

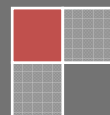


2009 年度报告

2009 ANNUAL REPORT

山东省中鲁远洋渔业股份有限公司

2010/3/31



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SECTION I. IMPORTANT NOTES

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

No director, supervisor and senior executive stated that they couldn't ensure the correctness, accuracy and completeness of the contents of the Annual Report or have objection for this report.

Da Xin Certified Public Accountants Ltd. issued standard unqualified Auditors' Report for the Company.

Wang Zhao'an, Principal of the Company; Fu Jiguang, CFO of the Company, and Wu Shuxian, Person in Charge of Accounting Organ hereby confirm that the Financial Report enclosed in the Annual Report is true and complete.

SECTION II. COMPANY PROFILE

1. Legal Name of the Company:

In Chinese: 山东省中鲁远洋渔业股份有限公司

In English: Shandong Zhonglu Oceanic Fisheries Company Limited

2. Legal Representative of the Company: Wang Zhao'an

3. Secretary of Board of Directors: Zhou Feng

Authorized Representative in charge of Securities affairs: Li Ying

Contact Address: No. 43, Heping Road, Jinan, Shandong

Tel: (86) 531-86553278, 86553276

Fax: (86) 531-86982906

E-mail: zlzqb@163.com

4. Registered Address: No. 43, Heping Road, Jinan, Shandong

Office Address: No. 43, Heping Road, Jinan, Shandong

Post Code: 250014

The Company's E-mail: zlzqb@163.com

5. Newspapers Chosen for Disclosing the Information of the Company:

Domestic: China Securities Journal

International: Hong Kong Commercial Daily

Internet Web Site Designated by CSRC for Publishing the Annual Report:

<http://www.cninfo.com.cn>

The Place Where the Annual Report is Prepared and Placed: Office of the Board of Directors

6. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock: ZHONGLU B

Stock Code: 200992

7. Other information about the Company

Initial registration date: July 23, 1999

Registration date after recent change: May 16, 2007

The registration place after change: Shandong Province Administration for Industry and Commerce

Registered number for business license of corporation: 3700001803000

Registered number of taxation: National Revenue: 370102863043102

Code of organization institution: 863043102

Name of the Certified Public Accountants engaged by the Company:

Da Xin Certified Public Accountants Ltd.

Address: 15/F, Institute International bldg., No. 1 Zhichun Road, Haidian District, Beijing

8. Paraphrase:

Barring referring to other meanings in the context, the following paraphrases in this report possess the meanings as followings:

"The Company" or "Company"	Shandong Zhonglu Oceanic Fisheries Company Limited
SDGZK	Shandong State-owned Assets Investment Holding

	Company Limited
“Luxin Group” or “Luxin Holding	Luxin Investment Holding Company Limited
“Shandong Group” and “Shandong Fishery Group”	Shandong Group Corporation of Fishery Enterprises
“SDGZW”	State-owned Assets Supervision and Administration Commission of Shandong Provincial Government
“GZW”	State-owned Assets Supervision and Administration Commission of the State Council
“CSRC”	China Securities Regulatory Commission
“SDZJJ”	CSRC, Shandong Regulatory Bureau
“The report”	2009 Annual Report compiled by the Company

SECTION III. FINANCIAL HIGHLIGHT AND BUSINESS HIGHLIGHT

1. Main profit data as of the year 2009

Unit: RMB

	2009	2008	Increase/decrease in this year compared with that in last year (%)	2007
Operating income	265,294,004.17	253,452,476.60	4.67%	216,283,413.05
Total profit	15,310,513.67	22,555,626.14	-32.12%	55,015,100.64
Net profit attributable to shareholders of the listed company	15,310,513.67	22,555,626.14	-32.12%	55,015,100.64
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	14,895,948.90	20,539,186.43	-27.48%	41,459,045.64
Net cash flow arising from operating activities	32,975,762.73	11,974,309.74	175.39%	42,125,250.01
	At the end of 2009	At the end of 2008	Increase/decrease at the end of this year compared with that at the end of last year (%)	At the end of 2007
Total assets	481,539,304.42	494,773,011.16	-2.67%	411,212,048.16
Owners' equity attributable to shareholders of the listed company	354,296,875.06	339,351,974.13	4.40%	316,248,870.87
Share capital	266,071,320.00	266,071,320.00	0.00%	266,071,320.00

2. Items of non-recurring gains and losses

Unit: RMB

Items of non-recurring gains and losses	Amount
Gains and losses from the disposal of non-current assets	-41,718.73
Governmental subsidy reckoned into current gains and losses, but closely relevant to the Company's business except for the governmental subsidy enjoyed in quota or ration according to the national general standards	172,620.00
Other non-operating income and expenditure except for the above items	283,663.50

Total	414,564.77
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3. Main financial indexes

Unit: RMB

	2009	2008	Increase/decrease this year compared with that last year (%)	2007
Basic earnings per share (RMB/Share)	0.06	0.08	-25.00%	0.21
Diluted earnings per share (RMB/Share)	0.06	0.08	-25.00%	0.21
Basic earnings per share after deducting non-recurring gains and losses (RMB/Share)	0.06	0.08	-25.00%	0.16
Weighted average return on equity (%)	4.41%	6.89%	-2.48%	26.03%
Weighted average return on equity after deducting non-recurring gains and losses (%)	4.29%	6.27%	-1.98%	19.62%
Net cash flow arising from operating activities per share (RMB/Share)	0.12	0.05	140.00%	0.16
	At the end of 2009	At the end of 2008	Increase/decrease at the end of this year compared with that at the end of last year (%)	At the end of 2007
Net asset per share attributable to shareholders of listed company (RMB/Share)	1.33	1.28	3.91%	1.19

SECTION IV. CHANGES IN SHARES CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

I. Changes in share capital

1. Statement of changes in shares

Unit: Share

	Before the change		Increase/decrease of this time (+, -)					After the change	
	Amount	Proportion	New shares issuance	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Unlisted Shares	128,071,320	48.13%						128,071,320	48.13%
1. Promoters' shares	128,071,320	48.13%						128,071,320	48.13%
Including: State-owned shares	127,811,320	48.04%						127,811,320	48.04%
Domestic legal person's shares	260,000	0.10%						260,000	0.10%
Foreign legal person's shares									
Others									
2. Raised legal person's shares									
3. Inner employees' shares									
4. Preference shares or others									
II. Listed shares	138,000,000	51.87%						138,000,000	51.87%
1. RMB ordinary shares									
2. Domestically listed foreign shares	138,000,000	51.87%						138,000,000	51.87%
3. Overseas listed foreign shares									
4. Others									
III. Total shares	266,071,320	100.00%						266,071,320	100.00%

2. Issuance and listing of shares

(1) Ended by the end of the report period, there existed no particulars about listing of shares or derivative securities over all previous three years in the Company.

(2) Changes on shares in the report period

In the report period, there existed no bonus share, capitalization of public reserve, allotted share, additionally issue new shares, privately issued shares, warrant strike, implementing equity incentive plan, enterprises mergers, capitalization of transferable bond of the Company, decreasing capital, inner employee's listing and issuing bonds, and the total number of the share capital and structure remains unchanged.

(3) About inner employee's share

There existed no inner employee's share.

II. Particulars about shareholders

(1) Total number of shareholders in the report period

Total number of shareholders	16,674				
Particulars about shares held by the top ten shareholders					
Full name of Shareholders	Nature of shareholders	Proportion	Shares held	Non-circulating shares held	Number of share pledged/frozen
SHANDONG STATE-OWNED ASSETS INVESTMENT HOLDING CO., LTD.	State-owned legal person	33.07%	88,000,000	88,000,000	0
SHANDONG LUXIN INVESTMENT HOLDINGS GROUP CO., LTD.	State-owned legal person	14.18%	37,731,320	37,731,230	0
CHINA HEAVY AUTOMOBILE GROUP JINAN TRUCK CO., LTD.	State-owned legal person	0.73%	1,950,000	1,950,000	0
OU YANPING	Foreign nature person	0.51%	1,360,032	0	0
YI YING	Foreign nature person	0.41%	1,078,200	0	0
YIN GANG	Foreign nature person	0.39%	1,050,000	0	0
OU WENQING	Foreign nature person	0.39%	1,041,900	0	0
QU CHEN	Foreign nature person	0.37%	991,100	0	0
HUANG JIAYI	Foreign nature person	0.32%	855,935	0	0
HE BIN	Foreign nature person	0.32%	838,199	0	0
Particulars about shares held by the top ten shareholders of circulation share					
Full name of the shareholders	Circulating shares held		Type of shares		
OU YANPING	1,360,032		Domestically listed foreign share		
YI YING	1,078,200		Domestically listed foreign share		
YIN GANG	1,050,000		Domestically listed foreign share		

OU WENQING	1,041,900	Domestically listed foreign share
QU CHEN	991,100	Domestically listed foreign share
HUANG JIAYI	855,935	Domestically listed foreign share
HE BIN	838,199	Domestically listed foreign share
WANG DONGSHENG	818,500	Domestically listed foreign share
DBS VICKERS(HONGKONG)LTD A/C CLIENTS	700,000	Domestically listed foreign share
YE GUANG	691,000	Domestically listed foreign share
Explanation on associated relationship or accordant action among the top ten shareholders of circulation share	Among the top ten shareholders, Both Shandong State-owned Assets Investment Holding Company Limited and Luxin Group belong to provincial state-owned enterprises controlled by State-owned Assets Supervision and Administration Commission of Shandong Provincial Government, and China Heavy Automobile Group Jinan Truck Co., Ltd. is sponsor shareholder of the Company. There exists no associated relationship among the aforesaid shareholders, and they do not belong to the consistent actor regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies; the other shareholders are circulating ones of domestically listed foreign shares, and the Company is not aware of whether there exists associated relationship, or they belong to the consistent actor regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies.	

(2) The controlling shareholder of the Company

Name of the controlling shareholder: Shandong State-owned Assets Investment Holding Co., Ltd.

Legal representative: Liu Changsuo

Date of foundation: March 25, 1994

Registered capital: RMB1,600,000,000

Business scope: operation and management of state-owned property equity and disposal of bad assets; investment and management of industry project; asset management and capital operation; entrusted operation and investment consultation which were all authorized by State-owned Assets Supervision and Administration Commission of Shandong Provincial Government.

(3) The actual controller of the controlling shareholder of the Company

Name of the actual controller: the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government

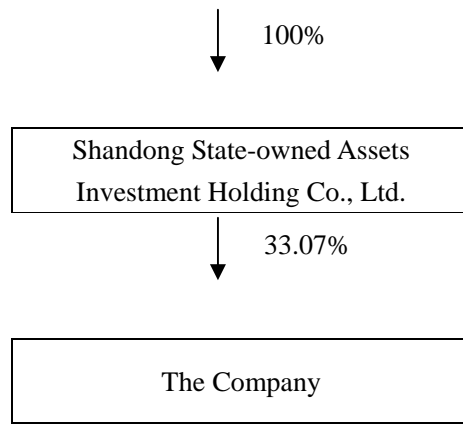
Legal representative: Tan Chengyi

Date of foundation: June 18, 2004

Nature of the unit: specific established organization directly under Shandong Provincial Government

Main business: to implement the responsibility of subscriber, to supervise the inflation proof savings deposits and increment of the supervised state-owned assets, etc.

<p>The State-owned Assets Supervision and Administration Commission of Shandong Provincial Government</p>



(4) Other legal person shareholder holding over 10% (including 10%) of the Company's total shares

Name of the actual controller: Shandong Luxin Investment Holdings Group Co., Ltd.

Legal representative: Meng Fanli

Date of foundation: January 31, 2002

Registered capital: RMB3 billion

Business scope: external investment (excluded restrained industries by laws and regulations) and management; investment consultation(excluded securities and futures' consultation); asset management; entrusted operation; capital operation; warranty; hotel management; housing lease and property management.

SECTION V. PARTICULAR ABOUT DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES

(I) Basic information on directors, supervisors and senior executives

I. Basic information

Names	Titles	Sex	Age	Beginning date of office term	Terminating date of office term	Shares held at the year-begin in	Shares held at the year-end	Reason of change	Total remuneration drew from the Company in the report period (RMB'0000)(before tax)	Draw the remuneration from other shareholder units or associates or not
Wang Zhao'an	Chairman of the Board	Male	59	April 26, 2007	April 26, 2010	0	0	Naught	13.60	No
Li Wenyi	Director GM	Male	54	April 26, 2007	April 26, 2010	0	0	Naught	13.60	No
Song Wenjian	Director	Male	54	April 26, 2007	April 26, 2010	0	0	Naught	10.88	No
Xi Jianbin	Director	Male	45	April 26, 2007	April 26, 2010	0	0	Naught	0.00	Yes
Liu Zhihui	Director	Male	46	April 26, 2007	April 26, 2010	0	0	Naught	0.00	Yes
Sun Shaojie	Director	Male	41	April 26, 2007	April 26, 2010	0	0	Naught	0.00	Yes
Hu Yuanmu	Independent Director	Male	55	March 31, 2009	April 26, 2010	0	0	Naught	4.00	No
Jiang Lu	Independent Director	Male	51	April 26, 2007	April 26, 2010	0	0	Naught	4.00	No
Xu Haifeng	Independent Director	Male	39	March 31, 2009	April 26, 2010	0	0	Naught	4.00	No
Zhou Feng	Deputy GM, Secretary of Board	Male	55	April 26, 2007	April 26, 2010	0	0	Naught	10.88	No
Li Ming	Deputy GM	Male	45	April 26, 2007	April 26, 2010	0	0	Naught	10.88	No
Fu Jiguang	CFO	Male	41	April 26, 2007	April 26, 2010	0	0	Naught	10.88	No
Wu Zongchang	Chairman of Supervisory Committee	Male	47	April 26, 2007	April 26, 2010	0	0	Naught	0.00	Yes
Chi Ming	Supervisor	Female	46	April 26, 2007	April 26, 2010	0	0	Naught	5.44	No

Yi Yu	Supervisor	Male	39	April 26, 2007	April 26, 2010	0	0	Naught	0.00	Yes
Song Jinghai	Supervisor	Male	49	April 26, 2007	April 26, 2010	0	0	Naught	5.44	No
Shang Qinghua	Supervisor	Female	40	April 26, 2007	April 26, 2010	0	0	Naught	3.95	No
Total	-	-	-	-	-	0	0	-	97.55	-

II. Particulars about directors, supervisors and senior executives holding the positions in share-controlling companies

Name	Share-controlling company	Title	Office term
Wu Zongchang	Shandong State-owned Assets Investment Holding Co., Ltd.	Secretary of Party Committee, Vice President and Secretary of the Discipline Inspection Committee	Nov. 2005 till now
Xi Jianbing	Shandong State-owned Assets Investment Holding Co., Ltd.	General Law Consultant and concurrently Chief of Capital Operation Department	June 2006 till now
Liu Zhihui	Shandong State-owned Assets Investment Holding Co., Ltd.	Vice Chief of Auditing (Discipline Inspection) Department	Sep. 2007 till now
Sun Shaojie	Shandong International Trust & Investment Corporation	Deputy General Manager	Feb. 2007 till now
Yi Yu	Shandong International Trust & Investment Corporation	Business Manager of Planning & Financing Department	April 2006 till now

III. Main work experiences and position and concurrently post of present directors, supervisors and senior executives in the units barring the shareholders units in recent five years

(1) Members of the Board of Directors

Wang Zhao'an, a member of the Communist Party with technical secondary school degree, ever took the post of member of the Communist Party, deputy general manager of Shandong Fishery Group and general manager of the Company over the latest five years; Now, he is secretary of Party Committee, general manager of Shandong Fishery Group; and has been taking the post of director of the Company since July 1997 and chairman of the Company since March 2006.

Li Wenyi, a member of the Communist Party with junior college degree, ever took the post of deputy general manager of Shandong Fishery Group and deputy general manager and secretary of the Board of the Company over the latest five years. Now he is in charge of a member of the Communist Party of Shandong Fishery Group; and has been taking the post of director of the Company since July 1999 and general manager of the Company since March 2006.

Song Wenjian, senior economist with MBA, he took the deputy general manager of Shandong Luxin Industrial Group Co., Ltd., standing deputy general manager of Shandong Hehua Electronic Information Group Co., Ltd and senior business manager of Shandong International Entrustment & Investment Co., Ltd over the latest five years. Since April 2007, he has been taking the posts of director and deputy general manager of the Company.

Xi Jianbing, senior accountant, member of Communist Party with bachelor degree, China CPA, he

took the vice section chief of Enterprise Allocation Office and Reorganization and Transformation of Enterprises Office of the State-owned Assets Supervision and Administration Commission of Shandong Province Government over the latest five years; now, he is General Law Consultant and concurrently chief of capital operation department of Shandong State-owned Assets Investment Holding Co., Ltd and concurrently the Chairman of Shandong Land Property Exchange. Since April 2007, he has been taking the post of director of the Company.

Liu Zhihui, member of Communist Party with bachelor degree, assistant accountant, vice section chief, section chief and deputy general manager of Shandong Traffic Development Investment Co., Ltd. over the latest five years.; he ever took the business manager of capital operation department of Shandong State-owned Assets Investment Holding Co., Ltd, now he is vice section chief of inspection(discipline) department. Since April 2007, he has been taking the director of the Company.

Sun Shaojie, senior economist with bachelor degree, he ever took the posts of senior business manager of Fund Investment Management Department, general manager of Fund Investment Management Department, manager and senior business management of Investment Banking department of Shandong International Entrustment & Investment Co., Ltd over the latest five years. Now, he is the deputy general manager of Shandong International Entrustment & Investment Co., Ltd. Since April 2007, he has been taking the director of the Company.

Hu Yuanmu, Accounting Professor, Doctor of Management, PhD doctorate tutor; he ever took the posts of dean of Academic Affairs Office of Shandong Economic University, assistant to president of Shandong Economic University, and standing vice president of Yanshan College of Shandong Economic University over the latest five years. He has been the independent director of the Company since March 2009.

Jiang Lu, senior lawyer with law bachelor degree, Over the latest five years, he was the copartner of Shandong Junyida Law Firm. And he has been taking the post of director of the Company since May 2004.

Xu Haifeng, Economics Master, senior lawyer of Qilu Law Firm, he ever took the post of head of Law Institute of Jinan Academy of Social Sciences, researcher(Law), and senior lawyer ove the latest five year. Since March 2009, he has been the independent director of the Company.

(2) Members of supervisors:

Wu Zongchang, a member of Communist Party with MBA, he took the member of Communist Party Committee and deputy general manager of Shandong Traffic Development Investment Co., Ltd.; now, he is the member of Communist Party Committee, vice president and secretary of discipline inspection committee of Shandong State-owned Assets Investment Holding Co., Ltd. Since April 2007, he has been taking the Chairman of Supervisory Committee of the Company.

Yi Yu, economist with bachelor degree. He took the business manager of planning and finance department and business department of Internal Audit and Legal Department of Shandong International Trust & Investment Corporation. Now, he is the business manager of planning and finance department of Shandong International Trust & Investment Corporation. Since April 2007, he has been taking the post of supervisor of the Company.

Chi Ming, a member of Communist Party with bachelor degree, she ever took the post of deputy chief of human resources department of the Company over the latest five years, and now she is the

chief in charge of human resources department of the Company. She has been taking the post of employee supervisor of the Company since May 2005.

Song Jianghai, a member of Communist Party with 3-year college degree, he ever took the deputy general manager of trade operation department of the Company over the latest five years, now he is the general manager of trade operation department of the Company. He has been taking the post of employee supervisor of the Company since April 2007.

Shang Qinghua, a member of Communist Party with bachelor degree, She ever took the posts of accountant of Finance Department and vice section chief of finance department of the Company over the latest five years, and now she is in charge of section chief of finance department of the Company. She has been taking the post of employee supervisor of the Company since Nov. 2003.

3) Senior executives:

Zhou Feng, a member of the Communist Party with bachelor degree, ever took the post of general manager and Secretary of the Board of Directors of the Company over the five latest years. Since April 2007, he has been the deputy general manager and concurrently director of office of Board of Directors of the Company.

Li Ming, China economist with bachelor degree, member of Communist Party. In the recent five years, took the position of manger of management department and Chairman of the Supervisory Committee of the Company; since April 2007 he has been taking the post of deputy general manager of the Company.

Fu Jiguang, senior economist, China CPA with Master of Management degree. He took the post of business manager of Business Department, deputy general manager(preside the works) of Business Department, deputy general manager(preside the works) of Internal Audit and Legal Department, general manager of risks management department and senior business manager of Shandong International Trust & Investment Corporation; he has been taking the post of CFO of the Company since April 2007.

IV. About annual remuneration

1. The decision-making procedure and confirmation basis of remuneration: The remuneration of directors, supervisors and senior executives were still paid according to the relevant regulations and standards released by Notional Labor Department. Therein, the operating leaders of chairman of the Board, general manger, deputy general manager, financial chief supervisor and secretary of the Board, etc. implement annual pay system which includes basic wage and performance annual salary. Confirmation of the remuneration refer to detailed manipulation rules on enterprise performance evaluation by Ministry of Finance and enforcement measures of annual pay of enterprise operator of other provinces or municipalities and so on documents, and methods of other listed company of Shandong province. The decision-making procedure of the remuneration is that the Board of Directors stipulated the plan and reports to be approved by the shareholders' general meeting of the Company.

2. The total annual remuneration of the independent directors of the Company was RMB40,000 (including tax); at the same time, paid each independent director allowance amounting to RMB300 per day while they performed their duties on presenting meetings of Board of Directors or Shareholders' General Meeting.

V. In the report period, Hu Yuanmu and Xu Haifeng continue to perform the duties as independent

directors with succeeding the expired office term of Wang Hanmin and Jiang Jin. In the report period, there were no other directors, supervisors elected or leaving posts; no senior executives engaged or dismissed

(II) About employees

Ended the report year, the Company had totally 475 on-the-job employees. The Company needs to bear the expenses of 58 persons waiting for jobs and early retirement, and 26 retirees. And the structure of employees was as follows:

1. Professional constitution

Profession	Number
Production personnel	340
Salespersons	9
Technicians	44
Financial personnel	24
Administrative personnel	58

2. Education background

Education	Number	Proportion
Bachelor degree and above	46	9.68%
3-years regular college graduate	92	19.37%
Senior high school graduate, technical secondary school and polytechnic school graduate	337	70.95%

SECTION VI. ADMINISTRATIVE STRUCTURE

I. Administration of the Company

(I) Particulars about administration of the Company in the report period

The Company continuously perfected its legal -person governance structure, established and supplemented supporting rules and regulations for the corporate administration structure and standardized the operation of the Company in strict accordance with the Company Law, the Securities Law and related laws and rules promulgated by CSRC. During the report period, Shareholders' General Meetings, the Board Meetings and Meetings of the Supervisory Committee were convened and run in conformity with the Articles of Association and other correlative regulatory procedures, maintaining the interest of the whole company. The Company treated all shareholders equally and there was no violation of the benefit of medium and small shareholders. The actual administrative condition was on the whole consistent with the requirements of the Code of Corporate Governance for Listed Company and other documents issued by CSRC.

On the basis of the special governance campaign carried out in 2007 and 2008, the Company strengthened the enforcement of the governance documents which were already complemented and perfected, strived to bring the regulations and systems into full play to ensure the operational standardization, and in the meanwhile, continued to supplement and improve the original internal control system. For the purpose of strengthening and optimizing information disclosure, the Company unveiled Responsibility Investigation System on Significant Errors in Information Disclosure of Annual Report, Management System of Internal Information and Insiders, Management System of Delivery and Usage of External Information under related regulations and requirements, ensuring the justice and fairness of information disclosure to the maximum and safeguarding shareholders, especially medium and small shareholders' benefits; the Company formulated and distributed the management approaches to the implementation of comprehensive budget, and conducted scientific and rational planning and management for production and operation in the mass; the subsidiaries gradually introduced vessel quality management and examination method, one post but dual duties system, goal diversification management method and other measures based on their realities, improved the incentive and restraining mechanism and achieved remarkable effect with respect to improving the quality of economy operation and maintaining the steady growth of business. During the 5th Five-Year Legal Education Campaign, the Company reviewed and concluded the gains and losses in the lawful governance and standard operation since establishment of 10 years, the normative operation of the corporate in response to the call of the Provincial Securities Regulatory Bureau and the Association of Listed Companies, and reported to the Securities Regulatory Bureau on the results in the form of essay.

II. The performance of independent directors

(I) Particulars about the establishment and perfection, the content of related working systems of independent directors and the performance of the independent directors

Complying with national laws and rules, CSRC regulations in the Guided Opinions on Establishing Independent Directors in Listed Companies, the Code of Corporate Governance for Listed Companies and the Articles of Association, the Company worked out the Working Systems of Independent Directors and approved it in the First Extraordinary Shareholders' General Meeting of 2002 held on Sep. 16, 2002 in order to further optimize its legal person governance structure and

promote the normative operation of the corporate. The system covered general provisions, the qualification, coming into being, change, function, independent opinions and working conditions of independent directors and other aspects.

In the light of improving the corporate administration mechanism, consolidating internal control construction, further consolidating the foundation of the information disclosure and giving full play to the role of independent directors in information disclosure, the Company enacted the Working System on the Annual Report for Independent Directors in conformity with the related regulations of CSRC on Feb. 24, 2008, with making explicit stipulations on the pre- and post- annual audit communication among the senior executives, chief financial officer, annual auditing accountant and independent directors, as well as making explicit stipulations on the independents' privileges and obligations during the composition process of the annual report.

In the report period, Hu Muyuan, Xu Haifeng succeeded Wang Hanmin, Jiangjin, whose office terms were expired to perform the duty of independent directors. The five independent directors of the Company strictly accorded to the Articles of Association, Working System of Independent Directors and concerning regulations of CSRC, they presented at every meeting of the Board of Directors and the Shareholders' General Meetings timely, implemented their responsibilities loyally, diligently and independently and gave their independent opinions on the significant events on the basis of their professional skills and independent estimation. They played active roles in the scientific decision of the Board of Directors and criterion operation, defending the integrated interests of the Company and the legal interest of medium and small shareholders.

(II) Particulars about independents' presence at the Meeting of Board of Directors

Name of independent directors	Times supposed to attend this year	Presence in person	Entrusted presence	Absence
Wang Hanmin	1	1	0	0
Jiang jin	1	1	0	0
Jiang Lu	5	5	0	0
Hu Yuanmu	4	3	1	0
Xu Haifeng	4	4	0	0

(III) Particulars about the objections on the relevant matters of the Company from the Independent Directors

In the report period, there are no any objections on the relevant matters of the Company from Independent Directors.

III. Particulars about The Company's separation from the controlling shareholder in respect of business, personnel, assets, organization and finance:

1. In respect of personnel: The Company has independent management system of labor, personnel and salary; Chairman, General Manager, Deputy General Manager, Chief Financial Officer and Secretary of the Board of The Company drew the salaries from the listed Company.
2. In respect of assets: The Company is an independent corporation with has integrated legal person property rights, it had handled formalities of ownership change for all the assets invested by the controlling shareholders during the initial stage of foundation.
3. In respect of finance: The Company is equipped with independent financial departments and financial personnel. Its accounting system is independent, complete and normative with financial personnel and system separated from controlling shareholder. The Company produced accounting statement conforming to the relevant regulations of the Ministry of Finance, and paid tax independently on this basis.
4. In respect of organization: The Company's Board of Directors, Supervisory Committee and the other inner organization operated independently; the controlling shareholder recommended

directors and supervisors through the legal procedure, and didn't meddle in personnel appointment and removal of listed company.

5. In respect of business: The Company was completely independent from the controlling shareholder with independent and unrelated business and autonomous operation capacity. There was no competition with the controlling shareholders in the same trade.

IV. Evaluation and encouragement mechanism of performance of senior executives

In the report period, The Company obeyed the principles of connecting the operator's remuneration with responsibility, risks, performance of the operation and adopted the annual payment system in the management level, as it adhered to the modern enterprise distribution system characteristic of remunerating according to the work and the quantity of work.

V. Particulars about the Internal Control of the Company

Guided by the Basic Standard for Enterprise Internal Control and Code for Annual Report issued by Ministry of Finance and CSRC and Guidelines for Internal Control of Listed Companies issued by SZSE, the Company observed the detailed requirements of Notice on doing Well in 2009 Annual Report of the Listed Companies, arranged time and personnel particularly to implement overall and thorough self-examination and self-appraisal on the effectiveness of the current internal control and other circumstances, and finally shaped the report of self-appraisal on the internal control of the Company .

(I) The general plan for the internal control of the Company

The Company sticks to the laws and rules like the Company Law and Securities Law as well as regulations and requirements of SZSE unswervingly and consistently optimizes the structure of internal control. The Company coordinates and balances the authorized organizations by defining the respective duties and rights of the Shareholders' General Meeting, the Board of the Directors, the Supervisory Committee and the manager team, guaranteeing the normativeness of the integrated operation and the interests of the shareholders.

1. As the supreme organ of the power of the Company, the Shareholders' General Meeting legitimately exercises its veto right on the operation guideline, fund-raising, investment, profit distribution and other major events on the behalf of all the shareholders, and is capable of assuring that all the shareholders, especially those medium and smaller ones can have equal status and fully exercise their rights.

2. As the decision-making organ for the operation of the Company, the Board of Directors is responsible for the Shareholders General Meeting; it fulfills its responsibilities of constructing and improving internal control system and supervising the implementation of the system pursuant to related laws and regulations and provisions in Articles of Association. The board has its four specialized committees, namely, Strategy Committee, Nomination Committee, Audit Committee and Remuneration and Appraisal Committee, and all the members have been put in position and performing their duties normally at present.

3. As the supervisory organ of the Company, the Supervisory Committee assumes responsibilities for the Shareholders' General Meeting; it takes charge of supervising and inspecting the performance of the directors, general managers and other senior executives and the financial position of the Company.

4. As the executive organ of the Company, manager team is supervised and restricted by the board and the Supervisory Committee; it takes responsibilities for organizing and carrying out the resolutions of the Shareholders' General Meeting and the Board, presiding over the production and operation and putting the internal control systems into practice.

Secondly, the Company had established Auditing Supervisory Department in line with the CSRC requirements. Staffed with three members, the Auditing Supervisory Department audits and supervises the production, operation and internal control situation of the Company independently;

in 2009, the department put active efforts to conduct periodic, non-periodic and routine audit on the functional departments, the financial positions of all the parent companies and subsidiaries, internal control conditions, major projects and other business under the direction of the board, exerting itself to reducing the risks of integrated operation to the minimum.

Concurrently, the Company engaged lawyer as perennial counselor-in-law to provide guarantee for the stabilization of operation and maintenance of lawful interest.

(II) The establishment and perfection of internal control system

Directed by related laws and rules, the Company combined the requirements of Code for Administration of Listed Company, Guidelines for Internal Control of Listed Companies and its actual conditions, and had constituted discussion principles for the "three meetings", specific working norms of the specialized committees of the board, managerial measurements towards headquarter and subsidiaries and other internal control systems, involving financial management, related transactions, external guarantee, management of raised capital and information disclosure, etc. The establishment of effective risk-prevention mechanism enables the Company to withstand various risks including emergencies better.

During the report period, the Company kept on supplementing and optimizing the internal control system by taking its actual situation of development into consideration. Based on the trial implementation of 2008, the Company officially formulated and issued the management approach to comprehensive budget, scientifically and reasonably planning and administrating production and operation as a whole. Judged by the operation of the whole year, the measure had made obvious achievements. Subsidiaries of the Company also introduced vessel quality management and examination method, one post but dual duties system, goal diversification management method and other measures in the light of their concrete conditions, giving impetus to the perfection of the incentive and restriction mechanism, the improvement of the operational quality of the economy and the maintenance of the steady growth in business.

(III) Self-Estimation on Internal Supervision and Internal Control of the Company from Board of Directors (Details can be seen in the Self-Estimation Report on Internal Control of Shandong Zhonglu Oceanic Fishery Co., Ltd.)

Following the fundamental principles of internal control, related laws and rules, requirements of securities regulatory organizations and its realities, the Company had established, perfected and effectively carried out internal control system covering all the sectors of the enterprise, thus, playing the controlling and preventive role well in the key tache and ensuring the normal and orderly operational activities in exerting management on subsidiaries, related transactions, external guarantee, usage of the raised fund, significant investment and information disclosure, etc. In general, the existing internal control system of the Company satisfactorily embodies integration, reasonableness and validity, and meets the concerning requirements of CSRC and SZSE.

(IV) Opinions given by Supervisory Committee on Self-Estimation on Internal Control of the Company

Details can be seen in the II. of SECTION IX. REPORT OF SUPERVISORY COMMITTEE: Independent Opinions of Supervisory Committee.

(V) Independent Opinion given by Independent Directors on Self-Estimation on Internal Control of the Company

Details can be seen in Independent Opinions on Self-Estimation on Internal Control of the Company by Independent Directors

SECTION VII. BRIEF INTRODUCTION OF THE SHAREHOLDERS' GENERAL MEETING

In the report period, the Company held one Shareholders' General Meeting. 2008 Annual Shareholder's General Meeting. was held on Mar. 31, 2009, and the relevant resolution was published on China Securities and Hong Kong Wen Wei Po dated April 1, 2009.

SECTION VIII. REPORT OF THE BOARD OF DIRECTORS

I. Review on the operation of the Company in the report period

(I) Overall review on the operation of the Company in the report period

In 2009, strictly according to the rights endowed by Articles of Association, Board of Directors of the Company seriously fulfilled its responsibilities, actively conducted various activities. Faced with hard conditions of global financial crisis and low international market demands, Board of

Directors firmly took scientific outlook on development as guidance and maximization of interests of the Company and all shareholders as goals, always accorded with the working ideas of “steadiness, adjustment, development and improvement”, consistently perfected corporate governance structure, reformed operational way, optimized allocation of resources thus improved economical efficiency, and achieved better operational performance.

In this period, the Company realized operating income of RMB265.29 million, with an increase rate of 4.67% over the same period of last year; operating cost of RMB227.64 million, with an increase rate of 4.83% over the same period of last year; gross profit of RMB37.66 million, with an increase of 3.75% over last year, and the net profit attributable to shareholders of listed company of RMB15.31 million with a decrease of 32.12% over the last year.

In this period, the Company continued to engage in fishing in the middle and top grounds of oceans, increase business volume of returning self-fishing, the processing export of aquatic products grew and tenancy and management of refrigerated cargo vessels was expanded. For a whole year, the amount of ocean fisheries reached 145.17 million tons, the amount of processing aquatic products was 72 million tons, enhanced protection of vessels, ensured perfection rate and high shipping rate of vessels.

(II) Main business and operation of the Company

1. Scope of main operations

The Company is an enterprise featuring in oceanic fisheries and its main operation consist of oceanic catch, tenancy of catch vessel, tenancy of refrigerated transport vessel, import and export of aquatic products, and processing, refrigeration and other business of aquatic products.

2. The income from main operations and profit from main operations is listed as follows:

(1) Classified according to industries and varieties

(Unit: RMB'0000)

Main operations classified according to industries						
Industry or variety	Operating income	Operating cost	Operating profit rate (%)	Increase/decrease of operating income (%)	Increase/decrease of operating cost (%)	Increase/decrease of operating profit rate (%)
Oceanic fishing	8,484.00	6,906.00	18.60%	-14.29%	-16.98%	2.64%
Aquatic products trade	163.00	156.00	4.29%	-21.78%	-24.39%	3.29%
Lease and management of refrigerated vessel	5,482.00	4,100.00	25.21%	11.16%	8.40%	1.91%
Processing, cold storage of aquatic products and others	12,218.00	11,448.00	6.30%	20.95%	23.88%	-2.22%
Main operations classified according to products						
Tunny	8,484.00	6,906.00	18.60%	-14.29%	-16.98%	2.64%

(2) Classified according to areas

Areas	Operating income	Increase/decrease on operating income over the same period of last year (%)
Mainland of China	5,893.00	66.03%
Taiwan of China	89,073.00	-21.93%
Spain	325.00	
Japan	8,763.00	11.39%
Singapore	541.00	218.75%

Germany	306.00	
Ghana	1,208.00	93.46%
Other	405.00	-62.94%

(III) Particulars about main supplier and clients

Proportion of the purchase amount for the top 5 customers in annual total purchase amount	43.78%
Proportion of the sales amount for the top 5 customers in annual total sales amount	69.31%

(IV) Particulars about the asset structure of the Company and its change during the report period.

Particulars about the asset structure:

Unit: RMB

Items	December 31, 2009	December 31, 2008	Increase/decrease (%)
Monetary fund	38,501,273.89	74,452,404.48	-48.29
Accounts receivable	11,195,724.60	15,298,645.02	-26.82
Account paid in advance	9,008,430.89	6,868,073.62	31.16
Other receivable	4,849,231.23	3,886,607.26	24.77
Short-term loans	41,481,275.22	70,003,800.00	-40.74
Accounts received in advance	8,850,484.61	2,740,134.66	222.99
Others payable	11,318,883.25	14,163,899.74	-20.09
Tax payable	-2,596,546.59	-1,178,440.82	-120.34
Balances in conversion of foreign currency statements	181,864.38	547,477.12	-66.78

Notes:

1. Monetary fund decreased 48.29% at this period-end compared to that in period-end of last year, which was mainly due to the bank loan return from the subsidiary Yantai Grocery Co., Ltd. and HIC Company.
2. Net amount of accounts receivable decreased 26.82% at this period-end compared to that in period-end of last year, which was mainly due to returns of sales account receivable from the subsidiary Yantai Grocery Co., Ltd. in the current period.
3. Account paid in advance increased 31.16% at this period-end compared to that in period-end of last year, which was mainly due to that the subsidiary Yantai Grocery Co., Ltd. paid the fish account in advance in the current period.
4. Net amount of other receivable increased 24.77% at this period-end compared to that in period-end of last year, which was mainly due to that the subsidiary Yantai Grocery Co., Ltd. increased export tax rebate receivable.
5. Short-term loans decreased 40.74% at this period-end compared to that in period-end of last year, which was mainly due to that the subsidiary Yantai Grocery Co., Ltd. and HIC Company returned bank loans in the current period.
6. Accounts received in advance increased 222.99% at this period-end compared to that in period-end of last year, which was mainly due to the increases in account received in advance from customers by subsidiary Yantai Grocery Co., Ltd. in the current period.
7. Others payable decreased 20.09% at this period-end compared to that ohat in period-end of last year, which was mainly due to that subsidiary Yantai Grocery Co., Ltd. paid final payment of project on ultra-low temperature cold storage in the current period.
8. Tax payable decreased 120.34% at this period-end compared to that in period-end of last year, which was mainly due to that subsidiary Yantai Grocery Co., Ltd. purchased goods and the amount of the value added tax offsetting purchase tax increased in the current period.

(V) Explanation of significant change year on year in main financial data during the report period.

Main financial data:

Unit: RMB

Items	2009	2008	Increase/decrease (%)
Sales expenses	3,252,012.51	7,218,843.38	-54.95
Financial expenses	1,015,055.76	4,098,383.76	-75.23
Asset impairment losses	-656,341.91	1,653,908.15	-139.68
Investment income	66,872.29	517,555.53	-87.08
Non-operating income	5,484,490.57	23,468,160.59	-76.63
Non-operating expenditure	140,130.04	1,829,120.88	-92.34
Net profit attributable to owners of parent company	15,310,513.67	22,555,626.14	-32.12

Notes:

1. Sales expenses of this period decreased 54.95% over the same period of last year, mainly due to that sales of returned fishier cargo of Haiyan Subsidiary increased, thus ocean transportation expense increased, which directly related to sales income, so the Company calculated ocean transportation expense in sales costs while in sales expenses in the same period of last year.
2. Financial expenses of this period decreased 75.23% over the same period of last year, mainly due to reduced interest expenditure because of the Company returning bank loan, increased interest income because of pledging deposit and reduced exchange loss because of little exchange rate change.
3. Asset impairment losses of this period decreased 139.68% over the same period of last year, mainly due to that Haiyun Subsidiary took back other receivables which were partially withdrew provision for bad debts by the Company in last report period.
4. Investment income of this period decreased 87.08% over the same period of last year, investment income all came from transfer income from subscribing new stock, the Company reduced subscription of new shares.
5. Non-operating income of this period decreased 76.63% over the same period of last year, mainly due to that fuel subsidy the Company received from government decreased in the report period compared with last year.
6. Non-operating expenditure of this period decreased 92.34% over the same period of last year, which was mainly due to loss caused by Haiyun Subsidiary in dealing with Taizhong vessel in the same period of last year.
7. Net profit of this period decreased 32.12% over the same period of last year, mainly due to that fuel subsidy the Company received from government decreased in the report period compared with last year.

(VI) Particulars about measurement of fair value during the report period

The Company took measurement according to the regulated accounting measurement attributes. There was no change happened in measurement attributes during the report period. When making measurement to accounting elements, the company generally took the principle of historical cost. As to those measured by replacement cost, net realizable value, present value, and fair value, the accounting element amount which could be confirmed and available was taken as the basis.

(VII) Constitution of cash flows in the report period

Unit: RMB

Items	December 31, 2009	December 31, 2008	Increase/decrease (%)
Net cash flow arising from operating activities:	32,975,762.73	11,974,309.74	175.39
Including: Cash received from sales of goods or		251,439,200.02	11.34

supplying labor forces	279,956,486.33		
Return of received taxes	5,028,701.53	1,419,480.75	254.26
Other cash received relating to operating activities	15,042,778.67	25,642,741.04	-41.34
Minus: (1) Cash paid for purchasing goods and accepting labor forces	198,048,167.27	197,546,366.07	0.25
(2) Cash paid to/for staff	44,911,643.20	45,948,356.74	-2.26
(3) Taxed paid	3,398,911.43	3,609,428.44	-5.83
(4) Other cash paid relating to operating activities	20,693,481.90	19,422,960.82	6.54
Net cash flow arising from investment activities:	-37,966,112.92	-30,467,696.99	-24.61
Including: Cash received from returns on investments	66,872.29	517,555.53	-87.08
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	41,000.00	5,773,210.60	-99.29
Minus: Cash paid for purchasing and building fixed assets, intangible assets and other long-term assets	38,072,049.86	36,758,463.12	3.57
Net cash flow arising from financing activities	-24,161,054.56	34,604,153.44	-169.82
Cash received from loans	61,532,964.51	74,159,797.43	-17.03
Minus: Cash paid for debts	90,054,489.29	25,583,910.02	252.00
Cash paid for distributing bonus and profit or repaying interest	2,439,529.78	3,971,733.97	-38.58
Net increase in cash and cash equivalents	-29,151,130.59	16,110,766.19	-280.94

Notes:

1. Net cash flow arising from operating activities of the Company in this period increased 175.39% compared to that of the same period of last year, mainly due to the increases in sales account of goods which were taken back in the report period.
2. Net cash flow arising from investment activities of the Company in this period decreased 24.61% compared to that of the same period of last year, which was mainly due to investment on purchasing new Maoxing vessel in the report period and disposals of Taizhong and Taize vessels in the same period of last year.
3. Net cash flow arising from financing activities of the Company in this period decreased 169.82% compared to that of the same period of last year, which was mainly due to that subsidiary Yantai Grocery Co., Ltd. and HIC Company returned bank loans in the report period.

(VIII) Operation and operating performance of the holding subsidiaries and joint stock subsidiaries of the Company

Unit: RMB

Items	Marine	HIC	Yantai Grocery
Total assets	24,478,417.19	97,942,598.28	175,581,954.06

Net assets	12,295,819.21	78,767,967.32	76,492,960.74
Registered capital	22,505,600.00	12,476,146.00	75,593,300.00
Equity proportion (%)	100.00	100.00	100.00
Investing amount	22,505,600.00	12,476,146.00	75,593,300.00
Business character and main product or service	Undertake to transport international shipping, refrigerated aquatic products	Self-running business of refrigerated transportation	Freezing, refrigerating, processing and sales of aquatic products, birds and beast and melon and fruits, etc.
Operating income	19,400,003.55	35,419,204.27	122,527,869.02
Operating profit	-2,069,254.92	10,596,779.40	2,294,877.40
Net profit	-2,084,188.92	10,596,779.40	2,358,419.97

(IX) Main advantages and difficulties of the Company

The oceanic fisheries field which the Company is engaged plays an essential part in our state ocean strategy and blue economical area plan of Shandong province, so, our party and government keep close eyes on oceanic fisheries. The long-term implemented policy such as Three Exemption and Four Subsidies and other preferential policies just symbolize support from the state for oceanic fisheries field. The requirements of continuous supports and strengthening oceanic fisheries were definitely brought forward in the No.1 documents of the Party Central Committee in 2010, Shandong Provincial Government issued Opinion about Further Fastening the Development of Ocean Fisheries, and further defined to conduct fiscal interest discount for purchasing and restructuring of big-type oceanic fishing vessel and subsidy policy for training special agriculture technical personnel, and various policy or measurements, actively supported production and operations of provincial oceanic fisheries enterprise abroad. As the heading enterprise in the provincial oceanic fisheries field, the Company is certainly to gain support and rapid development. Analyzed from the self-view, as one of primary overseas enterprises of China, the Company is a comprehensive fisheries enterprise engaging in oceanic fisheries, oceanic transportation, refrigeration and process as well as import and export business. Its business covers substantial fields in oceanic fisheries. Through recent years of development and adjustment, presently the Company has complete industry chain, sections are highly related to each other, possesses a certain stability and risk-fighting ability. The Company also owns a lot of professional management and business staffs, who have rich experience in oceanic fisheries field, besides, with good credit for its products and steady customer basis, the Company enjoys stronger competitive abilities in the same kind of industry.

Difficulties and counter-measures in the production and operation of the Company during the report period:

1. Demand in international market was powerless, overseas order amount obviously decreased, market price of roundhawl tunny greatly went down, so overseas fishier catch and processing import and export were largely affected.

Counter-measures: Continuously explored overseas markets, through many measurements such as taking more effort on back transport of self-fishing and actively exploring domestic market, meanwhile, strived to enjoy national relevant preferential policy about import and export, got rid of adverse situation that sales section of fishing business was under others' control for a long time, and improved profitability and risk-fighting ability.

2. Fuel price and fish price were long-term rotated, thus reduced increasing range of profit. Pirates prevailed in some part of traditional areas; therefore, operating vessels couldn't enter those seas with plenty of resource which affected the increase of catching volume.

Counter-measures: The Company took more efforts on science and technology innovation and

personnel training, improved productivity so as to reduce costs and improve profitability. At the same time, the Company continuously perfected fish finder equipments, strengthened collaboration and communication with vessel team of the same industry, strived to reduce influence of catching business from various disadvantageous factors through scientifically adjusting navigation route and operating areas.

3. Financing channel of capital market was still not smooth, gravely restricted implementation of corporate development strategy. Currently, our country did still not unlock the re-financing function of B share listed companies, so the main source of corporate capital still was bank loan. Because a large part of corporate assets are oceanic flow vessels, it's hard to reach standard of bank pledge and loan, and with negative influences caused before restructures, the Company still has huge difficulties in financing. These factors largely hindered the Company from intensifying and optimizing resource allocation, as well as the promotion of extension of industry chain.

Counter-measures: The Company consistently paid close attention to the policy arrangement about CSRC restoring financing function of B share market, expected that policies would be let go as soon as possible, strived to raise enough capital the Company growth asks for by the means of issuing more stocks. Before that, we should continuously enhance communications with commercial bank under the condition of confirmation of reasonable adjustment to own capital. Actively sought for new financing channel and methods, and tried our best to satisfy the requirements of capital for the Company's sustainable development.

(X) Analysis on the continuity and stability of the Company's operating and profit-making ability

In order to ensure sustainable development of the Company and constantly increase main business income, the Company brought in 2 refrigeration shipping vessels and 2 tune long-line boats, thus optimized age structure and scientific degree of all the corporate operating vessels. In 2009, previously distributed assets showed better economical performance, and had become a new Life Scout and new profit-increasing spot; the founding of National Tunny Exchange Center meant a lot to the Company, offered broad space for the future development of the Company; the Company will fully take its advantage, operate the exchange center well, create new growth point and achieve strategy goals; in the report period, the profitability was increased due to that the Company improved personnel qualification and stimulated innovation, gained total 14,517 tons of fishing yield in the very year, which was the highest level in history. Practice proved that the production and operation position of the Company is being gradually perfected, ensured the succession and stability of profitability.

II. Prospects on future development of the Company

(I) Development trend in field of fisheries and competition layout the company faces

Oceanic fisheries industry, the Company engaged in, is an industry exploring the water resources from the foreign coast or public sea, thus, the international competition is furious. China is in the early stage in oceanic fisheries, lacking enough experience and strength, located in a comparatively weak position in international field competition layout. In order to enhance the integrated power in this field for our nation, our country released many assistance policies to encourage those powerful enterprises to actively engage in oceanic fisheries.

With the gradual reduction of the whole resources worldwide, the coastal countries have strengthened the supervision system to the foreign fishing vessels which come into their territory. And some developed countries set various obstacles for our nation's oceanic fisheries relying on their own superiority, prevented our oceanic fisheries from smoothly developing. Besides, due to that the international financial crisis has impacted the whole world's economy; the Chinese oceanic fisheries enterprises will face more difficulties and challenges in the future.

(II) Future development strategy of the Company

In the future developing process, the Company will exactly face the international financial crisis and powerless international market demand and other disadvantageous factors, consistently under the guidance of scientific outlook on development, continue to follow the working spirits of “Steadiness, Adjustment, Development and Improvement”, fully issue spirits of being fearless with difficulties and brave in exploring, relying on own advantages, through reforming administrative means, optimizing assets allocation, reinforcing extension of industry chain, constantly improve economical efficiency and scale, thus consolidate the leading position in oceanic industry of Shandong province, contribute more on development of our oceanic industry.

(III) Working plan for the coming year

In 2010, Board of Directors of the Company will continue to carry out scientific outlook on development, according to economical work of “Transfer Methods, Adjust Structure” the province government planed, make overall planning and reasonable arrangements for corporate work. Fully grasp the opportunity of economical recovery at home or abroad, modestly increase devotion, speed up the development, meanwhile take effective measures to deal with various potential complicated phases. Board of Directors ruled the overall working thinking as follows: Expand business range through extending the industry chain under the condition of constantly deepening corporate govern; ensure the growth of main business through optimizing assets allocation; confirm that production and administration smoothly carry on through scientific and effective management; increase funding efforts and fully take advantage of preferential policies to speed up development. Strive to make it that both the quality of economy operating and scientific management level further make progress compared to 2009.

1. Continuously deepen the corporate governance, and perfect internal control system

Strictly in accordance with requirements of Code of Corporate Governance for Listed Companies issued by CSRC, make sure that Board of Directors, Supervisory Committee and Managers work by law in their respective functions and powers, and assure normal operation of decision-making, incentive as well as supervision mechanisms, which are the three mechanisms. Meanwhile, further consolidate functions of Independent Director and various special committees, make every decision in procedure, democracy and science, and guarantee standardized operation of the Company. Strictly according to requirements of relevant laws and regulations, constantly complement and perfect internal control system and carry out them seriously, create better operational environment, accelerate the Company to develop in a healthy way.

2. Grasp opportunities, bravely innovate, and carry out well the extension of industry chain

(1) Shandong province will organize and construct large ocean shipping group, the Company possesses qualification of oceanic shipping business, relying on 15 years of operational experience on oceanic shipping and extensive clients and information and human resources, and we strive to participate in operations of large bulk carriers through adopting various methods. If we could not obtain the operations, we also plan to take in charge of large bulk carriers for overseas companies, the relevant works are starting negotiations. Though many current difficulties wait to be overcome, we should still be confident and strive for it.

(2) The founding of national tunny exchange center means a lot to the Company, offers wide space for development of the Company. The Company should fully take its advantage, construct the tunny exchange center well, play its due functions, create huge attraction to relevant enterprises at home and abroad, achieve real and effective industry gatherings, thus reach strategy goals of extending corporate industry chain and make new profit-increasing spot.

3. Plan positively, promote steadily, and expand assets scale properly

To ensure sustainable development ability, constantly increase main business income, the Company should possess considerable assets scale and eminent assets quality. 2 refrigeration fishing vessels

and 2 long-line fishing vessels brought in by the Company in prior period both showed good economical performance in 2009, which have become a new “Life Scout” and profit-increasing spot. Practice testified the original decision of Board of Directors is correct. In this year, the Company should continue to seek target vessels with high cost performance around the world, make ample preparation work, till the right time comes decidedly bring in and put them into production, strive to effectively improve the integrated production ability of the Company.

4. With people oriented, intensify the building of talents team, promote management level

Zhonglu is a company that gathered fish catch, shipping, processing and trade, with a huge demands for various special talents. The building of talents team means a lot to whether the Company gains rapid growth or not. In previous several years, serious drain of talents affected the smooth implementation of production and administration. Being the main business, fish catch still faces a certain distance compared to other enterprises in the same industry in terms of profitability; absence of a captain team with high level is the main reason. The Company should strengthen training present staffs especially those who're in key position through various means. To supervise, control, and also to motivate, support; to standardize behaviors through system, to cohere the minds of staff; not only to perfect and carry out various awarding and punishing measurements, but also to create a harmonious working environment with an effort, make staffs have sense of belonging and being masters, thus form a good situation where the Company can maintain the present talents and also can appeal external ones.

5. Strive for financing

Capital shortage has been the key factor restricting development of the Company. The desire of financing through capital market hasn't come true yet because of restriction of financing policy for B share market. We paid close attention to policies and arrangements issued by CSRC about restoring financing function of B share market all the time, expected that the policies can be let go as soon as possible, strived to raise capital for development of the Company through issuing additional stocks. Before this, we should continuously strengthen communication with commercial bank to strive for more support under the condition of reasonable adjustment to own capital. Actively seek new financing channel, explore new financing methods, try our best to assure capitals for corporate sustainable development.

6. Grasp the opportunity; make full use of various preferential policies

Oceanic industry is an industry supported largely by country. In order to deal with the crash from financial crisis and to stimulate the recovery of economy, government issued a couple of preferential policies in succession to support corporate development. Currently, the Company is still weak in striving for relevant policies which we should pay more attention to, the Company should purposely organize power to carefully make research, actively strive to get, make good use of various preferential policies to the utmost, and make it that more favor could be applied in the corporate development.

7. Intensify coordination and communication; carry out well the general election of Board of Directors, adjustment of administrative team

The ooffice term of current board will expire soon; we should make full preparation, reinforce the communication and coordination with 2 largest shareholders, strictly accorded with procedure approved by law, complete general election of Board of Directors and adjustment of administrative team.

(IV) Application plan of future capital of the Company

In order to accomplish operation plan and work goal for 2010, the Company has to assure capital demand required for various aspects of production and operation. Capital comes from the following

channels:

1. Use the self-owned capital of the Company;
2. Take loans from commercial bank;
3. If possible, raise capital through directionally privately issuing shares.

III. Investment

(I) Application of raised proceeds

In the report period, the Company didn't raise proceeds to invest projects and there were no raised proceeds in last report period used till the report period.

(II) Significant projects invested with the non-raised proceeds in the report period

In reporting period, Habitat Subsidiary bought a refrigeration shipping vessel with volume of 8,150 tons, the real investment is RMB33.28 million. All the projects have been already finished, till the end of 2009, this vessel had made profit RMB1.98 million.

IV. The Board of the Company holds that: the standard unqualified auditor's report issued by Daxin CPAs reflects the 2009 financial condition and operation achievement of the Company really and objectively.

V. Routine work of the Board

(I) Meetings and resolution of the Board of Directors in the report period

In the report period, the Company totally held five meetings:

On Feb 27th of 2009, the Board held the 15th meeting of the 3rd Board of Directors on spot. Relevant resolutions of the meeting had been published on China Securities Journal and Hong Kong Wen Wei Po dated Mar 3rd of 2009.

On Apr 24th of 2009, the Board held the 16th meeting of the 3rd board of directors on spot. Relevant resolutions of the meeting had been published on China Securities Journal and Hong Kong Wen Wei Po dated Apr 27th of 2009.

On Aug 6th of 2009, the Board held the 17th meeting of the 3rd board of directors on spot. Relevant resolution of the meeting had been published on China Securities Journal and Hong Kong Wen Wei Po dated Aug 7th of 2009.

On Sep 9th of 2009, the Board held the 18th meeting of the 3rd board of directors on spot. Relevant resolutions of the meeting had been published China Securities Journal and Hong Kong Wen Wei Po dated Sep 10th of 2009.

On Oct 26th of 2009, the Board held the 19th meeting of the 3rd board of directors in way of communication. Relevant resolutions of the meeting had been published on China Securities Journal and Hong Kong Wen Wei Po dated Oct 28th of 2009.

(II) Implementation of resolutions of the Shareholders' General Meeting by the Board of Directors

In 2009, the Board of Directors strictly implemented various resolutions of the Shareholders' General Meeting according to responsibilities endowed by Articles of Association, and confirmed the auditing fee for the accountants according to the authorization of Shareholders' General Meeting.

VI. Preplan on the profit distribution in 2009

Audited by Daxin CPAs Co., Ltd., the net profit realized by the Company in 2009 was RMB15,310,513.67 and the profit available for distribution for all shareholders in the current year was RMB-215,109,589.47. In accordance with Articles of Association, the profits realized in the report year were not enough to offset the accumulative losses in previous years, thus, the Company

did not carry out cash profit distribution nor capitalization of capital public reserve.

The aforesaid preplan should still be submitted to the 2009 Annual Shareholders' General Meeting for approval.

Particulars about the cash bonus of the Company in the previous three years

Unit: RMB

	Amount of cash bonus (tax included)	Net profit attributable to owners of parent company in consolidated statement	Ratio of net profit attributable to owners of parent company in consolidated statement
2008	0.00	22,555,626.14	0.00%
2007	0.00	55,015,100.64	0.00%
2006	0.00	152,954,244.21	0.00%

VII. Explanation for why there is no profit distribution preplan though profit has been made in the report period and the usage for the undistributed profit.

In accordance with Articles of Association of the Company, the profits realized in the report year were not enough to offset the accumulative losses made in previous years, thus, no profit distribution preplan were presented.

VIII. Related working systems and performance of the Audit Committee of the Board

(I) The establishment, perfection and the content of the working systems of the Audit Committee

In order to enhance the decision-making function of the Board, provide pre-audit and professional audit, ensure the Board's effective supervision on the manager team and optimize the governance structure, the Company conformed to the spirit of concerning laws and rules, Code for Governance of Listed Companies, the Articles of Association and other regulations to establish Audit Committee of the Board and accordingly formulate Implementation Rules for Audit Committee of the Board, providing definite and precise provisions regarding the working of Audit Committee in the aspects of staff composition, duties and rights, decision-making procedure and discussion rules, etc.

In the light of strengthening the construction of internal control, the foundation of information disclosure and the Board's supervision on financial statement, the Company issued Regulations and Procedures on Annual Financial Report of Audit Committee of the Board on Feb 24, 2008 in line with CSRC regulations. The Regulations and Procedures made regulatory arrangement in the working of Audit Committee involving the checking and approval of annual financial statements, the schedule of annual report audit, supervision and communication and the formulation of related resolutions.

(II) Particulars about the performance of the Audit Committee

In the report period, the Audit Committee of the Board of Directors of the Company totally held four meetings, discussing in affairs of the periodical reports and related affairs:

1. On Feb 25th of 2009, the Audit Committee held the 1st meeting of 2009. The following resolutions were examined and approved in this meeting: the 2008 Financial Settlement Report, the 2008 Profit Distribution Preplan, the Text and Summary of 2008 Annual Report, Audit Report on 2008 Accounting Office, Proposal on Reengaging Accountant and Determining Remuneration and Self-estimation Report on Internal Control of the Company, etc. It was agreed to submit the proposals to the Board for examination according to procedure.

2. On Apr 23rd of 2009, the Audit Committee of the Board of the Company held the 2nd meeting of 2009. The First Quarterly Report was approved in this meeting and agreed to submit to the Board for examination.

3. On Aug 4th of 2009, the Audit Committee of the Board of the Company held the 3rd meeting of

2009. The 2009 Semi-annual Report was approved in this meeting and was agreed to submit to the Board for examination

4. On Oct 26th of 2009, the Audit Committee of the Board of the Company held the 4th meeting of 2009. The Third Quarterly Report was approved in this meeting and agreed to submit to the Board for examination.

The Audit Committee of the Board of the Directors fulfilled their performances proactively during the 2009 annual audit. In accordance with Contents and Formats for Information Disclosures by Companies that Offer Shares to the Public Guidelines No.2 (Content and Format of Annual Report, revised in 2007), Notice of China Securities Regulatory Committee(No.34, 2009) issued by CSRC, Doing Well in 2009 Annual Report and Related Work of Listed Company, Memorandum on Information Disclosure No.21—Related Affairs of Disclosure of Annual Report issued by SZSE, and Working Rules for Audit Committee, the Audit Committee harmonized and monitored the auditing work of Daxin CPAs Co., Ltd in the following aspects:

1. Perceived and comprehended the basic state of the Company during the report period, audited financial statements prepared by the Company

On Jan. 8, 2010, the Audit Committee heard a comprehensive report on the production and operation status and the process of major events in the report period from the general manager of the Company, and audited the annual financial statements promulgated by the Company for 2009. It was thought that the data in the financial and accounting statements basically reflected the financial position and performance as of Dec 31, 2009, and agreed that the 2009 annual audit should be carried out on the basis of the statements. The Committee also gave written auditing opinions.

2. Confirmed the overall auditing plan

Before the accountant firm set about auditing, the Audit Committee negotiated with it to confirm the time schedule for the 2009 annual audit.

3. Urged the auditing work

The CPAs went in for audit officially on Jan 11th, 2010. During the audit period, the Audit Committee communicated with the auditing personnel for many times to require the CPAs to complete audit in accordance with the schedule so that timely disclosure of annual report and related documents can be ensured.

4. Rechecked the primarily audited financial statements

After CPAs expressed primary auditing opinions on financial statements on Mar 3rd, 2010, the Audit Committee rechecked the primarily audited statements, reckoned that the statements reflected the corporate financial position and operating achievements till Dec 31st, 2009 authentically, accurately and completely, and they could be taken the statement as the basis for the composition of 2009 annual report and its summary, and meanwhile demanded the CPAs to finish audit according to the plan as soon as possible to ensure the scheduled disclosure of 2009 annual report.

5. Conclusion after the official report

On Mar 29th, 2010, the CPAs fulfilled all the auditing formalities within the designated time and submitted standard unqualified auditor's report and relevant documents to the Audit Committee. The Audit Committee then held the 1st meeting in 2010 on March 26, 2010, in which resolutions were formed and handed in to the Board for examination together with Performance of Duties of Audit Committee and Summary on the 2009 Annual Audit Work of CPAs with thinking that: Daxin Certified Public Accountants Co., Ltd engaged by the Company acted their position part well, abided by the profession principles of independence, fairness and justness, accomplished the various works in 2009 annual report audit better.

6. Resolution of reengaging CPAs

In light of that Daxin Certified Public Accountants Co., Ltd could strictly implement relevant audit regulations and quality control system of certified public accountant according to the requirements of new audit standards. Daxin CPAs has good quality, acted their position part well, and accomplished the various audit tasks better. Reengagement of Daxin Certified Public Accountants

Co., Ltd as 2010 Audit Institute was putforwarded to the Board in the resolution of Audit Committee.

IX. Performance of the Nomination Committee of the Board

The Nomination Committee of the Board held a meeting at the conference hall on the tenth floor of the Company on Feb 10th, 2009. In the meeting, the Proposal on Nominating Hu Yuanmu, Xu Haifeng as Independent Directors of the 3rd Board of Directors were approved and the relevant proposal was agreed to be submitted to the Board for discussion through due procedure.

X. Performance of the Strategy Committee of the Board

The Strategy Committee of the Board held a meeting at conference hall on the tenth floor of the Company on Sep 9th, 2009. The meeting consented to Proposal on the Investment and Purchase of 8150 Tons Refrigerated Transportation Vessel by Subsidiary HABITAT International Company and agreed to submit the proposal to the Board for examination through procedure.

After checking and discussing the above-mentioned proposal prudently, the Committee held the view that the project was feasible, as it catered to strategic needs of the Company and contributed to the structural optimization of fleet, the appropriate growth of transportation capacity and the improvement of profit-making ability.

XI. Establishment and perfection of the management system for users of external information

For the sake of standardizing information disclosure activities, enhancing the management of information disclosure affairs and protecting investors' lawful interest, the Company enacted Management System on Information Disclosure in conformity with the Company Law, Securities Law, Management Methods for Information Disclosure of Listed Companies, Stock Listing Rules of Shenzhen Stock Exchange and other laws and rules, regulations of departments and the Articles of Association. Later, the Company unveiled Management System for Inside Information and Insiders, Management System for Delivery and Usage of External Information, etc in succession, laying down stipulations on the management of the users of external information. As it is stipulated that before the lawful disclosure of the inside information, any insider should not leak out the information nor make it public nor utilized it for inside dealings, the Company made clear a wide range of content, including the approval and filing of inside information delivered to the outside, relevant personnel's performance of confidentiality obligations, the measures for undue confidentiality- caused information leakout, further fostering the confidentiality work of inside information of the Company, ensuring fairness in information disclosure effectively, and thus safeguarding the legitimate benefits of all shareholders, especially those medium and small ones.

SEXTION IX. REPORT OF THE SUPERVISORY COMMITTEE

I. Meetings of the Supervisory Committee in the report period

In the report period, the Supervisory Committee of the Company held totally four meetings:

(I) On Feb 27, 2009, the Company held the 8th meeting of the 3rd Supervisory Committee. The meeting examined and approved proposals as follows:

1. 2008 Work Report of the Supervisory Committee;
2. 2008 Financial Settlement Report;
3. 2008 Profit Distribution Preplan;
4. Self-estimation Report on Internal Control;
5. Text and summary of 2008 Annual Report.

The resolutions of the meeting have been published on China Securities Journal and Hong Kong Wen Wei Po dated Mar. 3, 2009.

(II) On Apr 24, 2009, the Company held the 9th meeting of the 3rd Supervisory Committee. The meeting examined and approved the First Quarterly Report of 2009.

(III) On Aug. 6, 2009, the Company held the 10th meeting of the 3rd Supervisory Committee. The meeting examined and approved the Text and Summary of 2009 Semi-annual Report.

(IV) On Oct. 26, 2009, the Company held the 11th meeting of the 3rd Supervisory Committee. The meeting examined and approved the Third Quarterly Report of 2009.

II. The Supervisory Committee had expressed independent opinions on the following issues:

The Supervisory Committee exerted authority according with the Company Law and Articles of Association, and seriously inspected and supervised the financial management, internal control system, implementation of resolution of shareholders' general meeting, business decision-making, and decision-making and operation behaviors of the Board of Directors and senior executives. Now express independent opinions as follows:

(I) Lawful operation status of the Company

The Company had established comparatively perfected internal control system; the Board of Directors earnestly implemented the resolutions of the shareholders' general meeting and faithfully fulfilled the obligation of honesty with its normative operation, rational decision and lawful procedure; no director nor senior executive of the Company violated laws, regulations and Articles of Association or damaging interest of the Company while exerting his (her) post in the Company.

(II) Inspection of the financial status of the Company

During the report period, the Supervisory Committee inspected the financial conditions of the Company carefully and earnestly and thought that the audit opinion offered by Daxin CPA Co., Ltd. was prudent and objective. The financial report audited by accountant truly reflected financial position and operation performance of the Company in 2009 and the Supervisory Committee had no objection.

(III) Related transactions

No related transaction occurred in the Company in 2009.

(IV) The use of raised proceeds of the Company

In the report period, the Company had neither project invested with raised proceeds nor delayed use of the raised proceeds from previous report period to the current report period.

(V) Purchases and sales of assets

Investment in the report period all went through legal procedure, functioned in compliance with plan and finally obtained good investment return; no material sales of assets, damage to shareholders' benefit, or losses of the Company's assets took place.

(VI) Self-estimation on internal control

Responding to the Notice on Doing Well in 2009 Annual Report issued by SZSE and taking the Basic Standards for Internal Control of Enterprise and the Articles of Association for reference, the Company inspected the establishment and performance of the internal management system and internal control mechanism of the Company. It was thought that due to the consistent establishment, consummation and perfection of the internal control systems in 2009, the existing mechanism was complete, reasonable and impactful; the systems were all implemented fully and capable of meeting the demands of the current administration and development, ensured the orderly practice of the operation and the full-scale implementation of the development strategies, and the integration and safety of the properties of the Company; the internal control organizations were of complete structure with internal audit departments and staff well allocated, providing a guarantee for the sufficient and effectual enforcement and supervision of the internal control. During the report period, there was no breach of Guidelines for Internal Control of Listed Company and Internal Control System. The self-appraisal report on internal control presented the construction of the internal control system and its operation conditions truly and objectively.

(VII) Examining opinion on 2009 Annual Report

The drafting and procedure of the 2009 Annual Report accorded to related laws and rules, and Articles of Association; the content and format of the report meet related requirements of CSRC and SZSE. The content of the report is truth, accurate and integrated.

Daxin CPAs Co., Ltd. made an all-around audit of 2009 Financial Report and offered auditor's report Daxin SZ [2009] No.3-0114 with standard unqualified opinion. The Supervisory Committee thought that the report really reflected the financial conditions and operation achievements of the Company, and was fair, objective, authentic and believable.

In the new year, the Supervisory Committee will adhere to the principles of honesty, intensify supervision, conscientiously defend the benefits of the Company and shareholders and boost better and rapider development of the Company through faithful and industrious working.

SECTION X. SIGNIFICANT EVENTS

I. There were no significant lawsuits and arbitrations in this year.

II. There was no bankruptcy and relevant issues in this year.

III. There was no share holding for other listed companies, share participating of commercial banks, securities companies, insurances companies, trust and futures companies and other financial enterprises' share in this year.

IV. There was no purchase or sales of assets, enterprise merger and relevant issues in this year.

V. Detailed implementations of equity incentives plan in the report period

In the report period, the Company had no detailed implementations of equity incentives plan.

VI. Significant related transactions

1. Related transaction concerned with routine operation

In the report period, there was no transaction related to routine operation.

2. Related transaction occurred in asset purchase and sale transactions

There was no related transaction occurred in purchase and sale transactions in the report period.

3. Related transaction occurring in joint investment with related party

There was no related transaction occurring in joint investment with related party in The report time.

4. Credit and liability transaction, and guarantees of related parties

There was no credit and liability transaction and guarantees of related parties in the report period.

5. No other significant related transactions.

VII. Significant contract and its implementation

1. There was no entrustment, contracting and leasing in the report period or former ones lasted till this report period.

2. Significant guarantee

During the report period, the Company took joint and several responsibilities for the 20 million yuan trade finance line of credit for its subsidiary—Yantai Grocery Co., Ltd; Jinan Branch of China Minsheng Banking Co., Ltd used USD 2.06 million to provide letter of guarantee for HIC—a subsidiary of the Company, and the company offered the guarantee counter guarantee through the line of credit got from the bank. Till the end of the report period, the accumulative amount of the Company's external guarantee totaled RMB77.1038 million, among which, guarantee towards holding subsidiaries summed up to RMB34.0661 million. The guarantee amount accounted for 21.76% of the net assets of Company as of Dec 31st, 2009.

The Company provided long-term guarantee for the RMB50 million -loan of its original subsidiary—Qingdao Shuangjing Pharmaceutical Co., Ltd (hereafter referred as Shuangjing Pharmaceutical) on July 24th, 2002. As the Company sold the equity of Shuangjing Pharmaceutical, the guarantee was transferred to external guarantee. In the report period, Shuangjing Pharmaceutical had paid back a part of the loan—RMB6.9623 million, that is, the guarantee amount of the

Company decreased to RMB43.0377 million. The Company had always attached great importance on the releasing of the guarantee on the remaining loan, and the main leaders and staff in relevant departments as well had negotiated with Shuangjing Pharmaceutical for many times for the solution to correlative affairs. In December 2009, the Company and another joint guarantor Shandong Aviation Group signed equity pledge counter-guarantee agreement with Shenzhen Jingshen Investment and Development Co., Ltd (hereafter referred as Jingshen Company)—a strategic cooperation partner of Shuangjing Pharmaceutical. In the agreement, the Jingshen Company agreed to take a part of its holdings of the stake of Property Investment Co., Ltd of Qingdao International Garments Center (hereafter referred as Garments Center) as the counter-guarantee pledged to the guarantor for the aforesaid guarantee. In February 2010, the Company official signed Equity Pledge Agreement with Jingshen Company. It was regulated in the agreement that Jingshen Company pledged its holdings 45.5% equities of the Garments Center (worthy of RMB67.1125 million) to the Company, therefore, provided that Shuangjing Pharmaceutical failed to pay back the entire loan, the Company would be privileged to dispose the equity and take advantage of the income to pay for the principal plus interest of the loan, taxes and fees caused by equity auction and transfer and other charges. The registration formalities for equity pledge were fulfilled by Chengyang Branch of Qingdao Industrial and Commercial Bureau on Mar 10th, 2010. At present, Shangjing Pharmaceutical operates normally and extends utmost sincerity to the parties concerned with restructuring work of the next step, and they are taking active actions to settle the guarantee issue as soon as possible.

3. In the report period, the Company had not entrusted others with cash assets management.

VIII. Commitments

There existed no commitments from the shareholders who held over 5% of the total share of the Company in the report period or lasting till the report period.

IX. Engagement and disengagement of Certified Public Accountants

In the report period, The Company continued to engage Daxin Certified Public Accountants Co., Ltd as the 2009 financial auditing institution with the approval of 2008 Shareholders' General Meeting. This was the 7th year that the auditing institution had provided auditing services to the Company.

X. Briefs on the inspection of CSRC and public criticisms from stock exchange

In the report, The Company and its Board of Director received no inspection, administrative penalty, and criticism by circulating a notice from CSRC and public censure from stock exchange.

XI. The research and interview received

In report period, in accordance with the requirements of Guidelines for Fair Information Disclosure of Listed Companies, the Company and relevant persons obligated for information disclosure strictly followed the principle of fair disclosure when received research and interview.. They had not implemented different treatment, had not revealed information towards particular objects selectively, secretly or in advance of the schedule, and had not leaked out information which should not be made public.

Reception time	Reception place	Reception way	Reception object	Discussing matter and offered information
Mar 2 nd , 2009	Jinan	Telephone communication	Individual investment	Operations of the Company and no materials were supplied.
Mar 3 rd , 2009	Jinan	Telephone	Individual	Operations of the Company and no

Apr 1 st , 2009	Jinan	communication Telephone communication	investment Individual investment	materials were supplied. Operations of the Company and no materials were supplied.
Apr 27 th , 2009	Jinan	Telephone communication	Individual investment	Operations of the Company and no materials were supplied.
Aug 10 th , 2009	Jinan	Telephone communication	Individual investment	Operations of the Company and no materials were supplied.
Sep 11 th , 2009	Jinan	Telephone communication	Individual investment	Operations of the Company and no materials were supplied.
Oct 27 th , 2009	Jinan	Telephone communication	Individual investment	Operations of the Company and no materials were supplied.

XII. Information index of other significant events

Important events of the Company in this report period were all published in China Securities Journal, Hong Kong Wen Wei Po and Juchao website (<http://www.cninfo.com.cn>)

Details were as the follows:

Notice No.	Notice contents	Date of notice
2009-001	Notice on the Resolutions of the 15 th Meeting of 3 rd Board	Mar 3 rd , 2009
2009-002	Notice on Resolutions of the 8 th Meeting of the 3 rd Supervisory Committee	Mar 3 rd , 2009
2009-003	Notice on the 2008 Annual Shareholders' General Meeting	Mar 3 rd , 2009
2009-004	Summary of the 2008 Annual Report	Mar 3 rd , 2009
2009-005	Notice on the Resolutions of 2008 Annual Shareholders' General Meeting	Apr 1 st , 2009
2009-006	Notice on the Resolutions of the 16 th Meeting of the 3 rd Board	Apr 27 th , 2009
2009-007	The First Quarterly Report of 2009	Apr 27 th , 2009
2009-008	Notice on Providing Guarantee for Subsidiaries	Apr 27 th , 2009
2009-009	Notice on Establishing China Tunny Exchange Center	June 18 th , 2009
2009-010	Summary of the Semi-annual Report of 2009	August 7 th , 2009
2009-011	Notice on the Resolutions of 18 th Meeting of the 3 rd Board	Sep 10 th , 2009
2009-012	Notice on Providing Counter Guarantee for the Loans of the Subsidiaries	Sep 10 th , 2009
2009-013	Notice on Prediction of Performance in the Third Quarter of 2009	Oct 13 th , 2009
2009-014	Third Quarterly Report of 2009	Oct 28 th , 2009

SECTION XI. FINANCIAL REPORT

I. Auditors' report

Independent Auditors' Report

Daxin Shen Zi [2010] No.3-0114

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

We have audited the accompanying financial statements of Shandong Zhonglu Oceanic Fisheries Co., Ltd. ("the Company"), including balance sheet and consolidated balance sheet as of December 31, 2009, income statement and consolidated income statement, statements of changes in equity and consolidated statements of changes in equity, cash flow statement and consolidated cash flow statement, and notes to the financial statements for the year then ended.

I. Management's responsibility for the financial statements

The Company's management is responsible for the preparation of the financial statements in accordance with the Chinese Accounting Standards (CASs). The responsibility includes: (1) designing, implementing and maintaining an internal control system for the preparation of the financial statements so that they are free of material misstatement due to frauds or errors; (2) choosing and applying appropriate accounting principles; (3) making reasonable accounting estimates.

II. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with the Chinese Auditing Standards. Those standards require that we comply with professional ethics, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. The testing methods and procedures are based on auditor's judgment, including the evaluation of the risk of material misstatement due to frauds or errors. When evaluating risk, we consider the internal control system in relating to financial statements in order to design auditing procedures, but not for the purpose of

expressing an opinion on the system's effectiveness. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

III. Auditing opinion

In our opinion, the Company's financial statements have been prepared in accordance with the Chinese Accounting Standards (CASs), and they fairly present, in all material respects, the financial position of the Company as of December 31, 2009, and the results of its operations and its cash flows for year then ended.

DaXin Certified Public

Accountants Co., Ltd

Beijing · China

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

March

29, 2010

Consolidated Balance Sheet

Made by: Shandong Zhonglu Oceanic Fisheries Co., Ltd

Dec 31,2009

Monetary unit: RMB YUAN

Item	Notes	December 31,2009	January 1,2009
Current assets:			
Monetary funds	V.1	38,501,273.89	74,452,404.48
Notes receivable			
Accounts receivable	V.2	11,195,724.60	15,298,645.02
Accounts in advance	V.3	9,008,430.89	6,868,073.62
Interest receivable			27,977.50
Dividend receivable			
Other receivables	V.4	4,849,231.23	3,886,607.26
Inventories	V.5	101,980,064.70	96,005,904.65
Non-current asset due within 1 year			
Other current assets			
Total current assets		165,534,725.31	196,539,612.53
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity securities			
Long-term account receivable			
Long-term equity investment			
Investment property	V.7	40,869,050.82	42,184,436.72
Fixed assets	V.8	267,143,781.00	247,793,466.65
Construction in progress			
Engineering material			
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets	V.9	7,991,747.29	8,255,495.26
Expense on research and development			
Goodwill			
Deferred tax assets			

Other non-current asset			
Total non-current assets		316,004,579.11	298,233,398.63
Total assets		481,539,304.42	494,773,011.16

Corporate representative:Zhaoan Wang

Chief accountant:Jiguang Fu

Person in charge of accounting department:Xiانشu wu

Consolidated Balance Sheet (Cont.)

Made by:Shandong Zhonglu Oceanic Fisheries Co., Ltd

Dec 31,2009

Monetary unit: RMB YUAN

Item	Notes	December 31,2009	January 1,2009
Current liabilities:			
Short-term loans	V.11	41,482,275.22	70,003,800.00
Financial liabilities held for trading			
Notes payable			
Accounts payable	V.12	60,078,045.19	62,182,658.42
Advance from customer	V.13	8,850,484.61	2,740,134.66
Wage payable	V.14	7,645,570.79	7,045,268.14
Taxes payable	V.15	-2,596,546.59	-1,178,440.82
Interest payable			
Dividend payable		459,329.80	459,329.80
Other payables	V.16	11,318,883.25	14,163,899.74
Non-current liabilities due within 1 year			
Other current liabilities			
Total current liabilities		127,238,042.27	155,416,649.94
Non-current liabilities:			
Long-term loans			
Bonds payable			
Long-term accounts payable			
Special payable			
Contingent liabilities			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		127,238,042.27	155,416,649.94

Owners' equity:			
Share capital	V.17	266,071,320.00	266,071,320.00
Capital reserves	V.18	281,245,215.96	281,245,215.96
Less:treasury stock			
Surplus reserves	V.19	21,908,064.19	21,908,064.19
Undistributed profits	V.20	-215,109,589.47	-230,420,103.14
Balance difference of foreign currency translation		181,864.38	547,477.12
Total owner's equity attributable to parent company		354,296,875.06	339,351,974.13
Minority interests		4,387.09	4,387.09
Total owner's equity		354,301,262.15	339,356,361.22
Total liabilities and owner's equity		481,539,304.42	494,773,011.16

Corporate representative:Zhaoan Wang

Chief accountant:Jiguang Fu

Person in charge of accounting department:Xianshu wu

Balance Sheet (Parent)

Made by:Shandong Zhonglu Oceanic Fisheries Co., Ltd (parent) Dec 31,2009 Monetary unit: RMB YUAN

Item	Notes	December 31,2009	January 1,2009
Current assets:			
Monetary funds		10,832,634.38	49,281,486.67
Financial assets held for trading			
Notes receivable			
Accounts receivable	VI.1	1,111,225.31	5,756,691.53
Accounts in advance		3,907,012.95	6,283,327.65
Interest receivable			27,977.50
Dividend receivable			
Other receivables	VI.2	41,814,343.00	31,955,724.32
Inventories		37,838,562.16	28,114,077.03
Non-current asset due within 1 year			
Other current assets			
Total current assets		95,503,777.80	121,419,284.70
Non-current assets:			

Available-for-sale financial assets			
Held-to-maturity securities			
Long-term account receivable	VI.3	7,409,265.63	7,501,383.23
Long-term equity investment	VI.4	90,793,844.22	90,793,844.22
Investment property		40,869,050.82	42,184,436.72
Fixed assets		102,350,698.72	108,032,188.60
Construction in progress			
Engineering material			
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets		87,403.49	108,366.69
Expense on research and development			
Goodwill			
Long-term unamortized expenses			
Deferred tax assets			
Other non-current asset			
Total non-current assets		241,510,262.88	248,620,219.46
Total assets		337,014,040.68	370,039,504.16

Corporate representative:Zhaoan Wang Chief accountant:Jiguang Fu Person in charge of accounting department:Xianshu wu

Balance Sheet (Parent)(Cont.)

Made by:Shandong Zhonglu Oceanic Fisheries Co., Ltd (parent) Dec 31,2009 Monetary unit: RMB YUAN

Item	Notes	December 31,2009	January 1,2009
Current liabilities:			
Short-term loans		16,000,000.00	30,000,000.00
Financial liabilities held for trading			
Notes payable			
Accounts payable		7,342,602.93	11,658,674.93
Accounts receivable in advance		1,036,100.57	439,863.72
Wage payable		4,701,267.66	4,010,534.86

Taxes payable		-16,466.51	-178,239.02
Interest payable			
Dividend payable		459,329.80	459,329.80
Other payables		6,842,509.40	27,644,094.97
Non-current liabilities due within 1 year			
Other current liabilities			
Total current liabilities		36,365,343.85	74,034,259.26
Non-current liabilities:			
Long-term loans			
Bonds payable			
Long-term accounts payable			
Special payable			
Contingent liabilities			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		36,365,343.85	74,034,259.26
Owners' equity:			
Share capital		266,071,320.00	266,071,320.00
Capital reserves		279,130,089.16	279,130,089.16
Less: treasury stock			
Surplus reserves		19,184,672.34	19,184,672.34
Undistributed profits		-263,737,384.67	-268,380,836.60
Minority interests			
Total owner's equity		300,648,696.83	296,005,244.90
Total liabilities and owner's equity		337,014,040.68	370,039,504.16

Corporate representative:Zhaoan Wang Chief accountant:Jiguang Fu Person in charge of accounting department:Xianshu wu

Consolidated Income Statement

Monetary unit: RMB YUAN

Item	Notes	2009	2008
I.Operating Revenue		265,294,004.17	253,452,476.60
Include: Revenue from principal operations	V.21	265,294,004.17	253,452,476.60
Interest income			
Less:Operating cost		255,394,723.32	253,053,445.70
Operating cost	V.21	227,636,049.94	217,151,090.76
Operating taxes and extras	V.22	1,144,243.29	1,368,194.72
Sales expenses	V.23	3,252,012.51	7,218,843.38
General and administrative expenses		23,003,703.73	21,563,024.93
Financial expenses	V.24	1,015,055.76	4,098,383.76
Loss of devaluation of assets	V.26	-656,341.91	1,653,908.15
Add:Increase in fair value			
Investment income	V.25	66,872.29	517,555.53
Including: investment income on affiliated company and joint venture			
Foreign currency translation income			
II.Operating profit		9,966,153.14	916,586.43
Add: Non-operating income	V.27	5,484,490.57	23,468,160.59
Less: Non-operating expenses	V.28	140,130.04	1,829,120.88
Including: disposal loss of non-current asset			
III.Total profit		15,310,513.67	22,555,626.14
Less: income tax			
IV.Net profit		15,310,513.67	22,555,626.14
Net profit attributable to parent company's owner		15,310,513.67	22,555,626.14
Profit and loss of minority interests			
V.Earnings per share			
i.Basic earnings per share	V.27	0.06	0.08
ii.Diluted earnings per share	V.27	0.06	0.08

Corporate representative:Zhaoan Wang Chief accountant:Jiguang Fu

Person in charge of accounting department:Xianshu wu

Income Statement (Parent)

Made by: Shandong Zhonglu Oceanic Fisheries Co., Ltd (parent) year 2009 Monetary unit: RMB YUAN

Item	Notes	2009	2008
I. Operating income	VI.5	104,687,019.18	110,463,965.95
Less: Operating cost	VI.5	90,812,728.08	91,417,957.90
Operating taxes and extras		314,581.95	360,384.94
Sales expenses		1,285,604.53	6,351,932.10
General and administrative expenses		14,784,913.05	13,949,230.51
Financial expenses		-1,672,731.22	-839,114.57
Loss of devaluation of assets		-158,449.80	108,646.04
Add: Increase in fair value			
Investment income	VI.6	27,327.38	517,555.53
Including: investment income on affiliated company and joint venture			
II. Operating profit		-652,300.03	-367,515.44
Add: Non-operating income		5,377,674.57	22,797,513.73
Less: Non-operating expenses		81,922.61	451,045.25
Including: disposal loss of non-current asset			
III. Total profit		4,643,451.93	21,978,953.04
Less: income tax			
IV. Net profit		4,643,451.93	21,978,953.04

Corporate representative: Zhaoan Wang

Chief accountant: Jiguang Fu

Person in charge of accounting department: Xianshu wu

Consolidated Cash Flow Statement

Made by: Shandong Zhonglu Oceanic Fisheries Co., Ltd

year 2009

Monetary unit: RMB YUAN

Item	Notes	2009	2008
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		279,956,486.33	251,439,200.02
Refunds of taxes		5,028,701.53	1,419,480.75
Cash received relating to other operating activities	V.31(1)	15,042,778.67	25,642,741.04
Sub-total of cash inflows		300,027,966.53	278,501,421.81
Cash paid for goods and services		198,048,167.27	197,546,366.07
Cash paid to and on behalf of employees		44,911,643.20	45,948,356.74
Payments of all types of taxes		3,398,911.43	3,609,428.44
Cash paid relating to other operating activities	V.31(2)	20,693,481.90	19,422,960.82
Sub-total of cash outflows		267,052,203.80	266,527,112.07
Net cash flows from operating activities		32,975,762.73	11,974,309.74
II. Cash flows from investing activities:			
Cash received from return of investments		163,985.00	
Cash received from return on investments		66,872.29	517,555.53
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		41,000.00	5,773,210.60
Net cash received from selling subsidiary company and joint venture			
Cash received relating to other investing activities			
Sub-total of cash inflows		271,857.29	6,290,766.13
Cash paid to acquire fixed assets, intangible assets and other long-term assets		38,072,049.86	36,758,463.12
Cash paid to acquire investments		163,985.00	
Net cash paid to purchase subsidiary company and joint venture			
Cash paid relating to other investing activities		1,935.35	
Sub-total of cash outflows		38,237,970.21	36,758,463.12
Net cash flows from investing activities		-37,966,112.92	-30,467,696.99

III.Cash flows from financing activities:			
Cash received from investments by others			
Including: cash received from subsidiary company absorbing minority's investment			
Cash received from borrowings		61,532,964.51	74,159,797.43
Cash received relating to other financing activities	V.31(3)	10,000,000.00	
Sub-total of cash inflows		71,532,964.51	74,159,797.43
Cash repayments of amounts borrowed		90,054,489.29	25,583,910.02
Cash paid for distribution of dividends or profits and for interest expenses		2,439,529.78	3,971,733.97
Including: dividend or profit that subsidiary company pays to minority			
Cash paid relating to other financing activities	V.31(4)	3,200,000.00	10,000,000.00
Sub-total of cash outflows		95,694,019.07	39,555,643.99
Net cash flows from financing activities		-24,161,054.56	34,604,153.44
IV.Effect of foreign exchange rate changes on cash		274.16	
V.Net increase in cash and cash equivalents		-29,151,130.59	16,110,766.19
Add:balance of cash and cash equivalents at the beginning of the year		64,452,404.48	48,341,638.29
VI.Balance of cash and cash equivalents at the end of the year		35,301,273.89	64,452,404.48

Corporate representative:Zhaoan Wang Chief accountant:Jiguang Fu Person in charge of accounting
department:Xianshu wu

Cash Flow Statement (parent)

Made by: Shandong Zhonglu Oceanic Fisheries Co., Ltd (parent)

year 2009

Monetary unit: RMB YUAN

Item	Notes	2009	2008
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		110,293,820.08	105,307,559.98
Refunds of taxes			
Cash received relating to other operating activities		7,109,995.23	30,333,447.39
Sub-total of cash inflows		117,403,815.31	135,641,007.37
Cash paid for goods and services		77,433,535.47	88,152,359.47
Cash paid to and on behalf of employees		22,331,991.97	24,615,027.99
Payments of all types of taxes		1,238,568.63	1,773,685.94
Cash paid relating to other operating activities		19,681,569.01	9,826,721.91
Sub-total of cash outflows		120,685,665.08	124,367,795.31
Net cash flows from operating activities		-3,281,849.77	11,273,212.06
II. Cash flows from investing activities:			
Cash received from return of investments		66,925.00	
Cash received from return on investments		27,327.38	517,555.53
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		41,000.00	1,801,352.45
Net cash received from selling subsidiary company and joint venture			
Cash received relating to other investing activities			
Sub-total of cash inflows		135,252.38	2,318,907.98
Cash paid to acquire fixed assets, intangible assets and other long-term assets		5,428,481.67	26,332,870.33
Cash paid to acquire investments		66,925.00	3,900,000.00
Net cash paid to purchase subsidiary company and joint venture			
Cash paid relating to other investing activities		14,845,762.70	

Sub-total of cash outflows		20,341,169.37	30,232,870.33
Net cash flows from investing activities		-20,205,916.99	-27,913,962.35
III.Cash flows from financing activities:			
Cash received from investments by others			
Cash received from borrowings		16,000,000.00	30,000,000.00
Cash received relating to other financing activities		10,000,000.00	
Sub-total of cash inflows		26,000,000.00	30,000,000.00
Cash repayments of amounts borrowed		30,000,000.00	
Cash paid for distribution of dividends or profits and for interest expenses		963,406.41	1,497,475.17
Cash paid relating to other financing activities		3,200,000.00	10,000,000.00
Sub-total of cash outflows		34,163,406.41	11,497,475.17
Net cash flows from financing activities		-8,163,406.41	18,502,524.83
IV.Effect of foreign exchange rate changes on cash		2,320.88	
V.Net increase in cash and cash equivalents		-31,648,852.29	1,861,774.54
Add:balance of cash and cash equivalents at the beginning of the year		39,281,486.67	37,419,712.13
VI.Balance of cash and cash equivalents at the end of the year		7,632,634.38	39,281,486.67

Corporate representative:Zhaoan Wang

Chief accountant:Jiguang Fu

Person in charge of accounting

department:Xianshu wu

through owner's equity directly								
(1) Net changing amount of fair value of available-for-sale financial assets								
(2) Influence of other owner's equity change of invested enterprise under equity method								
(3) Relating income tax effect through owner's equity items								
(4) Foreign currency exchange difference								
(5) Other								
Sub-total of above 1 and 2								
3. Owners invest or reduce capital								
(1) Owners invest capital								
(2) Share-based payment recorded into owner's equity								
(3) Other								
4. Profit distribution								
(1) Draw surplus								

reserves								
(2) Draw general risk provision								
(3) Distribute to owners (shareholders)								
(4) Other								
5. Inner rotation within owner's equity								
(1) Capital reserves transfer to share capital								
(2) Surplus reserves transfer to share capital								
(3) Surplus reserves offset loss								
(4) Other								
IV.Amount at the end of this year	266,07 1,320.0 0	281,245 ,215.96	21,908, 064.19	-215,1 09,589 .47	181, 864. 38	354,2 96,87 5.06	4,38 7.09	354,3 01,26 2.15

Corporate representative:Zhaoan Wang

Chief accountant:Jiguang Fu

Person in charge of accounting department:Xianshu wu

Consolidated Statement of Changes in Equity

(Cont .)

Made by:Shandong Zhonglu Oceanic

Fisheries Co., Ltd Dec 31,2009

Monetary unit: RMB YUAN

Item	Owner's equity in 2008							Min orit y inte rest s	Total owner' s equity
	Total owner's equity attributable to parent company								
	Share capit al	Capital reserve s	Surplu s reserve s	Undistr ibuted profits	Othe r	sub-t otal			
I.Amount at the end of last year	266,0 71,32 0.00	281,24 5,215.9 6	21,908, 064.19	-252,97 5,729.2 8		316,2 48,87 0.87		316,24 8,870.8 7	
Add: amount because the change of accounting policy									
amount because correction of accounting error									
Other									
II.Amount at the beginning of this year	266,0 71,32 0.00	281,24 5,215.9 6	21,908, 064.19	-252,97 5,729.2 8		316,2 48,87 0.87		316,24 8,870.8 7	
III.Increment and				22,555,	547,	23,10	4,38	23,107,	

decrement of this year				626.14	477.12	3,103.26	7.09	490.35
1.Net profit				22,555,626.14		22,555,626.14		22,555,626.14
2.Profit and loss through owner's equity directly								
(1) Net changing amount of fair value of available-for-sale financial assets								
(2) Influence of other owner's equity change of invested enterprise under equity method								
(3) Relating income tax effect through owner's equity items								
(4) Foreign currency exchange difference								
(5) Other								
Sub-total of above 1 and 2				22,555,626.14		22,555,626.14		22,555,626.14
3.Owners invest or								

reduce capital								
(1) Owners invest capital								
(2) Share-based payment recorded into owner's equity								
(3) Other								
4. Profit distribution								
(1) Draw surplus reserves								
(2) Draw general risk provision								
(3) Distribute to owners (shareholders)								
(4) Other								
5. Inner rotation within owner's equity								
(1) Capital reserves transfer to share capital								
(2) Surplus reserves transfer to share capital								
(3) Surplus reserves offset loss								

(4) Other								
IV.Amount at the	266,0	281,24		-230,42	547,	339,3		339,35
end of this year	71,32	5,215.9	21,908,	0,103.1	477.	51,97	4,38	6,361.2
	0.00	6	064.19	4	12	4.13	7.09	2

Corporate representative:Zhaoan Wang

Chief accountant:Jiguang

Fu Person in charge of accounting department:Xiانشu wu

Statement of Changes in Equity (Parent)

Made by: Shandong Zhonglu Oceanic Fisheries Co., Ltd

(parent) Dec 31, 2008 Monetary unit: RMB YUAN

Item	Owner's equity in 2008					
	Share capital	Capital reserves	Surpluses reserves	Undistributed profits	Other	Total owner's equity
I. Amount at the end of last year	266,071,320.00	279,130,089.16	19,184,672.34	-268,380,836.60		296,005,244.90
Add: amount because the change of accounting policy						
amount because correction of accounting error						
Other						
II. Amount at the beginning of this year	266,071,320.00	279,130,089.16	19,184,672.34	-268,380,836.60		296,005,244.90
III. Increment and decrement of this year				4,643,451.93		4,643,451.93
1. Net profit				4,643,451.93		4,643,451.93
2. Profit and loss through owner's equity directly						
(1) Net changing amount of fair value of available-for-sale financial assets						

(2) Influence of other owner's equity change of invested enterprise under equity method						
(3) Relating income tax effect through owner's equity items						
(4) Other						
Sub-total of above 1 and 2				4,643,4 51.93		4,643,4 51.93
3.Owners invest or reduce capital						
(1) Owners invest capital						
(2) Share-based payment recorded into owner's equity						
(3) Other						
4. Profit distribution						
(1) Draw surplus reserves						
(2) Distribute to owners (shareholders)						
(3) Other						
5. Inner rotation within owner's equity						
(1) Capital reserves transfer to share capital						
(2) Surplus reserves transfer to share capital						
(3) Surplus reserves offset loss						
(4) Other						
IV.Amount at the end of this year	266,071 ,320.00	279,130 ,089.16	19,184, 672.34	-263,73 7,384.6 7		300,648 ,696.83

Corporate representative:Zhaoan Wang

Chief accountant:Jiguang Fu

Person in charge of accounting department:Xianshu wu

Statement of Changes in Equity (Parent) (Cont.)

Made by: Shandong Zhonglu Oceanic Fisheries Co., Ltd (parent)

Dec 31, 2008 Monetary unit: RMB YUAN

Item	Owner's equity in 2007					
	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Other	Total owner's equity
I. Amount at the end of last year	266,070	279,136	19,184.4	-290,354		274,026,291.86
Add: amount because the change of accounting policy						
amount because correction of accounting error						
Other						
II. Amount at the beginning of this year	266,070	279,136	19,184.4	-290,354		274,026,291.86
III. Increment and decrement of this year				21,978.953.04		21,978,953.04
1. Net profit				21,978.953.04		21,978,953.04
2. Profit and loss through owner's equity directly						
(1) Net changing amount of fair value of available-for-sale financial assets						
(2) Influence of other owner's equity change of invested enterprise under						

equity method						
(3) Relating income tax effect through owner's equity items						
(4) Other						
Sub-total of above 1 and 2				21,978,953.04		21,978,953.04
3.Owners invest or reduce capital						
(1) Owners invest capital						
(2) Share-based payment recorded into owner's equity						
(3) Other						
4. Profit distribution						
(1) Draw surplus reserves						
(2) Distribute to owners (shareholders)						
(3) Other						
5. Inner rotation within owner's equity						
(1) Capital reserves transfer to share capital						
(2) Surplus reserves transfer to share capital						
(3) Surplus reserves offset loss						
(4) Other						
IV.Amount at the end of this year	266,071,320.00	279,130,089.16	19,184,672.34	-268,380,836.60		296,005,244.90

Corporate representative:Zhaoan Wang

Chief accountant:Jiguang Fu

Person in charge of accounting department:Xianshu wu

SHANDONG ZHONGLU OCEANIC FISHERIES CO., LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(All amounts are stated in RMB Yuan unless otherwise stated)

I. Company profile.

Shandong Zhonglu Oceanic Fisheries Co., Ltd. (the "Company") was incorporated as a joint stock limited company in the People's Republic of China on July 30, 1999 according to the documentation of Lu Ti Gai Zi [1999] No.85 issued by Shandong Development and Reform Commission, and the holding company of the Company is Shandong Fisheries Enterprise Group General Corporation. On June 26, 2000, the Company issued 120 million domestic listed foreign shares (B shares) to foreign investors with face value of one RMB Yuan per share according to the documentation of Zheng Jian Fa Xing Zi [2000] No.82 issued by the China Securities Regulatory Commission. The B shares have been listed on the Shenzhen Stock Exchange since July 24, 2000. On August 22, 2000, by the Company's authorization, lead underwriters fully exercised the 15% over-allotment option and issued 18 million B shares to foreign investors with face value of one RMB Yuan per share, and then the Company's total issued share capital is 266,071,320.00 Yuan.

Since year 2003, 125,731,320 state-owned legal person shares (occupying 47.25% of the total share capital of the Company) held by Shandong Fisheries Enterprise Group General Corporation ("Fisheries Group") have been frozen by the judiciary, including: A. Fisheries Group provided guarantee for the loan of 11,700,000 Yuan for a subordinate company, but the subordinate company failed to repay the loan on time, so Shandong Yantai Intermediate People's Court froze 8,000,000 shares (occupying 3% of the total share capital). B. Fisheries Group borrowed 73,580,680 Yuan from the Agricultural Bank of China Jinan Lixia branch, and Jinan Lixia Court froze 80,000,000 shares (occupying 30.07% of the total share capital).

On December 10, 2006, 88,000,000 shares held by Fisheries Group were auctioned publicly. According to the auction transaction confirmation (Lu Yin Pai Cheng Zi [2006] No.96) of

Shandong Silver Star Auction Ltd., Shandong State-owned Assets Investment Holdings Ltd. bought the shares at the price of 48,400,000 Yuan. Holding 33.07% of the total share capital, Shandong State-owned Assets Investment Holdings Ltd. then became the largest shareholder of the Company On June 20, 2007; relevant transfer procedures have been completed.

Fisheries Group borrowed 73,344,932 Yuan from Bank of China Jinan branch (the creditor of the loan was changed to China Xinda Asset Management Corporation from Bank of China in 2004), and Shandong Higher People's Court froze 37,731,320 shares (occupying 14.18% of the total share capital). On June 7, 2005, the above 37,731,320 shares were auctioned publicly, According to the auction transaction confirmation (Lu Rui Cheng Zi [2005] No.013) of Shandong Lu Rui Feng Auction Ltd., Shandong Luxin Investment Holdings Ltd. bought the shares at the price of 8,760,000 Yuan. On February 2, 2007, relevant transfer procedures have been completed.

Main product: tuna and its products.

Company address: 43 Heping Road, Jinan, Shandong Province, the PRC.

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

The basic structure of the company: shareholders committee, board of directors, general manager's office, human resources, finance department, administration department, audit department, oceanic fisheries management department, property management department. The Company has 3 branches: Shandong Zhonglu Oceanic Fisheries Qingdao Haiwei branch, Shandong Zhonglu Oceanic Fisheries Qingdao Haiyan branch and Shandong Zhonglu Oceanic Fisheries Qingdao Refrigeration. The Company also has 3 wholly-owned subsidiaries : Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd.; Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.; HABITAT INTERNATIONAL CORP. Control through the of operating leases:YAW ADDO FISHERIES COMPANY LIMITED.

II. Accounting policies, accounting estimates and error correction of previous years

1.Preparation basis of financial statement

The financial statement of the company is based on continuity postulate.

The financial statements are prepared in accordance with the Chinese Accounting Standards (CASs) issued by the Ministry of Finance (M o F) in February 2006.

2. Statemente of compliance with the CAS

The financial statements of the Company have been prepared in accordance with CASs, and present truly and completely, the Company's financial position as of 31December 2009, and the Company's results of operations and cash flows for the year then ended.

3. Accounting year

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

4. Functional currency

The functional currency of the Company is RMB.

5. Business Combinations

5.1 Business combinations involving enterprises under common control

Assets and liabilities that are obtained by the absorbing party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Any cost occurred due to the combination shall directly recorded into current profit and loss account.

5.2 Business combinations not involving enterprises under common control

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognised as goodwill. After initial recognition, goodwill shall be measured at cost less accumulated impairment losses. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall recognise the remaining difference immediately in profit or loss for the current period.

At the acquisition date, operating production of the acquiree is combined until the control is transferred from the company.

6. Preparation of consolidated financial statements

All subsidiaries are included within the scope of consolidation.

The consolidated financial statements shall be prepared by the parent based on the financial statements of the parent and its subsidiaries, using other related information and after adjusting the long-term equity investments in subsidiaries using the equity method according to "CAS 33, *Consolidated Financial Statements*".

7. Cash and Cash equivalents

Cash are cash on hand and bank deposit that is available for payment.

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.

8. Translation of transactions denominated in foreign currencies

8.1 Foreign currency transactions

On initial recognition, foreign currency transactions are translated to RMB using the spot exchange rate at the dates of the transactions. At the balance sheet date, foreign currency monetary items are translated to RMB using the spot exchange rate at that date. , Foreign currency non-monetary items measured with history cost are translated to RMB at spot exchange rates at the dates of the transactions.

Exchange difference from foreign currency loan that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. The amounts of other exchange difference incurred shall be recognized as an expense in the period in which they are incurred.

8.2 Foreign currency financial statement

Assets and liabilities for each balance sheet presented shall be translated at the closing rate at the date of that balance sheet; income and expenses for each income statement; shall be translated at exchange rates at the dates of the transactions; and all resulting exchange differences shall be recognised as a separate component of equity.

On the disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation shall be recognised in profit or loss when the gain or loss on disposal is recognised.

9. Financial instruments

9.1 Recognition, measurement and classification of financial instruments

Financial instruments are classified into financial asset and financial liability.

On initial recognition, financial assets shall be classified into the following four categories: (1) Financial assets at fair value through profit or loss, including financial assets held for trading and those designated as at fair value through profit or loss; (2) Held-to-maturity investments; (3) loans and receivables; and (4) available-for-sale financial assets.

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

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

When the Company becomes a party to the contractual provisions of a financial instrument, related financial assets or financial liabilities are recognised.

Financial assets and liabilities are initially and subsequently recognized at fair value, Except held-to-maturity investments, loans and receivables measured at amortized cost using the

effective interest method and those financial assets and liabilities whose fair value can not be recognized are subsequently measured at historical cost.

After initial recognition, the company measures financial assets and liabilities, except hedging items, at their fair values. Any gains or losses arising from change in fair value, the company shall make the following accounting treatment: (1) Financial assets or liabilities at fair value through profit or loss are subsequently measured at fair value, with gains or losses arising from changes in fair value as well as dividends and interest income related to financial assets recognized in profit or loss for the current period; (2) A gain or loss arising from changes in fair value on an available-for-sale financial asset shall be recognized directly in equity, except for impairment losses and foreign exchange gains and losses resulted from monetary financial assets, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be removed from equity and recognized in profit or loss.

9.2 Transfer of Financial Assets

Transfer of a financial asset is a transaction whereby an enterprise (the transferor) assigns or conveys a financial asset to another party (the transferee) which is not the originator of that financial asset.

If an enterprise transfers substantially all the risks and rewards of ownership of a financial asset to the transferee, the enterprise shall derecognise the financial asset. If an enterprise neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but the enterprise has not retained control of the financial asset, it shall derecognise the financial asset;

9.3 Derecognition of a financial liability

The company shall remove a financial liability (or a part of a financial liability) from its balance sheet when, and only when, it is extinguished—ie when the obligation specified in the contract is discharged or cancelled or expires

9.4 The fair value of the financial asset or financial liability

If there is an active market for a financial asset or financial liability, the quoted price in the active market shall be used to establish the fair value of the financial asset or financial liability. If no active market exists for a financial instrument, an enterprise establishes fair value by using a valuation technique.

The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange. Valuation techniques include using recent market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

9.5 Impairment of financial assets

The company assesses at the balance sheet date the carrying amount of a financial asset (other than those at fair value through profit or loss). If there is objective evidence that the financial asset is impaired, the company will determine the amount of any impairment loss.

Impairment method of financial assets: If financial assets are impaired, the carrying amount of the financial asset shall be reduced to the present value of estimated future cash flows

9.6 Reclassifications

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it shall be reclassified as available for sale.

10. Accounts receivable and bad debts

Receivable account includes accounts receivable, long-term accounts receivable and other receivable. At the balance sheet date, if there is objective evidence that they have been impaired, bad debt loss shall be recognized and provision for bad debts shall be made base on the differences between book values and the present value of estimated future cash flows.

10.1 Individual accounts receivable with significant amounts

At the end of the period, impairment test shall be made on individual accounts receivable with

significant amounts. If there is objective evidence that they have been impaired, bad debt loss shall be recognized and provision for bad debts shall be made base on the differences between book values and the present value of estimated future cash flows. If there is no impairment occurred, the company shall make a provision for bad debt based on aging analysis.

10.2 Individual accounts receivable without significant but portfolio risk is great according to the portfolio characteristics of credit risk

For those individual accounts receivable without significant amounts at the end of the period, along with those accounts receivable that have been tested individually but not impaired, the Company classifies them in line with similar credit risk characteristics into several groups, and make a specific percentage of bad debts provision on the accounts receivable balances at balance sheet date. On the basis of the actual loss rate of receivable accounts, with same or similar credit risk characteristics of accounts receivable package in previous year, the Company also considers current situation and determine the percentage of bad debt provision.

Here is the Company's bad debts provision policy:

Category	portfolio risk	Proportion
Overdue according to the contract	Term of credit	5%
Within 1 year	aging	10%
1 year to 2 years	aging	30%
2 years to 3 years	aging	50%
Above 3 years	aging	100%

For other receivables ,the company determine the percentage of bad debt provision based on aging analysis as following:.

Age	Within 6 months	6 months to 1 year	1 year to 2 years	2 years to 3 years	Above 3 years
Proportion	5%	10%	30%	50%	100%

11. Inventories

11.1 Classification of inventories

Inventories are assets: (a) held for sale in the ordinary course of businss; (b) in the process of

production for such sale; or (c) in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories of the company includes: raw materials, low value and easily used up materials, work in progress, working in process –outsourced and finished goods.

11.2 Measurement of sending out inventory

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

11.3 Measurement of net realisable value and provision for impairment

At the balance sheet date, inventories shall be measured at the lower of cost and net realisable value. Inventories are usually written down to net realisable value item by item. In some circumstances, however, it may be appropriate to group similar or related items. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed (ie the reversal is limited to the amount of the original write-down) and recorded into the current profit and loss account.

11.4 Inventory system

The company adopts perpetual inventory system

11.5 Amortizing method of low value and easily used up materials, wrap page

The issue of low value and easily used up materials, wrap page amortize twice of 50% each time.

12. Long-term Equity Investments

12.1 The initial investment cost of a long-term equity investment

(1) For the business combination under the common control, the share of the book value of the merged owner's equity should be recognized as the initial investment cost. For the business combination without common control, the initial investment cost shall be the cost decided at the purchase date.

(2) For a long-term equity investment acquired by cash, the initial investment cost shall be the

actual purchase price paid;

(3) For a long-term equity investment acquired by the issue of equity securities, the initial investment cost shall be the fair value of the securities issued;

(4) For a long-term equity investment contributed by an investor, the initial investment cost shall be the value stipulated in the investment contract or agreement;

(5) For a long-term equity investment acquired through an exchange of non-monetary assets or through a debt restructuring transaction, the initial investment cost shall be determined in accordance with relevant CASs.

12.2 Subsequent measurement

Cost method and equity method are used for the subsequent measurement of the long-term equity investment. For the investment under the equity method, the company shall recognise its share of the net profits or losses made by the investee as investment income or losses, and adjust the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the portion of any profit distributed or cash dividends declared by the investee that is distributed to the investing enterprise. For the investment under the cost method, the carrying amount of the investment should not be changed, otherwise additional investment made or disinvestment. Cash dividends or profit distributions declared by the investee are recognised as investment income in the current period.

Where an investing enterprise can exercise joint control or significant influence over the investee, a long-term equity investment shall be accounted for using the equity method. Others shall be accounted for using the cost method.

12.3 Determination of the investment entity with common control and significant influence

(1) Determination of the invested entity with a common control : two or more joint ventures through a contract or agreement to decide the investee's financial and operating policies.

(2) Determination of significant influence: when holding more than 20% to 50% of the voting rights of the invested entity, it will have significant influence over the investee. Although less than

20%, when meet one of the following conditions, it will also have significant influence over the investee:

- . Send a representative to the board of directors or similar authority in the invested entity ;
- . Participate in the process of policy setting of invested entity;
- . Send management personnel to the invested entity;
- . Rely on the technology or technical information of the invested entity;
- . Other information that can confirm the significant influence.

12.4 Impairment assessment

At balance sheet date, the company shall make impairment assessment over long-term equity investment. If there is any objective evidence confirmed that carrying amount of long-term equity investment is lower than the recoverable amount, then the difference between the carrying amount and the recoverable amount should be recognized as impaired loss, and once it is recognized can not be reversed any more.

The recoverable amount of the long-term equity investment is the higher of fair value less costs to sell and present value of estimated future cash flow.

13. Investment property

Investment property includes: a building that is leased out.

An investment property is initially measured at cost. The Company uses the cost model for subsequent measurement of an investment property, and adopts the depreciation or amortisation policy consistent with that applicable to buildings or land use right.

14. Fixed assets and depreciation

14.1 Recognition and measurement of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and have useful lives more than one accounting year.

A fixed asset shall be recognised only when both of the following conditions are satisfied: (1) it is probable that economic benefits associated with the asset will flow to the enterprise; and (2) the cost of the asset can be measured reliably.

14.2 Classification of fixed assets and depreciation method

The company's fixed assets includes buildings, vessels, machinery and fishing equipment, motor vehicles, furniture and office equipmen. Depreciation is provided to write off the cost of each category of fixed assets using the straight-line method. The company estimate fixed assets' useful lives and expected residual value according to their nature and usage condistion. The Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end.if there is any difference from the original estimate, adjustment shall be made. Except fully deprecialted but still in use fixed assets and seperatly recorded land, depreciation is provided to write off the cost of each category of fixed assets over their estimated useful lives.

Classes	Useful lives(years)	Estimated net residual values rates (%)	Annual depreciation rates (%)
Buildings	20—40	3—5	2-5
Vessels	15—20	3—5	5-6
Machinery and fishing equipment	8—20	3—5	5-12
Furniture and office equipment	5	3—5	19-19
Motor vehicles	5	3—5	19-19

14.3 Impairment provision

At the balance sheet date, if there is any indication that fixed assets may be impaired, according to the lower of the carrying value and recoverable amount, and the difference between them will be the impairment loss when the recoverable amount is lower than the carrying value. Once the impairment loss is recognized, it can not be reversed anymore.

The recoverable amount of fixed assets is the higher of fair value less costs to sell and present value of estimated future cash flow.

14.4 Finance leased asset

When one or more of the following criteria are met, a lease shall be classified as a finance lease:

- a. The lease transfers ownership of the leased asset to the lessee by the end of the lease term.
- b. The lessee has the option to purchase the leased asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised by the lessee.
- c. The lease term is for the major part of the useful life of the leased asset even if title is not transferred.
- d. In the case of the lessee, at the inception of the lease the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset; in the case of the lessor, at the inception of the lease the present value of the minimum lease receipts amounts to substantially all of the fair value of the leased asset.
- e. The leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

At the commencement of the lease term, lessees shall recognize finance leases as assets in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The provision of depreciation is the same as fixed assets.

15. Construction in progress

15.1 Categories of construction in progress

Construction in progress of the company includes self construction and outsourced construction project.

15.2 Criteria of transferring construction in progress into fixed assets

Construction in progress is transferred to fixed assets when the project is substantially ready for its intended use.

15.3 Impairment of the construction in progress

At the balance sheet date, if there is any indication that fixed assets may be impaired, according to the lower of the carrying value and recoverable amount, and the difference between them will be the impairment loss when the recoverable amount is lower than the carrying value. Once the impairment loss is recognized, it can not be reversed anymore.

The recoverable amount is the higher of the assets's fair value less costs to sell and present value of future cash flow.

16. Borrowing Costs

16.1 Principle of capitalization of borrowing cost

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

16.2 Measurement of capitalization of borrowing cost

The capitalization of borrowing costs as part of the cost of a qualifying asset shall commence when:

- expenditures for the assets are being incurred;
- borrowing costs are being incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased; then the borrowing costs incurred shall be recorded into the profits and losses of the current period.

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

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

(a) For a specific-purpose borrowing, the amount of interest to be capitalized shall be the actual

interest expense incurred for the period less temporary deposit's interest or investment income;

(b) Where funds are borrowed under general-purpose borrowings, the Company shall determine the amount of interest to be capitalized by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalization rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

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

17. Intangible Assets

17.1 Measurement of intangible assets

The initial measurement of intangible assets is based on cost.

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

Subsequent measurement: (1)The amortization amount of intangible assets with finite useful lives shall be using straight-line amortization method over its useful life and it is recorded into current period profit and loss. The company shall, at least at the end of each year, review the amortization period and the amortization method of the intangible assets with finite useful lives and adjust them when necessary; (2) Intangible assets with indefinite useful lives shall not be amortized, but required an annual impairment review and review of useful lives. For any evidence of confirming the economic useful life, the company will adopt straight-line amortization method.

17.2 The estimation of useful life

For intangible assets with finite useful lives, the Company shall consider the following factors

normally when estimating its useful life:

- i. the life cycle of the product produced by the assets, getting the information of similar assets' life;
- ii. estimation of technique, techniques and other aspects in the current and future trends;
- iii. the demand of the market of product produced by the assets or services provided by the assets;
- iv. expected action taken by current or potential competitors;
- v. expected maintenance costs for maintaining the economic benefits of the assets, and the company's expected payment ability to the costs;
- vi. the relevant legal provisions or similar restrictions to the assets' controlling term, such as privileged using period and rental period;
- vii. The relationship with the useful life of the company's other assets.

17.3 Recognition of intangible assets with indefinite useful lives

The future economic benefits flowing from an intangible assets is unforeseeable or its economic use life can not be estimated will be recognized as intangible assets with indefinite useful lives.

The useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

17.4 Impairment assessment

At balance sheet date, the company shall make impairment assessment. If there is any objective evidence confirmed that the intangible assets have been impaired, the difference between the carrying amount and the recoverable amount should be recognized as impaired loss, and once it is recognized can not be reversed.

The recoverable amount is the higher of the assets's fair value less costs to sell and its value in use.

18. Long-term deferred expenses

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

19. Contingent liability

19.1 Recognition of contingent liability

A provision shall be recognized when:

- (a) An entity has a present obligation as a result of a past event;
- (b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation.

19.2 Measurement of contingent liability

The estimated debts shall be measured in accordance with the liquidation of best estimate of the necessary expenses. If there is a sequent range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate within the range. In other cases, the best estimate shall be conducted in accordance with the following situations, respectively : (a) if the contingencies concern a single item, it shall be determined in light of the most likely outcome; (b) If the contingencies concern two or more items, the best estimate should be calculated and determined in accordance with all possible outcomes and the relevant probabilities.

When all or some of the expenses necessary for the liquidation of an estimated debts of an enterprise is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The amount recognized for the reimbursement should not exceed the book value of the estimated debts.

20. Share-based payments

20.1 A share-based payment is a transaction in which the Company grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees or other parties. A share-based payment is classified as either an equity-settled share-based payment or a cash-settled share-based payment.

20.2 Equity instruments granted under an equity-settled share-based payment in exchange for services received from employees is measured at the fair value of equity instruments granted to the employees at the grant date. Equity instruments granted under an equity-settled share-based payment in exchange for services from other parties are measured at the fair value of services on the date on which services are received from other parties if the fair value of services received from other parties can be measured reliably, or is measured at the fair value of equity instruments on the date on which services are received if the fair value of services received from other parties cannot be measured reliably but the fair value of equity instruments can be measured reliably, and is recognised as related costs or expenses, with a corresponding increase in owners' equity.

20.3 Fair value of equity instruments shall be determined in accordance with:

(1) If there is an active market for equity instruments, the quoted price in the active market shall be used to establish the fair value of the equity instruments.

(2) If no active market exists for equity instruments, an enterprise establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange. Valuation techniques include using recent market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

20.4 A cash-settled share-based payment is measured at the fair value of the liability incurred which is determined based on the price of the Group's shares or other equity instruments.

20.5 According changes of the rights under share-based payment vest and other subsequent information, the company recognised the best estimate of the outcome of vesting.

21. Revenue recognition

21.1 Revenue arising from the sale of goods

Revenue from the sale of goods is recognised only when all of the following conditions are satisfied:

- (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (3) the amount of revenue can be measured reliably;
- (4) it is probable that the associated economic benefits will flow to the Group; and
- (5) the associated costs incurred or to be incurred can be measured reliably.

21.2 Revenue arising from the rendering of services

Where the outcome of a transaction involving the rendering of services can be estimated reliably, at the balance sheet date, revenue associated with the transaction is recognised using the percentage of completion method.

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

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

20.3 Revenue arising from the use by others of enterprise assets

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

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

22. Government grants

22.1 Categories of government grants

Government grants include grants related to assets and grants related to income.

22.2 Presentation of government grants

Government grants related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. For the government grants to income, if the grant is a compensation for related expenses or losses to be incurred by the enterprise in subsequent periods, the grant shall be recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised.

23. Deferred tax assets and deferred tax liabilities

Recognition of deferred tax liabilities and deferred tax assets :

(1) The company should recognize deferred tax assets and deferred tax liabilities at applicable tax rate when the carrying amount of an asset or liability in the balance sheet and its tax base is difference.

(2) A deferred tax asset shall be recognized for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The Group shall review the carrying out of deferred income tax at the balance sheet date. If it is unlikely to obtain sufficient amount of taxable income tax in future to reverse partial or all deferred tax assets, the carrying amount of the deferred tax assets shall be reduced for those unable to reverse. Where it is likely to obtain sufficient taxable income taxes, the reduced amount shall be reversed.

(3) Taxable temporary differences arising from investment in subsidiaries and joint ventures, the company shall recognize deferred tax liabilities, unless the company can control the timing of reversal of this temporary differences and the return of temporary differences in the foreseeable future is high probably not occur. Deductible temporary differences arising from investment in subsidiaries and joint ventures, when the return of temporary differences in the foreseeable future is high probably occur and it is likely to be used to deduct the income tax, the company shall recognize deferred tax assets,

24. Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

As the lessee, the company rents offices and paid rent monthly. All rent fees are directly recorded into current period expenses.

25. Accounting policies, accounting estimates and error correction of previous years

None

III. The main tax items

1. Main tax categories and tax rate :

Tax categories	Taxbase	Tax rate
Value-added tax (VAT)	Taxiable revenue	17%,13%
Business tax	Rent	3%,5%
Urban maintenance and construction tax	Turnover taxes already paid	7%
Educational surtax	Turnover taxes already paid	4%
Income tax	Taxible income	25%

2. Tax preferences and approval document :

2.1 Tax preferences :

According to the document of Cai Shui Zi (1997) No.64 "the tax issues about import fishing equipment and ship back self-catching aquatic products by pelagic fishery enterprises", self-catching aquatic products that are transported back and sold in home market are regarded as non-import products and free of tariff and VAT which generates in the progress of import. The sale of aquatic products is regarded as primary agricultural products sale and free of VAT. So the sale revenue of oceanic fishing business is free of VAT.

2.2 Income tax preference

According to the relevant approval document issued by the government, the Company obtains income tax relief on the oceanic fishing business. In addition to oceanic fishing business, other income will be paid income tax at rate of 25%.

Shandong ZhongLu ocean fishing (yantai) food Co., LTD., one of the Company's subsidiaries, is a foreign-invested enterprise and gains the government tax preferences that it obtains income tax relief at the first two years and pays half income tax for the following three years. According to relevant tax policy, the company enjoys that tax preference from year 2008.

IV. Business combination and consolidated financial statements

Consolidated scope: all controlled subsidiaries

The consolidated financial statement is prepared by parent company, based on the financial statement of parent and subsidiaries and after adjusting long-term investment in subsidiary through equity method, in accordance with CAS 33, *Consolidated financial statement*.

1. Information of subsidiaries

1.1 Subsidiaries arising from internal grow and purchase

Name of subsidiary	Type	Registered address	Business nature	Registered capital	Operating scope	Actual fund paid at balance sheet date	Holding (%)	Voting Right (%)	Within the scope of consolidated financial statement
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd	Limited liability company	Shandong Qingdao	Refrigerated vessels	22,505,600	International Ocean Shipping, carriage of refrigerating products	22,505,600	100	100	yes
HabitatInternationalCorporation	Limited liability company	Panama	Refrigerated vessels	12,476,146	carriage of refrigerating products	12,476,146	100	100	yes
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd.	Limited liability company	Shandong Yantai	Processing of seafood	75,593,300	Refrigeration, processing and marketing	75,593,300	100	100	yes

2. Control arising from the lease

Name	Transaction with the company	Balance of main assets	Recogniized liabilities in the consolidated financial statement
Y A W A D D O F I S H E R I E S C O M P A N Y L I M I T E D	lease	9,658,798.21	14,538,649.75

3. Translate foreign financial statement and exchange rate

3.1 Translating of foreign financial statement

- i. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are restated into the reporting currency using the spot exchange rates at that date. Among the equity items, all items are translated into reporting currency at spot exchange rates on the occurrence date except the item of undistributed profits.
- ii. Income Statement items are translated into reporting currency at spot exchange rate on the occurrence date.
- iii. The exchange difference from translation of financial statements denominated in foreign currency is included in the equity and presented individually.

3.2 Exchange rate :

- a. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are restated into the reporting currency using the spot exchange rates at that date. 1:6.8282;
- b. Income Statement items are translated into reporting currency at spot exchange rate on the occurrence date.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

Items	Dec 31, 2009			Jan 1, 2009		
	Foreign Currency	Exchange Rates	Exchange RMB	Foreign Currency	Exchange Rates	Exchange RMB
Cash on hand:			387,303.70			473,823.52
RMB	306,606.46	1.00	306,606.46	73,483.93	1.00	73,483.93
USD	8,805.12	6.8282	60,123.33	58,575.42	6.8346	400,339.57
JPY				0.27	0.07565	0.02
EURO	2,100.00	9.7971	20,573.91			
Bank deposit:			31,378,521.65			34,859,540.23
RMB	25,378,074.63	1.00	25,378,074.63	18,248,808.99	1.00	18,248,808.99
USD	699,236.60	6.8282	4,774,527.35	2,256,980.14	6.8346	15,425,556.46
JPY	16,611,377.66	0.0738	1,225,919.67	15,666,553.60	0.07565	1,185,174.78
Other Monetary			6,735,448.54			39,119,040.73

Items	Dec 31, 2009			Jan 1, 2009		
	Foreign Currency	Exchange Rates	Exchange RMB	Foreign Currency	Exchange Rates	Exchange RMB
funds:						
RMB	6,691,905.29	1.00	6,691,905.29	37,839,534.09	1.00	37,839,534.10
USD				58,813.34	6.8346	401,965.65
JPY	590,017.00	0.0738	43,543.25	11,600,013.00	0.07565	877,540.98
Total			38,501,273.89			74,452,404.48

Notes: 1. The ending balance of bank deposit includes deposit in other cities of US\$ 201,243.21 in China Merchants Bank, equivalent to RMB 1,374,128.89 yuan.

2. The ending balance of other monetary fund of RMB 6,735,448.54 yuan, including: Minsheng bank guarantee deposit RMB 3,200,000 yuan, letters of credit margin RMB 3,522,959.87 yuan, margin deposit 590,017.00 yen (equivalent to RMB 43,543.25 yuan). Guarantee deposit over 3 months is RMB 3,200,000.00 yuan.

3. The ending balance of monetary fund is decreasing 48.29% compared with beginning balance; because the company repaid the bank loan and paid for the inventory.

2. Accounts receivable

(1) Disclosure according to category

Item	Dec 31, 2009				Jan 1, 2009			
	Carrying Amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Individual with significant amount	11,589,566.55	64.38	4,000,392.34	58.80	13,934,428.78	63.00	4,117,635.45	60.38
Accounts receivable that individual amounts are not significant but portfolio risk is great according to the portfolio characteristics of credit risk	2,404,859.24	13.36	2,404,859.24	35.35	2,412,888.82	10.91	2,412,888.82	35.39
others without significant	4,005,135.53	22.25	398,585.14	5.85	5,769,973.61	26.09	288,121.92	4.23

Item	Dec 31, 2009				Jan 1, 2009			
	Carrying Amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
amount								
Total	17,999,561.32	100.00	6,803,836.72	100.00	22,117,291.21	100.00	6,818,646.19	100.00

(2) Individual with significant amount

Contents	Balance	Bad debts	Proportion	Reasons
Junghai corporation co.ltd	4,223,535.67	211,176.78	5%	No impairment after individual test, drawing bad debt according to ageing analysis and actual situation
PANDA	3,600,962.12	3,600,962.12	100%	Above 3 years, little possibility of recovery
Yantai Haiye Food Co., Ltd.	2,595,357.91	129,767.90	5%	No impairment after individual test, drawing bad debt according to ageing analysis and actual situation
Japan towa Ltd.	1,169,710.85	58,485.54	5%	No impairment after individual test, drawing bad debt according to ageing analysis and actual situation
Total	11,589,566.55	4,000,392.34	—	—

(3) Analysis according to ages

Aging	Dec 31, 2009				Jan 1, 2009			
	Carrying Amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Within 6 months	10,600,526.86	58.89	530,026.34	5.00	16,103,440.27	72.81	804,795.25	5.00
6 months to 1 year	749,874.55	4.17	74,987.45	10.00				10.00
1 year	643,338.55	3.57	193,001.57	30.00				30.00

Aging	Dec 31, 2009				Jan 1, 2009			
	Carrying Amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
	to 2 years							
2 years to 3 years				50.00				50.00
Above 3 years	6,005,821.36	33.37	6,005,821.36	100.00	6,013,850.94	27.19	6,013,850.94	100.00
Total	17,999,561.32	100.00	6,803,836.72		22,117,291.21	100.00	6,818,646.19	

(4) The year end balance did not contain any debt owned by major shareholders who own more than 5% of the Company's share capital.

(5) Information of the first five debtors:

Business name	Relationship with the company	Amount	Aging	Proportion of total accounts receivables (%)
Junghai corporation co.ltd	Non-related party	4,223,535.67	Within 6 months	23.46
PANDA	Non-related party	3,600,962.12	Above 3 years	20.01
Yantai Haiye Food Co., Ltd.	Non-related party	2,595,357.91	Within 6 months	14.42
Japan towa Ltd.	Non-related party	1,169,710.85	Within 6 months	6.50
U.S. Fishing Company	Non-related party	810,001.30	Within 6 months	4.50
Total		12,399,567.85	—	68.89

3. Advances to suppliers

(1) Analysis according to ages

Aging	Dec 31, 2009		Jan 1, 2009	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	9,008,430.89	100.00	6,868,073.62	100.00
Total	9,008,430.89	100.00	6,868,073.62	100.00

(2) Information of the first five prepayment :

Business name	Relationship with the company	Amount	Aging	Reason of unsettled
Qingdao Furui Fishery Co., Ltd.	Non-related party	3,000,000.00	Within 1 year	Prepaid for fish
Dalian Ocean Fishery tuna fishing Co., Ltd.	Non-related party	2,000,000.00	Within 1 year	Prepaid for fish
Fengqun Fishery Co., Ltd.	Non-related party	1,772,109.43	Within 1 year	Prepaid for fuel
Papua New Guinea fishing access fee	Non-related party	1,366,639.36	Within 1 year	Fishing access fee from Jan to Dec in 2010
Fuzhou Hongdong Ocean Fishery Co., Ltd.	Non-related party	656,085.00	Within 1 year	Prepaid for fish
Total	—	8,794,833.79	—	—

Note: 1.The year end balance did not contain any debt owned by major shareholders who own more than 5% of the Company's share capital.

2.The ending balance is increased by 31.16% compared with that of last year; it's mainly due to that Yantai Food Company prepaid for purchasing tuna.

4. Other receivables

(1) Disclosure according to category

Item	Dec 31, 2009				Jan 1, 2009			
	Carrying Amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Individual with significant amount	6,338,717.48	46.57	4,260,000.00	48.62	5,514,073.92	41.49	4,887,036.96	51.98
Accounts receivable that individual amounts are not significant but portfolio risk is great	4,283,261.03	31.47	4,283,261.03	48.89	4,221,631.53	31.77	4,221,631.53	44.90

Item	Dec 31, 2009				Jan 1, 2009			
	Carrying Amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
according to the portfolio characteristics of credit risk								
others without significant amount	2,988,666.88	21.96	218,153.13	2.49	3,553,434.41	26.74	293,864.11	3.12
Total	13,610,645.39	100.00	8,761,414.16	100.00	13,289,139.86	100.00	9,402,532.60	100.00

(2) Individual with significant amount

Contents	Balance	Bad debts	Proportion	Reasons
Yantai Finance Bureau	2,078,717.48			Government credit, short duration
Zhongchanjing Investment Co., Ltd.	4,260,000.00	4,260,000.00	100%	Above 3 years, little possibility of recovery
Total t	6,338,717.48	4,260,000.00	—	—

(3) Analysis according to ages

Aging	Dec 31, 2009				Jan 1, 2009			
	Carrying Amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Within 6 months	1,376,184.70	10.11	88,780.46	5.00	2,802,586.19	21.09	155,290.85	5.00
6 months to 1 year	3,577,608.66	26.29	79,634.29	10.00	401,397.72	3.02	3,907.41	10.00
1 year to 2 years	11,418.05	0.08	915.00	30.00	322,727.00	2.43	121,304.10	30.00
2 years to 3 years	102,172.95	0.75	48,823.38	50.00	1,280,797.42	9.64	640,398.71	50.00
Above	8,543,261.03	62.77	8,543,261.03	100.00	8,481,631.53	63.82	8,481,631.53	100.00

Aging	Dec 31, 2009				Jan 1, 2009			
	Carrying Amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
3 years								
Total	13,610,645.39		8,761,414.16		13,289,139.86		9,402,532.60	

(4) The year end balance did not contain any debt owned by major shareholders who own more than 5% of the Company's share capital.

(5) Information of the first five debtors:

Business name	Relationship with the company	Amount	Aging	Proportion of total other receivables (%)
Yantai Finance Bureau	Non-related party	2,078,717.48	Within 6 months	15.27
Zhongchanjing Investment Co., Ltd.	Non-related party	4,260,000.00	Over 3 years	31.30
Japanese Development Corporation	Non-related party	288,896.39	Over 3 years	2.12
DIVING-SEAGULL	Non-related party	207,072.50	Over 3 years	1.52
Wende Ship Repairment Company	Non-related party	200,000.00	Over 3 years	1.47
Total	---	7,034,686.37	---	51.68

5. Inventory

(1) Classification of inventories :

Items	Dec 31, 2009			Jan 1, 2009		
	Carrying amount	Provision for impairment	Balance	Carrying amount	Provision for impairment	Balance

Items	Dec 31, 2009			Jan 1, 2009		
	Carrying amount	Provision for impairment	Balance	Carrying amount	Provision for impairment	Balance
Raw materials	42,947,165.16	650,206.41	42,296,958.75	47,071,141.36	650,620.41	46,420,520.95
low value and easily used up materials	1,220,063.13		1,220,063.13	1,347,902.07		1,347,902.07
Finished goods	58,463,042.82		58,463,042.82	48,237,481.63		48,237,481.63
Total	102,630,271.11	650,206.41	101,980,064.70	96,656,525.06	650,620.41	96,005,904.65

(2) Changes in write-down of inventories are as follows :

Category	Jan 1, 2009	Additions	Reductions		Dec 31, 2009
			Reversals	Written off	
Raw materials	650,620.41		414.00		650,206.41
Work-in-progress					
Finished goods					
Total	650,620.41		414.00		650,206.41

Note: The reduction of impairment loss provision is mainly due to reverse impairment loss for the sale of impaired inventory this year.

6. Long-term equity investments

Invested company	Measurement method	Initial investment cost	Jan 1, 2009	Change	Dec 31, 2009	Percentage of equity interest (%)	Percentage of voting right (%)	Impairment	Cash bonus this year
Southern China Securities Co., Ltd	Historical cost	33,000,000.00	33,000,000.00		33,000,000.00	0.87	0.87	33,000,000.00	
Total	—	33,000,000.00	33,000,000.00		33,000,000.00	—	—	33,000,000.00	

In view of Southern China Securities Co., Ltd had been abolished the securities business license and ordered to be closed by China Securities Regulatory Commission on April 29, 2005. On August 16, 2006, Shenzhen Intermediate People Court declared bankruptcy of Southern China Securities Co., Ltd. So the Company had drawn full impairment for the long-term investment of Southern China Securities Co., Ltd.

7. Investment property

Investment property (Cost model)

Item	Jan 1, 2009	Increment	Decrement	Dec 31, 2009
1. Original cost	47,118,859.45	1,935.35		47,120,794.80
Buildings	47,118,859.45	1,935.35		47,120,794.80
2. Accumulated depreciation and amortization	4,047,910.67	1,317,321.25		
Buildings	4,047,910.67	1,317,321.25		5,365,231.92
3. Accumulated impairment loss	886,512.06			886,512.06
Buildings	886,512.06			886,512.06
4. Net book value	42,184,436.72			40,869,050.82
Buildings	42,184,436.72			40,869,050.82

Notes: 1. the company leased the factory located at Hezhe Road 3# Qingdao, shandong to Qingdao Marine vocational schools, and the lease period is from October 2008 to 2010 September.

2. the company leased part of its office to outside which located in HePing Road 43 # jinan shandong. (original value is 44,630,697.79 RMB, accumulated depreciation is 4,002,681.62 RMB net book value is 40,628,016.17 RMB, and the leased area is 6088.07 square meters).

8. Fixed assets

item	Jan 1, 2009	Increment	Decrement	Dec 31, 2009
Cost	378,232,668.51	39,907,287.32	3,930,080.42	414,209,875.41
Buildings	63,638,771.10			63,638,771.10
Vessels	280,649,862.16	38,926,167.29	3,638,452.13	315,937,577.32
Machinery and	22,874,976.08	448,607.99		23,323,584.07

item	Jan 1, 2009	Increment	Decrement	Dec 31, 2009
fishing equipment				
Motor vehicles	3,365,503.46	355,858.34	286,201.99	3,435,159.81
Furniture and office equipment	7,703,555.71	176,653.70	5,426.30	7,874,783.11
Accumulated depreciation	122,867,621.86	20,375,050.36	3,748,157.81	139,494,514.41
Buildings	6,458,529.14	1,573,272.36		8,031,801.50
Vessels	104,781,277.19	16,681,718.03	3,456,529.52	118,006,465.70
Machinery and fishing equipment	5,396,793.44	1,077,964.07		6,474,757.51
Motor vehicles	1,729,530.25	284,121.04	286,201.99	1,727,449.30
Furniture and office equipment	4,501,491.84	757,974.86	5,426.30	5,254,040.40
Provision for impairment	7,571,580.00			7,571,580.00
Buildings				
Vessels	7,571,580.00			7,571,580.00
Machinery and fishing equipment				
Motor vehicles				
Furniture and office equipment				
Net book value	247,793,466.65			267,143,781.00
Buildings	57,180,241.96			55,606,969.60
Vessels	168,297,004.97			190,359,531.62
Machinery and fishing equipment	17,478,182.64			16,848,826.56
Motor vehicles	1,635,973.21			1,707,710.51
Furniture and office equipment	3,202,063.87			2,620,742.71

Note: 1. The increment of fixed assets in this year is 39,907,287.32 yuan, including: transferred from construction in process of 33,906,281.66 yuan, Haiwei Branch purchased Taifu 101 nets with original value 3,576,362.00 yuan and YanTai Food Company purchased single-freezing machine of 395,760.67 yuan.

2. The decrement of original value and accumulative depreciation of fixed assets are 3,924,654.12 Yuan and 3,742,731.51Yuan, including: disposal of Taifu 101 nets whose original value, accumulative depreciation and net balance are 3,638,452.13 yuan, 3,456,529.52 Yuan and 181,922.61 Yuan. The above disposed assets are bad assets of the Company; do not affect normal operations of the Company.

3. Mortgage: As of 31 December 2009, Taifu 101 Vessel with original value 46,976,452.50 yuan, Taihong 1 Vessel with original value 13,579,445.64 yuan, Taihong 2 Vessel with original value 11,335,381.12 yuan, Taining Vessel with original value 32,587,971.41 yuan and Taixing Vessel with original value 24,671,280.85 yuan were mortgaged; the Company obtained a comprehensive credit line of 40 million yuan and had obtained short-term borrowings 16 million yuan.

The Company had mortgaged production building with the original value of 7,186,500.00 Yuan and land use right of 9,929,529.00 Yuan, and obtained a comprehensive credit line of 23 million yuan. The short-term borrowings 19.5 million yuan at the beginning of this year had been repaid and relevant mortgaged machinery with the original value of 19,867,441.92 yuan is free now; the another short-term borrowings 20 million yuan at the beginning of this year had been repaid and relevant mortgaged Taifu 102 Vessel with the original value of 62,543,637.60 yuan is free now.

4. According to the Debt Repayment Advice signed between the Company and Shandong Fishery Group Corporation in April 2006, and Civil Ruling Li Zhi Zi No.1299 published by Lixia District People's Court of Jinan in 2005, the building of Shandong Fishery Group Corporation located at Hepin road No.43 LiXia District of Jinan with the value of 54,221,197.05 yuan was used to repay debt, then the building belongs to the Company. But the property right certificate is still in process.

9. Intangible assets

Items	Jan 1, 2009	Increment	Decrement	Dec 31, 2009
I. Original value	10,127,557.00	5,000.00		10,132,557.00
Land use right of Yantai Food	9,929,529.00			9,929,529.00
Others	198,028.00	5,000.00		203,028.00
II. Accumulated Amortisation	1,872,061.74	268,747.97		2,140,809.71
Land use right of Yantai Food	1,796,003.81	236,417.04		2,032,420.85
Others	76,057.93	32,330.93		108,388.86
III. Carrying value	8,255,495.26			7,991,747.29
Land use right of Yantai Food	8,133,525.19			7,897,108.15
Others	121,970.07			94,639.14

Note: As of 31 December 2009, the above land use right has been use for loan mortgage and the loan has already been repaid. On December 15, 2009, Yantai Food Company pledged land use rights and production house, and obtained a comprehensive credit line of 23 million yuan.

10. Provision for impairment assets

Items	Jan 1, 2009	Increment	Decrement		Dec 31, 2009
			Reversals	Write off	
Bad debt provision	16,221,178.79	237,443.57	893,371.48		15,565,250.88
Inventories impairment loss	650,620.41		414.00		650,206.41
Impairment of long-term equity investment	33,000,000.00				33,000,000.00
Impairment of investment property	886,512.06				886,512.06
Provision for impairment of fixed assets	7,571,580.00				7,571,580.00
Total	58,329,891.26	237,443.57	893,785.48		57,673,549.35

11. Short-term borrowings

Items	Dec 31, 2009	Jan 1, 2009
Pledge loans		30,503,800.00
Mortgage loans	24,000,000.00	39,500,000.00
Credit borrowing	17,482,275.22	
合计	41,482,275.22	70,003,800.00

Note: 1.Details of mortgage loans refer to Notes V.8 and V.9.

2. The ending balance is decreased by 40.74% compared with that of last year; it's mainly due to that Yantai Food Company and HIC which are the Company's subsidiaries repay bank loans.

12. Accounts payables

Items	Dec 31, 2009		Jan 1, 2009	
	Balance	(%)		Balance
Within 1 year	55,824,450.35	92.92	56,786,249.10	91.32
1-2 years			1,125,416.60	1.81
2-3 years			6,480.88	0.01
Over 3 years	4,253,594.84	7.08	4,264,511.84	6.86
Total	60,078,045.19	100.00	62,182,658.42	100.00

Note: 1 The ending balance did not contain debt that should be paid to any major shareholders who own more [中鲁 B]

than 5% of the Company's share capital.

2. The end balance did not contain substantial accounts payables over 1 year.

13. Advances from customers

Items	Dec 31, 2009		Jan 1, 2009	
	Balance	(%)		Balance
Within 1 year	8,500,620.89	96.10	2,390,270.94	87.23
1-2 years				
2-3 years				
Over 3 years	349,863.72	3.90	349,863.72	12.77
Total	8,850,484.61	100.00	2,740,134.66	100.00

Note: 1. The ending balance did not contain debt that should be paid to any major shareholders who own more than 5% of the Company's share capital.

2. The ending balance is increased by 226.99% compared with that of last year; it's mainly due to that clients pay for goods in advance to Yantai Food Company.

3. The end balance did not contain substantial advances from customers over 1 year.

14. Employee benefits payable

Items	Jan 1, 2009	Accruals	Payments	Dec 31, 2009
Wages or salaries, bonuses, allowances, subsidies	5,867,478.44	36,010,476.75	35,662,769.60	6,215,185.59
Staff welfare		903,667.88	903,667.88	
Social security contributions	217,457.18	4,717,418.77	4,671,753.13	263,122.82
Housing funds	95,808.52	1,252,872.27	1,095,074.76	253,606.03
Union running costs and employee education costs	812,270.00	332,576.98	264,870.63	879,976.35
Non-monetary benefits	3,974.00		3,974.00	
Compensation to employees for termination	48,280.00	81,979.54	96,579.54	33,680.00
Others		551,712.35	551,712.35	
Including: cash-settled share-based payments				
Total	7,045,268.14	43,850,704.54	43,250,401.89	7,645,570.79

Note: The ending balance is due to unpaid wages and bonuses of December 2009.

15. Taxes payable

Items	Dec 31, 2009	Jan 1, 2009
Income tax	-88,480.55	-88,480.55
Value-added tax	-3,141,317.21	-1,794,571.25
Business tax	56,614.69	121,786.36
Urban maintenance and construction tax	3,587.36	4,695.09
Educational surtax	2,049.92	2,682.91
Water conservancy fund		
Other	570,999.20	575,446.62
Total	-2,596,546.59	-1,178,440.82

Note: As at 31 December 2009, value-added tax is decreased by 120.34% compared with that of last year, it's mainly due to the increase of food purchase by Yantai subsidiary and larger deductible input tax.

16. Other payables

Aging	Dec 31, 2009		Jan 1, 2009	
	Balance	(%)	Balance	(%)
Within 1 year	7,376,550.06	65.17	10,022,990.44	70.76
1-2 years	940,374.00	8.31	1,962,744.75	13.86
2-3 years	1,718,363.58	15.18	1,704,601.20	12.04
Over 3 years	1,283,595.61	11.34	473,563.35	3.34
Total	11,318,883.25	100.00	14,163,899.74	100.00

Note: 1. The ending balance did not contain debt that should be paid to any major shareholders who own more than 5% of the Company's share capital.

2. The end balance did not contain substantial other payables over 1 year.

17. Share capital

Items	Jan 1, 2009		Increment or decrement				Dec 31, 2009	
	Shares	Proportion (%)	New issue	Stock bonus	Others	Sub-total	Amount	Proportion (%)
1 Unlisted shares	128,071,320.00	48.13					128,071,320.00	48.13
State owned shares	128,071,320.00	48.13					128,071,320.00	48.13
Domestic natural	260,000.00	0.10					260,000.00	0.10

Items	Jan 1, 2009		Increment or decrement				Dec 31, 2009	
	Shares	Proportion (%)	New issue	Stock bonus	Others	Sub-total	Amount	Proportion (%)
person shares								
2 Listed shares	138,000,000.00	51.87					138,000,000.00	51.87
B Shares	138,000,000.00	51.87					138,000,000.00	51.87
3 Total shares	266,071,320.00	100.00					266,071,320.00	100.00

18. Capital reserves

Items	Jan 1, 2009	Increment	Decrement	Dec 31, 2009
Share premium	186,283,711.00			186,283,711.00
Others	94,961,504.96			94,961,504.96
Total	281,245,215.96			281,245,215.96

19. Surplus reserves

Items	Jan 1, 2009	Increment	Decrement	Dec 31, 2009
statutory surplus reserve	21,908,064.19			21,908,064.19
General surplus reserve				
Total	21,908,064.19			21,908,064.19

20. Unappropriated profit

Items	Amount
Unappropriated profit at ending of last year	-230,420,103.14
Add: adjustments of unappropriated profit at beginning of year	
Unappropriated profit at beginning of year	-230,420,103.14
Additions : net profit attribute to parent company this year	15,310,513.67
Decreases :	
Appropriation to statutory surplus reserve	
Current year's cash dividends	
Unappropriated profit at end of year	-215,109,589.47

21. Operating income and cost

(1) Operating income

Items	2009	2008
Main operating income	263,470,550.05	251,405,668.48
Other operating income	1,823,454.12	2,046,808.12
Total	265,294,004.17	253,452,476.60

(2) Operating cost

Items	2009	2008
Main operating costs	226,097,947.30	215,485,442.64
Other operating costs	1,538,102.64	1,665,648.12
Total	227,636,049.94	217,151,090.76

(3) Business segments

Items	2009		2008	
	Income	Cost	Income	Cost
Oceanic fishing	84,840,381.86	69,061,246.35	98,986,876.30	83,191,190.86
Trading of seafood	1,632,061.07	1,559,085.98	2,086,592.92	2,061,908.51
Letting of refrigerated vessel and vessel management	54,819,207.82	41,000,590.51	49,316,480.23	37,823,453.73
Seafood processing, cold storage and others	122,178,899.30	114,477,024.46	101,015,719.03	92,408,889.54
Total	263,470,550.05	226,097,947.30	251,405,668.48	215,485,442.64

(4) Geographical segments

District	2009		2008	
	Income	Cost	Income	Cost
PRC	58,925,658.52	47,444,256.55	35,490,843.37	24,092,706.23
Taiwan	89,073,236.60	75,702,654.65	114,092,333.38	95,197,207.25
America			4,286,275.64	3,695,413.44
Japan	87,627,347.21	79,186,173.27	78,668,419.36	73,779,291.50
Spain	3,246,158.07	2,997,824.11		
Singapore	5,407,537.45	1,375,723.78	1,696,471.72	777,818.83
Germany	3,060,474.38	5,557,795.35		
Ghana	12,080,020.03	10,165,818.77	6,244,074.02	7,291,173.90
Other	4,050,117.79	3,667,700.82	10,927,250.99	10,651,831.49
Total	263,470,550.05	226,097,947.30	251,405,668.48	215,485,442.64

(5) Sales of five largest customers

Items	Sales	Percentage of total revenue (%)
1.Taiwan Fengqun Fishery Company	89,073,236.60	33.58
2. Japan wiki Co., Ltd.	33,583,845.16	12.66
3. Japan Airlines Fishery	30,778,486.50	11.60
4. Yantai Haiye Food Co., Ltd.	15,348,849.84	5.79
5.Ningbo Fengsheng Food Co., Ltd.	15,075,993.56	5.68
Total	183,860,411.70	69.31

22. Operating taxes and extras

Items	2009	2008	Calculation standards
Business tax	818,031.34	1,010,569.46	3%-5% of operating income
Urban maintenance and construction tax	44,969.75	44,807.12	7% of actual value-added tax and business tax
Educational surtax	25,697.01	25,579.19	1%-3% of actual value-added tax and business tax
House property tax	147,300.00	194,565.00	House area
Other	108,245.19	92,673.95	
Total	1,144,243.29	1,368,194.72	

23. Sales expenses

Reason on fluctuation of sales expenses over 30%:

This year sales expense is reduced by 3,966,830.87 yuan with the decline of 54.95% compared with that of last year. It is mainly due to the increase of sea freight fee relating to sales revenue, so the sea freight fee is charged into operating cost. But last year sea freight fee was charged into sales expenses.

24. Financial expenses

Items	2009	2008
Interest expenses	2,449,845.85	3,971,733.97
Less: Interest income	1,803,486.13	455,839.59

Exchange losses	275,003.83	1,084,254.35
Less: exchange gains	189,377.47	750,571.73
Others	283,069.68	248,806.76
Total	1,015,055.76	4,098,383.76

Note: This year financial expense is reduced by 3,083,328.00 yuan with the decline of 75.23% compared with that of last year. It is mainly due to the decrease of interest expenses, the increase of interest income and the decrease of exchange loss.

25. Investment income

Items	2009	2008
Profit from disposal of financial assets holding for trade	66,872.29	517,555.53
Total	66,872.29	517,555.53

Note: It is due to IPO subscription revenue.

26. Assets Impairment

Items	2009	2008
Bad debt losses	-655,927.91	1,657,626.55
Inventory impairment	-414.00	-3,718.40
Total	-656,341.91	1,653,908.15

Note: The decrease of assets impairment is mainly due to the recovery of other receivables and the decrease of bad debt losses.

27. Non-operating income

Items	2009	2008
Gains on disposal of non-current assets	40,203.88	244,523.35
Including: Gains on disposal of fixed assets	40,203.88	244,523.35
Gains on disposal of intangible assets		
Gains on debt restructuring		2,469,005.18
Government grants	5,102,415.76	20,194,185.06
Others	341,870.93	560,447.00
Total	5,484,490.57	23,468,160.59

Note: This year non-operating income is decreased by 76.63% compared with that of last year. It is mainly due to the decrease of government fuel subsidies .

Details of government grants are as follows:

Items	2009	2008
Fuel subsidies	2,872,395.76	17,390,000.00
Finance discount	1,800,000.00	1,780,000.00
Finance rebate		571,585.06
Special funds for foreign economic cooperation	257,400.00	452,600.00
subsidy to stabilize the employment situation	172,620.00	
Total	5,102,415.76	20,194,185.06

28. Non-operating expenses

Items	2009	2008
Total loss on disposal of non-current assets	81,922.61	1,132,608.34
Including: loss on disposal of fixed assets	81,922.61	1,132,608.34
Donation	1,000.00	
Others	57,207.43	696,512.54
Total	140,130.04	1,829,120.88

29. Basic earnings per share and diluted earnings per share

Items	2009	2008
Net profit attributable to common shareholders (I)	15,310,513.67	22,555,626.14
Net profit excluding extraordinary items attributable to common shareholders (II)	14,895,948.90	20,539,186.43
Outstanding ordinary shares at the beginning of the year	266,071,320.00	266,071,320.00
The number of months during the reporting period	12.00	12.00
Weighted average of outstanding ordinary shares	266,071,320.00	266,071,320.00
Basic earnings per share (I)	0.06	0.08
Basic earnings per share (II)	0.06	0.08
Net profit attributable to common shareholders after adjusted (I)	15,310,513.67	22,555,626.14
Net profit excluding extraordinary items attributable to common shareholders after adjusted(II)	14,895,948.90	20,539,186.43
Weighted average of outstanding ordinary shares after diluted	266,071,320.00	266,071,320.00

Diluted earnings per share (I)	0.06	0.08
Diluted earnings per share (II)	0.06	0.08

30. Other comprehensive income

Item	2009	2008
Foreign currency translation difference	-365,612.74	547,477.12
Total	-365,612.74	547,477.12

31. Information of cash flow statement

(1) Cash received relating to other operating activities:

Items	Amount
Interest income	1,803,486.13
Government grants	5,102,415.76
Compensated by insurance company	80,293.42
Current accounts	8,056,583.36
Total	15,042,778.67

(2) Cash paid relating to other operating activities

Items	Amount
Pay for current accounts	14,353,444.40
Transportation costs	304,204.28
Traveling expenses	1,872,174.67
Serving expenses	961,475.16
Water , electricity and rental fee	609,535.10
Official business expenses	1,130,265.10
Port surcharge	818,634.95
Customs inspection fee	165,729.87
Road maintenance expense	401,561.24
Interest expense	67,137.41
Training expense	4,646.52
Others	4,673.20
Total	20,693,481.90

(3) Cash received relating to other financing activities:

Items	Amount
-------	--------

Items	Amount
Notes margin recovery	10,000,000.00
Total	10,000,000.00

(4) Cash paid relating to other financing activities:

Items	Amount
Letter of credit margin	3,200,000.00
Total	3,200,000.00

32. Supplementary information of cash flow statement

Items	2009	2008
1 . Reconciliation of net profit to cash flows from operating activities:		
Net profit	15,310,513.67	22,555,626.14
Add: Provision for impairment of assets	-656,341.91	1,653,908.15
Depreciation of fixed assets	21,692,371.61	20,139,289.90
Amortization of intangible assets	268,747.97	264,722.63
Amortization of long-term prepayments		
Losses on disposal of fixed assets, intangible assets and other long-term assets	40,922.61	888,084.99
Losses on scrapping of fixed assets		
Losses on fair value change		
Financial expenses	2,433,785.89	3,971,733.97
Investment losses	-66,872.29	-517,555.53
Decrease in deferred tax assets		
Increase in deferred tax liabilities		
Decrease in inventories	-5,973,746.05	-39,241,559.01
Decrease in operating receivables	1,683,844.59	-41,988,685.41
Increase in operating payables	-1,757,463.36	44,248,743.91
Others		
Net cash flows from operating activities	32,975,762.73	11,974,309.74
2 .Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible bonds to be expired within one year		
Fixed assets under finance lease		
3 . Net increase in cash and cash equivalents		

Items	2009	2008
Cash at the end of the period	35,301,273.89	64,452,404.48
Less: Cash at the beginning of the period	64,452,404.48	48,341,638.29
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-29,151,130.59	16,110,766.19

(1) Cash and cash equivalents

Items	Dec 31, 2009	Jan 1, 2009
1. Cash		
Including: Cash on hand	387,303.70	473,823.52
Bank deposit paid at any time	31,378,521.65	34,859,540.23
Other monetary funds paid at any time	3,535,448.54	29,119,040.73
2. cash equivalents		
3. Cash and cash equivalents at the end of year	35,301,273.89	64,452,404.48

Note: The margin deposits of the Company can't be used for payment after 3 months of balance sheet date, so it is deducted from cash when preparing cash flow statement; it is RMB 10 million Yuan on Jan 1, 2009 and RMB 3.2 million Yuan on Dec, 31 2009.

VI. Related party relationship and transactions

1. Recognition of related party

According to "CAS 36, *related party disclosures*", one party controls, jointly control the other party or brings significant influence to the other party, and two or more than two parties are controlled by one party, jointly controlled or significantly influenced, these are called related party.

According to "listed companies' information disclosure management method" (Document of No. 40 issued by China Securities Regulatory Commission), associated legal and natural persons under specific circumstances are identified as related parties.

2. Related party relationship

1) Parent company and ultimate controller

Name	Relationship with the Company	Type	Registered address	Legal representative	Organization code	Business character	Registered capital (RMB0'000)	Holding the Company's shares	Proportion of the right to vote
Shandong	Majority	State-	Shandong	Liu Changsuo	16307316-7	managing	160,000	33.07%	33.07%

State-owned assets investment Co. Ltd	shareholder and ultimate controller	owned	Ji'nan			capital, trusteeship operating, investment consultation			
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2) information about subsidiaries :

Detailed information refers to IV.

3) Information of other related parties

Name	Relationship with the Company	Organization code
Shandong Luxin Investment Holding Group Co., Ltd.	Shareholder	73577367-X

4) Related party transactions

There is no related party transaction needed to disclosure.

VII. Contingencies

As of December 31, 2009, the Company had following external guarantee:

Guaranteed party	Balance RMB	Terms of borrowing	Guaranteed by
Qingdao Double Wale Pharmaceutical Co., Ltd.	43,037,681.65	2002.2-2006.7	Shandong Zhonglu Oceanic Fisheries Co., Ltd.

Note: This year, Qingdao Double Wale Pharmaceutical Co., Ltd. which is the original subsidiary company of the Company had paid 6,962,318.35 yuan to Qingdao North Second Branch of Agricultural Bank of China (the total loan capital is 50 million yuan), then the guaranteed loan capital is 43,037,681.65 yuan. It is expected that the guarantee matter has no impact on the normal operation of the Company.

VIII. Commitments

None.

IX. The events after the balance sheet date

On February 26, 2010, Shenzhen Jingshen Investment and Development Co., Ltd. signed an Equity Pledge Agreement with the Company. The Company provided the guarantee for Qingdao Double Wale Pharmaceutical Co., Ltd.'s loan of 50 million yuan from Qingdao North Second Branch of Agricultural

Bank of China (unpaid loan principal is 43,037,681.65 yuan), then Shenzhen Jingshen Company pledged 45.5% shares of Qingdao International Garment Investment Co., Ltd. worthing of 67.1125 million yuan to the Company as counter guarantee. The equity pledge will be terminated when the Company is free from guarantee responsibility. The above equity pledge agreement had been registered at Qingdao Industrial and Commercial Administration Authority (Qingcheng) with the document of equity pledge registration 【2010】 No. 0004 on March 10, 2010; pledge registration number: 3702141003100004.

X. Other important events

None.

XI. Main items of parent company's financial statements

1. (1) Accounts receivable

Item	Dec 31, 2009				Jan 1, 2009			
	Carrying Amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Single accounts receivable with significant amount	4,770,672.97	66.49	3,659,447.66	60.34	9,436,222.15	79.64	3,679,530.62	60.39
Accounts receivable that individual amounts are not significant but portfolio risk is great according to the portfolio characteristics of credit risk	2,404,859.24	33.51	2,404,859.24	39.66	2,412,888.82	20.36	2,412,888.82	39.61
Other unimportant accounts								

Item	Dec 31, 2009				Jan 1, 2009			
	Carrying Amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
receivable								
Total	7,175,532.21	100.00	6,064,306.90	100.00	11,849,110.97	100.00	6,092,419.44	100.00

Note: 1.“Individual accounts with significant amount” refers to the ending balance of accounts receivable over RMB 1 million Yuan;“accounts receivable that individual amounts are not significant but portfolio risk is great according to the portfolio characteristics of credit risk” refers to the age of accounts receivable over 3 years.

(2) Details of “Individual accounts with significant amount” are as follows :

Name	Balance	Bad debt provision	Proportion (%)	Reason
PANDA	3,600,962.12	3,600,962.12	100	Over 3 years
Japan Wiki Co., Ltd.	1,169,710.85	58,485.54	5	According to ages analysis
Total	4,770,672.97	3,659,447.66	—	—

(3) The bad debt provision of “Individual accounts with significant amount” doesn’t adopt specific identification method.

(4) The ending balance did not contain any debt owned by major shareholders who own more than 5% of the Company’s share capital.

(5) Ages analysis :

Ages	Dec 31, 2009			Jan 1, 2009		
	Carrying Amount		Bad debt provision	Carrying Amount		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 6 months	1,169,710.85	16.30	58,485.54	5,835,260.03	49.25	78,568.50
6 months to 1 year						
1 to 2 years						
2 to 3 years						
Over 3 years	6,005,821.36	83.70	6,005,821.36	6,013,850.94	50.75	6,013,850.94
Total	7,175,532.21	100.00	6,064,306.90	11,849,110.97	100.00	6,092,419.44

2. (1) Other receivables

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Categories	Dec 31, 2009				Jan 1, 2009			
	Carrying Amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Single accounts receivable with significant amount	44,686,931.78	90.10	4,260,000.00	54.75	33,516,321.35	84.07	4,260,000.00	53.85
Accounts receivable that individual amounts are not significant but portfolio risk is great according to the portfolio characteristics of credit risk	3,406,064.70	6.87	3,406,064.70	43.77	3,406,064.70	8.54	3,406,064.70	43.06
Other unimportant accounts receivable	1,502,181.11	3.03	114,769.89	1.48	2,944,096.12	7.39	244,693.15	3.09
Total	49,595,177.59	100.00	7,780,834.59	100.00	39,866,482.17	100.00	7,910,757.85	100.00

Note: 1. "Individual account with significant amount" refers to the end balance of accounts receivable over RMB 1 million Yuan; "accounts receivable that individual amounts are not significant but portfolio risk is great according to the portfolio characteristics of credit risk" refers to the age of accounts receivable over 3 years. Details of "Individual account with significant amount" are as follows :

Contents	Balance	Bad debts	Proportion	Reasons
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd. ("Yantai Food")	24,979,224.06			Related party
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd. ("Zhonglu Transportation")	11,326,655.09			Related party
Zhong Chan Jing Investment Co., Ltd.	4,260,000.00	4,260,000.00	100%	Over 3 years
YAW ADDO FISHERIES COMPANY LIMITED	4,121,052.63			Related party

Contents	Balance	Bad debts	Proportion	Reasons
Total	44,686,931.78	4,260,000.00	---	---

(2) The bad debt provision of "single accounts receivable with significant amount" doesn't adopt specific identification method.

(3) The ending balance did not contain any debt owned by major shareholders who own more than 5% of the Company's share capital.

(4) Ages analysis

Aging	Dec 31, 2009			Jan 1, 2009		
	Carrying Amount		Bad debt provision	Carrying Amount		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 6 months	41,841,212.89	84.37	70,031.51	19,857,275.07	49.81	133,315.49
6 months to 1 year				11,979,995.40	30.05	1,833.56
1 to 2 years	3,280.00	0.01	915.00	360,147.00	0.90	108,044.10
2 to 3 years	84,620.00	0.17	43,823.38	3,000.00	0.01	1,500.00
Over 3 years	7,666,064.70	15.45	7,666,064.70	7,666,064.70	19.23	7,666,064.70
Total	49,595,177.59	100.00	7,780,834.59	39,866,482.17	100.00	7,910,757.85

(5) Information of the first five debtors :

Business name	Relationship with the company	Amount	Aging	Proportion of total other receivables (%)
Shandong Zhonglu Oceanic (Yantai) Foods Co., Ltd.	Subsidiary	24,979,224.06	Within 1year	50.37
Zhonglu Qingdao Oceanic Shipping Co., Ltd.	Subsidiary	11,326,655.09	Within 1year	22.84
Zhongchanjing Investment Co., Ltd.	Non-related party	4,260,000.00	Over 3 years	8.59
YAW ADDO FISHERIES COMPANY LIMITED	Lessee	4,121,052.63	Within 1year	8.31
Total	---	44,686,931.78	---	90.11

(6) Other receivable from related parties

Business name	Relationship with the company	Amount	Aging
YAW ADDO FISHERIES COMPANY LIMITED	Subsidiary	4,121,052.63	8.31
Shandong Zhonglu Fisheries Shipping Co., Ltd.,	Subsidiary	11,326,655.09	22.84
Shandong Zhonglu Oceanic (Yantai) Foods Co., Ltd.	Subsidiary	24,979,224.06	50.37
Total	—	40,426,931.78	81.52

3. Long-term receivables

Items	Dec 31, 2009	Jan 1, 2009
Financing lease		
Selling fixed assets and collecting money by stages	7,409,265.63	7,501,383.23
Including: account receivable for selling fixed assets	19,460,370.00	20,503,800.00
unrealized financing <i>income</i>	-12,051,104.37	-13,002,416.77
Rendering of service and collecting money by stages		
Total	7,409,265.63	7,501,383.23

Note : In April 2008, the Company sold the ship "Zhong Lu Yu 1003/1004" to YAW ADDO FISHERIES COMPANY LIMITED in Ghana, then the Company adopted the way of leasing back YAW ADDO FISHERIES COMPANY LIMITED and obtained the legal fishing permission in Ghana sea area. YAW ADDO FISHERIES COMPANY LIMITED obtained fishing permission on March 2008.

The original value of the ship is RMB 10,897,999.06Yuan, accumulated depreciation is RMB 3,555,331.52Yuan, the net value is RMB 7,342,667.54Yuan.

The selling price of the ship is \$ 3 million with collecting money among 20 years. Exchange rate is 1:7.0218 at the time of signing the contract; the selling price is RMB 21,065,400.00 Yuan (contract interest rate: 8%), unrealized financing income is RMB 13,722,732.46 Yuan.

As of December 31, 2008, the balance of long-term receivables is RMB 19,460,370.00 Yuan due to exchange rate fluctuation; amortization of unrealized financing income is RMB 951,312.40Yuan, the ending balance of unrealized financing income is RMB12,051,104.37 Yuan.

4. Long-term equity investments

Name	Account method	Initial amount	Dec 31, 2009	Change	Jan 1, 2009	Percentage of equity interest (%)	Percentage of voting right (%)	Impairment	Cash bonus this year
Southern Securities Co., Ltd.	Historical cost	33,000,000.00	33,000,000.00		33,000,000.00	0.87	0.87	33,000,000.00	
HABITAT INTERNATIONAL CORP.	Historical cost	12,476,145.60	12,476,145.60		12,476,145.60	100.00	100.00		
Shandong Zhonglu Oceanic Fisheries Transportation Co., Ltd	Historical cost	21,380,320.00	22,869,513.38		22,869,513.38	100.00	100.00		
Shandong Zhonglu Oceanic (Yantai) Food Co., Ltd. ("Yantai Food")	Historical cost	32,280,000.00	55,448,185.24		55,448,185.24	74.23	74.23		
Total	—	99,136,465.60	123,793,844.22		123,793,844.22	—	—	33,000,000.00	

5. Operating income

Items	2009	2008
Main operating income	103,212,534.78	108,717,668.57
Other operating income	1,474,484.40	1,746,297.38
Total	104,687,019.18	110,463,965.95

(1) Main operating income and cost

Items	2009			2008		
	Income	Cost	Profit	Income	Cost	Profit
Oceanic fishing	101,580,473.71	87,715,539.46	13,864,934.25	106,631,075.65	87,690,401.27	18,940,674.38

Items	2009			2008		
	Income	Cost	Profit	Income	Cost	Profit
Trading of seafood	1,632,061.07	1,559,085.98	72,975.09	2,086,592.92	2,061,908.51	24,684.41

(2) Sales of five largest customers

Name	Income	Percentage of total revenue (%)
Taiwan Fengqun Fishery Company	34,254,028.78	32.72
Shandong Zhonglu Oceanic (Yantai) Foods Co., Ltd.	28,820,111.88	27.53
Ningbo Fengsheng Food Co., Ltd.	15,075,993.56	14.40
Japan towa Ltd.	14,141,979.95	13.51
Ningbo Jinri Food Co., Ltd.	4,131,177.51	3.95
Total	96,423,291.68	92.11

6. operating cost

Items	2009	2008
Main operating costs	89,274,625.44	89,752,309.78
Other operating costs	1,538,102.64	1,665,648.12
Total	90,812,728.08	91,417,957.90

7. Investment income

Items	2009	2008
Stock investment income	27,327.38	517,555.53
Total	27,327.38	517,555.53

Note : Stock investment income is due to new stock purchase

8. Supplementary information of cash flow statement

Items	2009	2008
1 . Reconciliation of net profit to cash flows from operating activities:		
Net profit	4,643,451.93	21,978,953.04
Add: Provision for impairment of assets	-158,449.80	108,646.04

Items	2009	2008
Depreciation of fixed assets	12,430,166.91	11,620,300.62
Amortization of intangible assets	25,963.20	13,633.31
Amortization of long-term prepayments		
Losses on disposal of fixed assets, intangible assets and other long-term assets	40,922.61	-113,851.49
Losses on scrapping of fixed assets		
Losses on fair value change		
Financial expenses	963,406.41	1,497,475.17
Investment losses	-27,327.38	-517,555.53
Decrease in deferred tax assets		
Increase in deferred tax liabilities		
Decrease in inventories	-9,724,071.13	-3,325,166.75
Decrease in operating receivables	12,193,002.89	-19,545,993.19
Increase in operating payables	-23,668,915.41	-443,229.16
Others		
Net cash flows from operating activities	-3,281,849.77	11,273,212.06
2 . Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible bonds to be expired within one year		
Fixed assets under finance lease		
3 . Net increase in cash and cash equivalents		
Cash at the end of the period	7,632,634.38	39,281,486.67
Less: Cash at the beginning of the period	39,281,486.67	37,419,712.13
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-31,648,852.29	1,861,774.54

VII. Supplementary information

1. Information of extraordinary profit and loss

According to the document [CSRC announcement (2008) 43] "Explanatory announcement about information disclosure of public offering company No.1, extraordinary profit and loss issued by China Securities Regulatory Commission. The company's extraordinary profit and loss are as follows :

Item	Amount	remark
Non-current assets disposal loss, including provision for impairment of assets has been written off	-41,718.73	
Government grants recognized in the current profit and loss	172,620.00	subsidy to stabilize the employment situation
others	283,663.50	
Total	414,564.77	

2. Return on equity and earning per share(EPS)

Item	Weighted average return on assets (%)	EPS	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders	4.41	0.06	0.06
Net profit attributable to common shareholders after adjusting extraordinary items	4.29	0.06	0.06

XIII. The financial statements were approved by the board of directors of the Company on March 29, 2010..

SECTION XII. DOCUMENTS FOR REFERENCE

1. Accounting Statement carrying the personnel signatures and seals of legal representative, person in charge of the financial affairs and person in charge of accounting institutions
2. Original of Auditors' Report with seals of Certified Public Accountants as well as personal signatures and seal of the certified public accountants
3. Originals of all documents disclosed in public on the newspapers designated by China Securities Regulatory Commission, as well as the original manuscripts of the public notices published in the report period
4. Original of Annual Report 2009 carrying the signature and seal of the Chairman of the Board.

Chairman of the Board: Wang Zhao'an
Shandong Zhonglu Oceanic Fisheries Co., Ltd.
 March 31, 2010