible assets, and other long-term assets	157,543,076.25	15,815,569.94
Cash paid for investment		262,382,345.00
Net increase in pledged loans		
Net cash paid for acquiring subsidiaries and other business units		
Other cash payments related to investment activities		
Subtotal of cash outflows from investment activities	157,543,076.25	278,197,914.94
Net cash flow generated from investment activities	-157,543,076.25	-9,566,993.27
III. Cash flow generated from financing activities:		
Cash received from absorbing investments		100,000,000.00
Including: Cash received from subsidiaries absorbing minority shareholder investments		100,000,000.00
Cash received from obtaining loans	170,430,361.46	
Received other cash related to financing activities		
Subtotal of cash inflows from financing activities	170,430,361.46	100,000,000.00
Cash paid for debt repayment	3,200,000.00	16,100,000.00
Cash paid for distributing dividends, profits, or paying interest	7,184,959.72	3,490,984.61
Including: Dividends and profits paid by subsidiaries to minority shareholders		
Other cash payments related to financing activities	338,909.00	652,967.28
Subtotal of cash outflows from financing activities	10,723,868.72	20,243,951.89
Net cash flow generated from financing activities	159,706,492.74	79,756,048.11
IV. The impact of exchange rate changes on cash and cash equivalents	1,620,434.52	1,815,856.49
V. Net increase in cash and cash equivalents	-50,682,108.60	3,286,825.12
Plus: Opening balance of cash and cash equivalents	227,264,342.31	209,649,305.99
VI. Closing balance of cash and cash equivalents	176,582,233.71	212,936,131.11

**6. Cash flow statement of the parent company**

Unit:RMB

Item	Half year of 2023	Half year of 2022
<b>I. Cash flow generated from operating activities:</b>		
Cash received from selling goods and providing services	51,088,820.85	20,028,339.91
Received refunds of taxes		31,858.29
Received other cash related to operating activities	723,823.62	8,001,569.03
Subtotal of cash inflows from operating activities	51,812,644.47	28,061,767.23
Cash paid for purchasing goods and receiving services	60,267,617.75	29,919,326.23
Cash paid to and on behalf of employees	18,574,437.40	19,240,930.75
Various taxes and fees paid	926,400.93	722,945.09
Other cash payments related to operating activities	7,461,551.42	4,432,049.90
Subtotal of cash outflows from operating activities	87,230,007.50	54,315,251.97
Net cash flow generated from operating activities	-35,417,363.03	-26,253,484.74
<b>II. Cash flow generated from investment activities:</b>		
Cash received from investment recovery		260,000,000.00
Cash received from obtaining investment income		15,524,276.11
Net cash received from disposal of fixed assets, intangible assets, and other long-term assets		
Net cash received from disposal of subsidiaries and other business units		
Received other cash related to investment activities		2,051,160.00
Subtotal of cash inflows from investment activities		277,575,436.11
Cash paid for the purchase and construction of fixed assets, intangible assets, and other long-term assets	91,336,954.25	3,838,108.94
Cash paid for investment		260,000,000.00
Net cash paid for acquiring subsidiaries and other business units		
Other cash payments related to investment activities		
Subtotal of cash outflows from investment activities	91,336,954.25	263,838,108.94
Net cash flow generated from investment activities	-91,336,954.25	13,737,327.17
<b>III. Cash flow generated from financing activities:</b>		
Cash received from absorbing investments		
Cash received from obtaining loans	152,430,361.46	
Received other cash related to financing activities	7,650,000.00	100,000,000.00

Subtotal of cash inflows from financing activities	160,080,361.46	100,000,000.00
Cash paid for debt repayment	3,200,000.00	10,100,000.00
Cash paid for distributing dividends, profits, or paying interest	6,663,459.72	3,321,092.94
Other cash payments related to financing activities	57,467,472.65	52,997,001.98
Subtotal of cash outflows from financing activities	67,330,932.37	66,418,094.92
Net cash flow generated from financing activities	92,749,429.09	33,581,905.08
IV. The impact of exchange rate changes on cash and cash equivalents	56,627.68	73,669.23
V. Net increase in cash and cash equivalents	-33,948,260.51	21,139,416.74
Plus: Opening balance of cash and cash equivalents	50,352,735.39	49,943,353.89
VI. Closing balance of cash and cash equivalents	16,404,474.88	71,082,770.63

## 7. Consolidated statement of changes in owner's equity

Amount of current period

Unit:RMB

Item	Half year of 2023													Minority shareholder's equity	Total owner's equity
	Total owner's equity attributable to the parent company														
	Capital stock	Other equity instruments			Capital reserve	Less : Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Undistributed profit	Others	Subtotal		
I. Closing balance of previous year	266,071,320.00				295,620,272.02		-6,291,344.58		21,908,064.19		409,764,423.32		987,072,734.95	261,003,028.98	1,248,073,807.576393
Plus: Changes in accounting policies															
Early error correction															
Merger of enterprises under the same control															
Others															

II. Opening balance of this year	266,071,320.00				295,620,272.02		-6,291,344.58		21,908,064.19		409,764,423.32		987,072,734.95	261,003,028.98	1,248,075.393
III. Increase or decrease in the current period (decrease, using "-")							6,789,384.42	303,295.34			-10,201,333.02		-3,108,653.26	-2,314,458.39	-5,423,111.65
(I) Total comprehensive income							6,789,384.42				-10,201,333.02		-3,411,948.60	-2,314,458.39	-5,726,406.99
(II) Capital invested and reduced by owners															
1. Ordinary shares invested by owners															
2. Capital invested by holders of other equity instruments															
3. Amount of share-based payments recognized in owner's equity															
4. Others															
(III) Profit distribution															
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk provisions															
3. Distribution to owners (or shareholders)															
4. Others															
(IV) Internal carryover of owner's															

equity															
1. Capitalization of capital reserves into capital (or capital stock)															
2. Surplus reserves converted into capital (or capital stock)															
3. Surplus reserves to cover losses															
4. Carryover of changes in defined benefit plans to retained earnings															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(V) Special reserves								303,295.34					303,295.34	303,295.34	
1. Withdrawal in current period								1,658.748.71					1,658.748.71	1,658.748.71	
2. Current usage								1,355.453.37					1,355.453.37	1,355.453.37	
(VI) Others															
IV. Closing balance of the current period	266,071,320.00				295,620,272.02		498,039.84	303,295.34	21,908.064.19		399,563,090.30		983,964,081.69	258,688,570.59	1,242,652.652.28

Amount of previous year

Unit:RMB

Item	Half year of 2022														
	Total owner's equity attributable to the parent company												Minority shareholder's equity	Total owner's equity	
	Capital stock	Other equity instruments			Capital reserve	Less : Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Undistributed profit	Others			Subtotal
	Preferrred stock	Perpetual bonds	Others												
I. Closing balance of previous year	266,071,320.00				284,054,997.75		-18,256,201.98	232,783.00	21,908,064.19		379,524,911.94		933,535,874.90	161,988,106.39	1,095,523,981.29
Plus: Changes in accounting policies															
Early error correction															
Merger of enterprises under the same control															
Others															
II. Opening balance of this year	266,071,320.00				284,054,997.75		-18,256,201.98	232,783.00	21,908,064.19		379,524,911.94		933,535,874.90	161,988,106.39	1,095,523,981.29
III. Increase or decrease in the current period (decrease , using "-")					11,565,274.27		7,634,270.71	183,325.75			-9,019,125.78		10,363,744.95	84,917,092.40	95,280,837.35
(I) Total comprehensive income							7,634,270.71				-9,019,125.78		-1,384,855.07	84,917,092.40	83,532,373.33
(II) Capital invested and reduced by owners					11,565,274.27								11,565,274.27		11,565,274.27
1. Ordinary shares invested by owners															
2. Capital															



earnings															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(V) Special reserve								183,325.75					183,325.75		183,325.75
1. Withdrawal in current period								494,302.97					494,302.97		494,302.97
2. Current usage								310,977.22					310,977.22		310,977.22
(VI) Others															
IV. Closing balance of the current period	266,071,320.00				295,620,272.02		-10,621,931.27	416,108,757.5	21,908,064.19		370,505,786.16		943,899,619.85	246,905,198.79	1,190,804,818.64

## 8. Statement of changes in owner's equity of the parent company

Amount of current period

Unit:RMB

Item	Half year of 2023											
	Capital stock	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserves	Surpluses reserves	Undistributed profit	Others	Total Total owner's equity
		Preferred stock	Perpetual bonds	Others								
I. Closing balance of previous year	266,071,320.00				279,115,900.17				19,184,672.34	-29,649,045.27		534,722,847.24
Plus: Changes in accounting policies												
Early error correction												
Others												
II. Opening balance of this year	266,071,320.00				279,115,900.17				19,184,672.34	-29,649,045.27		534,722,847.24

										27		
III. Increase or decrease in the current period (decrease , using "-")										-		-
										18,38		18,38
										6,767.		6,767.
										89		89
(I) Total comprehensive income										-		-
										18,38		18,38
										6,767.		6,767.
										89		89
(II) Capital invested and reduced by owners												
1. Ordinary shares invested by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payments recognized in owner's equity												
4. Others												
(III) Profit distribution												
1. Withdrawal of surplus reserves												
2. Distribution to owners (or shareholders)												
3. Others												
(IV) Internal carryover of owner's equity												
1. Capitalization of capital reserves into capital (or share capital)												
2. Surplus												

reserves converted into capital (or capital stock)												
3. Surplus reserves to cover losses												
4. Carryover of changes in defined benefit plans to retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
(V) Special reserve												
1. Withdrawal in current period												
2. Current usage												
(VI)Others												
IV. Closing balance of the current period	266,0 71,32 0.00				279,1 15,90 0.17				19,18 4,672. 34	- 48,03 5,813. 16		516,3 36,07 9.35

Amount of previous year

Unit:RMB

Item	Half year of 2022											
	Capital stock	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit	Others	Total Total owner's equity
		Preferred stock	Perpetual bonds	Others								
I. Closing balance of previous year	266,0 71,32 0.00				279,1 15,90 0.17				19,18 4,672. 34	- 30,09 7,556. 45		534,2 74,33 6.06
Plus: Changes in												

accounting policies												
Early error correction												
Others												
II. Opening balance of this year	266,071,320.00				279,115,900.17				19,184,672.34	-30,097,556.45		534,274,336.06
III. Increase or decrease in the current period (decrease , using "-")										-10,216,831.03		-10,216,831.03
(I) Total comprehensive income										-10,216,831.03		-10,216,831.03
(II) Capital invested and reduced by owners												
1. Ordinary shares invested by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payments recognized in owner's equity												
4. Others												
(III) Profit distribution												
1. Withdrawal of surplus reserves												
2. Distribution to owners (or shareholders)												
3. Others												
(IV) Internal carryover of owner's												

equity												
1. Capitalization of capital reserves into capital (or share capital)												
2. Surplus reserves converted into capital (or capital stock)												
3. Surplus reserves to cover losses												
4. Carryover of changes in defined benefit plans to retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
(V) Special reserves												
1. Withdrawal in current period												
2. Current usage												
(VI) Others												
IV. Closing balance of the current period	266,071,320.00				279,115,900.17				19,184,672.34	-40,314,387.48		524,057,505.03

### III. Company profile

1. The registered address of Shandong Zhonglu Oceanic Fishery Co., Ltd. (hereinafter referred to as “the Company”) is 29 Miaoqiao Road, Laoshan District, Qingdao, Shandong. It is a company limited by shares established on July 30, 1999, by means of promotion with Shandong Aquaculture Enterprise Group as the key promoter, with the approval of the Shandong Economic Restructuring Commission through Document LTGZ [1999] No. 85. With the approval of the China Securities Regulatory Commission through Document ZJFXZ [2000] No. 82 on June 26, 2000, the Company’s B-shares were listed on the Shenzhen Stock Exchange on July 24, 2000. The short stock name is “Zhonglu B,” and the stock code is “200992.”

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

#### 2. Business Nature and Key Operating Activities

The Company is engaged in the oceanic fishery industry.

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

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

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

3. Name of the parent company and the ultimate parent company of the Group is Shandong State-owned Assets Investment Holdings Co., Ltd

#### 4. Approver and Approval Date of Financial Reports for Release.

The financial statements have been approved by the Company’s Board through the resolution made on April 26, 2023.

### IV. Basis of preparation of financial statements

#### 1. Basis of preparation

On the basis of going concern and transactions and events actually occurred, accounting is based on Accrual Basis.

The company generally adopts historical cost to measure accounting elements. On the premise that the amount of accounting elements determined can be obtained and measured reliably, the company adopts Replacement cost, Net realizable value, Present value and Fair value to measure accounting elements.

#### 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.

### V. Significant accounting policies and accounting estimates

#### 1. Declaration on compliance with the Accounting Standards for Business Enterprises

The financial statements and notes are in accordance with the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance, the application guidelines, Interpretation of the Accounting Standards for Business Enterprises, “No. 15 rules for the preparation and reporting of information disclosure by companies that issue securities to the public – general provisions on financial reports [2014 Amendment]” issued by the China

Securities Regulatory Commission and relevant supplementary provisions, which truly and completely reflect the company's financial status, operating results, changes in shareholders' equity and cash flow and other relevant information.

## 2. Accounting period

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

## 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.

## 4. Functional currency

The Company's functional currency is Chinese Renminbi.

## 5. Business combination

### 5.1 Business combinations involving enterprises under common control

In a business combination involving enterprises under common control, if the acquirer pays for the business combination in cash, by transferring of non-cash assets or assuming liabilities, the initial investment cost is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. If the acquirer issues equity instruments for the business combination, the acquirer measures the share capital by the par value of the shares issued. The difference between the original investment cost and the carrying amount (or the total par value of shares issued) will be adjusted to the capital reserve. If the capital reserve is insufficient to absorb the difference, the remaining amount shall be deducted from the retained earnings. The intermediary fees of auditing, legal services, evaluation and consultation and other related management expenses incurred for business combination shall be recorded into current profits and losses when incurred. The bonds issued for the combination of enterprise or the handling fees and commissions paid for assumption other debts shall be included in initial measurement amount of the bonds and other debts issued. The handling fees, commissions and other expenses incurred from the issuance of equity securities in the course of business combination shall be offset against the premium income of equity securities, and retained earning shall be offset if the premium income is not sufficient to be offset.

### 5.2 Business combinations involving enterprises not under uncommon control

(a) In a business combination involving enterprises not under common control, the combination costs are determined according to the following conditions: a. 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; b. for the Business combinations which is realized step by step through multiple exchange transactions, the initial investment cost of long-term equity investment is the sum of each single transaction cost; c. The intermediary fees of auditing, legal services, evaluation and consultation and other related management expenses incurred for business combination shall be recorded into the current profit and loss when incurred. Transaction cost of equity securities or debt securities issued as consideration for the combination is included in the initial recognition amount of the equity

securities or debt securities; d. If the future events that may affect the merger cost are stipulated in the combination contract or agreement, and if it is estimated that the future events are likely to occur and the amount of influence on the merger cost can be measured reliably on the purchase date, it will be included in the initial investment cost of the long-term equity investment.

(b) 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.

If investment cost of long-term equity investment is more than the difference in the share of fair value of identifiable net assets acquired by the purchaser in the merger, it shall be recognized as goodwill.

If investment cost of long-term equity investment is less than the difference in the share of fair value of identifiable net assets acquired by the purchaser in the merger, it shall be handled in the following way: a. Review the measurement of the fair value of all identifiable assets, liabilities and contingent liabilities of the acquired purchaser and the combined cost; b. If the merger cost is still less than the fair value share of identifiable net assets acquired during the merger after review, the difference shall be recorded into profit or loss for the current period entirely.

#### 6.Preparation of consolidated financial statements

The consolidated scope of the consolidated financial statements is determined on a control basis. Control refers to the investor has the power of the investee, through participation in the investee related activities and enjoy variable returns, and have the ability to use the power of the investee influence its return amount.

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.

If the parent company is an investment entity, the parent company should only include its subsidiaries (if any) that provide relevant services for its investment activities into the scope of consolidation and prepare consolidated financial statements; other subsidiaries shall not be consolidated. The parent company's investment in other subsidiaries shall be measured at fair value and its changes shall be recorded into profits and loss for the current period entirely. When the parent company simultaneously satisfies the following conditions, the parent company belongs to the investment subject: a. The parent company obtains funds from one or more investors for the purpose of providing investment management services to investors; b. The sole purpose of the parent company's operations is to generate returns for investors through capital gain, income from investment or both; c. The parent company measures and evaluates the performance of almost all investments at fair value.

The unified accounting policy and period used by the company and the consolidated subsidiary when preparing of consolidated 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. Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the company should adjust the opening balance of the consolidated balance sheet. Where a subsidiary or business has been acquired through a business combination involving enterprises not under common control in the reporting period, the company should not adjust the opening balance of the consolidated balance sheet. Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the income, expense, profit and cash flow of the subsidiary from the beginning of the consolidation period to the end of the reporting period are

included in the consolidated income statement and cash flow statement. Where a subsidiary or business has been acquired through a business combination involving enterprises not under common control in the reporting period, the income, expenses, profit and cash flow of the subsidiary from the purchase date to the end of the reporting period are included in the consolidated income statement and cash flow statement. The company disposed of the subsidiary during the reporting period, the income, expenses, profit and cash flow of the subsidiary from the beginning of the year to the disposal date are included in the consolidated income statement and cash flow statement.

When the parent company purchases the equity of the subsidiary owned by the minority shareholders of the subsidiary, in the consolidated financial statements, the difference between the newly acquired long-term equity investment due to the purchase of minority equity and the proportion of the newly added shareholding shall be entitled to the subsidiary's continuous calculation from the date of purchase or the date of consolidation should be adjusted to the capital reserve and if the capital reserve is insufficient to absorb the difference, the remaining amount shall be deducted from the retained earnings.

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

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

## 7. Joint arrangement classification and accounting treatments

### 7.1 The classification of joint arrangement

Joint arrangements are classified as joint operations or joint ventures.

Joint operation refers to a joint arrangement in which the joint venture party enjoys the relevant assets of the arrangement and assumes the relevant liabilities of the arrangement.

The Company acted as a party participating in joint operations, confirm the following items relating to its interests in the joint operations and accounts for them in accordance with related requirements of Accounting Standards for Business Enterprises:

- (a) Its solely-held assets and solely-assumed liabilities, and its share of any assets and liabilities held jointly;
- (b) Its revenue from the sale of its share of the output arising from the joint operation;
- (c) Its share of the revenue from the sale of the output by the joint operation;
- (d) Its own expenses and its share of any expenses incurred jointly.

A joint venture refers to a joint arrangement in which the joint venture party only has rights to the net assets of the arrangement. Investments in joint ventures are accounted for by the company in accordance with the equity method.

#### 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 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.

#### 9. Foreign currency transactions and translation of financial statements denominated in foreign currency

(1) In the initial confirmation of a foreign currency transaction, the foreign currency amount shall be converted into THE RMB amount using an approximate exchange rate of the spot exchange rate at the date when the transactions occurs.

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

(a) Foreign currency monetary items shall be translated at the central rate of THE EXCHANGE rate of RMB published by the People's Bank of China on the balance sheet 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.

(b) Non-monetary items denominated in foreign currency that are measured at historical cost are still translated at amount in functional currency exchanged at the prevailing exchange rate at the transaction date. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rate at the date when fair value was determined and the difference between the translated functional currency amount and the prior translated amount on initial recognition or on the previous balance sheet date are recorded in profit or loss for the current period or other comprehensive income.

Monetary items refer to the monetary funds held by the company and the assets or liabilities to be collected or paid at a fixed or determinable amount. The term "non-monetary items" refers to items other than monetary items.

#### (3) The translation of financial statements denominated in foreign currency

(a) The assets and liabilities are translated to RMB amounts using the spot exchange rate at the balance sheet date. Items of the equity, except for "retained earnings", are translated at the spot exchange rate at the dates when such items occurred.

(b) The revenue and expenditures in the statement of income are translated using an approximate exchange rate of the spot exchange rate at the transaction date.

(c) The difference arising from foreign currency financial statements translation is presented in other comprehensive income at the consolidated balance sheet within equity.

(4) The company shall translate the financial statements of overseas operations in an economy with hyperinflation in accordance with the following methods:

The balance sheet items shall be restated using the general price index, and the income statement items shall be restated using the changes of the general price index, and then translated according to the spot exchange rate on the latest balance sheet date; when the overseas operation is no longer in the hyperinflationary economy, the restatement shall be stopped and the financial statements restated shall be converted according to the price level on the cessation date.

(5) 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.

## 10 Financial instruments

Financial instruments are the contracts under which the financial assets of an entity are formed and correspondingly the financial liabilities or equity instruments of any other entity are formed. When a company becomes a party to a financial instrument contract, the related financial asset or financial liability is recognized.

### 10.1 Financial assets

#### 10.1.1 Classification and initial measurement

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

- a) Financial assets measured at amortized cost;
- b) Financial assets measured at fair value through other comprehensive income;
- c) Financial assets measured at fair value through profit or loss.

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

#### (a) Debt instruments

Debt instruments held by the company refer to those instruments that conform to the definition of financial liabilities from the perspective of the issuer and are measured in the following three ways:

##### a) Measured at amortized cost:

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

The financial asset is held within a business model whose objective is to collect contractual cash flows; The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The company recognizes interest income on such financial assets in accordance with the effective interest rate method. Such financial assets mainly include cash at bank and on hand, notes receivable and accounts receivable, contract assets, other receivables, debt investments, lease receivables and long-term receivables, etc. The company lists the debt investments and long-term receivables that mature within one year (including one year) from the date of the balance sheet as non-current assets that mature within one year; debt investments with a maturity of one year (including one year) at the time of acquisition are listed as other current assets.

b) Measured at fair value through other comprehensive income

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

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

Such financial assets are measured at fair value and their changes are included in other comprehensive income, but assert impairment losses or gains, exchange gains or losses and interest income calculated in accordance with the effective interest rate method are included in profit or loss for the current period entirely. Such financial assets are listed as other debt investments, and other debt investments maturing within one year (including one year) from the date of the balance sheet are listed as non-current assets maturing within one year; other debt investments with a maturity of one year (inclusive) at the time of acquisition are listed as other current assets.

c) Measured at fair value through profit or loss

The Company classifies a financial asset as subsequently measured at fair value through profit or loss and listed as financial assets held for trading unless it is subsequently measured at amortized cost or measured at fair value through other comprehensive income. The Company may make an irrevocable election at initial recognition to designate a financial asset as subsequently measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. Other non-current financial assets shall be listed as those that mature more than one year from the balance sheet date and are expected to be held for more than one year.

(b) equity instrument

The company shall measure the equity instrument investment over which it has no control, joint control or significant influence according to the fair value through profit and loss, and list it as financial assets held for trading; those expected to be held for more than one year from the balance sheet date shall be listed as other non-current financial assets.

In addition, the Company designated part of non-tradable equity instrument investments as financial assets measured at fair value through other comprehensive income, and listed as other equity instrument investments. The related dividend income of such financial assets is recorded in the profit or loss for the current period entirely. Once made, the designation cannot be revoked. Where the contingent consideration recognized by the company in a business combination not under the common control constitutes a financial asset, the financial asset shall be classified as a financial asset measured at fair value through profit or loss.

For non-tradable equity instrument investments, the company may, upon initial recognition, irrevocably designate

them as financial assets measured at fair value through other comprehensive income. The designation is made on a single investment basis that meets the definition of an equity instrument from the issuer's point of view.

#### 10.1.2 Impairment of assets

The company recognizes loss provisions on the basis of expected credit losses for financial assets measured at amortized cost, debt instrument investments which measured at fair value through other comprehensive income, lease receivables, contract assets and financial guarantee contracts. The Company considers reasonable and reliable information about past events, current conditions and the forecast of future economic conditions, and takes the risk of default as the weight to calculate the present value of the difference between the cash flow receivable under the contract and the cash flow which expected to receive. Then the probability-weighted amount of the present value should be recognized as expected credit loss.

At each balance sheet date, the company separately measures the expected credit losses of financial instruments at different stages. If the credit risk of the financial instrument does not increase significantly after the initial recognition, it is in the first stage, and the company measures the loss provisions according to the expected credit losses in the next 12 months. If the credit risk of a financial instrument has increased significantly since the initial recognition but no credit impairment has occurred, the financial instrument is in the second stage, and the company shall measure the loss provision according to the expected credit loss during the entire life of the instrument. If a financial instrument has suffered credit impairment since its initial recognition, it is in the third stage, and the company shall measure the loss provision according to the expected credit losses during the entire life of the instrument.

The Company calculates interest income based on the book balance and effective interest rate of financial instruments in stages I and II and with low credit risk. For financial instruments in the third stage, the interest income shall be calculated on the basis of the amortized cost and the effective interest rate after deducting the book balance from the provision for impairment.

For notes receivable and accounts receivable, lease receivables and contract assets, regardless of the existence of a significant financing component, the Company may measure the loss provision in accordance with the expected credit losses for the entire life of the company.

##### a) Credit risk significantly increases judgment criteria

At each balance sheet date, the Company evaluates whether the credit risk of the relevant financial instrument has increased significantly since the initial recognition.

In determining whether credit risk has increased significantly since the initial recognition, the Company considers that reasonable and evidence-based information that can be obtained without unnecessary additional cost or effort, including qualitative and quantitative analyses based on historical data of the Company, external credit risk ratings and forward-looking information. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the company compares the risk of default of financial instruments on the balance sheet date with the risk of default on the initial recognition date to determine the change of the risk of default of financial instruments during their expected lifetime.

When one or more of the following quantitative or qualitative criteria are triggered, the Company believes that

the credit risk of the financial instrument has increased significantly: a. The quantitative standard is mainly that the default probability of the remaining duration on the reporting date increases by more than a certain proportion compared with the initial confirmation; b. The qualitative criteria mainly include the occurrence of significant adverse changes in the debtor's business or financial situation, the list of early warning customers, etc; c. The upper limit indicator is that the debtor's contract payment (including principal and interest) is generally overdue for more than 90 days, and the longest is not more than 180 days.

#### b) Definition of assets with credit impairment

In order to determine the occurrence of credit impairment, the definition criteria adopted by the Company are consistent with the internal credit risk management objectives for the relevant financial instruments, and both quantitative and qualitative indicators are taken into account. When evaluating whether the debtor has credit impairment, the company mainly considers the following factors: a. The issuer or the debtor has significant financial difficulties; b. The debtor violates the contract, such as default or overdue payment of interest or principal, etc.; c. Concessions granted by the creditor to the debtor for economic or contractual reasons related to the debtor's financial difficulties that would not have been made in any other circumstances; d. The debtor is likely to go bankrupt or undergo other financial restructuring; e. Financial difficulties of the issuer or debtor cause the disappearance of the active market for the financial asset; f. To purchase or generate a financial asset at a substantial discount that reflects the fact that a credit loss has occurred.

The occurrence of credit impairment of financial assets may be caused by the joint action of multiple events, not necessarily by independently identifiable events

#### c) Parameters for the measurement of expected credit losses

Depending on whether there is a significant increase in credit risk and whether there has been a credit impairment, the company measures the impairment provisions for different assets at the expected credit losses of 12 months or the whole life. The key parameters of expected credit loss measurement include default probability, default loss rate and default risk exposure. The company considers quantitative analysis and prospective information of historical statistical data (such as counterparty rating, guarantee method and category of pledge, repayment method, etc.) to establish probability of default, loss given default rate and default risk exposure model.

Relevant definitions are as follows:

a. Probability of default refers to the possibility that the debtor will be unable to fulfill its payment obligations in the next 12 months or in the entire remaining term. The default probability of the company is adjusted based on the results of the historical credit loss model, and forward-looking information is added to reflect the default probability of the debtor in the current macroeconomic environment.

b. Loss given default rate refers to the company's expectation of the loss degree of default risk exposure. Loss given default rates vary depending on the type of counterparty, method of recourse and priority, and collateral. The loss given default rate is the percentage of the risk exposure loss at the time of default and is calculated on the basis of the

next 12 months or the entire lifetime;

c. Default risk exposure model is the amount payable to the company at the time of default in the next 12 months or for the remainder of its life.

d) Prospective information

Prospective information is involved in both the evaluation of the significant increase of credit risks and the calculation of expected credit loss. By analyzing historical data, the Company identifies credit risks for all business types and key economic indicators for expected credit loss.

When the Company is unable to evaluate expected credit loss at reasonable cost for a single asset, the Company divides accounts receivable into several groups based on credit risk characteristics and calculates expected credit loss by groups. The basis for group determination is as follows:

<u>Item</u>	<u>Basis for group determination</u>	<u>Method of measuring expected credit loss</u>
Banker's acceptance receivable	Acceptor	The Company calculates expected credit loss using default risk exposure and the lifetime expected credit loss rate by reference to historical experience of credit loss and based on current conditions as well as forecasts of future economic conditions.
Trade acceptance receivable	Acceptor	By aging analysis
Accounts receivable - group of related parties	Companies within the consolidated scope	The Company measures bad debt provisions by reference to historical experience of credit loss and based on forecasts of future economic conditions.
Accounts receivable - group of external clients	Companies outside the consolidated scope and third-party clients	The Company calculates expected credit loss using aging and the lifetime expected credit loss rate.
Lease receivable - group of external clients	Companies outside the consolidated scope and third-party clients	The Company calculates expected credit loss using aging and the lifetime expected credit loss rate.
Contract assets - group of external clients	Companies outside the consolidated scope and third-party clients	The Company calculates expected credit loss using aging and the lifetime expected credit loss rate.
Other receivables - group of related parties	Companies within the consolidated scope	The Company measures bad debt provisions by reference to historical experience of credit loss and based on forecasts of future economic conditions.
Other receivables - group of external clients	Companies outside the consolidated scope and third-party clients	The Company measures loss provisions using the general method, namely, the "three phases" model.

Long-term receivables - group of external clients      Companies outside the consolidated scope and third-party clients      The Company measures loss provisions using the general method, namely, the “three phases” model.

The comparison table between the aging of accounts receivable portfolio and the expected credit loss rate of the entire life of accounts receivable portfolio and lease receivable portfolio:

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

For other receivables divided into portfolios, the company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, through default risk exposure and the expected credit loss rate within the next 12 months or the entire duration to calculate the expected credit loss. In order to reflect the changes in the credit risk of financial instruments since the initial recognition, the company and its subsidiaries re-measure the expected credit losses on each balance sheet date, and the resulting increase or reversal of the loss provision shall be regarded as impairment losses or the profit is included in the current profit and loss. For financial assets measured at amortized cost, the loss provision is deducted from the book value of the financial assets listed in the balance sheet; for debt investments measured at fair value through other comprehensive income, the loss provision in the company and its subsidiaries is recognized in other comprehensive income without deducting the book value of the financial asset.

#### 10.1.3 Terminate confirmation

The recognition of a financial asset shall be terminated if it meets any of the following conditions:

- a. Termination of the contractual right to receive the cash flow of the financial asset;
- b. The financial asset has been transferred, and the Company has transferred almost all the risks and rewards in the ownership of the financial asset to the transferee;
- c. The financial asset has been transferred. Although the company neither transfers nor retains almost all risks and rewards in the ownership of the financial asset, it gives up control over the financial asset.

When other equity instrument investment is terminated for recognition, the difference between its book value and the sum of the consideration received and the accumulative amount of the fair value changes originally recorded directly into other comprehensive income shall be recorded into retained earnings; When the recognition of other financial assets is terminated, the difference between its book value and the sum of the consideration received and the accumulative amount of fair value changes originally recorded directly into other comprehensive income shall be recorded into the profit or loss for the current period.

#### 10.1.4 Write-off

If the company and its subsidiaries no longer reasonably expect to recover all or part of the contractual cash flow of

the financial asset, the book balance of the financial asset shall be directly written down. Such write downs constitute a termination recognition of the underlying financial asset. This typically occurs when the company and its subsidiaries determine that the debtor has no assets or sources of income that can generate sufficient cash flow to repay the amount to be written down. However, in accordance with the procedures for the company and its subsidiaries to recover amounts due, the financial assets that are written down may still be affected by the execution activities. If the financial assets that have been written down are recovered later, they shall be included in the profit or loss for the current period as the reversal of the asset impairment loss.

## 10.2 Financial liabilities

Financial liabilities are classified into financial liabilities measured at amortized cost and financial liabilities measured at fair value through profit or loss at the time of initial recognition.

The Company classifies financial liabilities as financial liabilities measured at amortized cost, except as follows:

- (a) Financial liabilities measured at fair value through profit or loss, including financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated at fair value through profit or loss.
- (b) Financial liabilities that arise when transfers of financial assets do not qualify for derecognition or when the continuing involvement approach applies
- (c) Financial guarantee contracts which are not classified as (a) or (b) and commitments to provide a loan at a below- market interest rate which are not classified as (a). In a business combination not under the common control, if the company is recognized as the purchaser of the contingent consideration and forms financial liabilities, the financial liabilities shall be measured at fair value through profit and loss.

At the time of initial recognition, in order to provide more relevant accounting information, the company may designate financial liabilities as financial liabilities measured at fair value through profit or loss for the current period. Such designation satisfies one of the following conditions:

- (a) Can eliminate or significantly reduce accounting mismatches.
- (b) Manage and evaluate the portfolio of financial liabilities or financial assets and portfolio of financial liabilities on the basis of fair value in accordance with the enterprise risk management or investment strategy stated in formal written documents, and report to key management personnel within the company on this basis. Once made, the designation cannot be revoked.

The company's financial liabilities are mainly financial liabilities measured at amortized cost, including notes payable and accounts payable, other payables, loans and bonds payable, etc. This kind of financial liability is initially measured at its fair value after deducting transaction expenses, and the effective interest rate method is adopted for subsequent measurement. Where the maturity is less than one year (including one year), it is listed as current liabilities; Where the maturity is more than one year but matures within one year (including one year) from the date of the balance sheet, it is shown as the non-current liabilities due within one year; The remainder is shown as non-current liabilities.

When the current obligation of a financial liability (or a part of it) has been discharged, the company derecognizes the part of the financial liability or the discharged obligation. The difference between the book value of the derecognized part and the consideration paid is included in the current profit and loss.

When the current obligation of a financial liability (or a part of it) has been discharged, the company derecognizes the financial liability (or this part of the financial liability).

### 10.3 Measurement method of financial instruments' fair value

For financial instruments that active markets exist, the Company uses the quoted prices in the active markets to determine their fair value. If there is no active market for the financial instruments, the Company uses valuation techniques to determine their fair value. When valuing, the company adopts valuation techniques that are applicable under the current circumstances and that there are sufficient available data and other information to support, and selects a valuation technique that is consistent with the characteristics of the asset or liability considered by market participants in the transaction of the relevant asset or liability. Input values and, where possible, prefer relevant observable input values. Unobservable input values are used when the relevant observable input values are unavailable or impractical to obtain.

### 10.4 Subsequent measurement

After initial recognition, the company shall make subsequent measurement of different types of financial assets at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit and loss.

After initial recognition, the company shall make subsequent measurement of different types of financial liabilities at amortized cost, measured at fair value through profits and losses or through other appropriate methods.

The amortized cost of a financial asset or financial liability shall be determined by the following adjustment of the initial recognized amount of the financial asset or financial liability:

- (a) Deduct the principal already repaid.
- (b) Plus or minus the cumulative amortization amount formed by amortizing the difference between the initial recognition amount and the amount at maturity using the effective interest rate method.
- (c) Deduct the accumulated loss provisions (only applicable to financial assets).

The company recognizes interest income according to the effective interest rate method. Interest income is calculated and determined by multiplying the book balance of the financial asset by the actual interest rate, except in the following cases:

- (a) For the financial assets acquired or originated with credit impairment, the Company shall calculate and determine the interest income according to the amortized cost of the financial asset and the effective interest rate adjusted by credit since the initial recognition.
- (b) For financial assets purchased or generated without credit impairment but which become credit impairment in subsequent periods, the Company shall calculate and determine its interest income according to the amortized cost and effective interest rate of the financial asset in subsequent periods. Company according to the policy of the financial asset amortized cost using the actual interest rate method to calculate the interest income, if the financial instruments in the subsequent period no longer exist for its credit risk has improved credit impairment, and the improved objectively and application after the policy associated with the occurrence of an event, such as the debtor's credit rating was raised, The company turns to the actual interest rate multiplied by the book balance of the financial

asset to determine the interest income.

#### 11. Notes receivable

For the determination and accounting treatment of expected credit losses of notes receivable, please refer to Note IV, 10 -- Financial Instruments.

#### 12. Accounts receivable

For the determination and accounting treatment of expected credit losses of accounts receivable, please refer to Notes IV, 10 -- Financial Instruments.

#### 13. Receivables for financing

For the determination and accounting treatment of expected credit losses of receivables for financing, please refer to Note IV, 10 -- Financial Instruments.

#### 14. Other receivables

For the determination and accounting treatment of other expected credit losses of other receivables, please refer to Note IV, 10 -- Financial Instruments.

#### 15 Inventories

##### 15.1 Categories of inventories

Inventories include raw materials, work-in-progress, semi-finished products, finished products, commodities in stock, turnover materials, low-value consumables and contract performance costs., etc. The "Contract performance cost" are detailed in 17, "Contract Costs".

##### 15.2 Measurement of inventories upon delivery

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

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

At each balance sheet date, inventories are measured at the lower of cost and net realizable value. When the cost of inventory exceeds its net realizable value, provision for diminution in value of inventories is recognized and included in the current profit and loss.

Net realizable value refers to the estimated selling price of inventories in daily activities minus the estimated costs to be incurred upon completion, estimated selling expenses and related taxes.

The basis for determining the net realizable value of various inventories is as follows:

(a) Finished products, commodities in stock and materials for sale that directly used for sale are the estimated selling price minus the estimated cost of sales and relevant taxes.

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

(c) On the balance sheet date, if a part of the same inventory has contract price and the other parts do not have contract price, the net realizable value shall be determined respectively, and the corresponding cost shall be compared to determine the amount of withdrawal or reversal of the inventory depreciation reserve.

Goods in stock drops in price preparing shall be made on a single inventory item (or category of inventory) and consolidated for inventories that are related to product series produced and sold in the same region, have the same or similar end use or purpose, and are difficult to measure separately from other items.

#### 15.4 Inventory count system

The Company adopts the perpetual inventory system.

#### 15.5 Amortization methods of low-value consumables

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

### 16 Contract assets

#### 16.1 Method and standard for the confirmation of contract assets

A contractual asset is a right to receive consideration that has been transferred to a customer and that right depends on factors other than the passage of time. Contract assets and liabilities under the same contract shall be shown on a net basis, and those under different contracts shall not be set off.

#### 16.2 Determination method and accounting treatment method of expected credit loss of contract assets

The provision for impairment of contractual assets shall refer to the expected credit loss method of financial instruments. For contract assets that do not contain significant financing components, the Company adopts a simplified method to measure loss provisions. For the contract assets containing significant financing elements, the Company shall measure the loss provisions in accordance with the general method.

In the event of an impairment loss on a contract asset, the “asset impairment loss” shall be debited according to the amount to be written down, and the contract asset impairment provision shall be credited; the reverse entry shall be made when the accrued asset impairment provision is reversed.

### 17 Contract costs

#### 17.1 Determination method of asset amount related to contract costs

The contract costs of the Company include the incremental costs to obtain a contract and the costs to fulfil a contract. If the costs incurred in fulfilling a contract with a customer are not within the scope of another standard like Accounting Standards for Business Enterprises No. 14 - Revenue (Revised in 2017), they will be treated as the costs to fulfil a contract and recognized as an asset when meeting the following conditions:

- (a) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify, including direct labour, direct materials, allocations of costs that relate directly to the contract, costs that are explicitly chargeable to the customer under the contract and other costs that are incurred only because the Company entered into the contract;
- (b) the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future;

(c) the costs are expected to be recovered.

The cost of obtaining the contract, that is, the incremental cost of obtaining a contract is expected to be recovered, is recognized as an asset as contract acquisition cost. Incremental costs are costs that would not have occurred without the acquisition of the contract. If the amortization period of the asset does not exceed one year, it may be recorded into the profit or loss for the current period at the time of occurrence.

Expenditures incurred by the enterprise to obtain the contract, other than incremental costs expected to be recovered, shall be recorded in the profit or loss for the current period when incurred, unless these expenditures are expressly borne by the customer.

#### 17.2 Amortization of assets related to contract costs

Assets related to contract costs are amortized on the same basis as the commodity revenue related to the asset is recognized, and are included in the current profit and loss.

#### 17.3 Impairment of assets related to contract costs

The Company recognizes an impairment loss in profit or loss to the extent that the carrying amount of an asset recognized exceeds:

(a) the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates; less

(b) the costs that relate directly to providing those goods or services and that are estimated to incur.

When the impairment conditions no longer exist or have improved that make the total of (a) and (b) higher than carrying amount of an asset, the Company will recognize in profit or loss a reversal of some or all of an impairment loss previously recognized. The increased carrying amount of the asset will not exceed the amount that would have been determined (net of amortisation) if no impairment loss had been recognized previously.

### 18 Hold assets for sale

#### 18.1 Non-current assets held for sale and disposal group recognition criteria

A company that recovers its carrying value primarily through sales (including exchange of non-monetary assets of commercial substance, the same below) rather than the ongoing use of a non-current asset or disposal group will classify it as held for sale. The specific criteria are as follows:

(a) In accordance with the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under the current conditions.

(b) The sale is very likely to occur, that is, the company has made a resolution on a sale plan and obtained a firm purchase commitment, and the sale is expected to be completed within one year.

Among them, the disposal group refers to a group of assets that are disposed of as a whole in a transaction through sale or other means, and the liabilities directly related to these assets transferred in the transaction. If the asset group or combination of asset groups to which the disposal group belongs has apportioned the goodwill obtained in the business combination in accordance with the Accounting Standards for Business Enterprises No. 8 – Impairment of Assets, the disposal group shall include the goodwill apportioned to the disposal group.

## 18.2 Accounting treatment

When the initial measurement or re-measurement on the balance sheet date is divided into non-current assets held for sale and disposal group, if the book value is higher than the net amount after the fair value minus the cost of sale, the book value is written down to the fair value. The net amount after deducting the selling expenses, the written-down amount is recognized as asset impairment loss, which is included in the current profit and loss, and at the same time, an impairment provision for assets held for sale is made. For the disposal group, the recognized asset impairment loss is first deducted from the book value of the goodwill in the disposal group, and then deducted proportionally to the "Accounting Standards for Business Enterprises No. 42 - Non-current Assets Held for Sale, The book value of each non-current asset specified in the measurement of "Disposal Group and Discontinued Operation" (hereinafter referred to as "Hold-for-sale Standards"). If the net amount of the disposal group held for sale on the subsequent balance sheet date increases after deducting the selling expenses, the previously written down amount shall be restored, and the held-for-sale standard shall be applied after being classified as held-for-sale. The amount of asset impairment loss recognized for non-current assets subject to measurement requirements shall be reversed, and the reversal amount shall be included in the current profit and loss, and the book value of each non-current asset in the disposal group shall be subject to the measurement provisions of the held-for-sale standard except for goodwill. The proportion increases its book value proportionally; the book value of goodwill that has been written off, and the non-current assets that are subject to the measurement requirements of the held-for-sale standard, the asset impairment loss recognized before being classified as held-for-sale shall not be reversed.

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

When the non-current assets or disposal groups no longer meet the classification conditions of the held-for-sale category, they will no longer be classified as held-for-sale categories or the non-current assets will be removed from the held-for-sale disposal group, and the lower of the following is measured:

- (a) The book value before being classified as held-for-sale category, adjusted according to the depreciation, amortization or impairment that should have been recognized under the assumption that it was not classified as held-for-sale category;
- (b) The recoverable amount.

## 19 Debt investment

For the confirmation method and accounting treatment method of expected credit loss of debt investment, please refer to Note IV. 10 - Financial Instruments.

## 20 Other debt investments

For the confirmation method and accounting treatment method of expected credit losses of other debt investments, please refer to Note IV. 10 - Financial Instruments.

## 21 Long-term receivables

For the confirmation method and accounting treatment method of the expected credit loss of long-term receivables,

please refer to Note IV. 10 - Financial Instruments.

## 22 Long-term equity investment

Long-term equity investment refers to the equity investment in which the company controls and has significant influence on the investee, as well as the investment in its joint ventures.

### 22.1 Determination of initial investment cost

Long-term equity investment acquired through a business combination: For a business combination involving enterprises under common control, the initial investment cost of a long-term equity investment is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. For a business combination not involving enterprises under common control, the initial investment cost of a long-term equity investment is the cost of acquisition determined at the date of acquisition. For a long-term equity investment acquired in cash, the initial investment cost is the amount of cash paid. For a long-term equity investment acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued. For a long-term equity investment acquired by debt restructuring, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 12- Debt Restructuring. For a long-term equity investment acquired by exchange of non-cash assets, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 7- Exchange of Non-monetary Assets.

### 22.2 Subsequent measurement and recognition of profit or loss

a) Where the Company is able to exercise control over an investee, the long-term equity investment is accounted for using the cost method.

Long-term equity investments accounted for using the cost method are priced at the initial investment cost. Additional or recovered investment should adjust the cost of long-term equity investment. Cash dividends or profits announced to be distributed by the investee are recognized as investment income for the current period.

b) Where the Company has investment in associates and joint ventures, the long-term equity investment is accounted for using the equity method.

When the long-term equity investment is accounted for by the equity method, if the investment cost of the long-term equity investment is greater than the share of the fair value of the identifiable net assets of the investee at the time of investment, the investment cost of the long-term equity investment shall not be adjusted; the investment cost of the long-term equity investment is less than If the investee should enjoy a share of the fair value of the identifiable net assets of the investee at the time of investment, the book value of the long-term equity investment shall be adjusted, and the difference shall be included in the current profit and loss of the investment.

In the equity method accounting, when long-term equity investment is obtained, the investment profit and loss and other comprehensive income are respectively recognized according to the share of net profit and loss and other comprehensive income realized by the investee that should be enjoyed or shared, and the book value of long-term equity investment shall be adjusted. The investing enterprise shall calculate the portion that should be distributed

according to the profits or cash dividends declared and distributed by the invested unit, and correspondingly reduce the book value of the long-term equity investment. The investor shall adjust the book value of the long-term equity investment and include it in the owner's equity for other changes in the owner's equity other than the net profit and loss, other comprehensive income and profit distribution of the investee.

To confirm the net loss of the investee, the book value of the long-term equity investment and other long-term equity that substantially constitutes the net investment in the investee shall be written down to zero, unless the company is obliged to bear additional losses to the investee. If the invested unit realizes a net profit in the future, the investing enterprise shall resume the recognition of the profit-sharing amount after its profit-sharing amount makes up for the unrecognized loss-sharing amount. For other changes in the owner's equity of the investee other than net profit and loss, other comprehensive income and profit distribution, the book value of the long-term equity investment is adjusted and included in the owner's equity.

Long-term equity investments are accounted for under the equity method. When recognizing investment gains and losses, the net profit of the investee is first adjusted to the fair value of the investee's identifiable assets, accounting policies and accounting periods when the investment is obtained, and then adjustments should be made according to the appropriate amount. The net profit or loss share of the investee that enjoys or should be shared is recognized in the current investment profit and loss. The unrealized profit and loss of internal transactions with associates and joint ventures shall be calculated according to the shareholding ratio and attributable to the company, and the investment profit and loss shall be recognized on the basis of offset.

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

Joint control refers to the common control of an arrangement in accordance with relevant agreements, and the relevant activities of the arrangement must be decided by the unanimous consent of the participants sharing the control rights. When judging whether there is joint control, the first determine is whether all participants or a combination of participants collectively control the arrangement. If all participants or a group of participants must act in unison to decide the relevant activities of an arrangement, it is considered that all participants or a group of parties collectively control the arrangement. Secondly, it is judged whether the decision-making of the relevant activities of the arrangement must be unanimously agreed by the participants who collectively control the arrangement. If there is a combination of two or more parties that can collectively control an arrangement, it does not constitute joint control. When judging whether there is joint control, the protective rights enjoyed are not considered. Significant influence refers to the power to participate in the decision-making of an enterprise's financial and operating policies, but cannot control or jointly control the formulation of these policies with other parties. When determining whether it can exert significant influence on the investee, consider the voting shares directly or indirectly held by the investor and the impact of current executable potential voting rights held by the investor and other parties after it is assumed to be converted into the equity of the investee, including the current convertible warrants, share options and convertible corporate bonds issued by the investee.

#### 23 Investment property

Investment real estate refers to real estate held for rent or capital appreciation, or both, including leased land use rights, land use rights held and ready to be transferred after appreciation, and leased buildings.

Investment property of the Company use rights held for resale after appreciation. Investment property is initially measured at acquisition cost, and is subsequently measured using the cost method or using the fair value model.

### 23.1 Using the cost model

The investment real estate is depreciated or amortized on a straight-line basis according to the following service life and estimated net residual value rate:

<u>Category</u>	<u>Depreciation period (years)</u>	<u>Residual rate</u>	<u>Annual depreciation rate</u>
Buildings	20-40	0%-10%	2.25%-5.00%

### 23.2 Using the fair value model

No depreciation or amortization is made for investment real estate, and its book value is adjusted based on the fair value of the investment real estate on the balance sheet date, and the difference between the fair value and the original book value is included in the current profit and loss.

## 24 Fixed assets

### 24.1 Recognition criteria for fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, services rendering, renting or business administration with useful lives exceeding one accounting year. Fixed assets can be 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.

### 24.2 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.

<u>Category</u>	<u>The method for depreciation</u>	<u>Depreciation period (years)</u>	<u>Residual rate</u>	<u>Annual depreciation rate</u>
Buildings	Straight-line depreciation	20-40	0%-10%	2.25%-5.00%
Boats & nets	Straight-line depreciation	5-30	3%-5%	3.17%-19.40%
Machinery & equipment	Straight-line depreciation	8-20	0%-10%	4.50%-12.50%
Transportation equipment	Straight-line depreciation	5	0%-10%	18.00%-20.00%
Furniture and office equipment	Straight-line depreciation	5	0%-10%	18.00%-20.00%

## 25 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.

## 26 Borrowing costs

### 26.1 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. 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. Other borrowing costs are recognized as expenses and recorded in profit or loss for the current period when incurred. Borrowing costs include borrowing interest, amortization of discount or premium, auxiliary expenses, and foreign exchange differences arising from foreign currency borrowings.

### 26.2 Borrowing costs will be capitalized if they meet the following conditions at the same time

- (a) The asset expenditure has occurred, and the asset expenditure includes the cash paid for the purchase, construction or production of assets eligible for capitalization, the transfer of non-cash assets or the payment of interest-bearing debts;
- (b) The borrowing costs have been incurred;
- (c) The acquisition, construction or production activities necessary to make the asset ready for its intended use or sale have begun.

The capitalization of borrowing costs shall cease when the purchased, constructed or produced assets that meet the capitalization conditions are ready for intended use or sale. If an asset that meets the capitalization conditions is abnormally interrupted in the process of acquisition, construction or production, and the interruption lasts for more than 3 months, the capitalization of borrowing costs will be suspended. The borrowing costs incurred during the interruption period are recognized as expenses and included in the current profit and loss until the acquisition, construction or production of the asset resumes. The capitalization of borrowing costs continues if the interruption is a necessary procedure for the acquired, constructed or produced assets eligible for capitalization to be ready for their intended use or sale.

### 26.3 During the capitalization period, the capitalized amount of interest (including the amortization of discount or premium) for each accounting period shall be determined in accordance with the following provisions:

- (a) If a special loan is borrowed for the purchase, it is determined by the amount interest expense actually incurred in the current period of the special loan, minus the interest income obtained from the unused loan funds or the investment income obtained from temporary investment.
- (b) If general borrowings are occupied for the purchase, it is determined by the weighted average of accumulated asset expenditures of the accumulated asset expenditures in exceed the special borrowings by the capitalization rate of occupied general borrowings. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

If there is a discount or premium on the loan, the amount of the discount or premium amortized in each accounting period shall be determined according to the actual interest rate method, and the interest amount of each period shall be adjusted. During the capitalization period, the capitalized amount of interest in each accounting period shall not exceed the actual amount of interest incurred on the relevant borrowings in the current period.

26.4 The auxiliary expenses incurred by special borrowing, which are incurred before the purchased, built or produced assets meeting the capitalization conditions reach the scheduled state of being available for use or sale, shall be capitalized according to the amount incurred when incurred and included into the cost of the assets meeting the capitalization conditions; Where an asset purchased, built or produced conforming to the capitalization conditions has reached the pre-scheduled state of being usable or saleable, it shall be recognized as an expense according to the amount incurred at the time of occurrence and recorded into the profit or loss for the current period. Auxiliary expenses incurred by general borrowing shall be recognized as expenses according to the amount incurred when incurred, and shall be recorded into the profit or loss for the current period.

## 27 Right-of-use assets

The right-of-use assets class of the company mainly includes housing and buildings.

### 27.1 Conditions for the confirmation of the right-of-use assets

The right-of-use assets refer to the right that the company, as the lessee, can use the leased assets during the lease term. The company shall confirm the right-of-use assets on the date when the lease term begins. Right-of-use assets are recognized when economic benefits are likely to flow in and costs can be measured reliably.

### 27.2 Initial measurement of right-of-use assets

The right-of-use assets are initially measured at cost, which includes:

- (a) The initial measurement amount of lease liabilities.
- (b) The amount of lease payment paid on or before the beginning of the lease term, if there is lease incentive, will be deducted from the amount of lease incentive already enjoyed.
- (c) Initial direct expenses incurred by the lessee.
- (d) The expected costs incurred by the lessee in disassembling and removing the leased asset, restoring the site where the leased asset is located or restoring the leased asset to the state stipulated in the lease terms.

### 27.3 Subsequent measurement of the right-of-use assets

- (a) Use the cost model to measure the right-of-use assets.
- (b) Depreciation of the right-of-use assets. Where the ownership of the leased asset can be reasonably determined at the end of the lease term, the company shall calculate depreciation during the remaining service life of the leased asset. Where it is not reasonably certain that the ownership of the leased asset can be acquired at the end of the lease term, the company shall calculate depreciation during the period during which the lease term and the remaining service life of the leased asset are shorter. The specific depreciation methods of various right-of-use assets are as follows.

#### 27.4 Depreciation methods of various right-of-use assets

All types of fixed assets are depreciated using the straight-line method according to the following service life time, estimated net residual value rate and depreciation rate:

<u>Category</u>	<u>The method for depreciation</u>	<u>Depreciation period (years)</u>	<u>Residual rate</u>	<u>Annual depreciation rate</u>
Buildings	Straight-line depreciation	1.5-3	-	-

#### 27.5 Change of lease

When the lease liabilities are re-measured according to the present value of the changed lease payments and the book value of the right-of-use assets is adjusted accordingly, if the book value of the right-of-use assets has been reduced to zero but the lease liabilities still need to be further reduced, the remaining amount shall be recorded into the profit or loss for the current period.

#### 27.6 Impairment test method and impairment provision method of usufruct

On the balance sheet date, if there is any indication that the right-of-use assets are impaired, the corresponding impairment provision shall be set aside according to the difference between the carrying value and the recoverable amount.

### 28 Intangible assets

28.1 Intangible assets refer to identifiable non-monetary assets without physical form owned or controlled by an enterprise. Intangible assets are initially measured at cost, and their service life is analyzed and judged upon acquisition of intangible assets.

28.2 The company usually considers the following factors in determining the service life of intangible assets:

- (a) The usual life cycle of the products produced with the asset and the available information about the service life of similar assets;
- (b) The current situation of technology and process and the estimation of the future development trend;
- (c) Market demand for products or services produced by the assets;
- (d) Actions expected by current or potential competitors;
- (e) The expected maintenance expenditure to maintain the ability of the asset to bring economic benefits, and the company's expected ability to pay the related expenditure;
- (f) Relevant legal provisions or similar restrictions on the asset control period, such as the franchise period, lease period, etc.;
- (g) Correlation with the service life of other assets held by enterprises.

If it is impossible to foresee the period during which intangible assets bring economic benefits to the company, they shall be regarded as intangible assets with uncertain service life.

28.3 For intangible assets with limited service life, they shall be amortized systematically and reasonably (or by straight line method) during their service life. At the end of each year, the company shall review the service life and amortization method of intangible assets with limited service life. If the service life and amortization method of intangible assets are different from those previously estimated, the amortization period and amortization method will

be changed.

For intangible assets with limited service life, when the straight-line method is used to calculate the amortization amount, the service life and residual rate of each intangible asset are as follows:

<u>Category</u>	<u>Amortization period (years)</u>	<u>Residual rate</u>
land use rights	42-49	0%
software	5-10	0%

#### 28.4 Internally generated projects

(a) Expenditure of internal research and development project, including expenditure of research stage and expenditure of development stage, among which: Research is an original and planned investigation for the acquisition and understanding of new scientific or technical knowledge; Development refers to the application of research results or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, etc., prior to commercial production or use.

(b) Expenditure in the research phase is recognized as an expense in profit or loss for current period when it is incurred. Expenditure in the development phase of internally generated projects is capitalized if they meet the following conditions at the same time:

- 1) It is technically feasible to complete the intangible asset so that it can be used or sold;
- 2) The intent that the intangible asset can be completed and used or sold;
- 3) The way in which the intangible assets can generate economic benefits include the ability to prove that the products produced by using the intangible assets have a market or that the intangible assets themselves exist in the market. If the intangible assets will be used internally, its usefulness shall be proved;
- 4) Have sufficient technical, financial and other resource support to complete the development of the intangible asset and have the ability to use or sell the intangible asset;
- 5) Expenses attributable to the development stage of the intangible asset can be measured reliably.

#### 29 Goodwill

Goodwill is the difference between the initial merger cost and the fair value share of identifiable net assets acquired in the combination of enterprises not under common control. The company does not amortize goodwill, which is measured by the amount of costs less accumulated impairment provisions and shown separately in the consolidated balance sheet.

#### 30 Impairment of long-term assets

For fixed assets, construction in process, intangible assets with limited service life, investment property measured by cost model and non-current non-financial assets such as long-term equity investment in subsidiaries, cooperative enterprise and associated enterprises, the company shall judge whether there is any sign of impairment on the balance sheet date. If there is any indication of impairment, the recoverable amount shall be estimated and the impairment test shall be conducted. Goodwill, intangible assets with uncertain service life and intangible assets that have not yet reached a usable state, regardless of whether there are signs of impairment, are tested for impairment every year. If the impairment test results show that the recoverable amount of an asset is lower than its carrying value, the

impairment provision shall be made and the impairment loss shall be recorded according to the difference. The recoverable amount is the higher of the net value of the fair value of the asset less the disposal expense and the present value of the estimated future cash flows of the asset. The fair value of the asset is determined according to the sales agreement price in a fair transaction; If there is no sales agreement but there is an active market for the asset, the fair value shall be determined according to the bid price of the buyer of the asset; Where there is no sale agreement and an active market for the asset, the fair value of the asset is estimated based on the best available information. Disposal costs include legal fees related to the disposal of assets, related taxes, handling fees and direct expenses incurred to bring the assets into a saleable state. The present value of the estimated future cash flow of an asset is determined according to the estimated future cash flow generated during the continuous use of the asset and the final disposal by choosing an appropriate discount rate. The asset impairment reserve is calculated and recognized on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group to which the asset belongs shall be determined. Asset group is the minimum portfolio of assets that can generate cash inflow independently.

As for the impairment test of goodwill, the book value of goodwill formed as a result of business combination shall be allocated to the relevant asset group in a reasonable way from the purchase date; If it is difficult to allocate to the related asset group, allocate to the related asset group portfolio. The relevant asset group or asset group combination is the asset group or asset group combination that can benefit from the synergies of the business combination and is not larger than the reporting segment identified by the Company.

When conducting impairment tests on related asset groups or asset group combinations containing goodwill, if there are signs of impairment in the asset groups or asset group combinations related to goodwill, the impairment tests shall first be conducted on the asset groups or asset group combinations that do not contain goodwill to calculate recoverable amounts and confirm the corresponding impairment losses. And goodwill of the asset group or combination of group assets impairment test, comparing its book value and recoverable amount, such as the recoverable amount is lower than the book value, the amount of impairment loss first deduction allocation to the asset group or combination of group assets in the book value of the goodwill, again according to the asset group or combination of group assets all assets except goodwill in the book value of the share, Deduct the carrying value of other assets in proportion, provided that the carrying value of each asset after deduction shall not be less than the net of the fair value of the asset minus disposal expenses (if determined) and the present value of the estimated future cash flows of the asset (if determined), whichever is higher, and shall not be less than zero.

Once the aforesaid impairment loss of assets is recognized, the part whose value can be recovered shall not be turned back in subsequent periods.

### 31 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.

Long-term deferred expenses are amortized on an average basis using the straight-line method over the following years:

Category

Amortization period (years)

Renovation costs

2 to 5 years

### 32 Contract liabilities

Contractual liabilities reflect obligations to transfer goods to customers for consideration received or receivable. If the customer has paid the contract consideration or obtained the right to unconditionally receive the contract consideration before transferring the goods to the customer, the contract liability shall be recognized according to the amount received or receivable at the earlier date of the actual payment made by the customer and the amount due and payable. Contract assets and liabilities under the same contract shall be shown on a net basis, and those under different contracts shall not be set off.

### 33 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. The benefits provided by the company to employees' spouses, children, dependents, survivors of deceased employees and other beneficiaries are also considered as employee benefits.

#### 33.1 Short-time employee benefits

Short-term employee benefits refer to the employee compensation that the company needs to pay in full within 12 months after the end of the annual report period for the employee to provide relevant services.

Short-term employee benefits include employee salary, bonus, allowance and subsidy, employee welfare, medical insurance premium, industrial injury insurance premium and maternity insurance premium, housing provident fund, labor union funds and employee education funds, short-term paid absenteeism, short-term profit sharing plan, non-monetary welfare and other short-term remuneration.

In the accounting period in which employees have rendered services, the Company recognizes the short-term employee benefits as liability, and charges to profit or loss for the current period or includes in the cost of relevant assets.

#### 33.2 Post-employment benefits

Post-employment benefits refer to various forms of remuneration and welfare provided by the company for the service provided by the employee after the employee retires or terminates the labor relationship with the company, excluding short-term remuneration and dismissal welfare.

The post-employment benefits plan includes a defined contribution plan and a defined benefit plan. Among them, the set contribution plan refers to the post-employment welfare plan in which the company no longer bears the further payment obligation after the fixed expenses are deposited in the independent fund. Defined benefit plans refer to post-employment benefit plans other than defined contribution plans.

Defined contribution plan including basic endowment insurance, unemployment insurance, etc. During the accounting period when the employee provides services, the amount payable calculated according to the defined contribution plan is recognized as a liability and recorded into the profit or loss for the current period or the cost of related assets.

At the end of the reporting period, the employee compensation costs arising from the defined benefit plans are

recognized as the following components:

- (a) Service cost, including current service cost, past service cost and settlement gain or loss.
- (b) Net interest on defined benefit plan net liabilities or net assets, including interest income on plan assets, interest expense on defined benefit plan obligations, and interest affected by asset caps.
- (c) Recalculate changes in net liabilities or net assets of defined benefit plans

Unless other accounting standards require or allow the cost of employee benefits to be included in the cost of assets, items (a) and (b) above shall be included in the current profit and loss; Item (c) shall be included in other comprehensive income and shall not be allowed to be transferred back to profit and loss in subsequent accounting periods, but such amounts recognized in other comprehensive income may be transferred within the scope of equity.

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

- (a) When modifying the defined benefit plan.
- (b) When the company confirms relevant restructuring expenses or dismissal benefits.

Recognize a settlement gain or loss at the time of defined benefit plan settlement.

### 33.3 Termination benefits

Termination benefits refer to the compensation given to employees by the company for terminating their labor relations with employees before the expiration of their labor contracts or for encouraging employees to accept layoffs voluntarily.

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.

### 33.4 Other long-term employee benefits

Other long-term employee benefits refers to all employee compensation except short-term compensation, post-separation benefits and dismissal benefits, including long-term paid absenteeism, long-term disability benefits, long-term profit sharing plans, etc.

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. At the end of the reporting period, the enterprise shall recognize the employee compensation costs generated by other long-term employee benefits as the following components:

- (a) Service cost
- (b) Net interest on net liabilities or net assets of other long-term employee benefits
- (c) Changes in net liabilities or net assets of other long-term employee benefits are re-measured.

In order to simplify the related accounting treatment, the total net amount of the above items is included in the

current profit and loss or the cost of the related assets

#### 34 Lease liabilities

Recognize the present value of outstanding lease payments as lease liabilities on the commencement date of the lease term, except for short-term leases and leases of low value assets. When calculating the present value of the lease payment, the lease embedded interest rate is used as the discount rate. If the inherent interest rate cannot be determined, the incremental interest rate of the lessee shall be used as the discount rate. The interest expense of the lease liability during each period of the lease term shall be calculated according to the fixed periodic interest rate and recorded into the profit and loss of the current period, except for those recorded into the cost of assets in accordance with note 4 and 25. Variable lease payments that are not included in the measurement of lease liabilities shall be included in current profit and loss when actually incurred, unless otherwise stipulated to be included in the cost of related assets.

Lease term began, in the future when substantial changes occurred in the fixed payment, the guaranteed residual value is expected to cope with the amount of change, is used to determine the lease payment ratio index or change, call options, renewal options or terminate the option evaluation results or the actual exercise changes, according to the changes of the lease the present value of the payments to measure lease liability.

#### 35 Estimated liabilities

Obligations related to contingent events that meet the following conditions at the same time are recognized as estimated liabilities:

- (a) The obligation is a present obligation of the enterprise;
- (b) The performance of the obligation is likely to result in the outflow of economic benefits from the enterprise;
- (c) The amount of the obligation can be measured reliably.

Estimated liabilities should be initially measured according to the best estimate of the expenditure required to perform the relevant current obligations.

#### 36 Share-based payment

##### 36.1 Types of share-based payment

Share-based payment is divided into equity-settled share-based payment and cash-settled share-based payment.

Equity-settled share-based payment refers to a transaction in which an enterprise uses shares or other equity instruments as consideration in order to obtain services. The equity instruments referred to here are the enterprise's own equity instruments.

Cash-settled share-based payment refers to a transaction in which an enterprise undertakes an obligation to deliver cash or other assets calculated and determined on the basis of shares or other equity instruments in order to obtain services.

##### 36.2 Determination method of fair value of equity instruments.

If there is an active market for equity instruments, it shall be determined according to the quotation in the active market.

If there is no active market for equity instruments, use valuation techniques, including reference to prices used in recent market transactions between parties who are familiar with the situation and willing to trade, reference to the current fair value, discounted cash flow of other financial instruments that are substantially the same. It is determined by methods such as cash method and option pricing model.

36.3 The basis for confirming the best estimate of vested equity instruments.

On each balance sheet date, according to the latest follow-up information such as the change in the number of exercisable people and the completion of performance indicators, the number of stock options that are expected to be exercised is revised, and the expenses to be apportioned in each period are confirmed on this basis. For an option cost spanning multiple accounting periods, it can generally be apportioned according to the proportion of the waiting period length of the option to the entire waiting period length in a certain accounting period.

36.4 Accounting treatment related to implementation, modification and termination of share-based payment plan

36.4.1 The equity-settled share-based payment that is exercisable immediately after the grant in exchange for employee services shall be included in the relevant costs or expenses according to the fair value of the equity instruments on the grant date, and the capital reserve shall be increased accordingly.

Equity-settled share-based payment that can be exercised in exchange for employee services after the completion of the service during the waiting period or when the specified performance conditions are met, on each balance sheet date during the waiting period, the best estimate of the number of exercisable equity instruments is Based on the fair value of the equity instruments on the grant date, the services obtained in the current period are included in the relevant costs or expenses and capital reserves.

On the balance sheet date, if the subsequent information indicates that the number of exercisable equity instruments is different from the previous estimate, adjustments shall be made and adjusted to the actual number of exercisable equity instruments on the exercise date.

For equity-settled share-based payments, no adjustments will be made to the confirmed costs and total owner's equity after the vesting date. On the exercise date, the share capital and share premium will be confirmed according to the exercise situation, and the capital reserves (other capital reserves) confirmed during the waiting period will be carried forward.

For the granted equity instruments such as options in an active market, the fair value shall be determined according to the quotation in the active market. For granted options and other equity instruments that do not have an active market, the option pricing model should be used to determine their fair value, and the option pricing model selected should at least consider the following factors:

- a) The exercise price of the option;
- b) The validity period of the option;
- c) The current price of the underlying shares;
- d) Estimated stock price volatility;
- e) Estimated dividends on the shares;
- f) The risk-free interest rate during the life of the option.

36.4.2 The cash-settled share-based payment that can be exercised immediately after the grant shall be included in the

relevant costs or expenses at the fair value of the liabilities assumed by the enterprise on the grant date, and the liabilities shall be increased accordingly.

For the cash-settled share-based payment that can only be exercised after completing the services during the waiting period or meeting the specified performance conditions, on each balance sheet date during the waiting period, on the basis of the best estimate of the vesting situation, the liability shall be borne by the enterprise according to the fair value amount of the service obtained in the current period is included in the cost or expense and the corresponding liability.

On each balance sheet date and settlement date before the settlement of the relevant liabilities, the fair value of the liabilities is re-measured, and the changes are included in the current profit and loss.

### 37 Revenues

Accounting policies used for revenue recognition and measurement.

#### 37.1 Principles of revenue recognition

When the contract with the customer meets the following conditions at the same time, the revenue is recognized when the customer obtains the control of the relevant commodity:

- (a) The parties to the contract have approved the contract and promised to perform their respective obligations;
- (b) The contract clarifies the rights and obligations of the parties to the contract in relation to the transferred goods or the provision of labor services;
- (c) The contract has clear payment terms related to the transferred goods;
- (d) The contract has commercial substance, that is, the performance of the contract will change the risk, time distribution or amount of future cash flows of the Group;
- (e) The consideration entitled to the transfer of goods to the customer is likely to be recovered.

Evaluate the contract on the contract inception date, identify each individual performance obligation contained in the contract, and allocate the transaction price to each individual performance obligation according to the relative proportion of the stand-alone selling price of the commodities promised by each individual performance obligation. In determining the transaction price, the influence of factors such as variable consideration, significant financing components in the contract, non-cash consideration, and consideration payable to customers are considered. Then determine whether each individual performance obligation is performed within a certain period of time or at a certain point in time, and recognize revenue separately when each individual performance obligation is performed.

If one of the following conditions is met, the performance obligation is fulfilled within a certain period of time; otherwise, the performance obligation is fulfilled at a certain point in time:

- a) The customer obtains and consumes the economic benefits brought by the company's performance when the company performs the contract;
- b) The customer can control the commodities under construction in the process of contract performance;
- c) The commodities produced by the enterprise during the performance of the contract have irreplaceable uses, and the enterprise has the right to receive payment for the part of the performance that has been completed so far during the entire contract period.

For performance obligations performed within a certain period of time, revenue is recognized according to the progress of performance within that period. The progress of contract performance is determined by the input method

or output method according to the nature of the transferred goods. When the progress of contract performance cannot be reasonably determined, and the costs incurred are expected to be compensated, revenue shall be recognized according to the amount of costs incurred until the progress of contract performance can be reasonably determined.

If one of the above conditions is not met, revenue will be recognized at the transaction price allocated to the single performance obligation when the customer obtains control over the relevant commodity. The following indications should be considered when judging whether a customer has acquired control of a commodity:

- <a> The enterprise has the current right to receive payment for the product, that is, the customer has the current payment obligation for the product;
- <b> The enterprise has transferred the legal ownership of the product to the customer, that is, the customer already owns the legal ownership of the product;
- <c> The enterprise has transferred the commodity in kind to the customer, that is, the customer has physically possessed the commodity;
- <d> The enterprise has transferred the main risks and rewards of the ownership of the commodity to the customer, that is, the customer has obtained the main risks and rewards of the ownership of the commodity;
- <e> The customer has accepted the product;
- <f> Other indications that the customer has obtained control of the goods.

### 37.2 Methods of revenue recognition used by the Company

#### (a) Revenue recognized by the Company at a point in time in the control over assets

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

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

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

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

#### (b) Revenue recognized by the Company by performance period:

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

### 38 Government grants

Government grants are the monetary assets and non-monetary assets received from the government without consideration to be paid which are not including the capital injected by the government acted as an owner role.

### 38.1 Judgment basis and accounting treatment method of government grants related to assets

If the government documents explicitly state that the government grants will be used to establish or form long-term assets, the government grants will be classified as government grants related to assets. Government grants related to assets are recognized as deferred income. They are amortized in profit or loss for each period over the related assets' estimated useful period on a systematic basis.

If the relevant assets are sold, transferred, scrapped or damaged before the end of their useful life, the undistributed balance of relevant deferred income shall be transferred to the profit and loss of the current period of asset disposal. Government grants related to the Company's routine operation will be recorded in other income based on the nature of its economic substance and government grants not related to the Company's routine operation will be recorded in non-operating income or expenses.

### 38.2 Judgment basis and accounting treatment method of government grants related to income

Except those grants which are classified as government grants related to assets, other government grants are classified as government grants related to income.

If there is no explicit subsidy object in the government document, the portion related to long-term assets will be classified as government grants related to assets and the rest portion will be classified as government grants related to income.

If the grant related to income is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and amortized in profit or loss over the periods in which the related costs are recognized. If the grant related to income is a compensation for related expenses or losses already incurred, the grant is recognized directly in profit or loss for the current period.

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

If the company obtains policy-based preferential loan discounts, it shall distinguish two situations when the finance allocates the discounted funds to the lending bank and the finance directly allocates the discounted funds to the enterprise:

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

### 38.3 The recognition timing for government grants

If the government subsidy is a monetary asset, the company will recognize it when it meets the conditions attached to the government subsidy and is actually received; if the government subsidy is a non-monetary asset, the company recognizes the government subsidy when it obtains the control right of the non-monetary asset. Among them, non-monetary assets are measured at fair value; if the fair value cannot be obtained reliably, it is measured at the nominal

amount.

When the confirmed government grant needs to be returned, if there is a relevant deferred income balance, the book balance of the relevant deferred income will be offset, and the excess will be included in the current profit and loss; if there is no relevant deferred income, it will be directly included in the current profit and loss.

### 39 Deferred tax asset and deferred tax liability

Income tax is accounted for using the balance sheet liability method. 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.

On the basis of calculating and determining the current income tax (that is, the income tax payable in the current period) and the deferred income tax expenses (or gains), the sum of the two is recognized as the income tax expenses (or gains) in the income statement, but Excludes income tax effects of transactions or events that are directly included in owners' equity.

On the balance sheet date, review the book value of deferred tax assets. 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.

### 40 Leases

A lease is a contract that transfers or acquires the right to control the use of one or more identified assets for a specified period in exchange for or payment of consideration. At the inception date of a contract, assess whether the contract is or contains a lease.

#### 40.1 Company as the lessee

The main categories of leased assets are office buildings and cold storage.

##### 40.1.1 Initially measured

On the commencement date of the lease term, the right to use the leased asset during the lease term is recognized as a right-of-use asset, and the present value of the unpaid lease payments is recognized as a lease liability (except for short-term leases and leases of low-value assets). When calculating the present value of lease payments, the interest rate implicit in the lease is used as the discount rate; if the interest rate implicit in the lease cannot be determined, the incremental borrowing rate of the lessee is used as the discount rate.

##### 40.1.2 Subsequently measured

With reference to the relevant depreciation provisions of "Accounting Standards for Business Enterprises No. 4 - Fixed Assets", the right-of-use assets are depreciated (see Note IV. 27 "Right-of-use assets"), and it can be reasonably determined that the ownership of the leased assets will be obtained when the lease term expires. Depreciation is accrued over the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be obtained at the expiration of the lease term, depreciation shall be accrued within the shorter of the lease term and the remaining useful life of the leased asset.

For lease liabilities, the interest expense in each period of the lease term is calculated at a fixed periodic interest rate, and is included in the current profit and loss or included in the cost of relevant assets. Variable lease payments that are not included in the measurement of lease liabilities are included in the current profit and loss or the cost of related assets when they are actually incurred.

40.1.3 After the lease commencement date, when there is a change in the actual fixed payment amount, a change in the estimated payable amount of the guaranteed residual value, a change in the index or ratio used to determine the lease payment amount, a purchase option, a lease renewal option or a termination option. When there is a change in the assessment result or the actual exercise of the option, the company re-measures the lease liability according to the present value of the changed lease payments, and adjusts the book value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the remaining amount shall be included in the current profit and loss.

#### 40.1.4 Short-term leases and leases of low-value assets

For short-term leases (leases with a term of less than 12 months on the lease commencement date) and leases of low-value assets, a simplified approach is adopted, and the right to use assets and lease liabilities are not recognized. The Company recognizes lease payments for operating leases in profit or loss applying a straight-line basis in each period over the lease term. The Company capitalized the initial direct expenses incurred which are amortized in profit or loss over the lease term on the same recognition basis as the lease income.

### 40.2 Company as lessor

On the lease inception date, based on the substance of the transaction, leases are classified into finance leases and operating leases. A finance lease is a lease that substantially transfers substantially all the risks and rewards associated with ownership of the leased asset. Operating leases refer to leases other than finance leases.

#### 40.2.1 Operating lease

The Company recognizes lease payments for operating leases in profit or loss applying a straight-line basis in each period over the lease term. Variable lease payments related to operating leases that are not included in lease receipts are included in profit or loss for the current period when they are actually incurred.

#### 40.2.2 Finance lease

On the commencement date of the lease period, the financial lease receivables are recognized and the financial lease assets are derecognized. The financial lease receivables are initially measured with the net investment in the lease (the sum of the unguaranteed residual value and the present value of the lease receipts not yet received at the start date of the lease term, discounted at the interest rate embedded in the lease), and the interest income during the lease period is calculated and recognized at a fixed periodic interest rate. The variable lease payments obtained that are not included in the net lease investment measurement are included in the current profit and loss when they are actually incurred.

#### 40.2.3 The Company's revenue applicable to the lease standards

The Company's revenue from vessel leases: Shandong Zhonglu Aquaculture Shipping Co., Ltd. and Habitat International Corporation lease their vessels by time charter. The Company leases vessels equipped with operating staff to others for certain periods. During the lease term, the ships are subject to the lessees' dispatch. Regardless of whether they run any business using the vessels, the Company charges lease fees to them and bears any fixed costs incurred (such as staff salaries, maintenance costs, etc.). During the lease term, the fees are settled on a regular basis between the Company and its clients. The Company recognizes revenue based on the number of lease days as agreed upon with the clients.

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

#### 41 Other Important Accounting Policies and Accounting Estimations

##### Production safety expenditures

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

Basis and accounting treatment of the withdrawal and utilization of production safety expenditures:

The Company withdraws production safety expenditures for water transportation - general transportation at 1% of the revenue for the previous year.

#### 42 Changes in Important Accounting Policies and Accounting Estimations

42.1 "Companies' accounting treatment of the foreign sale of products or byproducts produced before fixed assets reach the intended use or during research and development" in the Interpretation of ASBE No. 15.

Since January 1, 2022, the Company has started to implement the provision on "companies' accounting treatment of the foreign sale of products or byproducts produced before fixed assets reach the intended use or during research and development" in the Interpretation of ASBE No. 15 issued by the Ministry of Finance. The Company has made retroactive adjustments to the trial sales that occurred from the beginning of the earliest period of the financial statements, during which the Company first implemented the provision, to January 1, 2022. This accounting policy change has no impact on the Company's financial statements.

42.2 "The judgement of onerous contracts" in the Interpretation of ASBE No. 15.

Since January 1, 2022, the Company has started to implement the provision on "the judgement of onerous contracts" in the Interpretation of ASBE No. 15 issued by the Ministry of Finance. The Company implemented the provision for all obligations that had yet to be performed as at January 1, 2022. Based on the cumulative effects, the Company adjusted the retained earnings as at the beginning of 2022 as well as the amounts of other relevant items in the financial statements. The information during the comparable period was not adjusted. Implementing this provision has no impact on the Company's financial statements as at January 1, 2022.

42.3 Since November 30, 2022, the Company has started to implement the provision on “the accounting treatment of income tax effects from the dividends of financial instruments classified as equity instruments by the issuer” in the Interpretation of ASBE No. 16 issued by the Ministry of Finance.

Since November 30, 2022, the Company has started to implement the provision on “the accounting treatment of income tax effects from the dividends of financial instruments classified as equity instruments by the issuer” in the Interpretation of ASBE No. 16 issued by the Ministry of Finance. For the recognized dividends payable of financial instruments classified as equity instruments that fall within the scope of the provision and occurred between January 1, 2022 and November 30, 2022, the Company made adjustments according to the provision. For the recognized dividends payable of financial instruments classified as equity instruments that fall within the scope of the provision and occurred before January 1, 2022 with the relevant financial instruments yet to be derecognized as at January 1, 2022, the Company made retroactive adjustments according to the provision. This accounting policy change has no impact on the Company’s financial statements.

42.4 Since November 30, 2022, the Company has started to implement the provision on “the accounting treatment of companies’ change of cash-settled share-based payment to equity-settled share-based payment” in the Interpretation of ASBE No. 16 issued by the Ministry of Finance.

Since November 30, 2022, the Company has started to implement the provision on “the accounting treatment of companies’ change of cash-settled share-based payment to equity-settled share-based payment” in the Interpretation of ASBE No. 16 issued by the Ministry of Finance. For new transactions between January 1, 2022 and November 30, 2022, the Company has made adjustments according to the provision. For transactions that occurred before January 1, 2022, the Company has made adjustments according to the provision by adjusting the retained earnings as at January 1, 2022 as well as the amounts of other relevant items in the financial statements based on the cumulative effects. The information during the comparable period was not adjusted. This accounting policy change has no impact on the Company’s financial statements.

#### 43 Significant accounting judgments and estimates

In the process of applying accounting policies, the company needs to make judgments, estimates and assumptions about the book value of statement items that cannot be accurately measured due to the inherent uncertainty of operating activities. These judgments, estimates and assumptions are made based on the past historical experience of the company's management and taking into account other relevant factors. These judgments, estimates and assumptions affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the balance sheet date. However, the actual results caused by the uncertainty of these estimates may differ from the current estimates of the company's management, resulting in significant adjustments to the carrying amounts of the assets or liabilities affected in the future.

The company regularly reviews the aforementioned judgments, estimates and assumptions on a going concern basis. If the change in accounting estimates only affects the current period of the change, the amount of impact will be recognized in the current period of the change; if it affects both the current period of the change and the future period, the affected amount shall be confirmed in the current period of the change and the future period.

On the balance sheet date, the important areas where the company needs to make judgments, estimates and assumptions about the amounts of financial statement items are as follows:

##### (1) Revenue recognition

As stated in Note IV.37, “Revenue”, the recognition of revenue involves the following significant accounting judgments and estimates:

Estimate the recoverability of consideration to which the customer is entitled for the transfer of goods to the customer:

Enterprises mainly rely on past experience and work to make judgments. These major judgments and changes in estimates may have an impact on operating income, operating costs, and profit or loss in the current or subsequent periods of the change, and may have a significant impact.

## (2) Significant accounting judgments and estimates related to leases

### ① Identification of lease

When a company identifies whether a contract is a lease or contains a lease, it needs to assess whether there is an identified asset and the customer controls the right-of-use the asset for a certain period of time. In assessing, it is necessary to consider the nature of the asset, substantive substitution rights, and whether the customer is entitled to substantially all of the economic benefits arising from the use of the asset during that period and is able to direct the use of the asset.

### ② Classification of lease

When a company acts as a lessor, it classifies leases as operating leases and finance leases. When classifying, management needs to make analysis and judgment on whether all risks and rewards related to the ownership of leased assets have been substantially transferred to the lessee.

### ③ Lease liabilities

When the company is the lessee, the lease liability is initially measured at the present value of the unpaid lease payments on the commencement date of the lease term. In measuring the present value of lease payments, the company estimates the discount rate to use and the lease term of lease contracts for which renewal or termination options exist. When evaluating the lease term, the company comprehensively considers all relevant facts and circumstances that bring economic benefits from the exercise of the option by the company, including expected changes in facts and circumstances from the commencement date of the lease term to the date when the option is exercised. Different judgments and estimates may affect the recognition of lease liabilities and right-of-use assets, and will affect profit or loss in subsequent periods.

## (3) Impairment of financial instruments

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

## (4) Provision for inventory depreciation

According to the inventory accounting policy, the company measures at the lower of cost and net realizable value. For

inventories whose cost is higher than net realizable value and obsolete and slow-moving inventory, provision for inventory depreciation is made. The impairment of inventories to net realizable value is based on an assessment of the marketability of inventories and their net realisable value. Identifying the impairment of inventories requires management to make judgments and estimates on the basis of obtaining conclusive evidence and considering factors such as the purpose of holding inventories and the impact of events after the balance sheet date. The difference between the actual result and the original estimate will affect the book value of inventories and the accrual or reversal of the provision for impairment of inventories in the period in which the estimate is changed.

(5) Provision for impairment of long-term assets

On the balance sheet date, the company judges whether there are signs of possible impairment of non-current assets other than financial assets. For intangible assets with indefinite useful lives, in addition to the annual impairment test, when there is an indication of impairment, the impairment test is also performed. Other non-current assets other than financial assets shall be tested for impairment when there is an indication that their carrying amount is unrecoverable. When the book value of the asset or asset group is higher than the recoverable amount, that is, the higher of the net amount after the fair value minus disposal costs and the present value of the expected future cash flow, it indicates that an impairment has occurred.

The net amount after the fair value minus disposal costs is determined by reference to the sale agreement price or observable market price of similar assets in an arm's length transaction, minus the incremental cost that can be directly attributable to the disposal of the asset.

When estimating the present value of future cash flows, it is necessary to make significant judgments on the output, selling price, relevant operating costs and the discount rate used in calculating the present value of the asset (or asset group). When estimating the recoverable amount, the company will use all relevant information that can be obtained, including the forecast of production, selling price and related operating costs based on reasonable and supportable assumptions.

(6) Depreciation and amortization

After considering the residual value of investment real estate, fixed assets and intangible assets, the company accrues depreciation and amortization on a straight-line basis within their useful lives. The company periodically reviews the useful life to determine the amount of depreciation and amortization that will be charged to each reporting period. The useful life is determined by the company based on past experience with similar assets combined with expected technological updates. Depreciation and amortization expense is adjusted in future periods if there are material changes from previous estimates.

(7) Deferred tax assets

To the extent that it is probable that there will be sufficient taxable profits to offset the losses, the company recognizes deferred tax assets for all unused tax losses. This requires the management of the company to use a lot of judgment to estimate the time and amount of future taxable profits, and combine tax planning strategies to determine the amount of deferred tax assets that should be recognized.

(8) Income tax

In the normal business activities of the company, there are certain uncertainties in the final tax treatment and calculation of some transactions. Whether some items can be listed as disbursements before tax requires the approval of the tax authorities. If there is a difference between the final determination result of these tax matters and the initially estimated amount, the difference will have an impact on the current income tax and deferred income tax during the final determination period.

(9) Internal retirement benefits and supplementary retirement benefits

The company's internal retirement benefits and supplementary retirement benefits expenses and liabilities are determined based on various assumptions. These assumptions include discount rate, growth rate of average medical expenses, growth rate of subsidies for internal retirees and retirees and other factors. Differences between actual results and assumptions will be recognized and charged to current year expenses as soon as they occur. Although the management believes that reasonable assumptions have been adopted, changes in actual experience and assumptions will still affect the company's internal retirement benefits and supplementary retirement benefits expenses and liabilities.

(10) Other major accounting policies, accounting estimates and methods of preparing financial statements

The company shall determine the operating divisions based on the internal organizational structure, management requirements and internal reporting system, and shall determine the reporting divisions based on the operating divisions.

- ① This component can generate income and expenses in daily activities;
- ② The enterprise management can regularly evaluate the operating results of this component to decide to allocate resources to it and evaluate its performance;
- ③ The enterprise can obtain the financial status, operating results and cash flow of this component of accounting information.

## VI. Taxes

### 1. Main taxes categories and tax rates

<u>Tax category</u>	<u>Tax basis</u>	<u>Tax rate</u>
Value added tax	Output tax deducted input tax that can be credited against the output tax	13%, 9%、6%、5%、Tax exemption
Urban maintenance and construction tax	Turnover tax payable	7%
Enterprise income tax	Taxable income	Tax exemption、25%、8%

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

<u>Name of tax enterprise</u>	<u>Tax rate of income tax</u>
Shandong Zhonglu Oceanic Fisheries Co., Ltd.	Ocean fisheries part is tax exemption; housing lease part is 25%.
Shandong zhonglu Haiyan Oceanic Fisheries Co., Ltd.	tax exemption
AFRICA STAR FISHERIES LIMITED	Export sales part is 8%, domestic sales part is 25%.
HABITAT INTERNATIONAL CORPORATION	tax exemption
LAIF FISHERIES COLTD	25%

<u>Name of tax enterprise</u>	<u>Tax rate of income tax</u>
ZHONG GHA FOODS COMP ANY LIMITED	25%
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.	25%
Shandong zhonglu ocean refrigeration co. LTD	Aquatic products processing part is tax exemption; refrigeration part is 25%.
Shandong Zhonglu Oceanic (Yantai) Food Co.	Aquatic products processing part is tax exemption; refrigeration part is 25%.
Sino-Ocean (Qingdao) Industrial Investment Development Co., Ltd.	25%

## 2. Tax Preferences and Approval Documents

### 2.1 Value-added tax preference

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

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

### 2.2 Income tax preference

In accordance with relevant provisions of the Enterprise Income Tax Law of the People's Republic of China (Order No. 63 of the President of the People's Republic of China), the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China (Order No. 512 of the State Council of the People's Republic of China), the Notice of the Ministry of Finance and the State Taxation Administration on Issuing the Primary Processing Scope of Agricultural Products Entitled to Enterprise Income Tax Preference Policies (Trial) (CS [2008] No. 149), the Supplementary Notice of the Ministry of Finance and the State Taxation Administration on the Relevant Primary Processing Scope of Agricultural Products Entitled to Enterprise Income Tax Preference Policies (CS [2011] No. 26) and the Announcement of the State Taxation Administration on Issues Concerning the Enterprise Income Tax Preference for the Implementation of Farming, Forestry, Husbandry, and Fishery Projects (Announcement No. 48 of 2011 of the State Taxation Administration), the processing fees charged by the Company for its primary processing of agricultural products and authorized primary processing of agricultural products can be treated as tax-exempt items for the primary processing of agricultural products. The income gained by the Company from its long-range fishing and primary processing of agricultural products is exempt from the enterprise income tax. Other income gained by the company than the income from its long-range fishing and primary processing of agricultural products will be subject to the enterprise income tax at a tax rate of 25%.

## VII. Notes to consolidated financial statement items

### 1. Monetary funds

Unit:RMB

Item	Closing balance	Closing balance	Opening balance
Cash on hand		2,757,074.69	2,325,815.67
Bank deposit		173,825,159.02	224,938,526.64
Total		176,582,233.71	227,264,342.31
Including: total amount of funds deposited overseas		27,155,822.08	39,621,432.70

### 2. Accounts receivable

#### (1) Classified disclosure of accounts receivable

Unit:RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrual ratio		Amount	Proportion	Amount	Accrual ratio	
Among them:										
Accounts receivable accrued for bad debts by combination	59,293,703.62	100.00%	9,644,681.84	16.27%	49,649,021.78	67,429,306.19	100.00%	9,595,634.36	14.23%	57,833,671.83
Including:										
Total	59,293,703.62	100.00%	9,644,681.84	16.27%	49,649,021.78	67,429,306.19	100.00%	9,595,634.36	14.23%	57,833,671.83

Accrued bad debt provisions by combination: 9,644,681.84

Unit:RMB

Name	Closing balance		Accrual ratio
	Amount	Proportion	

	Book balance	Bad debt provision	
Accrued bad debt provisions by combination	59,293,703.62	9,644,681.84	16.27%
Total	59,293,703.62	9,644,681.84	

If the bad debt provision of accounts receivable is made based on the general model of expected credit losses, please refer to the disclosure methods of other accounts receivable to disclose the relevant information of bad debts provision:

Applicable Not applicable

Disclosure by aging

Unit:RMB

Aging	Closing balance
Within 1 year (included)	51,958,477.63
1-2 years	46,755.57
2-3 years	764,078.18
Over 3 years	6,524,392.24
4-5 years	6,524,392.24
Total	59,293,703.62

## (2) Bad debt provisions accrued, recovered or reversed in the current period

Accrual for bad debt provisions in the current period:

Unit:RMB

Category	Opening balance	Change amount of current period				Closing balance
		Accrual	Recovery or reversal	Write off	Others	
Accrued bad debt provisions by combination	9,595,634.36	708,094.38	659,046.90			9,644,681.84
Total	9,595,634.36	708,094.38	659,046.90			9,644,681.84

## (3) Accounts receivable of the top five closing balance collected by the debtor

Unit:RMB

Name of entity	Closing balance accounts receivable	Proportion to the total closing balance of accounts receivable	Closing balance of bad debt provisions
W.E.C.F. CO..LTD.	26,269,235.50	44.30%	1,313,461.78
PANDA CO.LTD	3,600,962.12	6.07%	3,600,962.12
Fengqun Aquatic Products Co., Ltd	3,293,677.74	5.55%	164,683.89
Shenzhen Shenzhiyang	2,989,730.41	5.04%	149,486.52

Trading Co., Ltd			
Chenghong Refrigeration Co., Ltd	2,758,755.13	4.65%	137,937.76
Total	38,912,360.90	65.61%	

### 3. Prepayments

#### (1) Prepayments presented by aging

Unit:RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	32,703,670.91	96.83%	25,486,029.47	94.88%
1-2 years	1,070,235.46	3.17%	1,374,021.19	5.12%
Total	33,773,906.37		26,860,050.66	

#### (2) Prepayments of the top five closing balance collected by prepayment object

Name of entity	Closing balance	Proportion to the total closing balance of prepayments
China Overseas Fisheries Association	9,421,302.28	27.94%
KTI COMPANY LIMITED	4,131,645.83	12.25%
PARTIES TO THE NAURU AGREEMENT(PNA FUND)	2,746,933.80	8.15%
KIRIBATI GOVERNMENT NO.1	2,379,774.74	7.06%
TECHNICAL SUPPLY CENTER S.L.	1,900,228.73	5.64%
Total	20,579,885.38	61.04%

### 4. Other receivables

Unit:RMB

Item	Closing balance	Opening balance
Other receivables	6,370,630.00	5,562,546.59
Total	6,370,630.00	5,562,546.59

#### (1) Other receivables

##### 1) Classification of other receivables by nature of payment

Unit:RMB

Nature of payment	Closing book balance	Opening book balance
Security deposit	165,965.36	605,619.95
Transactions and others	11,284,340.69	9,847,319.45
Bad debt provision	-5,079,676.05	-4,890,392.81
Total	6,370,630.00	5,562,546.59

**2) Accrual of bad debt provisions**

Unit:RMB

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss for the next 12 months	Expected credit loss for the entire duration (no credit impairment has occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Balance on January 1, 2023	552,110.86		4,338,281.95	4,890,392.81
Balance on January 1, 2023 in current period				
Accrual of current period	299,815.36			275,900.68
Reversal of current period	87,425.02			87,425.02
Other changes	807.58			807.58
Balance on June 30, 2023	765,308.78		4,338,281.95	5,079,676.05

Changes in book balance with significant changes in loss reserves during the current period

Applicable Not applicable

Disclosure by aging

Unit:RMB

	Closing balance
Within 1 year (included)	4,439,212.35
1-2 years	2,069,371.56
2-3 years	349,646.69
Over 3 years	4,592,075.45
4-5 years	4,592,075.45
Total	11,450,306.05

**3) Bad debt provisions accrued, recovered or reversed in the current period**

Accrual of bad debt provision in current period

Unit:RMB

Category	Opening balance Opening balance	Change amount in current period				Closing balance Closing balance
		Accrual	Recovery or reversal	Write-off	Others	
Bad debts of other accounts receivable	4,890,392.81	275,900.68	87,425.02		807.58	5,079,676.05
Total	4,890,392.81	275,900.68	87,425.02		807.58	5,079,676.05

**4) Other accounts receivable with the top five closing balance collected by the debtor**

Unit:RMB

Name of entity	Nature of payment	Closing balance	Aging	Proportion to total closing balance of other receivables	Closing balance of bad debt provision
Shandong State-owned Assets Investment Holdings Co., Ltd	Receivable custody fees	2,250,000.00	Within 1 year	19.65%	
Bak Seong Ho	Employee loans	1,055,050.91	Within 1 year, 1-2 years	9.21%	301,642.29
China Overseas Fisheries Association	Security deposit	382,250.00	Within 1 year	3.34%	19,112.50
Yuxiang International Enterprise Co., Ltd	Current accounts	360,490.00	Within 1 year	3.15%	18,024.50
Daihatsu Corporation of Japan	Current accounts	288,896.39	Over 5 years	2.52%	288,896.39
<b>Total</b>		<b>4,336,687.30</b>		<b>37.87%</b>	<b>627,675.68</b>

**5. Inventory**

Does the company need to comply with disclosure requirements in the real estate industry

No

**(1)Category of inventories**

Unit:RMB

Item	Closing balance			Opening balance		
	Book balance	Inventory falling price reserve or contract performance cost impairment provision	Book value	Book balance	Inventory falling price reserve or contract performance cost impairment provision	Book value
Raw material	200,440,042.43	6,769,784.67	193,670,257.76	161,964,426.73	4,070,413.82	157,894,012.91
Commodities in stock	359,907,879.25	43,254,574.30	316,653,304.95	315,997,100.12	54,150,416.89	261,846,683.23
Turnover	1,108,985.45		1,108,985.45	1,109,413.83		1,109,413.83

materials						
Contract performance cost	2,547,708.58		2,547,708.58	3,416,444.22		3,416,444.22
Sent commodities				5,304,761.22	4,041,291.15	1,263,470.07
Low value consumables	451,904.92		451,904.92	595,249.07		595,249.07
Total	564,456,520.63	50,024,358.97	514,432,161.66	488,387,395.19	62,262,121.86	426,125,273.33

**(2) Inventory falling price reserves and contract performance cost impairment provisions**

Unit:RMB

Item	Opening balance	Increased amount in the current period		Decreased amount in the current period		Closing balance
	Opening balance	Accrual	Others	Reversal or resale	Others	
Raw materials	4,070,413.82	2,699,370.85				6,769,784.67
Commodities in stock	54,150,416.89			10,895,842.59		43,254,574.30
Sent commodities	4,041,291.15			4,041,291.15		
Total	62,262,121.86	2,699,370.85		14,937,133.74		50,024,358.97

**6. Other current assets**

Unit:RMB

Item	Closing balance	Opening balance
Input tax amount to be deducted for value-added tax	8,507,530.94	10,392,999.68
Prepaid income tax	103,110.94	374,592.16
Prepaid other taxes	87,620.34	23,854.27
Total	8,698,262.22	10,791,446.11

**7. Long-term equity investment**

Unit:RMB

Invested entity	Opening balance (book value)	Increase/decrease in current period								Closing balance (book value)	Closing balance of impairment provision
		Additio nal investm ent	Reduci ng investm ent	Investm ent profit and loss recogni zed under the equity method	Other compre hensive income adjustm ents	Other equity changes	Declari ng the distribu tion of cash dividen ds or profits	Accrual of impair ment provisi on	Others		
I. Joint venture											
II. Associated enterprise											

Jinan Qinzhen Food Technology Co., Ltd	1,983,923.48			- 253,775.04						1,730,148.44	
Subtotal	1,983,923.48			- 253,775.04						1,730,148.44	
Total	1,983,923.48			- 253,775.04						1,730,148.44	

## 8. Investment real estate

### (1) Investment real estate using cost measurement model

Applicable Not applicable

Unit:RMB

Item	House and building	Land use right	Construction in progress	Total
I. Original book value				
1. Opening balance	51,308,578.35			51,308,578.35
2. Increased amount in current period Increased amount in the current period				
(1) Outsourcing				
(2) Transferred from inventory, fixed assets, and construction in progress				
3) Increase in business merger				
3. Current decrease amount				
(1) Disposal				
(2) Other transfers out				
4. Closing balance	51,308,578.35			51,308,578.35
II. Accumulated depreciation and amortization				
1. Opening balance	21,639,210.22			21,639,210.22
2. Increased amount in current period Increased amount in	663,038.34			663,038.34

the current period				
(1)Accrual or amortization	663,038.34			663,038.34
3.Current decrease amount				
(1)Disposal				
(2)Other transfers out				
4.Closing balance	22,302,248.56			22,302,248.56
III. Impairment provision				
1.Opening balance	886,512.06			886,512.06
2.Increased amount in the current period				
(1) Accrual				
3.Current decrease amount				
(1)Disposal				
(2)Other transfers out				
4.Closing balance	886,512.06			886,512.06
Book value				
1.Closing book value	28,119,817.73			28,119,817.73
2.Opening book value	28,782,856.07			28,782,856.07

**(2)Investment real estate using fair value measurement model**

Applicable Not applicable

**(3)Investment real estate without obtaining property ownership certificate**

Unit:RMB

Item	Book value	Reason for not completing the property rights certificate
Office building	28,047,820.36	See Notes

Other notes

Note: According to the "Debt Repayment Opinion" signed between our company and Shandong Provincial Aquatic Products Group Corporation in April 2006, as well as the "Civil Ruling " (2005) LZZ No. 1299 of the People's Court of Lixia District, Jinan City, Shandong Provincial Aquatic Products Group Corporation will offset the debt owed by its office complex building and office supplies located at No. 43, Heping Road, Lixia District, Jinan City to Shandong Zhonglu Oceanic Fisheries Co., Ltd, the original book value of the confirmed office complex building is 54223132.40RMB, and the book value is 31807244.79 RMB(including the self use part included in fixed assets and the rental part included in investment real estate). The land used for this property is an allocated land, and the property ownership certificate has not yet been obtained.

## 9. Fixed assets

Unit:RMB

Item	Closing balance	Opening balance
Fixed assets	1,046,244,239.75	630,970,963.32
Total	1,046,244,239.75	630,970,963.32

## (1) Fixed assets

Unit:RMB

Item	Houses and buildings	Ships and nets	Machines and equipment	Transportation equipment	Furniture and office equipment	Total
I.Original book value:						
1.Opening balance	196,047,378.12	741,147,928.30	63,509,105.74	9,548,435.79	12,066,534.30	1,022,319,382.25
1. Increased amount in the current period	38,619.00	454,927,968.42	67,978.19	286,761.26	159,433.79	455,480,760.66
(1)Purchase		18,134,668.22	62,389.38	131,499.03	131,747.26	18,460,303.89
(2)Transferred from construction in progress		421,643,953.45				421,643,953.45
(3)Increase in business merger						
Impact of exchange rate fluctuations	38,619.00	15,149,346.75	5,588.81	155,262.23	27,686.53	15,376,503.32
3. Current decrease amount					18,260.22	18,260.22
(1)Disposal or scrapping					18,260.22	18,260.22
2. Closing balance	196,085,997.12	1,196,075,896.72	63,577,083.93	9,835,197.05	12,207,707.87	1,477,781,882.69
II.Accumulated depreciation						
1.Opening balance	46,512,265.13	295,149,632.28	32,577,597.44	7,770,183.81	9,181,166.77	391,190,845.43
2.Increased amount in current period	2,896,423.07	34,560,488.17	1,854,568.15	566,114.27	327,176.06	40,204,769.72
1) Accrual	2,888,144.03	32,378,908.80	1,851,462.12	424,662.45	306,494.45	37,849,671.85
Impact of exchange rate fluctuations	8,279.04	2,181,579.37	3,106.03	141,451.82	20,681.61	2,355,097.87

3.Current decrease amount					15,545.71	15,545.71
(1)Disposal or scrapping					15,545.71	15,545.71
4.Closing balance	49,408,688.20	329,710,120.45	34,432,165.59	8,336,298.08	9,492,797.12	431,380,069.44
III.Impairment provision						
1.Opening balance		157,573.50				157,573.50
2.Increased amount in current period						
(1)Accrual						
3.Current decrease amount						
(1)Disposal or scrapping						
4.Closing balance		157,573.50				157,573.50
IV. Book value						
1.Closing book value	146,677,308.92	866,208,202.77	29,144,918.34	1,498,898.97	2,714,910.75	1,046,244,239.75
2.Opening book value	149,535,112.99	445,840,722.52	30,931,508.30	1,778,251.98	2,885,367.53	630,970,963.32

**(2)Temporarily idle fixed assets**

Unit:RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	备注
Refrigerating Equipment	2,179,020.00	1,961,118.00		217,902.00	

**(3)Fixed assets without obtaining property ownership certificate**

Unit:RMB

Item	Book value	Reason for not obtaining the property rights certificate
Houses and buildings	1,572,595.25	See the notes

Other notes

Note: According to the "Debt Repayment Opinion" signed between our company and Shandong Provincial Aquatic Products Group Corporation in April 2006, as well as the "Civil Ruling" (2005) LZZ No. 1299 of the People's Court of Lixia District, Jinan City, Shandong Provincial Aquatic Products Group Corporation will offset the debt owed with its office complex building and office supplies located at No. 43, Heping Road, Lixia District, Jinan City to Shandong Zhonglu Oceanic Fisheries Co., Ltd, the original book value of the confirmed office complex building is 54223132.40 yuan, and the book value is 31807244.79 yuan (including the self use part included in fixed assets and the rental part included in investment real estate). The land used for this property is an allocated land, and the property ownership certificate has not yet been obtained.

## 10. Construction in progress

Unit:RMB

Item	Closing balance	Opening balance
Construction in progress	51,354,770.09	344,727,296.32
Total	51,354,770.09	344,727,296.32

### (1) Construction in progress

Unit:RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Tailong 7 seine boat				169,190,918.22		169,190,918.22
Tailong 9 seine boat				161,578,418.21		161,578,418.21
Two newly built trawlers	15,566,963.14		15,566,963.14			
Renovation of Tuna Exhibition Hall	993,784.17		993,784.17			
Phase I of Zhonglu Marine Innovation Industrial Park Project	34,794,022.78		34,794,022.78	13,957,959.89		13,957,959.89
Total	51,354,770.09		51,354,770.09	344,727,296.32		344,727,296.32

### (2) Changes in important ongoing construction projects for the current period

Unit:RMB

Name of item	Budget amount	Opening balance	Increased amount in current period	Amount transferred to fixed assets in the	Other decreases in the current period	Closing balance	Proportion of accumulated project investment	Project progress	Accumulated amount of interest capital	Among them: Current interest	Current interest capitalization rate	Source of funds
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				current period			to budget		ization	capital ization amount		
Tailon g 7 seine boat	207,000,000.00	169,190,918.22	22,794,309.83	191,985,228.05			92.75%	100%	4,337,396.45	1,020,133.16	4.00%	other
Tailon g 9 seine boat	207,000,000.00	161,578,418.21	22,796,793.28	184,375,211.49			89.07%	100%	4,337,396.45	1,020,133.17	4.00%	other
Two newly built trawlers	26,000,000.00		15,566,963.14			15,566,963.14	59.87%	59.87%	77,888.33	77,888.33	4.00%	other
Renovation of Tuna Exhibition Hall	2,038,899.00		993,784.17			993,784.17	48.74%	48.74%				other
Phase I of Zhonglu Marine Innovation Industrial Park Project	90,000,000.00	13,957,959.89	20,836,062.89			34,794,022.78	38.66%	38.66%	3,630,666.67	2,641,333.34	3.50%	other
Total	532,038,899.00	344,727,296.32	82,987,913.31	376,360,439.54		51,354,770.09			12,383,347.90	4,759,488.00		

## 11. Use right assets

Unit:RMB

Item	Houses and buildings	Total
I.Original book value		
1.Opening balance	1,809,939.63	1,809,939.63
2.Increased amount in the current period	432,148.58	432,148.58
Exchange rate impact	50,277.47	50,277.47
3.Current decrease amount		
4.Closing balance	2,242,088.21	2,242,088.21
II.Accumulated depreciation	572,806.67	572,806.67
1.Opening balance	1,399,893.66	1,399,893.66
2. Increased amount in the current period	490,242.24	490,242.25

(1)Accrual	451,178.11	451,178.11
Exchange rate impact	39,064.13	39,064.14
3.Current decrease amount		
(1)Disposal		
4.Closing balance	1,890,135.90	1,890,135.91
III.Impairment provision		
1.Opening balance		
2.Increased amount in the current period		
(1)Accrual		
3.Current decrease amount		
(1)Disposal		
IV.Book value		
1.Closing book value		
	351,952.31	351,952.30
2.Opening book value	410,045.97	410,045.97

## 12. 12.Intangible assets

### (1)Intangible assets

Unit:RMB

Item	Land use right	Patent right	Non-patent technology	Computer software	Total
I.Original book value					
1.Opening balance	69,409,842.26			2,330,603.07	71,740,445.33
2.Increased amount in current period					
(1) Purchase					
(2)Internal R&D					
(3)Increase in business merger					
3.Current decrease amount					
(1)Disposal					
4.Closing balance	69,409,842.26			2,330,603.07	71,740,445.33
I. Accumulated					

amortization					
1. Opening balance	7,420,487.56			1,692,253.73	9,112,741.29
2. Increased amount in current period	714,486.24			126,346.92	840,833.16
(1) Accrual	714,486.24			126,346.92	840,833.16
3. Current decrease amount					
(1) Disposal					
4. Closing balance	8,134,973.80			1,818,600.65	9,953,574.45
III. Impairment provision					
1. Opening balance					
Increased amount in current period					
(1) Accrual					
3. Current decrease amount					
(1) Disposal					
4. Closing balance					
Book value					
1. Closing book value	61,274,868.46			512,002.42	61,786,870.88
2. Opening book value	61,989,354.70			638,349.34	62,627,704.04

### 13. Long-term deferred expenses

Unit:RMB

Item	Opening balance	Increased amount in current period	Amortized amount in current period	Other decreased amount	Closing balance
Decoration expense for offices	79,090.36		9,886.32		69,204.04
Total	79,090.36		9,886.32		69,204.04

### 14. Deferred income tax assets/deferred income tax liabilities

#### (1) Deferred income tax assets not offset

Unit:RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets

Asset impairment provision	49,815.65	223,277.78	49,961.39	223,277.78
Tax paid government subsidies related to assets for deferred income	5,163,999.48	1,290,999.87	5,338,621.20	1,334,655.29
Total	5,213,815.13	1,514,277.65	5,388,582.59	1,557,933.07

**(2)Deferred income tax liabilities not offset**

Unit:RMB

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Accelerated depreciation of fixed assets	10,107,817.25	2,526,954.30	10,411,997.44	2,610,499.36
Total	10,107,817.25	2,526,954.30	10,411,997.44	2,610,499.36

**(3)Deferred income tax assets or liabilities listed at net amount after offsetting**

Unit:RMB

Item	Deferred income tax assets and liabilities offset at the end of the period	Closing balance of deferred income tax assets or liabilities after offsetting	Deferred income tax assets and liabilities offset at the end of the period	Opening balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets		1,514,277.65		1,557,933.07
Deferred income tax liabilities		2,526,954.30		2,610,499.36

**(4)Details of unconfirmed deferred income tax assets**

Unit:RMB

Item	Closing balance	Opening balance
Deductible temporary differences - bad debt provisions	14,724,357.89	13,592,916.05
Deductible temporary differences - inventory falling price reserves	50,024,358.97	62,262,121.86
Deductible temporary differences - deductible losses		7,987,245.92
Deductible temporary differences - impairment provision of construction in progress	4,077,658.55	4,077,658.55

Total	68,826,375.41	87,919,942.38
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**15. Other non-current assets**

Unit:RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Prepaid land payment	2,000,000.00		2,000,000.00	2,000,000.00		2,000,000.00
Advance payment for construction in progress and equipment	6,099,449.18		6,099,449.18	10,851,990.71		10,851,990.71
Total	8,099,449.18		8,099,449.18	12,851,990.71		12,851,990.71

**16. Short-term loans****(1)Category of short-term loans**

Unit:RMB

Item	Closing balance	Opening balance
Mortgage loan	28,029,658.29	10,012,533.29
Guaranteed Loan	19,400,000.00	
Credit loans	40,011,611.11	10,011,611.11
Total	87,441,269.40	20,024,144.40

**17. Accounts payable****(1) Presentation of accounts payable**

Unit:RMB

Item	Closing balance	Opening balance
Within 1 year (included)	117,778,360.07	129,391,901.74
Over 1 year	8,374,137.27	4,880,402.31
Total	126,152,497.34	134,272,304.05

**18. Advance receipts****(1)Presentation of advance receipts**

Unit:RMB

Item	Closing balance	Opening balance
Advance rent collection	1,879,098.03	1,684,961.19
Total	1,879,098.03	1,684,961.19

**19. Contract liabilities**

Unit:RMB

Item	Closing balance	Opening balance
Advance payment for goods	56,718,860.93	49,576,606.91
Total	56,718,860.93	49,576,606.91

**20. Payroll payable****(1) Presentation of payroll payable**

Unit:RMB

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
I.Short -term compensation	53,077,921.51	75,878,264.88	83,945,724.28	45,010,462.11
II.Post employment benefits - defined contribution plan	2,026,077.30	6,602,945.93	5,589,316.94	3,039,706.29
III.Dismissal benefits	3,962.00	224,088.00	228,050.00	
IV.Other benefits due within one year	8,073.37		8,073.37	
Total	55,116,034.18	82,705,298.81	89,771,164.59	48,050,168.40

**(2)Presentation of short-term salary**

Unit:RMB

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
1.Salaries, bonuses, allowances, and subsidies	51,653,463.36	68,953,421.72	76,942,856.64	43,664,028.44
2.Employee welfare expenses	72,168.00	1,365,014.59	1,437,182.59	
3.Social insurance premiums	12,715.32	2,907,593.58	2,917,611.72	2,697.18
Including: Medical insurance premiums	10,928.96	2,510,251.29	2,521,180.25	
Work injury insurance premium	1,786.36	352,692.36	354,478.72	
4.Housing provident fund		2,235,417.88	2,235,417.88	
5.Trade union funds and employee education funds	1,339,574.83	416,817.11	412,655.45	1,343,736.49
Total	53,077,921.51	75,878,264.88	83,945,724.28	45,010,462.11

**(3) Presentation of defined contribution plans**

Unit:RMB

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
1. Basic pension insurance	21,651.20	5,333,819.83	5,355,471.03	
2. Unemployment insurance premium	947.24	221,871.88	222,819.12	
3. Enterprise annuity payment	2,003,478.86	1,047,254.22	11,026.79	3,039,706.29
Total	2,026,077.30	6,602,945.93	5,589,316.94	3,039,706.29

**21. Tax payable**

Unit:RMB

Item	Closing balance	Opening balance
Value added tax	244,635.99	282,208.25
Enterprise income tax	929,272.25	1,541,093.07
Personal income tax	41,218.59	559,650.11
Urban maintenance and construction tax	2,943.78	4,008.32
Property tax	340,194.59	340,194.59
Land use tax	200,210.99	200,210.82
Education surcharges	1,491.37	2,863.10
Other taxes and fees	722,172.08	1,411,448.06
Total	2,482,139.64	4,341,676.32

**22. Other payables**

Unit:RMB

Item	Closing balance	Opening balance
Other payables	17,524,810.27	18,326,716.51
Total	17,524,810.27	18,326,716.51

**(1) Other payables****1) Presentation of other payables by payment nature**

Unit:RMB

Item	Closing balance	Opening balance
Security deposit	775,595.64	5,965,114.77
Employee expenses	1,594,561.11	716,721.01
Safety production cost	2,808,236.18	1,667,772.64
Others	12,346,417.34	9,977,108.09
Total	17,524,810.27	18,326,716.51

**23. Non current liabilities maturing within one year**

Unit:RMB

Item	Closing balance	Opening balance
Long-term loans maturing within one year	3,300,000.00	6,502,041.67
Total	3,300,000.00	6,502,041.67

**24. Other current liabilities**

Unit:RMB

Item	Closing balance	Opening balance
Advance payment output tax	5,813.08	223,557.01
Total	5,813.08	223,557.01

**25. Long-term loans****(1)Category of long-term loans**

Unit:RMB

Item	Closing balance	Opening balance
Mortgage loan	47,200,000.00	47,264,244.44
Guaranteed Loan	108,240,000.00	96,093,333.33
Mortgage and guaranteed loan	230,990,361.46	140,200,000.00
Total	386,430,361.46	283,557,577.77

**26. Lease liabilities**

Unit:RMB

Item	Closing balance	Opening balance
Rental of office space	186,871.11	
Total	186,871.11	

**27. Long-term employee compensation payable****(1)Long term employee payroll payable**

Unit:RMB

Item	Closing balance	Opening balance
I. Other long-term benefits	551,802.08	616,935.20
Total	551,802.08	616,935.20

**28. Deferred income**

Unit:RMB

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance	Cause
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Government subsidies	13,500,315.67		626,668.18	12,873,647.49	Government subsidies related to assets
Total	13,500,315.67		626,668.18	12,873,647.49	

Items involving government subsidies:

Unit:RMB

Liability item	Opening balance	Newly added subsidy amount in current period	Amount included in non-operating income for the current period	Amount included in other income in the current period	Expense amount for offsetting cost for current period	Other changes	Closing balance	Related to assets/related to income
Special construction fund	7,954,109.04			519,041.16			7,435,067.88	Related to assets
Financial subsidies for shipbuilding	5,546,206.63			107,627.02			5,438,579.61	Related to assets

**29. Capital stock**

Unit:RMB

	Opening balance	Increase/decrease for this change					Closing balance
		Issue of new shares	Stock dividend	Conversion of provident fund into shares	Others	Subtotal	
Total number of shares	266,071,320.00						266,071,320.00

**30. Capital reserves**

Unit:RMB

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Capital premium (share capital premium)	189,093,492.79			189,093,492.79
Other capital reserve	106,526,779.23			106,526,779.23
Total	295,620,272.02			295,620,272.02

**31. Other comprehensive income**

Unit:RMB

Item	Opening	Amount incurred in current period	Current amount incurred	Closing
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	balance		Less: previously included in other comprehen sive income and transferred to profit or loss in the current period	Less: Previously included in other comprehen sive income, and transferred to retained earnings in the current period	Less: Income tax expense	Attributabl e to the parent company after tax	Attributabl e to minority shareholder s after tax	balance
I.Other comprehen sive income to be reclassif ied into profit or loss	- 6,291,344.5 8	8,720,992.5 4				6,789,384.4 2	1,931,608.1 2	498,039.84
Translation differences in foreign currency financial statements	- 6,291,344.5 8	8,720,992.5 4				6,789,384.4 2	1,931,608.1 2	498,039.84
Total of other comprehen sive income	- 6,291,344.5 8	8,720,992.5 4				6,789,384.4 2	1,931,608.1 2	498,039.84

### 32. Special reserves

Unit:RMB

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Safe production expense		1,663,748.71	1,360,453.37	303,295.34
Total		1,663,748.71	1,360,453.37	303,295.34

### 33. Surplus reserves

Unit:RMB

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Statutory surplus reserve	21,908,064.19			21,908,064.19
Total	21,908,064.19			21,908,064.19

**34. Undistributed profits**

Unit:RMB

Item	Current period	Previous period
Undistributed profit at the end of the previous period before adjustment	409,764,423.32	379,524,911.94
Undistributed profits at the beginning of the adjustment period	409,764,423.32	379,524,911.94
Plus: Net profit attributable to the owners of the parent company in the current period	-10,201,333.02	30,239,511.38
Undistributed profit at the end of the period	399,563,090.30	409,764,423.32

Details of undistributed profits at the beginning of the adjustment period:

- 1) Due to the retrospective adjustment of the Accounting Standards for Business Enterprises and related new regulations, the undistributed profits by yuan at the beginning of the period were affected.
- 2) Due to changes in accounting policies, the undistributed profit by yuan at the beginning of the period was affected.
- 3) Due to significant accounting error correction, the undistributed profit by yuan at the beginning of the period was affected.
- 4) Due to changes in the scope of consolidation caused by the same control, the undistributed profit by yuan at the beginning of the period was affected .
- 5) The total amount of other adjustments affects on the undistributed profit by yuan at the beginning of the period.

**35. Operating income and operating costs**

Unit:RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	449,292,839.15	435,341,802.68	365,737,998.47	364,824,763.13
Other businesses	4,926,425.05	862,430.51	4,810,996.29	992,975.63
Total	454,219,264.20	436,204,233.19	370,548,994.76	365,817,738.76

Income generated by contract:

(1)Operating income in current period classified by revenue recognition time

Item	Income from product sales	Income from OEM processing	Income from refrigeration fee	Income from other businesses
Recognized at a certain point	439,423,679.54	1,287,662.99		3,395,000.15
Recognized within a certain duration			10,112,921.52	
Total	439,423,679.54	1,287,662.99	10,112,921.52	3,395,000.15

(2)Income subject to leasing standards

Item	Ship leasing	House leasing and others
Main business	63,548,295.62	
Other businesses		2,420,645.59
Total	63,548,295.62	2,420,645.59

### 36. Taxes and surcharges

Unit:RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Consumption tax	65.04	
Urban maintenance and construction tax	49,808.79	23,456.65
Education surcharges	21,323.33	10,017.56
Property tax	934,220.78	911,202.45
Land use tax	243,084.06	505,100.21
Vehicle and vessel use tax	12,711.68	1,636.68
Stamp duty	133,456.01	116,889.48
Local education surcharges	14,215.57	6,678.36
Total	1,408,885.26	1,574,981.39

### 37. Sales expenses

Unit:RMB

Item	Amount incurred in the current period	Amount incurred in previous period
Employee compensation	905,191.78	953,992.32
Business promotion expenses	520,013.60	238,660.36
Travel expenses	84,708.59	7,817.80
Depreciation expenses	49,215.30	56,918.60
Communication fee	1,139.18	2,700.42
Others	331,539.33	185,259.87
Total	1,891,807.78	1,445,349.37

### 38. Administrative expenses

Unit:RMB

Item	Amount incurred in the current period	Amount incurred in previous period
Employee compensation	19,022,687.71	15,642,222.75
Accumulated depreciation and amortization	2,177,428.40	944,275.86
Travel expenses	832,275.16	830,012.14
Business entertainment expenses	370,266.84	222,761.89
Vehicle cost	471,464.76	445,322.50
Intermediary service fee	60,433.66	164,535.87
Office expenses	342,445.70	219,585.23
Property water and electricity	811,278.58	759,509.61

Depreciation of use rights assets	260,242.55	928,672.60
Others	4,833,640.53	5,482,826.92
<b>Total</b>	<b>29,182,163.89</b>	<b>25,639,725.37</b>

**39. R&D expenses**

Unit:RMB

Item	Amount incurred in the current period	Amount incurred in previous period
Employee compensation	354,685.14	293,851.00
Materials	4,599.01	9,626.24
Depreciation	96,697.44	
Others	159,494.16	29,066.72
<b>Total</b>	<b>615,475.75</b>	<b>332,543.96</b>

**40. Financial expenses**

Unit:RMB

Item	Amount incurred in the current period	Amount incurred in previous period
Interest expenses	4,110,188.21	1,350,577.27
Less: Interest income	908,757.25	179,373.83
Exchange gains and losses	-6,865,649.63	-4,218,361.31
Handling fee expenditure	609,479.19	366,973.75
Other expenses	131,678.02	47,903.31
<b>Total</b>	<b>-2,923,061.46</b>	<b>-2,632,280.81</b>

**41. Other income**

Unit:RMB

Sources of other income generation	Amount incurred in the current period	Amount incurred in previous period
Shipbuilding financial discount	107,627.02	107,627.02
Financial subsidies for special construction funds in the blue economic zone	349,243.44	349,243.44
Special funds for cold chain logistics	141,211.80	141,211.80
Refund of individual income tax procedures	21,836.73	22,928.75
Job stabilization subsidy	4,500.00	590.93
Support subsidy for ammonia refrigeration medium transformation	28,585.92	14,292.96
Special funds for the development of deep-sea fisheries	767,000.00	
Rewards and subsidies for high-quality agricultural development policies	100,000.00	
Value added tax addition and deduction	8,041.40	52,205.35
<b>Total</b>	<b>1,528,046.31</b>	<b>688,100.25</b>

**42. Investment income**

Unit:RMB

Item	Amount incurred in the current period	Amount incurred in previous period
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Long-term equity investment income accounted using the equity method	-253,775.04	
Investment income of trading financial assets during the holding period		1,076,034.24
Total	-253,775.04	1,076,034.24

**43. Income from changes in fair value**

Unit:RMB

Sources of income from changes in fair value	Amount incurred in the current period	Amount incurred in previous period
Trading financial liabilities		-96,000.00
Total		-96,000.00

**44. Credit impairment loss**

Unit:RMB

Item	Amount incurred in the current period	Amount incurred in previous period
Credit impairment loss on accounts receivable	-85,703.21	369,577.28
Credit impairment losses on other receivables	-203,681.99	-8,829.93
Total	-289,385.20	360,747.35

**45. Asset impairment loss**

Unit:RMB

Item	Amount incurred in the current period	Amount incurred in previous period
II. Inventory falling price loss and contract performance cost impairment loss	-2,699,370.85	
Total	-2,699,370.85	

**46. Non-operating income**

Unit:RMB

Item	Amount incurred in the current period	Amount incurred in previous period	Amount included in current non-recurring gains and losses
Compensation income	528,820.50	17,073.10	528,820.50
Others	330.00	19,927.00	330.00
Total	529,150.50	37,000.10	

**47. Non-operating expenses**

Unit:RMB

Item	Amount incurred in the	Amount incurred in previous	Amount included in current
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	current period	period	non-recurring gains and losses
Losses on scrapping of fixed assets	2,714.51	1,337.00	2,714.51
Total	2,714.51	1,337.00	2,714.51

#### 48. Income tax expenses

##### (1)Income tax expense statement

Unit:RMB

Item	Amount incurred in the current period	Amount incurred in previous period
Current income tax expense	1,139,000.17	314,456.95
Deferred income tax expense	-39,889.64	43,655.43
Total	1,099,110.53	358,112.38

##### (2)Accounting profit and income tax expense adjustment process

Unit:RMB

Item	Amount incurred in current period
Total profit	-13,348,289.00
Income tax expenses calculated based on statutory/applicable tax rates	-3,337,072.25
The impact of adjusting income tax of previous periods	41,915.89
The impact of non-taxable income	1,951,633.38
The impact of deductible losses on unrecognized deferred income tax assets in the prior periods of use	
The impact of deductible temporary differences or deductible losses on unrecognized deferred income tax assets in the current period	2,442,633.52
Income tax expenses	1,099,110.53

#### 49. Other comprehensive income

Refer to 31, VII, Sections 10 of the notes for details.

#### 50. Items of cash flow statement

##### (1)Other cash received related to operating activities

Unit:RMB

Item	Amount incurred in the current period	Amount incurred in previous period
Financial expenses - interest income	908,757.25	209,168.93
Government subsidies and other non-operating income	1,418,557.36	1,082,566.91
Current accounts and others	1,523,601.26	10,438,026.46
Total	3,850,915.87	11,729,762.30

**(2)Other cash paid related to operating activities**

Unit:RMB

Item	Amount incurred in the current period	Amount incurred in previous period
Cash paid sales expenses	2,482,632.44	7,836,790.46
Cash paid management fees	11,014,487.90	7,463,756.44
Cash paid research and development expenses	101,296.45	4,039.00
Current accounts and others	3,953,790.26	2,935,295.14
Total	17,552,207.05	18,239,881.04

**(3)Other cash paid related to financing activities**

Unit:RMB

Item	Amount incurred in the current period	Amount incurred in previous period
Payment of lease payments	338,909.00	652,967.28
Total	338,909.00	652,967.28

**51. Supplementary information to the cash flow statement****(1)Supplementary information to the cash flow statement**

Unit:RMB

Supplementary information	Amount in current period	Amount in previous period
1. Adjusting net profit to cash flow from operating activities:		
Net profit	-14,447,399.53	-14,817,049.31
Plus: Asset impairment provision	-12,237,762.89	-360,747.35
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	37,849,671.85	24,984,413.04
Depreciation of use rights assets	451,178.11	1,104,702.78
Amortization of intangible assets	318,282.00	896,447.27
Amortization of long-term deferred expenses	9,886.32	4,822,591.49
Loss on disposal of fixed assets, intangible assets, and other long-term assets (income, using "-")		5,105,581.41
Loss on scrapping of fixed assets (income, using "-")	2,714.51	
Loss from changes in fair value (income, using "-")		96,000.00
Financial expenses (income, using "-")	3,298,123.39	-2,632,280.81
Investment losses (income, using "-")	253,775.04	-1,076,034.24
Decrease in deferred income tax assets (increase, using "-")	43,655.42	43,655.43
Increase in deferred income tax liabilities	-83,545.06	-75,190.54

(decrease , using "-")		
Decrease in inventory (increase , using "-")	-76,069,125.44	-31,159,401.15
Decrease in operating receivables (increase , using "-")	-3,241,578.67	-26,306,042.37
Increase in operating payables (decrease , using "-")	9,386,165.34	-29,344,731.86
Others		
Net cash flow generated from operating activities	-54,465,959.61	-68,718,086.21
2. Major investment and financing activities that do not involve cash receipts and payments:		
Debt converted to capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired through financing lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	176,582,233.71	212,936,131.11
Less: Opening balance of cash	227,264,342.31	209,649,305.99
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-50,682,108.60	3,286,825.12

## (2)Composition of cash and cash equivalents

Unit:RMB

Item	Closing balance	Opening balance
I. Cash	176,582,233.71	227,264,342.31
Including: cash in hand	2,757,074.69	2,325,815.67
Bank deposits available for payment at any time	173,825,159.02	224,938,526.64
II. Closing balance of cash and cash equivalents	176,582,233.71	227,264,342.31

## 52. Assets with restricted ownership or use rights

Unit:RMB

Item	Closing book value	Reason for restriction
Fixed assets	474,879,441.40	Mortgage loan
Intangible assets	4,676,999.00	Mortgage loan
Construction in progress	15,566,963.14	Mortgage loan
Total	495,123,403.54	

**53. Item Foreign currency monetary items****(1) Foreign currency monetary items**

Unit:RMB

Item	Closing foreign currency balance	Conversion exchange rate	Closing converted RMB balance
Monetary funds			53,204,512.93
Including: US dollar	5,302,902.94	7.2098	38,232,869.62
Euro	36,158.09	7.8717	284,625.64
Hong Kong dollar			
Japanese yen	217,779,217.00	0.0504	10,976,072.54
Cedi	5,603,886.88	0.6560	3,676,149.79
Western France	2,923,979.00	0.0119	34,795.35
Accounts receivable			40,670,939.49
Including: USD	4,813,679.58	7.2098	34,705,667.04
Euro			
Hong Kong dollar			
Japanese yen	105,592,262.80	0.0504	5,321,850.05
Cedi	980,826.85	0.6560	643,422.41
Long-term loans			
Including: USD			
Euro			
Hong Kong dollar			

**(2) Explanation of overseas operating entities, including for important overseas operating entities, the main overseas operating location, recording currency, and selection basis should be disclosed. If there is a change in recording currency, the reasons should also be disclosed.**

Applicable  Not applicable

Important overseas operating entities	Overseas main business location	Recording currency	Selection basis
HABITAT INTERNATIONAL CORPORATION	Panama Panama	USD	The economic environment in which the business operates
LAIF FISHERIES COMPANY LIMITED	Ghana	USD	The economic environment in which the business operates
YAW ADDO FISHERIES COMPANY LIMITED	Ghana	USD	The economic environment in which the business operates

ZHONG GHA FOODS COMPANY LIMITED	Ghana	USD	The economic environment in which the business operates
AFRICA STAR FISHERIES LIMITED	Ghana	USD	The economic environment in which the business operates

## 54. Government subsidies

### (1) Basic information of government subsidies

Unit:RMB

Kind	Amount	Reporting items	Amount included in current profit and loss
Refund of individual income tax procedures	21,836.73	Other income	21,809.13
Job stabilization subsidy	4,500.00	Other income	4,500.00
Special funds for the development of deep-sea fisheries	767,000.00	Other income	767,000.00
Rewards and subsidies for high-quality agricultural development policies	100,000.00	Other income	100,000.00

## VIII. Changes in the Scope of Consolidation

### 1. Others

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

## IX. Equity in other entities

### 1. Equity in subsidiaries

#### (1) Composition of enterprise groups

Name of subsidiary	Main operating location	Place of registration	Business nature	Shareholding proportion		Method of acquisition
					Indirect	
Shandong Zhonglu Aquatic Shipping Co., Ltd	Qingdao, Shandong	Qingdao, Shandong	Ocean shipping	100.00%		Establishment by investment

Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd	Qingdao, Shandong	Qingdao, Shandong	Ocean fishing	59.05%		Establishment by investment
Zhonglu Oceanic(Qingdao) Industrial Investment and Development Co., Ltd	Qingdao, Shandong	Qingdao, Shandong	Food processing and refrigeration	66.63%	33.37%	Establishment by investment
Shandong Zhonglu Oceanic(Yantai) Food Co., Ltd	Yantai, Shandong	Yantai, Shandong	Food processing and refrigeration	53.79%	18.67%	Establishment by investment
HABITAT INTERNATIONAL CORPORATION	Panama	Panama	Ocean shipping	100.00%		Establishment by investment
Shandong Zhonglu Oceanic Refrigeration Co., Ltd	Yantai, Shandong	Yantai, Shandong	Warehousing service		100.00%	Establishment by investment
LAIF FISHERIES COMPANY LIMITED	Ghana	Ghana	Ocean fishing		100.00%	Establishment by investment
AFRICA STAR FISHERIES LIMITED	Ghana	Ghana	Ocean fishing		100.00%	Establishment by investment
ZHONGGHA FOODS COMPANY LIMITED	Ghana	Ghana	Ocean fishing		100.00%	Establishment by investment
YAW ADDO FISHERIES COMPANY LIMITED	Ghana	Ghana	Ocean fishing			经营租赁 Operating lease

**(2) Important non wholly-owned subsidiaries**

Unit:RMB

Name of subsidiary	Shareholding proportion of minority shareholder	Profit and loss attributable to minority shareholders in the current period	Dividends declared for distribution to minority shareholders in the current period	Closing balance of minority shareholders' equity
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd	40.95%	-5,767,205.47		163,619,690.31

Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd	27.54%	1,521,138.96	95,064,493.20
Total		-4,246,066.51	258,684,183.51

**(3) Main financial information of important non-wholly-owned subsidiaries**

Unit:RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total of assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd	318,868,714.59	222,539,470.73	541,408,185.32	136,409,922.42	5,438,579.61	141,848,502.03	284,746,514.95	228,527,101.55	513,273,616.50	98,801,188.48	5,546,206.63	104,347,395.11
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd	389,021,961.13	123,076,343.26	512,098,304.39	156,949,306.18	9,962,022.18	166,911,328.36	349,063,247.82	126,955,026.31	476,018,274.13	125,790,070.11	10,564,608.40	136,354,678.51

Unit:RMB

Name of subsidiary	Amount incurred in current period				Amount incurred in previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow of operating activities	Operating income	Net profit	Total comprehensive income	Cash flow of operating activities
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd	123,113,716.41	-14,083,529.85	-9,366,538.10	-7,785,536.38	70,960,103.41	-20,046,540.01	-14,478,065.76	-63,483,126.67
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd	242,865,824.14	5,523,380.41	5,523,380.41	11,712,010.07	247,788,335.98	8,755,027.60	8,755,027.60	38,520,754.41

## 2. Equity in joint venture or associate enterprises

### (1) Important joint venture or associate enterprises

Name of joint venture or associate enterprise	Main business location	Place of registration	Business nature	Shareholding proportion		Accounting methods for investments in joint ventures or associated enterprises
				Direct	Indirect	
Jinan Qinzhen Food Technology Co., Ltd	Jinan, Shandong	Jinan, Shandong	Food processing		10.87%	Accounted with equity method

Explanation of the difference between the shareholding ratio in a joint venture or associated enterprises and the voting rights ratio:

Basis for holding less than 20% of voting rights but with significant impact, or holding 20% or more of voting rights but without significant impact:

Our subsidiary Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd. holds a 15.00% stock share in Jinan Qinzhen Food Technology Co., Ltd. and appoints directors to it, which has a significant impact on its production and operation.

## X. Risks Related to Financial Instruments

Our company's financial assets include accounts receivable and other receivables, while our company's financial liabilities include accounts payable, other payables, and short-term loans. For a detailed description of various financial instruments, please refer to the relevant items in Note 6. The company faces various financial instrument risks in its daily activities, mainly including credit risk, liquidity risk, and market risk. The board of directors is fully responsible for establishing and supervising the company's risk management structure, as well as formulating and monitoring the company's risk management policies.

Risk management objectives and policies: The objective of our company in risk management is to achieve an appropriate balance between risk and return, minimize the negative impact of risk on our company's business performance, and maximize the interests of shareholders and other equity investors.

### 1. Credit risks

If the customer or counterparty involved in the financial instrument is unable to fulfill their obligations under the contract and causes financial losses to the company, it is considered a credit risk. Credit risk mainly comes from accounts receivable from customers. The book value of accounts receivable, notes receivable, and other receivables is the company's maximum credit risk for financial assets.

### 2. Liquidity risk

Liquidity risk refers to the risk of a shortage of funds encountered by the company in fulfilling its obligations related to financial liabilities. Our company ensures sufficient liquidity to fulfill matured debts under normal and tight financial conditions, and conducts financing negotiations with financial institutions to maintain a certain level of standby credit line to reduce liquidity risk.

### 3. Market risks

## Foreign exchange risk

### (1) Foreign exchange risk

Foreign exchange risk refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in foreign exchange rates. The foreign exchange risk faced by our company mainly comes from financial assets denominated in US dollars, and the amount of foreign currency financial assets converted into RMB is listed in the foreign currency monetary item in the notes.

### (2) Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in market interest rates. The interest rate risk faced by our company mainly comes from long-term bank loans, which is a floating interest rate and has the risk of changes in the RMB benchmark interest rate.

## XI. Related Parties and Related Transactions

### 1. 1.The situation of the parent company of the enterprise

Name of parent company	Place of registration	Business nature	Registered capital	The shareholding ratio of the parent company in the company	Proportion of voting rights of the parent company to the company
Shandong State - owned Assets Investment Holdings Co., Ltd	Jinan, Shandong	Investment and Management, Asset Management and Capital Operations, Custody Operations, Investment Consulting	¥ 4,500,000,000	47.25%	47.25%

The ultimate controlling party of the enterprise is the State owned Assets Supervision and Administration Commission of the People's Government of Shandong Province.

### 2. Situation of subsidiaries of the enterprise

The situation of subsidiaries of the enterprise is detailed in Note 9, Equity in Other Entities.

### 3. Situation of joint ventures and associated enterprises of our company

For important joint ventures or associated enterprises of our company, refer to Note 9, Equity in Joint Arrangements or Associated Enterprises.

#### 4. Other related parties

Name of other related parties	Relationship between other related parties and our company
Inspur General Software Co., Ltd	Controlled by the same parent company
Dezhou Bank Co., Ltd	Controlled by the same parent company
Zhongtai Xincheng Asset Management Co., Ltd	Controlled by the same parent company
Jinan Qinzhen Food Technology Co., Ltd	Associate enterprise

#### 5.Related party transactions

##### (1) Related party transactions for purchasing and selling goods, providing and receiving labor services

Table of Purchasing Goods/Accepting Labor Services

Unit:RMB

Related parties	Content of related party transaction	Amount incurred in current period	Approved transaction limit	Does it exceed the transaction limit	Amount incurred in previous period
Jinan Qinzhen Food Technology Co., Ltd	Tuna	89,020.41		No	30,080.70

##### (2)Related entrusted management/contracting and entrusted management/outsourcing situation

Table of entrusted management/contracting situation of our company:

Unit:RMB

Name of the entrusting party/outsourcing party	Name of trustee/contractor	Type of entrusted/contracted assets	Starting date of commission/contracting	Ending date of commission/contracting	Pricing basis for custody income/contracting income	Confirmed custody income/contracting income in this period
Shandong State-owned Assets Investment Holdings Co., Ltd	Shandong Zhonglu Oceanic Fisheries Co., Ltd	Entrusted management	April 14, 2022		Fixed charges	849,056.60

##### (3)Related leasing situation

As the lessee, our company:

Unit:RMB

Name of lessor	Types of leased assets	Simplified rental fees for short-term leases and low value asset leases (if applicable)	Variable lease payments not included in the measurement of lease liabilities (if applicable)	Rent paid	Interest expense on lease liabilities assumed	Increased use rights assets
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		Amount incurred in current period	Amount incurred in previous period	Amount incurred in current period	Amount incurred in previous period	Amount incurred in current period	Amount incurred in previous period	Amount incurred in current period	Amount incurred in previous period	Amount incurred in current period	Amount incurred in previous period
Zhongtai Xincheng Asset Management Co., Ltd	Office building					195,000.00	195,000.00				
Zhongtai Xincheng Asset Management Co., Ltd	Vehicle	31,700.00	28,700.00								

**(4) Compensation for key management personnel**

Unit:RMB

Item	Amount incurred in current period	Amount incurred in previous period
Compensation for key management personnel	1,807,927.00	855,189.00

**(5) Other related party transactions**

Interest income

Name of item	Related party	Amount incurred in current period	Amount incurred in previous period
Income from deposit interest	Dezhou Bank Co., Ltd	2721.96	1551.33
Total		2721.96	1551.33

**6. Accounts receivable and payable of related parties****(1) Receivable**

Unit:RMB

Name of item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision

Entrusted management fee	Shandong State-owned Assets Investment Holdings Co., Ltd	2,250,000.00		1,350,000.00	67,500.00
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## **XII. Commitments and contingencies**

### **1. Important commitments**

Significant commitments existing on the balance sheet date

As of the balance sheet date, there are no commitments that need to be disclosed.

### **2. Contingencies**

#### **(1) Significant contingencies on the balance sheet date**

There are no significant contingencies that need to be disclosed by the company.

#### **(2) The company should also explain if it has not any important contingencies that need to be disclosed**

There are no significant contingencies that need to be disclosed by the company.

## **XIII. Events after the balance sheet date**

### **1. Explanation of other events after the balance sheet date**

As of the reporting date, there are no events after the balance sheet date that need to be disclosed.

## **XIV. Other Important Matters**

### **1. Pension plan**

According to relevant laws, regulations, and policies, our company has established an enterprise annuity system to pay supplementary pension insurance (i.e. enterprise annuity) for employees on the basis of participating in basic pension insurance in accordance with the law. A business efficiency coefficient is set based on the actual business situation every year, and the total amount of enterprise contributions is calculated based on this business efficiency coefficient. The expenses that the company should bear in the enterprise annuity have been disclosed in the payable employee compensation - defined contribution plan, and the individual contributions of employees are withheld and paid by the company from their wages. During this reporting period, a provision of 1.0473 million yuan was made for enterprise annuity. Refer to "20 of Note 7-Employee Compensation Payable" for relevant disclosures.

## 2. Segment Information

### (1)Basis for determining reporting segments and accounting policies

Our company's main business includes ocean fishing, seafood refrigeration processing trade, ocean shipping, and other businesses. The company discloses segment reports based on the nature of its main business.

### (2)Financial information of the reporting segment

Unit:RMB

Item	Ocean fishing	Ocean shipping	Seafood refrigeration processing trade	Others	Inter-segment offset	Total
I. Income from main business	184,991,696.92	63,548,295.62	241,209,101.28	125,297.96	-40,581,552.63	449,292,839.15
II. Main business cost	197,906,540.54	54,196,624.73	228,529,277.69	84,141.24	-45,374,781.52	435,341,802.68
III. Credit impairment loss	-524,241.31	-4,381.36	227,560.57	11,676.90		-289,385.20
IV. Asset impairment loss			-2,699,370.85			-2,699,370.85
V.Depreciation and amortization	25,481,801.03	10,111,004.66	3,646,872.06	1,991,201.29		41,230,879.04
VI.Total profit	-20,369,653.74	11,641,660.07	6,147,085.83	-10,767,381.16		-13,348,289.00
VII.Income tax expenses		475,405.11	623,705.42			1,099,110.53
VIII.Net profit	-20,369,653.74	11,166,254.96	5,523,380.41	-10,767,381.16		-14,447,399.53
IX.Total assets	1, 123, 948, 41 3. 10	345, 451, 317. 60	512, 098, 304. 40	674, 928, 286. 20	- 667, 649, 375. 50	1, 988, 776, 94 5. 81
X.Total liabilities	460, 086, 880. 15	106, 713, 554. 79	166, 911, 328. 36	603, 655, 092. 98	- 591, 242, 562. 75	746, 124, 293. 53

## XV. Notes to Main Items in the Parent Company's Financial Statements

### 1. Accounts receivable

#### (1)Classified disclosure of accounts receivable

Unit:RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	

Amon g them:										
Account s receivab le of bad debt provisio n withdra wn by combina tion	12,113,7 51.41		5,720,91 5.76		6,392,83 5.65	6,127,90 7.51	100.00%	5,710,96 2.49	93.20%	416,945. 02
Includin g:										
Total	12,113,7 51.41		5,720,91 5.76		6,392,83 5.65	6,127,90 7.51	100.00%	5,710,96 2.49	93.20%	416,945. 02

Bad debt provision withdrawn by combination: 5,720,915.76

Unit:RMB

Name	Closing balance		
	Book balance	Bad debt provision	Accrual proportion
Non-related party combination	12,113,751.41	5,720,915.76	47.23%
Total	12,113,751.41	5,720,915.76	

If the bad debt provision of accounts receivable is made based on the general model of expected credit losses, please refer to the disclosure methods of other accounts receivable to disclose the relevant information for bad debt provision:

Applicable Not applicable

Disclosure by aging

Unit:RMB

Aging	Closing balance
Within 1 year (included)	6,424,733.40
Over 3 years	5,689,018.01
Over 5 years	5,689,018.01
Total	12,113,751.41

## (2)Bad debt provisions accrued, recovered or reversed in the current period

Accrual of bad debt provision in current period:

Unit:RMB

Category	Opening balance	Change amount of current period				Closing balance
		Accrual	Recovery or reversal	Write-off	Others	
Accounts receivable	5,710,962.49	9,953.27				5,720,915.76
Total	5,710,962.49	9,953.27				5,720,915.76

**(3)Accounts receivable of the top five closing balances collected by the debtor**

Unit:RMB

Name of entity	Closing balance of accounts receivable	Proportion to total closing balance of accounts receivable	Closing balance of bad debt provision
Shandong Zhonglu Oceanic(Yantai) Food Co., Ltd	5,749,741.00	47.46%	
PANDA CO.LTD	3,600,962.12	29.73%	3,600,962.12
SOCIETE DES MAREYEURS GROSSISTES	637,954.90	5.27%	31,897.75
Qingdao Haifeng Group Co., Ltd	430,625.10	3.55%	430,625.10
Lv Ming	158,154.98	1.31%	158,154.98
Total	10,577,438.10	87.32%	

**2. Other receivables**

Unit:RMB

Item	Closing balance	Opening balance
Interest receivable	614,333.33	
Dividends receivable	79,137,061.83	79,137,061.83
Other receivables	85,572,973.17	45,696,117.30
Total	165,324,368.33	124,833,179.13

**(1)Interest receivable****1)Classification of interest receivable**

Unit:RMB

Item	Closing balance	Opening balance
Loan interest	614,333.33	
Total	614,333.33	

**2) Accrual of bad debt provision**
Applicable Not applicable
**(2)Dividends receivable****1) Classification of dividends receivable**

Unit:RMB

Item (or invested entity)	Closing balance	Opening balance
Dividends receivable from subsidiaries	79,137,061.83	79,137,061.83
Total	79,137,061.83	79,137,061.83

**2) Important dividends receivable with an aging of over 1 year**

Unit:RMB

Item (or invested entity)	Closing balance	Aging	Reason for non-recovery	Whether impairment has occurred and its judgment basis
Dividends receivable from subsidiaries	70,637,061.83	1-3 years	Funds necessary for ensuring the production and operation of subsidiaries	No impairment occurred
Total	70,637,061.83			

**3) Accrual of bad debt provision**Applicable Not applicable**(3) Other receivables****1) Classification of other receivables by nature of payment**

Unit:RMB

Nature of payment	Closing book balance	Opening book balance
Internal transactions within the company	82,200,813.19	43,971,159.92
Reserve funds and others	6,940,621.60	5,325,703.48
Bad debt provision	-3,568,461.62	-3,600,746.10
Total	85,572,973.17	45,696,117.30

**2) Accrual of bad debt provision**

Unit:RMB

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance as of January 1, 2023	128,695.12		3,472,050.98	3,600,746.10
Balance as of January 1, 2023 in the current period				
Reversal in this period	32,284.48			32,284.48
Balance as of June 30, 2023	96,410.64		3,472,050.98	3,568,461.62

Changes in book balance with significant changes in loss reserves during the current period

Applicable Not applicable

Disclosure by aging

Unit:RMB

Aging	Closing balance
Within 1 year (included)	67,753,425.17
1-2 years	8,840,415.70
2-3 years	8,058.82
Over 3 years	12,539,535.10
Over 5 years	12,539,535.10
Total	89,141,434.79

**3) Bad debt provisions accrued, recovered or reversed in the current period****Accrual of bad debt provision in this period**

Unit:RMB

Category	Opening balance	Change amount in this period				Closing balance
		Accrual	Recovery or reversal	Write-off	Others	
Other receivables	3,600,746.10		32,284.48			3,568,461.62
Total	3,600,746.10		32,284.48			3,568,461.62

**4) The receivables of top five closing balance collected by the debtor**

Unit:RMB

Name of entity	Nature of payment	Closing balance	Aging	Proportion to total closing balance of other receivables	Closing balance of bad debt provision
LAIF FISHERIES COMPANY LIMITED	Current accounts	30,913,211.87	Over 0-3 years	34.68%	
AFRICA STAR FISHERIES LIMITED	Current accounts	17,028,833.78	Over 0-3 years	19.10%	
YAW ADDO FISHERIES COMPANY LIMITED	Current accounts	8,693,131.15	Over 0-3 years	9.75%	
ZHONG GHA FOODS COMPANY LIMITED	Current accounts	3,574,484.59	Over 0-3 years	4.01%	
Shandong Provincial State-owned Assets Investment Holding Co., Ltd	Receivable custody fees	2,250,000.00	Within 1 year	2.52%	
Total		62,459,661.39		70.06%	

**3. Long-term equity investment**

Unit:RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment on subsidiaries	328,189,455.23		328,189,455.23	328,189,455.23		328,189,455.23
Total	328,189,455.23		328,189,455.23	328,189,455.23		328,189,455.23

**(1)Investment on subsidiaries**

Unit:RMB

Invested entity	Opening balance (book value )	Change in increase/decrease in this period				Closing balance (book value)	Closing balance of impairment provision
		Additional investment	Reducing investment	Accrual of impairment provision	Others		
HABITAT INTERNATI ONAL CORP.	12,476,145.60					12,476,145.60	
Shandong Zhonglu Aquatic Shipping Co., Ltd	22,869,513.38					22,869,513.38	
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd	55,448,185.24					55,448,185.24	
Shandong Zhonglu Haiyan Oceanic Fisheries Co., Ltd	141,395,611.01					141,395,611.01	
Zhonglu Oceanic(Qingdao) Industrial Investment and Development Co., Ltd	96,000,000.00					96,000,000.00	
Total	328,189,455.23					328,189,455.23	

**4. Operating income and operating costs**

Item	Amount incurred in current period		Amount incurred in previous period	
	Income	Cost	Income	Cost

Main business	63,739,903.60	67,337,263.61	41,543,053.81	42,013,560.14
Other businesses	3,269,702.19	849,166.87	2,358,198.51	992,975.63
Total	67,009,605.79	68,186,430.48	43,901,252.32	43,006,535.77

Unit:RMB

Income-related information:

Unit:RMB

Category of contract	Segment 1	Segment 2		Total
Type of commodity				
Including:				
Income from main business	63,614,605.64	125,297.96		63,739,903.60
Income from other businesses		3,269,702.19		3,269,702.19
Total	63,614,605.64	3,395,000.15		67,009,605.79

Information related to contract performing obligations:

There are no outstanding contract performing obligations.

Information related to the transaction price allocated to the remaining contract performing obligations:

The corresponding revenue amount for contract performing obligations that have been signed but have not yet been fulfilled or fully fulfilled at the end of this report period is 0.00RMB. Among them, \_\_ RMB is expected to recognize revenue in the year, \_\_ RMB is expected to recognize revenue in the year, and \_\_ RMB is expected to recognize revenue in the year.

## 5. Investment income

Unit:RMB

Item	Amount incurred in current period	Amount incurred in previous period
Investment income of trading financial assets during the holding period		1,076,034.24
Total		1,076,034.24

## XVI. Additional information

### 1. Detailed statement of non-recurring profits and losses for the current period

Applicable Not applicable

Unit:RMB

Item	Amount	说明 Remarks
Government subsidies included in current profit and loss (excluding government subsidies that are closely related to the company's normal business operations, complying with national policies and regulations, and enjoyed in a certain standard quota or quantity continuously)	1,528,046.31	

Income from custody fees obtained from entrusted operations	849,056.60	
Other non-operating income and expenses other than the above	526,435.99	
Less: Income tax impact amount	133,125.10	
Amount affected by minority shareholders' equity	725,319.31	
Total	2,045,094.49	--

The specific situation of other profit and loss items that meet the definition of non-recurring profit and loss:

Applicable  Not applicable

The company does not have any specific cases of profit or loss items that meet the definition of non-recurring profit or loss.

Explanation of defining the non-recurring profit and loss items listed in the Explanatory Announcement No. 1 on Information Disclosure of Companies Issuing Securities to the Public as recurring profit and loss items

Applicable  Not applicable

## 2. Earnings on equity and earnings per share

Profit during the reporting period	ROE	Earnings per share	
		Basic earnings per share (RMB /Share)	Diluted earnings per share (RMB /Share)
Net profit attributable to common shareholders of the company	-1.04%	-0.0383	-0.0383
Net profit attributable to common shareholders of the company after deducting non-recurring profits and losses	-1.25%	-0.0460	-0.0583

## 3. Differences in accounting data according to domestic and foreign accounting standards

### 1) Differences in net profit and net assets in financial reports disclosed according to international accounting standards and Chinese accounting standards

Applicable  Not applicable

### 2) Differences in net profit and net assets in financial reports disclosed according to overseas accounting standards and Chinese accounting standards

Applicable  Not applicable