

SHENZHEN SHENBAO INDUSTRIAL CO., LTD.
SEMI-ANNUAL REPORT 2018



August 2018

Section I. Important Notice, Contents and Paraphrase

Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Shenzhen Shenbao Industrial 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.

Chairman of the Company Zheng Yuxi, General Manager Yan Zesong, Chief Financial Officer Wang Zhiping and Financial Management Department Manager Xu Qiming hereby confirm that the Financial Report of Semi-Annual Report 2018 is authentic, accurate and complete.

All Directors are attended the Board Meeting for deliberation of this Report.

Concerning the forward-looking statements with future planning involved in the annual report, they do not constitute a substantial commitment for investors, Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn) are the media appointed by the Company for information disclosure, all information of the Company disclosed in the above mentioned media should prevail. Investors are advised to exercise caution of investment risks.

The Company has analyzed the risk factors that the Company may exist and its countermeasures in the report, investors are advised to pay attention to read “Risks and Countermeasures” in the report of Section IV-Discussion and Analysis of the Operation.

The Company plans not to distributed cash dividend, bonus and no capitalizing of common reserves either.

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

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Paraphrase

Items	Refers to	Contents
Shenshenbao/Shenbao Company/ Listed Company /the Company/	Refers to	Shenzhen Shenbao Industrial Co., Ltd.
Shenbao Huacheng	Refers to	Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd
Wuyuan Ju Fang Yong	Refers to	Ju Fang Yong Tea Industry Co., Ltd. in Wuyuan County
Hangzhou Ju Fang Yong	Refers to	Hangzhou Ju Fang Yong Holding Co., Ltd.
Shenbao Technology Center	Refers to	Shenzhen Shenbao Technology Center Co., Ltd.
Huizhou Shenbao Science & Technology	Refers to	Huizhou Shenbao Science & Technology Co., Ltd.
Shenbao Sanjing	Refers to	Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd
Shenbao Industrial & Trading	Refers to	Shenzhen Shenbao Industrial & Trading Co., Ltd.
Shenbao Properties	Refers to	Shenzhen Shenbao Properties Management Co., Ltd.
Shenshenbao Investment	Refers to	Shenzhen Shenshenbao Investment Co., Ltd.
Yunnan Supply Chain	Refers to	Yunnan Shenbao Pu'er Tea Supply Chain Management Co., Ltd.
Fuhaitang Ecological	Refers to	Fuhaitang Tea Ecological Technology Co., Ltd.
Fuhaitang Restaurant	Refers to	Hangzhou Fuhaitang Restaurant Management Co., Ltd.
Chunshi Network	Refers to	Hangzhou Chunshi Network Technology Co.,Ltd.
Jufangyong Trading	Refers to	Hangzhou Jufangyong Trading Co., Ltd
Shenshenbao Tea Culture	Refers to	Shenzhen Shenshenbao Tea Culture Management Co., Ltd
Pu'er Tea Trading Center/Tea Trading Center	Refers to	Yunnan Pu'er Tea Trading Center Co., Ltd.
Huizhou Shenbao Food	Refers to	Huizhou Shenbao Food Co., Ltd.
Shenbao Rock Tea	Refers to	Mount Wuyi Shenbao Rock Tea Co., Ltd.
Shenbao Tea-Shop	Refers to	Shenzhen Shenbao Tea-Shop Co., Ltd.
Fude Capital	Refers to	Shenzhen Fude State-Owned Capital Operation Co., Ltd.
Agricultural Products	Refers to	Shenzhen Agricultural Products Co., Ltd
Shenzhen Investment Holding	Refers to	Shenzhen Investment Holding Co., Ltd
SZCG	Refers to	Shenzhen Cereals Group Co., Ltd.
SASAC	Refers to	State-owned Assets Supervision and Administration Commission of the State Council
Shenzhen SASAC	Refers to	Shenzhen Municipal People's Government State-owned Assets Supervision & Administration Commission
CSRC	Refers to	China Securities Regulation Commission
SSE	Refers to	Shenzhen Stock Exchange
Dahua CPA	Refers to	Dahua Certified Public Accountants (Special General Partnership)

Article of Association	Refers to	Article of Association of Shenzhen Shenbao Industrial Co., Ltd
RMB/10 thousand Yuan	Refers to	CNY/ten thousand Yuan

Section II Company Profile and Main Financial Indexes

I. Company profile

Short form for share	SHENSHENBAO-A, SHENSHENBAO-B	Stock code	000019, 200019
Listing stock exchange	Shenzhen Stock Exchange		
Chinese name of the Company	深圳市深宝实业股份有限公司		
Abbr. of Chinese name of the Company (if applicable)	深宝		
English name of the Company(if applicable)	SHENZHEN SHENBAO INDUSTRIAL CO.,LTD.		
Abbr. of English name of the Company(if applicable)	SBSY		
Legal Representative	Zheng Yuxi		

II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Li Yiyan	Huang Bingxia
Contact add.	8/F, Tower-B, Building 4, Software Industry Base, Science & Technology Park (South), Xuefu Road, Nanshan District, Shenzhen	8/F, Tower-B, Building 4, Software Industry Base, Science & Technology Park (South), Xuefu Road, Nanshan District, Shenzhen
Tel.	0755-82027522	0755-82027522
Fax.	0755-82027522	0755-82027522
E-mail	lyy@sbsy.com.cn	huangbx@sbsy.com.cn

III. Others

1. Way of contact

Whether registrations address, offices address and codes as well as website and email of the Company changed in reporting period or not

Applicable Not applicable

Registrations address, offices address and codes as well as website and email of the Company has no change in reporting period, found more details in Annual Report 2017

2. Information disclosure and preparation place

Whether information disclosure and preparation place changed in reporting period or not

Applicable Not applicable

The newspaper appointed for information disclosure, website for semi-annual report publish appointed by CSRC and preparation place for semi-annual report have no change in reporting period, found more details in Annual Report 2017

IV. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data

Yes No

	Current period	Same period of last year	Changes over last year
Operating revenue (RMB)	136,721,215.40	138,158,382.95	-1.04%
Net profit attributable to shareholders of the listed Company(RMB)	-18,246,639.07	-17,759,776.83	-2.74%
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses(RMB)	-18,884,920.69	-19,357,560.01	2.44%
Net cash flow arising from operating activities(RMB)	9,795,470.07	-50,432,648.15	119.42%
Basic earnings per share (RMB/Share)	-0.0367	-0.0357	-2.80%
Diluted earnings per share (RMB/Share)	-0.0367	-0.0357	-2.80%
Weighted average ROE	-1.95%	-1.74%	-0.21%
	End of current period	End of last year	Changes over end of last year
Total assets (RMB)	1,040,484,135.20	1,070,386,220.55	-2.79%
Net assets attributable to shareholder of listed Company(RMB)	928,673,938.26	946,920,577.33	-1.93%

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

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

Applicable Not applicable

In RMB

	Net profit attributable to shareholders of listed Company		Net assets attributable to shareholders of listed Company	
	Current period	Last period	Period-end	Period-begin
Chinese GAAP	-18,246,639.07	-17,759,776.83	928,673,938.26	946,920,577.33
Items and amount adjusted by IAS				
Adjustment for other payable fund of stock market regulation			1,067,000.00	1,067,000.00

IAS	-18,246,639.07	-17,759,776.83	929,740,938.26	947,987,577.33
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2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not applicable

The Company has no above mentioned condition occurred in the period

3. Explanation on differences of the data under accounting standards in and out of China

Applicable Not applicable

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

Applicable Not applicable

In RMB

Item	Amount	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-67,563.97	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	1,377,862.18	
Gains and losses from change of fair values of held-for-transaction financial assets and financial liabilities except for the effective hedge business related to normal business of the Company, and investment income from disposal of transactional financial assets and liabilities and financial assets available for sale	-425,718.15	
Other non-operating income and expenditure except for the aforementioned items	56,049.77	
Less: impact on income tax	52,636.76	
Impact on minority shareholders' equity (post-tax)	249,711.45	
Total	638,281.62	--

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

Applicable Not applicable

In reporting period, the Company has no particular about items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to*

the Public --- Extraordinary Profit/loss

Section III Summary of Company Business

I. Main businesses of the Company in the reporting period

Does the Company need to comply with disclosure requirements of the special industry?

No

The Company mainly engaged in the production, R&D and sale business of ingredient/raw-food material based on tea and deep processing of natural plants. After decades of development, we have established relatively complete industrial chain involving tea cultivation, purified tea, tea extract, boutique tea sales, tea cultural experience, e-commerce, tea trading platform and tea finance. Its main business comprises tea refining and fine tea sales, tea-life experience, tea e-commerce, food and beverage, research and development and so on. The Company has established three major business directions, namely, the “health technology” development direction with plant extraction technology as the core business, the “industrial service” development direction with tea exchange industry finance and electronic trading as the core business, and the “life experience” development direction with iTealife / Teabank tea fashion consumption as the core business, and promotes the integration and coordinated development of all business segments and enhances the overall value of the industry by vigorously expanding the three major business directions.

Main products are including "Golden Eagle" instant tea powder, juice ect series; "Jufangyong", "Gutan", "Fuhai tang" and “Shenbao Tea-Shop” ect series; "Mitsui" oyster sauce, chicken, seafood sauce and other condiments; "Shenbao" chrysanthemum tea, lemon tea, herbal tea and other drinks.

II. Major changes in main assets

1. Major changes in main assets

Major assets	Note of major changes
Equity assets	No major Change
Fixed assets	No major Change
Intangible assets	No major Change
Construction in progress	No major Change
Other current assets	Increase of the other current assets: the financial products have more account from a year earlier at end of the period

2. Main overseas assets

Applicable Not applicable

III. Core Competitiveness Analysis

Does the Company need to comply with disclosure requirements of the special industry?

No

During the reporting period, core competence wasn't significantly changed. The Company has established relatively complete industrial chain involving tea cultivation, purified tea, tea extract, boutique tea sales, tea cultural experience, e-commerce, tea trading platform and tea finance, forming a good industrial base; relying strong R & D capabilities, leading edge technology, two state-level high-tech enterprises, a quality control system recognized by large international food and beverage companies, the Company brought a group of high-quality large domestic and foreign clients. The Company will continue to innovate institutional mechanisms, innovative ideas, innovative products to enhance synergies and core competitiveness of the tea industry chain.

Section IV Discussion and Analysis of the Operation

I. Introduction

In first half of 2018, the Company continued to promote scientific and technological innovation by focusing on the existing industrial layout and market development trends, fully implemented various operational measures to consolidate the industrial foundation and enhance the industrial value, vigorously expand the main business, and enhance the profitability and core competitiveness of the enterprise. At the same time, in line with the overall strategic deployment of state-owned grain and agricultural enterprises in Shenzhen, it was planned to acquire 100% equity of Shenzhen Cereals Group Co., Ltd. by issuing shares to purchase assets. During this period, the Company adhered to grasping two objects at the same time, in the case of steadily implementing various intrinsic management measures, ensured the stable development of various business segments, actively promoted the progress of major assets restructuring projects, adjusted and optimized the industrial layout, and achieved resource integration by superior resource complementary of all parties, which ultimately promoted the Company's sustainable operation ability and profitability and improved the quality and efficiency of enterprise development.

During the reporting period, the Company continuously promoted the project research and development and technical support, promoted the industrial development by product breakthroughs and technological innovations, steadily improved the advantages of traditional business segments, and strived to improve quality and reduce losses and increase revenue. In the first half of the year, the Technology Center completed a number of government application projects, including "Shenzhen High-tech Enterprise Cultivation and Storage" and "Shenzhen R&D Expenses Funding", and reached cooperation with many brand customers, which provided integrative solutions with multiple dimensions and aspects for related enterprises from concept to product realization; the deep processing business module somewhat increased the product gross margin through a series of strict cost control measures such as optimizing supply chain, reducing consumption and increasing efficiency; Huizhou Shenbao Technology continued to improve the production process and formula of the beverage and condiments business, and completed various production tasks by guaranteeing both quality and quantity; the overall sales of specialty tea business of Hangzhou Ju Fang Yong did not meet the expectations, but the fast drink business of its subordinate "iTealife" has gradually opened up the franchise market through the third party cooperation, and the performance has been improved to some extent; under the premise of the existing business model, Shenbao tea culture continued to promote the internal rectification, sorted out the product system, and achieved expectations in new product development, cost control, and operation procedure improvement, and reduced losses.

During the reporting period, the Company actively promoted the major assets restructuring projects and fulfilled the relevant internal decision-making procedures and information disclosure obligations.

In the first half of 2018, the Company achieved a total operating income of 136,721,215.40 Yuan, a decline of 1.04% over the same period of last year; operating profit of -18,090,617.03 Yuan, a decrease of 15.97% over the same period of last year; net profit attributable to shareholders of listed companies was -18,246,639.07 Yuan, a decline of 2.74% compared with the same period of last year. The main reason for the change was that the Company's profit from tea deep processing business increased compared with the same period of the previous year by optimizing the product structure. At the same time, the Company added new assets restructuring related expenses in the current period, which caused the Company's overall losses were basically the same as that of the same period of last year.

II. Main business analysis

See the "I-Introduction" in "Discussion and Analysis of the Operation"

Y-o-y changes of main financial data

In RMB

	Current period	Same period of last year	Y-o-y increase/decrease	Reasons for changes
Operation revenue	136,721,215.40	138,158,382.95	-1.04%	
Operation cost	98,142,437.41	104,400,839.32	-5.99%	
Sales expenses	18,475,423.94	21,174,407.31	-12.75%	
Management expenses	37,057,054.07	33,082,783.76	12.01%	
Financial expenses	-1,547,896.32	-1,533,397.02	0.95%	
Income tax expense	1,125,027.35	36,586.58	2,974.97%	Part of the subordinate enterprise gains in the period, thus the income tax expense increased
R&D investment	1,308,711.37	1,162,154.46	12.61%	
Net cash flow arising from operation activities	9,795,470.07	-50,432,648.15	-119.42%	The cash flow from good sales increased in the period; the cash out-flow from goods purchasing declined
Net cash flow arising from investment activities	-31,925,603.80	-84,671,733.66	-62.29%	The cash paid for purchasing financial products in the period declined from a year earlier
Net cash flow arising from financing activities	-10,610,098.89	-17,904,646.76	-40.74%	At same period of last year, there was a cash expenses from dividend distribution, while no such account in the period
Net increase of cash and cash equivalent	-32,614,983.97	-153,076,370.04	-78.69%	
Other current assets	32,071,685.68	2,758,494.99	1,062.65%	Balance of the financial products increased over same period of last year

Major changes on profit composition or profit resources in reporting period

 Applicable Not applicable

No major changes on profit composition or profit resources occurred in reporting period

Composition of main business

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase or decrease of operating revenue over same period of last year	Increase or decrease of operating cost over same period of last year	Increase or decrease of gross profit ratio over same period of last year
According to industries						
Industry	121,178,697.27	91,848,572.71	24.20%	-0.03%	-4.70%	3.71%
Trading	10,621,768.13	3,833,267.60	63.91%	-22.27%	-41.67%	12.00%
According to products						
Soft drink	16,625,023.79	11,744,617.80	29.36%	9.18%	11.83%	-1.67%
Tea products	111,557,314.93	81,501,902.46	26.94%	-4.01%	-9.76%	4.66%
According to region						
Exportation	7,247,844.78	5,160,648.34	28.80%	3.14%	5.99%	-1.91%
South China	19,580,861.50	14,230,891.31	27.32%	-39.38%	-38.76%	-0.74%
North China	11,331,470.49	9,336,777.66	17.60%	32.09%	20.12%	8.21%
East China	74,819,223.73	51,324,665.29	31.40%	10.93%	2.52%	5.63%
Central China	12,754,935.79	10,041,568.45	21.27%	9.24%	5.81%	2.55%

III. Analysis of the non-main business

Applicable Not applicable

IV. Assets and liability

1. Major changes of assets composition

In RMB

	End of current period		End of period of last year		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	223,346,666.44	21.47%	255,961,650.41	23.91%	-2.44%	
Account receivable	65,057,127.05	6.25%	77,193,068.03	7.21%	-0.96%	
Inventory	162,120,133.29	15.58%	155,306,108.94	14.51%	1.07%	
Investment property	18,165,479.87	1.75%	18,401,275.03	1.72%	0.03%	
Long-term equity investment	5,063,724.67	0.49%	5,248,629.66	0.49%	0.00%	
Fix assets	303,675,729.05	29.19%	313,742,404.72	29.31%	-0.12%	

Construction in process	864,175.33	0.08%	134,918.91	0.01%	0.07%	
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2. Assets and liability measured by fair value

Applicable Not applicable

In RMB

Items	Amount at the beginning period	Changes of fair value gains/losses in this period	Accumulative changes of fair value reckoned into equity	Devaluation of withdrawing in the period	Amount of purchase in the period	Amount of sale in the period	Amount in the end of period
Financial assets							
1. Financial assets measured by fair value and whose change is recorded in current gains and losses (excluding derivative financial assets)	1,599,668.20	-425,718.15	92,883.96				1,173,950.05
Subtotal	1,599,668.20	-425,718.15	92,883.96				1,173,950.05
Aforementioned total	1,599,668.20	-425,718.15	92,883.96				1,173,950.05
Financial liabilities	0.00						0.00

Whether there have major changes on measurement attributes for main assets of the Company in report period or not

Yes No

3. The assets rights restricted till end of the period

Ended as reporting period, the Company has no assets rights restricted

V. Investment Analysis

1. Overall situation

Applicable Not applicable

Investment in reporting period (Yuan)	Investment in the same period of last year	Range
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	(Yuan)	
0.00	5,500,000.00	-100.00%

2. The major equity investment obtained in the reporting period

Applicable Not applicable

3. The major non-equity investment carrying in the reporting period

Applicable Not applicable

4. Financial assets investment

(1) Securities investment

Applicable Not applicable

Variety of securities	Code of securities	Short form of securities	Initial investment cost	Accounting measurement model	Book value at the beginning of the period	Changes in fair value of the current profit and loss	Cumulative fair value changes in equity	Current purchase amount	Current sales amount	Profit and loss in the Reporting Period	Book value at the end of the period	Accounting subject	Capital Source
Domestic and overseas stock	000017	CBC-A	--	Measured by fair value	1,599,68.20	-425,718.15	92,883.96	0.00	0.00	0.00	1,173,950.05	Transactional assets	Shares repaid from debt reorganization
Total			--	--	1,599,68.20	-425,718.15	92,883.96	0.00	0.00	0.00	1,173,950.05	--	--
Disclosure date of securities investment approval of the Board	Not applicable												
Disclosure date of securities investment approval of the Shareholder Meeting (if applicable)	Not applicable												

(2) Derivative investment

Applicable Not applicable

The Company has no derivatives investment in the Period

VI. Sales of major assets and equity

1. Sales of major assets

Applicable Not applicable

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

2. Sales of major equity

Applicable Not applicable

VII. Analysis of main Holding Company and stock-jointly companies

Applicable Not applicable

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

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Wuyuan Ju Fang Yong	Subsidiary	Sales and production of tea products	290,000,000.00	406,980,655.84	324,994,035.58	84,705,491.88	5,186,849.97	3,882,637.49
Shenbao Technology Center	Subsidiary	Development, consulting and transfer of technology	54,000,000.00	44,100,092.63	33,847,707.32	12,528.05	-2,020,660.37	-2,020,660.37
Hangzhou Ju Fang Yong	Subsidiary	Sales and production of tea products	175,000,000.00	211,729,223.62	156,892,147.26	15,424,604.46	-5,146,570.80	-5,035,099.00
Pu'er Tea Trading Center	Subsidiary	Service industry	50,000,000.00	45,407,102.16	34,590,516.81	76,410.93	-2,164,182.09	-2,164,182.09

Particular about subsidiaries obtained or disposed in report period

Applicable Not applicable

Explanation on main holding/stock-jointly enterprise

1. Ju Fang Yong Tea Industry Co., Ltd. in Wuyuan County is a wholly-owned subsidiary of the Company. Business scope: tea, natural plants, tea and natural plant extracts, planting, tea import and export trade, agricultural and sideline products, acquisition, processing, sales; pre-packaged food sales. (The above projects for which the country has special provisions should be operated with a valid qualification certificate or permit). Registered capital amounted as 290,000,000 Yuan. Up to the reporting period, total assets of Wuyuan Ju Fang Yong comes to 406,980,655.84 Yuan, net assets amounted as 324,994,035.58 Yuan, the shareholders equity

attributable to parent Company amounted as 324,994,035.58 Yuan; in the reporting period, operation revenue amounted as 84,705,491.88 Yuan, net profit achieved 3,882,637.49 Yuan and net profit attributable to parent Company was 3,882,637.49 Yuan.

2. Shenzhen Shenbao Technology Center Co., Ltd. is a wholly-owned subsidiary of the Company, its business scope includes technical development, technical consultation, technology transfer and inspection services for tea, plant products, soft drinks and food (except for projects subject to approval before registration by laws, administrative regulations, State Council decisions); domestic trade; prepackaged food wholesale, liquor wholesale. Register capital was 54 million Yuan. Ended as this period-end, total assets of Shenbao Technology Center amounted as 44,100,092.63 Yuan, net assets amounting to 33,847,707.32 Yuan, the shareholders equity attributable to parent Company amounted as 33,847,707.32 Yuan; in the reporting period, Shenbao Technology Center achieved operation revenue of 12,528.05 Yuan, net profit amounting to (2,020,660.37) Yuan and net profit attributable to parent Company amounted as (2,020,660.37) Yuan

3. Hangzhou Ju Fang Yong Holding Co., Ltd., a wholly owned subsidiary. Business scope: sell both retail and wholesale: wholesale, retail of the prepackaged food and bulk food (pre-approval items should be operated within validity period): tea set; acquisitions: tea business sales required (limited to the acquisition of the original producer of primary industry directly); Services: Tea business investment and asset management, technology development, cultivation, breeding, technical consulting, technical services, transfer of results, the other all legitimate projects without approval, subsidiaries' business scope included. Register capital was 175 million Yuan. Ended as this period-end, the total assets of Ju Fang Yong is 211,729,223.62 Yuan, and net assets amounting to 156,892,147.26 Yuan, shareholders' equity attributable to parent Company is 157,204,306.46 Yuan; in the reporting period, Ju Fang Yong achieved operation income, net profit and net profit attributable to shareholder of parent Company as 15,424,604.46 Yuan, (5,035,099.00) Yuan and (5,029,801.36) Yuan respectively.

4. Yunnan Pu'er Tea Trading Center Co., Ltd. is a controlling subsidiary of the Company, its business scope includes providing places, facilities and intermediary, brokerage, auction, finance, and consulting services for tea and other agricultural and sideline products, spot trading of industrial raw materials and bulk stock, and related financial services; investment and management of other related projects; conference and exhibition services (projects subject to approval according to law, operating activities only be carried out after the approval of relevant departments). Register capital was 50 million Yuan. Ended as this period-end, total assets of Pu'er Tea Trading Center amounted as 45,407,102.16 Yuan, net assets amounting to 34,590,516.81 Yuan, the shareholders equity attributable to parent Company amounted as 34,590,516.81 Yuan; in the reporting period, Pu'er Tea Trading Center achieved operation revenue of 76,410.93 Yuan, net profit amounting to (2,164,182.09) Yuan and net profit attributable to parent Company amounted as (2,164,182.09) Yuan

VIII. Structured vehicle controlled by the Company

Applicable Not applicable

IX. Prediction of business performance from January – September 2018

Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

Applicable Not applicable

X. Risks and countermeasures

1. Restricted by the challenges faced by the overall environment of the domestic beverage market, the competition in the industry is intensifying, the Company's profits are not satisfactory, and the return expectations of various projects are relatively slow. The Company is actively promoting various improvement measures to reduce consumption and increase efficiency, drive the product

upgrades and innovations to improve market competitiveness, enhance overall profit margins, and accelerate the efficiency promotion.

2. In recent years, the consumption trend is changing day by day, but the Company's business structure and talent structure are relatively simple, the team construction is lagging behind, and the professional talent team is lacking, as a result, in the cultivation of new business, the Company's innovation ability and strain capacity are inadequate when facing the competition in new areas, which increases the cycle and cost of business transformation. The Company will continue to introduce professional talents from the outside, train talents at home, strengthen the construction of talent teams, and open up the development channels for employees to create career development opportunities.

3. As the Company is actively promoting major asset restructuring projects during the reporting period, the Company has disclosed the various risk factors in detail in the "Report on Issuing Shares for Asset Purchase and Related Transactions" (draft) (revised version), see the Company's announcement disclosed at www.cninfo.com.cn on June 23, 2018.

Section V. Important Events

I. Annual General Meeting and extraordinary shareholders general meeting held in this period

1. AGM in the period

Sessions	Type	Investor participation (%)	Opening date	Disclosure date	Disclosure index
2017 Annual general meeting	Annual general meeting	35.34%	2018-05-15	2018-05-16	Resolution Notice of AGM 2017 of Shenzhen Shenbao Industrial Co., Ltd. (Notice No.: 2018-44) released on Juchao website dated 16 May 2018
The First Interim Shareholders General Meeting of 2018	Interim Shareholders General Meeting	4.83%	2018-06-27	2018-06-28	Resolution Notice of The First Interim Shareholders General Meeting of 2018 of Shenzhen Shenbao Industrial Co., Ltd. (Notice No.: 2018-57) released on Juchao website dated 28 June 2018

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

Applicable Not applicable

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

Applicable Not applicable

The Company plans not to carried out distribution of cash dividend, bonus shares and share converted from capital reserve either for the half year

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

Applicable Not applicable

There are no commitments completed in Period and those without completed till end of the Period from actual controller, shareholders, related parties, purchaser and companies etc.

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

Whether the financial report has been audited or not

Yes No

The financial report has not been audited

V. Explanation from Board of Directors and Supervisory Committee for “Qualified Opinion” that issued by CPA

Applicable Not applicable

VI. Explanation from the BOD for “Qualified Opinion” of last year

Applicable Not applicable

VII. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization for the Company in end of this period

VIII. Lawsuits

Significant lawsuits and arbitrations

Applicable Not applicable

No significant lawsuits and arbitrations occurred in the reporting period

Other lawsuits

Applicable Not applicable

Lawsuits (arbitrations)	Amount involved (in 10 thousand Yuan)	Resulted an accrual liability (Y/N)	Progress	Trial result and influence	Execution of judgment	Disclosure date	Disclosure index
Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “Shenbao Company”) received the Civil Complaint from Shenzhen Agricultural Products Financing Guarantee Co., Ltd. (hereinafter referred to as “Guarantee Company”) in July 2016, Case No.: (2016)Y0304MC15008, required Changzhou Shenbao Tea Warehousing E-commerce Co., Ltd., a shareholding enterprise of Shenbao Company, to repay the loan principal and interest,	500	N	In second instance, final judgment has not been made out while the second instance has completed	The first instance judgment has been issued, the court ruled to reject the appeal of Guarantee Company that Shenbao Company should	Adjudication has not been made in second instance court	Not applicable	Not applicable

<p>penalty interest and compensation, with a total of RMB 8,690,240.31, the shareholder Shenbao Company undertook joint liability for the (loan principal) borrowings of RMB 5,000,000.00.</p> <p>After holding a hearing, Shenbao Company received the written judgment of first instance in June 2017, the court ruled to reject the appeal of Guarantee Company that Shenbao Company should undertake joint liability. Guarantee Company refused to accept the judgment of the first instance and appealed to Shenzhen Intermediate People's Court, Case is in second instance, final judgment has not been made out while the second instance has completed</p>				undertake joint liability		
<p>Hangzhou Fuhaitang Tea Ecological Technology Co., Ltd. sued Ma Xuezhong and required Ma Xuezhong to pay the equity transfer payment of 600,000 Yuan and the overdue interest, Shangsi Court of Hangzhou West Lake District People's Court held a hearing for this equity transfer dispute case which has not yet been decided.</p>	60	N	In process of first instance	Not yet verdict	Invalid	Not applicable Not applicable

IX. Penalty and rectification

Applicable Not applicable

No penalty and rectification for the Company in reporting period.

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

Applicable Not applicable

During the reporting period, the Company and its controlling shareholder always obeyed final judgment in the court case, relatively large amount of debt overdue and other non-compliance.

XI. Implementation of the Company's stock incentive plan, employee stock ownership plan or other employee incentives

Applicable Not applicable

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

XII. Major related transaction

1. Related transaction with routine operation concerned

Applicable Not applicable

No related transaction occurred in the period with routine operation concerned

2. Assets or equity acquisition, and sales of assets and equity

Applicable Not applicable

No related transaction concerning the asses or equity acquisition and sold at period-end

3. Related transaction of foreign investment

Applicable Not applicable

No related transaction of foreign investment occurred at period-end

4. Related credits and liabilities

Applicable Not applicable

No related credits and liabilities occurred in period

5. Other major related transaction

Applicable Not applicable

On 8 June 2018 and 27 June, the 17th session of 9th BOD and First Extraordinary General Meeting of 2018 are deliberated and approved the Proposal as Purchasing Assets by Issuing of Shares and Report of Related Transactions (Draft) and its Summary, the Company agreed to purchased 100% equity of Shenzhen Cereals Group held by Fude Capital by shares offering with considerate of 5,875,546,441.66 Yuan for the target assets.

The counterparty-Fude Capital is the controlling shareholder of the Shenbao Industry and in accordance with relevant regulations as Restructuring Measures and Listing Rules from Shenzhen Stock Exchange, the transaction constitutes related transactions.

Up to now, the matter is still in the audit stage of the China Securities Regulatory Commission and will be implemented after it has been approved.

Relevant information of website for announcement disclosed with major related transaction concerned

Announcement	Date for disclosure	Website for inquiry
Purchasing Assets by Issuing of Shares and Report of Related Transactions (Draft)	2018-06-11	Juchao Website (www.cninfo.com.cn)
Resolution of First Extraordinary General Meeting of 2018	2018-06-28	Juchao Website

		www.cninfo.com.cn
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XIII. Non-operational fund occupation from controlling shareholders and its related party

Applicable Not applicable

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

XIV. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

Applicable Not applicable

No trusteeship for the Company in reporting period

(2) Contract

Applicable Not applicable

No contract for the Company in reporting period

(3) Leasing

Applicable Not applicable

No leasing in the Period

2. Major Guarantee

Applicable Not applicable

(1) Guarantee

In 10 thousand Yuan

External Guarantee (not including guarantees to subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party
Guarantee between the Company and subsidiary								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party
Shenzhen Shenbao	2017-04-24	3,000	2017-07-27	3,000	Joint liability	One year	N	Y

Huacheng Science and Technology Co., Ltd					guaranty				
Total amount of approving guarantee for subsidiaries in report period (B1)			0	Total amount of actual occurred guarantee for subsidiaries in report period (B2)				3,000	
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)			3,000	Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)				3,000	
Guarantee between the subsidiaries									
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party	
Total amount of guarantee of the Company(total of three abovementioned guarantee)									
Total amount of approving guarantee in report period (A1+B1+C1)			0	Total amount of actual occurred guarantee in report period (A2+B2+C3)				3,000	
Total amount of approved guarantee at the end of report period (A3+B3+C2)			3,000	Total balance of actual guarantee at the end of report period (A4+B4+C4)				3,000	
The proportion of the total amount of actually guarantee in the net assets of the Company(that is A4+ B4+C4)									3.23%
Including:									
Amount of guarantee for shareholders, actual controller and its related parties(D)									0
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(E)									0
Proportion of total amount of guarantee in net assets of the Company exceed 50%(F)									0
Total amount of the aforesaid three guarantees(D+E+F)									0
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if applicable)				Not applicable					
Explanations on external guarantee against regulated procedures (if applicable)				Not applicable					

Explanation on compound guarantee

Nil

(2) Illegal external guarantee

Applicable Not applicable

No illegal external guarantee in the period

3. Other material contracts

√ Applicable □ Not applicable

Company Name of the Contract Conclusion	Other Party Name of the Contract Conclusion	Contract Object	Date of the Contract	Book Value of Assets Involving in Contract (ten thousand Yuan) (if any)	Estimated Value of Assets Involving in Contract (ten thousand Yuan) (if any)	Evaluation Authority Name (if any)	Base Date of Asset Evaluation (if any)	Pricing Principle	Transaction Price (ten thousand Yuan)	Whether Related Transactions	Related Relation	Implementation as of the end of the Reporting Period	Date of Disclosure	Disclosure Index
Shenzhen Shenbao Industrial Co., Ltd.	Shenzhen Fude State-Owned Capital Operation Co., Ltd.	Shenzhen Cereals Group Co., Ltd.	2018-06-08	314,259.1	587,554.64	Beijing China Enterprise Appraisals Consultation Co., Ltd.	2017-09-30	See details on the "Report on Issuing Shares for Asset Purchase and Related Transactions" (draft (revised version) disclosed at www.cninfo.com.cn on June 23, 2018.	587,554.64	Y	The counterparty-Fude Capital is the controlling shareholder of the Shenbao Industry, this transaction constituted a related transaction.	As of the end of the reporting period, the transaction is still subject to the centralized review of the operators of the Ministry of Commerce and the	2018-06-11	As for the Agreement on Shenzhen Shenbao Industrial Co., Ltd. and Shenzhen Fude State-owned Capital Operation Co., Ltd. Issuing Shares to Purchase Assets and its supplementary agreements, please refer to the relevant announcement published at www.cninfo.com.cn on March 24, 2018, April 4, 2018, and June 11, 2018.

												approval of the China Securities Regulatory Commission, and there is uncertainty as to whether it can pass and be approved and the time being approved.		
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XV. Social responsibility

1. Major environment protection

The listed Company and its subsidiary whether belongs to the key sewage units released from environmental protection department

Yes

Name	Name of Major Pollutants and Particular Pollutants	Emission Method	Quantity of Discharge Outlet	Distribution of Discharge Outlet	Emission Concentration	Executed Pollutant Discharge Standards	Total Emissions	Approved Total Emissions	Excessive Discharge
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd	Chemical oxygen demand	Emission after the qualified biochemical treatment	1	Concentrative emissions	10	90	0.22 tons	15.44 tons /Year	N
Shenzhen Shenbao	Suspended matter	Emission after the	1	Concentrative	5	60	0.11 tons	10.293 tons	N

Huacheng Science and Technology Co.,Ltd		qualified biochemical treatment		emissions				/Year	
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd	Five-day biochemical oxygen demand	Emission after the qualified biochemical treatment	1	Concentrative emissions	1.8	20	0.04 tons	3.431 tons /Year	N
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd	Ammonia nitrogen	Emission after the qualified biochemical treatment	1	Concentrative emissions	0.146	10	0.003 tons	1.716 tons /Year	N
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd	Chroma	Emission after the qualified biochemical treatment	1	Concentrative emissions	2	40	0.044 tons	6.862 tons /Year	N
Shenzhen Shenbao Huacheng Science and Technology Co., Ltd	PH value	Emission after the qualified biochemical treatment	1	Concentrative emissions	7.43	6~9	—	—	N

Construction and operation of pollution prevention and control facilities

1. In the initial stage of production, the first phase of sewage treatment capacity was 230T/day. However, due to the increase in production capacity and management needs, the second phase of the treatment capacity of 240T/day was rebuilt in 2007, and the total sewage treatment design capacity reached 470T/day.

2. In the past three years, the Company's sewage treatment facilities have performed well and there has been no excessive discharge.

Environmental impact assessment of construction projects and other environmental protection administrative licenses

1. The Company obtained the latest environmental protection approval in 2009:

Shenzhen Longgang District Environmental Protection Bureau Construction Project Environmental Impact Review and Approval No. SLHP[2009]703873; the Company's industrial wastewater discharge is not allowed to exceed 470 tons/day, the wastewater discharge performs the first-level standard for the second period of DB44/26-2001.

2. The Company obtained the latest "Guangdong Province Pollutant Discharge Permit" in 2016, which is valid until 2021.

Emergency response plan for environmental emergencies

The Company strengthened the operation, maintenance and management of environmental protection facilities, formulated a strict responsibility system for environmental protection posts, established an emergency response team with the chairman of the pollutant discharge unit as the core of leadership, and revised the Company's Emergency Response Plan for Environmental Emergencies to ensure the stable and normal operation rate of the pollution control facilities reaches 100%.

Environmental self-monitoring scheme

1. The Company installed COD, PH value, and flowmeter pollution source online monitor for all-weather on-line monitoring in 2010.

2. Engage a third-party professional organization to test the industrial discharge of wastewater for every half year.

Other environmental information that should be disclosed

1. Oil-to-gas project: In 2011, the Company transformed its two boilers from diesel boilers into natural gas boilers that burn clean energy, which greatly reduced the greenhouse gas emissions.

2. Clean production audit: The Company passed the voluntary clean production audit of Shenzhen in 2016.

Other environment protection

Nil

2. Execution of social responsibility of targeted poverty alleviation

The Company has no targeted poverty alleviation in the period and no follow-up poverty alleviation plan either temporary

XVI. Other major events

Applicable Not applicable

Shenzhen Shenbao Industrial has applied for a suspension of the Company's stock (referred to as: Shenshenbao A, Shenshenbao B, stock code: 000019, 200019) from the opening of the market on August 22, 2017 to the Shenzhen Stock Exchange due to the planning and preparation of major events. On September 5, 2017, the Company disclosed the "Announcement on the Suspension for the Major Asset Restructuring of the Company", the Company's stock has been transferred to major asset restructuring and continued to be suspended since the opening of the market on September 5, 2017. During the suspension of the Company's stock, the Company has disclosed the "Announcement on Suspension Progress of Major Asset Restructuring" at least every five trading days in accordance with relevant regulations.

On March 23, 2018, the Company convened the fifteenth meeting of the Ninth Session of Board of Directors which discussed and

approved the “Proposal on Preplanning of Shenzhen Shenbao Industrial Co., Ltd. Issuing Shares to Purchase Assets and Related Transactions”, and the proposals related to this major asset restructuring.

On 27 March 2018, the Company received the “Inquiry Letter on the Restructuring of Shenzhen Shenbao Industrial Co., Ltd.” [License Restructuring Inquiry Letter [2018] No. 6] issued by the Shenzhen Stock Exchange. According to the requirements of the inquiry letter, the Company promptly organized various intermediaries to carry out careful research, implemented and replied the relevant issues term by term, and supplemented and revised the original planning, and compiled the “Preplanning of Shenzhen Shenbao Industrial Co., Ltd. Issuing Shares to Purchase Assets and Related Transactions (revised version)”

By application, the Company’s stock resumed the trading on the opening of the market on the morning of April 4, 2018 (Wednesday).

On June 8, 2018, the Company held the 17th meeting of the ninth board of directors which deliberated and approved the “Proposal on ‘the Company’s Share Issuance for Purchasing Assets and Related Transactions Report (Draft)’ and its Summary” and other proposals related to major asset restructuring.

On June 15, 2018, the Company received the “Approval of Shenzhen State-owned Assets Supervision and Administration Commission on the Company’s Share Issuance for the Acquisition of 100% Equity of Shenzhen Cereals Group and Relevant Issues of Major Assets Restructuring” (SGZWH [2018] No. 499) issued by Shenzhen SASAC from Fude Capital, agreed the restructuring plan reported by Fude Capital.

On June 19, 2018, the Company received the “Inquiry Letter on the Company’s Restructuring” [XKLCZWXH[2018] No. 18] issued by the Shenzhen Stock Exchange. According to the requirements of the inquiry letter, the Company supplemented and improved the documents related to this major asset restructuring, and established the Report on Share Issuance of Shenzhen Shenbao Industrial Co., Ltd. for Purchasing Assets and Related Transactions (Revised Version).

On June 27, 2018, the Company held the first extraordinary meeting in 2018 which reviewed and approved the “Proposal on ‘the Company’s Share Issuance for Purchasing Assets and Related Transactions Report (Draft)’ and its Summary” and other proposals related to this major asset restructuring.

On July 5, 2018, the Company received the “Notice of Correction on Application for Administrative License of China Securities Regulatory Commission” (No. 181013) (hereinafter referred to as the “Notice of Correction”) issued by the China Securities Regulatory Commission. The CSRC reviewed the application materials for the administrative license of the “Approval of the Company’s Listed Companies to Issue Shares to Purchase Assets” submitted by the Company, and requested the Company to submit the relevant correction materials to the acceptance department of CSRC for administrative license application within 30 working days from the date of issuance of the Notice of Correction. The Company strictly followed the requirements of the Notice of Correction, and actively prepared the correction materials and submitted them in time.

On July 27, 2018, the Company received the “Administrative License Application Acceptance Form of CSRC” issued by the China Securities Regulatory Commission (acceptance number is 181013). The China Securities Regulatory Commission examined the application materials for the administrative license of the “Approval of the Issuance of Shares by Listed Companies to Purchase Assets” submitted by the Company in accordance with the law, considering that all materials were complete, decided to accept the application for the administrative license.

On August 9, 2018, the Company obtained the “Notice of Investigation of China Securities Regulatory Commission” (YZDCTZ No. 180133) from Jonten, the audit institution responsible for this major asset restructuring, because it was suspected of violating securities laws and regulations in the audit process of other enterprises, CSRC decided to file a case and investigate it. In accordance with the relevant regulations of the CSRC Decree No. 138, the Company convened the board meeting on August 13, 2018, and decided to apply to the CSRC for the suspension of the “Approval of the Issuance of Shares by Listed Companies to Purchase Assets” and submitted the application to the CSRC on the same day. On August 15th, the Company received the “Notice of the Suspension of the Review about Administrative License Application from China Securities Regulatory Commission (No. 181013), and CSRC decided to agree to the Company’s suspension of the review.

In view of the fact that Jonten had fulfilled the corresponding review procedures and issued the review report in accordance with the regulations, on August 19, 2018, the Company convened the board meeting to deliberate and approve the “Proposal on Resuming the Review about the Application for ‘the Approval of Issuance of Assets by Listed Companies to Purchase Assets’ to the China Securities Regulatory Commission”, and agreed the Company to apply to the China Securities Regulatory Commission for resumption of review.

On 23 August 2018, the Company received a Decision of Anti-monopoly Examination of the Acts of Concentration of Business Operators without Further Examination (Anti- monopoly CS Letter [2018] No.153) from Anti-monopoly Bureau of the State Administration of Market Supervision and Administration, the Bureau agrees to conduct no further examination on the equity acquisition of Shenzhen Cereals Group by the Company, and the Company can implement centralization from now on.

The material assets restructuring should be approved by CSRC and there is no certainty in approval.

XVII. Significant event of subsidiary of the Company

Applicable Not applicable

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Shares

1. Changes in shares

In Share

	Before the Change		Increase/Decrease in the Change (+, -)					After the Change	
	A mount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	A mount	Proportion
I. Restricted shares	29,068,445	5.85%	0	0	0	9,942	9,942	29,078,387	5.85%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2. State-owned corporate shares	13,431,784	2.70%	0	0	0	-13,431,784	-13,431,784	0	0.00%
3. Other domestic shares	15,583,325	3.14%	0	0	0	13,441,727	13,441,727	29,025,052	5.84%
Including: Domestic legal person's shares	15,384,832	3.10%	0	0	0	13,431,784	13,431,784	28,816,616	5.80%
Domestic nature person's shares	198,493	0.04%	0	0	0	9,943	9,943	208,436	0.04%
4. Foreign shares	53,336	0.01%	0	0	0	-1	-1	53,335	0.01%
Including: Foreign corporate shares	0	0.00%	0	0	0	0	0	0	0.00%
overseas nature person's share	53,336	0.01%	0	0	0	-1	-1	53,335	0.01%
II. Un-restricted shares	467,713,858	94.15%	0	0	0	-9,942	-9,942	467,703,916	94.15%
1. RMB common shares	415,964,578	83.73%	0	0	0	-9,942	-9,942	415,954,636	83.73%
2. Domestically listed foreign shares	51,749,280	10.42%	0	0	0	0	0	51,749,280	10.42%
3. Foreign listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Other	0	0.00%	0	0	0	0	0	0	0.00%
III. Total shares	496,782,3	100.00%	0	0	0	0	0	496,782,3	100.00%

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Reasons for share changed

Applicable Not applicable

1. On January 19, 2018, the Company received the notice from the Company's actual controller, Shenzhen State-owned Assets Supervision and Administration Commission: In order to promote the overall strategic adjustment of in Shenzhen municipal state-owned grain and agricultural enterprises, the Shenzhen Municipal People's Government issued SFH [2018] No. 17 on January 18, 2018, agreed to carry out holistic changes to Shenzhen municipal state assets, and transfer 16% equity of Shenshenbao held by Shenzhen Investment Holdings to Fude Capital without compensation. For details, please refer to the "Prompt Announcement of the Company on the Free Transfer of State-owned Shares" disclosed at www.cninfo.com.cn on January 20, 2018.

2. Ms. Li Fang, the original senior manager of the Company, submitted a written resignation report to the Company on May 31, 2018 and immediately took effect. According to the relevant provisions of the "Detailed Rules for Reducing Shareholdings of Shareholders, Directors, Supervisors, and Senior Management of Listed Companies of the Shenzhen Stock Exchange", 9,942 shares of outstanding shares of the Company held by Ms. Li Fang were converted into restricted shares from this date. For details, please refer to the "Announcement of the Company on the Resignation of Senior Management" disclosed at www.cninfo.com.cn on June 2, 2018.

3. Due to the rounding off in the annual recalculation of shares locked by senior executive, the Company's director, Mr. Yan Zesong, of whom one share of the Company was lifted restriction on January 2, 2018; the Company's senior management, Mr. Yao Xiaopeng, of whom one share of the Company was restricted on January 2, 2018.

Approval of share changed

Applicable Not applicable

It has been approved by the State-owned Assets Supervision and Administration Commission of the State Council, the Ministry of Commerce, and the China Securities Regulatory Commission that the 13,431,784 shares of the Company held by Shenzhen Investment Holdings should be transferred to Fude Capital, for details, please refer to the "Announcement on the Progress of the Company's Free Transfer of State-owned Shares" disclosed at www.cninfo.com.cn on February 18, 2018, and the "Announcement of the Company on the Approval of China Securities Regulatory Commission for the Application for the Exemption of Tender Offer Obligations Obtained by Shenzhen Fude State-owned Capital Operation Co., Ltd. and the Progress of Major Assets Restructuring and Delisting" disclosed at www.cninfo.com.cn on March 17, 2018.

Ownership transfer of share changed

Applicable Not applicable

On April 3, 2018, China Securities Depository and Clearing Co., Ltd. completed the transfer of 13,431,784 shares of the Company held by Shenzhen Investment Holdings to Fude Capital. For details, please refer to the "Announcement of the Company on the Completion of Free Transfer of State-owned Shares" disclosed at www.cninfo.com.cn on April 4, 2018.

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

Applicable Not applicable

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

Applicable Not applicable

2. Changes of restricted shares

√ Applicable □ Not applicable

In Share

Shareholders' name	Number of shares restricted at Period-begin	Number of shares released in the Year	Number of new shares restricted in the Year	Number of shares restricted at Period-end	Restriction reasons	Released date
Shenzhen Fude Capital Operation Co., Ltd.	0	0	13,431,784	13,431,784	Restricted shares of share reform	Restrict shares of Shenzhen Investment Holding transfer for free
Shenzhen Investment Holding Co., Ltd	13,431,784	13,431,784	0	0	Restricted shares of share reform	Restricted shares transfer to Fude Capital for free
Yan Zesong	53,336	1	0	53,335	Executives locked-up shares	Shares unlock every year takes 25% of the total shares holding
Li Fang	29,824	0	9,942	39,766	Executives locked-up shares	Found more in "Notice of Senior Executive Resignation" released on Juchao Website dated 2 June 2018
Yao Xiaopeng	33,288	0	1	33,289	Executives locked-up shares	Shares unlock every year takes 25% of the total shares holding
Total	13,548,232	13,431,785	13,441,727	13,558,174	--	--

II. Securities issuance and listing

□ Applicable √ Not applicable

III. Amount of shareholders and particulars about shares holding

In Share

Total common stock shareholders in reporting period-end	71,459	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note8)	0
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Particulars about shares held above 5% by common shareholders or top ten common shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total common shares hold at the end of report period	Changes in report period	Amount of restricted common shares held	Amount of un-restricted common shares held	Number of share pledged/frozen	
							State of share	Amount
Shenzhen Agricultural Products Co., Ltd	Other	19.09%	94,832,294	0	15,384,832	79,447,462		
Shenzhen Fude State-Owned Capital Operation Co., Ltd.	Other	16.00%	79,484,302	79,484,302	13,431,784	66,052,518		
Sun Huiming	Domestic nature person	0.69%	3,403,262	0	0	3,403,262		
Hu Xiangzhu	Domestic nature person	0.45%	2,238,400	328,400	0	2,238,400		
Zhou Jun	Domestic nature person	0.33%	1,636,790	1,636,790	0	1,636,790		
Central Huijin Asset Management Co., Ltd.	State-owned legal person	0.30%	1,472,625	0	0	1,472,625		
Li Qian	Domestic nature person	0.26%	1,278,311	-4,367	0	1,278,311		
Ye Xiuxia	Domestic nature person	0.20%	1,000,230	0	0	1,000,230		
Chen Xianping	Domestic nature person	0.20%	990,000	0	0	990,000		
Gu Fengyuan	Domestic nature person	0.19%	950,300	950,300	0	950,300		
Strategy investors or general corporation comes top 10 common shareholders due to rights issue (if applicable) (see note 3)	N/A							
Explanation on associated relationship among the aforesaid shareholders	Shenzhen SASAC directly holds 100% equity of Fude Capital, and holds 34% of Agricultural Products indirectly through Fude Capital; the Company was not aware of any related relationship between other shareholders above, and whether they belonged to parties acting in concert as defined by the Acquisition Management Method of Listed Company.							

Particular about top ten common shareholders with un-restrict shares held			
Shareholders' name	Amount of un-restrict common shares held at Period-end	Type of shares	
		Type	Amount
Shenzhen Agricultural Products Co., Ltd	79,447,462	RMB common shares	79,447,462
Shenzhen Fude State-Owned Capital Operation Co., Ltd.	66,052,518	RMB common shares	66,052,518
Sun Huiming	3,403,262	Domestically listed foreign shares	3,403,262
Hu Xiangzhu	2,238,400	RMB common shares	2,238,400
Zhou Jun	1,636,790	RMB common shares	1,636,790
Central Huijin Asset Management Co., Ltd.	1,472,625	RMB common shares	1,472,625
Li Qian	1,278,311	RMB common shares	1,278,311
Ye Xiuxia	1,000,230	RMB common shares	1,000,230
Chen Xianping	990,000	RMB common shares	990,000
Gu Fengyuan	950,300	RMB common shares	950,300
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	Shenzhen SASAC directly holds 100% equity of Fude Capital, and holds 34% of Agricultural Products indirectly through Fude Capital; the Company was not aware of any related relationship between other shareholders above, and whether they belonged to parties acting in concert as defined by the Acquisition Management Method of Listed Company.		
Explanation on top 10 shareholders involving margin business (if applicable) (see note 4)	N/A		

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

Yes No

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

IV. Change of controlling shareholder or actual controller

Changes of controlling shareholders in reporting period

Applicable Not applicable

New controlling shareholder	Shenzhen Fude State-Owned Capital Operation Co., Ltd.
Date of change	2018-04-03
Query index in appointed website	"Notice of State-owned Shares Transfer for Free"(Notice No.:2018-27) released on Juchao Website
Disclosure date in appointed website	2018-04-04

Changes of actual controller in reporting period

Applicable Not applicable

The Company had no changes of actual controller in reporting period

Section VII. Preferred Stock

Applicable Not applicable

The Company had no preferred stock in the Period.

Section VIII. Particulars about Directors, Supervisor and Senior Executives

Executives

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

√ Applicable □ Not applicable

Name	Title	Post-holding status	Shares held at period-begin (Share)	Increasing shares held in this period (Share)	Decreasing shares held in this period (Share)	Shares held at period-end (Share)	Number of restricted shares granted at period-begin (share)	Number of restricted shares granted in this period (share)	Number of restricted shares granted at period-end (share)
Yan Zesong	Director, GM	Currently in office	71,114	0	0	71,114	53,336	-1	53,335
Li Fang	Deputy party secretary, deputy SCID, Deputy GM	Office leaving	39,766	0	0	39,766	29,824	9,942	39,766
Yao Xiaopeng	Deputy GM	Currently in office	44,385	0	0	44,385	33,288	1	33,289
Total	--	--	155,265	0	0	155,265	116,448	9,942	126,390

II. Changes of directors, supervisors and senior executives

√ Applicable □ Not applicable

Name	Position	Type	Date	Causes
Wang Li	Director	Election	2018-05-15	Job transfer
Ni Yue	Director	Election	2018-05-15	Job transfer
Wang Huimin	Supervisor	Election	2018-05-15	Job transfer
Liu Zhengyu	Director	Resignation	2018-04-13	Job transfer
Huang Yu	Director	Resignation	2018-04-13	Job transfer
Li Xinjian	Supervisor	Resignation	2018-05-15	Job transfer
Li Fang	Deputy party secretary, SCID, Deputy GM	Dismiss	2018-05-31	Job transfer

Section IX Corporate Bonds

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when semi-annual report approved for released or fail to cash in full on due

No

Section X. Financial Report

I. Audit reports

Whether the semi-annual report was audited or not

Yes No

The financial report of this semi-annual report was unaudited

II. Financial statements

Units in Notes of Financial Statements is RMB

1. Consolidated Balance Sheet

Prepared by Shenzhen Shenbao Industrial Co., Ltd.

2018-06-30

In RMB

Items	Ending balance	Opening balance
Current assets:		
Monetary fund	223,346,666.44	255,961,650.41
Settlement provisions		
Capital lent		
Financial assets measured by fair value and with variation reckoned into current gains/losses	1,173,950.05	1,599,668.20
Derivative financial assets		
Notes receivable		
Account receivable	65,057,127.05	77,193,068.03
Account paid in advance	4,269,088.68	11,787,432.82
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable		
Dividends receivable		
Other receivables	23,327,599.67	23,311,599.67
Purchase restituted finance asset		

Inventory	162,120,133.29	155,306,108.94
Assets held for sale		
Non-current assets due within one year		
Other current assets	32,071,685.68	2,758,494.99
Total current assets	511,366,250.86	527,918,023.06
Non-current assets:		
Loans and payments on behalf		
Available-for-sale financial assets	57,500.00	57,500.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investment	5,063,724.67	5,248,629.66
Investment property	18,165,479.87	18,401,275.03
Fix assets	303,675,729.05	313,742,404.72
Construction in process	864,175.33	134,918.91
Project materials		
Disposal of fixed assets		
Productive biological assets	411,925.10	416,771.28
Oil and natural gas assets		
Intangible assets	183,861,850.82	187,321,246.43
Research and development costs	1,308,711.37	
Goodwill		
Long-term deferred expenses	9,494,951.88	11,136,767.80
Deferred income tax assets	5,479,370.41	5,524,575.14
Other non-current assets	734,465.84	484,108.52
Total non-current assets	529,117,884.34	542,468,197.49
Total assets	1,040,484,135.20	1,070,386,220.55
Current liabilities:		
Short-term loans		10,000,000.00
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into		

current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	26,880,720.28	23,546,074.15
Accounts received in advance	3,762,920.01	2,866,288.61
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	9,686,311.51	14,385,332.90
Taxes payable	6,573,488.08	6,605,186.44
Interest payable		
Dividend payable	2,909,182.74	2,909,182.74
Other accounts payable	33,918,453.99	32,812,938.61
Reinsurance payables		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	83,731,076.61	93,125,003.45
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Accrual liabilities		
Deferred income	11,725,164.61	12,863,139.81
Deferred income tax liabilities	1,100,382.37	1,244,747.03

Other non-current liabilities		
Total non-current liabilities	12,825,546.98	14,107,886.84
Total liabilities	96,556,623.59	107,232,890.29
Owners' equity:		
Share capital	496,782,303.00	496,782,303.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital reserve	358,999,356.28	358,999,356.28
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve	54,736,482.14	54,736,482.14
Provision of general risk		
Retained profit	18,155,796.84	36,402,435.91
Total owners' equity attributable to parent Company	928,673,938.26	946,920,577.33
Minority interests	15,253,573.35	16,232,752.93
Total owners' equity	943,927,511.61	963,153,330.26
Total liabilities and owner's equity	1,040,484,135.20	1,070,386,220.55

Legal Representative: Zheng Yuxi

Person in charge of accounting works: Wang Zhiping

Person in charge of accounting institute: Xu Qiming

2. Balance Sheet of Parent Company

In RMB

Items	Ending balance	Opening balance
Current assets:		
Monetary fund	204,909,638.50	239,662,344.24
Financial assets measured by fair value and with variation reckoned into current gains/losses	1,173,950.05	1,599,668.20

Derivative financial assets		
Notes receivable		
Account receivable	30,642,294.02	53,950,930.37
Account paid in advance	2,000.00	2,000.00
Interest receivable		
Dividends receivable		
Other receivables	175,501,929.20	163,404,561.75
Inventory	5,565,296.97	4,963,517.93
Assets held for sale		
Non-current assets due within one year		
Other current assets	30,022,990.25	
Total current assets	447,818,098.99	463,583,022.49
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investment	921,321,502.00	921,506,982.37
Investment property	18,165,479.87	18,401,275.03
Fix assets	31,999,586.52	32,560,534.94
Construction in process		
Project materials		
Disposal of fixed assets		
Productive biological assets	411,925.10	416,771.28
Oil and natural gas assets		
Intangible assets	6,963,913.95	7,264,135.59
Research and development costs		
Goodwill		
Long-term deferred expenses	516,479.28	623,337.06
Deferred income tax assets	3,446,486.27	3,395,295.39
Other non-current assets		
Total non-current assets	982,825,372.99	984,168,331.66
Total assets	1,430,643,471.98	1,447,751,354.15
Current liabilities:		

Short-term loans		10,000,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	43,762,494.53	65,683,781.46
Accounts received in advance	197,695.57	194,269.96
Wage payable	3,384,755.58	6,577,772.01
Taxes payable	2,487,005.15	2,832,009.17
Interest payable		
Dividend payable	2,909,182.74	2,909,182.74
Other accounts payable	256,275,316.62	225,624,530.71
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	309,016,450.19	313,821,546.05
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Accrual liabilities		
Deferred income	46,684.60	47,239.24
Deferred income tax liabilities	23,220.99	129,650.53
Other non-current liabilities		
Total non-current liabilities	69,905.59	176,889.77
Total liabilities	309,086,355.78	313,998,435.82
Owners' equity:		
Share capital	496,782,303.00	496,782,303.00

Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital reserve	382,444,482.45	382,444,482.45
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve	54,736,482.14	54,736,482.14
Retained profit	187,593,848.61	199,789,650.74
Total owners' equity	1,121,557,116.20	1,133,752,918.33
Total liabilities and owner's equity	1,430,643,471.98	1,447,751,354.15

3. Consolidated Profit Statement

In RMB

Item	Amount in this period	Amount in last period
I. Total operating income	136,721,215.40	138,158,382.95
Including: Operating income	136,721,215.40	138,158,382.95
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	155,026,741.38	159,770,044.15
Including: Operating cost	98,142,437.41	104,400,839.32
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Operating tax and extras	2,699,973.08	2,454,733.49

Sales expenses	18,475,423.94	21,174,407.31
Administration expenses	37,057,054.07	33,082,783.76
Financial expenses	-1,547,896.32	-1,533,397.02
Losses of devaluation of asset	199,749.20	190,677.29
Add: Changing income of fair value(Loss is listed with “-”)	-425,718.15	-990,762.24
Investment income (Loss is listed with “-”)	-184,904.99	1,093,417.06
Including: Investment income on affiliated Company and joint venture	-184,904.99	-159,244.04
Exchange income (Loss is listed with “-”)		
Income from assets disposal (Loss is listed with “-”)	-1,339.93	-21,015.26
Other income	826,872.02	
III. Operating profit (Loss is listed with “-”)	-18,090,617.03	-21,530,021.64
Add: Non-operating income	69,507.48	1,011,697.45
Less: Non-operating expense	79,681.75	22,122.68
IV. Total Profit (Loss is listed with “-”)	-18,100,791.30	-20,540,446.87
Less: Income tax expense	1,125,027.35	36,586.58
V. Net profit (Net loss is listed with “-”)	-19,225,818.65	-20,577,033.45
(i) continuing operation net profit (Net loss is listed with “-”)	-19,225,818.65	-20,577,033.45
(ii)dis-continuing operation net profit (Net loss is listed with “-”)		
Net profit attributable to owner’s of parent Company	-18,246,639.07	-17,759,776.83
Minority shareholders’ gains and losses	-979,179.58	-2,817,256.62
VI. Net after-tax of other comprehensive income		
Net after-tax of other comprehensive income attributable to owners of parent Company		
(I) Other comprehensive income items which will not be reclassified		

subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	-19,225,818.65	-20,577,033.45
Total comprehensive income attributable to owners of parent Company	-18,246,639.07	-17,759,776.83
Total comprehensive income attributable to minority shareholders	-979,179.58	-2,817,256.62
VIII. Earnings per share:		

(i) Basic earnings per share	-0.0367	-0.0357
(ii) Diluted earnings per share	-0.0367	-0.0357

Enterprise combine under the same control in the Period, the combined party realized net profit of 0 Yuan before combination, and realized 0 Yuan at last period for combined party.

Legal Representative: Zheng Yuxi

Person in charge of accounting works: Wang Zhiping

Person in charge of accounting institute: Xu Qiming

4. Profit Statement of Parent Company

In RMB

Item	Amount in this period	Amount in last period
I. Operating income	67,228,720.81	49,271,727.89
Less: Operating cost	63,731,294.22	45,987,989.13
Operating tax and extras	292,769.77	37,532.38
Sales expenses	1,943,060.61	1,562,377.52
Administration expenses	14,366,353.12	9,942,760.18
Financial expenses	-1,565,736.21	-1,563,751.20
Losses of devaluation of asset	203,706.33	194,763.50
Add: Changing income of fair value(Loss is listed with “-”)	-425,718.15	-990,762.24
Investment income (Loss is listed with “-”)	-185,480.37	1,095,403.43
Including: Investment income on affiliated Company and joint venture	-185,480.37	-157,257.67
Income from assets disposal(Loss is listed with “-”)		2,270.24
Other income	554.64	
II. Operating profit (Loss is listed with “-”)	-12,353,370.91	-6,783,032.19
Add: Non-operating income		53,528.63
Less: Non-operating expense	51.64	
III. Total Profit (Loss is listed with “-”)	-12,353,422.55	-6,729,503.56
Less: Income tax expense	-157,620.42	-298,881.44

IV. Net profit (Net loss is listed with “-”)	-12,195,802.13	-6,430,622.12
(i) continuing operation net profit (Net loss is listed with “-”)	-12,195,802.13	-6,430,622.12
(ii) dis-continuing operation net profit (Net loss is listed with “-”)		
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		

6.Other		
VI. Total comprehensive income	-12,195,802.13	-6,430,622.12
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

5. Consolidated Cash Flow Statement

In RMB

Item	Amount in this period	Amount in last period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	178,673,382.75	146,109,487.53
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Write-back of tax received	893,445.54	582,422.91
Other cash received concerning operating activities	4,991,347.26	6,348,302.37

Subtotal of cash inflow arising from operating activities	184,558,175.55	153,040,212.81
Cash paid for purchasing commodities and receiving labor service	103,282,399.62	110,998,020.02
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	38,390,713.80	38,799,120.95
Taxes paid	10,981,751.13	33,095,652.63
Other cash paid concerning operating activities	22,107,840.93	20,580,067.36
Subtotal of cash outflow arising from operating activities	174,762,705.48	203,472,860.96
Net cash flows arising from operating activities	9,795,470.07	-50,432,648.15
II. Cash flows arising from investing activities:		
Cash received from recovering investment		189,350,000.00
Cash received from investment income		1,252,661.10
Net cash received from disposal of fixed, intangible and other long-term assets	8,600.00	31,780.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	8,600.00	190,634,441.10

Cash paid for purchasing fixed, intangible and other long-term assets	1,934,203.80	5,306,174.76
Cash paid for investment	30,000,000.00	270,000,000.00
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	31,934,203.80	275,306,174.76
Net cash flows arising from investing activities	-31,925,603.80	-84,671,733.66
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		
Cash received from loans		10,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities		10,000,000.00
Cash paid for settling debts	10,000,000.00	5,000,000.00
Cash paid for dividend and profit distributing or interest paying	610,098.89	22,904,646.76
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	10,610,098.89	27,904,646.76
Net cash flows arising from financing activities	-10,610,098.89	-17,904,646.76
IV. Influence on cash and cash	125,248.65	-67,341.47

equivalents due to fluctuation in exchange rate		
V. Net increase of cash and cash equivalents	-32,614,983.97	-153,076,370.04
Add: Balance of cash and cash equivalents at the period -begin	255,961,650.41	358,564,242.83
VI. Balance of cash and cash equivalents at the period -end	223,346,666.44	205,487,872.79

6. Cash Flow Statement of Parent Company

In RMB

Item	Amount in this period	Amount in last period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	99,228,621.54	70,267,796.87
Write-back of tax received	737,441.54	433,663.93
Other cash received concerning operating activities	27,633,986.64	34,066,372.91
Subtotal of cash inflow arising from operating activities	127,600,049.72	104,767,833.71
Cash paid for purchasing commodities and receiving labor service	96,230,177.23	63,220,288.40
Cash paid to/for staff and workers	12,384,561.21	13,078,753.60
Taxes paid	2,194,673.02	15,149,260.25
Other cash paid concerning operating activities	11,572,835.91	21,420,055.12
Subtotal of cash outflow arising from operating activities	122,382,247.37	112,868,357.37
Net cash flows arising from operating activities	5,217,802.35	-8,100,523.66
II. Cash flows arising from investing activities:		
Cash received from recovering investment		189,350,000.00
Cash received from investment		1,252,661.10

income		
Net cash received from disposal of fixed, intangible and other long-term assets		
Net cash received from disposal of subsidiaries and other units		31,000.00
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities		190,633,661.10
Cash paid for purchasing fixed, intangible and other long-term assets	18,200.00	133,049.80
Cash paid for investment	30,000,000.00	275,500,000.00
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	30,018,200.00	275,633,049.80
Net cash flows arising from investing activities	-30,018,200.00	-84,999,388.70
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans		10,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities		10,000,000.00
Cash paid for settling debts	10,000,000.00	5,000,000.00
Cash paid for dividend and profit distributing or interest paying	28,710.00	22,904,646.76
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	10,028,710.00	27,904,646.76

Net cash flows arising from financing activities	-10,028,710.00	-17,904,646.76
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	76,401.91	-8,996.28
V. Net increase of cash and cash equivalents	-34,752,705.74	-111,013,555.40
Add: Balance of cash and cash equivalents at the period -begin	239,662,344.24	305,477,853.97
VI. Balance of cash and cash equivalents at the period -end	204,909,638.50	194,464,298.57

7. Statement of Changes in Owners' Equity (Consolidated)

Current period

In RMB

Items	Current period												
	Owners' equity attributable to parent Company											Minority interests	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit		
		Preferred stock	Perpetual capital securities	Other									
I. Balance at the end of the last year	496,782,303.00				358,999,356.28				54,736,482.14		36,402,435.91	16,232,752.93	963,153,330.26
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													

II. Balance at the beginning of this year	496,782,303.00				358,999,356.28				54,736,482.14		36,402,435.91	16,232,752.93	963,153,330.26
III. Increase/Decrease in this year (Decrease is listed with “-”)											-18,246,639.07	-979,179.58	-19,225,818.65
(i) Total comprehensive income											-18,246,639.07	-979,179.58	-19,225,818.65
(ii) Owners' devoted and decreased capital													
1.Common shares invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4.Other													
(III) Profit distribution													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4.Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves													

converted to capital (share capital)													
2. Surplus reserves converted to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI) Others													
IV. Balance at the end of the report period	496,782,303.00				358,999,356.28				54,736,482.14		18,155,796.84	15,253,573.35	943,927,511.61

Last Year

In RMB

Items	Last period												
	Owners' equity attributable to parent Company											Minority interests	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit		
		Preferred stock	Perpetual capital securities	Other									
I. Balance at the end of the last year	451,620,276.00				367,172,017.79				54,736,482.14		158,239,612.94	17,970,173.99	1,049,738,562.86
Add: Changes of accounting policy													

Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	451,620,276.00				367,172,017.79				54,736,482.14		158,239,612.94	17,970,173.99	1,049,738,562.86
III. Increase/Decrease in this year (Decrease is listed with "-")	45,162,027.00				-8,172,661.51						-121,837,177.03	-1,737,421.06	-86,585,232.60
(i) Total comprehensive income											-54,094,136.23	-7,158,791.96	-61,252,928.19
(ii) Owners' devoted and decreased capital					-8,172,661.51							5,421,370.90	-2,751,290.61
1.Common shares invested by shareholders												640,000.00	640,000.00
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4.Other					-8,172,661.51							4,781,370.90	-3,391,290.61
(III) Profit distribution	45,162,027.00											-67,743,040.80	-22,581,013.80
1. Withdrawal of surplus reserves													
2. Withdrawal of													

general risk provisions													
3. Distribution for owners (or shareholders)	45,162,027.00											-67,743,040.80	-22,581,013.80
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves converted to capital (share capital)													
2. Surplus reserves converted to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI) Others													
IV. Balance at the end of the report period	496,782,303.00				358,999,356.28				54,736,482.14		36,402,435.91	16,232,752.93	963,153,330.26

8. Statement of Changes in Owners' Equity (Parent Company)

Current period

In RMB

Items	Current period										
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual	Other							

			capital securities				income				
I. Balance at the end of the last year	496,782,303.00				382,444,482.45				54,736,482.14	199,789,650.74	1,133,752,918.33
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	496,782,303.00				382,444,482.45				54,736,482.14	199,789,650.74	1,133,752,918.33
III. Increase/Decrease in this year (Decrease is listed with "-")										-12,195,802.13	-12,195,802.13
(i) Total comprehensive income										-12,195,802.13	-12,195,802.13
(ii) Owners' devoted and decreased capital											
1.Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4.Other											
(III) Profit distribution											
1. Withdrawal of											

surplus reserves												
2. Distribution for owners (or shareholders)												
3. Other												
(IV) Carrying forward internal owners' equity												
1. Capital reserves converted to capital (share capital)												
2. Surplus reserves converted to capital (share capital)												
3. Remedying loss with surplus reserve												
4. Other												
(V) Reasonable reserve												
1. Withdrawal in the report period												
2. Usage in the report period												
(VI) Others												
IV. Balance at the end of the report period	496,782,303.00				382,444,482.45				54,736,482.14	187,593,848.61	1,121,557,116.20	

Last Year

In RMB

Items	Last Period											
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity	
		Preferred stock	Perpetual capital securities	Other								

I. Balance at the end of the last year	451,620,276.00				382,444,482.45				54,736,482.14	283,746,524.30	1,172,547,764.89
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	451,620,276.00				382,444,482.45				54,736,482.14	283,746,524.30	1,172,547,764.89
III. Increase/Decrease in this year (Decrease is listed with "-")	45,162,027.00									-83,956,873.56	-38,794,846.56
(i) Total comprehensive income										-16,213,832.76	-16,213,832.76
(ii) Owners' devoted and decreased capital											
1.Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4.Other											
(III) Profit distribution	45,162,027.00									-67,743,040.80	-22,581,013.80
1. Withdrawal of surplus reserves											
2. Distribution for owners (or	45,162,027.00									-67,743,040.80	-22,581,013.80

shareholders)											
3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves converted to capital (share capital)											
2. Surplus reserves converted to capital (share capital)											
3. Remedying loss with surplus reserve											
4. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VI) Others											
IV. Balance at the end of the report period	496,782,303.00				382,444,482.45				54,736,482.14	199,789,650.74	1,133,752,918.33

III. Basic situation of Company

1. The history of the Company

Shenzhen Shenbao Industrial Co., Ltd. (the “Company” or “Company” for short), formerly named Shenzhen Shenbao Canned Food Company, obtained approval (Document (1991) No.978) from Shenzhen Municipal People’s Government to change to the present name as on 1 August 1991. Then with the approval (Document (1991)No.126) from People’s Bank of China, the Company began to list on Shenzhen Stock Exchange. The certificate for uniform social credit code: 91440300192180754J

The Company initially issued 107,312,935 shares in the stock exchange. In 1992, one bonus share was dispatched for each 10 shares held by its shareholders, thus totally 10,731,290 shares were increased. In 1993, one bonus share and one allotted share were dispatched for each 10 shares held by its shareholders, thus totally 20,878,845

shares were increased. Subsequently, one bonus share was dispatched for each 10 shares held by shareholders upon the basis of total share capital as at the end of 1996, and capitalizing of capital reserves was carried out at one to ten basis, thus totally 27,784,614 shares were increased. In 2001, based on the total share capital as at the end of 1999, three shares were allotted for each 10 shares held by shareholders, and totally 15,215,404 shares were allotted. The registered capital of the Company amounts to RMB181, 923,088.

On 22 June 2011, the Company privately offering 68,977,066 shares of RMB ordinary share (A share) to target investors with issuing price of RMB 8.70 each while book value of RMB 1.00. Total monetary capital RMB 600,100,474.20 was raised. Change procedures of industrial and commerce has completed on 12 July 2011. Register capital of the Company changed as RMB 250,900,154.00.

On 9 April 2014, the equity allocation plan was deliberated and approved by Annual General Meeting of 2013. Based on 250,900,154 shares dated 31st December 2013, increase 2 shares by each 10 shares transferring to all shareholders. Share capital increased to 301,080,184 shares after transferring.

On 17 May 2016, the equity allocation plan was deliberated and approved by Annual General Meeting of 2015. Based on 301,080,184 shares dated 31st December 2015, increase 5 shares by each 10 shares transferring to all shareholders. Share capital increased to 451,620,276 shares after transferring.

On 15 May 2017, the equity allocation plan was deliberated and approved by Annual General Meeting of 2016. Based on 451,620,276 shares dated 31st December 2016, distributed 0.50 Yuan (tax included) for every 10 shares held by all shareholders with one bonus shares (tax included), no capitalization from public reserves. Shares capital increased to 496,782,303 shares after bonus stock distributed.

End as June 30, 2018, the total share capital of the Company was 496,782,303 shares.

Register address of the Company: 8/F, B Section, 4th Tower, Software Industrial Base, South Technology Park, Xuefu Street, Yuehai Avenue, Nanshan District, Shenzhen, P.R. China.

2. Industry nature

The Company is the food and beverage industry.

3. Business scope

Business scope: production of tea, tea products, extract of tea and natural plant, canned food, beverage and native products (business license for the production place should apply separately); technology development and technology service of tea, plant products, soft beverage and foods; info tech development and supporting service; on-line trading; investment, operation, management and development of tea plantation; investment in industrial projects (apply separately for detail projects); domestic trading(excluding special sales, specific control and

exclusive commodity); import and export business; engaged in real estate development and operation in the land legally obtained; lease and sales of the self-owned property and property management.” (as for the projects subject to examination and approval regulated by the state laws, administrative regulations and state council, approval should be obtained before operation). Business in license: wholesale of prepackaged food (excluding reheating prepackaged food) (in non-physical way).

4. Report approval for the financial statement

The statement has been approved by all directors of the Company dated 24 August 2018 for reporting.

Consolidated financial statement scope

Totally 19 subsidiaries are included in consolidate financial statement, mainly including:

Subsidiaries	Type	Level	Shareholding ratio (%)	Voting rights ratio (%)
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd. (Shenbao Huacheng for short)	Wholly-owned subsidiary	First grade	100	100
Ju Fang Yong Tea Industry Co., Ltd. in Wuyuan County (Wuyuan Ju Fang Yong for short)	Wholly-owned subsidiary	First grade	100	100
Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd. (Shenbao Sanjing for short)	Wholly-owned subsidiary	First grade	100	100
Huizhou Shenbao Science & Technology Co., Ltd. (Huizhou Shenbao Science & Technology for short)	Wholly-owned subsidiary	First grade	100	100
Shenzhen Shenbao Properties Management Co., Ltd.(Shenbao Properties for short)	Wholly-owned subsidiary	First grade	100	100
Shenzhen Shenbao Industrial & Trading Co., Ltd.(Shenbao Industrial & Trading for short)	Wholly-owned subsidiary	First grade	100	100
Hangzhou Ju Fang Yong Holding Co., Ltd. (Hangzhou Ju Fang Yong for short)	Wholly-owned subsidiary	First grade	100	100
Shenzhen Shenbao Technology Center Co., Ltd.(Shenbao Technology Center for short)	Wholly-owned subsidiary	First grade	100	100
Shenzhen Shenshenbao Investment Co., Ltd.(Shenshenbao Investment for short)	Wholly-owned subsidiary	First grade	100	100
Yunnan Shenbao Pu'er Tea Supply Chain Management Co., Ltd.(Yunnan Supply Chain for short)	Wholly-owned subsidiary	First grade	100	100
Huizhou Shenbao Food Co., Ltd.(Huizhou Shenbao Food for short)	Wholly-owned subsidiary	First grade	100	100
Yunnan Pu'er Tea Trading Center Co., Ltd. (Pu'er Tea Trading Center for short)	Holding subsidiary	First grade	55	55
Mount Wuyi Shenbao Rock Tea Co., Ltd. (Shenbao Rock Tea for short)	Wholly-owned subsidiary	Second grade	100	100
Hangzhou Fuhaitang Tea Ecological Technology Co.,	Wholly-owned	Second grade	100	100

Ltd. (Fuhaitang Ecological for short))	subsidiary			
Hangzhou Chunshi Network Technology Co.,Ltd. (Chunshi Network for short)	Wholly-owned subsidiary	Second grade	100	100
Shenzhen Shenshenbao Tea Culture Management Co., Ltd. (Shenshenbao Tea Culture for short)	Wholly-owned subsidiary	Second grade	100	100
Hangzhou Jufangyong Trading Co., Ltd. (Jufangyong Trading for short)	First grade	Second grade	60	60
Shenzhen Shenbao Tea-Shop Co., Ltd. (Shenbao Tea-Shop for short)	Wholly-owned subsidiary	Second grade	100	100
Hangzhou Fuhaitang Catering Management chain Co., Ltd. (Fuhaitang Catering for short)	Wholly-owned subsidiary	Second grade	100	100

1. Subsidiary excluded in consolidated financial statement

(1) Shenzhen Shenbao (Liaoyuan) Industrial Company has established for a long time without normal operation, Industry and Commerce Bureau has canceled the business license of the Company, the long-term equity investment for the Company has been accrual for impairment totally. Financial statement of the Company is out of the consolidation range.

(2) Huizhou Baomanan Biotechnology Co., Ltd. (Former Shenzhen Baomanan Biotechnology Co., Ltd.) is a subsidiary of the Company, set up by Huizhou Shenbao Technology and Guangzhou Shen Guangsheng biotechnology limited liability Company, according to the contract signed by both parties on March 28, 2014, Huizhou Shenbao Technology does not have the right to manage this Company, thus it is accounted by the equity method.

(3) Shenzhen Shichumingmen Restaurant Management Co., Ltd. (hereinafter referred to as "Shichumingmen Company"), set up by a subsidiary of the Company Shenshenbao tea culture and Shenzhen Investment Co., Ltd. F. according to Articles of Association, the Board of Directors to vote by one vote one person. Attendees to the board of directors should be more than 2/3 of the whole number of directors, and all participants approve the resolution thus it is effective. The Company only accounted for 3/5 of the voting rights in Shichumingmen Company, control can not be reached, so it is accounted for by the equity method.

IV. Basis of preparation of financial statements

1. Basis of preparation

Based on continuing operation, the Company conducts recognition and measurement according to actual occurrence of transactions and issues, pursuant to the accounting principles for enterprise-basic rules and specific accounting principle as well as the application guidance for the accounting principles for enterprise, interpretation to the accounting principles for enterprise and other related requirements (hereinafter referred to as Enterprise Accounting Principles) issued by the ministry of finance, on that basis, combining the Information Disclosure

Preparation Rules for Company Public Issuing Securities No.15-General Rules for Financial Report (amended in 2014) of the CSRC for statement preparation.

2. Going concern

The Company was evaluated on continued viability of 12 months for the reporting period and found to have no significant doubt. Accordingly, the financial statements have been prepared on the basis of going concern assumptions.

V. Major accounting policy, accounting estimation

Specific accounting policies and estimation attention:

Nil

1. Statement for observation of Accounting Standard for Enterprise

The financial statements prepared by the Company are in accordance to requirements of Accounting Standard for Enterprise, which truly and completely reflect the information related to financial position, operational results and cash flow of the Company.

2. Accounting period

Calendar year is the accounting period for the Company, that is falls to the range starting from 1 January to 31 December.

3. Operating cycle

Operating cycle of the Company was 12 months, and the operating cycle is the determining criterion for liquidity of assets and liabilities.

4. Standard currency

The Company and its subsidiaries take RMB as the standard currency for bookkeeping.

5. Accounting treatment for business combinations under the same control and those not under the same control

1. If the terms, conditions, and economic impact of each transaction involved in business combination achieved in stages fall within one or more of the following situations, such transactions will be accounted for as a package deal:

- (1) Such transactions are entered into simultaneously or in the case of considering the impact of each other;
- (2) Such transactions as a whole in order to reach a complete business results;

- (3) The occurrence of a transaction subject to that of at least one other transaction;
- (4) One transaction alone is not economic, but otherwise when considered with other transactions.

2. Business combination under the same control

The assets and liabilities the Company acquired in a business combination shall be measured in accordance with book value of assets, liabilities (including the ultimate controlling party of goodwill acquired by the merging parties and the formation of) stated in combined financial report of the ultimate controlling party on the merger date. The net book value of assets and the payment of the merger consideration in the merger book value (or nominal value of shares issued) shall be adjusted in the share premium of reserve capital. the share premium in capital reserve is not enough for deducting, retained earnings .

If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. In case there is existence of contingent consideration which needs to confirm projected liabilities or assets, then the difference between the projected liabilities or assets and settlement amount for consequent contingent consideration is utilized to adjust capital reserve (capital premium or equity premium); in case of insufficient capital reserve, adjust retained earnings.

As for business combination realized through numbers of transactions, and if these transactions belong to a bundle of transactions, then each of them shall be accounted as a transaction to acquire controlling right; and if not belong to a bundle of transactions, then the difference between the initial investment cost of the long term equity investment as of the date on which the Company obtains controlling right and the carrying value of the long term equity investment prior to combination plus the carrying value of the new consideration paid for further acquisition of shares as of the combination date shall be used to adjust capital reserve; in case of insufficient capital reserve, adjust retained earnings. For equity investment held prior to the combination date, the other comprehensive income recognized due to calculation by equity method or based on recognition and measurement principles for financial instruments would not be accounted for temporarily until the Company disposes of this investment on the same basis as the investee directly disposes of relevant assets or liabilities; other changes of owners' equity in the net assets of investee as recognized under equity method, except for net profit or loss, other comprehensive income and profit distribution, shall not be accounted for until being transferred to current profit or loss when this investment is disposed of.

3. Business combination not under the same control

Purchase date refers to the date on which the Company actually obtains control over the acquiree, that is, the date when the acquiree's net assets or control of production and business decisions are transferred to the Company. When satisfying the following conditions at the same time, the Company generally believes that the transfer of control rights has been achieved:

- ① The business merger contract or agreement has been approved by the Company's internal authority.
- ② Business merger matters need to be approved by the relevant national competent authority, and approval has

been obtained.

- ③ The necessary procedures for the transfer of property rights have been completed.
- ④ The Company has paid most of the merger cost and has the ability and plan to pay the remaining amount.
- ⑤ The Company has actually controlled the finance and operating policies of the acquiree, and enjoys corresponding benefits and assumes corresponding risks.

Assets paid and liabilities taken for business combination on the acquisition date shall be measured at fair value. The difference between the fair value and book value is recognized in profit or loss.

Goodwill is realized by the Company as for the difference between the combination cost and the fair value of the recognizable net assets of the acquiree acquired by acquirer in such business combination. In case that the above cost is less than the above fair value even with re-review, then the difference shall be recorded in current gains and losses.

As for the business combination not under the same control realized through several exchange transactions step by step, part of the package deal, than carrying accounting treatment on transactions with controlling rights obtained through vary transactions; as for non-package: for equity investment held prior to combination date which is calculated under equity method, the sum between carrying value of the equity investment prior to acquisition date and cost of additional investment made on the acquisition date is deemed to be the initial investment cost of this investment. Other comprehensive income recognized for equity investment held prior to combination date under equity method shall be accounted for when the Company disposes of this investment on the same basis as the investee directly disposes of relevant assets or liabilities. In case that equity investment held prior to combination date is calculated based on recognition and measurement principles for financial instruments, then the fair value of this equity investment as of combination date plus new investment cost shall be deemed as initial investment cost. The difference between fair value and carrying value of the originally held equity interests and the accumulated fair value movements as originally recorded in other comprehensive income shall be all transferred to investment income of the period in which the combination date falls.

4. Expenses related to the merger

Audit, legal, consulting services, and other intermediary costs and other expenses directly related to the business combination, shall be included in current profit or loss in the event; any transaction fee for issuing equity securities for business combination which can be directly attributable to the equity transaction shall be deducted from equity.

6. Methods for preparation of consolidated financial statements

1. Merger scope

The consolidation scope of the consolidated financial statements of the Company is fixed on the basis of control, and all subsidiaries have been consolidated.

2. Merger procedure

The Company edits the consolidated financial statements based on its own financial statements and the subsidiaries', as well as other relevant information. The consolidated financial statements hold the enterprise group as a whole accounting entity. It is recognized in accordance with relevant Accounting Standards, measurement and presentation requirements. Uniform accounting policies reflect the overall financial position of the Group's business, operating results and cash flow.

The accounting policies and accounting period adopted by the subsidiaries taken into account of the consolidation scope are in line with the Company. If it is not the same as the Company, necessary adjustments will be made when preparing consolidated financial statements according to the accounting policy and accounting period of the Company.

Internal transactions between the Company and its subsidiaries and between subsidiaries to each other shall put impact on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, the consolidated shareholders' equity. The impact shall be offset when combing financial statements. If it is not the same when you stand Enterprise Group and the angle of the Company or its subsidiaries as the accounting entity identified on the same transaction, the business point of view shall be adjusted to the Group's transactions.

Subsidiary's equity, current net profits or losses and current comprehensive income belonging to minority shareholders shall be listed respectively under item of owners' equity in the consolidated balance sheet, item of net profit in profit sheet and item of total comprehensive income. Current loss minority shareholders of a subsidiary exceed the minority shareholders in the subsidiary's opening owners' equity share and the formation of balance, offset against minority interests.

For the subsidiaries acquired through business combination under common control, its assets and liabilities (including goodwill formed from ultimate controlling party acquiring the subsidiary to) shall be adjusted based on the book value in the financial statements of the ultimate controlling party.

For the subsidiaries acquired through business combination under uncommon control, financial statements shall be adjusted based on the fair value of the identifiable net assets on acquiring date.

1. Increase of subsidiary or business

During the reporting period, the merger of the enterprises under the same control results in additional subsidiaries or business, then adjust the opening amount of consolidated balance sheet; income, expenses and profit of the subsidiaries or business from beginning to the end of the reporting shall be included in the consolidated profit

statement; cash flows of the subsidiaries or business from beginning to the end of reporting period shall be included into the consolidated cash flow statement. And relevant comparative items of comparable statement shall be adjusted since reporting entity is controlled by the ultimate controller.

If additional investment and other reasons can lead investee to be controlled under the same control, all parties shall be adjusted at the beginning when the ultimate controlling party starts control. Equity investments made before obtaining controlling right, relevant gains and losses and other comprehensive income as well as other changes in net assets confirmed during the latter date between point obtaining original equity and merger and merged under the same control day to the combined day, shall be offset against the retained earnings or profit or loss of the comparative reporting period.

During the reporting period, opening amount of consolidated balance sheet shall not be adjusted since enterprise under different control combine or increase holding of subsidiary or business; the income, expense and profit of the subsidiaries or business from the acquisition date to the end of reporting period shall be included in the consolidated profit statement; while cash flows shall be included into the consolidated cash flow statement.

Equity held from investee before acquisition date shall be measured at fair value of acquisition date if additional investment and other reasons can lead investee to be controlled under the same control. Difference between the fair value and the book value is recognized as investment income. other comprehensive income and other owners' equity except for net profit or loss, other comprehensive income and the distribution of profits related to equity held from investee before acquisition date, as well as relevant other comprehensive income associated with all other by changes in equity shall be included in current investment income, except for other comprehensive income arising from change of net assets or net liabilities redefined by investee.

2. Disposal of subsidiaries or business

1) The general approach

During the reporting period, the Company carry out disposal of subsidiaries or business, revenue, expense and profit of the subsidiary or business included in the consolidated profit statement from the beginning to the disposal date; while the cash flow into cash flow table.

If losing controlling right to investee due to disposal of partial equity, the remaining equity after the disposal shall be re-measured at fair value at the date when control is lost. Price of equity disposal plus fair value of the remaining equity, then subtracting net assets held from the former subsidiary from the acquisition date or combination date initially measured in accordance with original stake and goodwill, the difference shall be included in investment income of the period losing controlling right. other comprehensive income and other owners' equity except for net profit or loss, other comprehensive income and the distribution of profits related to equity held from investee before acquisition date, as well as relevant other comprehensive income associated with all other by changes in equity shall be included in current investment income, except for other comprehensive

income arising from change of net assets or net liabilities redefined by investee.

2) Step disposal of subsidiaries

As multiple transactions over disposal of the subsidiary's equity lead to loss of controlling right, if the terms of the transaction, situation and economic impact subject to one or above of the following conditions, usually it indicates repeated transactions should be accounted for as a package deal:

- A. These transactions are made considering at the same time or in the case of mutual impact;
- B. These transactions only reach a complete business results when as a whole;
- C. A transaction occurs depending on the occurrence of at least one other transaction;
- D. Single transaction is not economical, but considered together with other transactions it is economical.

If disposal of equity in subsidiaries lead the loss of control and the transactions can be seen as a package deal, the Company will take accounting treatment of the transaction; however, before the loss of control the difference between the disposal price and the corresponding net assets of the subsidiary, recognized as other comprehensive income in the consolidated financial statements, into current profit and loss at current period when losing controlling right.

If disposal of equity in subsidiaries lead the loss of control and the transactions doesn't form a package deal, equity held from subsidiary shall be accounted in accordance with relevant rules before losing controlling right, while in accordance with general accounting treatment when losing controlling right.

3. Purchase of a minority stake in the subsidiary

Long-term equity investment of the Company for the purchase of minority interests in accordance with the newly acquired stake in the new calculation shall be entitled to the difference between the net assets from the acquisition date (or combination date) initially measured between the consolidated balance sheet adjustment capital balance of the share premium in the capital reserve share premium insufficient, any excess is adjusted to retained earnings.

4. Disposal of equity in subsidiary without losing control

Disposal price and disposal of long-term equity investment without a loss of control due to partial disposal of subsidiaries and long-term equity investment made between the relative net assets from the purchase date or the date of merger were initially measured at the difference between the subsidiary shall enjoy, the consolidated balance sheet adjustment in the balance of the share premium, capital balance of the share premium insufficient, any excess is adjusted to retained earnings.

7. Classification of joint venture arrangement and accounting for joint operations

1. Classification of joint venture arrangement

The Company classifies joint venture arrangement into joint operations and joint ventures based on the structure, legal form, agreed terms of the arrangement and other related facts and conditions.

Joint venture arrangement not concluded through separate entity is classified as joint operation; and those concluded through separate entity are generally classified as joint ventures. However, joint venture arrangement which meets any of the following conditions as proven by obvious evidence and satisfies relevant laws and rules is grouped as joint operation:

1. The legal form of the arrangement shows that parties to the arrangement are entitled to and assume rights and obligations in respect of the relevant assets and liabilities.
2. It is agreed by the terms of the arrangement that parties to the arrangement are entitled to and assume rights and obligations in respect of the relevant assets and liabilities.
3. Other related facts and conditions show that parties to the arrangement are entitled to and assume rights and obligations in respect of the relevant assets and liabilities. For instance, joint parties are entitled to almost all the output related to joint venture arrangement and settlement of the liabilities under the arrangement continues to rely on supports from the joint parties.

2. Accounting for joint operations

The Company recognizes its proportion of interests in joint operation as related to the Company, and accounts for under relevant business accounting principles:

- (1) To recognize separately-held assets and jointly-held assets under its proportion;
- (2) To recognize separately-assumed liabilities and jointly-assumed liabilities under its proportion;
- (3) To recognize revenue from disposal of the output which the Company is entitled to under the proportion;
- (4) To recognize revenue from disposal of the output under the proportion;
- (5) To recognize separately occurred expenses, and to recognize expenses occurred for joint operations under its proportion.

For injection to or disposal of assets of joint operations (other than those assets constituting business operation), gain or loss arising from the transaction is only recognized to the extent it is attributable to other parties to the joint operation before the joint operation is sold to any third party. In case those assets injected or disposed satisfy the condition for asset impairment loss under Business Accounting Principle No.8-Assets Impairment, the Company recognizes this loss in full.

For acquisition of assets from joint operations (other than those assets constituting business operation), gain or loss arising from the transaction is only recognized to the extent it is attributable to other parties to the joint operation before the relevant assets are sold to any third party. In case that the acquired assets satisfy the condition for asset impairment loss under Business Accounting Principle No.8-Assets Impairment, the Company recognizes relevant loss according to the proportion it assumes.

The Company exercises no common control over joint operations. If the Company is entitled to relevant assets of the joint operation and assure relevant liabilities, it shall be accounted for under the above principle, otherwise it would be accounted for under the relevant business accounting principles.

8. Recognition standards for cash and cash equivalents

When preparing cash flow statement, the Company recognized the stock cash and deposits available for payment at any time as cash, and investments featuring with the following four characters at the same time as cash equivalents: short term (expire within 3 months commencing from purchase day), active liquidity, easy to convert to already-known cash, and small value change risks.

9. Foreign currency business and conversion of foreign currency statement

For the foreign currency business, the Company converts the foreign currency into RMB for book-keeping based on spot exchange rate at date of trading occurred.

On balance sheet date, balance of foreign currency monetary items shall be converted based on the spot rate as at the balance sheet date, and the arising exchange difference shall be recorded in current gains and losses other than those arising from the special foreign currency borrowings related to purchasing assets qualifying for capitalization which is treated under the principle of borrowing expense capitalization. As for the foreign currency non-monetary items measured in historical cost, conversion is still conducted with the spot rate as at the transaction date, without any change to its functional currency. As for the foreign currency non-monetary items measured in fair value, conversion is conducted with the spot rate as at the date for determination of fair value, and the arising exchange difference shall be recorded in current gains and losses or capital reserve.

As for the foreign currency non-monetary items measured in fair value, conversion is conducted with the spot rate as at the date for determination of fair value, and the arising exchange difference shall be recorded in current gains and losses or capital reserve.

10. Financial instruments

Financial instruments include financial assets, financial liabilities and equities instruments.

1. Categories of financial instruments

According to the contract terms of the financial instrument issued and economic substance reflects by such instrument, not only in form of law, combine with purposes held for financial assets and liabilities, the Company categorizes financial assets and liability into different types: financial assets (or financial liabilities) at fair value through current gains and losses; accounts receivable; financial assets available for sale; other financial liabilities, etc.

2. Recognition and measurement for financial instrument

1. Financial assets or liabilities at fair value through profit or loss

Financial assets or liabilities at fair value through profit or loss include transactional financial assets or financial liabilities and financial assets or liabilities directly designated at fair value through profit or loss.

Transactional financial assets or financial liabilities refer to those meeting any of the following conditions:

- 1) Purpose for holding the assets or liabilities are to disposal, repurchase or redemption in a short time;
- 2) Constitute part of the identifiable financial instrument group for central management, and there is objective evidence proving that the Company manages this group in a short-time-return way recently;
- 3) Belong to derivative financial instrument, other than those derivatives designated as effective hedge instruments, belonging to financial guarantee contracts and those linked to equity instrument investment which is not quoted in an active market and whose fair cannot be measured reliably and the settlement of which is conditional upon delivery of the equity instrument.

Subject to satisfaction of any of the following conditions, financial assets or liabilities can be designated as financial assets or liabilities at fair value through profit or loss upon initial measurement:

- 1) The designation can eliminate or substantially eliminate the inconsistencies between profit and loss from the financial assets arising from different measurement basis;
- 2) The portfolio of financial assets and liabilities in which the financial asset belongs to are designated as measured at fair value in the risk management report or investment strategic report handed in to key management personnel;
- 3) Hybrid instruments which contains one or more embedded derivatives, unless the containing of embedded derivatives does not have substantial effect on the cash flows of the hybrid instruments, or the embedded derivatives obviously should not be separated from relevant hybrid instruments;
- 4) Hybrid instruments which contains embedded derivatives that should split, but cannot be measured separately when acquired or on the subsequent balance sheet date.

The Company initially measures financial assets or liabilities at fair value through profit or loss at their fair values when acquiring the assets or liabilities (after deducting cash dividend already declared but not paid or bond interests which is due for interest payment but not received), and the relevant transaction fee is included in current profit or loss. Interest or cash dividend acquired during the holding period shall be recognized as investment income, and movement of fair value at the end of period is included in current profit or loss. Upon disposal, the difference between its fair value and initial accounting amount shall be recognized as investment income, with corresponding adjustment to gains and losses from movement of fair value.

1. Account receivables

Account receivable refers to the non-derivative financial assets without price in active market and with amount to be fixed or to be determined

The contract price charged to the buyers shall be recognized as initial value for those account receivables which mainly comprise the receivable creditor's right caused by the sale of goods and providing of labor service to external customers by the Company, and receivables in other companies excluding debt instruments priced in active markets, includes but not limited to trade receivables, notes receivables, account paid in advance, other receivables and advance payment. If characterized as of financing nature, the initial recognition shall be priced at

the present value.

Upon disposal, the difference between the sale value and the book value of the receivables shall be accounted into current profit or loss on its recovery or disposal.

2. Held-to-maturity investment

The non-derivative financial assets with maturity date, fix return amount or amount able to determined, and the Company held with specific intention and ability.

The Company takes the sum of fair value (after deducting bond interests which is due for interest payment but not received) and related transaction fee as initial recognition amount in respect of held-to-maturity investment upon acquisition of the investment. During the holding period, the Company recognizes interest income at amortized cost and effective interest rate which is included in investment income. The effective interest rate is determined upon acquisition of the investment and remains unchanged for the expected continuous period or appropriate shorter period. Difference between sale price and carrying value of the investment is included in investment income.

If held-to-maturity investment is disposed or reclassified as other types of financial asset, and the relevant amount is relatively bigger than the total amount of our all held-to-maturity investments prior to disposal or reclassification, the remaining held-to-maturity investments shall be reclassified as available-for-sale financial assets immediately following such disposal or reclassification. On the reclassification date, difference between the carrying value and fair value of the investment is included in other comprehensive income and is transferred out into current profit or loss when the available-for-sale financial assets experience impairment or derecognition. However, the followings are exceptions:

- 1) The date of disposal or reclassification is approaching to the date of expiration or redemption of the investment (such as three months prior to expiration), and change of market rate has no material influences over the fair value of the investment.
- 2) Company has already recovered nearly all initial principal under the repayment means as agreed in contract.
- 3) Disposal or reclassification is arising from separate matters which are out of our control, which are expected not to occur repeatedly and which are difficult to predict reasonably.

3. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale upon initial recognition and financial assets other than other categories of financial assets.

The Company initially measures available-for-sale financial assets at the sum between their fair values when acquiring the assets or liabilities (after deducting cash dividend already declared but not paid or bond interests which is due for interest payment but not received) and the relevant transaction fee. Interest or cash dividend

acquired during the holding period shall be recognized as investment income. Gains or losses arising from movement of fair value is directly included in other comprehensive income except for impairment loss and exchange difference arising from foreign currency monetary financial assets. When disposing available-for-sale financial assets, the Company includes the difference between the acquired price and carrying value of the financial assets into investment profit or loss. Meanwhile, accumulated fair value movement attributable to the disposed part which is originally directly included in other comprehensive income is transferred out and included investment profit or loss.

For equity instrument investment which is not quoted in an active market and whose fair value cannot be reliably measured, and derivative financial assets which are linked to the equity instrument and whose settlement is conditional upon delivery of the equity instrument, they are stated at cost by the Company.

4. Other financial liabilities

Initial recognition amount is determined at the sum of fair value and relevant transaction fee. Subsequent measurement is conducted at amortized cost.

3. Confirmation evidence and measurement methods for transfer of financial assets

When transfer of financial assets occurs, the Company shall stop recognition of such financial assets if all risks and remunerations related to ownership of such financial assets have almost been transferred to the receiver; while shall continue to recognize such financial assets if all risks and remunerations related to ownership of such financial assets have almost been retained.

When judging whether or not the aforesaid terminal recognition condition for financial assets is arrived at for transfer of financial assets, the Company generally adopts the principle that substance overweighs format. The Company divides such transfer into entire transfer and part transfer. As for the entire transfer meeting condition for discontinued recognition, balance between the following two items is recorded in current gains and losses:

- (1) Carrying value of financial assets in transfer;
- (2) Aggregate of the consideration received from transfer and accumulative movements of fair value originally recorded in owners' equity directly (applicable when financial assets involved in transfer belong to financial assets available for sale).

As for the part transfer meeting condition for discontinued recognition, entire carrying value of financial assets in transfer is shared by discontinued recognition part and continued recognition part, in light of their respective fair value. Balance between the following two items is recorded in current gains and losses:

- (1) Carrying value of discontinued recognition part;
- (2) Aggregate of the consideration of discontinued recognition part and amount of such part attributable to accumulative movements of fair value originally recorded in owners' equity directly (applicable when financial assets involved in transfer belong to financial assets available for sale).

Financial assets are still subject to recognition if transfer of such assets doesn't satisfy the condition for discontinued recognition. And consideration received is recognized as financial liability.

4. De-recognition condition for financial liability

As for the financial liabilities with its whole or part present obligations released, the Company shall de-realize such financial liabilities or part of it. if the Company enters into agreement with its creditor to substitute for the existing financial liabilities by means of assuming new financial liabilities, then the Company shall de-realize the existing financial liabilities and realize the new financial liabilities provided that the contract clauses of the new and the existing financial liabilities are different in substance.

If the Company makes substantial amendment to the whole or part contract clauses of the existing financial liabilities, it shall de-realize the existing financial liabilities or part of it. Meanwhile, the financial liabilities with amendment to its clauses shall be realized as new financial liabilities.

In case of derecognizing of financial liabilities in whole or part, the difference between the carrying value of such de-realized financial liabilities and consideration paid (including the non-cash assets exchanged or new financial liabilities assumed) shall be recorded in current gains and losses.

In case that the Company repurchases part of financial liabilities, based on the comparative fair value of the continuing recognition part and the derecognizing part, the Company shall allocate the carrying value of the financial liabilities in whole on the repurchase date. Difference between the carrying value allocated to the derecognizing part and the consideration paid (including the non-cash assets exchanged or new financial liabilities assumed) shall be recorded in current gains and losses.

5. Determination method for fair value of financial assets and financial liabilities

As for the financial assets or financial liabilities with an active market, the fair value is determined by the offer of the active market; the offer of the active market includes the offers of underlying assets or liabilities easily and regularly obtained from the exchange, the dealer, the broker, the industry group, the pricing institution or the regulatory body, which can represent the market transactions actually and frequently occur on the basis of fair trade.

The initial acquisition or financial assets or financial liabilities assumed, market transaction price to determine the fair value basis.

There is no active market for a financial asset or financial liability, the valuation techniques to determine its fair value. At the time of valuation, the Company adopted applicable in the present case and there is enough available data and other information technology to support valuation, assets or liabilities of feature selection and market participants in the trading of the underlying asset or liability considered consistent input value and priority as the relevant observable inputs. Where relevant observable inputs can not get or do not get as far as practicable, the use

of unobservable inputs.

6. Provision of impairment reserve for impairment of financial assets (excluding account receivables)

The Company reviews the carrying value of the financial assets (excluding those measured by fair value and the change thereof is recorded in current gains and losses) on the balance sheet date, if there is objective evidence showing impairment of the financial assets, it shall provide impairment reserve.

Objective evidence that a financial asset is impaired includes the following observable events:

1. Significant financial difficulty of the issuer or obligor;
2. A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
3. The creditor, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
4. It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
5. The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
6. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the country or geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;
7. Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
8. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;

Details for impairment of financial assets are set out below:

(1) Impairment provision for available-for-sale financial assets

The Group has separately tested various available-for-sale equity instruments at the balance sheet date. It will be defined as impairment if the fair value is lower than the initial investment cost by more than 50% (including 50%) or the low state has lasted for no less than 1 year. While the lower proportion is between 20% and 50%, the Group will take other factors such as price fluctuation into consideration to estimate whether the equity instrument has impaired or not.

Initial segment of the "cost" of the sale of equity instruments in accordance with available cost less any principal repayment and amortization, impairment loss has been included in determining profit or loss; The fair value of the available-for-sale equity instrument investment without an active market is determined by the present value determined on the basis of the current market return similar to financial assets versus the future discounted cash; the fair value of available-for-sale equity instrument investment with offers in the active market is determined by the closing price of the stock exchange at the end of the period, unless this available-for-sale equity instrument

investment has a restricted stock trade period. For the presence of restricted investments in equity instruments available for sale, according to the end of the closing price of the stock exchange market participants by deducting the risk equity instrument within a specified period cannot be sold on the open market and the requirements to obtain compensation.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognized in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If there are objective evidences showing that the value of available-for-sale debt instrument is recovered and it relates to the matters happened after the impairment loss recognition, the impairment loss recognized shall be reversed and accounted in current profit or loss. Impairment losses recognized for equity instrument investments classified as available-for-sale are reversed through equity. However, impairment loss occurred by equity instrument investment which is not quoted in an active market and whose fair value cannot be measured reliably and derivative financial assets which are linked to the equity instrument and whose settlement is conditional upon delivery of the equity instrument, shall not be reversed.

(2) Impairment provision for held-to-maturity investment

For held-to-maturity investment, if there is object evidence showing the investment is impaired, then impairment loss is determined based on the difference between its fair value and present value of predicted future cash flow. After provision, if there is evidence showing its value has been restored, the originally recognized impairment loss can be reversed and included in current profit or loss, provided that the reversed carrying value shall not exceed the amortized cost of the financial asset as at reversal date assuming no impairment provision had been made.

7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are stated in balance sheet separately without inner-offset. However, the net amount after inner offset is stated in balance sheet date when the following conditions are all met:

- (1) The Company has legal right to offset recognized amount and the right is enforceable;
- (2) The Company plans to settle on a net basis, or simultaneously realize the financial assets and settle the financial liabilities.

11. Account receivable

(1) Account receivable with single significant amount and withdrawal single item bad debt provision

Account with single significant amount	Amount occupied 10 percent (including 10 percent) of the balance of account receivable.
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Withdrawal method for bad debt provision of account receivable with single significant amount	Conducted impairment testing separately, balance between the present value of future cash flow and its carrying value, bad debt provision withdrawal and reckoned into current gains/losses. For those without impairment being found after test, collected into relevant combination for accrual.
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(2) Accounts receivable whose bad debts provision was accrued by combination based on credit risk characteristics portfolio

Combination	Bad debt provision accrual
Party composition within the scope of consolidation related	Other method
Aging of accounts group	Age analysis method

Group with bad debt provision accrual by aging:

Applicable Not applicable

Age	Accrual ratio	Accrual ratio for other receivable
Within one year (one year included)	0.00%	0.00%
1—2 years	5.00%	5.00%
2—3 years	10.00%	10.00%
Over 3 years	15.00%	15.00%
3—4 years	15.00%	15.00%
4—5 years	15.00%	15.00%
Over 5 years	15.00%	15.00%

In combination, withdrawal proportion of bad debt provision based on balance proportion

Applicable Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods:

Applicable Not applicable

(3) Account receivable with minor single amount but with withdrawal bad debt provision for single item

Reasons for provision of bad debt reserve	There is objective evidence that the Company will not be able to recover the money under the original terms of receivables.
Provision method of bad debt reserve	Withdrawn according to the difference between present value of expected future cash flows and the book value of the receivables.

12. Inventories

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

No

1. Classification

Inventory means finished goods and merchandise that are ready for sale, work-in-progress, or material used in the process of production or provision of service in the ordinary course of business. Inventory includes merchandise in warehouse, delivered goods, work- in-progress, raw materials, subcontracted materials, packages, etc.

2. Valuation method

Inventory carried initial measured by cost, including purchasing cost, processing cost and other costs. The inventory in transit was valued by weighted average method.

3. Recognized standards of the net realizable value for inventory and withdrawal method on provision of inventory

After inventory at period-end, the inventories are accounted depending on which is lower between the cost and the net realizable value or adjusted the provision of inventory. The net realizable value of inventory products and sellable materials, in normal business production, is measured as the residual value after deducting the estimated sales expense and related taxes and fees from the estimated selling price; the net realizable value of an item of inventories subject to further processing, in normal business production, is measured as the residual value after deducting the sum of the estimated costs of completion, sales expense and related taxes and fees from the estimated selling price of the sellable item. The net realizable value of the quantity of inventories held to satisfy firm sales or service contracts is based on the contract price. If the sales contracts are for less than the inventory quantities held, the net realizable value of the excess is based on general selling prices.

An impairment allowance, if any, is generally individually recognized for each type of inventories at period-end except: For an individual impairment allowance, if any, is recognized for the whole category of inventories of low value and large quantities; and for an individual impairment allowance, if any, is recognized for a group of inventories, which are held for the production and sales of products of a single territory and for identical or similar usages or purposes, and which are indistinguishable from other types of inventories within the group.

If the previous factors resulting in deduction of inventories values disappear, then such deduction of value shall be reversed back from the original provision of inventory depreciation reserve, and turns to current gains and losses.

4. Inventory system

Inventory system is the perpetual inventory system.

5. Amortization of low-value consumables and packaging materials

1. Adopt five-five amortization for low-value consumables;
2. Adopt one-off writing off process for packaging materials.

13. Classified as assets held for sale

1. The confirmation standards for classifying as available for sale

The Company recognizes the non-current assets or disposal groups that meet both of the following conditions as the component of available for sale:

- (1) According to the practice in similar transactions of selling such assets or disposal groups, it can be sold immediately under current conditions;
- (2) The sale is very likely to occur, that is, the Company has already made a resolution on one sales plan and has obtained a certain purchase commitment, and it is anticipated that the sale will be completed within one year.

The confirmed purchase commitment refers to the legally binding purchase agreement signed between the Company and other parties. The agreement contains important terms such as transaction price, time, and enough severe penalties for breach of contract, etc., so that it is very unlikely to make major adjustments or cancellations to the agreement.

2. Accounting methods for available for sale

The Company does not calculate and distill depreciation or amortization for the non-current assets or disposal group available for sale, if the book value is higher than the net amount after deducting selling cost from fair value, the book value shall be written down to the net amount after deducting selling cost from fair value, the write-down amount is recognized as asset impairment loss and is included in the current gains and losses, and makes provision for impairment of available-for-sale assets at the same time.

For the non-current assets or disposal group classified as available for sale at the acquisition date, compare the initial measurement amount with the net amount after deducting selling cost from fair value based on the assumption that it is not classified as available for sale at the initial measurement, and measure by the lower amount.

The above principles are suitable for all non-current assets, but not including the investment real estate that adopts fair value model for follow-up measurement, or the biological assets that are measured at the net amount after deducting selling cost from fair value, or the assets formed by employee compensation, or the deferred income tax assets, or the financial assets regulated by the relevant accounting standards of financial instruments, or the rights arising from the insurance contracts regulated by the relevant accounting standards of insurance contracts.

14. Long-term equity investment

1. Recognition of investment cost

(1) As for the long-term equity investment formed from business combination under the same control, accounting policy found in (V) Accounting method for business combination (not) under the same control of Note IV

(2) Long-term equity investment obtained by other means

For long-term equity investments obtained through payment with cash, then the actual payment shall be viewed as initial investment cost. Initial investment cost including the expenses, taxes and other necessary costs that directly concerned with the long-term equity investment that acquired.

For long-term equity investments obtained through issuance of equity securities, then the fair value of such securities shall be viewed as initial investment cost; for transaction expenses from issuing or own equity instrument acquired, it can be deducted from the equity when such expenses attributable directly to equity transaction.

Under the precedent condition that non-monetary assets exchanges are featured with commercial nature and fair values of exchange-in or exchange-out assets can be reliably measured, long-term equity investment exchange-in through non-monetary assets exchange shall be recognized with initial investment cost on the basis of the fair value of the assets exchange-out, unless there is obvious evidence showing that fair value of exchange-in assets is more reliable; as for non-monetary assets exchanges not satisfying such precedent condition, initial investment cost of exchange-in long-term equity investment falls to the carrying value of exchange-out assets and relevant taxes payable.

For long-term equity investments obtained through debt reorganization, its initial investment cost is recognized based on fair value.

2. Subsequent measurement and recognition of gains and losses

(1) Cost method

The long-term equity investment control by invested entity shall counted by cost method, and pricing on initial investment cost, cost of the long-term equity investment shall be adjusted while additional investment or dis-investment.

Other than payment actually paid for obtaining investment or cash dividend or profit included in consideration which has been declared while not granted yet, the Company recognizes investment income according to its share in the cash dividend or profit declared for grant by the invested unit.

(2) Equity method

The Company calculates long term equity investment in associates and joint ventures under equity method. For certain equity investments in associates indirectly held through risk investment institutions, joint funds, trust companies or similar entities including investment linked insurance fund, the Company measures the investment at fair value through profit or loss.

Where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period.

Return on investments and other comprehensive income is recognized respectively by shares of net gains and losses realized by the invested Company and other comprehensive income after acquisition of long-term equity,

and book value of such investment is adjusted accordingly. Profit or cash dividends pro rata distributed by the invested Company are to minus book value of the relative long-term investment. Book value of long-term investment is adjusted when changes occur other than net gains and losses, other comprehensive income and profit distribution of the invested Company, and is to report in owners' equity accordingly.

The Company should recognized net profit of invested unit after adjustment, based on fair value of vary identifiable assets of invested unit while obtained investment, while recognized net profit or net losses of invested units that should be enjoy by investment enterprise. the un-realized transaction gains/losses attributable to investment enterprise, internally occurred between the Company, affiliated units and joint-ventures should calculated by proportion of shares-holding which should be offset, than recognized investment gains/losses.

When the Company is confirmed to share losses of the invested units, the following order shall prevail for disposal: first of all, offset carrying value of long-term equity investment. Second, for long-term equity investment whose carrying value is not enough for offset, investment loss should be continued to recognize within the limit of carrying value of other long-term equity which substantially forms net investment to invested units, to offset carrying value of long-term items receivable. At last, after the aforesaid treatment, if enterprise still bears additional duties according to investment contract or agreement, projected liabilities are recognized in accordance to the obligations which are expected to undertake, and then recorded in current gains and losses.

In the event that the invested unit realizes profit in later periods, the Company will adopt disposal adverse to the above order after deduction the unrecognized share of loss, i.e. write off the carrying value of the recognized projected liabilities, recover carrying value of long-term equity which substantially forms net investment to invested unit and long-term equity investment, and recognize investment income at the same time.

3. Transfer of calculation for long term equity investment

1. Measure at fair value transfer to equity method

For the equity investment originally held by the Company in which it has no control, common control or significant influence over the investee and which is accounted for under recognition and measurement principle as financial assets, in case that the Company becomes able to exercise significant influence or common control upon the investee due to additional investment while no control is reached, the sum of fair value of the originally held equity investment as determined under Business Accounting Principles No.22- Recognition and Measurement Principle as Financial Assets plus cost of the new investment shall be deemed as the initial investment cost upon calculation under equity method.

If the originally held equity investment is classified as available for sale financial assets, the difference between its fair value and carrying value and the accumulated fair value movement which is originally included in other comprehensive income shall be transferred to current period gains and losses under equity method.

In case that the initial investment cost under equity method is lesser than share of fair value of the investee's net identifiable assets as of the date when additional investment is made as calculated based on the latest shareholding proportion upon additional investment, carrying value of the long term equity investment shall be adjusted against such difference which is included in current period non-operating income.

2. Measure at fair value or calculation under equity method transfer to calculation under cost method

For the equity investment originally held by the Company in which it has no control, common control or significant influence over the investee and which is accounted for under recognition and measurement principle as financial instrument, or for long term equity investment originally held in associates or joint ventures, in case that the Company becomes able to exercise control over investee not under common control due to additional investment, the sum of fair value of the originally held equity investment plus cost of the new investment shall be deemed as the initial investment cost upon calculation under cost method when preparing separate financial statement.

For other comprehensive income as recognized under equity method in respect of equity investment held prior to acquisition date, when the Company disposes this investment, the aforesaid income shall be accounted for on the same basis as the investee would otherwise adopt when it directly disposes relevant assets or liabilities.

For equity investment held prior to acquisition date which is accounted for under Business Accounting Principles No.22- Recognition and Measurement of Financial Assets, the accumulated fair value movement which originally included in other comprehensive income shall be transferred to current period gains and losses upon calculation under cost method.

3. Calculation under equity method transfer to fair value measurement

In case that the Company lost common control or significant influence upon investee due to disposal of part equity investment, the remaining equity investment shall be calculated under Business Accounting Principles No.22- Recognition and Measurement of Financial Assets, and the difference between its fair value and carrying value as of the date when the Company lost common control or significant influence shall be included in current period gains and losses.

For other comprehensive income as recognized under equity method in respect of the original equity investment, when the Company ceases calculation under equity method, the aforesaid income shall be accounted for on the same basis as the investee would otherwise adopt when it directly disposes relevant assets or liabilities.

4. Cost method transfer to equity method

In case that the Company lost control upon investee due to disposal of part equity investment, and if the remaining equity investment can exercise common control or significant influence over the investee, equity method shall be adopted when preparing separate financial statement, and the remaining equity investment shall be adjusted as if it

had been stated under equity method since the acquisition.

5. Cost method transfer to fair value measure

In case that the Company lost control upon investee due to disposal of part equity investment, and if the remaining equity investment cannot exercise common control or significant influence over the investee, Business Accounting Principles No.22- Recognition and Measurement of Financial Assets shall be adopted for accounting treatment when preparing separate financial statement, and the fair value and carrying value as of the date when control is lost shall be included in current period gains and losses.

4. Disposal of long term equity investment

Difference between carrying value and actual acquisition price in respect of disposal of long term equity investment shall be included in current period gains and losses. For long term equity investment under equity method, the Company shall adopt the same basis as the investee directly disposes relevant assets or liabilities when disposing this investment, and account for the part originally included in other comprehensive income under appropriate proportion.

If the terms, conditions and economic impact of each transaction involved in the disposal by steps of investment in subsidiaries fall into one or more of the following situations, such transactions will be accounted for as a package deal:

1. Such transactions are entered into simultaneously or in the case of considering the impact of each other;
2. Such transactions as a whole in order to reach complete commercial results;
3. The occurrence of one transaction is subject to that of at least one other transaction;
4. A transaction alone is not economic, but otherwise when considered with other transactions.

Enterprises that lose control of their original subsidiaries due to the disposal of partial equity investment or otherwise, and therefore disqualify a package deal, should prepare the relevant accounting treatment in differentiation with individual financial statements and consolidated financial statement:

(1) In separate financial statement, as for disposal of equity interest, difference between carrying value and actual acquisition price shall be included in current period gains and losses. In case that the remaining equity interests can exercise common control or significant influence over investee, it shall be stated under equity method in stead, and shall be adjusted as if the remaining equity interests had been stated under equity method since the acquisition. In case that the remaining equity interests cannot exercise common control or significant influence over investee, it shall be accounted for under Business Accounting Principles No.22- Recognition and Measurement Principle of Financial Instruments, and the difference between its fair value and carrying value as of the date then the Company lost control shall be included in current period gains and losses.

(2) In consolidated financial statement, for those transactions occurred before lost of control in subsidiaries, the difference between disposal price and share of net assets of subsidiaries since purchase date or combination date

shall be used to adjust capital reserve (equity premium), and if capital reserve is insufficient to offset, then it shall adjust retained earnings; when the Company lost control in a subsidiary, the remaining equity interests would be re-measured at the fair value as of the control-lost date. The sum of consideration gained from the disposal of equity and the fair value of remaining equity minus the share of net assets of original subsidiaries since the day of purchase and based on its original shareholding ratio is credited into investment gain for the current period, and off-set the goodwill at the same time. Other comprehensive income in relation to equity investments of original subsidiaries should be transferred to investment gain for the period at the time of loss of control.

Each transaction involved in the disposal of equity investments of subsidiaries until loss of control falls into a package deal, carrying accounting treatment on transaction of losing control rights and disposing the Company, and should be accounted for accordingly in differentiation with individual financial statements and consolidated financial statements:

- (1) In consolidated financial statements, difference between each payment from disposal of an equity and the book value of such long-term equity investment before the loss of control should be recognized as other comprehensive income and at the time of loss of control, transferred to profit or loss for the current period.
- (2) In consolidated financial statements, difference between each payment from disposal of a subsidiary and the share of its net assets through investment before the loss of control should be recognized as other comprehensive income and at the time of loss of control, transferred to profit or loss for the current period.

5. Criteria for common control and significant influence

Where the Company jointly controls an arrangement with other participators under agreed terms, and decisions which materially affect return of such arrangement can only exist when other participators unanimously agree on the decisions, the Company is deemed to jointly control this arrangement with other participators, and the arrangement belongs to joint venture arrangement.

In case of a joint venture arrangement concluded through separate entity, when the Company is judged to be entitled to the net assets of the separate entity under relevant agreements, the entity shall be viewed as a joint venture under equity method. However, when the Company is judged to be not entitled to the net assets of the separate entity under relevant agreements, the entity shall be viewed as a joint operation, in which case, the Company recognizes items relating to its share of interests from the joint operation and accounts for according to relevant business accounting rules.

Significant influence refers to that investor has right to participate in making decisions relating to the financial and operational policies of the investee, while not able to control or jointly control (with others) establishment of these policies. The following one or more conditions are based to judge whether the Company has significant influence over investee with consideration of all facts and situations: (1)has delegate in the board of directors or similar authority organs of investee; (2)participate in establishing financial and operational policies of the investee; (3)occur material transactions with the investee; (4)delegate management to the investee; (5)provide key technical

data to the investee.

15. Investment real estate

Measurement

Measured by cost

Depreciation or amortization method

Investment real estate is defined as the real estate with the purpose to earn rent or capital appreciation or both, including the rented land use rights and the land use rights which are held and prepared for transfer after appreciation, the rented buildings. In addition, for the vacant buildings that the Company holds for operating leases, if the board of directors makes written decisions and explicitly indicates to use for operating leases and the purpose of management is not to change in the short term, they are also reported as an investment real estate.

The investment property of the Company is accounted at its cost. Cost of investment property purchased from the external sources includes purchase payment, related taxes and other expenditures which can be directly attributable to such assets; Cost of investment property constructed by the Company comprise of the necessary expenditure occurred during the construction for reaching the condition of planned use.

The Company adopts cost method for subsequent measurement of investment property. As for the investment property measured at cost method – buildings for lease are depreciated under the policies which are the same as fixed assets, and land use right for lease are amortized under the policies which are the same as intangible assets.

When use of investment property changes to be used by the Company itself, the Company shall transfer the investment property to fixed assets or intangible assets since the change date. When use of the self-use real estate changes for earning rental or capital appreciation, the Company shall transfer the fixed assets or intangible assets to investment property since the change date. For such transfer, the carrying value prior to the transfer is deemed to be the value accounted after the transfer.

The Company would de-realize investment property when the same is disposed or out of use forever and no economic benefit would be obtained from such disposal. The disposal income from sale, transfer, dump or destroy of investment property less its carrying value and related taxes is recorded in current gains and losses.

16. Fixed asset

(1) Recognition of fixed assets

Fixed assets is defined as the tangible assets which are held for the purpose of producing goods, providing services, lease or for operation & management, and have more than one year of service life. Fixed assets should be recognized for qualified the followed conditions at the same time: (1) It is probable that the economic benefits associated with the assets will flow into the Company; (2) The cost of the assts can be measured reliably. (1) The

cost of outsourcing fixed assets includes the buying price, import tariff and other related taxes and fees, as well as other expenses occurred before making the fixed assets reach the intended serviceable condition and can be directly attributable to the assets. (2) The cost of self-constructed fixed assets consists of the necessary expenses occurred before reaching the intended serviceable condition by the construction of the assets. (3) The fixed assets invested by the investors take the value stipulated by investment contract or agreement as the entry value, but it should take the fair value as the entry value when the value stipulated by investment contract or agreement is not fair. (4) When the cost of purchasing fixed assets has a delay in payment exceeding the normal credit terms and substantially possesses financing, the cost of fixed assets is determined on the basis of the present value of the purchasing price. The balance between the actual paid cost and the present value of purchasing price is reckoned in the current profits and losses in the credit period, except for the capitalization. Subsequent measurement and disposal of fixed assets (1) Depreciation of fixed assets is accrued within the estimated useful life after deducting the estimated residual value from its entry value. For the fixed assets accrued with provision for impairment, determine the amount of depreciation by the book value deducting the provision for impairment and according to the useful life. The Company determines the useful life and estimated net residual value of fixed assets according to the nature and use of fixed assets, and rechecks the useful life, estimated net residual value, and depreciation method of fixed assets at the end of the year, and makes corresponding adjustments if there is difference with the original estimated number. (2) The follow-up expenses of fixed assets and the follow-up expenses related to fixed assets are included in the cost of fixed assets if they meet the requirements for recognition of fixed assets; those cannot meet the requirements for recognition of fixed assets should be included in the current profits and losses when occur. (3) When the fixed assets are disposed, or expected not to generate economic benefits through use or disposal, derecognize the fixed assets. The amount after deducting its book value and related taxes and dues from the disposal income of the fixed assets sale, transfer, retirement or impairment is included in the current profits and losses.

(2) Depreciation methods

Categories	Method	Years of depreciation	Scrap value rate	Yearly depreciation rate
Production buildings	Straight-line depreciation	35	5%	2.71%
Production buildings	Straight-line depreciation	40	5%	2.38%
Makeshift	Straight-line depreciation	9	5%	10.56%
Mechanical equipment	Straight-line depreciation	12	5%	7.92%
Transportation vehicle	Straight-line depreciation	9	5%	10.56%
Other equipment	Straight-line depreciation	6	5%	15.83%

(3) Recognition, measurement and depreciation of fixed assets held under finance lease

A fixed asset leased by the Company is recognized as the fixed asset held under finance lease if one or more of the following criteria are met: (1) Upon the expiry of the lease term, the ownership is transferred to the Company. (2) The Company has the option to purchase the asset at a predetermined price that is expected to be sufficiently

lower than the fair value at the date the option becomes exercisable and it is reasonably ascertained at the inception of lease that the option will be exercised. (3) The lease term approximates the useful life of the relevant asset even if the ownership is not transferred. (4) At the inception of the lease, the present value of the minimum lease payments is substantially equivalent to the fair value of the leased asset. (5) The leased assets are of such a specialized nature that only the Company can use them without major modification. A fixed asset held under finance lease is initially recognized at the lower of fair value of the leased asset and the present value of the minimum lease payments, while the amount of the minimum lease payments will be recognized as the entry value of long-term account payable, the difference between them will be recognized as unrecognized financing costs. The initial direct costs such as commissions, attorney's fees, and travelling expenses, stamp duties attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value. Unrealized finance costs will be amortized using actual interest rate method over each period during the lease terms. The Company adopts depreciation policies for leased assets consistent with those of self-owned fixed assets for the purpose of calculating the depreciation of a leased asset. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

17. Construction in process

1. Initial measurement of constructions under progress

Self-constructed constructions under progress of the Company are carried at actual costs. Actual costs include the necessary expenses for constructing such asset to the expected useable condition, including material costs for project, labor cost, related taxes and fees paid, borrowing expenses to be capitalized and indirect costs to be amortized.

2. Standard and point of time for construction in process carrying forward to fixed assets

Fixed asset is booked with the entire expenditures occurred in the construction in process till it arrives at predicted state for use. For those constructions in process of fixed assets which have already arrived at the predicted state for use, while still with absence of completion settlement, they shall be carried forward to fixed assets at the estimated value based on engineering budget, construction cost or actual cost commencing from the date of arrival of the predicted state for use. Meanwhile, they shall be also subject to the depreciation policies applicable to fixed assets of the Company for provision of depreciation. Once completion settlement is made, the original temporary estimated value shall be adjusted at the effective cost. However, the original provision of depreciation remains unchanged.

18. Borrowing expenses

1. Recognition of the borrowing expenses capitalization

Borrowing expenses that attributed for purchasing or construction of assets that are complying start to be capitalized and counted as relevant assets cost; other borrowing expenses, reckoned into current gains and losses after expenses recognized while occurred.

Assets satisfying the conditions of capitalization are those assets of fixed, investment real estate etc. which need a long period of time to purchase, construct, or manufacturing before becoming usable.

Capitalizing for borrowing expenses by satisfying the followed at same time:

- (1) Assets expense occurred, and paid as expenses in way of cash, non-cash assets transfer or debt with interest taken for purchasing, constructing or manufacturing assets that complying with capitalizing condition;
- (2) Borrowing expenses have occurred;
- (3) Necessary activities occurred for reaching predicted usable status or sale-able status for assets purchased, constructed or manufactured.

2. Period of capitalization

Capitalizing period was from the time start capitalizing until the time of suspended capitalization. The period for borrowing expensed suspended excluded in the period.

If purchasing, construction, or manufacturing process of an asset satisfying the conditions of capitalization reached its predicted usable status or sale-able status, capitalization suspended for borrowing expenses.

If purchasing, construction, or manufacturing process of an asset satisfying the conditions of capitalization completed projects and usable independently for part of the projects, borrowing expenses for this kind of assets shall suspended capitalization.

If the assets have been completed in every part, but can be reached the useful status or sale-able status while completed entirely, the borrowing expense shall be suspended for capitalization while the assets completely finished in whole.

3. Period of suspended

If purchasing, construction, or manufacturing process of an asset satisfying the conditions of capitalization is suspended abnormally for over 3 months, capitalizing of borrowing expenses shall be suspended; the suspended assets that satisfying the conditions of capitalization meets the necessary procedure of reaching predicted usable status or sellable status, capitalizing of borrowing expenses shall be resumed. The borrowing expenses occurred during the period of suspended shall reckon into current gains and losses until the purchasing, construction, or manufacturing process is resumed for capitalizing.

4. Calculation for capitalization amount

Interest expenses practically occurred at the current term of a special borrowing are capitalized after deducting of the bank saving interest of unused borrowed fund or provisional investment gains.

Capitalization amounts of common borrowings are decided by the weighted average of exceeding part of accumulated asset expenses over the special borrowing assets multiply the capitalizing rate of common borrowings adopted. Capitalization rates are decided by the weighted average of common borrowings.

For those expenses with discount or premium, determined the amortizable discount or premium in every fiscal year by effective interest method, than adjusted interest amount in every period.

19. Biological assets

1. Classification of biological assets

Biological assets of the Company refer to the productive biological assets. Productive biological assets included tea tree.

Biological assets are recognized when the following three conditions are fully satisfied:

- (1) An enterprise owns or controls such biological assets due to the past transactions or events;
- (2) It may result in the inflow of economic benefits or service potential in relation to such biological assets;
- (3) Cost of such biological assets can be reliably measured.

2. Initial recognition of Biological assets

The biological assets will initially measured by cost while obtained. The cost of biological asset used for production purchased from the outside includes the purchase price, related taxes, transportation expense, insurance premium and other charges directly attributable to the purchase of such asset. Biological asset used for production input by investors is stated at its entry value which is calculated based on the value as stipulated in the investment contract or agreement plus the related taxes payable. Where value stipulated in the contract or agreement is not fair, the actual cost is fixed at fair value.

3. Subsequent measurement of biological assets

(1) Follow-up expenses

The cost of productive biological assets constituted by the actual costs of self-cultivated and constructed productive biological assets occurred before achieving the intended production and operation goals, and the follow-up expenses such as management and protection occurred after achieving the intended production goals are included in the current profits and losses.

(2) Depreciation of productive biological assets

Biological assets of the Company refer to the tea plants. For those productive biological assets that reached its predicted productive purpose, withdrawal depreciation by average age method. The service life was determined by

the residual terms of the residual term of land use after deducting the un-maturity period (5-year) of the tea plants with 5 percent salvage value calculated. Reviewing the service life, predicted salvage value and depreciation method at year-end, if there have difference between the predicted number and original estimated number or have major changes on way of profit earning, than adjusted the service life or predicted salvage value or depreciation method as account estimation variation.

(3) Disposal of biological assets:

The cost of biological assets after the shift of use is stated at the carrying amount at the time of shift of use. When sold, destroyed and inventory losses occurred, the disposal income of biological assets net of carrying amount and related taxes shall be charged to profit or loss for the current period.

4. Biological assets impairment

The Company inspects the productive biological assets at least at the end of each year, conclusive evidence indicates that if the recoverable amount of productive biological assets are less than the book value due to natural disasters, insect pests, animal diseases or changes in market demand, the Company make the provision for impairment of biological assets and include them in the current profits and losses according to the balance between the recoverable amount and the book value.

The balance lower than the book value shall be calculated and accrued to falling price reserves or provision for impairment of biological assets and included in the current profits and losses.

Once the provision for impairment of productive biological assets is made, it cannot be reversed.

20. Intangible assets

(1) Measurement, use of life and impairment testing

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company, including land use right, technical know-how, forest tree use right, trademark use right and software use right.

1. Measurement of intangible assets

For those intangible assets purchased from outside, the purchase value, relevant taxes and other payments attributable to predicted purpose obtained should recognized as cost for this assets. For those purchased amount that paid overdue exceeded the normal credit condition, owns financing natures actually, the cost should be recognized based on the current value while purchased.

As for the intangible assets acquired from the debtor in debt restructuring for the purpose of settlement of debt, the

fair value of the intangible assets shall be based to determine the accounting value. The difference between the carrying value of restructured debt and the fair value of the intangible assets use for settlement of debt shall be recorded in current gains and losses.

With the preceding conditions that non-monetary assets exchange has commerce nature and the fair value of the assets exchanged in or out can be measured reliably, the intangible assets exchanged in through non-monetary assets exchange are accounted at the value based on the fair value of assets exchanged out, unless there is obvious evidence showing the fair value of assets exchanged in is more reliable; for non-monetary assets exchange not qualifying for the preceding conditions, the carrying value of assets exchanged out and related taxes payable shall be viewed as the cost of intangible assets exchanged in, without recognition of gains and losses.

Intangible assets obtained by means of enterprise merged under common control, recognized book-keeping value by the book value of merged party; Intangible assets obtained by means of enterprise merged under different control, recognized book-keeping value by the its fair value.

For those cost of intangible assets development internally including: the used materials, labor cost and register charge for development; amortization for other patent and concession used and interest expense satisfying the capitalization condition during process of development; other directly expense before reached its predated useful purpose.

2. Subsequent measurement

Analysis and determined the service life for intangible assts while obtained. And classified into intangible assets with limited useful life and assets without certain service life.

1. Intangible assets with limited useful life

Those intangible assets with limited useful life are evenly amortized on straight basis from the date when they become useable to the end of expected useful life. Particular about the estimation on intangible assets with limited service life:

Item	Predicted useful life	Basis
Land use right	Amortized the actual rest of life after certificate of land use right obtained	Certificate of land use right
Proprietary technology	20-year	Actual situation of the Company
Forest tree use right	Service life arranged	Protocol agreement
Trademark use right	10-year	Actual situation of the Company
Software use right	5-8-year	Protocol agreement

At end of report term, revising will be performed on the useful life of intangible assets with limited useful life and the methods of amortizing; if there is a differences been found with the original estimated number, corresponding adjustment shall prevail.

Being revised, the useful life of intangible assets and amortization method at period-end shows the same as previous

2. Intangible assets without certain service life

Intangible assets for which it is impossible to predict the term during which the assets can bring in economic benefits are viewed as intangible assets with indefinite life.

Intangible assets with indefinite life are not amortized during the holding period, and useful life is re-reviewed at the end of each accounting period. In case that it is still determined as indefinite after such re-review, then impairment test will be conducted continuously in every accounting period.

The Company has no such intangible assets without certain service life after review.

(2) Internal accounting policies relating to research and development expenditures

1. Detail standard for classification on research stage and exploitation stage

Research stage: stage of the investigation and research activities exercising innovative-ness for new science or technology knowledge obtained and understanding.

Exploitation stage: stage of the activities that produced new or material advance materials, devices and products that by research results or other knowledge adoption in certain plan or design before the commercial production or usage.

The expenditure of the research stage in R&D project internally shall reckon into current gains and losses while occurred.

2. Standards for capitalization satisfaction of expenditure in exploitation state

Intangible assets recognized for expenditure in exploitation stage by satisfying the followed at same time:

- (1) Owes feasibility in technology and completed the intangible assets for useful or for sale;
- (2) Owes the intention for completed the intangible assets and for sale purpose;
- (3) Way of profit generated including: show evidence that the products generated from the intangible assets owes a market or owes a market for itself; if the intangible assets will use internally, than show evidence of useful-ness;
- (4) Possess sufficient technique, financial resources and other resources for the development of kind of intangible assets and has the ability for used or for sale;
- (5) The expenditure attributable to the exploitation stage for intangible assets could be measured reliably.

Expenditure happened in development phase not satisfying the above conditions is included in current period gains and losses when occurs. Development expenditure previously included in gains and losses in previous periods will not be re-recognized as assets in later periods. Capitalized development expenditure is stated in

balance sheet as development expenditure, and is transferred to intangible assets when the project is ready for planned use.

21. Impairment of long term assets

Long term asset is judged whether for which there is indication of impairment on balance sheet date. If there is indication of impairment, the Company would estimate its recoverable amount based on single asset; if it is difficult to estimate the recoverable amount of single asset, then the assets group which the single asset belongs to is based to determine the recoverable amount of the assets group.

Recoverable amount of an asset is determined at the higher of its fair value less disposal fee and present value of its predicted future cash flow.

If measurement of recoverable amount shows that the recoverable amount of long term asset is lower than carrying value, and then the carrying value shall be deducted to recoverable amount, with the deducted amount recognized as impairment loss which is included in current period gains and losses, meanwhile, asset impairment provision shall be made accordingly. Once recognized, asset impairment loss would not be reversed in future accounting period.

Once an asset is recognized for impairment loss, its depreciation or amortization expense would be adjusted in future periods, so as to systematically allocate the adjusted asset carrying value (after deduction of predicted net residual value) during the remaining useful life.

Goodwill arising from business combination and intangible assets with indefinite useful life shall be tested annually for impairment whether or not there is indication of impairment.

When goodwill impairment testing comes, book value of goodwill is allocated to asset group or combination benefit from the synergies of the business combination. When conducting impairment test for relevant asset group with inclusion of goodwill, in case that there is indication of impairment for such asset group, impairment test would be firstly conducted in respect of the asset groups without inclusion of goodwill. Then, it shall calculate the recoverable amount and determine the corresponding impairment loss as compared to its carrying value. Second, asset group with inclusion of goodwill would be tested for impairment. If it is found after comparison between the carrying value and recoverable amount of the asset group that the recoverable amount is less than carrying value, the Company would recognize impairment loss for goodwill.

22. Long term prepaid expense

Long term prepaid expense represents the expense which the Company has occurred and shall be amortized in the current and later periods with amortization period exceeding one year. Long term prepaid expense is amortized

during the beneficial period under straight line method.

23. Staff remuneration

(1) Short term remuneration

Employee remuneration refers to the various forms of remuneration or compensation given by the Company to obtain the services provided by the employees or to terminate the labor relations. Employee remuneration includes short-term remuneration, after-service benefits, dismissal benefits and other long-term employee benefits.

Short term remuneration refers to all the staff remuneration payable by the Company to its staff within 12 months after the end of annual reporting period in which staff provides relevant services, other than post office benefit and dismissal benefits. The Company recognizes short term remuneration payables as liabilities during the accounting period during which staff provides services, and includes in cost and expense of relevant asset according to the beneficial parties of such services.

(2) Post office benefits

Post office benefits refer to kinds of remuneration or benefits granted by the Company to staff for their provision of service upon retirement or release of employment, other than short term remuneration and dismissal benefits.

Post benefit plan is categorized as defined withdraw plan.

Defined withdraw plan under post office benefit mainly represents participation into social basic pension insurance and unemployment insurance operated by labor and social security authorities. During the accounting period when employee provides services for the Company, the contribution calculated under defined withdraw plan would be recognized as liabilities and included in current gains and losses or relevant asset cost.

Other than periodic payment of the aforesaid amounts in compliance with national standards, the Company is not obliged to make other payment.

(3) Dismissal benefit

Dismissal benefit represents compensation paid to employees for release of employment before expiration or as compensation for their willing of cut, Liabilities arising from dismiss benefit shall be included in current profit and loss when the Company cannot unilaterally withdraw from the termination plan or take redundancy offer and when reorganize the payment of termination benefits related to the cost.

(4) Other long term staff benefits

Other long term staff benefits refers to all the other staff benefits except for short term remuneration, post office

benefit and dismissal benefit.

For other long term staff benefits satisfying conditions under defined withdraw plan, the contribution payables shall be recognized as liabilities and included in current gains and losses or relevant asset cost during the accounting period in which the staff provides services to the Company.

24. Accrual liability

1. Recognition standards for accrual liability

Responsibilities connected to contingent issues and satisfied all of the following conditions are recognized as accrual liabilities:

The responsibility is a current responsibility undertaken by the Company;

Fulfilling of the responsibility may lead to financial benefit outflow;

The responsibility can be measured reliably for its value.

2. Measurement

Accrual liabilities shall conduct initial measurement by best estimation of expenditures needed by fulfillment of current responsibilities.

While determined the best estimation, take the risks, uncertainty and periodic value of currency that connected to the contingent issues into consideration. For major influence from periodic value of currency, determined best estimation after discount on future relevant cash out-flow.

Treatment for best estimation:

If the expenditure has a continuous range, and with similar possibility within the range, the best estimation should determined by the middle value within the range, that is the average amount between the up and low limit.

If the expenditure has no continuous range, or has a continuous range but with different possibility within the range, the possibility amount shall determined as the best estimation while single events involved by contingency; if many events were involved by contingency, the best estimation shall be determined by various results and relevant probability.

If the expenses for clearing of predictive liability is fully or partially compensated by a third party, and the compensated amount can be definitely received, it is recognized separated as asset. Though the compensated amount shall not greater than the book value of the predictive liability

25. Revenue

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

No

1. Recognition of the income from commodity sales

When main risks and rewards attached to the ownership of goods have been transferred to the buyer, reserved neither continuous management power nor effective control over the goods, incoming payment can be measured reliably, relative financial benefit possibly inflow to the Company, cost occurred or will occur can be reliably measured, sales income of goods is recognized.

The product sales of the Company include domestic sales and export sales, the sales revenue of domestic sales is recognized after the goods is delivered and conforms to the relevant causes of the contract; the sales revenue of export sales is recognized after the goods is sent out and declared, and conforms to the relevant causes of the contract.

2. Basis on use right income for transaction assets

Financial benefit attached to the contract is possibly inflow to the Company; Overall income of the contract can be measured reliably. Determined the use right income for transaction assets respectively as followed:

- (1) Amount of interest income: determined by the time and effective interest rate of the currency capital used by other people.
- (2) Amount of income from use: determined by the charge time and calculation method agreed in the relevant contract or agreement.

26. Government Grants

(1) Determination basis and accounting for government grants related to assets

1.Type

Governments grants of the Company refer to the monetary and non-monetary assets obtained from government for free, and are divided into those related to assets and others related to revenues.

Government subsidies related to assets refer to those obtained by the Company and used for purchase or construction of or otherwise to form long-term assets. Government subsidies related to revenue refer to those other than government subsidies related to assets.

2. Confirmation of government subsidy

At end of the period, if there is evidence show that the Company qualified relevant condition of fiscal supporting polices and such supporting funds are predicted to obtained, than recognized the amount receivable as government subsidy. After that, government subsidy shall recognize while actually received.

Government subsidies in the form of monetary assets are stated at the amount received or receivable. Government subsidies in the form of non-monetary assets are measured at fair value; if fair value cannot be obtained, a

nominal amount (RMB1) is used. Government subsidies measured at nominal amount is recognized immediately in profit or loss for the current period.

3. Methods of accounting treatment

Government grants in relation to purchase of long-term assets such as fixed assets or intangible assets shall be recognized as deferred income. And reckoned into gains/losses by installment with reasonable and systematic approach according to the useful life of such asserts that purchased or constructed

(2) Determination basis and accounting for government grants related to income

As for the government grants with income concerned, which has compensated relevant expenses and losses occurred in later period, than recognized as deferred income, and reckoned into current gains/losses during the period while relevant expenses or losses determined; for those government grants which has compensated relevant expenses and losses that occurred, reckoned into current gains/losses while acquired.

Government grants relevant to daily activities of enterprises are included in other income; government grants irrelevant to daily activities of enterprises are included in non-operating income and expenditure.

The government subsidy relevant to discounted interest on policy concessional loans is used to offset the relevant borrowing costs; the fair value of borrowings is used as the entry value of borrowings and the borrowing costs are calculated according to the actual interest rate method, the balance between the actual amount received and the fair value of borrowings is recognized as deferred income. Deferred income is amortized to offset the related borrowing costs by adopting the actual interest rate method in duration of borrowings.

When a recognized government grant needs to be returned, adjust the book value of assets if it is used to offset the book value of underlying assets at initial recognition; if there is a related deferred income balance, offset the book balance of relevant deferred income, and include the excess in current profit or loss; if there is no related deferred income, and directly include in the current profit or loss.

27. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and liabilities are measured and recognized based on the difference (temporary difference) between the taxation bases of the assets and liabilities and their carrying value. As of the balance sheet date, deferred income tax assets and liabilities are measured at the tax rate applicable during the period in which the assets are recovered or liabilities are settled.

1. Reference for recognition of deferred income tax assets

Deferred income tax asset arising from deductible temporary difference is recognized to the extent of assessable income which is likely to acquire to offset deductible temporary difference and for which deductible losses and tax credit for subsequent years can be carried forward. However, deferred income tax assets arising from initial

measurement of assets or liabilities in transactions with the following characteristics would not be recognized: (1) the transaction is not business combination; (2) occurrence of the transaction would neither affect accounting profit nor affect assessable income or deductible loss.

For deductible temporary difference relating to investment in associates, the Company would recognize deferred income tax assets accordingly if the following conditions are met: temporary difference is likely to be reversed in foreseeable future and it is likely to acquire assessable income against which deductible temporary difference is utilized.

2. Basis for determination of deferred income tax liabilities

Assessable temporary difference which should be paid while not paid yet for the current and previous periods is recognized as deferred income tax liabilities, excluding:

- (1) Temporary difference arising from initial measurement of goodwill;
- (2) Transaction or issue arising from non business combination, and its occurrence would neither affect accounting profit, nor affect temporary difference arising from assessable income (or deductible loss);
- (3) For assessable temporary difference relating to investments in subsidiary or associate, timing for reversal of the temporary difference can be controlled and it is likely that the difference would not be reversed in foreseeable future.

3. Deferred tax assets and liabilities are offset if all the following conditions are met.

- (1) An enterprise has the legal rights to settle the income tax assets and income tax liabilities for the current period by net amount;
- (2) They relate to income taxes levied by the same tax authority on either the taxable entity has a legally enforceable right or set off current income tax assets against current income tax liabilities, and different taxable entities which either intend to settle the current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

28. Lease

(1) Accounting for operating lease

If the lease terms substantially transfer all risks and rewards related to the ownership of leased asset to the lessee, the lease is a finance lease and the other leases are operating leases.

1. Accounting for operating lease

(1) Assets lease-in by Operating:

The rental fee paid for renting the properties by the Company are amortized by the straight-line method and reckoned in the current expenses throughout the lease term without deducting rent-free period. The initial direct

costs related to the lease transactions paid by the Company are reckoned in the current expenses.

When the lessor undertakes the expenses related to the lease that should be undertaken by the Company, the Company shall deduct the expenses from the total rental costs, share by the deducted rental costs during the lease term, and reckon in the current expenses.

(2) Operating leased assets:

Rental obtained from assets leasing, during the whole leasing period without rent-free period excluded, shall be amortized by straight-line method and recognized as leasing revenue. The initial direct costs paid with leasing transaction concerned are reckoned into current expenditure; the amount is larger is capitalized when incurred, and accounted for as profit or loss for the current period on the same basis as recognition of rental income over the entire lease period.

When the Company undertakes the expenses related to the lease that should be undertaken by the lessor, the Company shall deduct the expenses from the total rental income, and distribute by the deducted rental costs during the lease term.

(2) Accounting for financing lease

1. Accounting for financing lease

(1) Assets lease-in by financing: On the beginning date of the lease, the entry value of leased asset shall be at the lower of the fair value of the leased asset and the present value of minimum lease payment at the beginning date of the lease. Minimum lease payment shall be the entry value of long-term accounts payable, with difference recognized as unrecognized financing expenses.

The basis, valuation and depreciation method of financing lease assets see Note IV-(XVI) Fixed Assets.

Unrecognized financing expenses shall be reckoned in financial expenses and amortized and using effective interest method during the leasing period.

(2) Finance leased assets: on the lease commencement date, the Company affirms the balance among the finance lease receivables, the sum of unguaranteed residual value and its present value as the unrealized financing income, and recognizes it as the rental income during the period of receiving the rent. For the initial direct costs related to the rental transaction, the Company reckons in the initial measurement of the finance lease receivables, and reduces the amount of income confirmed in the lease term.

29. Changes of important accounting policy and estimation

(1) Changes of major accounting policies

Applicable Not applicable

(2) Changes of important accounting estimate

Applicable Not applicable

VI. Taxes

1. Type of tax and rate for main applicable tax

Taxes	Basis	Rate
VAT	Service income from goods sales and taxable sales	17%, 11%, 6%, 5%, 3%
Urban maintenance and construction tax	Turnover tax payable	5%, 7%
Educational surtax	Turnover tax payable	5%

Rate of income tax for different taxpaying body:

Taxpaying body	Rate of income tax
The Company	25%
Shenbao Huacheng	15%
Including: Shantou Branch of Shenbao Huacheng	25%
Wuyuan Ju Fang Yong	25%
Shenbao Sanjing	25%
Huizhou Shenbao Science & Technology	25%
Huizhou Shenbao Food	25%
Shenbao Properties	25%
Shenbao Industrial & Trading	25%
Hangzhou Ju Fang Yong	25%
Shenbao Technology Center	25%
Fuhaitang Ecological	25%
Chunshi Network	25%
Shenshenbao Investment	25%
Shenshenbao Tea Culture	25%
Yunnan Supply Chain	25%

Jufangyong Trading	25%
Shenbao Rock Tea	25%
Pu'er Tea Trading Center	25%
Shenbao Tea-Shop	25%
Fuhaitang Restaurant	25%

2. Tax preferential and basis

Shenbao Huacheng, a wholly-owned subsidiary of the Company, has been granted High-tech Enterprise Certification (No. GR201744203462) jointly promulgated by Shenzhen Commission on Innovation & Technology, Shenzhen Finance Committee, Shenzhen Municipal Bureau of State Taxation and Shenzhen Municipal Bureau of Local Taxation as at the date of 31 Oct. 2017 with a valid term of 3 years. With relevant preferential policies adopted by the State in favor of high-tech enterprises, all qualified high-tech enterprises are able to enjoy the lower income tax rate of 15% for collection of enterprise income tax, capable for 3 years commencing from the year when they are deemed as qualified. Shenbao Huacheng has favored from this preferential policy from 2017 to 2019.

VII. Annotation to main items of consolidated financial statements

1. Monetary fund

In RMB

Item	Closing balance	Opening balance
Cash on hand	441,516.36	194,650.44
Cash in bank	222,905,150.08	255,448,120.29
Other monetary fund		318,879.68
Total	223,346,666.44	255,961,650.41

Other note

The Company did not has account pledge, freeze or has potential risks in collection ended as 30 June 2018.

2. Financial assets measured by fair value and with the variation recorded into current gains/losses

In RMB

Item	Closing balance	Opening balance
Tradable financial assets	1,173,950.05	1,599,668.20
Equity investment	1,173,950.05	1,599,668.20
Total	1,173,950.05	1,599,668.20

Other explanation:

Closing balance refers to the 258,011 shares of A-stock under the name of “Shen Zhonghua-A”

3. Account receivable

(1) Account receivable classified according to types

In RMB

Type	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrual Ratio		Amount	Ratio	Amount	Accrual Ratio	
Account receivable withdrawal bad debt provision by group of credit risk characteristics	66,342,742.62	76.61%	1,285,615.57	1.94%	65,057,127.05	78,480,035.29	79.49%	1,286,967.26	1.64%	77,193,068.03
Account receivable with single minor amount but withdrawal bad debt provision for single item	20,254,411.14	23.39%	20,254,411.14	100.00%		20,254,411.14	20.51%	20,254,411.14	100.00%	
Total	86,597,153.76	100.00%	21,540,026.71	24.87%	65,057,127.05	98,734,446.43	100.00%	21,541,378.40	21.82%	77,193,068.03

Account receivable with single significant amount and withdrawal bad debt provision separately at period end:

Applicable Not applicable

Account receivable with bad debt provision withdrawal by age analysis in group:

Applicable Not applicable

In RMB

Age	Closing balance		
	Account receivable	Bad debt reserve	Accrual ratio
Sub item of within one year			
Within 1 year	55,135,762.09		
1-2 years	2,599,241.28	129,962.06	5.00%
2-3 years	2,710,147.67	271,014.76	10.00%
Over 3 years	5,897,591.58	884,638.75	15.00%
3-4years	3,441,293.53	516,194.04	15.00%
4-5 years	122,015.02	18,302.25	15.00%
5years above	2,334,283.03	350,142.46	15.00%
Total	66,342,742.62	1,285,615.57	1.94%

Explanation on combination determines:

In combination, withdrawal proportion of bad debt provision based on balance proportion for account receivable

Applicable Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for account receivable:

(2) Bad debt provision accrual collected or switch back

Bad debt provision accrual of RMB 0; collected or switch back bad debt provision of RMB 1,351.69.

Major bad debt provision collected or switch back:

In RMB

Name	Amount	Method
------	--------	--------

(3) Top 5 receivables at ending balance by arrears party

Name	Closing balance	Proportion in total receivables at closing balance (%)	Bad debt provision accrual
Customer 1	13,202,096.00	15.25	---
Customer 2	4,976,292.86	5.75	---
Customer 3	3,472,370.90	4.01	493,436.36
Customer 4	3,195,254.93	3.69	---
Customer 5	1,958,919.74	2.26	---
Total	26,804,934.43	30.96	493,436.36

4. Account paid in advance

(1) Aging analysis

In RMB

Age	Closing balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within 1 year	3,780,380.03	88.56%	11,179,178.48	94.84%
1-2years	81,498.64	1.91%	128,246.97	1.09%
2-3years	296,638.61	6.95%	369,435.97	3.13%
Over 3 years	110,571.40	2.58%	110,571.40	0.94%
Total	4,269,088.68	--	11,787,432.82	--

Reasons for significant repayment with over one year age without settle:

Nil

(2) Top 5 accounts paid in advance at closing balance collected by objects

Name	Closing amount	Ratio in total account paid in advance (%)	Time	Unsettled reasons
Supplier 1	2,303,251.58	53.95	Within 1 year	The contract is being carried out
Supplier 2	611,965.84	14.33	Within 1 year	The contract is being carried out
Supplier 3	273,556.80	6.41	Within 1 year	The contract is being carried

				out
Supplier 4	219,257.92	5.14	Within 1 year	The contract is being carried out
Supplier 5	163,000.00	3.82	Within 1 year	The contract is being carried out
Total	3,571,032.14	83.65		

Other note:

Nil

5. Other account receivable

(1) Other account receivable classified according to types:

In RMB

Type	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Other account receivable with single major amount and withdrawal bad debt provision for single item	20,182,046.51	39.73%	9,275,912.22	45.96%	10,906,134.29	19,977,283.01	39.50%	9,071,148.72	45.41%	10,906,134.29
Other account receivable withdrawal bad debt provision by group of credit risk characteristics	12,884,632.91	25.37%	463,167.53	3.59%	12,421,465.38	12,872,295.52	25.45%	466,830.14	3.63%	12,405,465.38
Other account receivable with single minor amount but withdrawal bad debt provision for single item	17,723,455.12	34.90%	17,723,455.12	100.00%		17,723,455.12	35.05%	17,723,455.12	100.00%	
Total	50,790,134.54	100.00%	27,462,534.87	54.07%	23,327,599.67	50,573,033.65	100.00%	27,261,433.98	53.91%	23,311,599.67

Other receivable with single significant amount and withdrawal bad debt provision separately at end of period:

Applicable Not applicable

In RMB

Account receivable(units)	Closing balance			
	Account receivable	Bad debt reserve	Accrual ratio	Reasons
Changzhou Shenbao Chacang E-commerce Co., Ltd. ("Changzhou Shenbao Chacang Company" for short)	20,182,046.51	9,275,912.22	45.96%	The difference between the present value of future cash flow and book value will accrual for bad debt provision
Total	20,182,046.51	9,275,912.22	--	--

Other receivable with bad debt provision withdrawal by age analysis in group:

Applicable Not applicable

In RMB

Age	Closing balance		
	Other accounts receivable	Bad debt provision	Accrual ratio
Sub item of within one year			
Within 1 year	7,780,249.90		
1-2 years	2,505,896.54	125,294.83	5.00%
2-3 years	1,038,005.19	103,800.52	10.00%
Over 3 years	1,560,481.28	234,072.18	15.00%
3-4 years	94,896.77	14,234.51	15.00%
4-5 years	748,187.20	112,228.08	15.00%
5 years above	717,397.31	107,609.59	15.00%
Total	12,884,632.91	463,167.53	3.59%

Explanations on combination determine:

In combination, withdrawal proportion of bad debt provision based on balance proportion for other account receivable:

Applicable Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for other account receivable:

Applicable Not applicable

(2) Bad debt provision accrual collected or switch back

Bad debt provision accrual was 204,763.50 Yuan; the amount collected or switches back amounting to 3,662.61 Yuan

Major bad debt provision collected or switch back:

In RMB

Name	Amount	Method

(3) Nature classification for other receivables

In RMB

Item	Closing book balance	Opening book balance
Margin and deposit	5,752,273.11	4,540,242.47
VAT rebates receivables	339,104.64	733,709.16
Intercourse funds and other	44,698,756.79	45,299,082.02
Total	50,790,134.54	50,573,033.65

(4) Top five units in other account receivable at closing balance

In RMB

Name	Amount nature	Closing balance	Age	Ratio in total other	Bad debt provision

				account receivable at closing balance	Closing balance
Changzhou Shenbao Chacang Company	Intercourse funds	20,182,046.51	Within 1 year, 1-3 year and above	39.73%	9,275,912.22
Shichu Mingmen Company	Intercourse funds	1,596,491.82	Within 1 year and 1-2 year	3.14%	53,585.30
Hangzhou Xiaoshan International Airport Co., Ltd.	Deposit	1,344,149.95	Within 1 year and 1-2 year	2.65%	22,875.00
Sutingdian	Rent	964,365.25	Within 1 year and 1-2 year	1.90%	18,460.20
Hangzhou Xiaoshan International Airport Zhejiang Brigade Hotel Co., Ltd.	Deposit	729,166.64	Within 1 year and 1-3 year	1.44%	4,000.00
Total	--	24,816,220.17	--	48.86%	9,374,832.72

6. Inventory

(1) Types

In RMB

Items	Closing balance			Opening balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	73,044,104.81	4,281,853.67	68,762,251.14	77,403,549.46	4,385,924.31	73,017,625.15
Goods in process	30,662,696.94	219,554.80	30,443,142.14	28,569,954.36	264,169.09	28,305,785.27
Finished goods	50,835,159.71	1,166,164.97	49,668,994.74	44,089,811.15	1,184,370.13	42,905,441.02
Goods in transit	6,417,149.54		6,417,149.54	5,475,723.52		5,475,723.52
Materials processed on commission	5,456,948.02	5,290,502.32	166,445.70	5,394,430.47	5,290,502.32	103,928.15
Wrappage	6,662,150.03		6,662,150.03	5,497,605.83		5,497,605.83
Total	173,078,209.05	10,958,075.76	162,120,133.29	166,431,074.79	11,124,965.85	155,306,108.94

Does the Company comply with the disclosure requirement of “Information Disclosure Guidelines of Shenzhen Stock Exchange No.4 – Listed Companies Engaged in Seed Industry and Planting Business” or not

No

(2) Inventory falling price reserves

In RMB

Type	Opening balance	Current amount increased	Current amount decreased	Closing balance
------	-----------------	--------------------------	--------------------------	-----------------

		Accrual	Other	Switch back/ Written off	Other	
Raw materials	4,385,924.31			104,070.64		4,281,853.67
Goods in process	264,169.09			44,614.29		219,554.80
Finished goods	1,184,370.13			18,205.16		1,166,164.97
Work in process-outsourced	5,290,502.32					5,290,502.32
Total	11,124,965.85			166,890.09		10,958,075.76

(3) Explanation on inventories with capitalization of borrowing costs included at ending balance

Nil

(4) Assets unsettled formed by construction contract which has completed at period-end

In RMB

Item	Amount
------	--------

Other note:

Nil

7. Other current assets

In RMB

Item	Closing balance	Opening balance
VAT input tax ready for deduction	2,071,685.68	2,712,300.53
Financial products held to maturity within one year	30,000,000.00	
Other		46,194.46
Total	32,071,685.68	2,758,494.99

Other note:

Nil

8. Financial assets available for sale

(1) Financial assets available for sale

In RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book balance	Depreciation reserves	Book balance	Depreciation reserves
Instrument equity available for sale:	17,537,500.00	17,480,000.00	57,500.00	17,537,500.00	17,480,000.00	57,500.00

Measured by cost	17,537,500.00	17,480,000.00	57,500.00	17,537,500.00	17,480,000.00	57,500.00
Total	17,537,500.00	17,480,000.00	57,500.00	17,537,500.00	17,480,000.00	57,500.00

(2) Financial assets available for sale measured by cost at period-end

In RMB

Investee unit	Book balance				Depreciation reserves				Ratio of share-holding in invested entity	Current cash dividend
	Opening balance	Current increased	Current decreased	Closing balance	Opening balance	Current increased	Current decreased	Closing balance		
Shenzhen Sanjiu Weitai Capsules Co., Ltd.	2,480,000.00			2,480,000.00	2,480,000.00			2,480,000.00	0.95%	
Shenzhen Tianji Photoelectric Industrial Co., Ltd. (Former Shenzhen Tianji Photoelectric Technology Industrial Co., Ltd.)	15,000,000.00			15,000,000.00	15,000,000.00			15,000,000.00	3.77%	
Beijing Tiantan Co., Ltd.	57,500.00			57,500.00						
Total	17,537,500.00			17,537,500.00	17,480,000.00			17,480,000.00	--	

(3) Change of financial assets depreciation for sale during reporting period

In RMB

Type	Instrument equity available for sale	Instrument debt available for sale		Total
Balance of accrual at period-begin	17,480,000.00			17,480,000.00
Balance of accrual at period-end	17,480,000.00			17,480,000.00

9. Long-term equity investment

In RMB

Investee unit	Opening book balance	-,+ in the Period								Closing book balance	Ending balance of impairment provision
		Additional investment	Capital reduction	Investment gains recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Impairment accrual	Other		
I. Joint venture											
II. Associated enterprise											
Shenzhen Shenbao (Xinmin) Foods Co., Ltd*1	2,870,000.00									2,870,000.00	2,870,000.00
Changzhou Shenbao Chacang E-commerce Co., Ltd *2											
Shenzhen Shenbao (Liaoyuan) Industrial Co., Ltd.*1	57,628.53									57,628.53	57,628.53
Huizhou Shenbao Ma Nan Bio-technology Co., Ltd.	1,054,948.13			575.38						1,055,523.51	
Shenzhen Shichumingmen Restaurant Management Co., Ltd. *2											
Guangzhou Shenbao Mendao Tea Co.,	4,193,681.53			-185,480.37						4,008,201.16	

Ltd.											
Subtotal	8,176,258			-184,904.						7,991,353	2,927,628
	.19			99						.20	.53
Total	8,176,258			-184,904.						7,991,353	2,927,628
	.19			99						.20	.53

Other explanation

*1: these two companies have been established for a long time. At the current stage, their business licenses have been revoked. Impairment provision is made in full due to absence of settlement.

*2: the long-term equity invesment for Changzhou Shenbao Chacang Company and Shichumingmen Company which is measured by equity; the book balance counted as Zero for losses in the two abovementioned enterprises

10. Investment real estate

(1) Investment real estate measured at cost

Applicable Not applicable

In RMB

Item	House and building	Land use right	Construction in process	Total
I. Total original book value				
1. Opening balance	19,834,643.51			19,834,643.51
2. Current amount increased				
(1) Purchase				
(2) Stock\fixed assets \Transfer-in from construction in process				
(3) Increased by combination				
3. Current amount decreased				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	19,834,643.51			19,834,643.51
II. accumulated depreciation and accumulated amortization				
1. Opening balance	1,433,368.48			1,433,368.48
2. Current amount increased	235,795.16			235,795.16
(1) Accrual or amortization	235,795.16			235,795.16

3. Current amount decreased				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	1,669,163.64			1,669,163.64
III. Impairment provision				
1. Opening balance				
2. Current amount increased				
(1) Accrual				
4. Current amount decreased				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance				
IV. Book value Total				
1. Ending book value	18,165,479.87			18,165,479.87
2. Opening book value	18,401,275.03			18,401,275.03

(2) Investment real estate measured by fair value

Applicable Not applicable

11. Fixed assets

(1) Fixed assets

In RMB

Item	House & buildings	Machinery equipment	Transportation facilities	Other equipment	Total
I. Total original book value					
1. Opening balance	256,254,642.80	234,122,882.07	7,116,373.26	17,085,662.59	514,579,560.72
2. Current amount increased		256,230.99	3,200.00	164,721.86	424,152.85
(1) Purchase		256,230.99	3,200.00	164,721.86	424,152.85
(2) Transfer-in from construction in process					
(3) Increased by combination					

3. Current amount decreased		7,855.55		151,460.79	159,316.34
(1) Disposal or scrap		7,855.55		151,460.79	159,316.34
4. Closing balance	256,254,642.80	234,371,257.51	7,119,573.26	17,098,923.66	514,844,397.23
II. accumulated depreciation					
1. Opening balance	36,187,842.08	144,793,412.44	4,614,980.16	9,596,679.77	195,192,914.45
2. Current amount increased	3,636,294.36	5,420,921.95	274,055.32	1,047,855.24	10,379,126.87
(1) Accrual	3,636,294.36	5,420,921.95	274,055.32	1,047,855.24	10,379,126.87
3. Current amount decreased		1,895.92		45,718.77	47,614.69
(1) Disposal or scrap		1,895.92		45,718.77	47,614.69
4. Closing balance	39,824,136.44	150,212,438.47	4,889,035.48	10,598,816.24	205,524,426.63
III. Impairment provision					
1. Opening balance	1,355,290.18	4,288,951.37			5,644,241.55
2. Current amount increased					
(1) Accrual					
3. Current amount decreased					
(1) Disposal or scrap					
4. Closing balance	1,355,290.18	4,288,951.37			5,644,241.55
IV. Book value Total					
1. Ending book value	215,075,216.18	79,869,867.67	2,230,537.78	6,500,107.42	303,675,729.05
2. Opening book value	218,711,510.54	85,040,518.26	2,501,393.10	7,488,982.82	313,742,404.72

(2) Certificate of title un-completed

In RMB

Item	Book value	Reasons
House and building	1,679,436.07	In progress

Other note

Nil

12. Construction in process

(1) Construction in process

In RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Shenbao Plaza project	3,842,333.64	3,842,333.64		3,842,333.64	3,842,333.64	
Other	1,767,365.07	903,189.74	864,175.33	1,038,108.65	903,189.74	134,918.91
Total	5,609,698.71	4,745,523.38	864,175.33	4,880,442.29	4,745,523.38	134,918.91

13. Productive biological assets

(1) Productive biological assets measured by cost

applicable not applicable

In RMB

Item	Plant	Livestock	Forestry	Fisheries	Total
			Tea tree		
I. Total original book value					
1. Opening balance			436,156.00		436,156.00
2. Current amount increased					
(1) Purchase					
(2) Self-cultivate					
3. Current amount decreased					
(1) Disposal					
(2) Other					
4. Closing balance			436,156.00		436,156.00
II. accumulated depreciation					
1. Opening balance			19,384.72		19,384.72
2. Current amount increased			4,846.18		4,846.18
(1) Accrual			4,846.18		4,846.18
3. Current amount decreased					
(1) Disposal					

(2) Other					
4. Closing balance			24,230.90		24,230.90
III. impairment provision					
1. Opening balance					
2. Current amount increased					
(1) Accrual					
3. Current amount decreased					
(1) Disposal					
(2) Other					
4. Closing balance					
IV. Book value Total					
1. Ending book value			411,925.10		411,925.10
2. Opening book value			416,771.28		416,771.28

(2) Productive biological assets measured by fair value

Applicable Not applicable

14. Intangible assets

(1) Intangible assets

In RMB

Item	Land using right	Patent	Un-patent tech	Other	Total
I. Total original book value					
1. Opening balance	172,549,352.87	46,264,718.89	5,159,737.87	22,871,704.98	246,845,514.61
2. Current amount increased		1,200.00	23,931.62		25,131.62
(1) Purchase		1,200.00	23,931.62		25,131.62
(2) Internal R&D					
(3) Increased by combination					
3. Current amount decreased					
(1) Disposal					

4. Closing balance	172,549,352.87	46,265,918.89	5,183,669.49	22,871,704.98	246,870,646.23
II. accumulated depreciation					
1. Opening balance	28,710,317.15	22,367,888.26	1,591,147.47	3,855,071.41	56,524,424.29
2. Current amount increased	1,752,219.66	1,266,361.14	279,199.92	192,540.11	3,490,320.83
(1) Accrual	1,752,219.66	1,266,361.14	279,199.92	192,540.11	3,490,320.83
3. Current amount decreased		5,793.60			5,793.60
(1) Disposal		5,793.60			5,793.60
4. Closing balance	30,462,536.81	23,628,455.80	1,870,347.39	4,047,611.52	60,008,951.52
III. impairment provision					
1. Opening balance		1,869,502.01	1,130,341.88		2,999,843.89
2. Current amount increased					
(1) Accrual					
3. Current amount decreased					
(1) Accrual					
4. Closing balance		1,869,502.01	1,130,341.88		2,999,843.89
IV. Book value Total					
1. Ending book value	142,086,816.06	20,767,961.08	2,182,980.22	18,824,093.46	183,861,850.82
2. Opening book value	143,839,035.72	22,027,328.62	2,438,248.52	19,016,633.57	187,321,246.43

Ratio of the intangible assets from internal R&D in balance of intangible assets at period-end was 0.00%.

15. Development expenditure

In RMB

Item	Opening balance	Increase during the year			Decreased during the year			Closing balance
Project I		368,238.39						368,238.39
Project II		196,789.45				196,789.45		
Project III		217,102.93						217,102.93
Project IV		308,331.96						308,331.96
Project V		183,925.29						183,925.29

Project VI		231,112.80						231,112.80
Total		1,505,500.82				196,789.45		1,308,711.37

Other note

Nil

16. Goodwill

(1) Original book value of goodwill

In RMB

The invested entity or items	Opening balance	Increase during the year		Decreased during the year		Closing balance
Pu'er Tea Trading Center	673,940.32					673,940.32
Total	673,940.32					673,940.32

(2) Goodwill depreciation reserves

In RMB

The invested entity or items	Opening balance	Increase during the year		Decreased during the year		Closing balance
Pu'er Tea Trading Center	673,940.32					673,940.32
Total	673,940.32					673,940.32

Explain process of impairment test, index and determination:

Nil

Other note

Hangzhou Ju Fang Yong, a subsidiary of the Company, funded and purchased 15.00% stake of Yunnan Pu'er Tea Exchange held by Yunnan Heng Feng Xiang Investment Co., Ltd. in May 2016. After the completion of the purchase, the Company got command of Yunnan Pu'er Tea Exchange. The balance between the combined cost and the fair value of net assets on the combining date formed goodwill of RMB 673,940.32.

17. Long-term deferred expense

In RMB

Item	Opening balance	Current increased	Current amortization	Other decreased	Closing balance
Decoration charge	5,630,658.92	456,245.49	1,174,977.32		4,911,927.09
Affiliated project of resident area in Jufangyong Wuyuan	389,956.00		158,292.65		231,663.35

Reform of tea park in Wuyuan	6,666.66		6,666.66		
Reform project of warehouse	1,054,663.93		324,849.18		729,814.75
Lease of workshop and office building	733,479.20		191,342.40		542,136.80
Other	3,321,343.09	1,440.00	243,373.20		3,079,409.89
Total	11,136,767.80	457,685.49	2,099,501.41		9,494,951.88

Other note

Nil

18. Deferred income tax assets and deferred income tax liability

(1) Deferred income tax assets without offset

In RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Impairment provision for assets	19,343,409.96	4,835,852.49	19,149,097.09	4,784,661.61
Unrealized profits in internal transactions	2,132,533.20	533,133.30	2,518,115.62	629,528.91
Deferred income	441,538.48	110,384.62	441,538.48	110,384.62
Total	21,917,481.64	5,479,370.41	22,108,751.19	5,524,575.14

(2) Deferred income tax liability without offset

In RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liability	Taxable temporary differences	Deferred income tax liability
Asset evaluation increment of enterprise combine under different control	4,308,645.52	1,077,161.38	4,460,386.00	1,115,096.50
Change of fair value for the financial assets available for sale	92,883.96	23,220.99	518,602.11	129,650.53
Total	4,401,529.48	1,100,382.37	4,978,988.11	1,244,747.03

(3) Deferred income tax assets and deferred income tax liabilities listed after off-set

In RMB

Item	Trade-off between the deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after off-set	Trade-off between the deferred income tax assets and liabilities at period-begin	Opening balance of deferred income tax assets or liabilities after off-set
Deferred income tax assets		5,479,370.41		5,524,575.14
Deferred income tax liabilities		1,100,382.37		1,244,747.03

(4) Details of uncertain deferred income tax assets

In RMB

Item	Closing balance	Opening balance
Losses deductible	149,227,820.13	125,382,554.44
Asset impairment provision	74,775,667.69	74,575,918.49
Total	224,003,487.82	199,958,472.93

19. Other non-current assets

In RMB

Item	Closing balance	Opening balance
Prepaid for equipment	734,465.84	484,108.52
total	734,465.84	484,108.52

Other explanation:

Nil

20. Short-term loans

(1) Short-term loans

In RMB

Type	Closing balance	Opening balance
Guarantee loan		10,000,000.00
Total		10,000,000.00

Note:

Nil

21. Account payables

(1) Account payables

In RMB		
Item	Closing balance	Opening balance
Material payable	24,706,768.38	21,674,392.61
Trade accounts payable	1,988,272.30	1,494,694.23
Other	185,679.60	376,987.31
Total	26,880,720.28	23,546,074.15

(2) Major accounts payable with age over 1 year

In RMB		
Name	Closing balance	Reasons of outstanding or carry-over
Supplier 1	518,655.52	Uncertain whether need to be paid
Supplier 2	515,892.30	Uncertain whether need to be paid
Total	1,034,547.82	--

Other note:

Nil

22. Account received in advance

(1) Account received in advance

In RMB		
Item	Closing balance	Opening balance
Within 1 year	2,838,341.06	1,949,897.16
1-2 years	156,956.35	132,674.36
2-3 years	29,964.92	7,378.31
Over 3 years	737,657.68	776,338.78
Total	3,762,920.01	2,866,288.61

23. Wages payable

(1) Wages payable

In RMB				
Item	Opening balance	Current increased	Current decreased	Closing balance

I. Short-term compensation	14,132,550.31	33,207,212.36	37,906,886.29	9,432,876.38
II. After-service welfare-defined contribution plans	252,782.59	2,834,705.82	2,834,053.28	253,435.13
Total	14,385,332.90	36,041,918.18	40,740,939.57	9,686,311.51

(2) Short-term compensation

In RMB

Item	Opening balance	Current increased	Current decreased	Closing balance
1. Wage, bonus, allowance and subsidy	11,704,362.95	25,527,889.26	30,635,172.79	6,597,079.42
2. Employees' welfare		3,733,726.42	3,733,726.42	
3. Social insurance charges	19,189.70	1,328,425.12	1,328,442.43	19,172.39
Including: basic medical insurance premium	16,419.98	1,155,345.54	1,155,564.03	16,201.49
Industrial injury insurance premiums	802.47	85,621.72	85,612.73	811.46
Maternity insurance premiums	1,967.25	87,457.86	87,265.67	2,159.44
4. Housing public reserve		1,774,508.75	1,774,508.75	
5. Trade union fee and education fee	2,408,997.66	842,662.81	435,035.90	2,816,624.57
Total	14,132,550.31	33,207,212.36	37,906,886.29	9,432,876.38

(3) Defined contribution plans

In RMB

Item	Opening balance	Current increased	Current decreased	Closing balance
1. Basic endowment insurance premiums	250,987.15	2,769,772.20	2,769,142.16	251,617.19
2. Unemployment insurance premiums	1,795.44	64,933.62	64,911.12	1,817.94
Total	252,782.59	2,834,705.82	2,834,053.28	253,435.13

Other note:

Nil

24. Tax payable

In RMB

Item	Closing balance	Opening balance
VAT	1,035,163.80	1,504,443.80
Enterprise income tax	4,153,556.44	3,486,792.17
Personal income tax	45,905.74	466,035.81

Urban maintenance and construction tax	40,487.62	65,591.62
House property tax	757,882.64	332,637.65
Surtax for education expenses	33,823.36	54,877.18
Use tax of land	385,407.85	615,768.07
Other tax fee	121,260.63	79,040.14
Total	6,573,488.08	6,605,186.44

Other note:

Nil

25. Dividend payable

In RMB

Name	Closing balance	Opening balance
Other	2,909,182.74	2,909,182.74
Total	2,909,182.74	2,909,182.74

Other note, including payable dividend unpaid with over one year, disclosure reasons:

Nil

26. Other account payables

(1) Listed by age

In RMB

Item	Closing balance	Opening balance
Deposit and margin	2,582,816.84	618,257.53
Engineering quality retention money and fund of tail	1,335,256.49	1,121,662.69
Intercourse funds and other	19,976,370.84	19,592,619.66
Fund lending	10,024,009.82	11,480,398.73
Total	33,918,453.99	32,812,938.61

(2) Significant other payable with over one year age

In RMB

Item	Closing balance	Reasons of un-paid or carry-over
Shenzhen Investment Management Company	3,510,297.20	Historical payment
Total	3,510,297.20	--

Other note

Nil

27. Deferred income

In RMB

Item	Opening balance	Increase during the year	Decreased during the year	Closing balance	Causes
Government grants	12,863,139.81		1,137,975.20	11,725,164.61	
Total	12,863,139.81		1,137,975.20	11,725,164.61	--

Items involving governance grants:

In RMB

Liability	Opening balance	Grants increased in the Period	Amount reckoned into non-operating revenue	Amount reckoned into other revenue	Amount with costs reduction in the period	Other changes	Ending balance	Assets-related/income-related
Subsidy for tea seeding of New Tea Garden in Wangkou	47,239.24			554.64			46,684.60	Assets-related
Construction amount for 50 tons for clearly processing for Mingyou tea	625,000.00						625,000.00	Assets-related
Industrialization project of instant tea power	2,280,582.54			98,222.94			2,182,359.60	Assets-related
Base of further processing for tea and nature plants	1,375,000.00			137,500.00			1,237,500.00	Assets-related
Enterprise technology center is a municipal R&D center. Subsidies for industrial technological advancement	2,191,325.64			102,012.30			2,089,313.34	Assets-related
Subsidies for key technology	167,256.22			7,122.51			160,133.71	Assets-related

research and industrialization of instant tea powder								
Special funds for Shenzhen strategic emerging industrial development	3,890,101.98			175,604.54			3,714,497.44	Assets-related
Project grants for years for agricultural district, Xihu Zone	441,538.48						441,538.48	Assets-related
Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors	250,000.00						250,000.00	Assets-related
Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors	524,800.00			65,968.11			458,831.89	Income-related

Finance Discount	1,070,295.71			550,990.16			519,305.55	Income-related
Total	12,863,139.81			1,137,975.20			11,725,164.61	--

Other note:

Nil

28. Share capital

In RMB

	Opening balance	Increased (decreased) in this year +,-					Closing balance
		New shares issued	Bonus shares	Shares converted from public reserve	Other	Sub-total	
Total shares	496,782,303.00						496,782,303.00

Other note:

Nil

29. Capital reserves

In RMB

Item	Opening balance	Current increased	Current decreased	Closing balance
Capital premium (Share capital premium)	358,180,412.46			358,180,412.46
Other capital reserve	818,943.82			818,943.82
Total	358,999,356.28			358,999,356.28

Other instructions, including changes in the current period, reasons for the change:

Nil

30. Surplus reserves

In RMB

Item	Opening balance	Current increased	Current decreased	Closing balance
Statutory surplus reserves	54,736,482.14			54,736,482.14
Total	54,736,482.14			54,736,482.14

Other explanation, including changes and reasons for changes:

Nil

31. Retained profit

In RMB

Item	This period	Last period
Retained profit at the end of the previous year before adjustment	36,402,435.91	158,239,612.94
Total retained profit at the beginning of the previous year before adjustment	36,402,435.91	158,239,612.94
Add: net profit attributable to shareholder of parent Company	-18,246,639.07	-54,094,136.23
Dividend for common shares payable		22,581,013.80
Dividend of common shares transferred		45,162,027.00
Retained profit at the begin of the year after adjustment	18,155,796.84	36,402,435.91

Details about adjusting the retained profits at the beginning of the period:

- 1) The retroactive adjustments to Accounting Standards for Business Enterprises and its relevant new regulations affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 2) The changes in accounting policies affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 3) The major accounting error correction affects the retained profits at the beginning of the period amounting to 0 Yuan
- 4) Merge scope changes caused by the same control affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 5) Other adjustments affect the retained profits at the beginning of the period amounting to 0 Yuan

32. Operating income and Operating cost

In RMB

Items	Current Period		Last Period	
	Income	Cost	Income	Cost
Main operating	132,834,925.50	95,903,674.12	136,473,406.96	103,182,564.29
Other operating	3,886,289.90	2,238,763.29	1,684,975.99	1,218,275.03
Total	136,721,215.40	98,142,437.41	138,158,382.95	104,400,839.32

32. Tax and surcharges

In RMB

Item	Current Period	Last Period
City maintenance and construction tax	440,674.22	570,241.97
Educational fee and extra	345,778.29	437,060.65
Property tax	1,015,210.12	748,577.58
Land use tax	836,053.33	653,330.76
Stamp tax	62,257.12	45,522.53
Total	2,699,973.08	2,454,733.49

Other note:

Nil

34. Sales expenses

In RMB

Item	Current Period	Last Period
Employee compensation and employee costs	6,692,965.66	8,415,437.33
Rental and utilities	4,605,741.44	4,486,810.13
Depreciation and amortization expenses	1,017,306.02	1,306,854.39
Goods transport miscellaneous expenses	3,840,171.84	3,571,058.05
Sales discounts, promotion fee and advertising expenses	525,870.52	1,016,356.24
Daily office expenses	1,487,899.73	1,894,181.18
Others	305,468.73	483,709.99
Total	18,475,423.94	21,174,407.31

Other note:

Nil

35. Management expenses

In RMB

Item	Current Period	Last Period
Employee compensation and employee costs	19,321,018.52	18,059,573.89
Rental and utilities	1,133,244.77	1,253,438.85
Depreciation and amortization expenses	6,904,588.01	6,715,698.24
Intermediary and disclosure expenses	4,505,049.04	1,408,462.38
Daily office expenses	3,736,281.59	4,376,421.31
Others	1,456,872.14	1,269,189.09
Total	37,057,054.07	33,082,783.76

Other note:

Nil

36. Financial expenses

In RMB

Category	Current Period	Last Period
Interest expense	44,563.57	-57,803.94
Less: interest income	1,750,417.09	1,951,838.54
Exchange loss	-35,969.90	213,930.71

Others	193,927.10	262,314.75
Total	-1,547,896.32	-1,533,397.02

Other note:

Nil

37. Asset impairment loss

In RMB

Item	Current Period	Last Period
I. Bad debt losses	199,749.20	190,677.29
Total	199,749.20	190,677.29

Other note:

Nil

38. Gains /losses from change of fair value

In RMB

Source of gains from change of fair value	Current Period	Last Period
Financial assets measured by fair value and with its variation reckoned into current gains/losses	-425,718.15	-990,762.24
Total	-425,718.15	-990,762.24

Other note:

Nil

39. Investment gains

In RMB

Item	Current Period	Last Period
Long-term equity investment gains recognized under equity method	-184,904.99	-159,244.04
Earnings from financing products		1,252,661.10
Total	-184,904.99	1,093,417.06

Other note:

Nil

40. Asset disposal income

In RMB

Source of asset disposal income	Current Period	Last Period
Profit or loss for the disposal of fixed	-1,339.93	-21,015.26

assets		
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41. Other income

In RMB

Source of other income	Current Period	Last Period
Government subsidies	826,872.02	

42. Non-operating income

In RMB

Item	Current Period	Last Period	Amount included in the current non-recurring profit and loss
Government grants		618,962.22	
Other	69,507.48	66,816.28	69,507.48
Performance compensation		325,918.95	
Total	69,507.48	1,011,697.45	

Government subsidy reckoned into current gains/losses:

In RMB

Item	Issuing subject	Issuing cause	Property type	Whether the impact of subsidies on the current profit and loss	Whether special subsidies	Amount of this period	Amount of last period	Assets related/Income related
Deferred income transfer-in				No	No		582,962.22	Assets related
The “Three products one standard” award from Agricultural Bureau	Tea bureau of Wuyuan County	Award	Subsidy for industries the country encourage and support (according to national policy)	No	No		30,000.00	Income related
Market Supervision Bureau - Patent funded subsidies	Shenzhen Market Supervisory Authority	Subsidy	Subsidy for industries the country encourage and support (according to	No	No		6,000.00	

			national policy)					
Total	--	--	--	--	--		618,962.22	--

Other note:

Nil

43. Non-operating expenditure

In RMB

Item	Current Period	Last Period	Amount reckoned into current non-recurring gains/losses
Donation expenditure	10,000.00	20,916.00	10,000.00
Losses on disposal of assets	69,625.01		69,625.01
Other	56.74	1,206.68	56.74
Total	79,681.75	22,122.68	79,681.75

Other note:

Nil

44. Income tax expense

(1) Statement of income tax expenses

In RMB

Item	Current Period	Last Period
Current income tax expenses	1,186,252.16	335,468.02
Deferred income tax expenses	-61,224.81	-298,881.44
Total	1,125,027.35	36,586.58

(2) Adjustment process of accounting profit and income tax expenses

In RMB

Item	Current Period
Total profit	-18,100,791.30
Income tax expenses calculated by statutory tax rate	-4,525,197.83
Impact from different tax rate apply with the subsidiary	103,048.34
Impact on deductible temporary differences or losses deductible which was un-recognized as deferred income tax assets	5,547,176.84
Income tax expense	1,125,027.35

Other note

Nil

45. Annotation of cash flow statement

(1) Cash received with other operating activities concerned

In RMB

Item	This Period	Last Period
Interest income	1,480,581.08	1,723,814.05
Government grants	256,948.58	419,100.00
Intercourse funds and other	3,253,817.60	4,205,388.32
Total	4,991,347.26	6,348,302.37

Note of cash received with other operating activities concerned:

Nil

(2) Cash paid with other operating activities concerned

In RMB

Item	This Period	Last Period
Expenses	17,017,291.45	14,640,748.15
Intercourse funds and other	5,090,549.48	5,939,319.21
Total	22,107,840.93	20,580,067.36

Note of cash paid with other operating activities concerned:

Nil

46. Supplementary information to statement of cash flow

(1) Supplementary information to statement of cash flow

In RMB

Item	This Period	Last Period
1.Net profit adjusted to cash flow of operation activities:	--	--
Net profit	-19,225,818.65	-20,577,033.45
Add: Impairment provision for assets	199,968.89	190,677.29
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	10,619,768.21	10,965,845.80
Amortization of intangible assets	3,490,320.83	3,525,894.04
Amortization of long-term deferred expenses	2,099,501.41	2,797,203.36
Loss from disposal of fixed assets, intangible assets and other long-term assets (income is	1,339.93	33,547.35

listed with “-”)		
Losses on scrapping of fixed assets (income is listed with “-“)	69,625.01	
Loss from change of fair value (income is listed with “-“)	425,718.15	990,762.24
Financial expenses (income is listed with “-“)	610,098.89	539,226.77
Investment loss (income is listed with “-“)	184,904.99	-1,093,417.06
Decrease of deferred income tax assets (increase is listed with “-“)	45,204.73	-51,190.88
Increase of deferred income tax liability (decrease is listed with “-“)	-144,364.66	-285,625.68
Decrease of inventory (increase is listed with “-“)	-6,814,024.36	-8,524,247.90
Decrease of operating receivable accounts(increase is listed with “-“)	11,223,309.58	-14,650,942.01
Increase of operating payable accounts(decrease is listed with “-“)	7,009,917.12	-24,293,348.02
Net cash flow arising from operating activities	9,795,470.07	-50,432,648.15
2.Material investment and financing not involved in cash flow:	--	--
3.Net change of cash and cash equivalents	--	--
Balance of cash at period end	223,346,666.44	205,487,872.79
Less: Balance of cash at year-begin	255,961,650.41	358,564,242.83
Net increasing of cash and cash equivalents	-32,614,983.97	-153,076,370.04

(4) Constitution of cash and cash equivalent

In RMB

Item	Closing balance	Opening balance
I. Cash	223,346,666.44	255,961,650.41
Including: Cash on hand	441,516.36	194,650.44
Bank deposit available for payment at any time	222,905,150.08	255,448,120.29
Other monetary funds available for payment at any time		318,879.68
III. Balance of cash and cash equivalent at year-end	223,346,666.44	255,961,650.41

Other note:

Nil

47. Foreign currency monetary items

(1) Foreign currency monetary items

In RMB

Item	Ending foreign currency balance	Exchange rate convert	Ending balance of RMB converted
Including: USD	1,713,857.17	6.6166	11,339,907.35
HKD	206,694.34	0.8431	174,264.00
Including: USD	127,695.30	6.6166	844,908.72

Other note:

Nil

(2) Explanation on foreign operational entity, including as for the major foreign operational entity, disclosed main operation place, book-keeping currency and basis for selection; if the book-keeping currency changed, explain reasons

Applicable Not applicable

VIII. Equity in other entity

1. Equity in subsidiary

(1) Constitute of enterprise group

Subsidiary	Main operation place	Registered place	Business nature	Share-holding ratio		Acquired way
				Directly	Indirectly	
Shenbao Huacheng	Shenzhen	Shenzhen	Manufacturing	100.00%		Establishment
Wuyuan Ju Fang Yong	Shangrao	Shangrao	Manufacturing	100.00%		Establishment
Shenbao Sanjing	Huizhou	Shenzhen	Manufacturing	100.00%		Establishment
Huizhou Shenbao Science & Technology	Huizhou	Huizhou	Comprehensive	100.00%		Establishment
Shenbao Properties	Shenzhen	Shenzhen	Property management	100.00%		Establishment
Shenbao Industrial & Trading	Huizhou	Shenzhen	Trade and Commerce wholesale	100.00%		Establishment
Hangzhou Ju Fang Yong	Hangzhou	Hangzhou	Comprehensive	100.00%		Establishment

Shenbao Technology Center	Shenzhen	Shenzhen	Technology development, consulting and transfer	100.00%		Establishment
Fuhaitang Ecological	Hangzhou	Hangzhou	Planting, production and sales of tea		100.00%	Purchased
Chunshi Network	Hangzhou	Hangzhou	Trade and Commerce wholesale		100.00%	Establishment
Shenshenbao Investment	Shenzhen	Shenzhen	Investment management	100.00%		Establishment
Shenshenbao Tea Culture	Shenzhen	Shenzhen	Trade and Commerce		100.00%	Establishment
Jufangyong Trading	Hangzhou	Hangzhou	Trade and Commerce wholesale		60.00%	Establishment
Yunnan Supply Chain	Pu'er	Pu'er	Trade and Commerce wholesale	100.00%		Establishment
Huizhou Shenbao Food	Shenzhen	Shenzhen	Trade and Commerce wholesale	100.00%		Establishment
Shenbao Rock Tea	Wuyishan City	Wuyishan City	Manufacturing	100.00%		Establishment
Pu'er Tea Trading Center	Pu'er	Pu'er	Service	55.00%		Establishment
Shenbao Tea-Shop	Shenzhen	Shenzhen	Trade and Commerce		100.00%	Establishment
Fuhaitang Restaurant	Hangzhou	Hangzhou	Catering		100.00%	Establishment

Explanation on share-holding ratio in subsidiary different from ratio of voting right:

Nil

Basis of the invested unit control by the Company though holds half or below voting rights; and the invested unit without controls by the Company but with over half voting rights hold:

Nil

Major structured entity included in consolidates statement:

Nil

Basis of termination of agent or consigner:

Nil

Other note:

Nil

(2) Important non-wholly-owned subsidiary

In RMB

Subsidiary	Share-holding ratio of minority	Gains/losses attributable to minority in the Period	Dividend distribute for minority in the Period	Accumulated equity of minority at period-end
Pu'er Tea Trading Center	45.00%	-973,881.94		15,565,732.56

Explanation on holding ratio different from the voting right ratio for minority shareholders:

Nil

Other note:

Nil

(3) Main finance of the important non-wholly-owned subsidiary

In RMB

Subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Pu'er Tea Trading Center	34,083,284.09	11,323,818.07	45,407,102.16	10,297,279.80	519,305.55	10,816,585.35	36,821,307.26	12,028,890.18	48,850,197.44	11,025,202.83	1,070,295.71	12,095,498.54

In RMB

Subsidiary	Current Period				Last Period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Pu'er Tea Trading Center	76,410.93	-2,164,182.09	-2,164,182.09	-2,565,380.12	556,614.78	-2,089,534.90	-2,089,534.90	-31,729,663.82

Other note:

Nil

2. Equity in joint venture and cooperative enterprise

(1) Important joint venture and cooperative enterprise

Name	Main operation	Registered place	Business nature	Share-holding ratio	Accounting
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	place			Directly	Indirectly	treatment on investment for joint venture and cooperative enterprise
Changzhou Shenbao Chacang E-commerce Co., Ltd.	Changzhou City	Changzhou City	Manufacturing industry	33.00%		Equity method
Shenzhen Shenbao Ma Nan Bio-technology Co., Ltd.	Huizhou City	Huizhou City	Manufacturing industry		51.00%	Equity method
Shenzhen Shichumingmen Restaurant Management Co., Ltd.	Shenzhen City	Shenzhen City	Catering		51.00%	Equity method
Guangzhou Mendao Tea Co., Ltd.	Guangzhou	Guangzhou	Retail industry	45.00%		Equity method

Holding shares ratio different from the voting right ratio:

Nil

Has major influence with less 20% voting rights hold, or has minor influence with over 20% (20% included) voting rights hold:

Nil

(2) Financial summary for un-important joint venture or cooperative enterprise

In RMB

	Closing balance /Amount of this period	Opening balance /Amount of last period
Joint venture:	--	--
Total numbers measured by share-holding ratio	--	--
Cooperative enterprise:	--	--
Total book value of investments	5,063,724.67	5,248,629.66
Total numbers measured by share-holding ratio	--	--
-- Net profit	-531,031.57	-159,244.04
-- Total comprehensive income	-531,031.57	-159,244.04

Other note

Nil

(3) Excess losses from joint venture or cooperative enterprise

In RMB

Name	Cumulative un-confirmed losses	Un-confirmed losses not recognized in the Period (or net profit enjoyed in the Period)	Cumulative un-confirmed losses at period-end
Changzhou Shenbao Chacang E-commerce Co., Ltd	8,115,908.90	258,535.11	8,374,444.01
Shenzhen Shichumingmen Restaurant Management Co., Ltd.	2,939,544.23	355,975.69	3,295,519.92

Other note

Nil

IX. Disclosure of risks relating to financial instruments

Our business operation makes the Company exposed to various financial risks: credit risk, liquidity risk and market risk (mainly refers to exchange risk and interest risk). The general risk management policy of the Company is to minimize potential negative effects on our financial performance in view of the unforeseeable financial market.

(1) Credit risk

The credit risk mainly arises from monetary capital, trade receivables and other receivables. The management has established adequate credit policies and continues to monitor exposure of these credit risks.

The monetary funds held by the Company are mainly deposited in state-controlled banks and other large and medium-sized commercial banks and other financial institutions. The management believes that these commercial banks have high reputation and asset status and have no major credit risk, and won't create any major losses caused by the breach of contract of the opposite side.

For trade receivables and other receivables, the Company establishes relevant policies to control exposure of credit risk. The Company appraises customers' credit quality based on their financial position, possibility to obtain guarantee from third parties, credit history and other factors such as prevailing market conditions, and set corresponding credit terms. Customers' credit history would be regularly monitored by the Company. For those customers who have bad credit history, the Company will call collection in written form, shorten credit term or cancel credit term to ensure its overall credit risk is under control.

Up to 30 June 2018, the top five client's account receivable takes 30.96% in total account receivable of the Company (2017: 40.08%)

The maximum credit risk exposure equals to the carrying value of each financial asset in balance sheet (including derivative financial instrument). The Company has not provided any guarantee which would otherwise make the Company exposed to credit risk.

(2) Liquidity risk

Liquidity risk represents the possibility that the Company is not able to acquire sufficient fund to satisfy business requirement, settle debt when it is due and perform other obligation of payment.

The finance department continues to monitor capital requirement for short and long term, to ensure adequate cash reserve. In addition, it continues to monitor whether borrowing agreement is complied with, and seeks for commitment from major financial institutions for provision of sufficient back-up fund, so as to satisfy capital requirement in a short and long term.

(3) Market risk

1. Exchange risk

The major operation of the Company is located in the PRC, and its major operation is settled in Renminbi. However, there is also exchange risk in respect of the recognized foreign currency assets and liabilities and future foreign currency transactions which are mainly denominated in US dollar. Our finance department is responsible for monitoring scale of foreign currency assets and liabilities and foreign currency transactions, to minimize its exposure to exchange risks. In 2017 and Jan. to Jun. of 2018, the Company did not sign any forward exchange contract or monetary exchange contract.

2. Interest risk

Our interest risk mainly arises from bank borrowings. Financial liabilities at floating rate expose the Company to cash flow interest risk, and financial liabilities at fixed rate expose the Company to fair value interest risk. The Company determines the respective proportion of contracts at fixed rate and floating rate based on prevailing market conditions.

The financial department of the Company continuously monitors the interest rate of the Company. The rise in interest rates will increase the cost of new interest-bearing debts and the interest expense of the Company's unpaid interest-bearing debts with floating interest rates, management will make timely adjustments based on the latest market conditions.

3. Price risk

The Company purchases and sells products at market prices, therefore it is affected by fluctuation of these prices.

X. Disclosure of fair value

1. Ending fair value of the assets and liabilities measured by fair value

In RMB

Items	Ending fair value			
	First-order	Second-order	Third-order	Total
I. Sustaining measured by fair value	--	--	--	--
(I) Financial assets measured by fair value and with variation reckoned into current gains/losses	1,173,950.05			1,173,950.05
(2) Equity instruments investment	1,173,950.05			1,173,950.05
II. Non-persistent measure	--	--	--	--

2. Recognized basis for the market price sustaining and non-persistent measured by fair value on first-order

The Company listed the book value of financial assets instruments measured at fair value on December 31, 2017 at three levels of fair value. When the fair value ranks three levels as a whole, it is based on the lowest level of the three levels that each important input value used in the fair value measurement. The three levels are defined as follows:

Level 1: It is the quoted price that has not been adjusted in the active market for the same assets or liabilities that can be obtained on the measurement date;

Level 2: It is the input value that is directly or indirectly observable for the relevant assets or liabilities except the input value of the first level;

Input value of level 2 includes: 1) quoted price for similar assets or liabilities in active markets; 2) quoted price for the same or similar assets or liabilities in inactive markets; 3) other observable input value except quoted price, including the observable interest rates and yield curves, implied volatility, and credit spreads during the interval in normal quoted price; 4) input value for market verification, etc.

Level 3: It is the unobservable input value of related assets or liabilities.

XI. Related party and related transactions

1. Parent Company

Parent Company	Registration place	Business nature	Registered capital	Ratio of shareholding on the Company	Ratio of voting right on the Company
Shenzhen Agricultural Products Co., Ltd.	Shenzhen	Development, established, operated and management the agricultural wholesale market,	1,696,964,100	19.09%	19.09%

		operates marketing leasing business etc.			
--	--	---	--	--	--

Explanation on parent Company of the enterprise

Nil

Ultimate controller of the Company is Shenzhen Municipal People's Government State-Owned Assets Supervision and Administration Commission

Other note:

Nil

2. Subsidiary

Subsidiary of the Company found more in Note VIII-(I) equity in subsidiary

3. Cooperative enterprise and joint venture

Joint Venture of the Company found more in Note VIII-(II) equity in joint Venture

Other cooperative enterprise and joint venture that have related transaction with the Company in the Period or occurred in previous period

Name	Relationship
Shenzhen Shichumingmen Restaurant Management Co., Ltd.	Cooperative enterprise
Changzhou Shenbao Chacang E-commerce Co., Ltd	Cooperative enterprise

Other note:

Nil

4. Other related party

Other related party	Relationship with the Enterprise
Shenzhen Investment Management Company	Former first largest shareholder of the Company
Shenzhen Investment Holding Co., Ltd.	Second largest shareholder of the Company
Shenzhen Nongmei Investment Management Co., Ltd.	Former minority shareholder of the second-subsiary

Other note

Nil

5. Related transaction

(1) Goods purchased and labor service received

Goods purchasing, labor service providing and receiving

In RMB

Related party	Content	Current Period	Approved transaction limit	Whether more than the transaction limit	Amount of last period
Shenzhen Shichumingmen Restaurant	Purchase of tea products	0.00		No	927.50

Management Co., Ltd.					
----------------------	--	--	--	--	--

Goods sold/labor service providing

In RMB

Related party	Content	Current Period	Last Period
Shenzhen Shichumingmen Restaurant Management Co., Ltd.	Activity service		6,442.74
Shenzhen Shichumingmen Restaurant Management Co., Ltd.	Sales of tea products	455.09	

Note of sale of goods/rendering of labor services/labor service offering:

Nil

(2) Related lease

As a lessor for the Company:

In RMB

Lessee	Assets type	Lease income in recognized in the Period	Lease income in recognized last the Period
Shenzhen Shichumingmen Restaurant Management Co., Ltd.	Operating site	479,951.61	409,500.00

As lessee:

In RMB

Lesser	Assets type	Lease income in recognized in the Period	Lease income in recognized last the Period
Shenzhen Investment Holding Co., Ltd	Operating site	1,025,966.95	979,514.77

Explanation on related lease

Nil

(3) Related guarantee

As guarantor

In RMB

Secured party	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
Shenbao Huacheng	30,000,000.00	2017-07-27	2019-07-26	No

As secured party

In RMB

Guarantor	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
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Related guarantee note

According to the “Comprehensive Credit Line Contract” numbered as PY (SZ) ZZ No. A237201707130001 signed by Shenbao Huacheng, a subsidiary of the Company, with Ping An Bank, Shenzhen Branch on July 27, 2017, Ping An Bank, Shenzhen Branch provided a comprehensive credit line of RMB 30 million to the subsidiary of the Company, Shenbao Huacheng, the time limit of the comprehensive credit limit was within 12 months from the effective date of the contract. In order to ensure that all claims under this comprehensive credit limit can be repaid, the Company has provided a maximum guarantee with guarantee amount of RMB 30,000,000.00. Except for the guarantee amount, other interests, interest and interest penalty, and other claims charges are also guaranteed, and the guarantee period is from July 27, 2017 to the end of the two-year period from the expiration date for debt performance of each specific credit line under the master contract.

(4) Related party’s borrowed funds

In RMB

Related party	Loan amount	Start date	Expiry date	Note
Borrowing				
Shenzhen Nongmeidi Investment Management Co., LTD	5,250,000.00	2017-01-01	2018-02-13	Paid off on 13 Feb, 2018
Loans				
Shenzhen Shichumingmen Restaurant Management Co., Ltd.	1,180,000.00	2016-06-23	2017-07-31	Benchmark interest rate for one-year borrowing from People’s Bank of China

6. Receivable and payable of related party

(1) Item receivable

In RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other account receivable	Changzhou Shenbao Chacang E-commerce Co., Ltd	20,182,046.51	9,275,912.22	19,977,283.01	9,071,148.72
Other account receivable	Shenzhen Agricultural Products Co., Ltd	1,060.00	159.00	1,060.00	159.00
Other account	Shenzhen	1,596,491.82	53,585.30	1,870,811.75	53,585.30

receivable	Shichumingmen Restaurant Management Co., Ltd.				
Other account receivable	Shenzhen Investment Holding Co., Ltd	433,469.10	31,743.34	319,129.94	31,743.34

(2) Item payable

In RMB

Item	Related party	Closing book balance	Opening book balance
Dividend payable	Shenzhen Investment Management Company	2,690,970.14	2,690,970.14
Other payable	Shenzhen Nongdimei Investment Management Company		1,478,800.00
Other payable	Shenzhen Investment Management Company	3,510,297.20	3,510,297.20

7. Commitments of related party

8. Other

As a shareholder of Changzhou Shenbao Chacang Company, the Company holds 33.00% equity of Changzhou Shenbao Chacang Company. As of June 30, 2018, the advance payment that the Company paid for Changzhou Shenbao Chacang Company in previous years, the balance of other accounts receivable was RMB 20,182,046.51, and the provisions for bad debts was RMB 9,275,912.22, and the book value of other receivables was RMB 10,906,134.29.

XII. Commitment or contingency

1. Important commitments

Important commitments in balance sheet date

2. Contingency

(1) Contingency on balance sheet date

On July 15, 2016, Shenzhen Agricultural Products Financing Guarantee Co., Ltd. (“Agricultural Products Guarantee Company” for short) submitted a “Civil Appeal” to the People’s Court of Futian District, Shenzhen, requesting Changzhou Shenbao Chacang Company to repay the loan principal amount of RMB 5,000,000.00, the interest of RMB 389,968.52, and the interest penalty of RMB 3,200,271.79 (the interest penalty was temporarily calculated to June 30, 2016, which shall be actually calculated to the date of the full repayment of the borrowing); and pay the compensation of RMB 100,000.00 (5 million Yuan × 2%); two items in total were RMB 8,690,240.31; the Company undertook joint liability for the loan of RMB 5,000,000.00.

On May 31, 2017, Shenzhen Futian District Court made the first-instance judgment and ruled Changzhou Shenbao Chacang Company to repay the loan principal of RMB 5 million and the interest and interest penalty, the Company did not need to undertake joint liability for the loan of RMB 5 million of Changzhou Shenbao Chacang Company. On July 4, 2017, the Agricultural Products Guarantee Company filed an appeal, on October 13, 2017, and Shenzhen Intermediate People's Court held a hearing. As of the date of approval of the financial statements, the case has been in the process of hearing, and the Shenzhen Intermediate People's Court has not yet made a final judgment in this case.

XIII. Events after balance sheet date

1. Explanation on other events after balance sheet day

On July 24, 2018, the Company held the 18th meeting of the ninth board of directors and the 10th meeting of the ninth board of supervisors, which reviewed and approved the "Proposal on the Removal of the Shenzhen Plant of Shenzhen Shenbao Huacheng Tech Co., Ltd.". The expenses for the corresponding staff placement, asset impairment preparation, removal, equipment installation and commissioning in this removal are not expected to exceed RMB 13.6 million, which will be included in the current profit and loss of the Company.

Except for the events after the balance sheet date mentioned above, as of the date of approval of reporting the financial report, the Company has no other major events after the balance sheet date that should be disclosed but not disclosed.

XIV. Other important events

1. Other

On August 22, 2017, the Company received the notice from the major shareholder Shenzhen Agricultural Products Co., Ltd. (hereinafter referred to as "Agricultural Products"), as Agricultural Products and relevant parties were negotiating major issues concerning the Company, after applying to the Shenzhen Stock Exchange, the Company was suspended trading since the opening on August 22, 2017.

On September 5, 2017, the Company confirmed that this major event constituted a major asset restructuring, after applying to the Shenzhen Stock Exchange, the Company's stock was transferred to the major asset restructuring matter and continued to be suspended from the opening on September 5, 2017.

On January 19, 2018, the Company received the notice from the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government (hereinafter referred to as "Shenzhen SASAC"): In order to promote the overall strategic adjustment of Shenzhen municipal state-owned grain and agricultural enterprises, Shenzhen Municipal People's Government issued the SFH [2018] No. 17 on January 18, 2018, agreed to carry out holistic changes to Shenzhen municipal state assets, and transfer 28.76% equity of Agricultural Products held by Shenzhen SASAC, 5.22% equity of Agricultural Products held by Shenzhen Capital Co., Ltd., 0.02% equity of Agricultural Products held by Shenzhen Yixin Investment Co., Ltd., and 16% equity of the Company held by Shenzhen Investment Holdings Co., Ltd. to Shenzhen Fude State-owned Capital Operation Co., Ltd. (hereinafter referred to as "Fude Capital").

On January 23, 2018, the above-mentioned parties signed the "Shares/Property Free Transfer Agreement", and completed all the free transfer matters on April 3, 2018.

On March 23, 2018, the Company held the 15th meeting of the ninth session of the board of directors which reviewed and approved the "Proposal on the Planning for Share Issuance of Shenzhen Shenbao Industrial Co., Ltd. for Purchasing Assets and Related Transactions" and other proposals related to this major asset restructuring. The planning mentioned that "the Company intends to acquire 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as "Shenzhen Cereals Group") held by Fude Capital via share issuance, and the estimated value of 100% equity of Shenzhen Cereals Group is 5,859,432,100 Yuan, both parties

agreed to take this value as the transaction price of the underlying asset after preliminary negotiation.

On March 27, 2018, the Company received the “Inquiry Letter on the Restructuring of Shenzhen Shenbao Industrial Co., Ltd.” [XKLCZWXH[2018] No. 6] (hereinafter referred to as “Inquiry Letter”) issued by the Shenzhen Stock Exchange. According to the requirements of the inquiry letter, the Company supplemented and revised the original planning contents, and disclosed the “Planning for Share Issuance of Shenzhen Shenbao Industrial Co., Ltd. for Purchasing Assets and Related Transactions (Revised Version)”.

After applying to the Shenzhen Stock Exchange, the Company’s stock resumed trading since the opening on April 4, 2018.

On June 8, 2018, the Company held the 17th meeting of the ninth board of directors which deliberated and approved the “Proposal on ‘the Company’s Share Issuance for Purchasing Assets and Related Transactions Report (Draft)’ and its Summary” and other proposals related to major asset restructuring.

On June 15, 2018, the Company received the “Approval of Shenzhen State-owned Assets Supervision and Administration Commission on the Company’s Share Issuance for the Acquisition of 100% Equity of Shenzhen Cereals Group and Relevant Issues of Major Assets Restructuring” (SGZWH [2018] No. 499) issued by Shenzhen SASAC from Fude Capital, agreed the restructuring plan reported by Fude Capital.

On June 19, 2018, the Company received the “Inquiry Letter on the Company’s Restructuring” [XKLCZWXH[2018] No. 18] issued by the Shenzhen Stock Exchange. According to the requirements of the inquiry letter, the Company supplemented and improved the documents related to this major asset restructuring, and established the Report on Share Issuance of Shenzhen Shenbao Industrial Co., Ltd. for Purchasing Assets and Related Transactions (Revised Version).

On June 27, 2018, the Company held the first extraordinary meeting in 2018 which reviewed and approved the “Proposal on ‘the Company’s Share Issuance for Purchasing Assets and Related Transactions Report (Draft)’ and its Summary” and other proposals related to this major asset restructuring.

On July 5, 2018, the Company received the “Notice of Correction on Application for Administrative License of China Securities Regulatory Commission” (No. 181013) (hereinafter referred to as the “Notice of Correction”) issued by the China Securities Regulatory Commission. The CSRC reviewed the application materials for the administrative license of the “Approval of the Company’s Listed Companies to Issue Shares to Purchase Assets” submitted by the Company, and requested the Company to submit the relevant correction materials to the acceptance department of CSRC for administrative license application within 30 working days from the date of issuance of the Notice of Correction. The Company strictly followed the requirements of the Notice of Correction, and actively prepared the correction materials and submitted them in time.

On July 27, 2018, the Company received the “Administrative License Application Acceptance Form of CSRC” issued by the China Securities Regulatory Commission (acceptance number is 181013). The China Securities Regulatory Commission examined the application materials for the administrative license of the “Approval of the Issuance of Shares by Listed Companies to Purchase Assets” submitted by the Company in accordance with the law, considering that all materials were complete, decided to accept the application for the administrative license.

On August 9, 2018, the Company obtained the “Notice of Investigation of China Securities Regulatory Commission” (YZDCTZ No. 180133) from Jonten, the audit institution responsible for this major asset restructuring, because it was suspected of violating securities laws and regulations in the audit process of other enterprises, CSRC decided to file a case and investigate it. In accordance with the relevant regulations of the CSRC Decree No. 138, the Company convened the board meeting on August 13, 2018, and decided to apply to the CSRC for the suspension of the “Approval of the Issuance of Shares by Listed Companies to Purchase Assets” and submitted the application to the CSRC on the same day. On August 15th, the Company received the “Notice of the Suspension of the Review about Administrative License Application from China Securities Regulatory Commission (No. 181013), and CSRC decided to agree to the Company’s suspension of the review.

In view of the fact that Jonten had fulfilled the corresponding review procedures and issued the review report in accordance with the regulations, on August 19, 2018, the Company convened the board meeting to deliberate and approve the “Proposal on Resuming the Review about the Application for ‘the Approval of Issuance of Assets by Listed Companies to Purchase Assets’ to the China Securities Regulatory Commission”, and agreed the Company to apply to the China Securities Regulatory Commission for

resumption of review.

On 23 August 2018, the Company received a Decision of Anti-monopoly Examination of the Acts of Concentration of Business Operators without Further Examination (Anti- monopoly CS Letter [2018] No.153) from Anti-monopoly Bureau of the State Administration of Market Supervision and Administration, the Bureau agrees to conduct no further examination on the equity acquisition of Shenzhen Cereals Group by the Company, and the Company can implement centralization from now on.

The material assets restructuring should be approved by CSRC and there is no certainty in approval.

XV. Annotation to main items in financial statements of Parent Company

1. Account receivables

(1) Disclosed by type

In RMB

Type	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Account receivable withdrawal bad debt provision by group of credit risk characteristics	30,642,294.02	99.91%			30,642,294.02	53,950,930.37	99.95%			53,950,930.37
Account receivable with single minor amount but withdrawal bad debt provision for single item	28,453.08	0.09%	28,453.08	100.00%		28,453.08	0.05%	28,453.08	100.00%	
Total	30,670,747.10	100.00%	28,453.08	0.09%	30,642,294.02	53,979,383.45	100.00%	28,453.08	0.05%	53,950,930.37

Account receivable with single significant amount and withdrawal bad debt provision separately at period end:

Applicable Not applicable

Account receivable provided for bad debt reserve under aging analysis method in the groups:

Applicable Not applicable

In RMB

Age	Closing balance		
	Account receivable	Bad debt provision	Accrual ratio (%)
Sub item within 1 year			
Within 1 year	30,583,544.02		
Total	30,583,544.02		

Explanations on combination determine:

Nil

In combination, withdrawal proportion of bad debt provision based on balance proportion for account receivable:

Applicable Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for account receivable:

Nil

(2) Bad debt provision accrual, collected or reversed

Bad debt provision accrual of RMB 0.00; collected or switch back bad debt provision of RMB 0.00

Major bad debt provision collected or switch back:

In RMB

Name	Amount	Method
------	--------	--------

(3) Top five receivables at Period-end

Name	Closing balance	Proportion in total receivables at closing balance (%)	Bad debt provision accrual
Customer 1	13,202,096.00	43.04	---
Customer 2	4,976,292.86	16.22	---
Customer 3	3,195,254.93	10.42	---
Customer 4	1,958,919.74	6.39	---
Customer 5	1,414,188.43	4.61	---
Total	24,746,751.96	80.68	---

2. Other receivables

(1) Disclosed by type

In RMB

Types	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Other account receivable with single major amount and withdrawal bad debt provision for single item	19,552,046.51	10.28%	9,212,912.22	47.12%	10,339,134.29	19,347,283.01	10.87%	9,008,148.72	46.56%	10,339,134.29
Other account receivable withdrawal bad debt provision by group of credit risk	165,203,104.20	86.84%	40,309.29	0.02%	165,162,794.91	153,106,793.92	86.05%	41,366.46	0.03%	153,065,427.46

characteristics										
Other account receivable with single minor amount but withdrawal bad debt provision for single item	5,472,398.91	2.88%	5,472,398.91	100.00%		5,472,398.91	3.08%	5,472,398.91	100.00%	
Total	190,227,549.62	100.00%	14,725,620.42	7.74%	175,501,929.20	177,926,475.84	100.00%	14,521,914.09	8.16%	163,404,561.75

Other receivable with single significant amount and withdrawal bad debt provision separately at end of period:

√Applicable □Not applicable

In RMB

Other receivables (unit)	Closing balance			
	Other receivables	Provision for bad debt	Accrue ratio	Accrue reason
Changzhou Shenbao Chacang E-commerce Trading Co., Ltd	19,552,046.51	9,212,912.22	47.12%	The difference between estimated present value of future cash flow and book value should accrue for bad debt provision
Total	19,552,046.51	9,212,912.22	--	--

Other receivable with bad debt provision withdrawal by age analysis in group:

√Applicable □Not applicable

In RMB

Age	Closing balance		
	Other receivable	Bad debt provision	Accrual ratio (%)
Sub item within 1 year			
Subtotal within 1 year	164,932,908.90		
1—2 yeas	2,200.00	110.00	5.00%
Over 3 years	267,995.30	40,199.29	15.00%
4-5 years	60,026.89	9,004.03	15.00%
Over 5 years	207,968.41	31,195.26	15.00%
Total	165,203,104.20	40,309.29	0.02%

Explanations on combination determine:

Nil

In combination, withdrawal proportion of bad debt provision based on balance proportion for other account receivable

□ Applicable √ Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for other account receivable

□ Applicable √ Not applicable

(2) Bad debt provision accrual, collected or reversed

Accrual bad debt provision 204,763.50 Yuan; collected or reversed 1,057.17 Yuan.

Major bad debt provision collected or switch back:

In RMB

Name	Amount	Method
------	--------	--------

(3) Other receivables by nature

In RMB

Nature	Ending book balance	Opening book balance
Deposit	233,289.39	233,289.39
Intercourse accounts and other	189,994,260.23	177,693,186.45
Total	190,227,549.62	177,926,475.84

(4) Top five clients of other receivable at period-end

In RMB

Company	Nature	Ending balance	Book age	Ratio in total ending balance of other receivables	Ending balance of bad bet provision
Huizhou Shenbao Science & Technology Co., Ltd.	Intercourse funds	112,856,862.25	Within 1 year and 1-2 year	59.33%	
Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd	Intercourse funds	26,203,135.61	Within 1 year and 1-2 year	13.77%	
Changzhou Shenbao Chacang E-commerce Co., Ltd	Intercourse funds	19,552,046.51	Within 1 year, 1-3 year and above	10.28%	9,212,912.22
Shenzhen Shenbao Technology Center Co., Ltd.	Intercourse funds	8,389,388.97	Within 1 year and 1-2 year	4.41%	
Shenzhen Shenshenbao Tea Culture Management Co., Ltd	Intercourse funds	553,015.56	Within 1 year and 1-2 year	0.29%	
Total	--	167,554,448.90	--	88.08%	9,212,912.22

3. Long-term equity investment

In RMB

Items	Closing balance			Opening balance		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Investment for subsidiary	917,313,300.84		917,313,300.84	917,313,300.84		917,313,300.84
Investment for associates and joint venture	6,935,829.69	2,927,628.53	4,008,201.16	7,121,310.06	2,927,628.53	4,193,681.53
Total	924,249,130.53	2,927,628.53	921,321,502.00	924,434,610.90	2,927,628.53	921,506,982.37

(1) Investment for subsidiary

In RMB

Investee unit	Opening balance	Current increased	Current decreased	Closing balance	Impairment reserve accrual in the Period	Closing balance of impairment reserve
Shenbao Properties	2,550,000.00			2,550,000.00		
Shenbao Industrial & Trading	5,500,000.00			5,500,000.00		
Shenbao Sanjing	80,520,842.36			80,520,842.36		
Shenbao Huacheng	168,551,781.80			168,551,781.80		
Huizhou Shenbao Science & Technology	60,000,000.00			60,000,000.00		
Wuyuan Ju Fang Yong	280,404,134.35			280,404,134.35		
Hangzhou Ju Fang Yong	176,906,952.42			176,906,952.42		
Shenbao Technology Center	54,676,764.11			54,676,764.11		
Shenshenbao Investment	50,000,000.00			50,000,000.00		
Yunnan Supply Chain	20,000,000.00			20,000,000.00		
Pu'er Tea Trading Center	18,202,825.80			18,202,825.80		
Total	917,313,300.84			917,313,300.84		

(2) Investment for associates and joint venture

In RMB

Company	Opening balance	Increase & decrease in this period								Ending balance	Ending balance of impairment provision
		Additional investment	Capital reduction	Investment gains recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Impairment accrual	Other		
I. Joint venture											
II. Associated enterprise											
Shenzhen Shenbao (Liaoyuan) Industrial Company	57,628.53									57,628.53	57,628.53
Shenzhen Shenbao (Xinmin) Food Co., Ltd	2,870,000.00									2,870,000.00	2,870,000.00
Changzhou Shenbao Chacang E-commerce Co., Ltd											
Guangzhou Shenbao Mendao Tea Co., Ltd.	4,193,681.53			-185,480.37						4,008,201.16	
Subtotal	7,121,310.06			-185,480.37						6,935,829.69	2,927,628.53
Total	7,121,310.06			-185,480.37						6,935,829.69	2,927,628.53

(3) Other note

Nil

4. Operating income and operating cost

In RMB

Items	Current Period		Last Period	
	Income	Cost	Income	Cost
Main business income	67,228,720.81	63,731,294.22	49,271,727.89	45,987,989.13
Other business income	67,228,720.81	63,731,294.22	49,271,727.89	45,987,989.13

Other note:

Nil

5. Investment earnings

In RMB

Item	Current Period	Last Period
Investment income of long-term equity based on equity	-185,480.37	-157,257.67
Financial products revenue		1,252,661.10
Total	-185,480.37	1,095,403.43

6. Other

Nil

XVI. Supplementary information

1. Current non-recurring gains/losses

Applicable Not applicable

In RMB

Item	Amount	Statement
Gains/losses from the disposal of non-current asset	-67,563.97	
Governmental subsidy calculated into current gains and losses(while closely related with the normal business of the Company, excluding the fixed-amount or fixed-proportion governmental subsidy according to the unified national standard)	1,377,862.18	

Gains and losses from change of fair values of held-for-transaction financial assets and financial liabilities except for the effective hedge business related to normal business of the Company, and investment income from disposal of transactional financial assets and liabilities and financial assets available for sale	-425,718.15	
Other non-operating income and expenditure except for the aforementioned items	56,049.77	
Less: Impact on income tax	52,636.76	
Affect on minority equity(after taxation)	249,711.45	
Total	638,281.62	--

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

Applicable Not applicable

2. REO and earnings per share

Profits during report period	Weighted average ROE	Earnings per share	
		Basic EPS (RMB/Share)	Basic EPS (RMB/Share)
Net profits belong to common stock stockholders of the Company	-1.95%	-0.0367	-0.0367
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	-2.01%	-0.0380	-0.0380

3. Difference of accounting data under CAS and IAS

(1) Difference of net profit and net assets disclosed in financial report based on IAS and CAS

Applicable Not applicable

In RMB

	Net profit		Net assets	
	Current Period	Last Period	Closing balance	Opening balance
By Chinese Accounting Standards	-18,246,639.07	-17,759,776.83	928,673,938.26	946,920,577.33
Items and amount adjusted by IAS:				
Other adjustment on regulated funds payable in share market			1,067,000.00	1,067,000.00

By International Accounting Standards	-18,246,639.07	-17,759,776.83	929,740,938.26	947,987,577.33
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Section XI. Documents available for Reference

The office of board in the Company had the complete reference file for CSRC, Shenzhen Stock Exchange and shareholders of the Company to query, including:

1. Text of financial statement with signature and seals of legal person, person in charge of accounting works and person in charge of accounting institution;
2. Original and official copies of all documents which have been disclosed on *Securities Times*, *China Securities Journal*, and *Hong Kong Commercial Daily* in the report period;
3. Original copies of 2018 Semi-Annual Report with signature of the Chairman.

Shenzhen Shenbao Industrial Co., Ltd.

Chairman of Board: Zheng Yuxi

24 August 2018