

Stock Code: 200992

Short Form of Stock: ST ZHONGLU B

No.: 2007-009

SHANDONG ZHONGLU OCEANIC FISHERIES CO., LTD. SUMMARY OF ANNUAL REPORT 2006

§1. Important Notice

1.1 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. The Summary of Annual Report 2006 is abstracted from the full text of Annual Report; the investors are suggested to read the full text of the Annual Report to understand more details.

1.2 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.

1.3 All the directors attended the meeting.

1.4 Da Xin Certified Public Accountants Ltd. and Horwath International CPA Limited (China Hubei) issued standard unqualified Auditors' Report.

issued standard unqualified Auditors' Report.

1.5 Wang Zhao'an, Principal of the Company; Zhang Jinqing, 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.

§2. Company Profile

2.1 Basic information

Short form of the stock	ST ZHONGLU B
Stock code	200992
Listed stock exchange	Shenzhen Stock Exchange
Registered address	No. 43, Heping Road, Jinan, Shandong
Post code of registered address	250014
Office address	No. 43, Heping Road, Jinan, Shandong
Post code of office address	250014
Internet web site of the Company	Naught
E-mail	zlzqb@163.com

2.2 Contact person and method

	Secretary of the Board of Directors	Representative in charge of Securities Affairs
Name	Zhou Feng	Jiang Peng
Contact address	No. 43, Heping Road, Jinan, Shandong	No. 43, Heping Road, Jinan, Shandong
Telephone	86553278	86553276

Fax	86982906	86980906
E-mail	zlzqb@163.com	zlzqb@163.com

§3. Summary of Accounting Data and Financial Indexes

3.1 Major accounting data

Unit: RMB

	2006	2005	Increase or decrease over last year (%)	2004
Income from main operations	190,561,435.11	167,184,321.30	13.98%	224,089,193.00
Total profit	155,037,144.67	-43,744,981.49	454.41%	4,105,404.00
Net profit	152,982,997.06	-47,520,145.47	421.93%	3,398,218.00
Net profit after deducting the non-recurring losses/gains	-59,623,804.00	-53,483,373.00	-11.48%	-29,186,637.00
Net cash flows from operating activities	151,066,316.86	18,718,672.00	707.04%	40,447,712.00
	At the end of 2006	At the end of 2005	Increase/Decrease from the end of previous year (%)	At the end of 2004
Total assets	421,947,156.55	467,801,860.09	-9.80%	507,835,721.00
Shareholders' equity (excluded minority interest)	183,841,208.90	30,953,978.00	493.92%	76,749,570.00

3.2 Major financial indexes

Unit: RMB

	2006	2005	Increase/Decrease over last year (%)	2004
Earnings per share	0.57	-0.18	4.17%	-0.18
Earnings per share (Note)	0.57	-	-	-
Return on equity	83.21%	-153.52%	236.73%	4.43%
Return on equity as calculated based on net profit after deducting non-recurring losses and gains	-32.43%	-24.83%	-7.60%	-38.03%
Net cash flow per share arising from operating activities	0.57	0.07	714.29%	0.15
	At the end of 2006	At the end of 2005	Increase/Decrease from the end of previous year (%)	At the end of 2004
Net asset per share	0.69	0.12	475.00%	0.29
Net assets per share after adjustment	0.69	0.11	527.27%	0.29

Note: Earnings per share calculated base on new share capital if share capital was changed from the

end of the report period to the disclosure date.

Items of non-recurring gains and losses:

Applicable Inapplicable

Unit: RMB

Items of non-recurring gains and losses	Amount
Switching back of reserve for bad debts	206,098,131.16
Non-operating incomes	9,538,691.00
Net income received from the disposal of fixed assets	1,000.00
Other incomes	9,537,691.00
Non-operating expenses	3,030,020.56
Net losses received from the disposal of fixed assets	55,071.66
Other expenses	2,974,948.90
Total	212,606,801.60

3.3 Difference of net profit as audited by Chinese Accounting Standard (CAS) and International Accounting Standard (IAS)

Applicable Inapplicable

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in share capital

Unit: share

	Before the Changes		Increase/Decrease in the Change (+, -)					After the Change	
	Amount	Proportion (%)	Rationed share	Bonus shares	Capitalization of public reserve	Additional issuing	Other	Subtotal	Amount
I Unlisted shares	128,071,320	48.13%					0	128,071,320	48.13%
i Sponsors' 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									
ii Raised legal person's shares									
iii Inner employees' shares									
iv Preference shares or others									
II Listed shares	138,000,000	51.87%						138,000,000	51.87%
i Ordinary RMB shares									0.00%
ii Domestically	138,000,000	51.87%						138,000,000	51.87%

listed foreign shares									
iii Overseas listed foreign shares									
iv Others		0.00%							0.00%
III Total shares	266,071,320	100.00%						266,071,320	100.00%

4.2 Statement of shares held by the top ten shareholders and the top ten shareholders of circulation share

Unit: share

Total number of shareholders	14,875				
Particulars about shares held by the top ten shareholders					
Full name of Shareholders	Nature of shareholders (State-owned shareholder/foreign shareholder)	Proportion	Shares held	Non-circulating shares	Number of share pledged/frozen (share)
SHANDONG GROUP CORPORATION OF FISHERY ENTERPRISES	State-owned shareholder	47.25%	125,731,320	125,731,320	125,731,320
LIU DAN	Foreign shareholder	1.15%	3,079,600	0	0
CHEN QIAN FEN	Foreign shareholder	1.09%	2,911,105	0	0
LIANG YU ZHEN	Foreign shareholder	0.75%	1,984,900	0	0
CHINA HEAVY AUTOMOBILE GROUP JINAN TRUCK COMPANY LIMITED	State-owned shareholder	0.73%	1,950,000	1,950,000	0
XU XIN HU	Foreign shareholder	0.63%	1,664,229	0	0
LI LEON ZHAN WEI	Foreign shareholder	0.56%	1,501,560	0	0
SAHGNHAI WANGUO SECURITIES HONG KONG LIMITED	Foreign shareholder	0.54%	1,450,000	0	0
YI YING	Foreign shareholder	0.41%	1,078,200	0	0
LUO LI QUN	Foreign shareholder	0.39%	1,050,600	0	0
Particulars about shares held by the top ten shareholders of circulation share					
Full name of the shareholders	Circulating shares held at the year-end		Type of shares		
LIU DAN	3,079,600		B-share		
CHEN QIAN FEN	2,911,105		B-share		
LIANG YU ZHEN	1,984,900		B-share		
XU XIN HU	1,664,229		B-share		
LI LEON ZHAN WEI	1,501,560		B-share		
SAHGNHAI WANGUO SECURITIES HONG KONG LIMITED	1,450,000		B-share		
YI YING	1,078,200		B-share		
LUO LI QUN	1,050,600		B-share		
HE CHANG JIN	1,000,000		B-share		
LU HUA ZHONG	956,400		B-share		
Explanation on associated relationship among the top ten shareholders or consistent action	Among the top ten shareholders, Shandong Group Corporation of Fishery Enterprises and China Heavy Automobile Group Jinan Truck Co., Ltd. are sponsor's shareholders of the Company, there exists no associated relationship between them, or 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 ones of domestically listed foreign shares, the Company is unknown whether there exists associated relationship, or whether the rest shareholders belong to the consistent actor regulated by				

	the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies.
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4.3 Particulars about controlling shareholders and actual controller of the Company

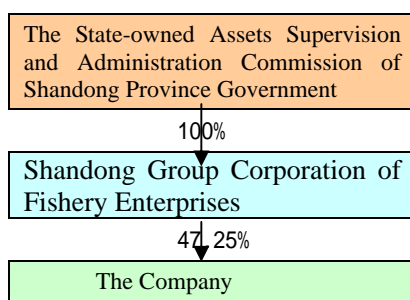
4.3.1 Particulars about change in controlling shareholders and actual controller of the Company

Applicable	Inapplicable
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4.3.2 Introduction of especial situation for controlling shareholder and other actual controller

<p>Name of the controlling shareholder: Shandong Group Corporation of Fishery Enterprises Legal representative: Wang Zhao'an Date of foundation: Nov. 1988 Registered capital: RMB 380,000,000 Nature of Company: State-owned enterprise Structure of equity: the State-owned Assets Supervision and Administration Commission of Shandong Province Government holds 100% equity of Fishery Enterprise Business scope: marine catching, aquiculture, resource development and technical service of aquatic product; sales of aquatic products and fishery resource (excluding special operating products); import and export business with the approval scope; sales of steels and woods; sending of work personnel of the fishery business to overseas.</p> <p>In the report year, the controlling shareholder of the Company remained unchanged. 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 Province Government Legal representative: Zeng Zhaoqi Date of foundation: June 18, 2004 Nature of the unit: specific established organization directly under Shandong province government Main business: to implement the responsibility of subscriber, to supervise the inflation proof savings deposits and increment of the supervised state-owned assets</p>

4. 3. 3 Property right and controlling relationships between the actual controller of the Company and the Company is as follows:



§5. Particulars about Directors, Supervisors, Senior Executives

5.1 Particulars about changes in shares and remunerations held by directors, supervisors and senior executives

Names	Titles	Sex	Age	Beginning date of office term	Terminating date of office term	Shares held at the year-begin	Shares held at the year-end	Reason of change	Total remuneration drew from the Company in the report period (RMB'000 0)	Draw the remuneration from other shareholder units or associates or not
Wang Zhao'an	Chairman of the Board	Male	56	Sep.16, 2002	Sep.16, 2005	0	0		12.00	No
Li Wenyi	Deputy General Manager	Male	51	Sep.16, 2002	Sep.16, 2005	0	0		11.63	No
Wang Hanmin	Independent Director	Male	47	Sep.16, 2002	Sep.16, 2005	0	0		3.00	No
Jiang Jin	Independent Director	Male	38	May 26, 2003	Sep.16, 2005	0	0		3.00	No
Jiang Lu	Independent Director	Male	48	May 31, 2004	Sep.16, 2005	0	0		3.00	No
Zhou Feng	Secretary of the Board	Male	52	Sep.16, 2002	Sep.16, 2005	0	0		9.00	No
Zhang Jinqing	Chief Financial Supervisor	Male	53	July 29, 2003	Sep.16, 2005	0	0		9.00	No
Li Ming	Chairman of the Supervisor Committee	Male	42	Mar.18, 2004	Sep.16, 2005	0	0		9.00	No
Chi Ming	Employee Supervisor	Female	43	Mar.18, 2004	Sep.16, 2005	0	0		3.22	No
Yin Jixian	Supervisor	Male	47	Sep.16, 2002	Sep.16, 2005	0	0		4.06	Yes
Shang Qinghua	Employee Supervisor	Female	37	Oct.23, 2003	Sep.16, 2005	0	0		2.54	No
Total	-	-	-	-	-	0	0	-	69.45	-

§6. Report of the Board of Directors

6.1 Discussion and analysis to the whole operation in the report period

In the report period, the Company continuously engaged in the oceanic upper and intermediate fishing, processing and export of aquatic products, and lease and management of refrigerated vessel. The fishing volume amounted to 24,231 tons, among which 7,503 tons of tuna seiner and 1,790 tons of tuna longline fishing and 14,938 tons of production of Tai'an Wheel. In 2006, the operating incomes realized amounted to RMB 190,560,000, RMB 23,380,000 increased with 14% compared with 2005; the main business profit was amounting to RMB 3,260,000, RMB 17,530,000 decreased with 84% compared with 2005. In the report period, the net profit the Company realized RMB 152,980,000.

6.1.1 Alterations on accounting policy and accounting estimation of the Company, and influences on financial status and business results of the Company after implementing the New Accounting Standards.

Applicable Inapplicable

6.2 Statement of main operations classified according to industries or products

Unit: RMB'0000

Main operations classified according to industries						
Classified according to industries or products	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations over the last year (%)	Increase/decrease in cost of main operations over the last year (%)	Increase/decrease in gross profit ratio over the last year (%)
Oceanic fishing	9,892.75	11,442.67	-15.67%	13.22%	29.91%	-14.86%
Aquatic products trade	83.50	74.82	10.40%	-59.95%	-60.00%	0.11%
Letting and management of refrigerated vessel	3,971.80	2,681.26	32.49%	-3.51%	0.27%	-2.55%
Processing, cold storage of aquatic products and others	5,108.09	4,414.19	13.58%	39.73%	55.10%	-8.57%
Total	19,056.14	18,612.94	2.33%	-10.52%	25.27%	-25.86%
Main operations classified according to products						
Tunny	9,892.75	10,707.42	-8.24%	0.14%	0.24%	15.18%

6.3 Particulars about main operations classified according to areas

Unit: RMB'0000

Areas	Income from main operations (RMB)	Increase/decrease in income from main operations over the last year (%)
Mainland of China	1,735.27	-12.49%
Taiwan of China	8,470.15	14.31%
Japan	8,073.82	28.41%
Singapore	321.60	
Germany	455.30	
Total	19,056.14	

6.4 Application of the raised proceeds

Applicable Inapplicable

Particulars about the changed projects

Applicable Inapplicable

6.5 Application of the proceeds not raised through shares offering

Applicable Inapplicable

6.6 Explanation of the Board of Directors on the "Qualified Opinion" made by the CPAs

Applicable Inapplicable

6.7 The preplan of profit distribution and capitalization of capital public reserve of the Board of

Directors

Applicable Inapplicable

The Company didn't appropriate share distribution preplan though the Company achieved the profit in the report period

Applicable Inapplicable

Reason for the preplan on the profit that has not been appropriated for cash profit distribution	Purpose and using plan of the undistributed profit of the Company
Audited by Hubei Daxin CPAs Co., Ltd. and Horwath International Certified Public Accountants (Hubei, China) according to Chinese Accounting Standards and International Accounting Standards respectively, the net profit realized by the Company in 2006 was RMB 152,982,997.06 and the profit available for distribution for all shareholders in current year was RMB -307,962,077.07. Therefore, the Board of Directors decided neither to distribute profits nor convert capital reserve into share capital in this year.	Naught

§7 Significant Events

7.1 Purchase of assets

Applicable Inapplicable

Unit: RMB'0000

The other party of transaction	Assets purchased	Date of purchasing	Price of purchasing	Net profit contributed to the Company from purchasing date to this year end	Related transaction or not	Explanation on price setting	Assets rights concerned transferred owners hip fully or not	Credit and liability concerned shifted fully or not
Shandong Fishery Group	17.31% equity of Shandong Zhonglu Oceanic (Yantai) Foods Co., Ltd	April 20, 2006	895.37	18.43	Yes	Judicial execution	Yes	Yes
Shandong Fishery Group	5% equity of Zhonglu Aquatic Products Shipping Co., Ltd.	April 20, 2006	152.00	-1.22	Yes	Judicial execution	Yes	Yes
Shandong Fishery Group	Office building of Shandong Fishery Group	August 31, 2006	5,512.70	20.00	Yes	Judicial execution	No	Yes

7.2 Sales of assets

Applicable Inapplicable

Influences on the business continuity and stability of management of the Company by the matters 7.1 and 7.2 concerned

The accomplishment of the above transactions had no impacts on consistence of business and
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stability of managers.

7.3 Significant guarantees

Applicable	Inapplicable
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Unit: RMB'0000

Particulars about the external guarantee of the Company (Barring the guarantee for the controlling subsidiaries)						
Name of the Company guaranteed	Date of happening (date of signing agreement)	Amount of guarantee	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related party (yes or not)
Qingdao Haiyu Fishery Co., Ltd..	Aug.31,2002	2,151.00	Guarantee	Aug.31, 2002 -Jul.29, 2003	No	Yes
Qingdao Double Whale Pharmaceuticals Co., Ltd	Jul.24,2002	2,000.00	Guarantee	Jul.24, 2002-Jul. 24, 2006	No	No
Qingdao Double Whale Pharmaceuticals Co., Ltd	Feb.9,2003	1,500.00	Guarantee	Feb. 9, 2003 -Feb.10, 2006	No	No
Qingdao Double Whale Pharmaceuticals Co., Ltd	Feb.9,2003	500.00	Guarantee	Feb. 9, 2003 - Jul. 24, 2006	No	No
Qingdao Double Whale Pharmaceuticals Co., Ltd	Jul.4,2003	1,000.00	Guarantee	Jul.4, 2003 -May 4, 2006	No	No
Total amount of guarantee in the report period						0.00
Total balance of guarantee at the end of the report period(A)						7,151.00
Guarantee of the Company for the controlling subsidiaries						
Total amount of guarantee for controlling subsidiaries during the report period						0.00
Total balance of guarantee for controlling subsidiaries at the end of the report period (B)						0.00
Total amount of guarantee of the Company (including guarantee for controlling subsidiaries)						
Total amount of guarantees (A+B)						7,151.00
Ratio of total guarantee to net assets of the Company						38.90%
Including:						
Amount of guarantee for shareholders, actual controller and its related parties (C)						0.00
The debts guarantee amount provided for the guarantee of which the assets-liability ratio exceeded 70% directly or indirectly (D)						2,151.00
Proportion of total amount of guarantee in net assets of the Company exceeded 50% (E)						0.00
Total amount of the aforesaid three guarantees * (C+D+E)						2,151.00

*Note: While filling in the aforesaid three guarantee amounts (C+D+E), if three conditions occurred in one guarantee, only one calculation was needed in the total calculations.

7.4 Significant related transaction

7.4.1 Related transaction connected to operations

Applicable Inapplicable

Unit: RMB'0000

Related parties	Sell product and supply labor force to the related parties		Purchase and accept labor force from related parties	
	Transaction amount	Proportion in the amount of the same transaction	Transaction amount	Proportion in the amount of the same transaction
Prodesur S.A.	69.35	100.00%	0.00	0.00%
Total	69.35	100.00%	0.00	0.00%

Including: In the report period, the related transaction amount the listed companies sold products or supplied labor forced for the controlling shareholders and its subsidiaries was RMB 693,500.

7.4.2 Related credits and liabilities current

Applicable Inapplicable

Unit: RMB'0000

Related parties	Supply funds to related parties		Related parties supplied funds to the Company	
	Occurred amount	Balance	Occurred amount	Balance
Shandong Group Corporation of Fishery Enterprises (accounts receivable)	0.00	0.00	0.03	0.00
.Qingdao Oceanic Fishery Company (accounts receivable)	0.00	0.00	25.25	0.00
Qingdao Fishery Aquatic Foods Processing Plant (accounts receivable)	0.00	0.00	9.64	0.00
Prodesur S.A(accounts receivable)	-469.96	184.97	63.92	0.00
Qingyu Haifeng Shipping Company (accounts receivable)	0.00	0.00	39.53	0.00
Shandong Group Corporation of Fishery Enterprises (other receivables)	51.85	0.00	15,906.88	0.00
Shandong Longkou Fishery Comprehensive Company (other receivables)	2.75	0.00	1,074.57	0.00
Qingdao Oceanic Fishery Company (other receivables)	450.41	0.00	5,789.37	0.00
SGCFE S.A (other receivables)	0.00	0.00	2,236.25	0.00
Qingdao Anning Shipping Engineering Co., Ltd. (other receivables)	0.00	0.00	166.62	0.00
Qingdao Fishery Aquatic Foods Processing Plant (other receivables)	0.00	0.00	776.14	0.00
Qingdao Meilai Foods Co., Ltd. (other receivables)	94.63	0.00	481.09	0.00
Qingdao Haiyu Fishery Co., Ltd. (other receivables)	2.76	0.00	806.48	0.00
Prodesur S.A (other receivables)	1.94	0.00	794.93	0.00
Longkou Tenglong Aquatic Foods Co., Ltd.	0.00	0.00	1,405.78	0.00
Qingdao Animal Pharmaceutical Co., Ltd.	0.00	0.00	34.55	0.00
Qingyu Haifeng Shipping Company	0.00	0.00	50.04	0.00

.Qingdao Lubao Fishery Foods Co., Ltd.	0.00	0.00	40.28	0.00
Qingdao Haiyu Fishery Co., Ltd.	0.00	0.00	3.80	0.00
Aquatic Sea-farming Company of Shandong Group Corporation of Fishery Enterprises(other receivable)	0.00	0.00	145.36	0.00
Shandong Zhonglu Oceanic (Yantai) Foods Co., Ltd.(other receivable)	115.00	153.53	100.00	0.00
Habit Internaional Corporation(other receivable)	0.00	849.99	267.84	0.00
Total	249.38	1,188.49	30,218.35	0.00

Including:

In the report period, the amount of capital of the listed company provided for controlling shareholders and its subsidiaries was RMB 2, 493, 800, and the balance was RMB 11,884,900.

7.4.3 Progress of paying off the occupied fund at the end of year 2005

Applicable Inapplicable

Unit: RMB'0000

Balance of large shareholder and its affiliated enterprise' occupation of non-business funds ('0000)		Total pay-off in the report period('0000)	Mode of pay-off	Amount of pay-off	Date of pay-off (month)
Jan.1, 2006	Dec.31, 2006				
29,133.05	0.00	29,133.05	Pay off in cash	16,660.00	Dec., 2006
			Pay off the debts with asset	6,560.00	Apr., 2006
			Other	5,913.05	Dec., 2006
Details on Large shareholder and its affiliated enterprise' occupation of non-business funds and progress of paying off the debts		Shandong Fishery Group and other related parties paid off the loans of the Company amounting to RMB 166.6 million in currency; paid back the loans of the Company amounting to RMB 65.6 million with asset, and paid back the loans of the Company amounting to RMB 59,130,500 with debts undertaken.			

Occupation of newly increased fund during the year 2006

Applicable Inapplicable

Reasons, measures of paying off debts adopted and plan for responsibility ascertainment in case of listed companies' failure to complete paying off the occupied non-operating fund at the end of 2006

Applicable Inapplicable

7.5 Entrusted assets management

Applicable Inapplicable

7.6 Implementation of commitments

7.6.1 Commitment during the Share Merger Reform made by the original non-tradable shareholders and its implementations

Applicable Inapplicable

7.6.2 Amount of tradable shares with unrestricted conditions held by original non-tradable shareholders whose holding proportion exceeded 5% at the end of report period

Applicable Inapplicable

7.7 Significant lawsuit and arbitrations

Applicable Inapplicable

(I) In Apr. 2006, (2006) TZZ No. 90~93 Civil Judgements of Tianqiao District People's Court decided: the equity of 17.31% owned by Shandong Fishery Group (person subject to enforcement) in Shangdong Zhonglu Oceanic (Yantai) Foods Co., Ltd would be transferred to Shandong Zhonglu Oceanic Fisheries Co., Ltd (execution applicant) at the price of RMB 9,001,484, to offset the debt of RMB 8,331,910.

(II) In Apr. 2006, (2005) TZZ No. 1802 Civil Judgement of Tianqiao District People's Court decided: the equity of 5% owned by Shandong Fishery Group (person subject to enforcement) in Shangdong Zhonglu Aquatic Products Shipping Co., Ltd would be transferred to Shandong Zhonglu Oceanic Fisheries Co., Ltd (execution applicant) at the price of RMB 1,472,202, to offset the debt of RMB 1,520,000.

Procedures of registration changes of the aforementioned two transactions have been done. The relevant resolutions were published on Securities Times and Hong Kong Wen Wei Po dated May 18, 2006.

(III) In Jul. 2006, (2005) LZZ No. 1229 Civil Judgement of Lixia District People's Court, Jinan decided: the comprehensive office building of Shandong Fishery Group (person subject to enforcement) at 43 Heping Road, Lixia District, Jinan, (including one floor underground, 1st to 3rd floors and 6th to 13th floors amounting to 7,430 square meters with 1,847 square meters of land use right) as well as every office supply would be used to offset the debt of RMB 55,129,673.57 with Shandong Zhonglu Oceanic Fisheries Co., Ltd. The relevant resolutions were published in Securities Times and Hong Kong Wen Wei Po dated Jul. 25, 2006.

The aforementioned three lawsuits made majority shareholders' debts to the Company down by RMB 65,600,000, which helps maintain benefits of both the Company and shareholders.

(IV) In Apr. 2006, (2006) TZZ No. 775 Civil Judgement of Tianqiao District People's Court decided to seize the land use right at 27-2 Huanhai Road, Longkou, land use certificate No.: LGY (99) No. 0129, and land use area of 13,982.4 square meters of Shandong Group Corporation of Fishery Enterprises (person subject to enforcement).

The lawsuit helps maintain benefits of both the Company and shareholders with no influence on profit in the report period and no significant influence on profit after the period.

§8. Report of the Supervisory Committee

Applicable Inapplicable

I. The basic appraisal on the operations of the Company in accordance with the laws

In 2006, the Supervisory Committee of the Company conducted auditing work on financial statement of the Company strictly in accordance with the Company Law, Articles of the Associations of the Company, Rules and Procedures of the Supervisory Committee and with the principle of being responsible for the whole shareholders and protecting the legal interest of the Company; and also inspected the production operations and implementation of inner regulations of the Company; as well as supervised the performances of the senior executives such as directors, managers of the Company.

The Supervisory Committee attended the meetings of Board of Directors without voting, and believed that: the Board of Directors strictly implemented the resolutions of Shareholders' General Meeting, faithfully performed the honesty obligations, tried to promote the reconstructing of the

Company and liquidation of loans to shareholders, tired to protect the normal operations of the Company, actively cooperated with the Board of Directors on the reconstructing and liquidation of loans to shareholder; and there were no behaviors against the regulations during the management.

II. Meetings of the Supervisory Committee

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

(I) On Mar.28, 2006, the Company held the 12th meeting of the 2nd Supervisory Committee. The meeting examined and approved 2005 Work Report of the Supervisory Committee; 2005 Financial Settlement Report; 2005 Profit Distribution Preplan; Full text of the 2005 Annual Report and its Summary.

(II) On Apr.19, 2006, the Company held the 13th meeting of the 2nd Supervisory Committee. The meeting examined and approved the 1st Quarterly Report for 2006; the proposal on Amendment of Rules and Procedures of Supervisory Committee.

(III) On Jul.27, 2006, the Company held the 14th meeting of the 2nd Supervisory Committee. The meeting examined and approved the Proposal on Resignation of Mr. Huang Qi; the Semi-annual Report for 2006.

(IV) On Oct.26, 2006, the Company held the 15th meeting of the 2nd Supervisory Committee. The meeting examined and approved the 3rd Quarterly Report for 2006.

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

1. The operation of the Company according to laws

In the report period, process of decision-making of the Company was legal, inner control system was going to perfect, it found no directors and managers of the Company violating laws, regulations and Articles of Association or damaging interest of the Company when exerting its post in the Company.

2. Inspection of the financial status of the Company

During the report period, the Supervisory Committee carried out inspection to financial system and financial conditions of the Company and thought that financial & accounting inner control system of the Company was sound and there existed no significant omits or false record in accounting. The financial report audited by accountant truly reflected financial condition and operation performances of the Company in 2006 and the Supervisory Committee had no objection.

3. Related transactions

In the report period, the related transactions the Company had involved in were mainly equity purchase, normal purchases and sales of goods, advance money for another and the continuance of former management on a commission basis. We believed that the above-mentioned transactions had abided by the principle of being fair and square, and no deeds that would do harm to the interests of the Company had ever been discovered. However, the problems left over by history as of huge amounts of related transaction arrearage by large shareholders had been finally resolved.

4. The use of raised proceeds of the Company

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

5. Purchases and sales of assets

As to the sales of assets of the Company occurred in the report period, it was believed that the resolutions had been reasonable and the transactions fair. No insider dealings had ever been discovered; no harm had ever been done to the shareholders' rights or interests; no loss had occurred to the assets.

6. Examining opinion on 2006 Annual Report

The Supervisory Committee thinks that procedure of the 2006 Annual Report's weaving and drafting was in compliance with related rules of laws, regulations and Articles of Association; the content and format of the report meet related requirements of Shenzhen Stock Exchange, its contents could truly

reflects production operation and financial condition of the Company in current year; there are no material omissions or errors which would render any statement misleading, it found no violated action against secret rules for people participating weaving and examination of the Annual Report before presenting this opinion.

The Supervisory Committee will continue to perform the duties faithfully and strictly in accordance with the Company Law of P.R.C. and Articles of Associations of the Company, and the requirements of the national relevant regulations and laws; and further promoted the standard operations of the Company.

§9. Financial Report

9.1 Auditor's opinions

Auditor's opinions: standard unqualified auditor's opinions

9.2 Financial statement

9.2.1 Balance Sheet

Prepared by Shandong Zhonglu Oceanic Fisheries Co., Ltd.

December 31, 2006

Unit: RMB

Items	Amount at year-end		Amount at year-begin	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	55,695,549.13	41,981,770.95	23,279,308.33	6,793,438.07
Short-term investment	1,731.81	1,731.81	37,578.00	37,578.00
Notes receivable				
Dividend receivable				
Interest receivable				
Accounts receivable	6,114,189.99	2,303,289.38	17,022,065.20	11,300,481.27
Other receivables	3,440,614.99	12,097,423.97	105,539,377.80	114,410,655.10
Accounts in advance	11,967,649.45	1,749,499.12	3,478,579.85	2,669,273.02
Subsidy receivable				
Inventories	40,956,986.85	23,674,475.43	49,676,712.44	34,807,865.64
Expenses to be apportioned			564,277.25	564,277.25
Long-term bonds investment due within one year				
Other current assets				
Total current assets	118,176,722.22	81,808,190.66	199,597,898.87	170,583,568.35
Long-term investment:				
Long-term equity investment	28,752.85	114,631,902.33		91,701,188.49
Long-term credit investment				
Total long-term investment	28,752.85	114,631,902.33		91,701,188.49
consolidation variance				
Fixed assets:				
Fixed assets-original value	494,887,271.61	339,357,612.74	490,921,358.94	336,144,969.57
Less: accumulative depreciation	190,462,504.59	133,093,103.09	200,240,264.06	149,359,141.66
Fixed assets-net value	304,424,767.02	206,264,509.65	290,681,094.88	186,785,827.91

Less: provision for devaluation of fixed assets	24,005,153.99	24,005,153.99	31,379,196.76	31,379,196.76
Fixed assets-net amount	280,419,613.03	182,259,355.66	259,301,898.12	155,406,631.15
Engineering material				
Construction in progress				
Disposal of fixed assets	14,689,388.07	14,689,388.07		
Total fixed assets	295,109,001.10	196,948,743.73	259,301,898.12	155,406,631.15
Intangible and other assets:				
Intangible assets	8,632,680.38	2,039.81	8,902,063.10	22,999.85
Long-term expenses to be apportioned				
Other long-term assets				
Total intangible and other assets	8,632,680.38	2,039.81	8,902,063.10	22,999.85
Deferred tax				
Deferred tax-debit				
Total assets	421,947,156.55	393,390,876.53	467,801,860.09	417,714,387.84
Current liabilities:				
Short-term loans	74,672,225.34	48,872,225.34	230,721,032.13	204,921,032.13
Notes payable				
Accounts payable	23,819,419.57	17,182,974.42	34,224,464.10	25,937,588.35
Accounts received in advance	7,520,874.96	1,560,160.69	510,230.38	446,960.28
Wage payable	11,605,276.05	9,504,894.06	15,848,251.94	13,779,051.45
Welfare funds payable	989,713.50	939,981.40	1,394,733.00	1,394,733.00
Dividends payable	459,329.80	459,329.80	459,329.80	459,329.80
Taxes payable	1,105,234.75	44,691.00	2,849,376.38	212,327.91
Other duties payable	9,636.55	7,145.63	11,396.64	7,081.07
Other accounts payable	30,330,672.58	43,384,700.74	44,398,352.13	43,850,095.28
Accrued expenses	10,405,652.06	10,405,652.06	26,829,785.57	26,829,785.57
Projected liabilities	12,000,000.00	12,000,000.00	21,510,000.00	21,510,000.00
Long-term liabilities due within 1 year			35,307,125.00	35,307,125.00
Other current liabilities				
Total current liabilities	172,918,035.16	144,361,755.14	414,064,077.07	374,655,109.84
Long-term liabilities				
Long-term loans			12,105,300.00	12,105,300.00
Bonds payable				
Long-term accounts payable				
Special accounts payable	65,187,912.49	65,187,912.49		
Other long-term liabilities				
Total long-term liabilities	65,187,912.49	65,187,912.49	12,105,300.00	12,105,300.00
Deferred tax				
Deferred tax-credit item				
Total liabilities	238,105,947.65	209,549,667.63	426,169,377.07	386,760,409.84
Minority interests			10,678,505.02	
Owner's equity (or shareholders' equity):				
Paid-in capital (or share capital)	266,071,320.00	266,071,320.00	266,071,320.00	266,071,320.00
Less: Restituted investment				

Net amount of paid-in capital (share capital)	266,071,320.00	266,071,320.00	266,071,320.00	266,071,320.00
Capital public reserve	204,465,755.88	204,465,755.88	204,251,256.64	204,251,256.64
Surplus public reserve	21,908,064.19	19,184,672.34	21,908,064.19	19,184,672.34
Including: Statutory public welfare fund			7,271,146.00	7,319,768.20
Retained profit	-307,962,077.07	-305,238,685.22	-460,945,074.13	-458,221,682.28
Including: Cash dividend				
Unconfirmed investment				
Balance difference of foreign currency translation	-641,854.10	-641,854.10	-331,588.70	-331,588.70
Total owner's equity (shareholders' equity)	183,841,208.90	183,841,208.90	30,953,978.00	30,953,978.00
Total liabilities and owner's equity (shareholder's equity)	421,947,156.55	393,390,876.53	467,801,860.09	417,714,387.84

9.2.2 Profit and profit distribution statement

Prepared by Shandong Zhonglu Oceanic Fisheries Co., Ltd.

January-December, 2006

Unit: RMB

Items	This period		Same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Income from core business	190,561,435.11	103,425,065.22	167,184,321.30	98,031,509.16
Less: Cost of core business	186,129,473.07	118,522,026.95	145,156,933.54	97,780,332.49
Taxes and extras of core business	1,170,992.24	177.55	1,234,708.96	206,924.58
II. Profit of core business (Loss is listed with "-")	3,260,969.80	-15,097,139.28	20,792,678.80	44,252.09
Add: Profit of other business (Loss is listed with "-")	422,623.24	313,195.84	979,744.99	922,147.70
Less: Operating expense	10,143,466.93	9,301,112.53	9,849,092.59	8,994,460.40
Administrative expense	-184,673,020.66	-186,157,978.17	30,974,765.34	31,342,607.04
Financial expense	29,722,945.66	28,159,588.40	20,858,812.20	18,271,362.00
III. Operating profit (Loss is listed with "-")	148,490,201.11	133,913,333.80	-39,910,246.34	-57,642,029.65
Add: Investment earnings (Loss is listed with "-")	38,273.12	12,282,855.49	-3,306,918.00	10,719,092.48
Subsidy income				
Non- operating income	9,538,691.00	9,511,000.00	44,629.44	25,557.30
Less: non-operating expenditure	3,030,020.56	2,724,192.23	572,446.59	543,978.15
IV. Total profits (Total loss is listed with "-")	155,037,144.67	152,982,997.06	-43,744,981.49	-47,441,358.02
Less: Income tax	2,054,147.61		514,694.53	78,787.45
Minority interests			3,260,469.45	
Add: Occurring amount of unconfirmed investment loss				
V. Net profit (Net loss is listed with "-")	152,982,997.06	152,982,997.06	-47,520,145.47	-47,520,145.47
Add: Undistributed profits at the year-begin	-460,945,074.13	-458,221,682.28	-413,338,937.86	-410,701,536.81
Other transfer-in				
VI. Profit available for distribution	-307,962,077.07	-305,238,685.22	-460,859,083.33	-458,221,682.28

Minus: appropriation of statutory surplus public reserve			57,327.20	
Appropriation of statutory public welfare funds			28,663.60	
Appropriation of employees' encouragement and welfare funds				
Appropriation of reserve funds				
Appropriation of enterprise development funds				
Profits' restoring to investments				
VII. Profits available for distribution to investors	-307,962,077.07	-305,238,685.22	-460,945,074.13	-458,221,682.28
Less: dividends of preference share payable				
Appropriation of arbitrary surplus public reserve				
Dividends of ordinary share payable				
Dividends of ordinary share converting into capital (share capital)				
VIII. Retained profit	-307,962,077.07	-305,238,685.22	-460,945,074.13	-458,221,682.28
Supplemental information:				
1. Income from selling or disposal branch and investee enterprise				
2. Losses due from natural disaster				
3. Increase (or decrease) of total profit due to the change of accounting policies				
4. Increase (or decrease) of total profit due to the change of accounting estimation				
5. Loss on debts reorganization				
6. Others				

9.2.3 Cash Flow Statement

Prepared by Shandong Zhonglu Oceanic Fisheries Co., Ltd.

January-December, 2006

Unit: RMB

Items	This period	
	Consolidation	Parent Company
Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	212,063,293.65	117,040,485.68
Write-back of tax received	486,335.61	
Other cash received concerning operating activities	167,313,455.67	167,038,773.78
Subtotal of cash inflow arising from operating activities	379,863,084.93	284,079,259.46
Cash paid for purchasing commodities and receiving labor service	177,585,767.15	97,677,709.55
Cash paid to/for staff and workers	25,743,792.52	18,806,914.89

Taxes paid	3,846,769.48	395,257.71
Other cash paid concerning operating activities	21,620,438.92	15,926,095.83
Subtotal of cash outflow arising from operating activities	228,796,768.07	132,805,977.98
Net cash flows arising from operating activities	151,066,316.86	151,273,281.48
II. Cash flows arising from investing activities:		
Cash received from recovering investment	240,800.90	240,800.90
Cash received from investment income		
Net cash received from disposal of fixed, intangible and other long-term assets	40,000.00	40,000.00
Other cash received concerning investing activities	70,000,000.00	70,000,000.00
Subtotal of cash inflow from investing activities	70,280,800.90	70,280,800.90
Cash paid for purchasing fixed, intangible and other long-term assets	3,953,739.74	3,200,470.24
Cash paid for investment	164,627.82	164,627.82
Other cash paid concerning investing activities	4,812,087.51	4,812,087.51
Subtotal of cash outflow from investing activities	8,930,455.07	8,177,185.57
Net cash flows arising from investing activities	61,350,345.83	62,103,615.33
III. Cash flows arising from financing activities:		
Cash received from absorbing investment		
Cash received from loans	28,800,000.00	
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	28,800,000.00	
Cash paid for settling debts	202,568,268.27	173,768,268.27
Cash paid for dividend and profit distributing or interest paying	5,260,826.85	3,387,838.95
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	207,829,095.12	177,156,107.22
Net cash flows arising from financing activities	-179,029,095.12	-177,156,107.22
IV. Influence on cash due to fluctuation in exchange rate	-971,326.77	-1,032,456.71
V. Net increase of cash and cash equivalents	32,416,240.80	35,188,332.88
Supplement information:		
1. Adjusting net profit to cash flows for operating activities:		
Net profit	152,982,997.06	152,982,997.06
Add: Withdrawal of provision for	-202,978,754.97	-198,483,992.86

devaluation of assets		
Depreciation of fixed assets	23,861,726.25	17,373,447.15
Amortization of intangible assets	269,382.72	20,960.04
Amortization of long-term expenses to be apportioned		
Decrease of expenses to be apportioned (Less: increase)	564,277.25	564,277.25
Increase of accrued expenses (Less: decrease)	825,257.00	825,257.00
Loss on disposal of fixed, intangible and other long-term assets (Less: income)	55,071.66	55,071.66
Loss on rejection of fixed assets		
Financial expenses	31,503,029.45	29,630,041.55
Investment loss (less: income)	-38,273.12	-12,282,855.49
Deferred tax- credit item (Less: debit)		
Decrease of inventories (Less: increase)	14,085,253.53	16,498,918.15
Decrease of receivables in operating (less: increase)	153,792,326.64	157,092,449.37
Increase of payables in operating (less: decrease)	-23,855,976.61	-13,003,289.40
Other		
Income of minority shareholders in this period		
Net cash flows arising from operating activities	151,066,316.86	151,273,281.48
2. Investment and financing activities with no cash incomings/outgoings involved		
Capital transferred from debts		
Convertible company bonds due within one year		
Fixed assets leasing for financing		
3. Net increase of cash and cash equivalents:		
Balance of cash at the period-end	55,695,549.13	41,981,770.95
Less: Balance of cash at the period -begin	23,279,308.33	6,793,438.07
Add: Balance of cash equivalents at the period -end		
Less: Balance of cash equivalents at the period -begin		
Net increase of cash and cash equivalents	32,416,240.80	35,188,332.88

9.3 Explanation on changes of accounting policy, accounting estimation and settlement method compared with the latest annual report

Applicable Inapplicable

9.4 Contents, correct amount, reason and its influence of significant accounting errors

Applicable Inapplicable

9.5 Explanation on change of consolidated scope compared with the latest annual report

Applicable Inapplicable

9.6 Reconciliation Statement on Differences of Shareholders' Equity Based on Old and New Accounting Standards

Unit: RMB

Items	Amount
Shareholders' equity as December 31 2006 (Existing Accounting Standards)	183,841,208.90
Balance of long-term equity Investment	-28,752.85
Including: Long-term equity investment balance formed by merger of enterprises under the same control	
Other credit balance of long-term equity investment calculated based on equity method	
Investment property measured with fair value	
Prior year depreciation withdrawal due to dismantling cost of asset	
Termination indemnity conformed to the acknowledgement of estimated liabilities	
Share-based payment	
Reconstructing duties conformed to the acknowledgement of estimated liabilities	
Enterprises merger	
Including: Book value of enterprises merger goodwill under the same control	
Provision for impairment of goodwill withdrawn based on New Accounting Standards	
Financial asset and credit asset available for sales attributable to current losses and gains with fair value measurement and changes	
Financial liabilities attributable to current losses and gains with fair value measurement and changes	
Increased equity due to demerger of financial instrument	
Derived financial instrument	
Income tax	
Minority shareholders' equity	
Other	
Shareholders' equity as January 1 2007 (New Accounting Standards)	183,812,456.05

Auditor's opinions

To the shareholders of Shandong Zhonglu Oceanic Fisheries Co., Ltd.,
 We have audited the accompanying Reconciliation Statement on Differences of Shareholders' Equity Based on Old and New Accounting Standards ("Reconciliation Statement") of Shandong Zhonglu Oceanic Fisheries Co., Ltd. ("the Company"). According to Accounting Standard for Business

Enterprises No. 38 - Time Adoption of Accounting Standards for Business Enterprises and Notice on Fulfillment of Financial and Accounting Information Disclosures Related to the New Accounting Standards (ZJF[2006] No. 136, "Notice"), compilation on the Reconciliation Statement are the responsibility of the Company's management. Our responsibility is to express an opinion on these Reconciliation Statement based on our audit.

Pursuant to the requirement of Notice, We conducted our audit in accordance with Standard on Review Engagements for CPAs of China No. 2101- Review of Financial Statements on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Reconciliation Statement is free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Reconciliation Statement. An audit also includes assessing the accounting principles used and significant estimates made by the relevant persons of the Company, as well as evaluating the overall presentation of the Reconciliation Statement. The guarantee supplied from the review was lower than the audit. We did not conduct; thus, we issued no auditor's opinions.

In our opinion, we did not notice that any matters made us believed that, the Reconciliation Statement was not compiling in accordance with the Accounting Standard for Business Enterprises No. 38 - First Time Adoption of Accounting Standards for Business Enterprises and Notice.

Da Xin Certified Public Accountants Ltd.

CPA: Hu Yonghua, Liu Shiwu