

深圳市深宝实业股份有限公司
SHENZHEN SHENBAO INDUSTRIAL CO.,LTD

ANNUAL REPORT 2011



April 2012

Important Note

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

All directors of the Company attended the Meeting for Annual Report deliberation in person. No director, supervisor and senior executive stated that he (she) couldn't ensure the correctness, accuracy and completeness of the contents of the annual Report or have objection to this report.

Da Hua Certified Public Accountants Co., Ltd. issued standard unqualified Auditors' Report for the Company.

Chairman of the Board Mr. Zheng Yuxi, General Manager Mr. Yan Zesong, CFO Ms. Zeng Suyan and person in charge of accounting institution Ms. Wang Zhiping hereby confirm that the Financial Report enclosed in the Annual Report is true and complete.

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

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Paraphrase

In this Annual Report, only if the contexts have their special meaning, the following short forms refer to the following meanings:

| | | |
|--|-----------|---|
| Shenshenbao/the Company/Listed Company | Refers to | Shenzhen Shenbao Industrial Co., Ltd |
| Shenbao Huacheng | Refers to | Shenzhen Shenbao Huacheng Technology Co., Ltd |
| Wuyuan Jufangyong | Refers to | Wuyuan County Jufangyong Tea Industry Co., Ltd |
| Shenbao Sanjing | Refers to | Shenzhen Shenbao Sanjin Food Beverage Development Co., Ltd |
| Shenbao Technology | Refers to | Huizhou Shenbao Technology Co., Ltd |
| Shenbao Investment | Refers to | Huizhou Shenbao Industrial Investment Co., Ltd |
| Guangdong Shenbao | Refers to | Guangdong Shenbao Food Co., Ltd |
| Shenbao Industry and Trade | Refers to | Shenzhen Shenbao Industry and Trade Co., Ltd |
| Shenbao Property | Refers to | Shenzhen Shenbao Property Management Co., Ltd |
| PepsiCo (China) | Refers to | PepsiCo Investment (China) Ltd. |
| Shenzhen PepsiCo | Refers to | Shenzhen PepsiCo Beverage Co., Ltd |
| Changzhou Sanjing | Refers to | Changzhou Sanjing Grease Co., Ltd |
| Agricultural Products | Refers to | Shenzhen Agricultural Products Holding Co., Ltd |
| Shenzhen Investment Holding | Refers to | Shenzhen Investment Holding Co., Ltd |
| Shenzhen SASAC | Refers to | Shenzhen Municipal People's Government State-owned Assets Supervision & Administration Commission |
| Shen Investment Co., | Refers to | Shenzhen Investment Management Company |
| CBC | Refers to | Shenzhen China Bicycle Company (Holdings) Limited |
| Sunrise Company | Refers to | Guangdong Sunrise Holdings Co., Ltd. |
| CSRC | Refers to | China Securities Regulation Commission |
| Shenzhen SE | Refers to | Shenzhen Stock Exchange |
| SZ SRC | Refers to | Shenzhen Securities Regulation Commission |
| Dahua CPA, Li Xin Dahua | Refers to | BDO Dahua Certified Public Accountants Co., Ltd |
| Deloitte Touche Tohmatsu | Refers to | Deloitte Touche Tohmatsu CPA Ltd. |
| Dezhengxin | Refers to | Shenzhen Dezhengxin Asset Valuation Co., Ltd |
| Article of Association | Refers to | Article of Association of Shenzhen Shenbao Industrial Co., Ltd |
| Yuan/yuan' 0000 | Refers to | RMB (yuan)/RMB' 0000 |

Chapter I. Company Profile

I. Legal Name of the Company

In Chinese: 深圳市深宝实业股份有限公司(Abbr. 深宝)

In English: SHENZHEN SHENBAO INDUSTRIAL CO., LTD. (Abbr.: SBSY)

II. Legal Representative of the Company: Mr. Zheng Yuxi

III. Secretary of Board of Directors: Ms. Li Yiyan

Authorized Representative in Charge of Securities Affairs: Mr. Zheng Guibo

Liaison Address: 23/F, Education Technology Mansion, No.26 Zizhu Qi Dao, Zhuzilin Fourth Road, Futian District, Shenzhen, P.R. China

Tel: (86) 755-82027522

Fax: (86) 755-82027522

E-mail: lyy@sbsy.com.cn

E-mail: zhenggb@sbsy.com.cn

IV. Registered Address of the Company: South, 20F/Tower Building, Education and Technology Mansion, Zhuzilin, Futian Zone, Shenzhen

Office Address of the Company: South 20/F(23/F in elevator guidance), Education Technology Mansion, No.26 Zizhu Qi Dao, Zhuzilin Fourth Road, Futian District, Shenzhen, P.R. China

Post Code: 518040

Internet Web Site: <http://www.sbsy.com.cn>

E-mail: shenbao@sbsy.com.cn

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

Securities Times, China Securities Journal and Hong Kong Commercial Daily

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

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

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

VI. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock: SHENSHENBAO-A, SHENSHENBAO-B

Stock Code: 000019, 200019

VII. Other Relevant Information of the Company

(I) The initial registration date and place: July 30, 1981, Shenzhen

Latest changes for registration and place: July 12, 2011, Shenzhen

Registered capital: RMB 250,900,154

(II) Registration code for business license of corporation: 440301103223954

(III) Number of taxation registration: GSDZi / DSDZi: 440301192180754

(IV) Organization Code Certificate: 19218075—4

(V) Name of the certified public accountants engaged by the Company:

Dahua Certified Public Accountants Co., Ltd.

Address: 11/F., Tower B, United Plaza, No. 5022, Binhe Av. Futian District, Shenzhen

Signature accountant: Chen Baohua Gao Dehui

(VI) Financial consultant with supervisor obligations engaged by the Company

Name: Southwest Securities Co., Ltd.

Office add.: No.8, Qiaobeiyuan, Jiangbei District, Chongqing

Chief of financial advisor: Tian Ye Qin Cuiping

(VII) Sponsor with supervisor obligations engaged by the Company

Sponsor (A): Dongguan Securities Co., Ltd.

Office add.: 30/F, Jinyuan Center, No.1 South Keyuan Rd., Guancheng District, Dongguan

Signature Sponsors: Pan Yunsong Lv Xiaoshu

Sponsor (B): Guotai Junan Securities Co., Ltd.

Office add.: 29/F, Shanghai Bank Buld., No.168 Center Yincheng Rd., Shanghai

Signature Sponsors: Yuan Huagang Yang Xiaotao

(VIII) Historical successive changes of the Company

The Company, former Bao'an Cannery, changed its name as Shenzhen Shenbao Cannery Food Co., Ltd. by approval of SFB[1987] No. 1003 dated 14 November 1987. On 2 December 1991, in line with the "Approval of Reorganizing Shenzhen Shenbao Cannery Food Co., Ltd. to Shenzhen Shenbao Industrial Co., Ltd." SFB Reply [1991] No. 978 issued from General Office of the People's Government of Shenzhen Municipality, the Company formed as a limited liability company on basis of reorganization of Shenzhen Shenbao Cannery Food Co., Ltd. The Company established with its register capital of RMB 107,312,935, and has 107,312,935 shares in total with RMB 1.00 per share for book value, and listed for trading in Shenzhen Stock Exchange on 12 October 1992. In year of 1992, totaling 10,731,290 shares are distributed as bonus shares for one share to every 10 shares held by shareholders; in year of 1993, distributed totaling 20,878,845 shares to shareholders with one bonus share and one allocated share for every 10 shares held; subsequently, based on the total share capital at end of 1996, distributed one bonus share for every 10 shares and transferring one share for every 10 shares in capital reserves, 27,784,614 shares are increased in total. In year of 2001, based on total share capital at end of 1999, allocated 3 shares for every 10 shares held by shareholders, totaling 15,215,404 shares are allocated; after allocation, registered capital of the Company amounting to RMB 181,923,088.

On 10 September 1999, Shenzhen Investment Company entered into "Equity Transfer Agreement of Shenzhen Shenbao Industrial Co., Ltd." with Agricultural Products, shares of the Company 58,347,695 shares (a 35% in total share capital of the Company) held by Shenzhen Investment Company transferred to Agricultural Products with price of RMB 1.95 each. After transferring, Agricultural Products turns to be the first largest shareholder of the Company; Shenzhen Investment Company continuously held 41,594,391 shares of the Company, a 24.95% in total share capital as second largest shareholder of the Company. The above said equity transfer procedures have been completed in June of 2003.

In according to the "Decision of Establishment of Shenzhen Investment Holding Co., Ltd." Shen GZW[2004] No. 223 issued from Shenzhen Municipal People's Government SASAC, the Shenzhen Investment Company, Shenzhen Construction Investment Holding Company and Shenzhen Commercial Trade Investment Holding Company merged into Shenzhen Investment Holding Co., Ltd. Being approved by

approval of GZCQ[2005] No. 689 from SASAC, state-owned legal person's shares of the Company held by Shenzhen Investment Company are consented to transfer to Shenzhen Investment Holding for free.

Being approved of "Reply on Privately Offering from Shenzhen Shenbao Industrial Co., Ltd." ZJXK[2011] No. 777 issued from CSRC, in June of 2011, the Company privately offering 68,977,066 shares of RMB ordinary share (A share) to 8 target investors with issuing price of RMB 8.70 each. Total monetary capital RMB 600,100,474.20 was raised, actual net capital raised for Shenshenbao amounting to RMB 572,392,141.89 after deducting relevant offering expenses RMB 27,708,332.31. Being verified by "Verification Report" LIXIN DAHUA YZi [2011] No. 177 issued from Lixin Dahua, the capital privately raised above said has fully funded on 23 June 2011. The newly shares increased in this offering were trading in Shenzhen Stock Exchange on 4 July 2011. Registered capital of the Company amounting as RMB 250,900,154 after offering finished.

Chapter II. Abstract of Accounting Data and Financial Index

I. Accounting data in latest three years

Unit: CNY

| | 2011 | 2010 | (+/-) compared with a year-earlier | 2009 |
|--|------------------|------------------|---|------------------|
| Total operation income | 318,230,243.67 | 229,797,398.17 | 38.48% | 184,142,192.53 |
| Operation profit | -4,989,779.90 | -884,492.38 | -464.14% | -10,124,945.16 |
| Total profit | 13,692,328.77 | 11,165,014.28 | 22.64% | -8,726,601.02 |
| Net profit attributable to shareholders of the listed company | 6,980,233.57 | 5,687,644.79 | 22.73% | -12,905,069.92 |
| Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses | -13,338,969.53 | -41,851,853.99 | 68.13% | -13,923,840.20 |
| Net cash flow arising from operating activities | -18,790,209.92 | 5,223,014.63 | -459.76% | 1,715,410.02 |
| | Year-end of 2011 | Year-end of 2010 | (+/-) compared with year-end a year-earlier | Year-end of 2009 |
| Total assets | 1,061,964,234.64 | 658,468,839.95 | 61.28% | 623,356,758.00 |
| Total liability | 172,087,722.05 | 285,527,226.71 | -39.73% | 285,527,226.71 |
| Owners' equity attributable to shareholder of listed company | 889,876,512.59 | 325,092,060.80 | 173.73% | 320,096,254.94 |
| Total share capital | 250,900,154.00 | 181,923,088.00 | 37.92% | 181,923,088.00 |

Note: Items and amount of non-recurring gains and losses:

Unit: CNY

| Items of non-recurring gains & losses | 2011 | 2010 | 2009 |
|---|---------------|---------------|--------------|
| 1. Gains and losses from the disposal of non-current assets | -10,632.50 | 43,147,293.25 | -71,497.11 |
| 2. Governmental subsidies reckoned into current gains and loss except for those who was closely relevant to normal business and conformed to national rules and those who was offered constantly according to certain fixed quantity or fixed amount | 1,800,048.00 | 1,868,815.57 | 666,800.00 |
| 3. Gain/loss generated by contingent liabilities without connection with normal main businesses | | | 208,191.00 |
| 4. Expect for effective hedge business relevant to normal operation business, gains and loss from change of fair value arising from holding tradable financial assets and tradable financial liabilities as well as investment earnings from disposal of tradable financial assets, tradable financial liabilities and financial assets available for sale. | 1,971,899.34 | 94,500.00 | |
| 5. Restoring of receivable impairment provision that tested individually | 70,619.95 | | |
| 6. other non-operating income and expenditure excluding the above various items | 16,896,972.61 | 2,851,389.23 | 594,850.25 |
| 7. Influenced amount of minority shareholders' gains/losses | | -315,614.09 | -90,761.30 |
| 8. Impact on income tax | -409,704.30 | -106,885.18 | -288,812.56 |
| Total | 20,319,203.10 | 47,539,498.78 | 1,018,770.28 |

II. Discrepancy and explanation for the difference in the net profit and net asset as audited by Chinese Accounting Standards and International Accounting Standards respectively

Unit: CNY

| Items | Net profit attributable to shareholders of listed company | | Owners' equity attributable to shareholders of listed company | |
|---|---|-----------------------|---|------------------------|
| | Amount in the report period | Amount in last period | Amount in period-end | Amount in period-begin |
| IAS | 6,980,233.57 | 5,236,844.40 | 891,579,111.36 | 326,794,659.57 |
| CAS | 6,980,233.57 | 5,687,644.79 | 889,876,512.59 | 325,092,060.80 |
| Sub-items and total adjusted based on IAS: | | | | |
| 1. Adjustment on amortization of differences of equity investment | 0 | --- | 1,016,958.04 | 1,016,958.04 |
| 2. Adjustment on cost of transferring Shenzhen Pepsi's equity | 0 | 127,119.76 | -381,359.27 | -381,359.27 |
| 3. Other adjustment on regulated funds payable in share market | 0 | --- | 1,067,000.00 | 1,067,000.00 |
| 4. Capitalization of interest of land use right | 0 | -577,920.15 | --- | --- |
| Total amount of differences between | 0 | -450,800.39 | 1,702,598.77 | 1,702,598.77 |

| | | | | |
|---|---|--|--|--|
| CAS and IAS | | | | |
| Explanations on differences between CAS and IAS | <p>Net profit attributable to owners' equity of parent company calculated based on CAS and IAS as RMB 6,980,233.57 respectively without differences in year of 2011.</p> <p>In 2011, owners' equity attributable to parent company calculated based on CAS was RMB 889,876,512.59 while RMB 891,579,111.36 based on IAS, the differences between them are as follows:</p> <p>Based on "International Financial Reporting Standards": RMB 891,579,111.36</p> <p>1. Adjustment on amortization of differences of equity investment: (RMB 1,016,958.04)</p> <p>2. Adjustment on cost of transferring Shenzhen Pepsi's equity: RMB 381,359.27</p> <p>3. Other adjustment on regulated funds payable in share market: (RMB 1,067,000.00)</p> <p>Based on "Accounting Standards for Business Enterprises": RMB 889,876,512.59</p> | | | |

III. Financial indexes in latest three years

Unit: CNY/Share

| | 2011 | 2010 | (+/-) compared with a year-earlier | 2009 |
|--|------------------|------------------|---|------------------|
| Basic earnings per share | 0.0323 | 0.031 | 4.19% | -0.071 |
| Diluted earnings per share | 0.0323 | 0.031 | 4.19% | -0.071 |
| Basic earnings per share after deducting non-recurring gains and losses | -0.0616 | -0.23 | 73.22% | -0.077 |
| Weighted average return on equity (%) | 1.15% | 1.76% | -0.61% | -3.95 |
| Weighted average return on equity after deducting non-recurring gains and losses (%) | -2.20% | -12.98% | 10.78% | -4.27 |
| Net cash flow arising from operating activities per share | -0.075 | 0.029 | -358.62% | 0.009 |
| | Year-end of 2011 | Year-end of 2010 | (+/-) compared with year-end a year-earlier | Year-end of 2009 |
| Net assets per share attributable to shareholders of listed company | 3.55 | 1.79 | 98.32% | 1.76 |
| Assets liability ratio (%) | 16.20% | 43.36% | -27.16% | 45.80% |

Chapter III. Changes in Share Capital and Particulars about Shareholders

Section I. Changes in Shares of the Company

I. Statement of changes in shares

(Ended as Dec. 31, 2011, Unit: Share)

| | Before the change | | Increase / decrease this time (+, -) | | | | | After the change | |
|----------------------|-------------------|------------|--------------------------------------|--------------|----------------------------------|--------|------------|------------------|------------|
| | Amount | Proportion | New shares issued | Bonus shares | Capitalization of public reserve | Others | Subtotal | Amount | Proportion |
| I. Restricted shares | 14,553,847 | 8.00% | 68,977,066 | | | | 68,977,066 | 83,530,913 | 33.29% |

| | | | | | | | | | |
|---|-------------|---------|------------|--|--|--|------------|-------------|---------|
| 1. State-owned shares | | | | | | | | | |
| 2. State-owned legal person's shares | 6,783,729 | 3.73% | | | | | | 6,783,729 | 2.70% |
| 3. Other domestic shares | 7,770,118 | 4.27% | 68,977,066 | | | | 68,977,066 | 76,747,184 | 30.59% |
| Including: Domestic non-state-owned legal person's shares | 7,770,118 | 4.27% | 48,241,378 | | | | 48,241,378 | 56,011,496 | 22.32% |
| Domestic natural person's shares | | | 20,735,688 | | | | 20,735,688 | 20,735,688 | 8.26% |
| 4. Foreign shares | | | | | | | | | |
| Including: Foreign legal person's shares | | | | | | | | | |
| Foreign natural person's shares | | | | | | | | | |
| 5. Senior executives' shares | | | | | | | | | |
| II. Unrestricted shares | 167,369,241 | 92.00% | | | | | | 167,369,241 | 66.71% |
| 1. RMB Ordinary shares | 141,233,241 | 77.63% | | | | | | 141,233,241 | 56.29% |
| 2. Domestically listed foreign shares | 26,136,000 | 14.37% | | | | | | 26,136,000 | 10.42% |
| 3. Overseas listed foreign shares | | | | | | | | | |
| 4. Others | | | | | | | | | |
| III. Total shares | 181,923,088 | 100.00% | 68,977,066 | | | | 68,977,066 | 250,900,154 | 100.00% |

Note: there will be difference between the total mantissa and total value due to the mantissa was rounded to two digits, sic passim

II. Statement on changes of restricted shares

Unit: Share

| Name of shareholders | Restricted shares at year-begin | Restricted shares released in current year | Increased restricted shares in current year | Restricted shares at year-end | Reason for restriction | Releasing date |
|--|---------------------------------|--|---|-------------------------------|-------------------------------|----------------|
| Shenzhen Agricultural Products Co., Ltd. | 7,770,118 | 0 | 0 | 7,770,118 | Promise of share split reform | Note |
| Shenzhen Investment Holdings Co., Ltd. | 6,783,729 | 0 | 0 | 6,783,729 | | |
| Lin Yixiang | 0 | 0 | 2,561,002 | 2,561,002 | Privately offering restricted | 2014-7-4 |
| Xia Zhenzhong | 0 | 0 | 2,134,917 | 2,134,917 | | |
| Cao Lijun | 0 | 0 | 2,012,758 | 2,012,758 | | |
| Zhen Lingna | 0 | 0 | 774,137 | 774,137 | | |
| Shenzhen Tianzhong Investment Co., Ltd. | 0 | 0 | 24,983,908 | 24,983,908 | | |
| Li Duruo | 0 | 0 | 13,252,874 | 13,252,874 | | |
| Yingfu(Tianjin) Equity Investment Management L.P | 0 | 0 | 11,662,068 | 11,662,068 | Privately offering restricted | 2012-7-4 |
| Xinjiang Xiehe Equity Investment Management L.P | 0 | 0 | 11,595,402 | 11,595,402 | | |

Note: According to the commitments made by Agricultural Products and Shenzhen Investment Holdings in share split reform, the two shareholders still respectively held the remained restricted shares of 7,770,118 shares and 6,783,729 shares totalled 14,553,847 shares with accounting for 8% in former total 181,923,088 shares of the Company, which were all locked up continuously and will be continuously taken as share source for equity incentive on managerial personnel within promised scope of national laws and rules as well as appropriate market. (Read the notice published on Securities Times, China Securities Journal and Hong Kong Commercial Daily as well as Juchao information website dated March 24, 2010 for details.)

Section II. Security Offering & Listing

I. Share offering and listing of the Company in latest three years

Being approved of “Reply on Privately Offering from Shenzhen Shenbao Industrial Co., Ltd.” ZJXK[2011] No. 777 issued from CSRC, in June of 2011, the Company privately offering 68,977,066 shares of RMB ordinary share (A share) to 8 target investors with issuing price of RMB 8.70 each. Total monetary capital RMB 600,100,474.20 was raised, actual net capital raised for Shenshenbao amounting to RMB 572,392,141.89 after deducting relevant offering expenses RMB 27,708,332.31. Concerning the above said privately offering, four related nature person Ms. Lin Yixiang, Mr. Xia Zhenzhong, Ms. Cao Lijun and Ms. Zhen Lingna subscribed with 48.33% equity assets of Shenbao Huacheng held in total; the four investors, Shenzhen Tianzhong Investment Co., Ltd, Ms. Li Duruo, Xinjiang Xiehe Equity Investment Management L.P and Yingfu (Tianjin) Equity Investment Management L.P subscribed in cash. Being verified by “Verification Report” LIXIN DAHUA YZi [2011] No. 177 issued from Lixin Dahua, the capital privately raised above said has fully funded on 23 June 2011. The raised fund has been deposit in specific account and registration and custody procedures have been file dated 1 July 2011 in Shenzhen Branch of China Securities Depository & Clearing Corporation Limited. The newly shares increased in this offering were trading in Shenzhen Stock Exchange on 4 July 2011. Ownership transfer procedure for 48.33% equity of Shenbao Huacheng has completed on 8 June 2011. Total share capital of the Company turns to 250,900,154 shares from 181,923,088 shares after offering finished.

II. Changes of shares structure of the Company within reporting period

On 12 July 2011, newly shares increased in this privately offering finished its registration procedures of Industrial and Business, share capital of the Company changed to 250,900,154 shares. The shares newly increased in privately offering belongs to tradable restricted shares, shares subscribed by four related nature person expected to trading dated 4 July 2014 while shares subscribed by other specific investors expected to trading dated 4 July 2012. Shares held by 8 specific investors are as:

| Serial | Target for offering | Shares allocated (share) | Amount allocated (RMB) | Proportion in total share capital after offering | Sale restriction term (Month) |
|--------|---|--------------------------|------------------------|--|-------------------------------|
| 1 | Lin Yixiang | 2,561,002 | 22,280,717.40 | 1.02% | 36 |
| 2 | Xia Zhenzhong | 2,134,917 | 18,573,777.90 | 0.85% | 36 |
| 3 | Cao Lijun | 2,012,758 | 17,510,994.60 | 0.80% | 36 |
| 4 | Zhen Lingna | 774,137 | 6,734,991.90 | 0.31% | 36 |
| 5 | Shenzhen Tianzhong Investment Co., Ltd. | 24,983,908 | 217,359,999.60 | 9.96% | 12 |
| 6 | Li Duruo | 13,252,874 | 115,300,003.80 | 5.28% | 12 |

| | | | | | |
|--------------|--|------------|----------------|--------|----|
| 7 | Yingfu(Tianjin) Equity Investment Management L.P | 11,595,402 | 100,879,997.40 | 4.62% | 12 |
| 8 | Xinjiang Xiehe Equity Investment Management L.P | 11,662,068 | 101,459,991.60 | 4.65% | 12 |
| Total | | 68,977,066 | 600,100,474.20 | 27.49% | -- |

Except for the above said items, in report period, no particular of changes on total share capital and structures of the Company arising from bonus shares, shares convertible, share allotment, absorbing merger, shares converted from convertible bonds, capital reduction or other reasons.

III. No internal staff shares of the Company till end of this report period.

Section III. Particulars about Shareholders

I. Ended as 31 December 2011, total shareholders of the Company counted as 20,368, consisting 15,891 of A shareholders and 4,477 of B shareholders; ended as 29 February 2012, total shareholders of the Company counted as 20,209, consisting 15,748 of A shareholders and 4,461 of B shareholders

II. Ended Dec. 31, 2011, particulars about shares held by the top ten shareholders and the top ten unrestricted shareholders

| Total shareholders at year-end of 2011 | 20,368 | Total shareholders at 29 February 2012 | 20,209 | | |
|--|--|--|--------------------------------------|--|--|
| Particulars about shares held by the top ten shareholders | | | | | |
| Full Name of shareholder | Nature of shareholders | Proportion (%) | Total amount of shares held (Share) | Amount of restricted shares held (share) | Amount of shares pledged or frozen (share) |
| Shenzhen Agricultural Products Co., Ltd. | Others | 19.09 | 47,895,097 | 7,770,118 | 0 |
| Shenzhen Investment Holdings Co., Ltd. | State-owned shareholder | 16.00 | 40,143,586 | 6,783,729 | 0 |
| Shenzhen Tianzhong Investment Co., Ltd. | Others | 9.96 | 24,983,908 | 24,983,908 | 0 |
| Li Duruo | Others | 5.28 | 13,252,874 | 13,252,874 | 0 |
| Yingfu(Tianjin) Equity Investment Management L.P | Others | 4.65 | 11,662,068 | 11,662,068 | 11,662,068 |
| Xinjiang Xiehe Equity Investment Management L.P | Others | 4.62 | 11,595,402 | 11,595,402 | 11,595,402 |
| Lin Yixiang | Others | 1.02 | 2,561,002 | 2,561,002 | 0 |
| Xia Zhenzhong | Others | 0.85 | 2,134,917 | 2,134,917 | 2,134,917 |
| Cao Lijun | Others | 0.80 | 2,012,758 | 2,012,758 | 2,012,758 |
| Zhong Rong International Trust Co., Ltd. – No. 12 Rongyu | Others | 0.47 | 1,190,000 | 0 | 0 |
| Particulars about the shares held by the top ten unrestricted shareholders | | | | | |
| Full Name of shareholder | Amount of unrestricted shares held(Share) | | Type of shares | | |
| Shenzhen Agricultural Products Co., Ltd. | 40,124,979 | | Stock A | | |
| Shenzhen Investment Holdings Co., Ltd. | 33,359,857 | | Stock A | | |

| | | |
|--|---|----------------------------------|
| Zhong Rong International Trust Co., Ltd. – No. 12 Rongyu | 1,190,000 | Stock A |
| Yu Jianjun | 953,299 | Stock A |
| Lai Wei | 769,900 | Stock A |
| Wang Shulun | 709,998 | Stock A |
| Zhongjai Trust Co., Ltd. – acquisition capital trust for new shares appointment (7) | 630,900 | Stock A |
| Chongqing International Trust Co., Ltd. – Runfeng Trust Plan of Security Investment No.7 | 536,000 | Stock A |
| Zhang Huizhen | 485,300 | Stock A |
| Huang Xiangdong | 474,689 | Stock B |
| Explanation on associated relationship or accordant action among the above said shareholders | STATE-OWNED ASSETS SUPERVISION & ADMINISTRATION COMMISSION OF SHENZHEN MUNICIPALITY GOVERNMENT directly held 21.52% equities of Agricultural Products and indirectly held 5.22% equities of Agricultural Products, and directly held 100% equities of Shenzhen Investment Holdings; except that, it is unknown whether there exists associated relationship or belongs to accordant actionist regulated by Administration of the Takeover of Listed Companies among the aforesaid listed other shareholders or not. | |
| Explanations on stipulated period of rationed new shares held which were participated by strategic investors or general legal person | Shareholders' names | Stipulated period of shares held |
| | N/A | N/A |

Changes of shares held by shareholders with over 5% shares held:

| Name of shareholder | Amount of shares held in year-begin | Decrease/increase in shares this year | Amount of shares held in year-end |
|--|-------------------------------------|---------------------------------------|-----------------------------------|
| Shenzhen Agricultural Products Co., Ltd. | 47,895,097 | 0 | 47,895,097 |
| Shenzhen Investment Holdings Co., Ltd. | 40,143,586 | 0 | 40,143,586 |
| Shenzhen Tianzhong Investment Co., Ltd. | 0 | 24,983,908 | 24,983,908 |
| Li Duruo | 0 | 13,252,874 | 13,252,874 |

III. Particulars about controlling shareholders and actual controller of the Company

(I) Name of controlling shareholder: Shenzhen Agricultural Products Co., Ltd.

Legal representative: Chen Shaoqun

Date of foundation: 14 January 1989

Code of organization: 19217916-3

Main business: Development, construction and management of wholesale market of agricultural products, business scope ranges from currency of agricultural products, e-commerce of staples agricultural products to vegetables planting, cattle production and butchering and meat treatment.

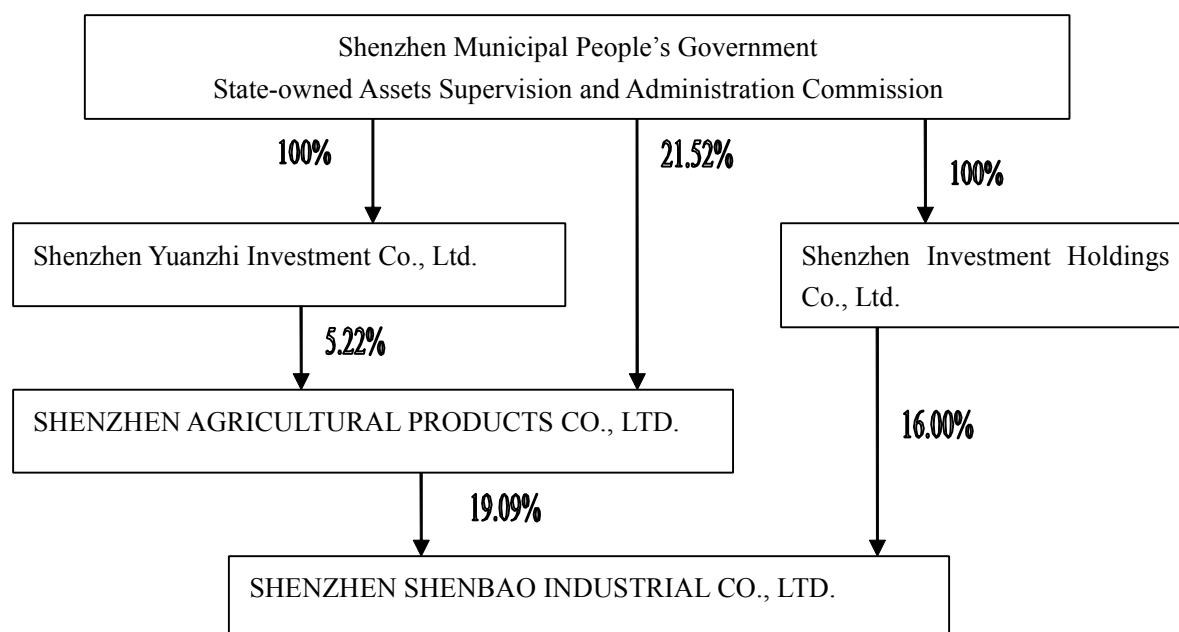
Registration capital: RMB 768,507,851

(II) The first largest shareholder of the controlling shareholder of the Company:

Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission

Shenzhen GZW established with hanging out their shingle in August 2004, as special entity directly under Shenzhen People's Government, implements its qualification of provider on behalf of our nation and carry out supervision and administration according to law for state-owned assets which authorized to be supervised.

(III) Property right and controlling relationship between the actual controller of the Company and the Company is as follows:



IV. Other legal person shares over 10% of the total share capital of the Company

The second largest shareholder: Shenzhen Investment Holdings Co., Ltd.

Legal representative: Fan Mingchun

Date of foundation: 13 October 2004

Main business and product: to provide guarantee to state-owned enterprise which belongs to municipality; to carry out management to the state-owned share equity excluding the enterprises directly under the supervision of State-owned Assets Supervision and Administration Commission of Shenzhen Municipality Government; assets reorganization, innovation and capital operation of subsidiary enterprise; investment and other business authorized by State-owned Assets Supervision and Administration Commission of Shenzhen Municipality Government.

Registration capital: RMB 4,600,000,000

V. Shares held by the top ten restricted shareholders and restricted conditions (Ended December 31, 2011)

Unit: Share

| No. | Name of the restricted | Amount of the | Date to be listed | Amount of additional | Restricted condition |
|-----|------------------------|---------------|-------------------|----------------------|----------------------|
|-----|------------------------|---------------|-------------------|----------------------|----------------------|

| | shareholders | restricted shares held | | listed shares | |
|----|--|------------------------|--|---------------|-------------------------------|
| 1 | Shenzhen Tianzhong Investment Co., Ltd. | 24,983,908 | 2012-7-4 | 0 | Privately offering restricted |
| 2 | Li Duruo | 13,252,874 | | 0 | |
| 3 | Yingfu(Tianjin) Equity Investment Management L.P | 11,662,068 | | 0 | |
| 4 | Xinjiang Xiehe Equity Investment Management L.P | 11,595,402 | | 0 | |
| 5 | SHENZHEN AGRICULTURAL PRODUCTS CO., LTD. | 7,770,118 | Found more details in "Note of Section II. Changes of restricted shares in this Chapter" | 0 | Note |
| 6 | SHENZHEN INVESMENT HOLDING CO., LTD. | 6,783,729 | | 0 | |
| 7 | Lin Yixiang | 2,561,002 | 2014-7-4 | 0 | Privately offering restricted |
| 8 | Xia Zhenzhong | 2,134,917 | | 0 | |
| 9 | Cao Lijun | 2,012,758 | | 0 | |
| 10 | Zhen Lingna | 774,137 | | 0 | |

Note : Agricultural Products and Shenzhen Investment Controlling will follow laws, regulations and rules in process of non-tradable shares reform, fulfil legal committed duties: for the long-term effective incentive on managerial personnel, previous shareholders of non-current shares Agricultural Products and Shenzhen Investment Controlling will sell 6% to 8% of its holding shares in former total 181,923,088 shares capital of the Company after price consideration to managerial personnel according to the holding proportion when the non-current shares reform is done. Specific measures and implementation details were formulated by the Company according to the Administration Norms for Equity Incentive on Listed Company issued by CSRC as well as relevant rules of our country. It was then submitted to Shenzhen State-Owned Commission for appraisal. And it will be conducted after their agreement. The relevant currency terms will be implemented in accordance with relevant rules.

Chapter IV. Particulars about Directors, Supervisors and Senior Executives and Staffs

Section I. Particulars about the directors, supervisors and senior executives

I. Basic status

(I) Basic information of incumbent directors, supervisors and senior executives

| Name | Gender | Age | Title | Office term | Number of shares held (share) | | Share option | Amount of restricted shares granted |
|------------|--------|-----|---|-----------------------|-------------------------------|--------------------------|--------------|-------------------------------------|
| | | | | | Amount at the period-begin | Amount at the period-end | | |
| Zheng Yuxi | M | 50 | Chairman of the Board, Secretary of the Party Committee | 2009.12.30-2012.12.30 | 0 | 0 | — | — |

| | | | | | | | | |
|----------------|---|----|-----------------------------------|-----------------------|---|---|---|---|
| Chen Shaoqun | M | 50 | Director | 2009.12.30-2012.12.30 | 0 | 0 | — | — |
| He Dong | M | 43 | Director | 2009.12.30-2012.12.30 | 0 | 0 | — | — |
| Du Wenjun | F | 44 | Independent Director | 2009.12.30-2012.12.30 | 0 | 0 | — | — |
| Deng Meixi | F | 40 | Independent Director | 2009.12.30-2012.12.30 | 0 | 0 | — | — |
| Xu Zhuangcheng | M | 40 | Independent Director | 2009.12.30-2012.12.30 | 0 | 0 | — | — |
| Yan Zesong | M | 42 | Director | 2011.09.05-2012.12.30 | 0 | 0 | — | — |
| | | | GM | 2011.07.01-2012.12.30 | | | | |
| Lin Yanfeng | M | 40 | Director | 2011.09.05-2012.12.30 | 0 | 0 | — | — |
| Dou Qiang | M | 40 | Director | 2011.09.05-2012.12.30 | 0 | 0 | — | — |
| Lin Hong | F | 47 | Chairman of Supervisory Committee | 2009.12.30-2012.12.30 | 0 | 0 | — | — |
| Luo Longxin | M | 51 | Supervisor | 2010.12.27-2012.12.30 | 0 | 0 | — | — |
| Huang Qin | F | 49 | Supervisor | 2011.08.19-2012.12.30 | 0 | 0 | — | — |
| Li Fang | F | 38 | Deputy GM | 2009.12.30-2012.12.30 | 0 | 0 | — | — |
| Li Yiyan | F | 46 | Deputy GM | 2011.08.18-2012.12.30 | 0 | 0 | — | — |
| | | | Secretary of the Board | 2009.12.30-2012.12.30 | | | | |
| Qian Xiaojun | M | 40 | Deputy GM | 2011.08.18-2012.12.30 | 0 | 0 | — | — |
| Zeng Suyan | F | 57 | CFO | 2009.12.30-2012.12.30 | 0 | 0 | — | — |

Notes: Particulars about directors, supervisors and senior executives holding the position in Shareholding Company

1. Director Mr. Chen Shaoqun held the position of Chairman and Secretary of Party Committee of Agricultural Products.
2. Director Mr. Dou Qiang held the post of Deputy GM of Shenzhen Tianzhong Investment Co., Ltd.
3. Director Mr. He Dong serves as GM of Shenzhen Environment Engineering Science Tech Center Co., Ltd. (controlling enterprise of Shenzhen Investment Holding)

(II) Basic information about departure directors, supervisors and senior executives in reporting period

| Name | Gender | Age | Original title | Office term | Number of shares held (share) | | Share option | Amount of restricted shares granted |
|------------|--------|-----|----------------|-----------------------|-------------------------------|--------------------------|--------------|-------------------------------------|
| | | | | | Amount at the period-begin | Amount at the period-end | | |
| Sun Wei | M | 34 | Director | 2009.12.30-2011.09.05 | 0 | 0 | — | — |
| Zeng Suyan | F | 57 | Director | 2009.12.30-2011.09.05 | 0 | 0 | — | — |
| Li | F | 46 | Director | 2009.12.30-2011.09.05 | 0 | 0 | — | — |

| | | | | | | | | |
|------------------|---|----|---|-----------------------|---|---|---|---|
| Yiyan | | | | | | | | |
| Zhuang Guangguan | M | 44 | Supervisor | 2009.12.30-2011.08.19 | 0 | 0 | — | — |
| Peng Ying | M | 51 | GM, Deputy Secretary of the Party Committee | 2009.12.30-2011.07.01 | 0 | 0 | — | — |

II. Particulars about main work experience and posts or part-time job of present directors, supervisors and senior executives in other units except for shareholding units.

(I) Directors:

Mr. Zheng Yuxi, bachelor degree of economics, was born in 1962. He has taken the post of director and deputy general manager of underling enterprise of Shenzhen Special Economic Region Free Commodities Enterprises since 1991; he took the turns of general manager assistant and deputy general manager and general manager of the Company from May 2001 to Feb. 2008. Since March 2008, he takes the position of Chairman of controlling subsidiary of Agricultural Products- Shenzhen Agro-Pastoral Enterprises Co., Ltd. Since Dec. 2009, he has been the chairman of the 7th session of the board and secretary of party committee of the Company.

Mr. Chen Shaoqun, was born in 1962, engineer and master degree. He successively served as deputy general manager, director, general manager and chairman of the 4th and 5th board of Agricultural Products. Now he is the chairman and secretary of party committee of 6th board of Agricultural Products, and representative of 4th Session and 5th Session of Shenzhen Municipal People's Congress. He served as director of 7th Session of eth Board of the Company since December 2009

Mr. He Dong, Economist, Master Degree of Law and MBA, was born in 1969. He has ever taken the Deputy Director of Law Affairs Office in Shenzhen Eastern Development Group, Deputy Office Director and Office Director of Shenzhen Construction Investment Holdings Co., Ltd, and Head of Assets Operation and Management Department of Shenzhen Investment Holdings Co., Ltd, minister of investment development department. He is now the executive director and general manager of Shenzhen Environment Engineering Science Tech Center Co., Ltd. and served as the Director of the Company since May 2005.

Ms. Du Wenjun, an economist, was born in 1968 with economist and the master degree of engineering. She took the turns of senior researcher of Jun'an Securities Research, business director of Purchasing and Merger Headquarters and Director GM of Guotai Jun'an Securities Co., Ltd, she was in charge of Investment Majordomo of Guotai Jun'an Innovation Investment Co., Ltd, director of Shenzhen Zhaochi Holding Co., Ltd. and took the post of assistant of president of Guohai Securities Co., Ltd. She is currently the country sea innovation capital investment management limited company general manager and she served as independent director of the Company since Oct. 2006.

Ms. Deng Meixi, MBA, was born in 1972, non-professional member of the Chinese Institute of Certified Public Accountants, senior member of Association of Chartered Certified Accountants. She ever took the turns of auditor of Deloitte&Touche and Arthur Andersen CPA Ltd., financial manager of Shenzhen Shentou Investment Co., Ltd.; financial supervisor and development supervisor of suppliers of WAL★MART (China) Investment Co., Ltd.; CFO of Best Buy Shanghai Limited and CFO of Seattle Home Clothes (China) Business Co., Ltd. She served as independent director of the Company since Oct. 2006.

Mr. Xu Zhuangcheng, was born in 1972, bachelor in laws. He once was the investigators, legal staff, and deputy section chief of Shenzhen Public Security Bureau; deputy director of Guangdong Dingfeng Law Firm. Now, he is working in Shenzhen branch of DeHeng Law Office, and served as independent director of the Company since Dec. 2009.

Mr. Yan Zesong, was born in 1970, a university background, executive member of China Beverage Industry Association. He successively served as director and GM of Shenzhen Shenbao Huacheng Food Co., Ltd., supervisor of 6th Session of Supervisory Committee of the Company and President of Shenzhen Shenbao Huacheng Technology Co., Ltd. Now he serves as member of CPPCC of Wuyuan County, Jiangxi Province and GM of the Company. He serves as director of 7th Session of the Board for the Company since September 2011.

Mr. Lin Yanfeng, was born in 1972 and college graduated from Wuhan Institution of Marine Traffic Engineering in 1993. He worked in Guangzhou Marine Bureau of Transportation Dept. from 1993 to 1995. He served as GM of the Directors in Guangdong Changjiang Trade Co., Ltd. and GM of Guangzhou Modern Textile Co., Ltd. since 1997 as well as standing council of Guangzhou Textile Association and standing council of Social Club of Textile Industry for Guangdong- Hong Kong- Macao. He serves as director of 7th Session of the Board since September 2011.

Mr. Dou Qiang, was born in 1972, a university background. He successively served as editor in Zhumadian People's Radio Station, deputy section chief of standing committee of Zhumadian People's Congress and deputy GM of Henan Tianli Energy Co., Ltd. Now he serves as assistant of president of Henan Peoples Group Co., Ltd. and deputy GM of Shenzhen Tianzhong Investment Co., Ltd. He serves as director of 7th Session of the Board since September 2011.

(II) Supervisors:

Ms. Lin Hong, was born in 1965, senior accountant with master degree. She once was the accountant charger of Shenzhen Native Product & Animal By-Products & Tea I/E Co., accountant charge of Planning and Financial Department of Hesheng FUR & LEATHER CO., Ltd., deputy minister of Planning and Financial Department of Shenzhen Foreign Trade Xinhua Enterprise Co., accountant and deputy minister and minister of Planning and Financial Department of Agricultural Products. Now she is the chairman of 7th supervisory committee of the Company.

Mr. Luo Longxin, born in 1961, bachelor degree and researcher in tea science. From Aug. of 1982 to Apr. of 2000, he took up an appointment in Tea research lab of Chinese Academy of Agricultural Sciences, working mainly in tea manufacture, tea beverage, condensed tea juice as well as research and technology development of deep processing of tea leaves, he took charge of deputy director of research lab for tea manufacture and commissioner of academy commission. In 2008, he was awarded as Evaluation Expert for The State Technological Invention Award by the state technological invention award office. From May of 2002 to Dec. of 2005 he took charge in production and quality controller in Shenzhen Shenbao Huacheng Food Co., Ltd. and now he is the general manager of tea industry department of the Company. He has been supervisor of the 7th session board of supervisors since Dec. of 2010.

Ms. Huang Qin, was born in 1963, bachelor degree of an accountant and economist. She successively served as chief of accounting & financial dept. of the Company, deputy director of accounting & financial dept. Now she serves as Director and CFO of Shenzhen Shenbao Huacheng Technology Co., Ltd. and Supervisor of Wuyuan Jufangyong Tea Industry Co., Ltd. She serves as staff supervisor of 7th Session of Supervisory Committee of the Company since August 2011.

(III) Senior Executives

Ms. Li Fang, was born in 1974 with master degree. She successively served as main charger, deputy chief, section chief and deputy director of Secretary Section; deputy minister of H&R Department; deputy director and director of Office of Supervisory Committee and supervisor of the 5th supervisory committee of Agricultural Products. Now she is the deputy general manager of the Company.

Ms. Li Yiyao, Master Degree, Senior Human Resources Manager, was born in 1966. She successively served as the Head, Deputy Minister and Minister of H&R Department of the Company and supervisors of the 5th and 6th supervisory committee. She serves as the Deputy GM of the Company, Secretary of the Board of the 7th board now, and director of Shenbao Huacheng and Wuyuan Jufangyong.

Mr. Qian Xiaojun, was born in 1972, a university background, a food engineer. He served in tea research institute of Chinese Academy of Agricultural Sciences from August 1994 to May 2000, mainly engaged in research of further processing of tea as well as tea-making, tea beverage and concentrated tea; He successively served as technical chief and GM of Shenzhen Shenbao Huacheng Technology Co., Ltd. Now he serves as Deputy GM of the Company.

Ms. Zeng Suyan, was born in 1955, a junior college background and an accountant. She successively served as chief account, deputy chief/chief of accounting and financing dept and director of 7th Session of the Board of the Company. Now she serves as CFO of the Company.

III. Particulars about the annual remuneration of directors, supervisors and senior executives**(I) Determination of remuneration for directors, supervisors and senior executives**

In the report period, the remuneration of the directors, supervisors and senior executives drawing salaries from the Company is researched and confirmed based on “Remuneration Plan of Headquarters”, “Management Method of Performance in Headquarter” and actual situation of the Company and personal achievements revaluations results.

(II) Total remuneration of directors, supervisors and senior executives of the Company

At end of this reporting period, incumbent directors, supervisors and senior executives drawing remuneration from the Company and its subordinated subsidiary as RMB 3.9653 million in total, the payable tax included remuneration. In reporting period, departure directors, supervisors and senior executives drawing remuneration from the Company and its subordinated subsidiary as RMB 0.36 million, the payable tax included remuneration with RMB 4.3253 million in total. Details as:

Statement of remuneration of all directors, supervisors and senior executives

| Name | Title | Total tax included remuneration drawing from the Company in report period (RMB'0000) | Note |
|------------|---|--|---------------------------------------|
| Zhen Yuxi | Chairman of the Board, Secretary of the Party Committee | 59.85 | Drawing remuneration from the Company |
| Yan Zesong | Director, GM | 45.23 | Drawing remuneration from the Company |

| | | | |
|----------------|-----------------------------------|-------|---|
| Chen Shaoqun | Director | 0 | Drawing remuneration form shareholding units |
| He Dong | Director | 0 | Drawing no remuneration form the Company |
| Du Wenjun | Independent director | 8.96 | Drawing subsidy of independent directors form the Company |
| Deng Meixi | Independent director | 8.96 | |
| Xu Zhuangcheng | Independent director | 8.96 | |
| Lin Yanfeng | Director | 0 | Drawing no remuneration form the Company |
| Dou Qiang | Director | 0 | Drawing remuneration form shareholding units |
| Lin Hong | Chairman of Supervisory Committee | 48.44 | Drawing remuneration form the Company |
| Luo Longxin | Supervisor | 36.14 | Drawing remuneration form the Company |
| Huang Qin | Staff supervisor | 18.76 | Drawing remuneration form the Company |
| Li Fang | Deputy GM | 41.80 | Drawing remuneration form the Company |
| Li Yiyan | Deputy GM, secretary of the Board | 44.88 | Drawing remuneration form the Company |
| Qian Xiaojun | Deputy GM | 36.49 | Drawing remuneration form the Company |
| Zeng Suyan | CFO | 38.06 | Drawing remuneration form the Company |

Statement of remuneration of departure directors, supervisors and senior executives

| Name | Title before departure | Total tax included remuneration drawing from the Company in office term (RMB'0000) | Note |
|------------------|------------------------|--|---|
| Peng Ying | GM | 27.62 | Drawing remuneration form the Company from January to July |
| Sun Wei | Director | 0 | Drawing no remuneration form the Company |
| Zhuang Guangguan | Staff supervisor | 8.38 | Drawing remuneration form the Company from January to September |

In reporting period, except for annual subsidy of independent directors, expenses should be bear by independent directors excluding reasonable expenses for attending Meeting of the Board, Shareholders' General Meeting or exercising obligation regulated in "Article of Association", which was beared by the Company.

IV. Changes of directors, supervisors and senior executives in report period

(I) On 1 July 2011, being deliberated and approved in 12th Meeting of 7th Session of the Board, Mr. Peng Ying consented to resign GM of the Company and Mr. Yan Zesong was engaged as GM of the Company, with office term from date of approval to end of expiration of 7th Session of the Board. (More details found in Notice

released in “Securities Times”, “China Securities Journal”, “Hong Kong Commercial Daily” and Juchao Website dated 5 July 2011)

(II) On 8 August 2011, supervisor of the Company, Mr. Zhuang Guangguan resigned staff supervisor of the 7th Session of Supervisory Committee due to work. The Staff Congress of the Company was held on 19 August 2011, Ms. Huang Qin was elected as staff supervisor for 7th Session of Supervisory Committee with office term to end of expiration of 7th Session of Supervisory Committee. (More details found in Notice released in “Securities Times”, “China Securities Journal”, “Hong Kong Commercial Daily” and Juchao Website dated 10 August 2011 and 26 August 2011)

(III) On 15 August 2011, Director of the Company, Mr. Sun Wei, Ms. Zeng Suyan and Ms. Li Yiyan resigned Director of the 7th Session of the Board and corresponding member of the Professional Committee of the Board due to work. Being deliberated and approved in 2nd Extraordinary Shareholders’ General Meeting of 2011, Mr. Yan Zesong, Mr. Dou Qiang and Mr. Lin Yanfeng were elected as Director of 7th Session of the Board with office term from date of approval to end of expiration of 7th Session of the Board. (More details found in Notice released in “Securities Times”, “China Securities Journal”, “Hong Kong Commercial Daily” and Juchao Website dated 16 August 2011 and 6 September 2011)

(IV) On 18 August 2011, being deliberated and approved in 16th Meeting of 7th Session of the Board, Ms. Li Yiyan and Mr. Qian Xiaojun were engaged as Deputy GM of the Company with office term date of resolution approved to end of expiration of 7th Session of the Board. (More details found in Notice released in “Securities Times”, “China Securities Journal”, “Hong Kong Commercial Daily” and Juchao Website dated 19 August 2011)

V. Attendance of directors to the board of directors (independent directors excluded)

| Name of directors | Specific position | Times for expected attendance | Times for spot attendance | Times for attendance by communication way | Times for trusted attendance | Times for absence | Whether successive absences of private attendance |
|-------------------|--|-------------------------------|---------------------------|---|------------------------------|-------------------|---|
| Zheng Yuxi | Chairman of the boards, secretary of the Party committee | 8 | 7 | 1 | 0 | 0 | No |
| Chen Shaoqun | Director | 8 | 7 | 1 | 0 | 0 | No |
| He Dong | Director | 8 | 6 | 1 | 1 | 0 | No |
| Sun Wei | Director | 6 | 5 | 1 | 0 | 0 | No |
| Zeng Suyan | Director, CFO | 6 | 5 | 1 | 0 | 0 | No |
| Li Yiyan | Director, secretary of the boards | 6 | 5 | 1 | 0 | 0 | No |
| Yan Zesong | Director, GM | 2 | 2 | 0 | 0 | 0 | No |
| Lin Yanfeng | Director | 2 | 2 | 0 | 0 | 0 | No |
| Dou Qiang | Director | 2 | 2 | 0 | 0 | 0 | No |

| | |
|--|---|
| times for the meeting of the board of directors held within the year | 8 |
| Including: times for spot meeting | 6 |
| Times for meetings held by communication | 1 |
| Times for meetings held by joint spot and communication | 1 |

VI. Particular about overseas residence for directors and general manager

No particular of overseas residence with over 3 months accumulatively for Chariman and General Manager within this report period.

Section II. About Employees

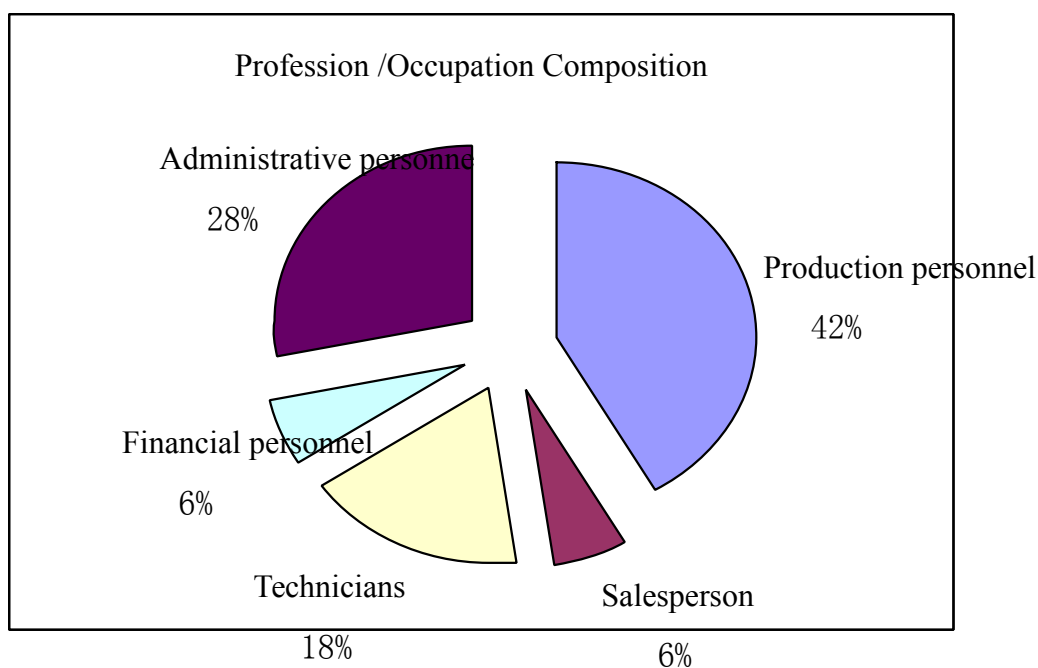
Ended as 31 December 2011, the Company had totally 653 employees (included the enterprise employees of consolidated statement).

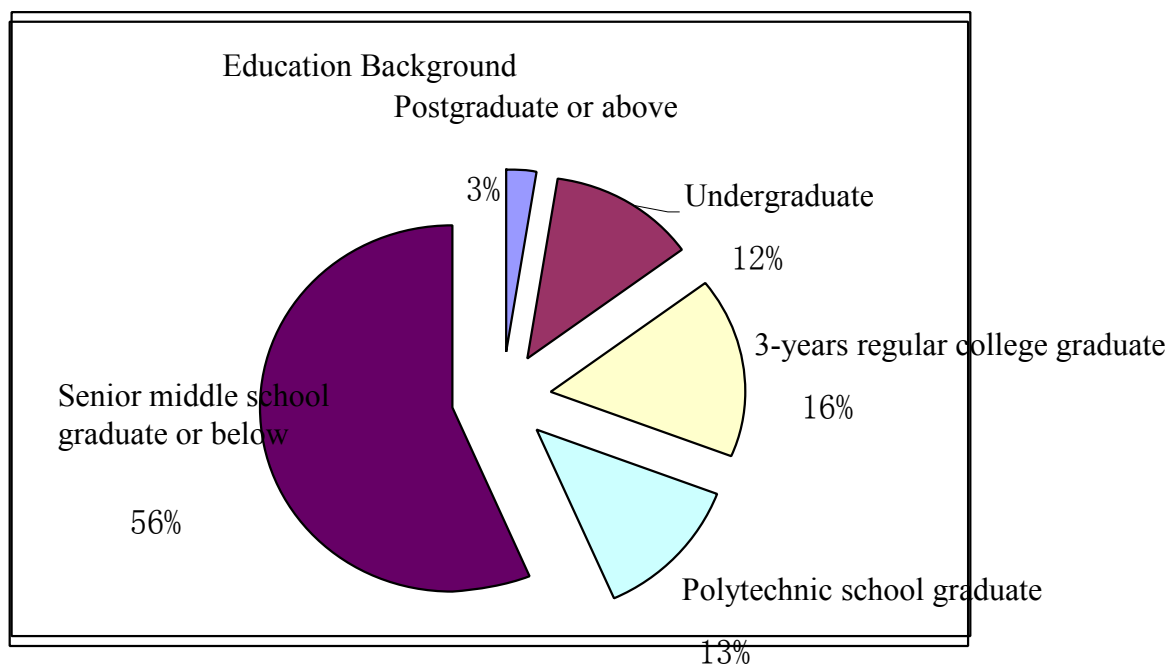
Profession /Occupation Composition

| Profession | Number | Proportion (%) |
|--------------------------|--------|----------------|
| Production personnel | 272 | 42 |
| Salesperson | 40 | 6 |
| Technicians | 116 | 18 |
| Financial personnel | 40 | 6 |
| Administrative personnel | 185 | 28 |
| Total | 653 | 100 |

Education Background

| Education | Number | Proportion (%) |
|--|--------|----------------|
| Postgraduate or above | 19 | 3 |
| Undergraduate | 79 | 12 |
| 3-years regular college graduate | 103 | 16 |
| Polytechnic school graduate | 82 | 13 |
| Senior middle school graduate or below | 370 | 56 |
| Total | 653 | 100 |





There are no retired employees that bear expenses by the Company till end of this reporting period.

Chapter V. Corporate Governance

Section I. Corporate Governance

In accordance with normative documents related with corporate governance for listed company from CSRC, basis of “Article of Association”, the Company formulated a decision-making and business management regulation system of Shareholders’ General Meeting, Board of Directors, Supervisory Committee and Management with main structure of “Discussion Rules of Shareholders’ General Meeting”, “Discussion Rules of the Board”, “Discussion Rules of Supervisory Committee”, “Regulations of General Manager” and “System of Internal Control”. The Company continuously to optimize corporate governance structure and standardized company’s operation in conformity with requirements of Company’s systems and rules as well as “Company Law”, “Securities Law” and relevant laws and regulations of CSRC. Currently, main management systems exercises by the Company are as:

| Serial | Title of regulations/rule/systems | Date for disclosure |
|--------|---|---------------------|
| 1 | Article of Association (Amendment) | 2011-7-12 |
| 2 | Discussion Rules of Shareholders’ General Meeting | 2006-12-29 |

| | | |
|----|--|------------|
| 3 | Discussion Rules of the Board | 2006-12-29 |
| 4 | Discussion Rules of Supervisory Committee | 2006-12-29 |
| 5 | Regulations of General Manager | 2006-12-29 |
| 6 | System of Independent Directors | 2007-7-3 |
| 7 | System of Internal Control | 2007-7-3 |
| 8 | Management System of Information Disclosure | 2007-7-3 |
| 9 | System of Promotion and Investor Reception | 2007-7-3 |
| 10 | Management System of Shares and Changes of Shares held by Directors, Supervisors and Senior Executives | 2007-7-3 |
| 11 | Management Method for Raised Capital (Amended on 26 October 2010) | 2007-7-3 |
| 12 | Registration System of Inside Information and Insiders | 2009-10-31 |
| 13 | System of Related Transaction | 2010-10-26 |
| 14 | Accountability System of Significant Errors in Annual Information Disclosure | 2010-4-22 |

In reporting period, the Company received no documents related with administration supervision measures taken from Supervision Dept.; no particular about reorganization within time limit. The Board of the Director considers that actual status of the corporate governance of the Company shows no difference with requirements from documents.

Section II. Performance of Independent Directors

I. Independent directors' attendance in the Board meetings within report period

| Name | Specific position | Times of attendance expected | Attendance in person | Attendance by communication way | Attendance entrusted | Absence | Not attended the meeting for successively twice Yes/No |
|---------------|----------------------|------------------------------|----------------------|---------------------------------|----------------------|---------|--|
| Du Wenjun | Independent director | 8 | 6 | 2 | 0 | 0 | No |
| Deng Meixi | Independent director | 8 | 6 | 2 | 0 | 0 | No |
| Xu Zhuangchen | Independent director | 8 | 7 | 1 | 0 | 0 | No |

II. Independent directors' attendance in Shareholders' General Meeting within report period

| Name | Times of shareholders' general meeting hold in report period | Attended in person (times) | Entrusted (times) | Absence (times) |
|----------------|--|----------------------------|-------------------|-----------------|
| Du Wenjun | 4 | 4 | 0 | 0 |
| Deng Meixi | 4 | 2 | 0 | 2 |
| Xu Zhuangcheng | 4 | 4 | 0 | 0 |

III. Independent directors' attendance in Professional Committee Meeting of the Board within report period

(I) Three meetings of Auditing Committee of 7th Session of the Board was held in report period, independent director Ms. Deng Meixi attended in person for 3 times with 0 for entrusted and 0 absents; independent director Mr. Xu Zhuangcheng attended in person for 3 times with 0 for entrusted and 0 absents.

(II) Three meetings of Remuneration and Evaluation Committee of 7th Session of the Board was held in report period, independent director Ms. Du Wenjun attended in person for 3 times with 0 for entrusted and 0 absents; independent director Ms. Deng Meixi attended in person for 3 times with 0 for entrusted and 0 absents.

(III) One meeting of Strategy Committee of 7th Session of the Board was held in report period, independent director Ms. Du Wenjun attended in person for 1 time with 0 for entrusted and 0 absents; independent director Mr. Xu Zhuangcheng attended in person for 1 time with 0 for entrusted and 0 absents.

(IV) Two meetings of Nomination Committee of 7th Session of the Board was held in report period, independent director Ms. Deng Meixi attended in person for 2 times with 0 for entrusted and 0 absents; independent director Ms. Du Wenjun attended in person for 2 times with 0 for entrusted and 0 absents.

IV. Independent directors' performance on annual report work

Independent directors of the Company earnestly performed their responsibilities and obligations and played a supervisory role during the drafting and disclosure process of the 2011 Annual Report. Particulars about their performance were as follows:

In according to relevant regulations and “Article of Association”, independent director of the Company, in light with attitude of honesty and diligence to all shareholders and whole Company, work scrupulously to fulfill duties, protect interest and all shareholders' interest from violation by focusing communication with the directors, supervisors, senior executives and internal auditing dept. Concerning vary proposals, they carefully deliberated in order to carried out independent, objective and fairness judgments, proposed many valuable opinions and suggestions from vary professional angles for operation and development of the Company; play a proactive role in formulation of scientifically and objective-ness decision of the Board and in favorable development of the Company.

In line with relevant regulations and systems, independent director of the Company continuous to fulfill duties diligently in auditing and preparation of annual report of 2011. On 29 December 2011, independent directors meeting with senior executives of the Company, listening report of production business, financial status, internal control stablishment, material assets transfer and business strategy for year of 2011. On 8 March 2012, independent directors meeting with CPA of 2011 auditing works, consulting and listening team arrangement for annual auditing works from CPA, auditing plan, target auditing areas and auditing strategy as well as risk evaluation judgments, and independent directors agree to conducted auditing work by original auditing plan; On 23 March 2012, independent directors meeting with CPA of 2011 auditing works second time, carefully look into relevant auditing works of the Company and consulting for relevant financial indexes of the Company; deliberated the financial report with qualified opinions issued by CPA preliminary, meanwhile, independent directors communicated with Directors for procedures of convening meetings for annual report deliberation; approving vary proposals and attachments that should be deliberate in Meetings. Independent directors agree to hold the 20th Meeting of 7th Session of the Board on time for annual report of 2011 deliberation.

V. Independent opinions from Independent directors in report period

| Date | Session of the Meeting | Item for independent opinions | Type of opinions |
|-----------|---|--|------------------|
| 2011-4-28 | 11 th Meeting of 7 th Session of the Board | Independent opinions and specific explanation on external guarantee for year of 2010; Independent opinion of Capital Occupation by Controlling Shareholders and its Related Parties; Independent opinion of Plan of Profit Distribution for year of 2010; Independent opinion of Self-Assessment Report for Internal control for year of 2010; Independent opinion of engagement of financial auditing institution for year of 2011 and Independent opinion of amendment of part clauses in "Accounting Policies of the Company" | Agree |
| 2011-7-1 | 12 th Meeting of 7 th Session of the Board | Independent opinion of Engagement and Dismiss of Senior Executives | Agree |
| 2011-7-19 | 13 th Meeting of 7 th Session of the Board | Independent opinion of Sales of Significant Assets of the Company | Agree |
| 2011-8-2 | 14 th Meeting of 7 th Session of the Board | Independent opinion of Current Capital Supplementation Temporary from Part of Idle Raised Fund | Agree |
| 2011-8-18 | 15 th and 16 th Meeting of 7 th Session of the Board | Independent opinions and specific explanation on capital occupation by related parties in first half year of 2011 and external guarantee; Independent opinion of nomination of director candidate and engagement of senior executives | Agree |
| 2011-9-7 | 17 th Meeting of 7 th Session of the Board | Independent opinion of Sales of Significant Assets of the Company | Agree |

VI. No objections proposed by independent directors on relevant items of the Company in report period.

Section III. Separation between the Company and its Controlling Shareholder in terms of Business, Organization, Personnel, Assets and Finance

The Company keeps strict accordance with 'Governance Rules for Listed Companies' and other regulations, separates from its controlling shareholders in terms of personnel, assets, finance, organization and business; owes complete business and ability of self operation.

In term of Business: The Company is independent of production and sales of tea products and food beverage products from its controlling shareholder, owes completed business structure with self operation ability.

In term of organization: The Company is independent of self operation, owes independent office place without mix operating with its controlling shareholders and work in one office.

In term of personnel: The Company owes specific institution in charge of labor, HR and remuneration; senior executives of the Company drawing remuneration from the Company and took no position in controlling shareholders' units.

In term of assets: The Company owes independent production system, auxiliary production system and affiliated equipments, the purchasing and selling system of the Company are owed by the Company independently.

In term of finance: The Company owes independent financial department, established an independent accounting calculation system and financial management system;

carried out financial decisions independently, opening bank account independently as well as taxation independently.

No problems of horizontal competition and related transactions resulted from partial reorganization, industry features, state policies or merger and acquisition in report period; No privately information provided to largest shareholder and actual controller and no particular about un-regulated condition of interference of production, operation and management of the Company from largest shareholder and actual controller.

Section IV. Evaluation and incentive system for senior executives

In according to “Management Method of Performance in Head Office”, revised in 2010, the remuneration and evaluation committee of the Board exercising performance examination on senior executives based on overall operation results and management indexes. Remuneration and evaluation committee of the Board determined adjustment of remuneration for senior executives and expressed award opinions in according to examination results and carry into effect after deliberation and approved in the Board and Shareholders’ General Meeting.

Chapter VI. Internal Control

I. Please refer to the self-evaluation report of internal control of the Company for 2011 published on www.cninfo.com.cn with the same date for the details about the establishment and implementation of internal control system of the Company.

II. The basis of establishing internal control for financial report

According to the Corporation Law, the Securities Law, the fundamental norms of enterprise internal control and the provisions of relevant laws and regulations and normative documents and combining the requirements of industrial leading department and market supervision department to internal control, the Company has established the internal control system that fits the actual operation situations.

III. The progress of developing the internal control standard system

On 18th, Feb., 2011, Shenzhen Securities Regulatory Bureau has issued the notification about completing standard pilot project of internal control for listed companies in Shenzhen (Shenzhen securities regulatory bureau No.[2011] 31), required the 83 listed companies in Shenzhen to start implementing the fundamental norms of enterprise internal control from 2011, including 26 key companies and 57 experimental companies, and fully implemented the fundamental norms of enterprise internal control and the relevant guidelines. As one of the experimental companies, the Company thinks highly of it and wishes to take the development of internal control system as an opportunity to fully promote the overall internal control level of the Company, improve the ability of preventing and resisting risks for the Company, and establish long lasting internal control management system. Up to the issue date of this report, the Company has successively developed following work:

1. The Company has established a special leading group for internal control development which is composed of the chairman as the group leader, the general manager and the chairman of the board of supervisors as the assistant group leader, and people in charge of each department and enterprise as the members to take charge of development and decision making for internal control system. The office set up under leading group is responsible for daily coordination and communication and the

specific development and implementation. At the same time, the Company has engaged accounting firm with abundant experience of internal control standard management to assist the special leading group of internal control development to comprehensively combing and perfecting the internal control system so as to feasibly promote the overall internal control level of the Company.

2. The Company has formulated the implementation working program of internal control standard of the Company (hereinafter referred to as “implementation program”) which has passed the consideration of the eleventh meeting of the seventh board of directors of the Company. Hereafter, the Company has strictly followed the implementation program so as to fulfill and actively promote the development of internal control system.

According to the business characteristics of each business entity implementing the internal control system development and the applicable business process confirmed by the Company and combining its influence on the accuracy, authenticity and completeness of financial report formation, the Company has determined the business process for each business entity.

4. The Company has identified and analyzed the existing risks and ascertained the key risks needed to be focused and prior controlled according to the possibility of risks and their influences, and also has confirmed the corresponding control targets and control activities and distinguished the key control activities and formed the risk control matrix according to the risk lists of each business process.

5. Taking each business process as a unit, the Company has investigated and surveyed the business by interviewing and discussing with people in charge of process and business cores and by investigating on-the-spot, and has combed and analyzed the internal control status of the main business process of the Company and each business entity, and identified the existing differences in internal control status of business process by benchmarking with the fundamental norms of enterprise internal control and its guidelines; and also has recognized and summarized the defects of internal control design and operation via walkthrough test and operation validity test; and has summarized the internal control defects and formed defect lists, analyzed and recognized the key defects of internal control.

6. Aiming at the internal control defects that have been found, the Company has formulated the improvement plans and implementation execution plans and actively carried out defects improvement and completed the improvement.

7. The Company has founded a self-evaluation group of internal control, completed the work plan of self-evaluation of internal control.

8. The Company has occasionally launched propaganda and education work for system standardization of internal control, done basic training of internal control and practical training of operating internal control to the management and business cores, successively advertised the internal control, and further improved the internal control and risk awareness of relevant personnel by periodically summarizing the internal control work.

In the follow-up work, the Company will strictly follow the requirements of the notification about completing standard pilot project of internal control for listed companies in Shenzhen (Shenzhen securities regulatory bureau No.[2011] 31) and implementation solution of the Company to complete the standardization of internal control system.

IV. The statement of the board of directors to the responsibility of internal control

The responsibility of the board of directors of the Company is to establish and

complete and effectively execute the internal control for the Company.

The conclusion of the board of directors to the effectiveness of internal control of the Company:

The Company has self-evaluated the effectiveness of internal control of the Company up to 31st, Dec., 2011 according to the requirements of fundamental norms of enterprise internal control, evaluation guidelines of enterprise internal control and other laws and regulations. During the reporting period, the Company has established internal control for businesses and items brought into the evaluation range which has been implemented effectively, the Company has not found significant internal control defects related to financial report and non-financial report in the self-evaluation process of internal control, and the internal control of the Company is effective.

V. Opinions from Supervisory Committee and independent directors on the self-assessment report of internal control of the Company

(I) Reviewing opinions from Supervisory Committee on the self-assessment report of internal control of the Company

Found more details in “II. Auditing Opinion on Relevant Items from Supervisory Committee contained in Chapter IX Report of Supervisory Committee”

(II) Reviewing opinions from independent directors on self-assessment report of internal control of the Company

Independent directors of the Company verified establishment, perfection and implementation of internal control with opinions as:

In 2011, the Company formulated and perfected internal control mechanism by actual operation conditions, formulation procedures and content meet requirement of relevant laws and regulations from the State as well as Securities Supervision Dept., mechanism of internal control of the Company was adaptable to requirement of management in the Company and applicable to the need of development of the Company. Important activities of internal control were carried out in accordance with regulations of internal control systems. In aspect of financial management, related transactions, external guarantee, significant investment and information disclosure, the internal control was strictly, sufficiently and effectuality, ensuring the orderly performance of the corporate operation and management. The “Self –assessment Report of Internal Control for year of 2011” issued by the Company presented a totally, objective and real condition of the internal control, in aspect of its establishment and implementation.

VI. Establishment and implementation of accountability mechanism for major errors in information disclosure

Relevant internal control system of the Company, “Management System of Information Disclosure’ and “Accountability Mechanism of Major Errors in Annual Report’s Information Disclosure”, well defined relevant accountabilities of violation and errors in information disclosure as well as accountability system. The Company strictly implemented in line with relevant regulations, in report period, no major accounting error correction, supplementation of major omission information and correction of performance prediction occurred in the Company.

Chapter VII.Particulars about Shareholders’ General Meeting

In the report period, the Company held 4 shareholders’ general meetings

I. Annual Shareholders' General Meeting

2010 Annual Shareholders' General Meeting was held on May 20, 2011

Totally six proposals are deliberated and approved in this shareholders' general meeting: "Report of the Board of Directors for year of 2010", "Annual Report of 2010" and its Summary, "Financial Result Report for year of 2010", "Plan of Profit Distribution of 2010", "Proposal of Engagement of Financial Auditing Institution for year of 2011" and "Report of Supervisory Committee for year of 2010"

Resolution notice for this Meeting released on "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and Juchao Website dated 21 May 2011.

II. Extraordinary Shareholders' General Meeting

(I) The 1st Extraordinary Shareholders' General Meeting 2011

The 1st Extraordinary Shareholders' General Meeting 2011 was held on 18 August 2011

"Proposal of Current Capital Supplementation Temporary from Part of Idle Raised Fund" was deliberated and approved in this Meeting.

Resolution notice for this Meeting released on "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and Juchao Website dated 19 August 2011.

(II) The 2nd Extraordinary Shareholders' General Meeting 2011

The 2nd Extraordinary Shareholders' General Meeting 2011 was held on 5 September 2011

"Proposal of Changes on Part of the Directors of the Company" was deliberated and approved in this Meeting.

Resolution notice for this Meeting released on "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and Juchao Website dated 6 September 2011.

(III) The 3rd Extraordinary Shareholders' General Meeting 2011

The 3rd Extraordinary Shareholders' General Meeting 2011 was held on 26 September 2011

Totally six proposals are deliberated and approved in this shareholders' general meeting: "Proposal of Significant Assets Reorganization Qualified of the Company", "Proposal of Plan of Sale of Significant Assets", "Proposal of 'Equity Transfer Agreement' signed between the Company and PepsiCo Investment (China) Ltd. with contract subject to a condition precedent", "Proposal of 'Report of Sale of Significant Assets of Shenzhen Shenbao Industrial Co., Ltd.(Draft)'", "Explanation on Clauses VI of 'Standardizing Many Issues on Significant Assets Reorganization for Listed Company', qualified sale of significant assets this time" and "Proposal of Submitting Authorization of the Board to Shareholders' General Meeting for relevant Sales of Significant Assets this time"

Resolution notice for this Meeting released on "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and Juchao Website dated 27 September 2011.

Chapter VIII. Report of the Board of Directors

Section I. Operation Review of the Company in the Report Period

I. Overall operation of the Company in the report period

In report period, surrounding with annual operation plan, the Company continuous to promoted tea industry's development, core industry, with purpose of forcing stable operation of traditional industry. Concerning serious competition in tea industry, and

unfavorable situation of soaring raw materials' price, the Company optimized its marketing strategies and product structure, strength research & development on technology as well as establishment of quality system; Further improved cost controlling and target management, effectively overcome vary unfavorable factors to ensure that sales of tea products presented a tendency of sustained growth. Encounter with the challenge on traditional industry arising from soaring raw materials and labor costs, the Company face the obstacles and stress, searching a development for stable operation with purpose of promoting a steady operation in vary business within traditional industry.

The Company's operation income, operation profit, net profit and the y-o-y increasing and decreasing rates compared with those of the same period of last year is described as below for year 2011:

Unit: CNY

| Items | 2011 | 2010 | y-o-y (+,-) |
|---|----------------|----------------|-------------|
| Operating income | 318,230,243.67 | 229,797,398.17 | 38.48% |
| Operating profit | -4,989,779.90 | -884,492.38 | -464.14% |
| Net profit attributable to owners of parent company | 6,980,233.57 | 5,687,644.79 | 22.73% |

1. Operating income increased mainly due to the y-o-y 58.16% growth in sales income from tea products;
2. Operating profit decrease mainly due to the highering operation cost and downing investment income.

II. Main works in report period

(I) Center on the annual production and operation plans overcome all adverse factors and achieve the sustainable development of main business.

1. Increase efforts for market development, and the sales of tea industry grows rapidly. According to the actual conditions of the market, the Company has timely adjusted strategies, replenished and optimized the marketing team, improved the performance assessment mechanism, mobilized the positivity and activity of sales personnel, and effectively promoted the implementation for all sales targets. At the same time, the Company has made use of the strong technological superiority and good services to improve the customer cooperation compactness, especially has promoted tea raw materials for beverage to clients and achieved great sales growth by using the technological achievements about fashioning new process and equipment technology of dedicated tea for tea beverage. During the reporting period, the sales revenue of tea industry of the Company has achieved 279,183,466.39 yuan, with an increase of 58.16% year on year.

2. Strengthen cost management and improve operation performance. Aiming at the pressure of rise in price of tea raw materials, the Company has expanded the supply scope of producing areas and the purchasing channels of raw materials, positively transformed the purchasing mode, implemented tendering and bidding strategies for a large amount of raw materials, ensured the supply for raw materials and demand for quality, and controlled the growth trend of cost; while improving the production process and implementating technical measures to save energy and reduce costs, the Company has deepened the cost target management, effectively controlled the production cost and improved the operation performance by quantitatively decomposing production capacity, production, sales volume, purchasing costs, product development, and quality control

3. During the reporting period, the Company has completed the market research on famous tea, known and analyzed the current development tendency and competition conditions and market space of all famous tea markets, and cleared the brand positioning, variety confirmation and implementation time for famous tea. Based on this, the Company has further clarified the business implementation direction and profit model of famous tea, completed the establishment of sales team, and successively launched the product development, channel cultivation and platform building for famous tea so as to lay the foundation for business development of famous tea in the next phase.

4. Strengthen the development of technology research and quality system so as to provide strong science and technology guarantee for the major work development. Facing the furious market competition, maintaining technology advantages is keeping enterprise core competitiveness. During the reporting period, the Company has founded Shenbao research institute, confirmed the research direction and development ideas, taken charge of arrangement, research and development, and completed the process design and equipment selection for new factory in Wuyuan. Strengthen the research on new products and process improvement, upgrade the technology for some products, improve the product technological barriers. Establish complete quality system, strengthen the qualification appraisal and assessment for suppliers and inspection requirements for raw materials, ensure the stability of product quality, and consolidate and substantially promote the product sales volume.

(II) Successfully accomplish the optimization and integration for traditional industries

The reporting period is the first year for the beverage and condiment industry of the Company to put on production after completing transregional move. Under the circumstance of great turnover of production personnel, relatively insufficient labor skills, large increases in raw and auxiliary prices and fierce market competition, the subordinate Huizhou Science and Technology has increased integration and adjustment for internal resources, completed the merger to Guangdong Shenbao, carried out optimization and integration to personnel structure of Shenbao Sanjing, rearrange the personnel of beverage factories and spice factories, coordinated the human resources, effectively improved the production efficiency and reduced the operating costs. In the premise of consolidating the stable development of the current markets, the Company has adjusted marketing strategy in time and positively explored a transforming and upgrading road for the traditional industries.

(III) Complete the non-public offering of stock to provide strong guarantee for strategy implementation of the Company

During the reporting period, to insure the non-public offering of stock proceeds smoothly, the Company has efficiently and orderly done the data preparation and communication and coordination for all links according to the requirements and has ensured the non-public offering of stock proceeds smoothly. On 6th, May, the non-public offering of stock plan of the Company has been examined and verified by the Issuance Examination Commission of China Securities Regulatory Commission and passed the examination unconditionally; at the beginning of June, the Company has started the issuing work of non-public offering of stock, fully communicated with all relevant departments and attained sufficient support and guidance, each department makes concerted effort and arranges scientifically to realize the seamless chaining for links, including subscribing the transfer of ownership of stock equity and property, stock issue, capital account, capital verification, stock registration, and floatation of stock, etc; on 23rd, Jun., all subscription funds of non-public offering of stock have

been received and the capital raising and verification have been completed; on 4th, Jul., non-public offering of stock of the Company has gone public at Shenzhen Stock Exchange. The successful completeness of the non-public offering of stock of the Company not only provides strong financial security for the implementation of raising capital project, but also infuses powerful driving force into the future strategy development of the Company.

(IV) Steadily boost the internal management optimization and integration of the Company

1. Optimize and adjust organization structure of the Company to lay a solid management foundation for successfully impelling the strategy implementation.

To meet the demand for future strategy positioning and business development, the Company has adjusted the organization structure, established business division management mode, founded tea division and food division based on the functional integration to the some former departments, and also has correspondingly founded project development department, planning department, engineering department, purchase department and research laboratory. The optimization and adjustment for organization structure of the Company lay a good structure foundation for centralizing superior resources and developing main business.

2. Penetrate into the construction of internal control system and strengthen the flow control and risk management.

According to the requirements of the notification about completing standard pilot project of internal control for listed companies in Shenzhen issued by Shenzhen Securities Regulatory Bureau, the Company has been enrolled to be one of the 83 experimental companies in Shenzhen for implementing the fundamental norms of enterprise internal control this year. The Company pays high attention and will regard the work as a great move for optimizing internal management level and promoting risk prevention capability. On 7th, March, the Company has established a special leading group for internal control development and engaged Deloitte Touche Tohmatsu with abundant operating experience as the external consultant. Combining the reality of the Company and professional suggestions, the Company has formulated the working program to build up and carry out the construction of internal control system related to financial report at headquarters, subordinate Shenbao Huacheng and other enterprises. At present, the Company has successfully completed a series work of risk identification, formation risk control matrix, internal control test, internal control defect recognition and internal control defect reformation for headquarters and Shenbao Huacheng in internal control construction stage and formed the business process and system results covering all working domains, including operating business, financial management, personal administration, project management and investment and finance management, etc. The internal control work of the Company has comprehensively entered into self-evaluation phase for the time being.

3. Detail comprehensive budget management so as to play a role in enterprise resource allocation.

Comprehensive budget management is an important means for enterprises to implement strategy target management and guide daily operation. During the reporting period, the Company elaborately arrays and strengthens organizational leadership and refining budget management by combining top-down and bottom-up means according to operational characteristics and work arrangement of each business link. Each enterprise and department strictly contrasts the budget performance of previous year, matter-of-factly analyzes, concludes and compiles the annual budget based on the positive and objective principle so as to insure the budget objective

overall cover every link of the Company's production and operation. After repeated rounds of communication, refining and modification, the Company has successfully completed the annual budget reporting for 2012, effectively improved the comprehensive budget management so that budget management has played a role in enterprise resource allocation.

(V) Strengthen safety management and implement safety responsibility to ensure the safety in production all year round

During the reporting period, the Company has centered on production safety management and food safety management, and has emphasized to strengthen four "full coverage", i.e., full coverage of responsibility system, full coverage of safety training, full coverage of organization check, and full coverage of supervision and reformation. At the beginning of the year, the Company has signed liability agreement of safety management with each department and subordinate enterprises so that safety target can be detailed ring upon ring and safety responsibility can be implemented to system, mechanism and personnel. To strengthen the daily safety supervision and inspection, the Company has replenished the members of safety management supervisory organ and established superincumbent regular safety inspection and bottom up self-examination report system for safety production, meanwhile, the Company has insisted on the supervision and control work for food safety and quality according to provisions of our Country to food quality supervision and inspection and requirements of internal quality management and control of the Company. During the reporting period, there is no major safety production accident or major food quality safety accident.

(VI) Reduce 15% stock rights of Shenzhen PepsiCo according the development strategy of the Company

According to the development strategy program and prudent judge to the development tendency of carbonated soft drinks industry, the Company has launched to transfer the possession of 15% stock rights of Shenzhen Pepsi during the reporting period, and has performed relevant approval and auditing procedures according to the relevant provisions of sales of substantial assets. On 22nd, Dec., the Company obtained the approval of China Securities Regulatory Commission for transferring 15% stock right of Shenzhen PepsiCo is related to restructuring proposal of major assets. The Company reduces 15% stock right of Shenzhen Pepsi, and recovers the funds for developing the main business.

III. The main businesses and the operating conditions of the Company during the reporting period

The business scope of the Company: producing canned food, beverages and local products; domestic business, material supply and marketing industry; imports and exports. The main business of the Company belongs to food and beverage industry. The composition of operation revenue and operation profit is as follows:

(I) Formation of main operations classified according to industries and products:

| Classified according to industries | Operation Income(RMB) | Operation Cost(RMB) | Gross Profit Ratio(%) | Increase/d decrease in income from operations over the last year (%) | Increase/decrease in cost of operations over the last year (%) | Increase/decrease in gross profit ratio over the last year (%) |
|------------------------------------|-----------------------|---------------------|-----------------------|--|--|--|
| Manufacture of teas | 279,183,466.39 | 226,095,103.03 | 19.02 | 58.16 | 60.86 | -1.36 |

| | | | | | | |
|---|------------------------------|----------------------------|------------------------------|---|---|---|
| Manufacture of condiments | 9,954,144.12 | 6,717,331.19 | 32.52 | -43.86 | -41.03 | -3.23 |
| Manufacture of soft drinks | 27,210,338.08 | 22,866,678.21 | 15.96 | -22.02 | -10.12 | -11.13 |
| Classified according to products | Operation Income(RMB) | Operation Cost(RMB) | Gross Profit Ratio(%) | Increase/decrease in income from operations over the last year (%) | Increase/decrease in cost of operations over the last year (%) | Increase/decrease in gross profit ratio over the last year (%) |
| Tea products | 279,183,466.39 | 226,095,103.03 | 19.02 | 58.16 | 60.86 | -1.36 |
| Sanjing' brand condiment | 9,954,144.12 | 6,717,331.19 | 32.52 | -43.86 | -41.03 | -3.23 |
| Soft packing drinks | 27,210,338.08 | 22,866,678.21 | 15.96 | -22.02 | -10.12 | -11.13 |

1. Growth of operation income in tea manufacture industry mainly due to the brisk demands in markets, orders increased than sales volume increased; decrease of gross profit ratio mainly because the soaring of raw/auxiliary materials and human costs.

2. Operation income of condiment decreased mainly because insufficient product's competition in market than sales volume decreased; decrease of gross profit ratio mainly because the soaring of raw/auxiliary materials and human costs.

3. Operation income of soft packing drinks decreased mainly because weak competition in products from soaring price by higher products' cost; decrease of gross profit ratio mainly due to the higher raw/auxiliary materials, sugar and production drawdown.

(II) Main business classified according to area

| Areas | Operation Income(RMB) | Increase/decrease in income from operations over the last year (%) |
|----------------|-----------------------|--|
| Eastern China | 108,748,596.57 | 22.50 |
| South China | 89,322,897.94 | 9.97 |
| Central China | 53,108,960.48 | 79.64 |
| Northern China | 43,333,580.07 | 120.34 |
| Export | 2,692,427.73 | -16.25 |
| Other | 19,141,485.80 | 186.04 |
| Subtotal | 316,347,948.59 | 38.06 |

1. Operating income in Northern China, Central China, Eastern China and other regions increased mainly due to tea products purchased by consumers in this region increased.

(III) Statement of purchasing from top five suppliers

| Name of suppliers | Amount purchased (RMB) | Proportion in total annual purchasing amount |
|-------------------|------------------------|--|
| Client I | 25,498,456.00 | 10.69% |
| Client II | 15,068,620.48 | 6.32% |
| Client III | 14,395,046.30 | 6.03% |
| Client IV | 14,384,370.96 | 6.03% |
| Client V | 13,293,454.14 | 5.57% |

| | | |
|----------|---------------|--------|
| Subtotal | 82,639,947.88 | 34.64% |
|----------|---------------|--------|

In report period, purchasing amount from top five suppliers amounting to RMB 82,639,947.88, a 34.64% in total annual purchasing amount.

(IV) Statement of sales to top five clients

| Name of client | Sales amount (RMB) | Proportion in total annual sales amount |
|----------------|--------------------|---|
| Client I | 33,375,568.82 | 10.55% |
| Client II | 23,429,203.09 | 7.41% |
| Client III | 22,155,538.43 | 7.00% |
| Client IV | 22,148,140.38 | 7.00% |
| Client V | 17,665,743.66 | 5.58% |
| Subtotal | 118,774,194.38 | 37.55% |

In report period, sales amount to top five clients amounting to RMB 118,774,194.38, a 37.55% in total annual sales amount.

IV. Particular about main assets and changes of expenses in report period

(I) Statement of composition of assets and liabilities as well as changes of expenses in the report period

| Item | 2011-12-31 | | 2010-12-31 | | +, - of total assets (%) |
|---|-------------------------|--------------------------|-----------------------|--------------------------|--------------------------|
| | Amount (RMB) | Ratio to total assets(%) | Amount (RMB) | Ratio to total assets(%) | |
| Monetary capital | 437,342,717.15 | 41.18 | 60,540,179.32 | 9.19 | 622.40 |
| Transactional financial assets | 14,627,801.40 | 1.387 | 304,500.00 | 0.05 | 4,703.88 |
| Accounts receivable | 71,769,419.01 | 6.76 | 60,924,949.75 | 9.25 | 17.80 |
| Accounts paid in advance | 10,243,725.62 | 0.96 | 6,545,149.29 | 0.99 | 56.51 |
| Other accounts receivable | 35,956,860.85 | 3.39 | 56,556,386.04 | 8.59 | -36.42 |
| Construction in progress | 11,113,058.18 | 1.05 | 7,513,353.21 | 1.14 | 47.91 |
| Short-term loan | 38,000,000.00 | 3.58 | 62,400,000.00 | 9.48 | -39.10 |
| Total liability and shareholders' equity | 1,061,964,234.64 | 100.00 | 658,468,839.95 | 100.00 | 61.28 |

1. Balance of monetary capital increase 622.40% at period-end, mainly because the raised fund has been wire in account from privately offering in this period.
2. Balance of transactional financial assets increase 4,703.88%, mainly because the 2.135 million “*ST Sunrise A” shares allocated for debt payment from Sunrise Company received in this period.
3. Balance of Accounts paid in advance increase 17.80% at period-end, mainly due to soaring sales of tea products in report period.
4. Balance of accounts paid in advance increase 56.51% at period-end, mainly because sales of tea products in report period increased, and inventory increase correspondingly, than relevant amount paid in advance for raw materials increased;
5. Balance of other accounts receivable decrease 36.42% at period-end, mainly because balance RM 23 million for transferring 5% equity of Shenzhen PepsiCo

Beverage Co., Ltd. and land reserve balance RMB 12.95 million in this period.;

6. Balance of construction in progress increase 47.91% at period-end, mainly due to equipment purchasing for production line reformation of Shenbao Huacheng;

7. Balance of short-term loans decrease 39.10% at period-end, mainly due to the payment of bank in this period.

(II) Measure attribute adopted for main assets of the Company in the report period
The Company's assets were accounted using real costs when acquired, if depreciation of assets happened, then corresponding assets depreciation reserve should be withdrawn. In the balance sheet day, tradable financial assets were conducted subsequent measurement according to fair value, and the change of fair value was reckoned into current gain and loss. ST Sunrise A and Haiguoshi Stock held by the Company are taking the market prices as fair value(found more details in Section IV –Particulars about Securities Investment in Chapter X)

(III) Expense and its change of the Company in the report period

Unit: CNY

| Items | 2011 | 2010 | +/- (%) | Reason of Change |
|------------------------|---------------|---------------|---------|---|
| Sales expense | 16,461,242.33 | 11,840,571.78 | 39.02 | Sales income of tea products increased, than the sales expenses increased correspondingly |
| Administration expense | 47,497,079.07 | 39,156,428.18 | 21.30 | Increase of human cost, listing expense and depreciated amortization |
| Financial expense | 2,959,988.95 | 9,827,703.23 | -69.88 | The interest reduced due to less borrowings; interest income rise due to more savings increased in cash |

V. Change of relevant data in cash flow statement of the Company

Unit: CNY

| Item | 2011 | 2010 | +,- (%) |
|---|----------------|----------------|---------|
| Cash flow arising from operation activities | | | |
| Subtotal of cash inflow | 365,476,276.94 | 257,706,518.34 | 41.82 |
| Subtotal of cash outflow | 384,266,486.86 | 252,483,503.71 | 52.19 |
| Net cash flow arising from operation activities | -18,790,209.92 | 5,223,014.63 | -459.76 |
| Cash flow arising from investment activities | | | |
| Subtotal of cash inflow | 48,403,731.54 | 38,420,735.48 | 25.98 |
| Subtotal of cash outflow | 37,761,060.80 | 95,966,031.57 | -60.65 |
| Net cash flow arising from investment activities | 10,642,670.74 | -57,545,296.09 | 118.49 |
| Cash flow arising from financing activities | | | |
| Subtotal of cash inflow | 628,906,340.41 | 209,756,182.00 | 199.83 |

| | | | |
|---|----------------|----------------|-----------|
| Subtotal of cash outflow | 224,447,919.13 | 207,510,116.50 | 8.16 |
| Net cash flow arising from financing activities | 404,458,421.28 | 2,246,065.50 | 17,907.42 |

1. Net cash flow arising from operation activities decrease 459.76%, mainly because sales increased in report period, the amount paid for raw/auxiliary materials and taxes growth;
2. Net cash flow arising from investment activities increase 118.48%, mainly because balance of 15% equity of Shenzhen PepsiCo transfer and land disposal of Wuyuan have been recovered in this period; and land price of RMB 55,756,182.00 for No. H307-0018 paid in last period;
3. Net cash flow arising from financing activities increase 17,907.42%, mainly because the raised fund has been wire in account from privately offering in this period.

VI. Discussion and analysis on other important information relevant to the Company's operation

During the period, there was no other important information relevant to the Company's operation.

VII. Operations and performance analysis of main subsidiaries and share participation companies of the Company

(I) Shenzhen Shenbao Huacheng Technology Co., Ltd. a wholly-owned subsidiary of the Company. The Business Scope: investing enterprise (detail project should apply) ; information consultation, food technology development(excluding limit projects); sales and manufacture of tea products (“National Industrial Product Manufacture Licensing Certificate” expired on 13 December 2013); import & export for cargo and technology (excluding projects forbidden by laws and regulations; permit required for those forbidden projects). The registered capital was RMB 103.4513 million. Ended as 31 December 2011, the total asset of Shenbao Huacheng reached RMB 255.0861 million and equity attributable to shareholders of parent company was RMB 114.4411 million; during the report period, RMB 278.3073 million was realized in operation income, and RMB 15.4352 million for net profit.

(II) Jiangxi Wuyuan Jufangyong Tea industry Co., Ltd. It was a controlling subsidiary of Shenbao Huacheng, and share-holding proportion was 62% while share-holding proportion of the Company was 38%. The business scope: tea planting; primary, fine and further processing of tea; production, processing, sales and deliver of extending products of tea; processing and sales of instant tea and condensed tea juice; import and export business for tea and agricultural sideline products. The registered capital was RMB 20 million. Ended as 31 December 2011, the total asset of Wuyuan Company reached RMB 90.4743 million and equity attributable to shareholders of parent company was RMB 27.3079 million; during the report period, RMB 136.7413 million was realized in operation income and RMB6.9306 million for net profit.

(III) Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd. a wholly-owned subsidiary of the Company, and its business scope: production and operation of beverage, subsidiary food, food additive, import and export business. The registered capital was RMB 30.15 million. Ended as 31 December 2011, the total asset of Shenbao Sanjing reached RMB 93.9227 million and equity attributable to shareholders of parent company was RMB 31.5915 million; during the report period,

RMB 13.2678 million was realized in operation income, and RMB -1.1903 million for net profit.

(VI)Huizhou Shenbao Technology Co., Ltd. a wholly-owned subsidiary of the Company. On 20 December 2010, the 7th Session of the Board in favors of absorbing merger Guangdong Shenbao by Huizhou Technology, and cancelled Guangdong Shenbao. Business scope: business items permit: verified business scope upon the “National Industrial Product Manufacture Licensing Certificate”; general business items: industrial investment, property management (with qualification only); domestic trading (excluding items forbid by laws, administrative regulations; obtained permit for those items limit by laws and administrative regulations). Registered capital of RMB 30 million. Ended as 31 December 2011, total assets of Huizhou Technology amounting to RMB 200,223,300, equity attributable to shareholder of parent company as RMB 18,682,800. In report period, the company realized operation income of RMB 27,812,200 and net profit of RMB -6,206,100.

(V)Shenzhen PepsiCo Beverage Co., Ltd. It was a share participation company of the Company and share-participation proportion was 25%. The business scope: production and operation of the American PEPSI beverages, soft drink with Chinese brand, other carbonic acid beverage and non-carbonic acid beverage, PEPSICo. athletic product, PEPSI cola stationery. The registered capital was USD 12.25 million. Ended as 31 December 2011, the total asset of Shenzhen Pepsi reached RMB 801.7581 million and net asset was RMB 255.3355 million; in reporting period, RMB 1866.4254 million was realized in operation income and RMB -1.1591 million for net profit.

VIII. No special-aimed subject under control in the Company.

Section II. Prospect on Future Development and Operation Plan for the Following Year

I The development prospect of the industry the Company engaged

(I) The development tendency of finishing and deep processing products of tea and natural plants

Along with the upturning living standards and the changing consumption concept, the formerly venerated carbonated beverage gradually comes down, while the healthy conception beverage represented by tea beverage rises rapidly and becomes the new main force of beverage market. Abroad, tea beverage is the fastest growing beverage in Occident in the 1990s, which is deemed to meet the consumption pursuit of modern people for nature and green. The tea beverage market of China has started since 1993 and accessed fast development stage since 2002. According to the statistical data of China Beverage Industry Association, the tea beverage has been one of the fastest growing varieties in the domestic beverage market since 2002, which has grown from 1.982 million tons to 8 million tons in 2009; the average annual growth rate has reached to 23.06% which towered over other beverage varieties. If calculating according to the average growing rate 12%, it is predicted that the tea beverage market can achieve the market size of 16 million tons in 2015. On the other hand, as people’s recognition to the active ingredients in tea and natural plants gradually deepens, applying these products to pharmaceuticals, food and chemical industries becomes another new trend for finishing and deep processing business development of tea and natural plants. The prosperous development of tea beverage market and the expansion of application fields of finishing and deep processing products of tea and natural plants will lay a solid market development foundation for the sustainable

development of tea industry.

(II) The development tendency of tea industry

In 2012, the tea planting area of China is 1.97 million hectares, tea production volume is 1.47 million tons, and the tea sales volume in domestic market is 1.1 million tons, the above-mentioned indicators all rank first in the world. The domestic tea market is developing swift and violent, and has fundamental formed the tendency of taking green tea as the principle and integrated development of oolong tea, pu'er tea and black tea. Along with the sustainable uplifting of consumption level and constant increase of demand for natural and healthy tea drink, the sales volume and turnover of famous tea keeps promoting, and drinking top tea drink becomes the pursue for life quality. According to the information of Euromonitor International, the tea retail market of China has grown rapidly from 2000 to 2010, the tea retail sales has increased from 28.436 billion yuan in 2000 to 93.775 billion yuan in 2012, with the compound annual growth rate of 12.7%, and it is estimated that the compound annual growth rate of tea retail market from 2011 to 2013 will reach to 11.7%. The tea market has enormous potential and broad prospects.

(III) The competition situation of the industry

The current China tea industry market is in the primary phase of sufficient competition but low concentration ratio. At present, many international industry tycoons with abundant capitals and affluent experience successively enter into China, which will have a certain impact on the local enterprises. If these enterprises cannot seize opportunities to increase their strength and competitive capability, they will be forced out the market. On the other hand, following the constant development of domestic healthy industries, the large pharmacy enterprises and food enterprises with abundant capitals will also start to expand their businesses to tea industry, which will form new challenges to the enterprises in the industry. At the same time, vast capitals will swarm into tea industry, which will not only play a boosting role in rapid development of the industry, but also form challenges to the Company.

II. The future development opportunity of the Company

(I) In the future, China economy will keep a high level of growth, the urbanization will continuously accelerate, the disposable income of urban household will continue to increase, the residents' consumption will keep growing, and the popularization of tea drinking tradition and culture will lay a solid foundation for the sustainable increase of the future China tea industry. The upgrading of residents' consumption and transforming of consumption form to nature, health and nutrition and the above-mentioned macro-economy factors will provide wide market space for the health industry the Company engaged.

(II) After years of development, the tea industry of the Company has rather strong competitive advantages.

The Company has formed a rather complete tea industry chain, including tea garden base, tea primary processing, tea refining, deep processing and terminal sales; the Company has tea and deep processing production lines and production technology with the domestic leading level, whose research and development and technological advantages are obvious; the Company has passed quality and purchase approval of a number of food and beverage companies with domestic and global well-known brands, and accumulated many superior and large customer resources in domestic and abroad and become their main raw materials supplier. The Company has completed the

private placement to provide abundant fund supports for the follow-up development, and confirmed the natural, green and healthy operation ideas and established the development direction of taking tea industry as the major work. The achievement of these competition advantages has laid a good foundation and opportunity for the follow-up development of the tea industry of the Company.

III. The development strategy of the Company

Grasp the opportunity, concentrate the resources, take fine and further processing of the tea as the core, set the construction of integrative industry chain for natural and healthy products and services as the target, extent to tea garden cultivation and experience base and terminal products, carry out industrialization, standardization and international operation, and focus on promoting the cooperative effect of tea industry chain and the value creation capability of traditional industry so as to forge Shenzhen to be the leading enterprise of China tea industry.

IV. Operating plan of the Company for 2012

(I) Comb and refine the development strategy and implementation essentials for the Company in the next 3-5 years, and formulate practical and feasible route chart for the sustainable development of the Company.

(II) Check the human resource reserve, promote the business ability and comprehensive quality of the current personnel, introduce top professional talents, and satisfy the employment demands to provide talent guarantee for the strategy implementation of the Company.

(III) Strengthen the investment for technological research and development, complete the establishment of quality system, and accelerate the development and popularization for new products to provide strong technology guarantee for the development of the Company.

(IV) Carry out brand development strategy, and create brand core values for the Company.

(V) Boost the implementation for raised projects in a planned and steady way according to the market environment.

(VI) Strictly carry out KPI and overall budget management program.

(VII) Continue to strengthen the production safety and food safety, ensure there is no significant safety production accident or significant food quality and safety accident throughout the year

(VIII) Complete the development of internal control system of the Company, promote the overall internal control level of the Company, and improve the ability to prevent and resist risks.

V Negative factors of development of the Company and countermeasures and measures to be taken

(I) Talent shortage

The Company has established the development direction of Nature, Green and Health tea industry, and along with the business development, the demand for various talents keeps expanding, especially for medium and top talents, but the talent introduction, training and culture integration need a process, if the talents can not be supplemented in time, the realization for confirmed plans and targets in the future may be affected.

The countermeasures and measures to take:

Strengthen the human resource integration and talent reserve, start the work of career development plan for talents, create more values by promoting the business platform, completing the remuneration and performance management system, developing

enterprise culture, and attracting and inspiring excellent talents.

(II) Production cost is rising

As the cost of raw and auxiliary materials and labor is rising, the operation cost increases so that the profit space suffers extrusion.

The countermeasures and measures to take:

Deepen the control to costs and expenses, increase the product additional value by technological upgrading and transforming, optimize the purchasing management of raw and auxiliary materials at the same time, and complete the management mode to suppliers. Combining with the market demand to adjust the product structure, strengthen the research and market expansion for new products, focus on improving the production and sales scale of the business, and promote profit level for the enterprise.

(III) Construction cycle for raised projects is long, and the benefits cannot give full play in the short term

Because of the construction cycle for raised projects, it will take some time to achieve benefits after investing the raised funds, which cannot give full play in the short term.

The countermeasures and measures to take:

At present, the Company is positively promoting the construction of raised projects so that the projects shall be put into operation and get profits as soon as possible and the income level of the Company shall be improved.

Section III. Particular about investment of the Company

I. Particular about investment with raised fund

(I) General information of raised fund

Application of privately offering of the Company was verified by Offering Verification Committee of CSRC dated 6 May 2011 with an approval unconditionally; On 23 May 2011, "Reply of Verification of Privately Offering under name of Shenzhen Shenbao Industrial Co., Ltd." 9ZJXK[2011] No. 777) was issued by CSRC; investors with share allocation completed payment fully on 23 June 2011; newly 68,977,066 shares were increased during this offering with issued price of RMB 8.7 per share; listing time for the above said new shares on 4 July 2011. According to the "Verification Report" LIXIN DAHUA YZi [2011] No. 177 issued by Lixin Dahua CPA Co., Ltd. dated 23 June 2011, totally fund raised in this privately offering as RMB 600,100,474.20, actual net amount of raised fund amounting to RMB 572,392,141.89 after deducting relevant issuance expenses RMB 27,708,332.31.

Amount of raised fund used in year of 2011: RMB 66,221,967.88; for the above said raised fund, RMB 65,100,481.80 used for acquisition of 48.33% equity of Shenbao Huacheng, capital invested in other raised fund projects amounting as RMB 1,121,454.58. The "Proposal of Current Capital Supplementation Temporary from Part of Idle Raised Fund" was deliberated and approved by 14th Meeting of 7th Session of the Board and First Extraordinary Shareholders' Meeting of 2011, idle raised fund RMB 125 million was consented to supplemented current capital of the Company temporary with terms from 18 August 2011 to 17 February 2012 within six months.

Balance of the raised fund amounting as RMB 385,076,553.52 (including interest income deducting handling procedures RMB 3,906,348.01) ended 31 December 2011. No amount of raised fund used in previously years by the Company.

(II) Particular about deposit and management for raised fund

1. On 21 July 2011, with purpose of standardized management and usage of raised

fund furtherly to protect investors' equity, in line with relevant requirement of "Listing Rules for Shares of Shenzhen Stock Exchange", "Regulation of Operation Guideline for Enterprise in Main Board of Shenzhen Stock Exchange" as well as "Management System of Raised Fund" of the Company, corresponding Regulatory Agreement of Raised Fund was signed between the Company together with sponsor institution—Dongguan Securities Co., Ltd. and Guotai Junan Securities Co., Ltd. with Shenzhen Branch of China Ping An Bank Co., Ltd., Shenzhen Branch of Guangdong Development Bank Co., Ltd., Shenzhen Branch of Shanghai Pudong Development Bank Co., Ltd., Shenzhen Branch of Bank of Shanghai Co., Ltd. and Shenzhen Branch of Bank of Communication Co., Ltd. respectively. The agreement above said shows no material differences with Tripartite Regulatory Agreement.

Ended as 31 December 2011, specific deposits for raised fund are as:

Unit: CNY

| Name of the Bank | A/C | Initial deposit amount | Balance at expired date | Saving type |
|---|-----------------------|------------------------|-------------------------|------------------------------|
| Shenzhen Branch of Ping An Bank Co., Ltd. | 0012100808665 | 270,000,000.00 | 204,227,405.31 | Regular |
| Shenzhen Branch of China Guangfa Bank Co., Ltd. | 102004516010005767 | 155,000,000.00 | 117,546,089.91 | Regular |
| Shenzhen Branch of Shanghai Pudong Development Bank Co., Ltd. | 79170155200003164 | 40,000,000.00 | 29,774,695.41 | Regular |
| Shenzhen Branch of Bank of Shanghai Co., Ltd. | 0039290303001599991 | 30,000,000.00 | 22,476,061.82 | Regular |
| Shenzhen Branch of Bank of Communication * | 443066034018150064792 | 12,291,660.09 | 11,052,301.07 | Regular, fixed in six months |
| Total | - | 507,291,660.09 | 385,076,553.52 | - |

*:Which is deposited in the Bank of communications Shenzhen branch account 11,052,301.07 yuan, 10,000,000 yuan to deposit storage, the expiry date is January 27, 2012.

2. The "Proposal of Current Capital Supplementation Temporary from Part of Idle Raised Fund" was deliberated and approved by 14th Meeting of 7th Session of the Board held 2 August 2011 and First Extraordinary Shareholders' Meeting of 2011 held 18 August 2011. Idle raised fund RMB 125 million was consented to supplemented current capital of the Company temporary with terms from 18 August 2011 to 17 February 2012 within six months. Independent director, supervisory Committee and sponsors are carrying out opinions for the above said current capital supplementary. On 16 February 2012, the above said raised fund has been returned in total to specific account for raised fund, and return situation of raised fund was notified to union sponsor Dongguan Securities Co., Ltd., Guotai Junan Securities Co., Ltd. and sponsor representative.

Deposit and usage of raised fund were strictly complied with approval procedures, meet requirement of raised fund regulatory agreement signed with sponsors and Bank

as well as relevant requirement of “Listing Rules of Shares of Shenzhen Stock Exchange”, “Regulation Operation Guideline for Enterprises in Main Board of Shenzhen Stock Exchange” and “Management System of Raised Fund” of the Company.

(III) Particular about raised fund actually used in report period

Statement of raised fund used in 2011

Unit: RMB'0000

| Item | | | Amount/proportion | | Item | | | Amount | | |
|---|---|---|--|------------------------------|--|--|-----------------------------------|------------------------------|-------------------------------------|---|
| Total raised fund | | | 57,239.21 | | Total raised fund invested in this year | | | 6,622.19 | | |
| Total raised fund for changes its usage area in report period | | | 0 | | Total raised fund invested accumulatively | | | 6,622.19 | | |
| Total accumulative raised fund for changes its usage area | | | 0 | | | | | | | |
| Proportion of total transferred raised capitals | | | 0 | | | | | | | |
| Committed investment projects & investment of raised fund | Projects changed or not (including changed partially) | Total committed investment of raised capitals | Total investment after adjustment (1) | Amount invested in this year | Amount of accumulated investment till the year-end (2) | Investment program till the year-end (3)=(2)/(1) | Predicted useable date of project | Profit realized in this year | Reach the predicted interest or not | Project feasibility was changed hugely or not |
| Investment project commitment | | | | | | | | | | |
| 48.33% equity of Shenbao Huacheng acquisition | No | 6,510.05 | 6,510.05 | 6,510.05 | 6,510.05 | 100 | July of 2011 | 479.68 | Yes | No |
| General investment for tea production chain | No | 27,000.00 | 27,000.00 | 39.04 | 39.04 | 0.14 | March of 2013 | 0 | - | No |
| General usage project of annual production of 300 tons catechins | No | 15,500.00 | 15,500.00 | 0.00 | 0.00 | 0 | July of 2012 | 0 | - | No |
| High-quality tea chain project | No | 3,000.00 | 3,000.00 | 22.08 | 22.08 | 1.70 | July of 2012 | 0 | - | No |
| R&D center for tea and nature plant | No | 4,000.00 | 4,000.00 | 51.02 | 51.02 | 0.55 | April of 2012 | 0 | - | No |
| Expansion of condiment production line | No | 1,229.17 | 1,229.17 | 0.00 | 0.00 | 0 | July of 2012 | 479.68 | - | - |
| Subtotal of commitment projects | - | 57,239.22 | 57,239.22 | 6,622.19 | 6,622.19 | 11.57 | - | | | |
| Reason for not reaching expected plan (by detail raised fund project) | | | 1. General usage project of annual production of 300 tons catechins: due to major changes in international market, especially the hindrance of development of catechins beverage resulted from force majeure, need of client's market for catechins new products are declining in latest years. Meanwhile, during this period, the Company exercising general improvement on production technology of original instant tea powder through technology innovation, function of producing part of catechins and nature plant products in production line of instant tea powder was realized. The Company exploits and produces catechins and nature plant products, selling to other new rising client markets. Therefore, fixed assets investment should be prudently enacted; there is no | | | | | | | |

| | |
|--|---|
| | <p>investment in this project within report period by the Company. The Company plans to cancel this project with purpose of raising use efficiency of raised fund and changes investment aims for raised fund.</p> <p>2. High-quality tea chain project: in this report period, intermediaries, appointed by the Company, enacted detail market investigation and commerce pattern-analysis on former feasibility of the project and exercising preparation on pre-phases. Thus, the Company did not invest this project by plan and will adjust more investment capital in project.</p> <p>3. R&D center for tea and nature plant: the practice place for this project located in Wuyuan County, Jiangxi Province; though the place has advantage in aspect of tea industry resource and cost, in aspect of talent accumulation, information connection, resources sharing and integration and service clients market lacks advantages. The Company did not invest this project by plan after comprehensive consideration. Practice place for this project will change by the Company to Shenzhen, Guangdong Province with investment amount increased.</p> <p>4. Expansion of condiment production line: though there is a favor prospect in condiment market, and serious market competition; income from condiment business has a dramatically decline in year of 2011 resulted in a major losses, condiment business of the Company has no competition advantage in business of condiment. If invested by plan, it's hard to reached expected target and faces major market risks and uncertainty. No investment in this project within report period by the Company. This project will cancel by the Company and adjusted to increase investment in project of "R&D center for tea and nature plant".</p> <p>The "Proposal of changing part of the raised fund's usage " was deliberated and approved in 20th Meeting of 7th Session of the Board dated 5 April 2012 in favor of the above said changes and adjustments for raised fund projects.</p> |
| Statement for major change of project's feasibility | Inapplicable |
| Amount, usage and progress of using for fund raising out of the plan | Inapplicable |
| Change of implementation place of investment project of raised capitals | Inapplicable |
| Regulation of implementation ways of investment project of raised capitals | Inapplicable |
| Invested in pre-phases and replacement for raised fund projects and | Inapplicable |
| Temporarily supplement for the current capitals with idle raised capitals | The "Proposal of Current Capital Supplementation Temporary from Part of Idle Raised Fund" was deliberated and approved in 14 th Meeting of 7 th Session of the Board held on 2 August 2011 and First Extraordinary Shareholders' General Meeting of 2011 held on 18 August 2011, in favor of supplementing current capital of the Company temporary with RMB 125 million idle raised fund for terms from 18 August 2011 to 17 February 2012 within six months. Independent directors, supervisory committee and sponsors are expressed opinions for the current capital supplementation temporary from part of idle raised fund. |
| Amount and reason for surplus of raised capitals when implementing projects | N/A |
| Usage of the retained raised fund and what is expected to invested with those fund | Saving in special account for raised fund and added liquidity |
| Problems exits in usage and disclosure of the raised fund or other situations | Relevant information concerned with raised fund's utilization disclosed is timely, true, accuracy and complete. No violation of saving, using, manage and disclosing the raised fund. No exercising over twice raised fund by the Company and there is no usage of raised fund in current year |

II. Investment of non-raised capital

No external investment using non-raised capital in report period. No particular about external investment of entrusted financing and entrusted loans.

Section IV. Auditors' Opinion and Accounting Policies

I. Audit opinion

For the report period, Dahua CPA Co., Ltd. issued standard unqualified auditor's report for the Company.

II. Accounting policy, change of accounting estimation or major accounting errors

In report period, the Company has no Accounting policy, change of accounting

estimation or major accounting errors occurred.

Section V. Routine Work of the Board of Directors

I. Particulars about meetings of the Board of Directors and resolutions in the report period

In the report period, the Board of Directors totally held 8 meetings:

(I) The 11th Meeting of 7th Session of the Board held on 28 April 2011 was deliberated and approved the follow proposals: “Report of Board of Directors of 2010”, “Annual Report of 2010” and its Summary, “Financial Result Report of 2010”, “Plan of Profit Distribution of 2010”, “Self-Assessment Report of Internal Control of 2010”, “Engagement of Annual Financial Auditing Institution for year of 2011”, “Bestowed Special Contribution Award for year of 2010”, “Amendment of Part of Clauses of ‘Accounting Policies of the Company’”, “Implementation Plan for Standard of Internal Control”, “Changes of Director of Internal Auditing Dept. of the Company”, “First Quarterly Report of 2011” and “Notice of Convening Annual Shareholders’ General Meeting of 2010”. Resolution notice for this Meeting released on “Securities Times”, “China Securities Journal”, “Hong Kong Commercial Daily” and Juchao Website dated 29 April 2011.

(II) The 12th Meeting of 7th Session of the Board held on 1 July 2011 was deliberated and approved the ‘Proposal of Reassignment of GM from Mr. Peng Ying’ and “Proposal of Engaging Mr. Yan Zesong as GM of the Company”. Resolution notice for this Meeting released on “Securities Times”, “China Securities Journal”, “Hong Kong Commercial Daily” and Juchao Website dated 5 July 2011.

(III) The 13th Meeting of 7th Session of the Board held on 19 July 2011 was deliberated and approved the follow proposals: “Proposal of Significant Assets Reorganization Qualified of the Company”, “Plan of Sales of Significant Assets”, “About ‘Plan of Sales of Significant Assets of Shenzhen Shenbao Industrial Co., Ltd.’”, “Explanation on Clauses VI of ‘Standardizing Many Issues on Significant Assets Reorganization for Listed Company’, qualified sale of significant assets this time”, “Relevant Evaluation Issues on Significant Assets Reorganization this time”, “Completeness and Regulation of fulfillment of legal procedures for this transaction as well as its effectiveness of legal documents submitted”, “Proposal of Submitting Authorization of the Board to Shareholders’ General Meeting for relevant Sales of Significant Assets this time” and “Suspension of Convening Extraordinary Shareholders’ General Meeting of the Company”. Resolution notice for this Meeting released on “Securities Times”, “China Securities Journal”, “Hong Kong Commercial Daily” and Juchao Website dated 2 August 2011.

(IV) The 14th Meeting of 7th Session of the Board held on 2 August 2011 deliberated and approved the “Proposal of Current Capital Supplementation Temporary from Part of Idle Raised Fund”. Resolution notice for this Meeting released on “Securities Times”, “China Securities Journal”, “Hong Kong Commercial Daily” and Juchao Website dated 3 August 2011.

(V) The 15th Meeting of 7th Session of the Board held on 18 August 2011 deliberated and approved the “Semi-Annual Report of 2011” and its Summary. Semi-annual report of 2011 and its Summary were released on “Securities Times”, “China Securities Journal”, “Hong Kong Commercial Daily” and Juchao Website dated 19 August 2011.

(VI) The 16th Meeting of 7th Session of the Board held on 19 August 2011 deliberated and approved the “Proposal of Changes for Part of the Directors” and ‘Proposal of Engagement of Senior Executives of the Company’. Resolution notice for this

Meeting released on “Securities Times”, “China Securities Journal”, “Hong Kong Commercial Daily” and Juchao Website dated 19 August 2011.

(VII) The 17th Meeting of 7th Session of the Board held on 7 September 2011 was deliberated and approved the follow proposals: “Proposal of Plan of Sale of Significant Assets”, “Proposal of ‘Equity Transfer Agreement’ signed between the Company and PepsiCo Investment (China) Ltd. with contract subject to a condition precedent”, “Proposal of ‘Report of Sale of Significant Assets of Shenzhen Shenbao Industrial Co., Ltd.(Draft)’”, “Explanation on Clauses VI of ‘Standardizing Many Issues on Significant Assets Reorganization for Listed Company’ , qualified sale of significant assets this time ”, “Complete-ness and Regulation of fulfillment of legal procedures for this transaction as well as its effectiveness of legal documents submitted” and “Convening 3rd Extraordinary Shareholders’ General Meeting 2011 of the Company Submitted”. Resolution notice for this Meeting released on “Securities Times”, “China Securities Journal”, “Hong Kong Commercial Daily” and Juchao Website dated 8 September 2011.

(VIII) The 18th Meeting of 7th Session of the Board held on 26 October 2011 was deliberated and approved the follow proposals: ‘Third Quarterly Report of 2011’, “Application of General Credit Limit”, ‘Capital Increased for Huizhou Shenbao Technology Co., Ltd., wholly-owned subsidiary of the Company”, “Changes of the member composition for professional committee of the 7th Session of the Board” and “Financial Management System of Shenzhen Shenbao Industrial Co., Ltd.”. Resolution notice for this Meeting released on “Securities Times”, “China Securities Journal”, “Hong Kong Commercial Daily” and Juchao Website dated 27 October 2011.

II. Execution of the resolutions of the shareholders’ general meetings by the board

During this report period, within scope of authority, Board of Directors of the Company operated and implemented vary proposals of shareholders’ general meeting carefully by strictly in line with “Company Law” and vary management regulations for listed company as well as “Article of Association” and obligation and rights that bestowed by shareholders’ general meeting.

III. Performance of the Auditing Committee

(I) Establishment and perfection of the related working systems of Auditing Committee

1. Working Rules for Auditing Committee of the Board of Directors of Shenzhen Shenbao Industrial Co., Ltd.: It was examined and approved at the 2nd Meeting of the 6th Board of Directors and revised at the 18th Meeting of the 6th Board of Directors.

2. Regulations and Procedures for Annual Report Work of Auditing Committee of the Board of Directors of Shenzhen Shenbao Industrial Co., Ltd.: It was implemented after the approval of the 18th Meeting of the 6th Board of Directors.

Auditing Committee of the Board of Directors consisted of a majority of independent directors with independent Ms. Deng Meixi taking the post of chief comissionary, and fulfilled its responsibilites in strict compliance with Working Rules for Auditing Commitee of the Board of Directors of Shenzhen Shenbao Industrial Co., Ltd. and Regulations and Procedures for Anuanl Report Work of Auditing Committee of the Board of Directors of Shenzhen Shenbao Industrial Co., Ltd., giving full play to its supervisory function.

(II) Particulars about the meetings

During the report period, Auditing Committee of the Board of Directors held 3 meetings in total.

1. The 5th meeting of audit committee of the 7th board of directors on 28 April 2011
 - (1) Reviewed and passed the “2010 Annual Financial Report”;
 - (2) Deliberated and passed the “Conclusion Report of Lixin Dahua CPA Co., Ltd on 2010 Annual Audit”;
 - (3) Deliberated and passed the “Proposal of Suggesting Engaging 2011 Annual Financial Audit Institution”;
 - (4) Reviewed and passed the “Self-Assessment Report of 2010 Internal Control” ;
 - (5) Reviewed and passed the “proposal of adjustment of accounting policy”;
 - (6) Reviewed and passed the “Plan of Implementation of Standard of Internal Control”;
 - (7) Reviewed and passed the “The First Quarterly Financial Report of 2011”
2. The 6th meeting of the Audit Committee of the 7th session of board of directors on 18 August 2011
Deliberated and passed the “Semi-annual Financial Report of 2011”
3. The 7th meeting of the Audit Committee of the 7th session of board of directors on 26 October 2011
 - (1) Deliberated and passed the “The Third Quarterly Financial Report of 2011”;
 - (2) Deliberated and passed the “Amendment of ‘Financial Management System of Shenzhen Shenbao Industrial Co., ltd.’”

(III) Performance of Annual Report Work

1. Carrying out written review opinions on financial statements, prepared by the Company, before annual auditing CPA on-site for auditing.
2. Communicate with Dahua CPA, the annual auditing institution for the Company, determined time schedule for auditing works of financial statements for 2011. During auditing period, fully communicated with CPA, urged them conducting annual auditing work on schedule.
3. After preliminary auditing opinion issued by Dahua CPA, reviewing financial statements of the Company again and carrying out written reviewed opinion after reviewing relevant books and vouchers.
4. After auditing report of 2011 issued by Dahua CPA, valued work performance of auditing for the Company objectively.
5. Propose suggestions for re-engagement of the CPA on basis of understanding the performance of works by Dahua CPA.

IV. The Performance of Remuneration and Evaluation Committee

Remuneration & Evaluation Committee of the Board strictly in line with “Working Rules of Remuneration & Evaluation Committee” to performing their duties, they mainly responsible for formulating evaluation standards for directors and senior executives and examine by standards; formulated and examined remuneration policy and plan for directors and senior executives; and examining in according to the above said evaluation standards and remuneration policy.

In report period, Remuneration & Evaluation Committee of the Board exercised annual performance evaluation for directors and senior executives by lining with “Management Methods for Performance in Head Office”. Directors and senior executives of the Company are implemented duties indiligently without failure miss-responsibility. And verified the remuneration of directors, supervisors and senior executives disclosed in the annual report of this year and thought that remuneration paid to the staff mentioned above was true, accurate and lawful.

V. Performance of Nomination Committee

Nomination Committee of the Board strictly in line with “Working Rules of Nomination Committee” to performing their duties, they mainly responsible for making selection for the candidates of directors and general managers, selection standards and selection procedures for the Company and carry out opinions.

There are two meetings held by nomination committee in this report period:

(I) First Meeting of 7th Session of Nomination Committee held on 1 July 2011

Deliberated and approved “Proposal of Engaging Mr. Yan Zesong as GM of the Company”

(II) Second Meeting of 7th Session of Nomination Committee held on 17 August 2011

1. Deliberated and approved “Proposal of Changes on Part of the Directors of the Company”;

2. Deliberated and approved “Proposal of Engagement of Senior Executives of the Company”

VI. Performance of Strategy Committee

Strategy Committee of the Board strictly in line with “Working Rules of Strategy Committee” to performing their duties, they mainly responsible for making research on long-term development strategies and major investment decisions and propose suggestions.

There is one meeting held by strategy committee in this report period:

The first meeting of 7th session of strategy committee held on 19 July 2011 deliberated and approved the “proposal of 15% equity of Shenzhen PepsiCo Beverage Co., Ltd. transferred by the Company”

VII. Implementation of administration system for insiders of internal information

On 30 October 2009, after deliberating and approved in the 26th meeting of the 6th session of board of directors, the Company formulated the “Registration System of Internal Information and Insiders”. The Company implemented regulation of “Registration System of Insider Information and Insider Man” rigorously. Controlling scope of insider man for insider information strictly, registered name lists of insider man who knows insider information of the Company and their personal information and filing on time; The Company proactively organized study of relevant documents and cases between the directors, supervisors, senior executives and person who knowing insider information; transfer relevant documents to external institution of CPAs and largest shareholder with purpose of strengthening acknowledgement and understanding for the seriously legal subsequences arising from insider trading between relevant personnel; effectively avoiding out leak of insider information and occurrence of insider trading. Ended as this report period, no situation of insider man made use of insider information for trading before major sensitive information which influence share price of the Company disclosed occurred, and actions of supervision measures and administrative punishment from supervision dept. concerning the implementation of registration system for insider man or being accused of insider trading, were not occurred.

VIII. Establishment and implementation of management system of external information users

The “Management System of external information users” was not formulated by the Company in report period. However, in line with relevant requirement of “Company Law”, “Securities Law”, “Article of Association”, “Listing Rules of Shares of Shenzhen Stock Exchange” and requirement from securities supervision institution, in period of deliberation, preparation and disclosure for periodic report and major events,

the Company regulated submitting and usage of external information, protect legal rights of investors and fairness principal of information disclosure.

IX. In report period, no particular about illegal trading of shares by directors, supervisors and senior executives

X. In report period, no issues of major environment-friendly or other major social securities in the Company and subordinate subsidiaries

XI. Other items

In report period, relevant notice of the Company were released on appointed disclosure newspaper of “Securities Times”, “China Securities Times” and “Hong Kong Commercial Daily”, and above said notice also public on Juchao Website (<http://www.cninfo.com.cn>).

Section VI. Profit Distribution Preplan of 2011 and profit distribution in the past three years

I. Formulation of cash bonus policy of the Company

In order to perfected governance structure of the Company and regulated corporate behavior, on 19 March 2009, in line with relevant regulations of “Company Law”, “Securities Law” and “Decision of Revised Several Regulations of Cash Bonus for Listed Company”(CSRC Order 920080 No. 57) from CSRC, the 20th Meeting of 6th Session of the Board deliberated and approved the “special proposal of modification of ‘Article of Association’”. Supplement to relevant clauses related to bonus, carried in Article of Association, and perfected clauses; and the proposal also deliberated and approved in Annual Shareholders’ General Meeting of 2008. Cash bonus policy of the Company met requirements of relevant laws and regulations. Before deliberating distribution plan, independent directors analyzed and understand financial status and development of the Company carefully, proactively performed their duties with independent opinions issued. Before annual shareholders’ meeting, released notice of meeting convenance with specific proposal details and place as well as time disclosed in order to give a convenient way to small and medium shareholders for opinions and appeals expressed. All shareholders’ interest, especially small and medium shareholders’, are protected by the Company totally.

II. Profit Distribution Preplan of 2011

According to the audit of Dahua Certified Public Accountants Co., Ltd., in 2011 the Company realized net profit of RMB 6,980,233.57 (net profit attributed to the owners of the parent company in consolidated statement); the parent company realized net profit of RMB -924,842.30, plus the undistributed profit of RMB 134,399,358.26 of the year-begin, the profit available for the distribution to shareholders amounted RMB 133,474,515.96.

For deficit in year of 2009 and minor profitability base for 2010 and 2011, considering requirement of actual operation in 2012, the board of directors decided not to distribute cash dividend for year of 2011, and not to transfer capital reserve to share capital. The retained profit will supplemented Company’s current capital and applied for supporting development of core business of the Company.

Independent directors took opinions as: according to requirement of actual operation in year of 2012, the Board’s decision of not implementing cash dividend and the scheme of not converting capital reserve to share capital but supplemented current capital of the Company was suitable to the actual situation of the Company and advantageous to the development of the Company, thus, they agreed with the Profit Distribution Preplan of 2011 raised by the Board.

The preplan should be submitted to the Shareholders' General Meeting for 2011 for approval.

III. Profit Distribution in the past three years

Due to the small profit radix available for distribution to shareholders from 2009 to 2010 and in order to meet the needs of developing core business and maintaining routine operation, the Company made a loss in 2009 thus did not conduct profit distribution in the past three years. Details are as follows:

Unit: CNY

| Year for bonus distribution | Amount of cash bonus (tax included) | Net profit attributable to shareholders of listed company in consolidated statement of bonus year | Ratio of net profit attributable to shareholders of listed company in consolidated statement | Distributable profit during the year |
|---|-------------------------------------|---|--|--------------------------------------|
| 2010 | 0 | 5,687,644.79 | 0 | 30,831,869.17 |
| 2009 | 0 | -12,905,069.92 | 0 | 25,144,224.38 |
| 2008 | 0 | 12,630,244.76 | 0 | 38,049,294.30 |
| The proportion of accumulative cash bonus during recent three years in latest annual average net profit (%) | | | 0.00 | |

Chapter IX. Report of Supervisory Committee

I. Performance of Supervisory Committee during the report period

In 2011, strictly adhering to requirements of the Company Law, Administration Rules for Listed Companies, Management Methods for Information Disclosure of Listed Company, Articles of Association and other laws and rules, and the spirit of being responsible for all shareholders and staff masses, the Company acted well its part, seriously performed obligations endowed by shareholders' general meetings, paid close attention to the production and operation of the Company, attended shareholders' general meetings and presented the Board meetings as non-delegates held during the report period, and supervised on the convening procedures of shareholders' general meetings and the Board meetings and the implementation status of the resolutions, actually defending the lawful interest of the Company and the shareholders.

Supervisory Committee held 4 meetings totally during the report period:

1. The 6th Meeting of 7th Session of Supervisory Committee held on 28 April 2011 was deliberated and approved the follow eight proposals: "Report of Supervisory Committee of 2010", "Annual Report of 2010" and its Summary, "Final Financial Results of 2010", "Plan of Profit Distribution of 2010", "Self-Assessment Report of Internal Control", "Proposal of Amendment of several clauses in 'Accounting Policy of the Company'", "implementation plan of internal control regulations" and 'First Quarterly Report of 2011'.

Resolution notice for this Meeting released on "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and Juchao Website dated 29 April 2011.

2. The 7th Meeting of 7th Session of Supervisory Committee held on 2 August 2011 was deliberated and approved the "proposal of Current Capital Supplementation Temporary from Part of Idle Raised Fund"

Resolution notice for this Meeting released on "Securities Times", "China Securities Journal", "Hong Kong Commercial Daily" and Juchao Website dated 3 August 2011.

3. The 8th Meeting of 7th Session of Supervisory Committee held on 18 August 2011 was deliberated and approved the “Semi-Annual Report of 2011” and its Summary

4. The 9th Meeting of 7th Session of Supervisory Committee held on 26 October 2011 was deliberated and approved the “Third Quarterly Report of 2011”.

II. Examining Opinions of Supervisory Committee on certain events

(I) Lawful Operation of the Company

In report period, supervisory committee supervised whole procedures of meeting convenience, and resolution items of shareholders’ general meeting and board of directors; board of the director exercising vary duties legally in line with “Company Law”, “Securities Law” and “Article of Association” for operating by the law; major decision-making of the Company are reasonable with legal effectiveness procedures, and regulized operating of the Company furtherly, moreover, the Company furtherly established and perfected vary internal management system and internal control system; directors and senior executives of the Company responsible for their duties, obeyed by laws and regulations in order to protect interest of the Company and all shareholders; and no behavior violating laws and rules and Articles of Association or hurting interest of the Company within office term.

(II) Financial Status of the Company

Being carefully verified financial status of the Company for year of 2011 by supervisory committee, they have opinions as: preparation of financial statement of the Company meet relevant requirements of “Accounting Rules for Business Enterprises”, financial report of 2011 shows real financial status and operation results of the Company objectively;. The standard unqualified audit report and explanation for some events issued by Dahua CPA Co., Ltd. was objective and fair-ness.

(III) Usage of raised fund in report period

In report period, supervisory committee supervised usage of raised fund of the Company continuously with opinions as: the Company seriously in line with “Management Method of Raised Fund of the Company” for managing and used the raised fund; idle raised fund supplemented current capital of the Company meet requirements and relevant laws and regulations of “Regulation Operation Guideline of Listed Company in Main Board of Shenzhen Stock Exchange” and “Management Method of Raised Fund of the Company”; no particular of changing using way of the raised fund.

(IV) Assets sales and acquisition as well as assets reorganization

In report period, supervisory committee supervised significant assets reorganization totally continuously with opinions as: the Company publicly listed for transferred the 15% equity of PepsiCo through Shenzhen United Property & Share Rights Exchange. The equity transfer this time involved significant assets reorganization and the Company implemented necessary legal procedures; trading price is excercing under principles of fair-ness, publicly and justice without behavior of insider trading, harmless to partial shareholders’ interest or caused assets losses from the Company.

(V) Related transaction of the Company

In report period, supervisory committee supervised related transaction occurred with opinions as: related transaction of the Company in line with relevant laws and regulations of ‘Article of Association” and “Rules of Share Listing of Shenzhen Stock Exchange”; no violation of principle of fairness, publicly and justice and no behavior of harmless to interest of listed company and small and medium shareholders’ interest.

(VI) Assessment report of internal control of the Company

The supervisory committee verified the establishment and perfection of internal

control and its implementation with opinions as: in report period, the Company took highly effective works in aspect of establishment and perfection of internal control, a relatively perfected internal control system was formulated by the Company in line with actual requirement of Company and relevant laws and regulations from the Country. The system implemented effectively and provided a reasonable guarantee for stable development of the Company. The “Self-Assessment Report of Internal Control for year of 2011” issued by the Board shows fully, objective and real condition of the establishment and implementation of internal control system.

(VII) Establishment and implementation of management system of insider man of inside information

The supervisory committee verified the establishment and implementation of “Registration management system of insider man of inside information” with opinions as: the Company formulated “Registration management system of insider man of inside information” in accordance with relevant regulations of securities supervision institution and the system was deliberated and approved in 26th Meeting of 6th Session of the Board. The Company controlling scope of insider man for insider information strictly, registered name lists of insider man who knows insider information of the Company and their personal information. In report period, no insider transaction occurred by the Company, protected principle of fairness, publicly and justice for information disclosure and protected legal equity of majority investors.

Chapter X. Significant Events

Section I. Lawsuits and Arbitrations

No events of significant lawsuits and arbitrations in this year, and lawsuits and arbitrations occurred in previously period continuous to this period are as:

I. The case concerning the joint-liability guarantee the Company provided for the RMB 7 million loan that Shenzhen China Bicycle Company (Holdings) Limited (hereinafter referred to as Shen China) had got from China Construction Bank Shenzhen Branch (hereinafter referred to as Construction Bank) has been closed with a reconciliation. In the year 2003, the Company and Construction Bank reached the Agreement on Interest Reduction and Cancellation, and according to the agreement, the Company had already paid back the RMB 7 million in two times for Shen China and fulfilled its guarantee liability (for details, please refer to Annual Report 2003 of the Company.); through the verdict of (1999) YFJYZZi No. 26 Civil Judgment Document made by Guangdong High People’s Court on the case concerning the joint-liability guarantee amounting to USD 0.8 million the Company provided for issue of Letter of Credit Shen China had applied for at Bank of China Shenzhen Branch, the Company should shoulder joint repayment liability. And ended the first half year of 2004, the Company had repaid RMB 6,631,600 (amounting to USD 0.8 million) for Shen China and fulfilled the guarantee responsibility (for details, please refer to Semi-Annual Report 2004 of the Company.). On 22 July 2004, the guarantee payment, which the Company had paid on its behalf, was enforced to conduct by Shenzhen Intermediate People’s Court that the Company applied to.

To safeguard the rights and interests of the Company, the Company sued Shen China to Shenzhen Intermediate People’s Court, and requested for a verdict to order Shen China to repay RMB 7 million, which the Company had paid on its behalf, as well as to compensate relevant loss arising from the capital occupancy in 2004. Shenzhen Intermediate People’s Court judged and ordered Shen China to repay the RMB 7 million the Company had paid on its behalf, and the interest arising during the period of capital occupancy [(2004) SZFMECZi No.448]. Since Shen China had not fulfilled

its repayment duty according to the time and contents stipulated in the judgment document, the Company applied to Shenzhen Intermediate People's Court on Dec.20, 2004 for compulsory enforcement. Shenzhen Intermediate People's Court sent Shen China (2004) SZFZZi No.1382 Civil Verdict and Mandamus, as well as (2005) SZFZZi No.208 Civil Verdict and Mandamus on Jan.14, 2005, and ruled that the property of Shen China (RMB 14,131,575.92 as the limit) should be sealed up and frozen, and that Shen China should fulfill the duties stipulated in effective legal papers or regulated by law within five days from the day the Mandamus arrived. Should Shen China defaulted beyond the time limit, Shenzhen Intermediate People's Court would make compulsory enforcement according to law (for details, please refer to notifications of the Company published on Securities Times, Hong Kong Ta Kung Pao and Juchao Website dated Jul.30, 2004, Nov.20, 2004, Dec.16, 2004, Dec.29, 2004 and Jan.18, 2005.). Later, stipulated by the Higher People's Court of Guangdong, the aforesaid two lawsuits were conducted by Guangzhou Railway Transportation Court, and the conductions were suspended in the report period because of discovering no property clues. As soon as circumstances of execution suspension ended, the Company may apply to Guangzhou Railway Transportation Court for resumption of execution.

II. Lawsuits between the Company and Guangdong Sunrise Holdings Co., Ltd.

Lawsuit cases arising from offering jointly liability guarantee to Sunrise Company (former Shenzhen Laiyinda Group Co., Ltd.) by the Company consider as issues rooted in history which are generated before 1999, when the two above said companies refers to controlling subsidiary of Shenzhen Investment Management Co., Ltd., details are as:

1. "Guarantee Contract" was entered into by the Company and Futian Sub-branch of Shenzhen ICBC on 30 December 1998 for jointly liability of HK\$3 million loans to Shengrun Company from the Company.
2. "Guarantee Contract for Loans" was entered into by the Company and Nantou Sub-branch of SDB on 30 June 1999 for jointly liability of HK\$6 million loans to Shengrun Company from the Company.
3. "Borrowing Contract" was entered into by the Shengrun Company and Nantou Shenzhen branch of BOC on 31 December 1998 for HK\$32 million borrowings; the Company provided jointly liability for the aforesaid loans.
4. "Guarantee Contract" was entered into by the Company and Nanyuan Sub-branch of GDB on 23 June 1999 for jointly liability of 8 million yuan loans to Shengrun Company from the Company.

Losses probably occurred due to the above said jointly liability guarantee was totally withdrawal in year of 2007.

On 4 April 2010, Shenzhen Intermediate People's Court accepted application about restructure on Shengrun Company raised up by Shenzhen Xingyaju Decoration Project Co., Ltd, and on May 5 of 2010 made the (2010) SZFMQCZZ No. 5-2 Civil Ruling which ruled that: since May 6 of 2010 the restructure on Shengrun Company could be started. According to relevant requirements of application of creditors' right, the Company applied creditors' right to managers of Shengrun Company as for accounts such as compensation principal and relevant interest the above 4 guarantee cases concerned in June of 2010.

In September 2010, the Company received the (2010) SZFMQCZZ No. 5-2 Civil Ruling made by Shenzhen Municipal Intermediate People's Court which finally ruled that: confirmed the Creditors' Right Sheet on Restructure Plan of Guangdong

Shengrun Group Holding Co., Ltd submitted by managers of Shengrun Company on Aug. 13 of 2010 which confirmed 38 creditors with equivalent RMB 2,063,084,247.96. They were all ordinary creditors' right. The Creditors' Right Sheet on Restructure Plan of Guangdong Shengrun Group Holding Co., Ltd confirmed the creditors' right on Shengrun Company was RMB 62,150,928.20. (Details could be seen from Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao website dated on Sep. 9 of 2010).

In October 2010, creditors of Shengrun Company held meeting which passed the Draft of Restructure Plan of Guangdong Sunrise Group Holding Co., Ltd. According to restructure plan of Sunrise Company, monetary discharge proportion of ordinary creditors' right was 2.16% and shares discharge proportion was 27.89%, ordinary creditors could get 30.05% discharge totally. The restructure plan was approved by "Civil Order" (2010) SZFM QCZZi No. 5-5 from Shenzhen Municipal Intermediate People's Court. In this report period, the Company received discharge account RMB 1,381,832.66 and 2,135,071 A shares from *ST Sunrise. (Details could be seen from Securities Times, China Security Journal, Hong Kong Commercial Daily and Juchao website dated on 21 October 2010 and on 9 April 2011).

Section II. Money flows between related parties

No occupation of non-operational fund and liquidation occurred by largest shareholders and its affiliated enterprises within the Company. In report period, more details of related transactions with daily operational concerned found in "Specific Explanation on Fund Occupation by Controlling Shareholders and Other Related Parties of Shenzhen Shenbao Industrial Co., Ltd." (DAHUA HZ[2012] No.177), released on date of this Report disclosed.

Section III. Bankruptcy Reform and Relative Issues

In the report period, there was no bankruptcy reform and relative issues happened to the Company.

Section IV. Particulars about Securities Investment

Unit: CNY

| Stock category | Stock code | Short form of stock | Initial investment | Amount held (shares) | Book value at the end of term | Proportion in total securities investment at end of term (%) | Gain/loss of the report term |
|---|------------|---------------------|--------------------|----------------------|-------------------------------|--|------------------------------|
| Stock | 400005 | Haiguoshi | 272,288.09 | 150,000 | 186,000.00 | 1.27 | -118,500.00 |
| Stock | 000030 | *ST Sunrise A | 0.00 | 1,851,513 | 14,441,801.40 | 98.73 | 2,090,399.34 |
| Other stock investment held at the end of report term | | | — | — | | | |
| Gain/loss of disposed stock investment in the report term | | | — | — | | | |
| Total | | | 272,288.09 | — | 14,627,801.40 | 100.00 | 1,971,899.34 |

Section V. Purchase and Sales of Assets and Enterprise Combination

I. Purchase and Sales of Assets

(I) No material assets acquisition or disposed of the Company in report period.

In reporting period, 48.33% equity of Shenbao Huacheng, totally held in four nature person: Ms. Lin Yixiang, Mr. Xia Zhenzhong, Ms. Cao Lijun and Ms. Zheng Lingna, was purchased by the Company in way of privately offering. More details found in “Section XI” in this Chapter.

(II) Selling 5% equity of Shenzhen PepsiCo

On 19 July 2011, the Company plans to sell 15% equity of Shenzhen PepsiCo, which was deliberated and approved in 13th Meeting of 7th Session of the Board. Due to under 12 months for selling 5% equity of Shenzhen PepsiCo from the Company in December 2010, operation income of Shenzhen PepsiCo, being audited, amounting to RMB 1,569,601,300, operation income of consolidation financial accounting of the Company, being audited, amounting to RMB 229,797,400. Corresponding operation income of 20% equity of Shenzhen PepsiCo occupied 136.61% in audited consolidation operation income of the Company at same period. In line with relevant regulations of “Management Method of Material Assets Reorganization for Listed Company”, the above said transactions constitute material assets reorganization for listed company.

During 27 July 2011 to 23 August, 15% equity of Shenzhen PepsiCo was publicly listed for trading in Shenzhen United Property & Share Rights Exchange by the Company. A qualified buy party—PepsiCo (China) was arising till end of listed date. According to relevant regulation of property & share rights transaction, the above said equity transfer turns into procedures of agreement for assignment.

On 29 August 2011, the Company entered into “Equity Transfer Agreement” with PepsiCo (China) for transferring 15% equity of Shenzhen PepsiCo with consideration of RMB 144 million to PepsiCo (China).

On 6 September 2011, a “Verification of Property Right Exchange” was issued by Shenzhen United Property & Share Rights Exchange with purpose of certified that the relevant materials submitted by transfer and transferee are real and effective, exchange action qualified legal procedures.

On 7 September 2011, the 17th Meeting of 7th Session of the Board was held to deliberated and passed proposal of “selling plan of material assets of the Company” and “proposal of ‘selling report of material assets of Shenzhen Shenbao Industrial Co., Ltd.’”.

On 26 September 2011, the 3rd Extraordinary Shareholders’ General Meeting of 2011 was held to deliberated and passed proposal of “selling plan of material assets of the Company” and “proposal of ‘selling report of material assets of Shenzhen Shenbao Industrial Co., Ltd.’”.

On 26 September 2011, the “Reply of changes of investor’s equity for Sino-foreign joint venture—Shenzhen PepsiCo Beverage Co., Ltd.” was issued by SZSITIC in favor of 15% equity of Shenzhen PepsiCo held by the Company transferred to PepsiCo (China).

On 22 December 2011, the verified plan of reorganization “reply of verification of material assets reorganization for Shenzhen Shenbao Industrial Co., Ltd.” issued by CSRC was obtained by the Company. In according to “Equity Transfer Agreement” and requirement of above said verification documents, the Company handling relevant material assets reorganization and implemented information disclosure obligation due to progress of this material assets reorganization.

II. Corporation merger

On 20 December 2010, the 7th session of board of directors reviewed and passed the Proposal that Huizhou Shenbao Technology Company Consolidates Guangdong

Shenbao Food Co., Ltd which reviewed and passed that subordinate wholly-owned subsidiary Huizhou Technology consolidates subordinate wholly-owned corporation Guangdong Shenbao. We would take Huizhou Technology as continued main existence and cancel Guangdong Shenbao. Ended as this report period relevant merger procedures have been completed. The consolidation was integration of internal control of the Company and it won't affect continuity of business and stabilization of the managerial level.

III. Assets acquisition through related transactions is not occurred in latest three years.

Section VI. Implementation of Share Option Incentive Program

The Company has not implemented share option incentive program till now. Details are available in Chapter XI.

Section VII. Significant Related Transaction

In reporting period, significant related transaction of the Company was as follows: Being approved of "Reply on Privately Offering from Shenzhen Shenbao Industrial Co., Ltd." ZJXK[2011] No. 777 issued from CSRC, the Company privately offering 68,977,066 shares of RMB ordinary share (A share) to 8 target investors with issuing price of RMB 8.70 each, consisting four nature person Ms. Lin Yixiang, Mr. Xia Zhenzhong, Ms. Cao Lijun and Ms. Zhen Lingna subscribed with 48.33% equity of Shenbao Huacheng held in total while other four investors subscribed in cash. Total capital RMB 600,100,474.20 was raised, actual net capital raised by the Company amounting to RMB 572,392,141.89 after deducting relevant offering expenses RMB 27,708,332.31. Being verified by "Verification Report" LIXIN DAHUA YZi [2011] No. 177 issued from Lixin Dahua, the capital privately raised above said has fully funded on 23 June 2011. The raised fund has been deposit in specific account and registration and custody procesures have been completed dated 27 June 2011 in Shenzhen Branch of China Securities Depository & Clearing Corporation Limited and was filing on 1 July 2011, and shares were trading in Shenzhen Stock Exchange on 4 July 2011. Ownership transfer procedure for 48.33% equity of Shenbao Huacheng has completed on 8 June 2011.

In the privately offering of the Company, Mr. Yan Zesong served as supervisor of the Company from Oct. 25 of 2006 to Dec. 29 of 2009. Ms. Lin Yixiang, Mr. Xia Zhenzhong and Ms. Cao Lijun are close relatives of Mr. Yan Zesong. Mr. Xia Zhenzhong and Ms. Cao Lijun are couples. Besides, Ms. Zheng Lingna and Mr. Yan Zesong are partners. According to the Stock Listing Rules, Ms. Lin Yixiang, Mr. Xia Zhenzhong, Ms. Cao lijun and Ms. Zheng Lingna have related relationship with the Company. Thus the event that the Company purchased 48.33% equity of Shenbao Huacheng by issuing non-public issuance of stocks to the 4 related natural persons belongs to significant related transaction.

Independent opinion of independent directors on this related transaction:

(I) Related transaction concerning this time of non-public issuance of stock conducted legal granting procedure. The related transaction plan conformed to interest of the Company, which won't hurt interests of non-related shareholders especially middle and small shareholders.

(II) In process of assets assessment on target equity, assessment institution was independent, the supposed premise and conclusion of assessment were rational, and

assessment method was applicable.

(III) After completion of non-public issuance of stock, we'll wholly control Shenbao Huacheng, enhance profitability of the Company, and thus benefit the long-term development of the Company, conforming to interests of all the shareholders and the Company. So we agreed this non-public issuance plan.

Section VIII. Important Contract and its Implementation

I. Entrustment, contracting and leasing

The Company had neither entrustment, contracting and leasing of assets from other company's or assets of the Company were entrusted, contracted and lease by other company in the report period and which occurred in previous years while lasted to this report period.

II. Significant guarantee

In the report period, the Company had not provided guarantee for its shareholders, actual controllers and related parties, nor had the Company provided guarantee for company whose liabilities rate of assets was over 70%. Till the end of the report period, the Company totally provided guarantee of RMB 32.4203 million for holding subsidiaries, taking up 3.64% of the net assets at the end of the report period. Details were as follows:

Unit: RMB'0000

| External guarantees of the Company (excluding guarantees for controlling subsidiaries) | | | | | | | | |
|--|---|-----------------|--|---|---------------------------|----------------|--------------------------------|--|
| Name of the Company guaranteed | Disclosure date and number of related notices of guarantee amount | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual line of credit | Guarantee type | Guarantee term | Complete Implementation or not | Guarantee for related party (Yes or not) |
| N/A | - | - | - | - | - | - | - | - |
| Total external guarantee amount approved in reporting period(A1) | | 0 | | Total actual external guarantee amount approved in reporting period(A2) | | 0 | | |
| Total external guarantee amount approved at the end of reporting period(A3) | | 0 | | Total actual balance of external guarantee amount approved at the end of reporting period(A4) | | 0 | | |
| Guarantee of the Company for the controlling subsidiaries | | | | | | | | |
| Name of the Company guaranteed | Disclosure date and number of related notices of guarantee amount | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual line of credit | Guarantee type | Guarantee term | Complete Implementation or not | Guarantee for related party (Yes or not) |
| Shenzhen Shenbao Huacheng Technology Co., Ltd. | - | 3,000 | 2011.12.06 | 2,000.00 | Joint liability guarantee | One year | No | Yes |
| Shenzhen Shenbao Huacheng Technology Co., Ltd. | - | 3,000 | 2011.12.14 | 800.00 | Joint liability guarantee | One year | No | Yes |
| Shenzhen Shenbao Huacheng Technology Co., | - | 2,000 | 2011.01.26 | 442.03 | Joint liability guarantee | One year | No | Yes |

| | | | | | | | |
|---|-------|--|--|----------|--|--|--|
| Ltd. | | | | | | | |
| Total guarantee amount for subsidiaries approved in reporting period (B1) | 5,000 | | Total actual guarantee amount for subsidiaries approved in reporting period (B2) | 8,632.66 | | | |
| Total guarantee amount for subsidiaries approved at the end of reporting period (B3) | 5,000 | | Total actual balance of guarantee amount for subsidiaries approved at the end of reporting period (B4) | 3,242.03 | | | |
| Total guarantee of the Company (Total the former two items) 3,242.03 | | | | | | | |
| Total guarantee amount approved in reporting period (A1+B1) | 5,000 | | Total actual guarantee amount approved in reporting period (A2+B2) | 8,632.66 | | | |
| Total guarantee amount approved at the end of reporting period (A3+B3) | 5,000 | | Total actual balance of guarantee amount approved at the end of reporting period (A4+B4) | 3,242.03 | | | |
| Proportion of the total actual guarantee amount (A4+B4) in net assets of the Company | | | 3.64% | | | | |
| Including: | | | | | | | |
| Line of credit for shareholders, actual controller and its related parties (C) | | | 0 | | | | |
| The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly (D) | | | 0 | | | | |
| Proportion of total line of credit in net assets of the Company exceed 50% (E) | | | 0 | | | | |
| Total amount of the aforesaid three guarantees (C+D+E) | | | 0 | | | | |
| Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees | | | 0 | | | | |

III. Entrustment of financial management

In the report period, the Company didn't entrusted others to manage cash assets or continued to do so in the report period.

Section IX. Commitments

| Commitments | Promisee | Content of commitments | Implementation |
|-------------------------------------|--|--|---------------------------|
| Commitments for Share Merger Reform | Shenzhen Agricultural Products Co., Ltd. Shenzhen Investment Holdings Corporation | Commitments made by the original non-tradable shareholders in the process of Share Merger Reform: 1. Shenzhen Agricultural Products Co., Ltd. and Shenzhen Investment Holdings Corporation will obey the laws, statutes and regulations, and perform the statutory commitment obligations in the process of Share Merger Reform; 2. Carrying out an effective and long-term encouragement to the management level, after the completion of share merger reform, Shenzhen Agricultural Products Co., Ltd. and Shenzhen Investment Holdings Corporation, the original non-tradable shareholders of the Company, will sell their possessed shares in 3 year to the management level of the Company according to their share holding proportion after the share merger reform, which took up 6%-8% of the Company's former total 181,923,088 capital shares after the implementation of pricing. The aforesaid encouragement specific measures and rules for implementation for the management level was studied and formulated by listed company according to The Measures Governing Equity Incentive Plans of Listed Companies of CSRC and national relevant regulations, and were reported to the State-owned Assets Supervision and | Abided by the commitments |

| | | | |
|--|---|--|---|
| | | Administration Bureau of Shenzhen Municipality Government for examination and approval and then implementation. The circulation condition of this part of shares will be implemented following relevant provisions. Both of Agricultural Products Co. and Investment Holdings Co. have been fulfilling their statutory responsibilities for their commitments. According to Trial Provisions for Implementing Stock Option Incentive in State-owned Controlling Listed Companies (Domestic) issued jointly by State-owned Assets Supervisory & Administration Committee and the Ministry of Finance dated 6 December 2006, the Company should detail its stock option incentive plan for management executives according to relevant regulations. The former non-tradable share holders will push forward the implementation of stock option incentive plan for executives within the extent allowed by relevant national laws and regulations and in appropriate market situation. | |
| Commitments made in Acquisition Report or Reports on Change in Interests | — | — | — |
| Commitments made in Material Assets Reorganization | — | — | — |
| Commitments made in issuing | — | — | — |
| Other commitments (including additional commitments) | — | — | — |

In reporting period, the largest shareholder and concerted action people didn't propose or implement plan of increasing shares.

Section X. Engagement and Dismissal of CPAs

Dahua Certified Public Accountants Co., Ltd. was engaged by the Company for charging financial auditing work of 2011. The remunerations paid in recent two years were as follows:

Unit: CNY

| Name of the CPAs | Financial auditing fee | | Other fees | | Notes |
|--|------------------------|---------|------------|------|-------|
| | 2011 | 2010 | 2011 | 2010 | |
| Dahua Certified Public Accountants Co., Ltd. | 450,000 | 350,000 | — | — | — |

Dahua Certified Public Accountants Co., Ltd. had provided auditing services for the Company in successively years, signature CPA of annual auditing report 2011 serves 4 successive years for the Company.

Section XI. Other Significant Events

I. In the report period, none of the directors, supervisors, senior executives, shareholders, substantial controller, buyer of the Company was investigated by relative departments, executed by legal & discipline departments, delivered to legal departments, appeared for criminal responsibility, investigated or punished by China Securities Regulatory Commission, administratively punished by China Securities Regulatory Commission, restricted to security market, regarded as improper person, punished by other executive departments, or publicly condemned by the Stock Exchange.

II. Particular about privately offering of the Company

On 29 July 2010, the Company started privately offering of stock.

On 26 August 2010, the 6th meeting of the 7th session of board of directors reviewed and passed relevant proposals of the 2010 Annual Non-public Issuance of Stock of Shenzhen Shenbao Industry Holding Co., Ltd which approved that the Company issue A stock to less than 10 specific objectives such as Ms. Lin Yixiang, Mr. Xia Zhenzhong, Ms. Cao Lijun and Ms. Zheng Lian who are related natural persons by means of non-public issuance of stock. The 4 related natural persons subscribed shares with their holding 48.33% equity of Shenbao Huacheng while other specific objectives subscribed shares with cash. The amount of planed non-public issuance of stocks can't exceed 77 million shares (77 million included), issuing price can't be lower than 90% of average trading price of A stock in 20 trading days before the decision and report of the 6th meeting of the 7th session of board of directors, namely 7.83 yuan/share, and the amount of planed financing capital can't exceed 600.1005 million yuan. Planed to invest in: based on purchasing 48.33% equity of Shenbao Huacheng, we'll invest in relevant items of tea industry (comprehensive investment of tea industry chain, comprehensive usage of theine with 300 tons annual output, chain of fine tea leaves, R&D center of tea and natural plant) and expansion of production line for condiment. The Company paid transfer account for 48.33% equity of Shenbao Huacheng to the 4 related natural persons taking non-publicly issued A stock as consideration.

On 15 September 2010, this time of non-public issuance of stock has been approved by the Reply to Pre-plan for 2010 Annual Non-public Issuance of Stock of Shenzhen Shenbao Industry Co., Ltd (SGZJ [2010] No. 210, SGZJ [2010] No. 211) issued by State-Owned Assets Supervision and Administration Department.

On 20 October 2010, the 7th meeting of the 7th session of board of directors reviewed and approved relevant proposals of the Pre-plan for 2010 Annual Non-public Issuance of Stock of Shenzhen Shenbao Industry Co., Ltd (revised version). At the same day, the Company and the 4 related natural persons namely Ms. Lin Yixiang, Mr. Xia Zhenzhong, Ms. Cao Lijun and Ms. Zheng Lingna signed the Supplementary Term for Subscribing Term of Non-public Issuance of A Stock and the Supplementary Term for Assets Purchase Term which confirmed that purchase price of the 48.33% equity of Shenbao Huacheng was RMB 65.1005 million.

On 10 November 2010, the 1st extraordinary shareholders' general meeting voted and passed relevant proposals of the Pre-plan for 2010 Annual Non-public Issuance of Stock of Shenzhen Shenbao Industry Co., Ltd (revised version).

On 25 May 2011, approval of "Reply on Privately Offering from Shenzhen Shenbao Industrial Co., Ltd." ZJXK[2011] No. 777 issued from CSRC was obtained by the Company. The Company privately offering 68,977,066 shares of RMB ordinary share (A share) to 8 target investors with issuing price of RMB 8.70 each consisting four nature person Ms. Lin Yixiang, Mr. Xia Zhenzhong, Ms. Cao Lijun and Ms. Zhen

Lingna subscribed with 48.33% equity of Shenbao Huacheng held in total while other four investors subscribed in cash. Total capital RMB 600,100,474.20 was raised, actual net capital raised by the Company amounting to RMB 572,392,141.89 after deducting relevant offering expenses RMB 27,708,332.31. Being verified by “Verification Report” LIXIN DAHUA YZi [2011] No. 177 issued from Lixin Dahua, the capital privately raised above said has fully funded on 23 June 2011. The raised fund has been deposit in specific account and registration and custody procedures have been completed dated 27 June 2011 in Shenzhen Branch of China Securities Depository & Clearing Corporation Limited. The newly shares were trading in Shenzhen Stock Exchange on 4 July 2011. Ownership transfer procedure for 48.33% equity of Shenbao Huacheng has completed on 8 June 2011.

(Details found in Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao website respectively dated 29 July 2010, 5 August 2010, 7 August 2010, 14 August 2010, 21 August 2010, 27 August 2010, 22 October 2010, 11 November 2010, 6 May 2011, 9 May 2011 and 1 July 2011)

III. Accepting investigations, communication and interview of the Company during the report period.

| Receipt time | Receipt place | Receipt way | Objects | Main content discussed and material offered |
|--------------|-----------------------------|---------------------------|---|---|
| 2011-5-9 | Meeting room of the Company | On-the-spot investigation | Hangzhou Yinhe Investment Management Consultant Co., Ltd. | Discussed particulars of production and operation as well as strategy plan of the Company, development prospect of raised fund project of target offering plan; the Company; didn't disclose, reveal and leave out significant information that never public to receipt object. |
| 2011-5-23 | Meeting room of the Company | On-the-spot investigation | Dongwu Fund management Co., Ltd., China International Fund Management Co., Ltd., Guotai Junan Securities Co., Ltd., Guotai Fund., Shanghai Zexi Investment Management Co., Ltd. | Discussed particulars of production and operation as well as strategy plan of the Company, development prospect of raised fund project of target offering plan; the Company; didn't disclose, reveal and leave out significant information that never public to receipt object. |
| 2011-6-2 | Meeting room of the Company | On-the-spot investigation | Wuhan Science & Tech Innovation Investment Co., Ltd. | Discussed particulars of production and operation as well as strategy plan of the Company, development prospect of raised fund project of target offering plan; the Company; didn't disclose, reveal and leave out significant information that never public to receipt object. |
| 2011-6-3 | Meeting | On-the-spot | CICC | Discussed particulars of |

| | | | | |
|------------|-----------------------------|---------------------------|-------------------------------|---|
| | room of the Company | investigation | | production and operation as well as strategy plan of the Company, development prospect of raised fund project of target offering plan; the Company; didn't disclose, reveal and leave out significant information that never public to receipt object. |
| 2011-09-07 | Meeting room of the Company | On-the-spot investigation | Dongfang Securities Co., Ltd. | Discussed particulars of production and operation as well as strategy plan of the Company, development prospect of raised fund project of target offering plan; the Company; didn't disclose, reveal and leave out significant information that never public to receipt object. |

As for investigation, communication and interview, the Company strictly accorded with the requirements of "Regulation Operation Standards of Listed Company in Main Board of Shenzhen Stock Exchange", and followed the principle of equal information disclosure, without any behavior violating equal information disclosure.

IV. No issue of major environment-friendly or other major social security in the Company and its subordinate subsidiaries within this period.

Chapter XI. Financial Report

Section I. Auditor's Report

Audit Report

DHSZ(2012)No. 127

All shareholders of Shenzhen Shenbao Industrial Co., Ltd:

DHSZ [2011] No. 127 of audit report is only usable for trustees and the third party who submits it according to the audit goals stated on the Business Agreement. The results from unreasonable usage by trustee and the third party has nothing to do with certified accountants and the CPA they work in.

Responsibilities paragraph of the management on the financial statements:

Management of the Company is responsible for prepare and present financial statement of the Company, which including: (1) Prepare financial statements with fair presentation in line with Accounting Standards for Business Enterprises; (2) Designing, executed and maintaining necessary internal control in order to prevent fundamental miscarrying in financial statement from fraudulent or errors.

Responsibilities paragraph of the CPA:

Our responsibility is to express an audit opinion on these financial statements based on our audit. We performed our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Those standards require us to comply with professional ethics, and to plan and perform our audit so as to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures of the financial statements. The selective audit procedures depend on auditor's judgment, including the evaluation of the risk of material misstatement of the consolidated financial statements due to frauds or errors. When evaluating risk, CPA considers internal control related to preparation and presentation of financial statements, in order to design auditing procedures, but not for the purpose of expressing an opinion on the internal control's effectiveness. An audit also includes assessing the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Paragraph of auditor's opinions:

We think, Shenzhen Bao Industrial Company financial statements on all major aspects in accordance with the accounting standards for enterprises provisions of the preparation, the fair reflects the Shenzhen Bao Industrial Company Merger in December 31, 2011 and the parent company financial condition as well as the 2011 annual consolidated and the parent company operating results and cash flow.

Dahua Certified Public Accountants Co., Ltd.

Name of the CPA

Chen Baohua、Gao Dehui

5 April 2012

Section II. The Financial Statements**I. Balance Sheet**

Unit: CNY

| Consolidated Balance Sheet of Shenzhen Shenbao Industrial Co., Ltd. | | | |
|--|--------|------------------|----------------|
| Assets | Note V | 2011-12-31 | 2010-12-31 |
| Current assets: | | | |
| Monetary funds | (1) | 437,342,717.15 | 60,540,179.32 |
| Transaction finance asset | (2) | 14,627,801.40 | 304,500.00 |
| Notes receivable | | - | - |
| Accounts receivable | (3) | 71,769,419.01 | 60,924,949.75 |
| Accounts paid in advance | (4) | 10,243,725.62 | 6,545,149.29 |
| Interest receivable | | - | - |
| Equity receivable | | - | - |
| Other accounts receivable | (5) | 35,956,860.85 | 56,556,386.04 |
| Inventories | (6) | 56,983,348.83 | 53,165,409.41 |
| Non-current asset due within one year | | - | - |
| Other current assets | | - | - |
| Total current assets | | 626,923,872.86 | 238,036,573.81 |
| Non-current assets: | | | |
| Finance asset available for sales | | - | - |
| Held-to-maturity investment | | - | - |
| Long-term account receivable | | - | - |
| Long-term equity investment | (7) | 63,891,371.62 | 65,976,879.14 |
| Investment property | | - | - |
| Fixed assets | (8) | 150,807,447.25 | 154,620,846.11 |
| Construction in progress | (9) | 11,113,058.18 | 7,513,353.21 |
| Engineering material | | - | - |
| Disposal of fixed asset | | - | - |
| Productive biological asset | (10) | 436,156.00 | 242,021.00 |
| Oil and gas asset | | - | - |
| Intangible assets | (11) | 202,531,194.37 | 187,367,943.21 |
| Expense on Research and Development | | - | - |
| Goodwill | | - | - |
| Long-term expenses to be apportioned | (12) | 3,615,812.95 | 2,115,990.14 |
| Deferred income tax asset | (13) | 2,645,321.41 | 2,595,233.33 |
| Other non-current asset | | - | - |
| Total non-current asset | | 435,040,361.78 | 420,432,266.14 |
| Total assets | | 1,061,964,234.64 | 658,468,839.95 |

Principal of the Company: Zheng Yuxi

Person in Charge of Accounting Works: Zeng Suyan

Person in Charge of Accounting Institution: Wang Zhiping

| Consolidated Balance Sheet of Parent Company of Shenzhen Shenbao Industrial Co., Ltd.(Cont.) | | | |
|---|--------|------------------|----------------|
| Liabilities and shareholder's equity | Note V | 2011-12-31 | 2010-12-31 |
| Current liabilities: | | | |
| Short-term loans | (15) | 38,000,000.00 | 62,400,000.00 |
| Transaction financial liabilities | | - | - |
| Notes payable | | - | - |
| Accounts payable | (16) | 34,863,967.03 | 38,992,403.72 |
| Accounts received in advance | (17) | 3,420,712.90 | 2,150,632.12 |
| Wage payable | (18) | 3,666,717.12 | 3,298,879.27 |
| Taxes payable | (19) | 4,923,433.34 | 4,651,110.52 |
| Interests payable | | - | - |
| Dividend payable | (20) | 2,909,182.74 | 2,909,182.74 |
| Other accounts payable | (21) | 79,810,651.49 | 77,081,960.91 |
| Non-current liabilities due within 1 year | (22) | - | 66,500,000.00 |
| Other current liabilities | (23) | 43,137.43 | 493,137.43 |
| Total current liabilities | | 167,637,802.05 | 258,477,306.71 |
| Non-current liabilities: | | | |
| Long-term loans | (24) | - | 27,000,000.00 |
| Bonds payable | | - | - |
| Long-term account payable | | - | - |
| Special accounts payable | | - | - |
| Projected liabilities | | - | - |
| Deferred income tax liabilities | | - | - |
| Other non-current liabilities | (25) | 4,449,920.00 | 49,920.00 |
| Total non-current liabilities | | 4,449,920.00 | 27,049,920.00 |
| Total liabilities | | 172,087,722.05 | 285,527,226.71 |
| Shareholders' equity: | | | |
| Share capital | (26) | 250,900,154.00 | 181,923,088.00 |
| Capital public reserve | (27) | 568,700,222.51 | 79,873,070.29 |
| Less: Inventory shares | | - | - |
| Reasonable reserve | | - | - |
| Surplus public reserve | (28) | 32,464,033.34 | 32,464,033.34 |
| Provision of general risk | | - | - |
| Retained profit | (29) | 37,812,102.74 | 30,831,869.17 |
| Balance difference of foreign currency translation | | - | - |
| Total shareholder's equity attributable to parent Company | | 889,876,512.59 | 325,092,060.80 |
| Minority interests | | - | 47,849,552.44 |
| Total shareholder's equity | | 889,876,512.59 | 372,941,613.24 |
| Total liabilities and | | 1,061,964,234.64 | 658,468,839.95 |

| | | | |
|-----------------------------|--|--|--|
| shareholder's equity | | | |
|-----------------------------|--|--|--|

Principal of the Company: Zheng Yuxi

Person in Charge of Accounting Works: Zeng Suyan

Person in Charge of Accounting Institution: Wang Zhiping

| Balance Sheet of Shenzhen Shenbao Industrial Co., Ltd. | | | |
|---|---------|------------------|----------------|
| Assets | Note XI | 2011-12-31 | 2010-12-31 |
| Current assets: | | | |
| Monetary funds | | 399,181,994.57 | 43,617,846.34 |
| Settlement provisions | | 14,441,801.40 | - |
| Notes receivable | | | - |
| Accounts receivable | (1) | 10,800.00 | 26,834.82 |
| Accounts paid in advance | | | - |
| Interest receivable | | | - |
| Dividends payable | | | - |
| Other receivables | (2) | 290,113,278.83 | 293,645,635.65 |
| Inventories | | 748,577.05 | 824,287.66 |
| Non-current asset due within one year | | | - |
| Other current assets | | | - |
| Total current assets | | 704,496,451.85 | 338,114,604.47 |
| Non-current assets: | | | |
| Finance asset available for sales | | - | - |
| Held-to-maturity securities | | - | - |
| Long-term account receivable | | - | - |
| Long-term equity investment | (3) | 313,836,495.78 | 224,821,521.50 |
| Investment property | | 24,670,895.45 | 25,501,779.89 |
| Fixed assets | | 2,821,015.29 | 2,949,630.80 |
| Construction in progress | | 6,977,937.19 | 4,657,647.12 |
| Engineering material | | - | - |
| Disposal of fixed asset | | - | - |
| Productive biological asset | | 436,156.00 | 242,021.00 |
| Oil assets | | - | - |
| Intangible assets | | 66,607,860.51 | 68,437,527.61 |
| Expense on Research and Development | | - | - |
| Goodwill | | - | - |
| Long-term expenses to be apportioned | | 785,282.95 | 1,063,758.19 |
| Deferred income tax asset | | 1,475,455.82 | 1,235,914.32 |
| Other non-current asset | | - | - |
| Total non-current asset | | 417,611,098.99 | 328,909,800.43 |
| Total assets | | 1,122,107,550.84 | 667,024,404.90 |

Principal of the Company: Zheng Yuxi

Person in Charge of Accounting Works: Zeng Suyan

Person in Charge of Accounting Institution: Wang Zhiping

| Balance Sheet of Shenzhen Shenbao Industrial Co., Ltd.(Cont.) | | | |
|--|---------|------------------|----------------|
| Liabilities and shareholder's equity | Note XI | 2011-12-31 | 2010-12-31 |
| Current liabilities: | | | |
| Short-term loans | | - | 19,000,000.00 |
| Transaction financial liabilities | | - | - |
| Notes payable | | - | - |
| Accounts payable | | - | 172,066.01 |
| Accounts received in advance | | 130,320.00 | - |
| Wage payable | | 2,602,137.43 | 2,280,240.37 |
| Taxes payable | | 213,379.40 | 79,815.08 |
| Interest payable | | - | - |
| Dividend payable | | 2,909,182.74 | 2,909,182.74 |
| Other accounts payable | | 115,853,186.53 | 120,151,055.55 |
| Non-current liabilities due within 1 year | | - | 66,500,000.00 |
| Other current liabilities | | - | - |
| Total current liabilities | | 121,708,206.10 | 211,092,359.75 |
| Non-current liabilities: | | | |
| Long-term loans | | - | 27,000,000.00 |
| Bonds payable | | - | - |
| Long-term account payable | | - | - |
| Special accounts payable | | - | - |
| Projected liabilities | | - | - |
| Deferred income tax liabilities | | - | - |
| Other non-current liabilities | | 49,920.00 | 49,920.00 |
| Total non-current liabilities | | 49,920.00 | 27,049,920.00 |
| Total liabilities | | 121,758,126.10 | 238,142,279.75 |
| Shareholders' equity: | | | |
| Share capital | | 250,900,154.00 | 181,923,088.00 |
| Capital public reserve | | 583,510,721.44 | 80,095,645.55 |
| Less: Inventory shares | | - | - |
| Reasonable reserve | | - | - |
| Surplus public reserve | | 32,464,033.34 | 32,464,033.34 |
| General risk provision | | - | - |
| Retained profit | | 133,474,515.96 | 134,399,358.26 |
| Total shareholders' equity | | 1,000,349,424.74 | 428,882,125.15 |
| Total liabilities and shareholders' equity | | 1,122,107,550.84 | 667,024,404.90 |

Principal of the Company: Zheng Yuxi

Person in Charge of Accounting Works: Zeng Suyan

Person in Charge of Accounting Institution: Wang Zhiping

II. Profit statement

Unit: CNY

Consolidated Profit Statement of Shenzhen Shenbao Industrial Co., Ltd.

| Items | Note V | Amount of this period | Amount of last period |
|--|--------|-----------------------|-----------------------|
| I. Total operating income | | 318,230,243.67 | 229,797,398.17 |
| Including: Operating income | (30) | 318,230,243.67 | 229,797,398.17 |
| II. Total operating cost | | 326,406,415.39 | 239,645,903.37 |
| Including: Operating cost | (31) | 257,434,027.83 | 177,464,378.03 |
| Operating tax and extras | (31) | 2,018,165.04 | 1,149,246.76 |
| Sales expenses | (32) | 16,461,242.33 | 11,840,571.78 |
| Administration expenses | (33) | 47,497,079.07 | 39,156,428.18 |
| Financial expenses | (34) | 2,959,988.95 | 9,827,703.23 |
| Losses of devaluation of asset | (35) | 35,912.17 | 207,575.39 |
| Add: Changing income of fair value | (36) | (488,802.60) | 94,500.00 |
| Investment income | (37) | 3,675,194.42 | 8,869,512.82 |
| Including: Investment income on affiliated Company and joint venture | | (289,786.96) | (26,948,478.57) |
| III. Operating profit | | (4,989,779.90) | (884,492.38) |
| Add: Non-operating income | (38) | 18,943,092.91 | 12,156,137.41 |
| Less: Non-operating expense | (39) | 260,984.24 | 106,630.75 |
| Including: Disposal loss of non-current asset | | 65,015.04 | 57,034.38 |
| IV. Total Profit | | 13,692,328.77 | 11,165,014.28 |
| Less: Income tax | (40) | 4,049,089.51 | 2,179,624.79 |
| V. Net profit | | 9,643,239.26 | 8,985,389.49 |
| Including: Net profit realized before merger by the merged party | | - | - |
| Net profit attributable to owner's equity of parent Company | | 6,980,233.57 | 5,687,644.79 |
| Minority shareholders' gains and losses | | 2,663,005.69 | 3,297,744.70 |
| VI. Earnings per share | | | |
| i. Basic earnings per share | (41) | 0.0323 | 0.031 |
| ii. Diluted earnings per share | (41) | 0.0323 | 0.031 |
| VII. Other consolidated income | (42) | - | (210,249.15) |
| VIII. Total consolidated income | | 9,643,239.26 | 8,775,140.34 |
| Total consolidated income attributable to owners of parent Company | | 6,980,233.57 | 5,477,395.64 |
| Total consolidated income attributable to minority shareholders | | 2,663,005.69 | 3,297,744.70 |

Principal of the Company: Zheng Yuxi

Person in Charge of Accounting Works: Zeng Suyan

Person in Charge of Accounting Institution: Wang Zhiping

| Profit Statement of Shenzhen Shenbao Industrial Co., Ltd. | | | |
|--|---------|-----------------------|-----------------------|
| Items | Note XI | Amount of this period | Amount of last period |
| I. Total operating income | (4) | 3,276,184.09 | 2,922,222.08 |
| Less: Operating cost | (4) | 256,782.90 | 328,980.56 |
| Operating tax and extras | | 134,400.00 | 126,771.91 |
| Sales expenses | | 938,831.49 | 384,525.09 |
| Administration expenses | | 23,704,061.76 | 15,270,913.40 |
| Financial expenses | | (610,203.66) | 6,135,487.98 |
| Losses of devaluation of asset | | 382,417.68 | (224,325.45) |
| Add: Changing income of fair value | | (370,302.60) | - |
| Investment income | (5) | 3,675,194.42 | 6,906,583.19 |
| Including: Investment income on affiliated Company and joint venture | | (289,786.96) | (26,948,478.57) |
| II. Operating profit | | (18,225,214.26) | (12,193,548.22) |
| Add: Non-operating income | | 17,096,799.66 | 9,672,442.97 |
| Less: Non-operating expense | | 35,969.20 | 268.08 |
| Including: Disposal loss of non-current asset | | - | - |
| III. Total Profit | | (1,164,383.80) | (2,521,373.33) |
| Less: Income tax | | (239,541.50) | 857,473.73 |
| IV. Net profit | | (924,842.30) | (3,378,847.06) |
| V. Earnings per share | | | |
| i. Basic earnings per share | | - | - |
| ii. Diluted earnings per share | | - | - |
| VI. Other consolidated income | | - | (210,249.15) |
| VII. Total consolidated income | | (924,842.30) | (3,589,096.21) |

Principal of the Company: Zheng Yuxi

Person in Charge of Accounting Works: Zeng Suyan

Person in Charge of Accounting Institution: Wang Zhiping

III. Cash Flow Statement

Unit: CNY

| Consolidated Cash Flow Statement of Shenzhen Shenbao Industrial Co., Ltd. | | | |
|--|--------|-----------------------|-----------------------|
| Items | Note V | Amount of this period | Amount of last period |

| | | | |
|---|------|-----------------|-----------------|
| I. Cash flows arising from operating activities: | | | |
| Cash received from selling commodities and providing labor services | | 356,451,230.61 | 237,112,091.79 |
| Write-back of tax received | | 128,296.14 | 182,472.25 |
| Other cash received concerning operating activities | (43) | 8,896,750.19 | 20,411,954.30 |
| Subtotal of cash inflow arising from operating activities | | 365,476,276.94 | 257,706,518.34 |
| Cash paid for purchasing commodities and receiving labor service | | 293,582,894.15 | 179,683,987.25 |
| Cash paid to/for staff and workers | | 34,305,570.53 | 28,024,227.64 |
| Taxes paid | | 22,162,460.93 | 11,920,266.48 |
| Other cash paid concerning operating activities | (43) | 34,215,561.25 | 32,855,022.34 |
| Subtotal of cash outflow arising from operating activities | | 384,266,486.86 | 252,483,503.71 |
| Net cash flows arising from operating activities | | (18,790,209.92) | 5,223,014.63 |
| II. Cash flows arising from investing activities: | | | |
| Cash received from recovering investment | | 29,404,203.54 | 25,000,000.00 |
| Cash received from investment income | | 1,500,000.00 | 7,156,800.48 |
| Net cash received from disposal of fixed, intangible and other long-term assets | | 13,149,528.00 | 6,263,935.00 |
| Net cash received from disposal of subsidiaries and other units | | - | - |
| Other cash received concerning investing activities | (43) | 4,350,000.00 | - |
| Subtotal of cash inflow from investing activities | | 48,403,731.54 | 38,420,735.48 |
| Cash paid for purchasing fixed, intangible and other long-term assets | | 37,761,060.80 | 94,700,572.57 |
| Cash paid for investment | | - | 1,200,000.00 |
| Net cash received from subsidiaries and other units | | - | - |
| Other cash paid concerning investing activities | | - | 65,459.00 |
| Subtotal of cash outflow from investing activities | | 37,761,060.80 | 95,966,031.57 |
| Net cash flows arising from investing activities | | 10,642,670.74 | (57,545,296.09) |
| III. Cash flows arising from financing activities | | | |
| Cash received from absorbing investment | | 512,499,992.40 | - |
| Including: Cash received from absorbing minority shareholders' investment by subsidiaries | | - | - |
| Cash received from loans | | 93,000,000.00 | 154,000,000.00 |
| Cash received from issuing bonds | | - | - |
| Other cash received concerning financing activities | (43) | 23,406,348.01 | 55,756,182.00 |
| Subtotal of cash inflow from financing | | 628,906,340.41 | 209,756,182.00 |

| | | | |
|---|------|----------------|-----------------|
| activities | | | |
| Cash paid for settling debts | | 210,900,000.00 | 196,100,000.00 |
| Cash paid for dividend and profit distributing or interest paying | | 8,339,586.82 | 11,410,116.50 |
| Including: Dividend and profit of minority shareholder paid by subsidiaries | | - | - |
| Other cash paid concerning financing activities | (43) | 5,208,332.31 | - |
| Subtotal of cash outflow from financing activities | | 224,447,919.13 | 207,510,116.50 |
| Net cash flows arising from financing activities | | 404,458,421.28 | 2,246,065.50 |
| IV. Influence on cash due to fluctuation in exchange rate | | (8,344.27) | 2,973.58 |
| V. Net increase of cash and cash equivalents | | 396,302,537.83 | (50,073,242.38) |
| Add: Balance of cash and cash equivalents at the period -begin | | 40,540,179.32 | 90,613,421.70 |
| VI. Balance of cash and cash equivalents at the period -end | (44) | 436,842,717.15 | 40,540,179.32 |

Principal of the Company: Zheng Yuxi

Person in Charge of Accounting Works: Zeng Suyan

Person in Charge of Accounting Institution: Wang Zhiping

| Cash Flow Statement of Shenzhen Shenbao Industrial Co., Ltd. | | | |
|---|---------|-----------------------|-----------------------|
| Items | Note XI | Amount of this period | Amount of last period |
| I. Cash flows arising from operating activities: | | | |
| Cash received from selling commodities and providing labor services | | 3,497,194.56 | 3,051,305.90 |
| Write-back of tax received | | - | - |
| Other cash received concerning operating activities | (6) | 6,237,437.41 | 18,664,486.52 |
| Subtotal of cash inflow arising from operating activities | | 9,734,631.97 | 21,715,792.42 |
| Cash paid for purchasing commodities and receiving labor service | | 1,021,014.32 | 919,837.90 |
| Cash paid to/for staff and workers | | 11,197,341.54 | 12,694,661.23 |
| Taxes paid | | 1,165,105.07 | 1,049,311.21 |
| Other cash paid concerning operating activities | (6) | 48,478,485.93 | 36,266,783.84 |
| Subtotal of cash outflow arising from operating activities | | 61,861,946.86 | 50,930,594.18 |
| Net cash flows arising from operating activities | | (52,127,314.89) | (29,214,801.76) |
| II. Cash flows arising from investing activities: | | | |
| Cash received from recovering investment | | 29,404,203.54 | 25,000,000.00 |
| Cash received from investment income | | 1,500,000.00 | 7,156,800.48 |
| Net cash received from disposal of fixed, intangible and other long-term assets | | 13,050,000.00 | 5,225,835.00 |

| | | | |
|---|-----|----------------|-----------------|
| Net cash received from disposal of subsidiaries and other units | | - | - |
| Other cash received concerning investing activities | | - | - |
| Subtotal of cash inflow from investing activities | | 43,954,203.54 | 37,382,635.48 |
| Cash paid for purchasing fixed, intangible and other long-term assets | | 3,477,324.60 | 58,990,073.51 |
| Cash paid for investment | | 26,000,000.00 | - |
| Net cash received from subsidiaries and other units | | - | - |
| Other cash paid concerning investing activities | | - | 65,459.00 |
| Subtotal of cash outflow from investing activities | | 29,477,324.60 | 59,055,532.51 |
| Net cash flows arising from investing activities | | 14,476,878.94 | (21,672,897.03) |
| III. Cash flows arising from financing activities | | | |
| Cash received from absorbing investment | | 512,499,992.40 | - |
| Cash received from loans | | 30,000,000.00 | 92,000,000.00 |
| Cash from issuing bonds | | - | - |
| Other cash received concerning financing activities | | 23,906,348.01 | 55,756,182.00 |
| Subtotal of cash inflow from financing activities | | 566,406,340.41 | 147,756,182.00 |
| Cash paid for settling debts | | 142,500,000.00 | 140,500,000.00 |
| Cash paid for dividend and profit distributing or interest paying | | 5,483,423.92 | 8,755,330.90 |
| Other cash paid concerning financing activities | | 5,208,332.31 | - |
| Subtotal of cash outflow from financing activities | | 153,191,756.23 | 149,255,330.90 |
| Net cash flows arising from financing activities | | 413,214,584.18 | (1,499,148.90) |
| IV. Influence on cash due to fluctuation in exchange rate | | - | - |
| V. Net increase of cash and cash equivalents | (6) | 375,564,148.23 | (52,386,847.69) |
| Add: Balance of cash and cash equivalents at the period -begin | | 23,617,846.34 | 76,004,694.03 |
| VI. Balance of cash and cash equivalents at the period -end | (6) | 399,181,994.57 | 23,617,846.34 |

Principal of the Company: Zheng Yuxi

Person in Charge of Accounting Works: Zeng Suyan

Person in Charge of Accounting Institution: Wang Zhiping

Consolidated Statement on Changes of Shareholders' Equity of Shenzhen Shenbao Industrial Co., Ltd.

Year of 2011

Unit: CNY

| Items | Amount of this period | | | | | | | | | |
|---|---|------------------|----------------------|--------------------|------------------|------------------------|-----------------|--------|-------------------|----------------------------|
| | Shareholders' equity attributable to the parent company | | | | | | | | Minority's equity | Total shareholders' equity |
| | Share capital | Capital reserves | Less: Treasury Stock | Reasonable reserve | Surplus reserves | General risk provision | Retained profit | Others | | |
| I. Balance at the end of the last year | 181,923,088.00 | 79,873,070.29 | - | - | 32,464,033.34 | - | 30,831,869.17 | - | 47,849,552.4400 | 372,941,613.24 |
| Add: Changes of accounting policy | - | - | - | - | - | - | - | - | - | - |
| Error correction of the last period | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| II. Balance at the beginning of this year | 181,923,088.00 | 79,873,070.29 | - | - | 32,464,033.34 | - | 30,831,869.17 | - | 47,849,552.44 | 372,941,613.24 |
| III. Increase/ Decrease in this year | 68,977,066.00 | 488,827,152.22 | - | - | - | - | 6,980,233.57 | - | (47,849,552.44) | 516,934,899.35 |
| (I) Net profit | - | - | - | - | - | - | 6,980,233.57 | - | 2,663,005.69 | 9,643,239.26 |
| (II) Other consolidated income | - | - | - | - | - | - | - | - | - | - |
| Total of (I) and (II) | - | - | - | - | - | - | 6,980,233.57 | - | 2,663,005.69 | 9,643,239.26 |
| (III) Shareholders' devoted and decreased capital | 68,977,066.00 | 488,827,152.22 | - | - | - | - | - | - | (50,512,558.13) | 507,291,660.09 |
| 1. Shareholders' devoted capital | 68,977,066.00 | 503,415,075.89 | - | - | - | - | - | - | - | 572,392,141.89 |
| 2. Amount calculated into shareholders' equity paid in shares | - | - | - | - | - | - | - | - | - | - |
| 3. Others | - | (14,587,923.67) | - | - | - | - | - | - | (50,512,558.13) | (65,100,481.80) |
| (IV) Profit distribution | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawal of surplus reserves | - | - | - | - | - | - | - | - | - | - |
| 2. Withdrawal of general risk provisions | - | - | - | - | - | - | - | - | - | - |
| 3. Distribution for shareholders | - | - | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | - | - | - | - |
| (V) Carrying forward internal shareholders' equity | - | - | - | - | - | - | - | - | - | - |
| 1. Capital reserves conversed to capital (share capital) | - | - | - | - | - | - | - | - | - | - |
| 2. Surplus reserves conversed to capital (share capital) | - | - | - | - | - | - | - | - | - | - |
| 3. Remedying loss with surplus reserve | - | - | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | - | - | - | - |
| (VI) Special reserve | - | - | - | - | - | - | - | - | - | - |
| 1. Withdraw in this period | - | - | - | - | - | - | - | - | - | - |

| | | | | | | | | | | |
|--|-----------------------|-----------------------|----------|----------|----------------------|----------|----------------------|----------|----------|-----------------------|
| 2.Usage in this period | - | - | - | - | - | - | - | - | - | - |
| (VII) Other | - | - | - | - | - | - | - | - | - | - |
| IV. Balance at the end of the report year | <u>250,900,154.00</u> | <u>568,700,222.51</u> | <u>-</u> | <u>-</u> | <u>32,464,033.34</u> | <u>-</u> | <u>37,812,102.74</u> | <u>-</u> | <u>-</u> | <u>889,876,512.59</u> |

(The notes of financial statement attached is part of this financial statement)

Legal Representative: Zheng Yuxi

Person in Charge of Accounting Works: Zeng Suyan

Person in Charge of Accounting Institution: Wang Zhiping

Consolidated Statement of changes of shareholders' equity of Shenzhen Shenbao Industrial Co., Ltd. (Cont.)
Year of 2011

| Items | Amount in last period | | | | | | | | | |
|---|--|------------------|----------------------|--------------------|---------------|--------------------|------------------------|--------|-------------------------------|----------------------------|
| | Equity attributable to shareholder of parent company | | | | | | | | | |
| | Share capital | Capital reserves | Less: Treasury Stock | Reasonable reserve | 盈余公积 | Surplu s reserv es | General risk provision | Othe r | Minority shareholders' equity | Total shareholders' equity |
| I. Balance at the end of the last year | 181,923,088.00 | 80,564,909.22 | - | - | 32,464,033.34 | - | 25,144,224.38 | - | 45,244,179.29 | 365,340,434.23 |
| Add: Changes of accounting policy | - | - | - | - | - | - | - | - | - | - |
| Error correction of the last period | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| II. Balance at the beginning of this year | 181,923,088.00 | 80,564,909.22 | - | - | 32,464,033.34 | - | 25,144,224.38 | - | 45,244,179.29 | 365,340,434.23 |
| III. Increase/ Decrease in this year | - | (691,838.93) | - | - | - | - | 5,687,644.79 | - | 2,605,373.15 | 7,601,179.01 |
| (I) Net profit | - | - | - | - | - | - | 5,687,644.79 | - | 3,297,744.70 | 8,985,389.49 |
| (II) Other consolidated income | - | (210,249.15) | - | - | - | - | - | - | - | (210,249.15) |
| Total of (I) and (II) | - | (210,249.15) | - | - | - | - | 5,687,644.79 | - | 3,297,744.70 | 8,775,140.34 |
| (III) Shareholders' devoted and decreased capital | - | (481,589.78) | - | - | - | - | - | - | (692,371.55) | (1,173,961.33) |
| 1. Shareholders' devoted capital | - | - | - | - | - | - | - | - | - | - |
| 2. Amount calculated into shareholders' equity paid in shares | - | - | - | - | - | - | - | - | - | - |
| 3. Others | - | (481,589.78) | - | - | - | - | - | - | (692,371.55) | (1,173,961.33) |

| | | | | | | | | | | |
|--|-----------------------|----------------------|----------|----------|----------------------|----------|----------------------|----------|----------------------|-----------------------|
| (IV) Profit distribution | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawal of surplus reserves | - | - | - | - | - | - | - | - | - | - |
| 2. Withdrawal of general risk provisions | - | - | - | - | - | - | - | - | - | - |
| 3. Distribution for shareholders | - | - | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | - | - | - | - |
| (V) Carrying forward internal shareholders' equity | - | - | - | - | - | - | - | - | - | - |
| 1. Capital reserves converted to share capital | - | - | - | - | - | - | - | - | - | - |
| 2. Surplus reserves converted to share capital | - | - | - | - | - | - | - | - | - | - |
| 3. Remedying loss with surplus reserve | - | - | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | - | - | - | - |
| (VI) Special reserve | - | - | - | - | - | - | - | - | - | - |
| 1. Withdraw in this period | - | - | - | - | - | - | - | - | - | - |
| 2. Usage in this period | - | - | - | - | - | - | - | - | - | - |
| (VII) Other | - | - | - | - | - | - | - | - | - | - |
| | 181,923,088.00 | 79,873,070.29 | - | - | 32,464,033.34 | - | 30,831,869.17 | - | 47,849,552.44 | 372,941,613.24 |
| IV. Balance at the end of the report year | 181,923,088.00 | 79,873,070.29 | - | - | 32,464,033.34 | - | 30,831,869.17 | - | 47,849,552.44 | 372,941,613.24 |

(The notes of financial statement attached is part of this financial statement)

Legal Representative: Zhen Yuxi

Person in Charge of Accounting Institution: Zeng Suyan

Person in Charge of Accounting Institution: Wang Zhiping

Statement of changes of shareholders' equity of Shenzhen Shenbao Industrial Co., Ltd.

Year of 2011

| Items | Amount in this period | | | | | | | Total shareholders' equity |
|---|-----------------------|------------------|----------------------|--------------------|------------------|------------------------|-----------------|----------------------------|
| | Share capital | Capital reserves | Less: Treasury Stock | Reasonable reserve | Surplus reserves | General risk provision | Retained profit | |
| I. Balance at the end of the last year | 181,923,088.00 | 80,095,645.55 | - | - | 32,464,033.34 | - | 134,399,358.26 | 428,882,125.15 |
| Add: Changes of accounting policy | - | - | - | - | - | - | - | - |
| Error correction of the last period | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - |
| II. Balance at the beginning of this year | 181,923,088.00 | 80,095,645.55 | - | - | 32,464,033.34 | - | 134,399,358.26 | 428,882,125.15 |
| III. Increase/ Decrease in this year | 68,977,066.00 | 503,415,075.89 | - | - | - | - | (924,842.30) | 571,467,299.59 |
| (I) Net profit | - | - | - | - | - | - | (924,842.30) | (924,842.30) |
| (II) Other consolidated income | - | - | - | - | - | - | - | - |
| Total of (I) and (II) | - | - | - | - | - | - | (924,842.30) | (924,842.30) |
| (III) Shareholders' devoted and decreased capital | 68,977,066.00 | 503,415,075.89 | - | - | - | - | - | 572,392,141.89 |
| 1. Shareholders' devoted capital | 68,977,066.00 | 503,415,075.89 | - | - | - | - | - | 572,392,141.89 |
| 2. Amount calculated into shareholders' | - | - | - | - | - | - | - | - |

| | | | | | | | | |
|--|-----------------------|-----------------------|----------|----------|----------------------|----------|-----------------------|-------------------------|
| equity paid in shares | | | | | | | | |
| 3. Others | - | - | - | - | - | - | - | - |
| (IV) Profit distribution | - | - | - | - | - | - | - | - |
| 1. Withdrawal of surplus reserves | - | - | - | - | - | - | - | - |
| 2. Withdrawal of general risk provisions | - | - | - | - | - | - | - | - |
| 3. Distribution for shareholders | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | - | - |
| (V) Carrying forward internal shareholders' equity | - | - | - | - | - | - | - | - |
| 1. Capital reserves converted to share capital | - | - | - | - | - | - | - | - |
| 2. Surplus reserves converted to share capital | - | - | - | - | - | - | - | - |
| 3. Remedying loss with surplus reserve | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | - | - |
| (VI) Special reserve | - | - | - | - | - | - | - | - |
| 1. Withdraw in this period | - | - | - | - | - | - | - | - |
| 2. Usage in this period | - | - | - | - | - | - | - | - |
| (VII) Other | - | - | - | - | - | - | - | - |
| IV. Balance at the end of the report year | 250,900,154.00 | 583,510,721.44 | - | - | 32,464,033.34 | - | 133,474,515.96 | 1,000,349,424.74 |

(The notes of financial statement attached is part of this financial statement)

Legal Representative: Zhen Yuxi

Person in Charge of Accounting Institution: Zeng Suyan

Person in Charge of Accounting Institution:
Wang Zhiping

Statement of changes of shareholders' equity of Shenzhen Shenbao Industrial Co., Ltd. (Cont.)

Year of 2011

| Items | Amount in last period | | | | | | | |
|--|-----------------------|----------------------|----------------------|--------------------|----------------------|------------------------|-----------------------|----------------------------|
| | Share capital | Capital reserves | Less: Treasury Stock | Reasonable reserve | Surplus reserves | General risk provision | Retained profit | Total shareholders' equity |
| I. Balance at the end of the last year | 181,923,088.00 | 80,305,894.70 | - | - | 32,464,033.34 | - | 137,778,205.32 | 432,471,221.36 |
| Add: Changes of accounting policy | - | - | - | - | - | - | - | - |
| Error correction of the last period | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - |
| II. Balance at the beginning of this year | 181,923,088.00 | 80,305,894.70 | - | - | 32,464,033.34 | - | 137,778,205.32 | 432,471,221.36 |
| III. Increase/ Decrease in this year | - | (210,249.15) | - | - | - | - | (3,378,847.06) | (3,589,096.21) |

| | | | | | | | | |
|---|-----------------------|----------------------|----------|----------|----------------------|----------|-----------------------|-----------------------|
| (I) Net profit | | - | | | | | (3,378,847.06) | (3,378,847.06) |
| (II) Other consolidated income | - | (210,249.15) | - | - | - | - | - | (210,249.15) |
| Total of (I) and (II) | - | (210,249.15) | - | - | - | - | (3,378,847.06) | (3,589,096.21) |
| (III) Shareholders' devoted and decreased capital | - | - | - | - | - | - | - | - |
| 1. Shareholders' devoted capital | - | - | - | - | - | - | - | - |
| 2. Amount calculated into shareholders' equity paid in shares | - | - | - | - | - | - | - | - |
| 3. Others | - | - | - | - | - | - | - | - |
| (IV) Profit distribution | - | - | - | - | - | - | - | - |
| 1. Withdrawal of surplus reserves | - | - | - | - | - | - | - | - |
| 2. Withdrawal of general risk provisions | - | - | - | - | - | - | - | - |
| 3. Distribution for shareholders | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | - | - |
| (V) Carrying forward internal shareholders' equity | - | - | - | - | - | - | - | - |
| 1. Capital reserves converted to share capital | - | - | - | - | - | - | - | - |
| 2. Surplus reserves converted to share capital | - | - | - | - | - | - | - | - |
| 3. Remedying loss with surplus reserve | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | - | - |
| (VI) Special reserve | - | - | - | - | - | - | - | - |
| 1. Withdraw in this period | - | - | - | - | - | - | - | - |
| 2. Usage in this period | - | - | - | - | - | - | - | - |
| (VII) Other | - | - | - | - | - | - | - | - |
| IV. Balance at the end of the report year | 181,923,088.00 | 80,095,645.55 | - | - | 32,464,033.34 | - | 134,399,358.26 | 428,882,125.15 |

(The notes of financial statement attached is part of this financial statement)

Legal Representative: Zhen Yuxi

Person in Charge of Accounting Institution: Zeng Suyan

Person in Charge of Accounting Institution:
Wang Zhiping

Section III. Notes to Financial Statements

I. Company profile

Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as the Company) (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 at 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 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, 3 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.

The Company belongs to food and beverage industry, with the following major operations: production of food can, beverage and local products(business license of their production base is applied additionally); domestic commerce and supply and marketing of materials (excluding government controlled or dominated merchandises); import and export business(transacted according to SMGSZZ No.080 document in respect of authentication certificate for foreign trade enterprises). Registered address of the Company: South 20/F, Education Technology Mansion, Zhuzilin, Futian District, Shenzhen, P.R. China; license No.: 440301103223954

The Company mainly engaged in the products of tea series of "Jindiao" brand including instant tea power and tea concentrate; seasoning series under "Sanjing" brand include oyster sauce, olive vegetable, and soy; beverages series under "Shenbao" brand include daisy tea, lemon tea, and wax gourd tea.

II. Major accounting policy, accounting estimation and prior-period errors

(I)Basis of preparation of financial statements

Taking continuing operation as basis, the Company processed confirmation and measurements according to the actual businesses and proceedings, by reference to regulations of Accounting Standards for Enterprises-Basic Standards and other various accounting standards, and then prepared financial statements on such basis.

(II)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.

(III) Accounting period

One accounting period falls to the range starting from 1 January to 31 December.

(IV) Standard currency

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

(V) Accounting treatment for business combinations under the same control and those not under the same control

1. Business combination under the same control

Assets and liabilities acquired by the Company during business combination are measured by their carrying value recorded in the accounting book of the combined party as at the combination date. The difference between the carrying value of the net assets acquired through combination and the carrying value of combination consideration paid (or total carrying value of shares in issue) shall be used to adjust capital reserve. When the capital reserve is insufficient for offset, then the retained profit shall be adjusted.

Each direct expense related to business combination born by the Company, among other things, the audit fee, valuation expense and law service expense paid for business combination shall be written into current gains and losses upon happening.

Charge and commission arising from issuance of equity securities during business combination shall be used for offsetting premium income of such securities. When such premium income is not enough for offset, then it shall turn to retained profit for offset.

As for the combined parties which adopt different accounting policies from the Company, the Company shall make relevant adjustment in accordance to its own accounting policy as at the combination date, and offer confirmation by virtue of Accounting Standard for Enterprise on this basis.

2. Business combination not under the same control

The Company measures the assets and liabilities paid or occurred or undertaken as consideration for business combination at their fair value as at the purchase day. Difference between fair value and carrying value shall be recorded in current gains and losses.

Combined cost is allocated by the Company as at the purchase date.

Combined cost less the fair value of the recognizable net assets acquired from vendor through combination is confirmed as goodwill if the result is positive, while as current gains and losses if it is negative.

As for other various assets (except for intangible assets and not only limited to the assets originally recognized by vendor) obtained by business combination from vendor, the economic benefits brought by such assets are likely to flow into the Company, besides, their fair value could be reliably measured. Thus, they shall be recognized separately and measured at fair value; the intangible assets whose fair value could be reliably measured shall be separately recognized as intangible assets and measured at fair value; As for other various liabilities (except for contingent liabilities) obtained from vendor, implementation of relevant obligations leads to that economic benefits are likely to flow out from the Company, besides, their fair value could be reliably measured. Thus, they shall be

recognized separately and measured at fair value; the contingent liabilities obtained from vendor whose fair value could be reliably measured shall be separately recognized as liabilities and measured at fair value.

(VI)Methods for preparation of consolidated financial statements

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

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.

Based on the financial statements of the Company and its subsidiaries, the Company prepares the consolidated financial statements by reference to other related information after adjustment in its long-term equity investments to subsidiaries by equity method.

When consolidating financial statements, the Company shall offset all effects upon consolidated balance sheet, consolidated profit statement, consolidated cash flow statement and consolidated statement of changes in equity arising from the internal transactions between the Company and each subsidiary and between various subsidiaries.

Concerning the balance between the current losses shared by minority shareholders of subsidiaries exceeding the proportion shared by those shareholders in beginning owners' equity of those subsidiaries, the balance shall be used to offset minority shareholders' equity.

During the report period, beginning amounts in consolidated balance sheet shall be subject to adjustment if business combination under the same control results in additional subsidiaries; income, expense and profit of such subsidiaries occurred during the whole consolidation period shall be accounted into consolidated profit statement; and the cash flow of subsidiaries occurred during the whole consolidation period shall be accounted into consolidated cash flow statement.

During the report period, beginning amounts in consolidated balance sheet is not subject to adjustment if business combination not under the same control results in additional subsidiaries; income, expense and profit of such subsidiaries occurred during the period commencing from purchase day to the end of reporting year shall be accounted into consolidated profit statement; and the cash flow of such subsidiaries occurred during the period commencing from purchase day to the end of reporting year shall be accounted into consolidated cash flow statement.

During the report period, if the Company disposes subsidiaries, then the income, expense and profit of the subsidiaries occurred during the period commencing from period-begin to the disposal day shall be written into consolidated profit statement; and cash flow arising during such period of such subsidiaries shall be written into consolidated cash flow statement.

(VII)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.

(VIII) Foreign currency business

When initially recognizing foreign currency business, the Company translates the foreign currency amount to standard currency amount by virtue of spot exchange rate as at the happening date of trade.

As at the balance sheet date, monetary items of foreign currency are translated at spot exchange rate as at balance sheet day. Translation difference arising from difference between the spot exchange rates respectively as at balance sheet day and initial recognition day or previous balance sheet day, shall be written in current gains and losses. As for non-monetary items denominated by foreign currency which are measured at historical cost, translation is still subject to spot exchange rate as at happening day of trade, without any change in the amount in standard currency.

(IX) Financial instruments

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

1. Categories of financial instruments

According to the purposes held for financial assets and liabilities, the management categorizes them into: financial assets or financial liabilities at fair value through current gains and losses, including transactional financial assets or financial liabilities; held-to-maturity investment; accounts receivable; financial assets available for sale; other financial liabilities, etc.

2. Recognition evidence and measurement methods for financial instruments

(1) Financial assets (financial liabilities) at fair value through current gains and losses

Such assets bear initial recognition amounts at fair value (after deduction of cash dividends declared but not granted yet or bond interests which arrives at settlement moment but not collected yet) when being obtained, and relevant transaction expense falls into current gains and losses.

Interests or cash dividends acquired during holding are recognized as investment income, and movement of fair value is recorded in current gains and losses as at year end.

When disposing such assets or liabilities, the Company shall recognize the difference between fair value and initial booking amount as investment income, and gains and losses from movements of fair value shall be subject to adjustment at the same time.

(2) Held-to-maturity investment

Held-to-maturity investment bears initial recognition amount at aggregate of fair value (after deduction of bond interests which arrives at settlement moment but not collected yet) and relevant transactional expenses when being obtained.

When holding such investments, interest income is calculated and recognized according to remaining amortized cost and effective interest rate, and then written into investment income. Effective interest rate is recognized when obtaining such investments, and not subject to change during the expected duration period or applicable shorter period.

When disposing such investments, the Company shall treat the balance between the payment for obtaining such investments and carrying value thereof as investment income.

(3) Financial assets available for sale

Financial assets available for sale bear initial recognition amount at aggregate of fair value (after deduction of cash dividends declared but not granted yet or bond interests which arrive at settlement moment but not collected yet) and relevant transactional expenses when being obtained.

Interests or cash dividends acquired during holding are recognized as investment income. They will be measured at fair value and movements of their fair values shall be recorded in capital reserve (other capital reserve) at year end.

When disposing such assets, the Company shall treat the balance between the payments for obtaining such financial assets and carrying value thereof as investment gains and losses; meanwhile, the amounts correspondingly disposed due to accumulative movements of fair value originally recorded in owners' equity directly shall be reversed out and recorded in investment gains and losses.

(4) Other financial liabilities

Other financial liabilities bear initial recognition amount at aggregate of fair value and relevant transactional expenses. 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. Recognized measures on the fair value of financial assets

The financial assets measured by fair value should be valued based on the quotation which exists in the active market at period-end.

5. Provision for impairment of financial assets (excluding account receivable)

(1) Provision for impairment of financial assets available for sales:

If fair value of financial assets available for sales gains a major decline in period-end, or after comprehensive consideration of various related factors, the decline tendency predicted as non-temporary, then recognize as impairment, transfer-out accumulated losses realized from decline of fair value that reckoned into owners' equity reckoned originally, then recognized impairment losses.

(2) Provision for impairment of investment held to maturity

Measure of impairment of investment held to maturity references to that of account receivable.

(X) Account receivable

Accounts receivable refer to trade receivables and other receivables.

The Company adopts the following standards for recognition of bad debt: ① debts which can not be collected by settlement with bankruptcy properties or heritage of debtors who face revoke, bankruptcy or death, and cash flow is in serious shortage; ② debts which are past due while not settled by debtors and featured with obvious characteristics indicating that it is not able to collect. Account receivable is recognized as bad debt losses if there are obvious evidences indicating that the accounts are not possible to collect, and the provision of bad debt reserve shall then be offset.

The Company adopts allowance method to calculate bad debt reserve which is likely to happen.

1. Standards for recognized and withdrawal method on account receivable with single significant item and withdrawal bad debt provision separately

Recognized standards for account receivable with single significant item and withdrawal bad debt provision separately:

Standard for single significant item: amount occupied 10 percent (including 10 percent) of the balance of account receivable.

Withdrawal method on bad debt provision for account receivable with single significant item: 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.

2. Standards for recognized and withdrawal method on bad debt provision of account receivable withdrawal by age combination

(1) Combination of account receivable with no impairment is found after separately testing.

(2) Withdrawal method recognized by the combination: way for the withdrawal of bad debt is the age analysis method, standards as:

| Aging | Withdrawal proportion for account receivable | Withdrawal proportion for other account receivable |
|-------------------------------------|---|---|
| Within one year (one year included) | 0% | 0% |

| | | |
|--|-----|-----|
| One to two years(two years included) | 5% | 5% |
| Two to three years(three years included) | 10% | 10% |
| Above three years | 15% | 15% |

3. Reasons and withdrawal method etc. required disclosure for those account receivable with minor single item but withdrawal bad debt provision single

The combination refers to the account receivable with minor single item but conducted impairment testing separately without bad debt provision withdrawal by age analysis, that according to actual situation of the Company.

Concerning the account receivable with minor single item of no impairment is found in testing separately, withdrawal the bad debt provision by risk combination with the age.

(XI)Inventories

1. Classification

Inventories of the Company mainly are: stock goods, delivered goods, product-in-process, raw materials, packing materials, low value consumables and materials for entrust processing, etc.

2. Calculation

Inventories are priced at costs when purchased or delivered to stock, and by weighted average method when delivered out from stock.

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 finished goods, 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. Stocktaking

The Company adopts the perpetual stocktaking system.

5. Amortization of low-value consumables and packaging materials

- (1) Installment amortization is applicable to low value consumables;
- (2) Packing materials are recorded in production cost at once when being received.

(XII) Long-term equity investment

1. Recognition of investment cost

- (1) Long-term equity investment formed from business combination

Long-term equity investment formed from business combination under the same control: if the Company takes cash payment, transfers non-cash assets or undertakes debts and issues equity securities as consideration for combination, the share of carrying value of owner's equity of the merged party on the merger date shall be taken as the initial investment cost for such long-term equity investment. Capital reserve is subject to adjustment at difference between the initial investment cost and combination consideration paid for the long-term equity investment; or otherwise adjust retained profit if the capital reserve is not enough for offset. Each direct expense related to business combination, among other things, the audit fee, valuation expense and law service expense paid for business combination shall be written into current gains and losses upon happening. If there has consolidation financial statements in merged party, determined initial investment cost of long-term equity investment, and based on owners' equity of consolidated financial statements on merged date of the merged party.

Long-term equity investment formed from business combination not under the same control: the combination cost is the asset given, liabilities occurred or undertaken by the Company for obtaining controlling power, and the fair value of equity securities issued. And various related expenses occurred directly for business combination, including auditing charge, legal service, evaluation consultancy and other agency charges paid by business combination as well as relevant administration expenses should be reckoned into current gains/losses during which they are incurred. As for those expenses from issuance of equity securities or debt securities by combination consideration, reckoned into initial recognized amount for equity securities or debt securities.

The enterprise achieved amalgamation under different control systematically through multiple transactions should distinguish the individual financial statements and combined financial statement and handle relevant accounts.

① In the individual financial statements, the sum of book value of equity investment held by the acquiree before the date of purchase and the newly increased investment cost on the date of purchase should be taken as the initial investment cost of this investment, and the stock rights held by the acquiree before the date of purchase related to other consolidated income should be transformed into the current investment income with other relevant consolidated income (for example, the part of fair value change of financial assets available for sale reckoned in the capital reserve, similar hereinafter) when disposing this investment.

② In the combined financial statement, the stock rights held by the acquiree before the date of purchase should be calculated again according to the fair value on the date of purchase, the balance between the fair value and its book value should be reckoned in the current investment income. The stock rights held by the acquiree before the date of

purchase and related to other consolidated income should be transformed into the current investment income with other relevant consolidated income and other consolidated income related to it should be transformed into the current investment income on the date of purchase. In the combination contract, those that make convention for the future events which may affect the combined cost and those that estimate the future events are likely to take place on the date of purchase and the amount affecting the combine cost can be calculated reliably should also be included in the combined cost.

(2) Long-term equity investments obtained through other ways

For long-term equity investments obtained through payment with cash, then the actual payment shall be viewed as initial investment cost.

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 long-term equity investments input by investors, then the value agreed in investment contract or agreement (after deduction of cash dividend or profit declared while not granted yet) shall be viewed as initial investment cost, while excluding the value agreed in contract or agreement is not fair valued.

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) Subsequent measurement

As for long-term equity investment made by the Company to its subsidiaries, calculation is conducted by cost method, while equity method is adopted for adjustment when preparing consolidated financial statements.

Cost method is used for calculation when the Company has no common control or significant influence over the invested units. Besides, such long-term equity investments have no quotation in an active market and their fair values can't be reliably measured.

Equity method is used for calculation when the Company has common control or significant influence over the invested units. When initial investment cost is higher than the share of fair value of net realizable assets of the invested unit, then the initial investment cost of the long-term equity investment remains with no adjustment; while if the aforesaid former is lower than the later, then difference shall be recorded in current gains and losses.

Disposal of other changes in owners' equity (except for changes in net gains and losses) of the invested units: for other changes in owners' equity (except for changes in net gains and losses) of the invested units, with shareholding proportion held constant, the Company computes how much it should share or undertake according to the shareholding

proportion, adjusts carrying value of such long-term equity investment and increase or decrease capital reserve (other capital reserve) at the same time. In period of investment held, if invested units provide consolidated financial statements, mean should calculated base on consolidated financial statement, net profit and other changes of investment.

(2) Recognition of gains and losses

Under cost method, 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.

Under equity method, investment enterprise should recognized net profit of invested unit after adjustment, based on fair value of vary identifiable asstes of invested unit while obtained investment, while recognized net profit or net losses of invested units that should be enjoy by investment enterprise; the transaction gains/losses attributable to investment enterprise, internally occurred between investment enterprise, 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 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 adversed 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. Evidence showing common control and significant influence with invested units

Common control over certain economic activity agreed by contract only exist when investors who need to share control power on material financial and operation decisions related to such economic activity make unanimous agreement, and then it is deemed as common control implemented by other parties to invested unit; if a party has power to join decision-making related to finance and operation of an enterprise, while no ability of control or joint control with other parties upon establishment of such decisions, the party is then deemed that it has significant influence upon invested unit.

4. Impairment testing and withdrawal of the impairment

For long-term equity investment with no significant influence, no quotation in active market and whose fair value could not be reliably measured, its impairment reserve is recognized based on the balnce between its carrying value and present value recognized through discounted future cash flow of similar financial assets at the prevailing market rate of return.

For other long-term equity investments (except for goodwill) formed from business combination where impairment signs appear, if the measurement on the recoverable amount shows that the recoverable amount of such long-term equity investment is lower than its fair value, then the difference is recognized as impairment loss.

Long-term equity investment calculated base on cost, take depreciation into consideration for long-term equity investment after recognized investment income from cash bonus or profit distribution announced by the invested units.

As for goodwill formed from business combination, impairment testing will be made each year, no matter whether or not there is impairment indication.

Once impairment loss is recognized for long-term equity investment, there will be no stand for any reversal.

(XIII) Investment real estate

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.

The Company adopts the cost model for measurement on current investment real estate. Concerning the investment real estate measured by cost model, buildings for rent-used adopts the same depreciation policies of fixed assets as the Company used; land use rights for rent-used adopts the amortization policies same to intangible assets.

If the recoverable value of an asset is lower than its book value, relevant impairment losses should be recognized.

Once impairment of investment real estate was recognized, it will not be written back in the subsequent fiscal periods.

(XIV) Fixed assets

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; and
- (2) The cost of the assts can be measured reliably.

2. Depreciation on various fixed assets

Fixed assets are withdrawal by classification on the age average basis, according to the categories, predicted service life and predicted net salvage, depreciation was recognized. Depreciation term and annual depreciation of various fixed assets are as:

| Fixed asset categories | Depreciation term(year) | Salvage value | Annual depreciation ratio |
|---|-------------------------|---------------|---------------------------|
| Buildings: Consistenc– Production buildings | 35 years | 5% | 2.71% |

| | | | | |
|-----------------------|-----------------|----------|----|--------|
| buildings | –Non-production | 40 years | 5% | 2.38% |
| Temporary buildings | | 9 years | 5% | 10.56% |
| Equipment & machinery | | 12 years | 5% | 7.92% |
| Transportation tools | | 9 years | 5% | 10.56% |
| Other equipment | | 6 years | 5% | 15.83% |

3. Impairment test on fixed asset and providing of impairment provision

Judging the fixed assets at each period-end for probably evidence of impairment exists.

If evidence of impairment has been found on fixed assets, evaluate its recoverable value. The recoverable value was determined by the higher one between the amount of fair value of the fixed assets minors the net amount after disposal expenses and the current value of predicted cash flow in future of the fixed assets.

While the recoverable amount of the fixed assets lower its carrying value, the carrying value should be reduced counted as recoverable amount. The reduced amount recognized as impairment losses for fixed assets reckoned into current gains and losses and withdrawal relevant impairment losses for fixed assets.

After the impairment losses being recognized, depreciation of the impairment on fixed assts should be adjusted correspondingly in future period. And during the rest of service life, the fixed assts should be amortized the book value of fixed assts (with predicted net salvage deducted) after adjustment systematically.

Once fixed asset impairment is recognized, it shall not be written back in subsequent fiscal periods.

When evidence showing that impairment has occurred, the recoverable value shall be assessed. Assessment of recoverable value is based on individual asset. If the recoverable value was hard to evaluate separately, it shall be decided along with the group of assets it belongs to.

(XV) Construction in process

1. Category of construction in process

Construction in process is calculated at categorized initiated projects.

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.

3. Methods of impairment testing and provision of impairment reserve for construction in process

The Company makes judgment at end of each year on whether there is indication showing that impairment is likely to happen in construction in process.

In case of existence of impairment indication in construction in process, the recoverable amount thereof shall be estimated. And the recoverable amount is confirmed at fair value of construction in process less the higher of net amount after disposal expense and present value of predicted future cash flow of such construction in process.

In the event that the recoverable amount of construction in process is lower than its carrying value, then the carrying value shall be reduced to the recoverable amount, and the reduced part is recognized as impairment loss of such construction in process through current gains and losses. Meanwhile, corresponding impairment reserve for construction in process shall be provided.

Once impairment loss is recognized in construction in process, it will not be reversed in subsequent accounting periods.

Should be there any indication showing possible impairment of one item construction in process, enterprise will estimate its recoverable amount based on the single construction in process. If enterprise has difficulty in estimating recoverable amount of such single construction in process, it shall turn to estimation of the recoverable amount of the assets portfolio to which such single construction in process belongs.

(XVI) Borrowing expenses

1. Recognition of the borrowing expenses capitalization

Borrowing expenses that attributed for purchasing or construction of assets that are complying with capitalizing conditions 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 statues or sale-able status for assets purchased, constructed or manufactured.

2. Period of capitalization

Capitalizing period was from the time star 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 be 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 be reckoned 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

(XVII) Biological assets

1. Classification and measurement

Biological assets of the Company refer to the productive biological assets with initial measurement by cost. The actual expenses occur before reached its predicted production purpose for productive biological assets recognized as cost; the subsequent expenditure occurred after reached its predicted production purpose for productive biological assets counted into current gains and losses.

2. Withdrawal method on depreciation of 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. Depreciation reserves on biological assets

At every end of the year, examine the productive biological assets, if there have evidence showing that the net realizable value of revocable amount for productive biological assets lower its book value, than depreciation provision recognized by the losses provision of productive biological assets withdrawal and reckoned into current gains and losses; Once productive biological assets impairment loss was recognized, shall not be written back in subsequent fiscal periods.

(XVIII) Intangible assets and R&D costs

1. Measurement

(1) Intangible assets are initially measured at cost while obtained.

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 assts. 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

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.

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; for those intangible assts without limited useful life predicted, amortized nothing due to intangible assts without certain service life.

2. 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 |
| Manufacture technology for patent | 20-year | Actual situation of the Company |

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.

Being revising, the useful life and methods of amortizing for intangible assets at period-end was same as the previously estimation.

3. Basis for intangible assets without curtained service life:

No intangible assts without certain service life has been found in the period-end for the Company.

4. Withdrawal for depreciation reserve of intangible assets

For those intangible assets with certain service life, conducting impairment testing at period-end if there has clearly evidence of impairment.

Concerning the intangible assets without certain service life, conducted impairment testing at every end of the term.

Estimated the revocable amount for those intangible assets with impairment testing conducted. The recoverable amount was determined by the higher one between the net amount resulted from fair value for intangible assets minor disposal expenses and current value of the predicted future cash flow.

If the recoverable amount lower its book value, than the book value shall reckoned as recoverable amount. The minor amount recognized as depreciation losses for intangible assets reckoned into current gains and losses. And withdrawal relevant impairment reserves for intangible assets.

After impairment loses recognized, adjusted correspondingly in future period for depletion or amortized expenses of intangible assets depreciated, make sure that the book value (with predicted salvage value deduction) of intangible assets should systematically amortized after adjustment in rest of the service life of intangible assets.

Once intangible asset impairment loss was recognized, shall not be written back in subsequent fiscal periods.

When evidence showing that impairment has occurred, estimated its recoverable amount by individual assets. If the recoverable value was hard to evaluate separately, it shall be decided along with the group of assets it belongs to.

5. 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.

6. 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.

(XIX) Long-term deferred expenses

Long-term deferred expense is amortized at straight line method, averagely during the beneficial period.

(XX)Income recognition

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.

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.

3. Basis and methods on completion while determined income of labor provided and income of construct contracts by percentage of completion

When the results of construct contracts can be reliably estimated, income and costs are recognized at the percentage of completion at the balance sheet day. Percentage of completion of the construction contracts are decided by estimation of completed work and other whole work.

Total labor income provided determined by the amount of contract or agreement received or receivable except the un-fair contract and agreement. At balance sheet date, recognized current labor income provided by the amount resulted from the total labor income provided multiplied by the amount of completion process after accumulative labor income confirmed in previously accounting period deduction; meanwhile, transferred current labor cost by amount of completion process after accumulative labor income confirmed in previously accounting period deduction.

If the results of construction contract are not able to reliably estimated at balance sheet date, treatment as:

- (1) Labor cost occurred expected to be compensated; recognized labor income by amount of labor cost occurred and transferred labor cost at same amount.
- (2) Labor cost occurred un-expected to be compensated, reckoned the labor cost occurred into current gains and losses without labor income recognized.

(XXI)Government grants

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.

2. Accounting method

Government grants in relation to purchase of long-term assets such as fixed assets or intangible assets shall be recognized as deferred income, and are recorded in non-operating income according to service life of such constructed or purchased assets by installments;

Government grants in relation to revenues, shall be recognized as deferred income upon acquisition and recorded in current non-operating income during the periods in which relevant expenses are recognized when such grants are for the purposes of compensating relevant expenses or losses of an enterprise in future periods; and shall be directly credited to current non-operating income upon acquisition when such grants are for the purposes of compensating occurred relevant expenses or losses of an enterprise.

(XXII)Deferred income tax assets and deferred income tax liabilities

1. Reference for recognition of deferred income tax assets

Under the limit of the taxable income which is very likely to be obtained by the Company for use of offsetting deductible temporary difference, the Company recognizes the deferred income tax assets arising from such deductible temporary difference.

2. Reference for recognition of deferred income tax liabilities

The Company recognizes taxable temporary difference of current and prior periods which should have been taxed while not paid yet as deferred income tax liabilities, while other than the temporary differences formed from transactions constituted by combination of goodwill and non-enterprises, meanwhile, such transactions bring no affect on accounting profit and taxable income when happening.

(XXIII) Employeess' remuneration

During accounting period, employees' remuneration payable is recognized as liabilities which are recorded in cost of products or services, current expense, or cost of fixed assets or intangible assets in light of different beneficial parties. Subject to relevant regulations, the Company provides insurance and public reserve according to certain proportion of monthly salary, and pays them to labor and social security authorities month by month, and credits relevant expenditures to current costs or expenses.

(XXIV) Predicted liability

Concerning the lawsuit, debt guarantee, deficit contract and restructuring events involved, if fulfilling of the responsibility may lead to assets payment or labour provide and the amount can be measured reliably, than predicted liability shall be recognized.

1. Recognition of predictive liabilities

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

- (1) The responsibility is a current responsibility undertaken by the Company;
- (2) Fulfilling of the responsibility may lead to financial benefit outflow;
- (3) The responsibility can be measured reliably for its value.

2. Measurement

Predictive 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

(XXV) Accounting method for disposal of income tax

The Company adopts balance sheet debt method to dispose income tax. Interest rate of enterprise income tax is detailed in Note III.

(XXVI) Changes on major accounting policy and accounting estimation

1. Changes on accounting policy

Main accounting policy of the Company has no changed in report period.

2. Changes on accounting estimation

No changes on accounting estimation in the period for Company.

(XXVII) Errors correction on previously period

1. Retrospective Restatement

No errors on previously period of retrospective restatement adopted at period-end been found.

2. Prospective Application

No errors on previously period of prospective application adopted at period-end been found.

III. Taxes

Major taxes applicable to the Company: VAT, business tax, urban maintenance and construction tax, educational surtax and surcharge, enterprise income tax, and housing property tax as well.

Tax rates for turnover tax: 17% for VAT, 5% for business tax, 5% or 7% of turnover tax for urban maintenance and construction tax(5% in Wuyuan, other regions is 7% except Wuyuan), 5% of turnover tax for educational surtax and surcharge.

Tax rate of enterprise income tax applicable to the Company and its holding subsidiaries for this report period are as follows:

| Name of company | Note | Rate of enterprise income tax for year of 2011 |
|--|----------------------------|--|
| The Company | | 24% |
| Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd. (Shenbao Huacheng)* | Wholly-owned subsidiary | 15% |
| Including: Shantou Branch of Shenbao Huacheng(Huacheng Shantou) | Branch of Shenbao Huacheng | 25% |
| Jufangyong Tea Industry Co., Ltd. in Wuyuan County (Wuyuan Jufangyong) | Wholly-owned subsidiary | 25% |
| Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd. (Shenbao Sanjing) | Wholly-owned subsidiary | 24% |
| Huizhou Shenbao Technologies Co., Ltd. (Huizhou Shenbao Technologies) | Wholly-owned subsidiary | 25% |
| Shenzhen Shenbao Properties Management Co., Ltd. (Shenbao Properties) | Wholly-owned subsidiary | 24% |
| Shenzhen Shenbao Industrial & Trading Co., Ltd. (Shenbao Industrial & Trading) | Wholly-owned subsidiary | 24% |
| Huizhou Shenbao Industrial Investment Co., Ltd. (Shenbao Investment) | Wholly-owned subsidiary | 25% |

* Shenbao Huacheng, a wholly-owned subsidiary of the Company, has been granted High-tech Enterprise Certification (No. GF201144200112) jointly promulgated by Shenzhen Technology & Information Bureau, Bureau of Finance of Shenzhen, Shenzhen Municipal Bureau of State Taxation and Shenzhen Municipal Bureau of Local Taxation as at the date of 7 March 2012. Such certificate was released on 3 November 2011, 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 2011 to 2013.

IV. Business combination and consolidated financial statements

(I) Particular about subsidiary

1. Subsidiaries obtained by establishment or investment

| Subsidiaries | Type | Place of registration | Nature of business | Register capital | Business scope | Actual investment amount at period-end | Other balance of items constitute net investment in subsidiary actually | Proportion of shares held (%) | Proportion of voting right (%) | Consolidation or not | Minority equity | The sum of money in minority equity which is used to write down the minority interest | The balance after the parent company's owner's equity writing down the excess of the current loss undertaken by minority shareholders of the subsidiary over the share enjoyed by minority shareholders in the original owners' equity of the subsidiary |
|---|--------------|-----------------------|-------------------------|----------------------|---|--|---|-------------------------------|--------------------------------|----------------------|-----------------|---|--|
| Shenzhen Shenbao Huacheng Science and Technology Co., Ltd *1 | Wholly-owned | Shenzhen | Manufacture | RMB 103.4513 million | Production and sales of concentrated tea juice and instant tea powder | RMB 118.5518 million | --- | 100 | 100 | Yes | --- | --- | --- |
| Wuyuan Jufangyong Tea Industry Co., Ltd. | Wholly-owned | Wuyuan | Manufacture | RMB 20 million | Tea, nature plants, extract of tea and nature plants; planting and export & import of tea; agricultural products and native products; acquisition, processing and sales | RMB 20 million | --- | 100 | 100 | Yes | --- | --- | --- |
| Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd. | Wholly-owned | Shenzhen | Manufacture | RMB 30.15 million | Import & Export business, normal cargo transportation; wholesale of pre-pakaging food products | RMB 80.5208 million | --- | 100 | 100 | Yes | --- | --- | --- |
| Huizhou Shenbao Technologies Co., Ltd. | Wholly-owned | Huizhou GD | Comprehensive | RMB 30 million | Industrial investment, property management and trading domestically | RMB 30 million | --- | 100 | 100 | Yes | --- | --- | --- |
| Shenzhen Shenbao Properties Management Co., Ltd *2 | Wholly-owned | Shenzhen | Property management | RMB 5 million | Management of self-owned properties | RMB 5 million | --- | 100 | 100 | Yes | --- | --- | --- |
| Shenzhen Shenbao Industrial Trading & Development Co., Ltd. | Wholly-owned | Shenzhen | Commercial wholesale | RMB 5.5 million | Commercial wholesale | RMB 5.5 million | --- | 100 | 100 | Yes | --- | --- | --- |
| Huizhou Shenbao Industrial Investment Co., Ltd.*3 | Wholly-owned | Huizhou GD | Information consultancy | RMB 5 million | Industrial investments and consultancy of logistics information | RMB 5 million | --- | 100 | 100 | Yes | --- | --- | --- |
| Shenzhen Shenbao(Liaoyuan) Industrial Co., Ltd. (Shenbao Liaoyuan) *4 | Shareholding | Shenzhen | --- | RMB 2.378 million | No operating officially | RMB 0.0576 million | --- | 53.5 | 53.5 | No | --- | --- | --- |

*1: 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. Four nature people subscribe shares by 48.33% equity of Shenbao Huacheng in total held with consideration of RMB 65,100,481.80. Shenbao Huacheng turns to be wholly-owned subsidiary of the Company and completed changes procedures of industry and commerce dated 8 June 2011.

*2: Shenzhen Shenbao Properties Management Co., Ltd: its 49% equity interests were held by Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd., a wholly-owned subsidiary of the Company.

*3: Huizhou Shenbao Industrial Investment Co., Ltd. still processing cancellation procedures, the national taxation has been completed so far.

*4: Shenzhen Shenbao (Liaoyuan) Industrial Company: though it was not a short that the company had been established for, it never conducted normal operation. Since its operation license has been revoked, the Company has made full provision of long-term investment impairment reserve for the investment made to such company. Financial statements of such company have not been included in the consolidated financial statements.

*5: subsidiary Huizhou Shenbao Technology Co., Ltd. was absorbed and merged by sub-subsidiary Guangdong Shenbao Food Co., Ltd., cancellation procedures of Guangdong Shenbao Food Co., Ltd. was completed dated 8 December 2011.

(II) Explanation on changes of consolidation scope

No changes of subsidiaries in consolidation scope in this period.

V. Notes to main items of consolidated financial statements

(the following figures are denominated in RMB in absence of special indications)

(I) Monetary fund

| Categories | Curren cy | Balance of period-end | | | Balance of period-begin | | |
|----------------------------|--------------|-----------------------|----------------------|----------------|-------------------------|----------------------|-------------------|
| | | Original currency | translati on rate | RMB conversion | Original currency | translat ion rate | RMB conversion |
| Cash | | | | | | | |
| | RMB | 85,625.06 | 1.0000 | 85,625.06 | 186,160.62 | 1.0000 | 186,160.62 |
| | HKD | 4,860.00 | 0.8106 | 3,940.00 | 4,690.83 | 0.8509 | 4,135.37 |
| | USD | 99.05 | 6.3000 | 624.10 | 99.05 | 6.6227 | 655.98 |
| Sub-total | | | | 90,189.16 | | | 190,951.97 |
| Bank deposit | | | | | | | |
| | RMB | 436,600,180.24 | 1.0000 | 436,600,180.24 | 40,296,049.96 | 1.0000 | 40,296,049.96 |
| | HKD | 13,323.97 | 0.8106 | 10,800.17 | 13,321.11 | 0.8509 | 11,717.02 |
| | USD | 22,464.66 | 6.3000 | 141,547.58 | 5,662.09 | 6.6227 | 37,498.32 |
| | EUR | --- | | --- | 449.89 | 8.8065 | 3,962.05 |
| Sub-total | | | | 436,752,527.99 | | | 40,349,227.35 |
| Other monetary funds | | | | | | | |
| | RMB | 500,000.00 | 1.0000 | 500,000.00 | 20,000,000.00 | 1.0000 | 20,000,000.00 |
| Sub-total | | | | 500,000.00 | | | 20,000,000.00 |
| Total | | | | 437,342,717.15 | | | 60,540,179.32 |

Details of restricted monetary fund:

| Type of note | Balance as at period-end | Balance as at period-begin |
|-----------------------------------|--------------------------|-------------------------------|
| Certificates of deposit mortgaged | --- | 20,000,000.00 |
| PB of L/G | 500,000.00 | --- |
| Total | 500,000.00 | 20,000,000.00 |

Other monetary fund at period-end refers to L/G margin of Shenbao Huacheng, wholly-owned subsidiary of the Company. Deducted from cash and cash equivalent while preparing cash flow statement.

(II) Transaction financial assets

| Item | Fair value at period-end | | Fair value at period-begin | |
|--|--------------------------|---------------|----------------------------|------------|
| | market price | total | market price | total |
| Transactional equity instrument investment | 14,627,801.40 | 14,627,801.40 | 304,500.00 | 304,500.00 |
| Total | 14,627,801.40 | 14,627,801.40 | 304,500.00 | 304,500.00 |

*: Found more details in (38) of Note V. The Company received 2,135,071 shares of A-stock of ST Sunrise dated 1 April 2011. Ended as 31 December 2011, balance of the account still has 1,851,513.00 A-stock shares of *ST Sunrise. Based on price per share at closing date of year-end, market price amounting to RMB 14,441,801.40, the fair value of transactional

financial assets at period-end amounting to RMB 14,441,801.40.

(III) Accounts receivable

1. Account receivable classified according to categories

| Type | Balance as at period-end | | | | Balance as at period-begin | | | |
|--|--------------------------|-----------|--------------------|-----------|----------------------------|-----------|--------------------|-----------|
| | Balance of book value | | Bad debt provision | | Balance of book value | | Bad debt provision | |
| | Amount | Ratio (%) | Amount | Ratio (%) | Amount | Ratio (%) | Amount | Ratio (%) |
| I. Account receivable with single major amount and withdrawal bad debt provision for single item | --- | --- | --- | --- | --- | --- | --- | --- |
| II. Account receivable withdrawal bad debt provision by age combination | 72,641,733.27 | 78.93 | 872,314.26 | 1.20 | 61,979,353.34 | 75.65 | 1,331,582.44 | 2.15 |
| III. Account receivable with single minor amount but withdrawal bad debt provision for single item | 19,391,001.77 | 21.07 | 19,391,001.77 | 100.00 | 19,945,359.48 | 24.35 | 19,668,180.63 | 98.61 |
| total | 92,032,735.04 | 100.00 | 20,263,316.03 | 22.02 | 81,924,712.82 | 100.00 | 20,999,763.07 | 25.63 |

Explanation for categories of account receivable:

In combination, account receivable withdrawal bad debt provision by age combination

| Type | Balance as at period-end | | | | Balance as at period-begin | | | |
|-----------------|--------------------------|-----------|--------------------|-----------|----------------------------|-----------|--------------------|-----------|
| | Balance of book value | | Bad debt provision | | Balance of book value | | Bad debt provision | |
| | Amount | Ratio (%) | Amount | Ratio (%) | Amount | Ratio (%) | Amount | Ratio (%) |
| Within 1 year | 66,592,797.78 | 91.67 | --- | --- | 52,412,462.90 | 84.56 | --- | --- |
| Within 1-2years | 198,807.23 | 0.27 | 9,940.36 | 5.00 | 551,314.93 | 0.89 | 13,168.94 | 2.39 |
| Within 2-3years | 302,906.78 | 0.42 | 30,290.68 | 10.00 | 668,096.48 | 1.08 | 67,041.99 | 10.03 |
| over 3 years | 5,547,221.48 | 7.64 | 832,083.22 | 15.00 | 8,347,479.03 | 13.47 | 1,251,371.51 | 14.99 |
| Total | 72,641,733.27 | 100.00 | 872,314.26 | 1.20 | 61,979,353.34 | 100.00 | 1,331,582.44 | 2.15 |

2. Account receivable with major single amount or minor amount but conducting impairment testing independently at period-end:

| Item of account receivable | Carrying value | bad debt provision | Withdrawal proportion (%) | reasons |
|--|----------------|--------------------|---------------------------|---------------------------|
| Account receivable with over 3 years of minor possibility recovery | 19,391,001.77 | 19,391,001.77 | 100.00 | Minor possibility recover |
| total | 19,391,001.77 | 19,391,001.77 | | |

3. arrear made by shareholders units holding over 5% (5% included) voting rights of the Company appeared in the account receivables as at period-end.

| Name | Balance as at period-end | | Balance as at period-begin | |
|--|--------------------------|----------------------------|----------------------------|----------------------------|
| | Carrying balance | bad debt amount withdrawal | Carrying balance | bad debt amount withdrawal |
| Shenzhen Agricultural Products Co., Ltd. | 5,200.00 | --- | 4,868.00 | --- |
| total | 5,200.00 | --- | 4,868.00 | --- |

4. The top 5 arrears in account receivables

| Name of the unit | Relationship with the Company | Amount | Proportion in total account receivable (%) |
|------------------|-------------------------------|---------------|--|
| Customers I | Non-related party | 9,823,560.00 | 10.67 |
| Customers II | Non-related party | 8,941,760.00 | 9.72 |
| Customers III | Non-related party | 7,096,150.00 | 7.71 |
| Customers IV | Non-related party | 6,105,400.00 | 6.63 |
| Customers V | Non-related party | 5,570,165.20 | 6.05 |
| Total | | 37,537,035.20 | 40.78 |

(IV) Account paid in advance

1. Aging analysis

| Book age | Balance at period-end | | Balance at period-begin | |
|--------------------------------|-----------------------|-------------------------|-------------------------|-------------------------|
| | Amount | Ratio in total amount % | Amount | Ratio in total amount % |
| within 1 year | 10,132,690.85 | 98.92 | 6,111,501.54 | 93.37 |
| Within over 1 year to 2 years | 82,367.97 | 0.80 | 366,923.55 | 5.61 |
| Within over 2 years to 3 years | 17,649.80 | 0.17 | 16,657.20 | 0.25 |
| Over 3 years | 11,017.00 | 0.11 | 50,067.00 | 0.77 |
| Total | 10,243,725.62 | 100.00 | 6,545,149.29 | 100.00 |

2. The top 5 units in account paid in advance

| Name of the unit | Relationship with the Company | amount | Age | Reasons for outstanding | Ratio in total account paid in advance (%) |
|------------------|-------------------------------|--------------|---------------|------------------------------|--|
| Customers I | Non-related party | 2,772,434.28 | within 1 year | Goods not received | 27.06 |
| Customers II | Non-related party | 2,652,583.70 | within 1 year | Goods not received | 25.89 |
| Customers III | Non-related party | 1,686,879.89 | within 1 year | Goods not received | 16.47 |
| Customers IV | Non-related party | 1,036,076.42 | within 1 year | Custom taxes paid in advance | 10.11 |
| Customers V | Non-related party | 950,947.20 | within 1 year | Goods not received | 9.28 |
| Total | | 9,098,921.49 | | | 88.81 |

3. No arrear made by shareholders units holding over 5% (5% included) voting rights of the Company appeared in the account paid in advance as at period-end.

4. No account paid in advance to other related parties in period-end

(V) Other receivables

1. Other account receivable classified according to categories

| categories | Balance as at period-end | | | | Balance as at period-begin | | | |
|--|--------------------------|------------|----------------------|--------------|----------------------------|---------------|----------------------|--------------|
| | Book balance | | Bad debt provision | | Book balance | | Bad debt provision | |
| | amount | Ratio (%) | amount | Ratio (%) | amount | Ratio (%) | amount | Ratio (%) |
| I. Other account receivable with single major amount and withdrawal bad debt provision for single item | --- | --- | --- | --- | --- | --- | --- | --- |
| II. Other account receivable withdrawal bad debt provision by age combination | 37,975,122.55 | 68.36 | 2,018,261.70 | 5.32 | 58,163,056.68 | 76.87 | 1,606,670.64 | 2.76 |
| III. Other account receivable with single minor amount but withdrawal bad debt provision for single item | 17,576,429.47 | 31.64 | 17,576,429.47 | 100.00 | 17,503,936.07 | 23.13 | 17,503,936.07 | 100.00 |
| Total | 55,551,552.02 | 100 | 19,594,691.17 | 35.28 | 75,666,992.75 | 100.00 | 19,110,606.71 | 25.26 |

Notes to category of other account receivable:

In combination, other account receivable withdrawal bad debt provision by age combination

| categories | Balance as at period-end | | | | Balance as at period-begin | | | |
|-----------------|--------------------------|---------------|---------------------|-------------|----------------------------|---------------|---------------------|-------------|
| | Book balance | | Bad debt provision | | Book balance | | Bad debt provision | |
| | amount | Ratio (%) | amount | Ratio (%) | amount | Ratio (%) | amount | Ratio (%) |
| Within 1 year | 20,704,137.59 | 54.52 | --- | --- | 43,603,713.31 | 74.97 | --- | --- |
| Within 1-2years | 4,575,836.26 | 12.05 | 228,791.82 | 5.00 | 2,554,930.34 | 4.39 | 127,723.85 | 5.00 |
| Within 2-3years | 2,325,838.66 | 6.13 | 232,583.86 | 10.00 | 5,195,864.18 | 8.93 | 519,586.42 | 10.00 |
| over 3 years | 10,369,310.04 | 27.31 | 1,556,886.02 | 15.01 | 6,808,548.85 | 11.71 | 959,360.37 | 14.09 |
| Total | 37,975,122.55 | 100.00 | 2,018,261.70 | 5.32 | 58,163,056.68 | 100.00 | 1,606,670.64 | 2.76 |

2. Other account receivable with minor amount but conducting impairment testing independently at period-end

| Item | Carrying value | bad debt provision | Withdrawal proportion (%) | reasons |
|--------------------------------------|----------------------|----------------------|---------------------------|---|
| Account receivable with over 3 years | 17,576,429.47 | 17,576,429.47 | 100.00 | formed due to history reasons, hard to recover. |
| Total | 17,576,429.47 | 17,576,429.47 | | |

3. No arrear made by shareholders units holding over 5% (5% included) voting rights of the Company appeared in the other receivables as at period-end.

4. Other receivable due from related parties as at period-end

| Name of the unit | Balance as at period-end | | Balance as at period-begin | |
|---------------------------------|--------------------------|--------------------|----------------------------|--------------------|
| | Carrying value | bad debt provision | Carrying value | bad debt provision |
| Changzhou Sanjing Oil Co., Ltd. | 15,530,485.40 | 1,644,683.94 | 14,667,540.28 | 1,147,877.21 |

| | | | | |
|-------|---------------|--------------|---------------|--------------|
| Total | 15,530,485.40 | 1,644,683.94 | 14,667,540.28 | 1,147,877.21 |
|-------|---------------|--------------|---------------|--------------|

5. The top 5 amounts in other account receivables

| Name of the unit | Relationship with the Company | Amount | age | Portion in total other receivables % | Nature or content |
|--|-------------------------------|---------------|---------------|--------------------------------------|-------------------------------------|
| Changzhou Sanjing Oil Co., Ltd. | Associated company | 15,530,485.40 | 1-3years | 27.96 | Incomings and outgoings etc. |
| Land and Mine Exchange Center of Huizhou | Non-related party | 11,880,000.00 | within 1 year | 21.39 | margin of land bidding |
| Shenzhen Jinsailong Equipment Company | Non-related party | 670,000.00 | over 3years | 1.21 | equipment refund receivable |
| Committee of Industrial Zone of Wuyuan Country | Non-related party | 494,479.00 | over 3years | 0.89 | amount of land acquisition unsettle |
| Wulong tea plant of Nanan City Fujian Province | Non-related party | 207,888.72 | over 3years | 0.37 | Incomings and outgoings |
| total | | 28,782,853.12 | | 51.82 | |

(VI) Inventory

1. Classification

| Category | Balance at period-end | | | Balance at period-begin | | |
|----------------------|-----------------------|------------------------|---------------|-------------------------|------------------------|---------------|
| | Book balance | Depreciation provision | Book value | Book balance | Depreciation provision | Book value |
| Raw materials | 19,142,798.08 | 3,576,751.78 | 15,566,046.30 | 23,266,921.98 | 3,576,751.78 | 19,690,170.20 |
| Packaging materials | 4,123,232.95 | --- | 4,123,232.95 | 230,347.83 | --- | 230,347.83 |
| Product in process | 13,781,707.06 | --- | 13,781,707.06 | 9,956,224.07 | --- | 9,956,224.07 |
| Stock products | 23,056,656.89 | 546,312.89 | 22,510,344.00 | 19,749,782.75 | 465,137.05 | 19,284,645.70 |
| Goods delivered | 28,014.91 | --- | 28,014.91 | 55,783.81 | --- | 55,783.81 |
| OEM goods | 5,384,058.72 | 5,298,011.68 | 86,047.04 | 6,352,095.61 | 5,310,050.23 | 1,042,045.38 |
| Low value consumable | 887,956.57 | --- | 887,956.57 | 2,906,192.42 | --- | 2,906,192.42 |
| Total | 66,404,425.18 | 9,421,076.35 | 56,983,348.83 | 62,517,348.47 | 9,351,939.06 | 53,165,409.41 |

2. Inventory impairment provision

| Kinds of inventories | Book-balance as at period-begin | Provision for this period | Decrease during this year | | Book-balance as at period-end |
|----------------------|---------------------------------|---------------------------|---------------------------|-------------|-------------------------------|
| | | | Reversal | Written-off | |
| Raw materials | 3,576,751.78 | --- | --- | --- | 3,576,751.78 |
| Stock products | 465,137.05 | 81,175.84 | --- | --- | 546,312.89 |
| OEM goods | 5,310,050.23 | --- | --- | 12,038.55 | 5,298,011.68 |
| Total | 9,351,939.06 | 81,175.84 | --- | 12,038.55 | 9,421,076.35 |

3. Particular about inventory impairment provision

| item | Basis for withdrawal | Reasons for reversal in the period | Proportion in balance of the inventory at period-end for reversal (%) |
|----------------|---|------------------------------------|---|
| Raw materials | | --- | --- |
| Stock products | Book value less than its net realizable value | | --- |
| OEM goods | | --- | --- |

4. There was no capitalization of borrowing expenses credited to inventory cost

this year.

(VII) Long-term equity investment

1. Details of long-term equity investment

| invested unit | calculation method | investment cost | balance as at period-begin | +, - | balance as at period-end | Shares proportion held in invested unit | proportion of voting rights held in invested unit | Provision reserve | provision reserve withdrawal in this period | cash dividend this period |
|---|--------------------|-----------------|----------------------------|----------------|--------------------------|---|---|-------------------|---|---------------------------|
| Shenzhen Shenbao (Xinmin) Foods Co., Ltd. *1 | equity | 2,870,000.00 | 2,870,000.00 | --- | 2,870,000.00 | 49.14 | 49.14 | 2,870,000.00 | --- | --- |
| Shenzhen PepsiCo Beverage Co., Ltd. | equity | 60,179,068.06 | 64,123,658.58 | (289,786.96) | 63,833,871.62 | 25.00 | 25.00 | --- | --- | --- |
| Changzhou Sanjing Oil Co., Ltd. | equity | 13,500,000.00 | --- | --- | --- | 33.00 | 33.00 | --- | --- | --- |
| Shenzhen Shenbao Real Estate Development Co., Ltd. *2 | equity | 1,800,000.00 | 1,795,720.56 | (1,795,720.56) | --- | 20.00 | 20.00 | --- | --- | --- |
| subtotal of equity method | | 78,349,068.06 | 68,789,379.14 | (2,085,507.52) | 66,703,871.62 | | | 2,870,000.00 | --- | --- |
| Shenzhen Sanjiu Weitai Holdings Co., Ltd. | cost | 2,480,000.00 | 2,480,000.00 | --- | 2,480,000.00 | 0.95 | 0.95 | 2,480,000.00 | --- | --- |
| Shenzhen Taiji Optical-Electric Technologies Co., Ltd. *3 | cost | 15,000,000.00 | 15,000,000.00 | --- | 15,000,000.00 | 3.77 | 3.77 | 15,000,000.00 | --- | --- |
| Shenzhen Shenbao (Liaoyuan) Industrial Co., Ltd. *1 | cost | 57,628.53 | 57,628.53 | --- | 57,628.53 | 53.50 | 53.50 | 57,628.53 | --- | --- |
| Beijing Tiantan Holdings Co., Ltd *4 | cost | 57,500.00 | 57,500.00 | --- | 57,500.00 | --- | --- | --- | --- | --- |
| subtotal of cost method | | 17,595,128.53 | 17,595,128.53 | --- | 17,595,128.53 | | | 17,537,628.53 | --- | --- |

| | | | | | | | |
|-------|-------------------|-------------------|--------------------|-------------------|-------------------|------------|------------|
| Total | <u>95,944,196</u> | <u>86,384,507</u> | <u>(2,085,507.</u> | <u>84,299,000</u> | <u>20,407,628</u> | <u>---</u> | <u>---</u> |
| | <u>.59</u> | <u>.67</u> | <u>52)</u> | <u>.15</u> | <u>.53</u> | <u>---</u> | <u>---</u> |

*1: These two companies have been established for years. At present they have been revoked with business licenses. Due to that they haven't been wound up yet, impairment provisions was provided in full upon them.

*2: 20% equity of Shenzhen Shenbao Real Estate Development Co., Ltd., an affiliated enterprise, was transferred by the Company; investment cost of RMB 1.8 million was recovered.

*3: Since this company was established, it was improperly managed and in loss condition. Impairment provision has been provided at the balance between the predicted retrievable amount and the book value.

*4: These shares were legal person shares purchased through STAQ trading system. Its former name was Beijing Shuanghesheng Five Star Beer Sanhuan Co., Ltd. The Company was originally holding 55,000 shares as investment, and was changed to 33,333 shares after implementation of the share exchange and renaming program

(VIII) Fixed assets and accumulated depreciation**1. Original value of fixed assets**

| Category | Balance as at period-begin | Increase during this period | Decrease during this period | Balance as at period-end |
|-------------------------|-------------------------------|--------------------------------|--------------------------------|-----------------------------|
| House buildings | 106,760,867.61 | 159,073.02 | --- | 106,919,940.63 |
| Machinery equipments | 134,771,836.76 | 5,159,751.54 | 3,744,602.70 | 136,186,985.60 |
| Transportation tools | 6,966,221.99 | 666,134.00 | 1,671,142.00 | 5,961,213.99 |
| Other equipments | 6,725,157.85 | 507,352.46 | 262,305.19 | 6,970,205.12 |
| Total | 255,224,084.21 | 6,492,311.02 | 5,678,049.89 | 256,038,345.34 |

In the period, RMB 5,509,585.00 was transferred as fixed assets from construction in process.

2. Accumulated depreciation

| Category | Balance as at period-begin | Increase during this period | Decrease during this period | Balance as at period-end |
|-------------------------|-------------------------------|--------------------------------|--------------------------------|-----------------------------|
| House buildings | 7,165,745.13 | 3,272,319.88 | --- | 10,438,065.01 |
| Machinery equipments | 81,250,066.66 | 5,938,811.33 | 3,259,784.59 | 83,929,093.40 |
| Transportation tools | 4,660,665.08 | 343,524.26 | 1,554,222.47 | 3,449,966.87 |
| Other equipments | 4,548,652.87 | 432,392.03 | 214,384.78 | 4,766,660.12 |
| Total | 97,625,129.74 | 9,987,047.50 | 5,028,391.84 | 102,583,785.40 |

3. Net value of fixed assets

| Category | Balance as at period-begin | Balance as at period-end |
|----------------------|----------------------------|--------------------------|
| House buildings | 99,595,122.48 | 96,481,875.62 |
| Machinery equipments | 53,521,770.10 | 52,257,892.20 |
| Transportation tools | 2,305,556.91 | 2,511,247.12 |
| Other equipments | 2,176,504.98 | 2,203,545.00 |
| Total | 157,598,954.47 | 153,454,559.94 |

4. Impairment provision of fixed assets

| Category | Balance as at period-begin | Increase during this period | Decrease during this period | Balance as at period-end |
|-------------------------|-------------------------------|--------------------------------|--------------------------------|-----------------------------|
| House buildings | --- | --- | --- | --- |
| Machinery equipments | 2,978,108.36 | --- | 330,995.67 | 2,647,112.69 |
| Transportation tools | --- | --- | --- | --- |
| Other equipments | --- | --- | --- | --- |
| Total | 2,978,108.36 | --- | 330,995.67 | 2,647,112.69 |

5. Book value of fixed assets

| Category | Balance as at period-begin | Balance as at period-end |
|----------------------|----------------------------|--------------------------|
| House buildings | 99,595,122.48 | 96,481,875.62 |
| Machinery equipments | 50,543,661.74 | 49,610,779.51 |

| | | |
|----------------------|----------------|----------------|
| Transportation tools | 2,305,556.91 | 2,511,247.12 |
| Other equipments | 2,176,504.98 | 2,203,545.00 |
| Total | 154,620,846.11 | 150,807,447.25 |

6. There was no fixed asset leased in through financing leasing in this period

7. No fixed assets held ready for sales at period-end

8. Fixed assets without un-completed property certificates at period-end

| Item | Book value | Reasons for un-completed certificate | Times expected for certificate completed |
|--|--------------|--------------------------------------|--|
| Dormitory of the Shantou branch of Shenzhen Huacheng | 2,349,939.84 | New plan for aged district | Handle after new policy carried out, the company plans for sale recently |
| total | 2,349,939.84 | | |

9. Details of mortgage of fixed assets at period-end found more in (15) of Nove V.

(IX) Construction in process

| Item | Balance as at period-end | | | Balance as at period-begin | | |
|---|--------------------------|-------------------|----------------|----------------------------|-------------------|----------------|
| | Book balance | Provision reserve | Carrying value | Book balance | Provision reserve | Carrying value |
| Shenbao Plaza project | 3,842,333.64 | 3,842,333.64 | --- | 3,842,333.64 | 3,842,333.64 | --- |
| Pre-phase project in respect of Shenbao Building | 6,957,258.19 | --- | 6,957,258.19 | 4,634,968.12 | --- | 4,634,968.12 |
| Project of production line for Shantou Branch of Shenbao Huacheng | --- | --- | --- | 791,699.78 | --- | 791,699.78 |
| Reform project for production line of Mingyou Tea of Jufangyong in Wuyuan | --- | --- | --- | 811,986.33 | --- | 811,986.33 |
| general investment project for tea industry chain | 390,407.00 | --- | 390,407.00 | --- | --- | --- |
| Production line project of Shenbao Huacheng | 3,188,552.19 | --- | 3,188,552.19 | 1,027,232.15 | --- | 1,027,232.15 |
| Supervision system and simple warehouse of Shenzhen Technology | 556,161.80 | --- | 556,161.80 | --- | --- | --- |
| Other | 923,868.74 | 903,189.74 | 20,679.00 | 1,150,656.57 | 903,189.74 | 247,466.83 |
| Total | 15,858,581.56 | 4,745,523.38 | 11,113,058.18 | 12,258,876.59 | 4,745,523.38 | 7,513,353.21 |

1. Changes of major projects under construction

| Project | Balance as at period-begin | Increase during this period | Transferred to fixed assets this period | Other decrease this period | Balance as at period-end | Fund source |
|--|----------------------------|-----------------------------|---|----------------------------|--------------------------|------------------|
| Shenbao Building | 4,634,968.12 | 2,320,290.07 | --- | --- | 6,955,258.19 | Found in Note IX |
| Production line of Shenbao Huacheng | 1,027,232.15 | 4,603,249.34 | 1,418,906.23 | 1,023,023.07 | 3,188,552.19 | Self raised |
| Supervision system and simple warehouse of Shenzhen Technology | --- | 706,261.80 | 150,100.00 | --- | 556,161.80 | Self raised |

| | | | | | | |
|---|--------------|--------------|--------------|--------------|---------------|-------------|
| general investment project for tea industry chain | --- | 390,407.00 | --- | --- | 390,407.00 | Raised fund |
| Total | 5,662,200.27 | 8,020,208.21 | 1,569,006.23 | 1,023,023.07 | 11,090,379.18 | |

2. No capitalization of borrowings at balance of construction in process at period-end

(X) Productive biological assets

1. Measured by cost

| Item | Book balance at period-begin | Increased in the period | Decreased in the period | Book balance at period-end |
|-----------|------------------------------|-------------------------|-------------------------|----------------------------|
| Tea plant | 242,021.00 | 194,135.00 | --- | 436,156.00 |
| Total | 242,021.00 | 194,135.00 | --- | 436,156.00 |

The Company withdrawal no impairment provision for productive biological assets for no recoverable amount lower than its book value found at period-end.

(XI) Intangible assets

| Item | Balance at period-begin | Increased in the period | Decreased in the period | Balance at period-end |
|---|-------------------------|-------------------------|-------------------------|-----------------------|
| I. original value | 203,231,136.20 | 20,841,862.81 | --- | 224,072,999.01 |
| 1. Land using right | 176,163,763.16 | 17,770,016.85 | --- | 193,933,780.01 |
| 2. Patent technologies | 25,199,183.39 | 3,071,845.96 | --- | 28,271,029.35 |
| 3. Use right of forest | 1,868,189.65 | --- | --- | 1,868,189.65 |
| II. accumulated amortization | 15,863,192.99 | 5,678,611.65 | --- | 21,541,804.64 |
| 1. Land using right | 6,378,929.75 | 4,238,267.10 | --- | 10,617,196.85 |
| 2. Patent technologies | 9,378,399.15 | 1,402,980.75 | --- | 10,781,379.90 |
| 3. Use right of forest | 105,864.09 | 37,363.80 | --- | 143,227.89 |
| III. Accumulated intangible asset impairment provisions | --- | --- | --- | --- |
| 1. Land using right | --- | --- | --- | --- |
| 2. Patent technologies | --- | --- | --- | --- |
| 3. Use right of forest | --- | --- | --- | --- |
| IV. intangible asset book value | 187,367,943.21 | | | 202,531,194.37 |
| 1. Land using right | 169,784,833.41 | | | 183,316,583.16 |
| 2. Patent technologies | 15,820,784.24 | | | 17,489,649.45 |
| 3. Use right of forest | 1,762,325.56 | | | 1,724,961.76 |

1. As indicated by the item-by-item inspection of the Company conducted at year-end, there was no such event that the recoverable amount of intangible assets were lower than carrying value, thus no impairment provision for construction in process was provided.

2. Mortgage of intangible assets at period-end found more details in (15) of Note V.

(XII) Long-term deferred expense

| Category | Balance at period-begin | Increased in the period | Amortization during this period | Other decrease | Balance at period-end |
|---|----------------------------|----------------------------|------------------------------------|-------------------|--------------------------|
| Office decoration fee | 193,000.00 | 183,000.00 | 376,000.00 | --- | --- |
| 3 years term of comprehensive property insurance | 46,131.51 | --- | 24,068.52 | --- | 22,062.99 |
| Decoration charge for rented office | 1,017,626.68 | 538,158.29 | 254,406.72 | --- | 1,301,378.25 |
| Project of maintenance reform on canned warehouse and waste tea house | 379,494.03 | 50,182.37 | 82,866.24 | --- | 346,810.16 |
| Affiliated project of resident area in Jufangyong Wuyuan | 405,566.00 | 290,000.00 | 125,987.97 | --- | 569,578.03 |
| Reform project of warehouse and swage | --- | 1,248,264.08 | 37,746.54 | --- | 1,210,517.54 |
| Others | 74,171.92 | 123,218.06 | 31,924.00 | --- | 165,465.98 |
| Total | 2,115,990.14 | 2,432,822.80 | 932,999.99 | --- | 3,615,812.95 |

(XIII) Deferred income tax assets

1. Recognized deferred income tax assets

| Item | Balance as at period-end | Balance as at period-begin |
|---------------------------------|--------------------------|----------------------------|
| Impairment provision for assets | 2,645,321.41 | 2,595,233.33 |
| Total | 2,645,321.41 | 2,595,233.33 |

2. Details of uncertain deferred income tax assets

| Item | Balance as at period-end |
|------------------------------------|--------------------------|
| difference of temporary deductible | 16,667,582.50 |
| losses deductible | 22,748,882.37 |
| Total | 39,416,464.87 |

For uncertainty of sufficient taxable income tax obtained in future, no recognition of difference of temporary deductible and losses deductible for deferred income tax assets.

(XIV) Asset impairment provision

| Item | Balance as at period-begin | Increase during this period | Decrease during this period | | Balance as at period-end |
|--|-------------------------------|--------------------------------|-----------------------------|-------------|-----------------------------|
| | | | Reversal | Written-off | |
| Bad debt reserve | 40,110,369.78 | --- | 45,263.67 | 207,098.91 | 39,858,007.20 |
| Inventory impairment provision | 9,351,939.06 | 81,175.84 | --- | 12,038.55 | 9,421,076.35 |
| Long-term equity investment impairment provision | 20,407,628.53 | --- | --- | --- | 20,407,628.53 |
| Fixed asset impairment provision | 2,978,108.36 | --- | --- | 330,995.67 | 2,647,112.69 |
| Construction-in-process impairment provision | 4,745,523.38 | --- | --- | --- | 4,745,523.38 |

| | | | | | |
|-------|---------------|-----------|-----------|------------|---------------|
| Total | 77,593,569.11 | 81,175.84 | 45,263.67 | 550,133.12 | 77,079,348.15 |
|-------|---------------|-----------|-----------|------------|---------------|

(XV) Short-term loans

| Type of Loans | Balance as at period-end | Balance as at period-begin |
|--------------------------|--------------------------|----------------------------|
| Ensure loans | 28,000,000.00 | --- |
| Mortgage loans | --- | 19,000,000.00 |
| Ensure+Mortgage loans | --- | 16,400,000.00 |
| Guarantee+Mortgage loans | --- | 20,000,000.00 |
| Collateral loan | 10,000,000.00 | 7,000,000.00 |
| Total | 38,000,000.00 | 62,400,000.00 |

*No arrears of short-term borrowing at period-end.

**Collateral loan RMB 10 million refers to the loans from China Agriculture Development Bank by subsidiary—Wuyuan Jufangyong Tea Industry Co.,Ltd. with mortgage of land use right of Industry Zone of Wuyuan Country, areas of 115,605 m²; and warehouse of Industry Zone of Wuyuan Country, areas of 4,424.83 m²

(XVI) Account payables

| Age | Balance as at period-end | | Balance as at period-begin | |
|--------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| | Amount | Ratio in total amount (%) | Amount | Ratio in total amount (%) |
| within 1 year | 31,955,489.50 | 91.66 | 35,876,643.52 | 92.01 |
| Within 1 year to 2 years | 159,856.56 | 0.46 | 189,934.07 | 0.49 |
| Within 2 to 3 years | 14,252.35 | 0.04 | 322,696.86 | 0.83 |
| Over 3 years | 2,734,368.62 | 7.84 | 2,603,129.27 | 6.68 |
| Total | 34,863,967.03 | 100.00 | 38,992,403.72 | 100.00 |

1. No account payable to shareholders units holding over 5% (5% included) voting shares of the Company was included in the balance as at year-end.
2. No account payable to related parties was included in the balance as at year-end.
3. Account payable in great amount aging over one year:

| unit | Amount | Reason for not carried forward | Remarks |
|-------------|------------|--------------------------------|--------------|
| Customer I | 518,655.52 | un-certain for payment | Over 3 years |
| Customer II | 515,892.30 | un-certain for payment | Over 3 years |

(XVII) Account received in advance

| Item | Balance as at period-end | Balance as at period-begin |
|--------------------------|--------------------------|----------------------------|
| within 1 year | 2,685,306.45 | 1,392,556.06 |
| Within 1 year to 2 years | --- | 1,334.00 |
| Within 2 to 3 years | --- | 1,708.40 |
| Over 3 years | 735,406.45 | 755,033.66 |

| | | |
|-------|--------------|--------------|
| Total | 3,420,712.90 | 2,150,632.12 |
|-------|--------------|--------------|

1. No account received in advance from shareholders units holding over 5% (5% included) voting shares of the Company was included in the balance as at year-end.

2. No account received in advance from related parties was included in the balance as at year-end.

(XVIII) Wages payable

| Item | Balance as at period-begin | Amount occurred in this period | Amount paid in this period | Balance as at period-end |
|---|----------------------------|--------------------------------|----------------------------|--------------------------|
| I. Wage, bonus, allowance and subsidy | 2,275,290.72 | 26,028,315.96 | 25,562,029.36 | 2,741,577.32 |
| II. Employees' welfare | --- | 2,857,792.90 | 2,857,792.90 | --- |
| III. Social security | 46,118.39 | 3,031,307.21 | 3,061,057.79 | 16,367.81 |
| IV. Housing public reserve | --- | 2,235,624.25 | 2,235,624.25 | --- |
| V. Trade union fee and education fee | 727,470.16 | 520,368.06 | 508,892.83 | 738,945.39 |
| VI. Non-monetary welfare | --- | --- | --- | --- |
| VII. Compensation from labor relationship dismissed | 250,000.00 | --- | 80,173.40 | 169,826.60 |
| VIII. Other | --- | --- | --- | --- |
| Total | 3,298,879.27 | 34,673,408.38 | 34,305,570.53 | 3,666,717.12 |

(XIX) Tax payable

| Taxation | Balance as at period-end | Balance as at period-begin |
|-----------------------|--------------------------|----------------------------|
| VAT | 825,879.69 | 2,320,200.47 |
| Business tax | 196,470.25 | 185,970.25 |
| City construction tax | 128,397.41 | 156,802.09 |
| Enterprise income tax | 3,213,102.57 | 1,762,866.95 |
| Personal income tax | 177,741.85 | 48,549.77 |
| Property tax | 36,483.74 | 47,767.49 |
| Embankment fee | 167,963.18 | 4,702.54 |
| Education surtax | 107,437.01 | 85,254.53 |
| Other tax | 69,957.64 | 38,996.43 |
| Total | 4,923,433.34 | 4,651,110.52 |

(XX) Dividend payable

| unit | Balance as at period-end | Balance as at period-begin | Reasons for un-payment over one year |
|-------------------------------------|--------------------------|----------------------------|---|
| Shares without trusted | 218,212.60 | 218,212.60 | |
| Shenzhen Investment Management Co., | 2,690,970.14 | 2,690,970.14 | Original largest shareholder, formed from left-over of historical guarantee |
| Total | 2,909,182.74 | 2,909,182.74 | |

(XXI) Other payables

| item | Balance as at period-end | Balance as at period-begin |
|--------------------------|--------------------------|----------------------------|
| within 1 year | 12,459,188.92 | 62,550,677.33 |
| Within 1 year to 2 years | 62,066,329.50 | 5,581,388.21 |
| Within 2 to 3 years | 127,800.00 | 330,091.72 |
| Over 3 years | 5,157,333.07 | 8,619,803.65 |
| Total | 79,810,651.49 | 77,081,960.91 |

1. Others payable due to shareholders units holding over 5% (5% included) voting shares of the Company at period-end

| Unit | Balance as at period-end | Balance as at period-begin |
|-------------------------------------|--------------------------|----------------------------|
| Shenzhen Investment Management Co., | 3,510,297.20 | 3,510,297.20 |
| Total | 3,510,297.20 | 3,510,297.20 |

2. Others payable due to related parties at period-end

| Unit | Balance as at period-end | Balance as at period-begin |
|---|--------------------------|----------------------------|
| Shenzhen Investment Management Co., | 3,510,297.20 | 3,510,297.20 |
| Shenzhen Shenbao Property Development Co., Ltd. | --- | 1,699,670.00 |
| Total | 3,510,297.20 | 5,209,967.20 |

3. Unit of major connected amount at period-end for other account payable

| Unit | account | Nature or content | Remarks |
|---|---------------|----------------------------------|----------------|
| Shenzhen Jitai Industrial Development Co., Ltd. | 61,727,654.20 | construction of Shenbao Building | within 2 years |
| Shenzhen Investment Management Co., Ltd. | 3,510,297.20 | Original largest shareholder | within 3 years |
| total | 65,237,951.40 | | |

(XXII) Non-current liability due within one year

| Borrowing condition | Balance as at period-end | Balance as at period-begin |
|-------------------------------------|--------------------------|----------------------------|
| Long-term loans due within one year | --- | 66,500,000.00 |
| Total | --- | 66,500,000.00 |

1. Classification on long-term loans due within one year

| Item | Balance as at period-end | Balance as at period-begin |
|-----------------|--------------------------|----------------------------|
| Collateral loan | --- | 66,500,000.00 |

| | | |
|-------|-----|---------------|
| Total | --- | 66,500,000.00 |
|-------|-----|---------------|

(XXIII) Other current liability

| Item | Balance as at period-end | Balance as at period-begin |
|--|--------------------------|----------------------------|
| Research project on key technology for process of the extracts from ARS nature high-essence green tea *1 | 43,137.43 | 43,137.43 |
| Construction amount for 50 tons for clearly processing for Mingyou tea | --- | 450,000.00 |
| Total | 43,137.43 | 493,137.43 |

*1: Research project on key technology for process of the extracts from ARS nature high-essence green tea use specific amount. Ended as 31 December 2011 still has RMB 43,137.43 in account and expect to use in 2012.

(XXIV) Long-term loan

| Item | Balance as at period-end | Balance as at period-begin |
|-----------------|--------------------------|----------------------------|
| Collateral loan | --- | 27,000,000.00 |
| Total | --- | 27,000,000.00 |

(XXV) Other non-current liability

| Item | Balance as at period-end | Balance as at period-begin |
|---|--------------------------|----------------------------|
| Subsidy for tea seeding of New Tea Garden in Wangkou | 49,920.00 | 49,920.00 |
| Construction amount for 50 tons for clearly processing for Mingyou tea base of further processing for tea and nature plants | 1,375,000.00 | --- |
| | 3,025,000.00 | --- |
| Total | 4,449,920.00 | 49,920.00 |

(XXVI) Share capital

| Item | Balance as at period-begin | Increased (decreased) in this year | | | | | Balance as at period-end |
|--|----------------------------|------------------------------------|---------------|--------------------------------------|--------|---------------|--------------------------|
| | | New shares issued | Bon us shares | Shares converted from public reserve | Others | Sub-total | |
| 1. Shares with selling restriction condition | | | | | | | |
| (1) State-owned shares | --- | --- | --- | --- | --- | --- | --- |
| (2) State-owned legal person shares | 6,783,729.00 | --- | --- | --- | --- | --- | 6,783,729.00 |
| (3) Other domestic shares | 7,770,118.00 | 68,977,066.00 | --- | --- | --- | 68,977,066.00 | 76,747,184.00 |
| Including: | | | | | | | --- |
| Domestic legal person shares | 7,770,118.00 | 48,241,378.00 | --- | --- | --- | 48,241,378.00 | 56,011,496.00 |

| | | | | | | | |
|--|----------------|---------------|-----|-----|-----|---------------|----------------|
| Domestic natural person shares | --- | 20,735,688.00 | --- | --- | --- | 20,735,688.00 | 20,735,688.00 |
| (4) Foreign shares | --- | --- | --- | --- | --- | --- | --- |
| Including: | | | | | | | --- |
| Oversea legal person's share | --- | --- | --- | --- | --- | --- | --- |
| Oversea nature person's share | --- | --- | --- | --- | --- | --- | --- |
| Total of shares with selling restriction condition | 14,553,847.00 | 68,977,066.00 | | | | 68,977,066.00 | 83,530,913.00 |
| 2. Tradable shares without selling restriction condition | | | | | | | |
| (1) RMB common shares | 141,233,241.00 | --- | --- | --- | --- | --- | 141,233,241.00 |
| (2) Domestic-listed foreign shares | 26,136,000.00 | --- | --- | --- | --- | --- | 26,136,000.00 |
| (3) Foreign shares listed oversea | --- | --- | --- | --- | --- | --- | --- |
| (4) Others | --- | --- | --- | --- | --- | --- | --- |
| Total of tradable shares without selling restriction condition | 167,369,241.00 | --- | --- | --- | --- | --- | 167,369,241.00 |
| Total | 181,923,088.00 | 68,977,066.00 | --- | --- | --- | 68,977,066.00 | 250,900,154.00 |

On 22 June 2011, the Company privately offering 68,977,066 shares of RMB ordinary share (A share) to 8 target investors with issuing price of RMB 8.70 each and book value of RMB 1.00. Total monetary capital RMB 600,100,474.20 was raised(including four related nature person Ms. Lin Yixiang, Mr. Xia Zhenzhong, Ms. Cao Lijun and Ms. Zhen Lingna subscribed with 48.33% equity assets of Shenbao Huacheng held in total). Register capital of the Company changed as RMB 250,900,154.00. On 23 June 2011, being verified by "Verification Report" LIXIN DAHUA YZi [2011] No. 177 issued from Lixin Dahua, the capital privately raised above said has fully funded on 23 June 2011. The raised fund's registration and custody procedures have been completed dated 27 June 2011 and filing dated 1 July 2011 in Shenzhen Branch of China Securities Depository & Clearing Corporation Limited. The newly shares increased in this offering were trading in Shenzhen Stock Exchange on 4 July 2011. Changes procedures of industrial and commerce were completed on 12 July 2011 and share capital of the Company turns to RMB 250,900,154.

(XXVII) Capital reserves

| Item | Balance as at period-begin | Increase during this period | Decrease during this period | Balance as at period-end |
|----------------------------------|----------------------------|-----------------------------|-----------------------------|--------------------------|
| 1. Share capital premium | | | | |
| (1) Shares invested by investors | 78,583,100.73 | 503,415,075.89 | 14,587,923.67 | 567,410,252.95 |
| Subtotal | 78,583,100.73 | 503,415,075.89 | 14,587,923.67 | 567,410,252.95 |
| 2. Other capital reserve | 1,289,969.56 | --- | --- | 1,289,969.56 |
| Total | 79,873,070.29 | 503,415,075.89 | 14,587,923.67 | 568,700,222.51 |

1. Shares premium in privately offering in this period as RMB 503,415,075.8;
2. 48.33% minority shares of Shenbao Huacheng, subsidiary of the Company, purchased in this period decreased RMB 14,587,923.67 in Capital reserve- shares premiums

(XXVIII) Surplus reserves

| Item | Balance as at period-begin | Increase during this period | Decrease during this period | Balance as at period-end |
|------|----------------------------|-----------------------------|-----------------------------|--------------------------|
|------|----------------------------|-----------------------------|-----------------------------|--------------------------|

| | | | | |
|----------------------------|---------------|-----|-----|---------------|
| Statutory surplus reserves | 32,464,033.34 | --- | --- | 32,464,033.34 |
| Others | --- | --- | --- | --- |
| Total | 32,464,033.34 | --- | --- | 32,464,033.34 |

(XXIX) Retained profit

| Item | Amount |
|--|---------------|
| Balance as at end of period year | 30,831,869.17 |
| Add: Changes of accounting policy | --- |
| Errors of previously period | --- |
| Balance as at period-begin of this period | 30,831,869.17 |
| Add: net profit attributable to parent company for this period | 6,980,233.57 |
| Less: provision of statutory surplus reserve | --- |
| provision of discretionary surplus reserve | --- |
| Add: Profit distribution | --- |
| Balance as at period-end of this period | 37,812,102.74 |

(XXX) Operating income and costs

1. Operating income and costs

| Item | Amount as at this period | | Amount as at previous period | |
|----------------|--------------------------|----------------|------------------------------|----------------|
| | Operating income | Operating cost | Operating income | Operating cost |
| Main business | 316,347,948.59 | 255,679,112.43 | 229,138,225.48 | 177,382,332.82 |
| Other business | 1,882,295.08 | 1,754,915.40 | 659,172.69 | 82,045.21 |
| Total | 318,230,243.67 | 257,434,027.83 | 229,797,398.17 | 177,464,378.03 |

2. Main business (by industry)

| Industry | Amount as at this period | | Amount as at previous period | |
|----------|--------------------------|----------------|------------------------------|----------------|
| | Operating income | Operating cost | Operating income | Operating cost |
| Industry | 316,347,948.59 | 255,679,112.43 | 229,138,225.48 | 177,382,332.82 |

3. Main business (by products)

| Item | Amount as at this period | | Amount as at previous period | |
|---------------|--------------------------|----------------|------------------------------|----------------|
| | Operating income | Operating cost | Operating income | Operating cost |
| Soft beverage | 27,210,338.08 | 22,866,678.21 | 34,892,561.69 | 25,440,422.40 |
| Seasoning | 9,954,144.12 | 6,717,331.19 | 17,730,272.14 | 11,391,854.61 |
| Tea products | 279,183,466.39 | 226,095,103.03 | 176,515,391.65 | 140,550,055.81 |
| Total | 316,347,948.59 | 255,679,112.43 | 229,138,225.48 | 177,382,332.82 |

4. Main business (by area)

| Item | Amount as at this period | | Amount as at previous period | |
|----------------|--------------------------|----------------|------------------------------|----------------|
| | Operating income | Operating cost | Operating income | Operating cost |
| Export | 2,692,427.73 | 2,386,702.11 | 3,214,771.44 | 2,466,124.95 |
| Subtotal | 2,692,427.73 | 2,386,702.11 | 3,214,771.44 | 2,466,124.95 |
| South of China | 89,322,897.94 | 68,839,264.48 | 81,227,513.78 | 57,175,419.03 |
| East of China | 108,748,596.57 | 82,313,264.43 | 88,773,456.66 | 71,989,738.57 |
| Other regions | 115,584,026.35 | 102,139,881.41 | 55,922,483.60 | 45,751,050.27 |
| Subtotal | 313,655,520.86 | 253,292,410.32 | 225,923,454.04 | 174,916,207.87 |
| Total | 316,347,948.59 | 255,679,112.43 | 229,138,225.48 | 177,382,332.82 |

5. Business income of top 5 clients

| Customers | Main business income | Portion taken in all main business income of the Company (%) |
|--------------|----------------------|--|
| Customer I | 33,375,568.82 | 10.55 |
| Customer II | 23,429,203.09 | 7.41 |
| Customer III | 22,155,538.43 | 7.00 |
| Customer IV | 22,148,140.38 | 7.00 |
| Customer V | 17,665,743.66 | 5.58 |
| Total | 118,774,194.38 | 37.55 |

(XXXI) Operating tax and surcharges

| Item | Amount as at this period | Amount as at previous period |
|---------------------------------------|--------------------------|------------------------------|
| Business tax | 320,340.00 | 276,660.00 |
| City maintenance and construction tax | 971,240.44 | 472,147.45 |
| educational extra and others | 726,584.60 | 400,439.31 |
| Total | 2,018,165.04 | 1,149,246.76 |

(XXXII) Sales expense

| Item | Amount as at this period | Amount as at previous period |
|--------------------------------------|--------------------------|------------------------------|
| Wages and expenses for employees | 3,996,756.92 | 2,455,521.92 |
| Leasing and utilities | 314,396.64 | 180,582.35 |
| Depreciation and amortization charge | 469,802.68 | 126,867.03 |
| Charge of commodity transport | 6,881,670.21 | 5,068,701.87 |
| Sales discount and promotion charge | 2,244,457.50 | 1,594,995.90 |
| Daily office charge | 2,096,542.71 | 1,489,350.95 |
| Other | 457,615.67 | 924,551.76 |

| | | |
|-------|---------------|---------------|
| Total | 16,461,242.33 | 11,840,571.78 |
|-------|---------------|---------------|

(XXXIII) Administrative expense

| Item | Amount as at this period | Amount as at previous period |
|--------------------------------------|--------------------------|------------------------------|
| Wages and expenses for employees | 17,571,221.17 | 14,736,476.33 |
| Leasing and utilities | 1,674,769.76 | 2,105,045.66 |
| Depreciation and amortization charge | 8,925,693.61 | 7,180,227.65 |
| Agency and disclosure charge | 3,074,784.60 | 711,366.40 |
| Taxes | 1,670,951.82 | 676,276.95 |
| Daily office charge | 9,105,166.15 | 8,037,269.12 |
| manufacture suspension charge | 1,197,672.25 | 1,971,544.33 |
| Other | 4,276,819.71 | 3,738,221.74 |
| Total | 47,497,079.07 | 39,156,428.18 |

(XXXIV) Financial expense

| Item | Amount as at this period | Amount as at previous period |
|------------------------|--------------------------|------------------------------|
| Interest expense | 8,339,586.82 | 11,410,116.50 |
| Less: interests income | 5,589,585.11 | 1,729,129.16 |
| Exchange loss | 35,377.18 | 2,973.58 |
| Other | 174,610.06 | 143,742.31 |
| Total | 2,959,988.95 | 9,827,703.23 |

(XXXV) Asset impairment loss

| Item | Amount as at this period | Amount as at previous period |
|-------------------------------|--------------------------|------------------------------|
| Bad debt loss | (45,263.67) | 304,482.50 |
| Loss of depreciation of stock | 81,175.84 | (96,907.11) |
| Fixed asset impairment loss | --- | --- |
| Total | 35,912.17 | 207,575.39 |

(XXXVI) Gains from change of fair value

| Source of gains from change of fair value | Amount as at this period | Amount as at previous period |
|---|--------------------------|------------------------------|
| Transaction financial assets | (488,802.60) | 94,500.00 |
| Including: gains from change of fair value from derivative financial instrument | (488,802.60) | 94,500.00 |
| Total | (488,802.60) | 94,500.00 |

(XXXVII) Investment gains
1. Details of investment gains

| Item | Amount as at this period | Amount as at previous period |
|--|--------------------------|------------------------------|
| Long-term equity investment gains recognized under equity method | (289,786.96) | (12,550,001.25) |
| Investment income from disposal of long-term equity investment | 4,279.44 | 497,932.95 |
| Investment gains from disposal of transactional financial assets | 2,460,701.94 | --- |
| Other | 1,500,000.00 | --- |
| Total | 3,675,194.42 | (12,052,068.30) |

2. Long-term equity investment gains calculated under equity method

| Invested unit | Amount as at this period | Amount as at previous period | Reasons of changes compare with last period |
|---------------------------------|--------------------------|------------------------------|---|
| Shenzhen PEPSI | (289,786.96) | (20,226,289.52) | major down in amount deficit in this period |
| Changzhou Sanjing Oil Co., Ltd. | --- | (6,722,189.05) | |
| Total | (289,786.96) | (26,948,478.57) | |

3. No material restriction will appear in recovery of investment income of the Company.

(XXXVIII) Non-operating income

| Item | Amount as at this period | Amount as at previous period | Amount reckoned into current non-recurring gains/losses |
|--|--------------------------|------------------------------|---|
| Total income from disposal of non-current assets | 50,103.10 | 7,386,336.24 | 50,103.10 |
| Including: Gains from disposal of fixed assets | 50,103.10 | 2,146,036.81 | 50,103.10 |
| Gains from disposal of intangible assets | --- | 5,240,299.43 | --- |
| Government grant *1 | 1,800,048.00 | 1,868,815.57 | 1,800,048.00 |
| Others *2 | 17,092,941.81 | 2,900,985.60 | 17,092,941.81 |
| Total | 18,943,092.91 | 12,156,137.41 | 18,943,092.91 |

***1: Details of government grant**

| Item | Amount as at this period | Amount as at previous period | Remarks |
|--|--------------------------|------------------------------|------------------|
| Project of ecological demonstration tea park of sustainable development | --- | 800,000.00 | |
| Project of industrialization and key technology on extracts process for high-essence oolong | --- | 250,000.00 | |
| Assistant amount for self-innovation enterprise supporting | --- | 100,000.00 | |
| Grants for research project on key technology for process of the extracts from ARS nature high-essence green tea | --- | 456,862.57 | |
| Government grants for other projects | 180,048.00 | 261,953.00 | |
| Integrated fund for tea | 200,000.00 | --- | GCY(2010) No.262 |

| | | | |
|--|--------------|--------------|------------------------|
| Industrialization subsidy of agriculture (discount) | 300,000.00 | --- | GCN(2011) No. 189 |
| Technology reform subsidy from Financial Bureau | 600,000.00 | --- | RGXTZZi (2011) No. 107 |
| Industrialization of raw material from new-type tea beverage | 120,000.00 | --- | WF (2007) No. 5 |
| deferred income transfer-in | 400,000.00 | --- | |
| Total | 1,800,048.00 | 1,868,815.57 | |

*2: In April 2010, Guangdong Sunrise Group Holding Co., Ltd. was ruled by Shenzhen Municipal Intermediate People's Court for reorganization. The Company exercise creditor declaration to manager of Guangdong Sunrise Group Holding Co., Ltd., being audited, creditor amount was determined as RMB 62,150,928.20. According to the reorganization plan of Guangdong Sunrise Group Holding Co., Ltd ruled by Shenzhen Municipal Intermediate People's Court: monetary discharge proportion of ordinary creditors' right was 2.16% and shares discharge proportion was 27.89%, ordinary creditors could get 30.05% discharge totally. The first cash allocation plan for reorganization from manager of Guangdong Sunrise Group Holding Co., Ltd: monetary discharge proportion of ordinary creditors' right was 2.22335%; first liquidation amount RMB 1,381,832.66 was received by the Company dated 23 January 2011, shares *ST Sunrise (A-stock) was received dated 1 April 2011, tradable shares with RMB 9.07 per share and restricted shares of RMB 8.00 per share; after deducting relevant laws expenses, RMB 17,088,533.21 was reckoned into non-operating income.

(XXXIX) Non-operating expenses

| Item | Amount as at this period | Amount as at previous period | Amount reckoned into current non-recurring gains/losses |
|---|--------------------------|------------------------------|---|
| Losses from disposal of non-current assets | 65,015.04 | 57,034.38 | 65,015.04 |
| Including: Losses from disposal of fixed assets | 65,015.04 | 57,034.38 | 65,015.04 |
| External donation expenditure | 160,000.00 | 30,000.00 | 160,000.00 |
| Others | 35,969.20 | 19,596.37 | 35,969.20 |
| Total | 260,984.24 | 106,630.75 | 260,984.24 |

(XL) Income tax expense

| Item | Amount as at this period | Amount as at previous period |
|---|--------------------------|------------------------------|
| Current income tax calculated by tax law and relevant regulations | 4,099,177.59 | 1,316,363.44 |
| Deferred income tax | (50,088.08) | 863,261.35 |
| Total | 4,049,089.51 | 2,179,624.79 |

(XLI) Computer of basic earnings per share and diluted earnings per share

Computer of basic earnings per share:

Basic earnings per share=PO/S

$$S = S_0 + S_1 + S_i * M_i / M_0 - S_j * M_j / M_0 - S_k$$

Among which: PO represents net profit attributable to shareholders of ordinary shares of the Company or net profit (net of non-current gains and losses) attributable to shareholders of ordinary shares of the Company; S represents the weighted average number of ordinary shares in issue; S₀ represents aggregate of shares as at period-begin; S₁ represents share added due to conversion of public reserve to share capital or allocation of share dividends during the report period; S_i represents share added due to new issuance of shares or shares converted from debts during the report period; S_j represents shares decreased due to purchase-back of its own shares during the period; S_k represents shares diluted during the period; M₀ represents number of months for the period; M_i represents the accumulated months commencing from the

month subsequent upon shares addition to year-end of the period; Mj represents the accumulated months commencing from the month subsequent upon shares deduction to year-end of the period.

Computer of diluted earnings per share:

Diluted earnings per share= $P1 / (S0 + S1 + Si * Mi / M0 - Sj * Mj / M0 - Sk + \text{weighted average number of ordinary shares increased from (warrant+option+convertible bonds)})$

Among which: P1 represents net profit attributable to shareholders of ordinary shares of the Company or net profit (net of non-current gains and losses) attributable to shareholders of ordinary shares of the Company, and is subject to adjustment under relevant regulations of Accounting Standard for Enterprises in light of the affect of diluted potential ordinary shares. When computering diluted earnings per share, the Company shall take into account the affects conducted by all diluted potential ordinary shares upon net profit attributable to shareholders of ordinary shares of the Company or net profit (net of non-current gains and losses) attributable to shareholders of ordinary shares of the Company and weighted average shares. According to dilution degree (in order from big to small), dilution shall be accounted in diluted earnings per share until which arrives at its minimized amount.

| Item | Amount as at this period |
|---|--------------------------|
| Calculation of Basic EPS | |
| (I) Numerator | |
| net profit attributable to shareholders of ordinary shares of the Company (PO) | 6,980,233.57 |
| net profit attributable to shareholders of ordinary shares of the Company after deducting non-recurring gains/losses (PO) | (13,338,969.53) |
| (II) Denominator | |
| aggregate of shares as at period-begin (S0) | 181,923,088.00 |
| share added due to conversion of public reserve to share capital or allocation of share dividends during the report period (S1) | --- |
| share added due to new issuance of shares or shares converted from debts during the report period (Si) | 68,977,066.00 |
| shares decreased due to purchase-back of its own shares during the period (Sj) | --- |
| shares diluted during the period (Sk) | --- |
| number of months for the period (M0) | 12.00 |
| accumulated months commencing from the month subsequent upon shares addition to year-end of the period (Mi) | 6.00 |
| accumulated months commencing from the month subsequent upon shares deduction to year-end of the period (Mj) | --- |
| Weighted average of normal shares offering outside (S) | 216,411,621.00 |
| (III) EPS | |
| Basic EPS | |
| Net profit attributable to ordinary shareholders of company | 0.0323 |
| Net profit attributable to ordinary shareholders of company after deducting non-recurring gains/losses | (0.0616) |

There are no diluted equity in report period, diluted EPS equals to basic EPS.

(XLII) Other comprehensive gains

| Item | Amount occurred in this period | Amount occurred in last period |
|------|--------------------------------|--------------------------------|
|------|--------------------------------|--------------------------------|

| | | |
|--|-----|--------------|
| 1. Shares of other comprehensive income in invested units based on equity method | --- | --- |
| Less: Influence of income tax arising from shares of other comprehensive income in invested units based on equity method | --- | --- |
| Net amount reckoned into other comprehensive income previous period while transfer-in current gains/losses | --- | 210,249.15 |
| Sub-total | --- | (210,249.15) |
| Total | --- | (210,249.15) |

(XLIII) Notes to statement of cash flow

1. Other cash received in relation to operation activities

| Item | Amount as at this period |
|----------------------------|--------------------------|
| Government grants received | 1,400,048.00 |
| Rental | 586,800.00 |
| Interest | 1,683,237.10 |
| Others | 5,226,665.09 |
| Total | 8,896,750.19 |

2. Other cash paid in relation to operation activities

| Item | Amount as at this period |
|--|--------------------------|
| Total connected amount of external units | 3,765,622.35 |
| Administration expense | 15,521,979.79 |
| sales expense | 7,429,936.70 |
| Rental | 1,777,613.53 |
| Others | 5,720,408.88 |
| Total | 34,215,561.25 |

3. Cash received from other investment activities

| Item | Amount as at this period |
|---|--------------------------|
| government subsidy received connected with assets | 4,350,000.00 |
| Total | 4,350,000.00 |

4. Other cash received in relation to financing activities

| Item | Amount as at this period |
|----------------------------------|--------------------------|
| Decrease of other monetary fund | 19,500,000.00 |
| Interest of raised fund received | 3,906,348.01 |

| | |
|-------|---------------|
| Total | 23,406,348.01 |
|-------|---------------|

5. Cash paid related with financing activities

| Item | Amount as at this period |
|-------------------------------------|--------------------------|
| Expense paid for privately offering | 5,208,332.31 |
| Total | 5,208,332.31 |

(XLIV) Supplementary information to statement of cash flow

1. Supplementary information to statement of cash flow

| Item | Amount as at this period | Amount as at previous period |
|---|--------------------------|------------------------------|
| 1、 Net profit adjusted to cash flow of operation activities | | |
| Net profit | 9,643,239.26 | 8,985,389.49 |
| Add: assets impairment losses | 35,912.17 | 207,575.39 |
| Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets | 9,987,047.50 | 9,643,782.55 |
| Amortization of intangible assets | 5,678,611.65 | 3,914,762.00 |
| Amortization of long-term deferred expenses | 932,999.99 | 391,331.22 |
| Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with “-”) | 14,911.94 | (7,329,301.86) |
| Loss of disposing fixed assets(gain is listed with “-”) | --- | --- |
| Loss from change of fair value(gain is listed with “-”) | 488,802.60 | (94,500.00) |
| Financial expenses (gain is listed with “-”) | 4,433,238.81 | 11,410,116.50 |
| Investment loss (gain is listed with “-”) | (3,675,194.42) | (8,869,512.82) |
| Decrease of deferred income tax asset((increase is listed with “-”) | (50,088.08) | 876,345.99 |
| Increase of deferred income tax liability (decrease is listed with “-”) | --- | --- |
| Decrease of inventory (increase is listed with “-”) | (3,887,076.71) | (9,568,179.42) |
| Decrease of operating receivable accounts (increase is listed with “-”) | (17,822,157.82) | 2,426,137.18 |
| Increase of operating payable accounts (decrease is listed with “-”) | (24,570,456.81) | (6,770,931.59) |
| Others | --- | --- |
| Net cash flow arising from operating activities | (18,790,209.92) | 5,223,014.63 |
| 2. Material investment and financing not involved in cash flow | | |
| Liabilities converted to capital | --- | --- |
| Convertible bond expire in 1 year | --- | --- |
| Fixed assets leased through financing | --- | --- |
| 3. Net change of cash and cash equivalents | | |
| Balance of cash at period end | 436,842,717.15 | 40,540,179.32 |
| Less: Balance of cash at year-begin | 40,540,179.32 | 90,613,421.70 |

| | | |
|---|----------------|-----------------|
| Plus: Balance of cash equivalents at the period end | --- | --- |
| Less: Balance of cash equivalent at year-begin | --- | --- |
| Net increasing of cash and cash equivalents | 396,302,537.83 | (50,073,242.38) |

2. Constitution of cash and cash equivalent:

| Item | Balance as at period-end | Balance as at period-begin |
|---|--------------------------|----------------------------|
| 1. Cash | 436,842,717.15 | 40,540,179.32 |
| Including: stock cash | 90,189.16 | 190,951.97 |
| Bank deposit available for payment at any time | 436,752,527.99 | 40,349,227.35 |
| Other monetary fund available for payment at any time | --- | --- |
| 2. Cash equivalent | --- | --- |
| Including: bond investment matured within 3 months | --- | --- |
| 3. Balance of cash and cash equivalent at year-end | 436,842,717.15 | 40,540,179.32 |

VI. Related Parties and Transactions

(I) Related Parties

1. Relationship

(1) Parent company of the Company

Unit: RMB'0000

| Parent company | Nature | Registration place | Legal representative | Business nature | Registered capital | Proportion of shares held to the Company (%) | Proportion of voting right to the Company (%) | Final controller of the Company | Organization code |
|--|-------------------------|--------------------|----------------------|---|--------------------|--|---|---------------------------------|-------------------|
| Shenzhen Agricultural Products Co., Ltd. | Stock limited (listing) | Shenzhen | Chen Shaoqun | Development, construction, operation and management of agricultural products retail market, operation of market leasing | RMB 768,507,900 | 19.09 | 19.09 | SASAC of Shenzhen | 192179163 |

2. Subsidiary of the Company

Subsidiary of the Company found more details in Note IV.

3. Joint-venture and affiliated enterprise of the Company

More details of **joint-venture and affiliated enterprise of the Company found in (7) of Note V.**

4. Particulars about other related parties

| Other related parties | Relation with the Company | Organization code |
|-------------------------------------|---|-------------------|
| Shenzhen Investment Management Co., | Original largest shareholder of the Company | 767566421 |

(II) Related transaction

1. As for subsidiaries where controlling exists and which have been consolidated to consolidation

scope of the Company, transactions among them and transactions occurred between parent company and subsidiaries have been all offset.

2. Related transaction of sales of commodities

| Name of related party | Amount of this period | Amount of this period |
|--|-----------------------|-----------------------|
| Shenzhen Agricultural Products Co., Ltd. | 128,230.77 | --- |
| Total | 128,230.77 | --- |

3. Account receivable/payable for related parties

(1) Account receivable from related parties

| Item | Related party | Balance at period-end | | Balance at period-begin | |
|--------------------------|--|-----------------------|--------------------|-------------------------|--------------------|
| | | Book balance | Bad debt provision | Book balance | Bad debt provision |
| Account receivable | | | | | |
| | Shenzhen Agricultural Products Co., Ltd. | 5,200.00 | --- | 4,868.00 | --- |
| Other account receivable | | | | | |
| | Changzhou Sanjing Oil Co., Ltd. | 15,530,485.40 | 1,644,683.94 | 14,667,540.28 | 1,147,877.21 |
| Total | | 15,535,685.40 | 1,644,683.94 | 14,672,408.28 | 1,147,877.21 |

(2) Account payable to related parties

| Item | Related party | Balance at period-end | | Balance at period-begin | |
|-----------------------|---|-----------------------|--------------------|-------------------------|--------------------|
| | | Book balance | Bad debt provision | Book balance | Bad debt provision |
| Other account payable | | | | | |
| | Shenzhen Investment Management Co., Ltd. | 3,510,297.20 | --- | 3,510,297.20 | --- |
| | Shenzhen Shenbao Property Development Co., Ltd. | --- | --- | 1,699,670.00 | --- |
| Dividend payable | | | | | |
| | Shenzhen Investment Management Co., Ltd. | 2,690,970.14 | --- | 2,690,970.14 | --- |
| Total | | 6,201,267.34 | --- | 7,900,937.34 | --- |

VII. Contingent events

The case concerning the joint-liability guarantee the Company provided for the RMB 7 million loans which Shenzhen China Bicycle Company (Holdings) Limited ("Shenzhen Zhonghua" for short) had obtained from Shenzhen Branch of China Construction Bank ("Construction Bank" for short) has been closed with reconciliation. The Agreement of Interest Reduction was signed between the Company and Construction Bank in 2003, the RMB 7 million have been paid by the Company for Shenzhen Zhonghua in two phases and accomplished the jointly liability; Concerning the jointly-liability of the Company for Letter of Credit Opening for Shenzhen Zhonghua in Shenzhen Branch of Bank of China with USD 0.8 million, being verdict by Civil Ruling of (1999) YFJYZZ No. 26 from Guangdong Higher People's Court, the Company takes the jointly-liability for payment. Till end of 30

June 2004, the RMB 6.6316 million (USD 0.8 million by converted) have been paid by the Company for Shenzhen Zhonghua and accomplished the jointly liability; later on 22 July 2004, the Company applied to Shenzhen Intermediate People's Court for the enforcement on the above repayment.

In 2004, the Company brought a charge against Shenzhen Zhonghua to Shenzhen Intermediate People's Court for compensated relevant losses on capital occupation and with RMB 7 million paid for pre-payment by the Company. Shenzhen Intermediate People's Court verdict that the RMB 7 million repaid by the Company for Shenzhen Zhonghua should be paid to the Company together with interest during capital occupation, (2004) SZFMECZ No. 448. Due to the failure implementation for the verdict on time and certain content from Shenzhen Zhonghua, the Company applied for enforcement to Shenzhen Intermediate People's Court on 20 December 2004. The Civil Ruling and Execution Order of (2004) SZFZZ No. 1382 and (2005) SZFZZ No. 208 were delivered to Shenzhen Zhonghua on 14 January 2005 from Shenzhen Intermediate People's Court with verdict that: seal up and freeze the property of Shenzhen Zhonghua (limited as RMB 14,131,575.92) and order Shenzhen Zhonghua performed the effective-ness law documents and relevant obligations within five days since the execution order received. Un-performed undue, the enforcement will exercise by Shenzhen Intermediate People's Court. Later, the abovementioned two executions was appointed by the Court of Guangzhou Railway Transportation by Guangdong Higher People's Court, and the case abortion due to no property clue been found. Execution should be applied to Court of Guangzhou Railway Transportation for recover due to the situation of abortion disappeared.

VIII. Commitments

1. On 19 July 2011, the 13th Meeting of 7th Session of the Board agrees to sell 15% equity of Shenzhen PepsiCo and public assembly of the transferee in Shenzhen United Property & Share Rights Exchange. On 29 August, the Company entered into "Equity Transfer Agreement" with assembles qualified party PepsiCo (China), transferred 15% equity of Shenzhen PepsiCo with consideration of RMB 144 million to PepsiCo (China), and purchasing margin RMB 30 million was paid to Shenzhen United Property & Share Rights Exchange by PepsiCo (China). On 26 September, 3rd Extraordinary Shareholders' General Meeting of 2011 was deliberated and passed the above said exchange, at the same time, the "Reply of changes of investor's equity for Sino-foreign joint venture—Shenzhen PepsiCo Beverage Co., Ltd." was issued by SZSITIC in favor of 15% equity of Shenzhen PepsiCo held by the Company transferred to PepsiCo (China). Pursuit to relevant regulation of "Management Method of Material Assets Reorganization for Listed Company", the above said exchange constitute material assets reorganization which should be submitted to CSRC for approval. On 22 December, "Reply of material assets reorganization of Shenzhen Shenbao Industrial Co., Ltd. verified" (ZJXK [2011] No. 2030) was received by the Company from CSRC. Changes procedures of industry and comer for 15% equity transference was completed dated 10 January 2012. Equity transfer still in progress based on "Equity Transfer Agreement" signed between the two parties so far.

2. On 13 December 2011, the 7th Session of the Board agrees to investing RMB 20 million in establishment of wholly-owned subsidiary in Hangzhou—Hangzhou Minduan Tianpin Tea Co., Ltd.(Preparation). Recently, relevant registration procedures of industry and commerce for the new company still in progress.

IX. Significant events

In according to the “Cooperation Agreement of Construction Project” signed between the Company and Shenzhen Jitai Industrial Development Co., Ltd (“Jitai Industrial Company”), the Company will activated land located in Wenjun North Rd., Luohu District, Shenzhen (Land serial No.: H307-0018) with Jitai Industrial Company for constructing self-used office building. The Company did not invested for the construction in any way and undertakes no any cost, Jitai Industrial Company in charge of whole capital invested for the construction. Land valuation price for H307-0018 RMB 42 million should be considered as the allocation of property of construction projects. Proportion for property allocation of the Company: proportion of land evaluation price RMB 42 million for H307-0018 in total cost of construction project (that is RMB 42 million + whole audited capital invested in construction projects from Jitai Industrial Company); the balance of RMB 55,756,182.00 for this land has been paid by Jitai Industrial Company and paid to relevant land dept. through the Company. Ended as 31 December 2011, project amount arising from construction project amounting to RMB 6,955,258.19.

X. Subsequent events of balance sheet

On 2 March 2012, 19th Meeting of 7th Session of the Board deliberated and passed in favor of increasing capital in Wuyuan Jufangyong, subsidiary of the Company with raised fund RMB 270 million for constructing “comprehensive investment project of tea industry chain”. On 21 March 2012, the first extraordinary shareholders’ general meeting of 2012 was deliberated and approved this capital increased. Ended as 21 March 2012, raised fund invested in Wuyuan Jufangyong amounting as RMB 272,524,134.35, paid-in capital added amounting as RMB 270 million; changes procedures for industry and commerce has been done 28 March 2012 by Wuyuan Jufangyong.

XI. Notes to main items in financial statements of parent company

(I) Account receivable

1. Account receivable disclosed by categories

| categories | Balance as at period-end | | | | Balance as at period-begin | | | |
|--|--------------------------|----------------|--------------------|----------------|----------------------------|----------------|--------------------|----------------|
| | Book balance | | Bad debt provision | | Book balance | | Bad debt provision | |
| | Amount | Proportion (%) | Amount | Proportion (%) | Amount | Proportion (%) | Amount | Proportion (%) |
| I. Account receivable with single major amount and withdrawal bad debt provision for single item | --- | --- | --- | --- | --- | --- | --- | --- |
| II. Account receivable withdrawal bad debt provision by age combination | 10,800.00 | 27.51 | --- | --- | 26,834.82 | 48.54 | --- | --- |
| III. Account receivable with single minor amount but withdrawal bad debt provision for single item | 28,453.08 | 72.49 | 28,453.08 | 100 | 28,453.08 | 51.46 | 28,453.08 | 100.00 |
| Total | 39,253.08 | 100.00 | 28,453.08 | 100 | 55,287.90 | 100.00 | 28,453.08 | 51.46 |

Explanation for categories of account receivable:

In combination, account receivable withdrawal bad debt provision by age combination

| categories | Balance as at period-end | | | | Balance as at period-begin | | | |
|---------------|--------------------------|----------------|--------------------|----------------|----------------------------|----------------|--------------------|----------------|
| | Book balance | | Bad debt provision | | Book balance | | Bad debt provision | |
| | Amount | Proportion (%) | Amount | Proportion (%) | Amount | Proportion (%) | Amount | Proportion (%) |
| Within 1 year | 10,800.00 | 100 | --- | --- | 26,834.82 | 100 | --- | --- |
| 1-2years | --- | --- | --- | --- | --- | --- | --- | --- |
| 2-3years | --- | --- | --- | --- | --- | --- | --- | --- |
| over 3 years | --- | --- | --- | --- | --- | --- | --- | --- |
| Total | 10,800.00 | 100 | --- | --- | 26,834.82 | 100 | --- | --- |

2. Withdrawal of bad debt provision for account receivable with single minor amount but conducting impairment test independently at period-end

| Item of account receivable | Carrying value | Bad debt provision | Withdrawal proportion | reasons |
|-----------------------------------|----------------|--------------------|-----------------------|------------------------------|
| Instrument factory of Potou Hubei | 9,996.58 | 9,996.58 | 100.00 | Minor possibility in recover |
| Guo Wenhui | 18,456.50 | 18,456.50 | 100.00 | Minor possibility in recover |
| Total | 28,453.08 | 28,453.08 | 100.00 | |

3. No verified account receivable in report period

4. No arrear made by shareholders units holding over 5% (5% included) voting rights of the Company appeared in the account receivables as at period-end.

| Name | Balance as at period-end | | Balance as at period-begin | |
|--|--------------------------|---------------------|----------------------------|---------------------|
| | Carrying value | bad debt withdrawal | Carrying value | bad debt withdrawal |
| Shenzhen Agricultural Products Co., Ltd. | 5,200.00 | --- | 4,868.00 | --- |
| Total | 5,200.00 | --- | 4,868.00 | --- |

(II) Other receivables

1. Other account receivable classified according to categories

| categories | Balance as at period-end | | | | Balance as at period-begin | | | |
|--|--------------------------|----------------|--------------------|----------------|----------------------------|----------------|--------------------|----------------|
| | Book balance | | Bad debt provision | | Book balance | | Bad debt provision | |
| | Amount | Proportion (%) | Amount | Proportion (%) | Amount | Proportion (%) | Amount | Proportion (%) |
| I. Other account receivable with single major amount and withdrawal bad debt provision for single item | --- | --- | --- | --- | --- | --- | --- | --- |
| II. Other account receivable withdrawal bad debt provision by age combination | 291,802,465.87 | 98.16 | 1,689,187.04 | 0.58 | 294,952,945.01 | 98.18 | 1,307,309.36 | 0.44 |

| | | | | | | | | |
|--|----------------|--------|--------------|--------|----------------|------|--------------|--------|
| III. Other account receivable with single minor amount but withdrawal bad debt provision for single item | 5,472,398.91 | 1.84 | 5,472,398.91 | 100.00 | 5,472,398.91 | 1.82 | 5,472,398.91 | 100.00 |
| Total | 297,274,864.78 | 100.00 | 7,161,585.95 | 2.41 | 300,425,343.92 | 100 | 6,779,708.27 | 2.26 |

Explanation for categories of account receivable:

In combination, other account receivable withdrawal bad debt provision by age combination

| categories | Balance as at period-end | | | | Balance as at period-begin | | | |
|---------------|--------------------------|----------------|--------------------|----------------|----------------------------|----------------|--------------------|----------------|
| | Book balance | | Bad debt provision | | Book balance | | Bad debt provision | |
| | Amount | Proportion (%) | Amount | Proportion (%) | Amount | Proportion (%) | Amount | Proportion (%) |
| Within 1 year | 276,838,171.65 | 94.87 | --- | 0.00 | 95,189,395.59 | 32.27 | --- | --- |
| 1-2years | 4,410,151.72 | 1.51 | 220,507.59 | 5.00 | 60,907,765.83 | 20.65 | 114,441.93 | 0.19 |
| 2-3years | 2,288,838.66 | 0.79 | 228,883.86 | 10.00 | 74,751,119.27 | 25.34 | 446,756.15 | 0.6 |
| over 3 years | 8,265,303.84 | 2.83 | 1,239,795.59 | 15.00 | 64,104,664.32 | 21.73 | 746,111.28 | 1.16 |
| Total | 291,802,465.87 | 100.00 | 1,689,187.04 | 0.58 | 294,952,945.01 | 100.00 | 1,307,309.36 | 0.44 |

2. No arrear made by shareholders units holding over 5% (5% included) voting rights of the Company appeared in the other account receivables as at period-end.

3. Other account receivable from related parties at period-end

| Unit | Relation with the Company | nature or content | Amount | Age | Portion taken in total other account receivable (%) |
|---------------------------------|---------------------------|-------------------|---------------|----------------|---|
| Changzhou Sanjing Oil Co., Ltd. | Associate | connect amount | 15,530,485.40 | within 3 years | 5.22 |
| Total | | | 15,530,485.40 | | 5.22 |

4. Top five other account receivable

| Unit | Relation with the Company | nature or content | Amount | Age | Portion taken in total other account receivable (%) |
|---------------------------------|---------------------------|------------------------|----------------|---------------|---|
| Shenbao Technology | Subsidiary | Incomings and outgoing | 162,005,549.78 | within 1 year | 54.50 |
| Shenbao Huacheng | Subsidiary | Incomings and outgoing | 28,000,000.00 | within 1 year | 9.42 |
| Shenbao Sanjing | Subsidiary | Incomings and outgoing | 26,204,103.10 | within 1 year | 8.81 |
| Wuyuan Jufangyong | Subsidiary | Incomings and outgoing | 24,390,407.00 | within 1 year | 8.20 |
| Changzhou Sanjing Oil Co., Ltd. | Associate | Incomings and outgoing | 15,530,485.40 | 1-3 years | 5.22 |

| | | | | | | | | | | | |
|-------|--|--|--|--|--|----------------|--|--|--|--|-------|
| Total | | | | | | 256,130,545.28 | | | | | 86.15 |
|-------|--|--|--|--|--|----------------|--|--|--|--|-------|

(III) Long-term equity investment

| Name of the Companies | calculation method | investment cost | Balance as at period-begin | changes +,- | Balance as at period-end | Shares held in invested unit (%) | Voting rights in invested unit (%) | explanation for unconsolidated between shares held and voting rights held in invested unit | impairment provision | withdral of impairment provision in this period | cash bonus in this period |
|---|--------------------|-----------------|----------------------------|----------------|--------------------------|----------------------------------|------------------------------------|--|----------------------|---|---------------------------|
| Shenzhen Shenbao (Xinmin) Food Co., Ltd | equity method | 2,870,000.00 | 2,870,000.00 | --- | 2,870,000.00 | 49.14 | 49.14 | --- | 2,870,000.00 | --- | --- |
| Changzhou Sanjing Oil Co., Ltd. | equity method | 13,500,000.00 | --- | --- | --- | 33.00 | 33.00 | --- | --- | --- | --- |
| Shenzhen Shenbao Real Estate Development Co., Ltd | equity method | 1,800,000.00 | 1,795,705.56 | (1,795,720.56) | --- | --- | --- | --- | --- | --- | --- |
| Shenzhen PepsiCo Beverage Co., Ltd | equity method | 60,179,068.06 | 64,123,658.58 | (289,786.96) | 63,833,871.62 | 25.00 | 25.00 | --- | --- | --- | --- |
| 权益法小计 | | 78,349,068.06 | 68,789,379.14 | (2,085,507.52) | 66,703,871.62 | | | | 2,870,000.00 | --- | --- |
| Shenbao Properties | cost method | 2,550,000.00 | 2,550,000.00 | --- | 2,550,000.00 | 51.00 | 51.00 | --- | --- | --- | --- |

| | | | | | | | | | | | |
|--|-------------|----------------|----------------|---------------|----------------|--------|--------|-----|---------------|-----|-----|
| Shenbao Industrial Trading & Development | cost method | 5,500,000.00 | 5,500,000.00 | --- | 5,500,000.00 | 100.00 | 100.00 | --- | --- | --- | --- |
| Shenbao Sanjing | cost method | 80,520,842.36 | 80,520,842.36 | --- | 80,520,842.36 | 100.00 | 100.00 | --- | --- | --- | --- |
| Shenbao Huacheng | cost method | 53,451,300.00 | 53,451,300.00 | 65,100,481.80 | 118,551,781.80 | 100.00 | 100.00 | --- | --- | --- | --- |
| Shenbao Investment | cost method | 5,000,000.00 | 5,000,000.00 | --- | 5,000,000.00 | 100.00 | 100.00 | --- | --- | --- | --- |
| Shenbao Technologies | cost method | 4,000,000.00 | 4,000,000.00 | 26,000,000.00 | 30,000,000.00 | 100.00 | 100.00 | --- | --- | --- | --- |
| Wuyuan Jufangyong | cost method | 7,880,000.00 | 7,880,000.00 | --- | 7,880,000.00 | 38.00 | 38.00 | --- | --- | --- | --- |
| Shenbao Liaoyuan | cost method | 57,628.53 | 57,628.53 | --- | 57,628.53 | 53.50 | 53.50 | --- | 57,628.53 | --- | --- |
| Shenzhen Sanjiu Weitai Holdings Co., Ltd. | cost method | 2,480,000.00 | 2,480,000.00 | --- | 2,480,000.00 | 0.95 | 0.95 | --- | 2,480,000.00 | --- | --- |
| Shenzhen Taiji Optical-Electric Technologies Co., Ltd. | cost method | 15,000,000.00 | 15,000,000.00 | --- | 15,000,000.00 | 3.77 | 3.77 | --- | 15,000,000.00 | --- | --- |
| subtotal of cost method | | 176,439,770.89 | 176,439,770.89 | 91,100,481.80 | 267,540,252.69 | | | | 17,537,628.53 | | |
| Total | | 254,788,838.95 | 245,229,150.03 | 89,014,974.28 | 334,244,124.31 | | | | 20,407,628.53 | | |

(IV) Operating income and operating cost

1. Operating income and operating cost

| Item | Amount as at this period | | Amount as at previous period | |
|----------------|--------------------------|----------------|------------------------------|----------------|
| | Operating income | Operating cost | Operating income | Operating cost |
| Main business | 876,184.09 | 256,782.90 | 522,222.08 | 328,980.56 |
| Other business | 2,400,000.00 | --- | 2,400,000.00 | --- |
| Total | 3,276,184.09 | 256,782.90 | 2,922,222.08 | 328,980.56 |

2. Main business (by industry)

| Industry | Amount as at this period | | Amount as at previous period | |
|----------|--------------------------|----------------|------------------------------|----------------|
| | Operating income | Operating cost | Operating income | Operating cost |
| Industry | 876,184.09 | 256,782.90 | 522,222.08 | 328,980.56 |

3. Main business (by products)

| Item | Amount as at this period | | Amount as at previous period | |
|----------------------------|--------------------------|----------------|------------------------------|----------------|
| | Operating income | Operating cost | Operating income | Operating cost |
| Tea products(Priority tea) | 876,184.09 | 256,782.90 | 522,222.08 | 328,980.56 |
| Total | 876,184.09 | 256,782.90 | 522,222.08 | 328,980.56 |

4. Main business (by area)

| Item | Amount as at this period | | Amount as at previous period | |
|-------------|--------------------------|----------------|------------------------------|----------------|
| | Operating income | Operating cost | Operating income | Operating cost |
| South China | 876,184.09 | 256,782.90 | 522,222.08 | 328,980.56 |
| Total | 876,184.09 | 256,782.90 | 522,222.08 | 328,980.56 |

5. Main business income in top five clients

| Name | Total main business income | Proportion in total main business income (%) |
|--------------|----------------------------|--|
| Customer I | 278,974.36 | 31.84 |
| Customer II | 128,230.77 | 14.64 |
| Customer III | 54,700.85 | 6.24 |
| Customer IV | 25,919.49 | 2.96 |
| Customer V | 20,619.66 | 2.35 |
| Total | 508,445.13 | 58.03 |

(V)Investment income

1. Details of investment income

| Item | Amount as at this period | Amount as at last period |
|--|--------------------------|--------------------------|
| Investment income of long-term equity based on equity | (289,786.96) | (26,948,478.57) |
| Investment income from disposal of long-term equity | 4,279.44 | 33,855,061.76 |
| Investment income obtained from disposal of transactional financial assets | 2,460,701.94 | --- |
| Others | 1,500,000.00 | --- |
| Total | 3,675,194.42 | 6,906,583.19 |

2. Investment income of long-term equity based on equity

| unit | Amount as at this period | Amount as at previous period | reason of changes compare with last period |
|---|--------------------------|------------------------------|--|
| Shenzhen Pepsi Coka-Cola Beverage Co., ltd. | (289,786.96) | (20,226,289.52) | down of deficit gains a major decreased in this period |
| Changzhou Sanjing Oil Co., ltd. | --- | (6,722,189.05) | |
| Total | (289,786.96) | (26,948,478.57) | |

3. No material restriction will appear in recovery of investment income of the Company.

(VI)Supplementary information about statement of cash flow

| Item | Amount as at this period | Amount as at previous period |
|---|--------------------------|------------------------------|
| I.Net profit adjusted to cash flow of operation activities | | |
| Net profit | (924,842.30) | (3,378,847.06) |
| Add: assets impairment reserve | 382,417.68 | (224,325.45) |
| Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets | 1,226,988.10 | 1,308,816.39 |
| Amortization of intangible assets | 1,829,667.10 | 384,257.80 |
| Amortization of long-term deferred expenses | 278,475.24 | 277,046.64 |
| Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with “-”) | (8,266.45) | (6,773,507.37) |
| Loss of disposing fixed assets(gain is listed with “-”) | --- | --- |
| Loss from change of fair value(gain is listed with “-”) | 370,302.60 | --- |
| Financial expenses (gain is listed with “-”) | 1,577,075.91 | 8,755,330.90 |
| Investment loss (gain is listed with “-”) | (3,675,194.42) | (6,906,583.19) |
| Decrease of deferred income tax asset(increase is listed with “-”) | (239,541.50) | 857,473.73 |
| Increase of deferred income tax liability (decrease is listed with “-”) | --- | --- |
| Decrease of inventory (increase is listed with “-”) | 75,710.61 | 397,890.57 |
| | | |
| Item | Amount as at this period | Amount as at previous period |
| Decrease of operating receivable accounts (increase is listed with “-”) | (32,844,486.04) | (23,154,280.12) |
| Increase of operating payable accounts (decrease is listed with “-”) | (20,175,621.42) | (758,074.60) |
| Others | --- | --- |

| | | |
|---|-----------------|-----------------|
| Net cash flow arising from operating activities | (52,127,314.89) | (29,214,801.76) |
| II. Material investment and financing not involved in cash flow | | |
| Liabilities converted to capital | --- | --- |
| Convertible bond expire in 1 year | --- | --- |
| Fixed assets leased through financing | --- | --- |
| III. Net change of cash and cash equivalents | | |
| Balance of cash at period end | 399,181,994.57 | 23,617,846.34 |
| Less: Balance of cash at year-begin | 23,617,846.34 | 76,004,694.03 |
| Plus: Balance of cash equivalents at the period end | --- | --- |
| Less: Balance of cash equivalent at year-begin | --- | --- |
| Net increasing of cash and cash equivalents | 375,564,148.23 | (52,386,847.69) |

XII. Supplementary information

(I) Item of current non-recurring gains and losses

| Item | Amount |
|---|--------------|
| Gains and losses from disposal of non-current assets | (10,632.50) |
| Tax refund or exemption out of authorization, with absence of official approval document or accidentally | --- |
| Government grant recorded in current gains and losses (other than such government grant which closely relates to business of the Company and is enjoyed in accordance to unified standard amount or quantity) | 1,800,048.00 |
| Capital occupation fee collected from non-financial enterprises recorded in current gains and losses | --- |
| Income occurred when investment cost paid by enterprise for obtaining subsidiaries, associates and joint ventures are lower than its share in fair value of net realizable assets of invested units; | --- |
| .Gains and losses from exchange of non-monetary assets | --- |
| Gains and losses from entrusted investment or management assets | --- |
| Various asset impairment reserve provided for force majeure, such as natural disaster; | --- |
| Gains and losses from debt reorganization | --- |
| Reorganization expenses, such as expenditure for allocation of employees and integration fee | --- |
| Gains and losses from excess of transaction which are conducted on a non-fair-valued basis over its fair value | --- |
| Current net gains and losses of subsidiaries occurred from combination under the same control commencing from period-begin to combination date | --- |
| Gains and losses from contingent events which has no relation with normal business of the Company | --- |
| 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 | 1,971,899.34 |
| Reversal of impairment reserve for account receivable with separate impairment testing | 70,619.95 |
| gains/ losses from external entrustment loans | --- |

| | |
|---|---------------|
| Gains and losses arising from change of fair value of investment properties whose follow-up measurement are at fair value | --- |
| Affect upon current gains/losses arising from the one-off adjustment in subject to requirement of laws and rules in relation to taxation and accounting | --- |
| Income from entrusted custody operation | --- |
| Other non-operating income and expenditure except the abovementioned | 16,896,972.61 |
| Other item that satisfied the definition of non-recurring gains and losses | --- |
| Impact on income tax | (409,704.30) |
| Impact on minority shareholders' equity (After tax) | --- |
| Total | 20,319,203.10 |

(II) Difference on data between the CAS and IAS

1. Differences of net profit and net assets in financial report disclosed by CAS and IAS

Unit: CNY

| Areas | Net profit | | Net asset | |
|---|-----------------------|-----------------------|----------------------|------------------------|
| | Amount in this period | Amount in last period | Amount at period-end | Amount at period-begin |
| CAS | 6,980,233.57 | 5,687,644.79 | 889,876,512.59 | 325,092,060.80 |
| Item and amount adjusted by IAS: | | | | |
| 1. Adjustment on amortization of differences of equity investment | --- | --- | 1,016,958.04 | 1,016,958.04 |
| 2. Adjustment on cost of transferring Shenzhen Pepsi's equity | --- | 127,119.76 | (381,359.27) | (381,359.27) |
| 3. Adjustment on other regulating fund of stock market payable: | --- | --- | 1,067,000.00 | 1,067,000.00 |
| 4. Capitalization of interest of land use right | --- | (577,920.15) | --- | --- |
| IAS | 6,980,233.57 | 5,236,844.40 | 891,579,111.36 | 326,794,659.57 |

(III) Return on equity and earnings per share:

| Profit during period | Weighted average ROE (%) | Earnings per share | |
|---|--------------------------|--------------------------|----------------------------|
| | | Basic earnings per share | Diluted earnings per share |
| Net profit attributable to shareholders of ordinary shares of the Company | 1.15 | 0.0323 | 0.0323 |
| Net profit (net of non-current gains and losses) attributable to shareholders of ordinary shares of the Company | (2.20) | (0.0616) | (0.0616) |

(IV) Explanation on reasons for abnormal situation in financial statements

| Item | Balance as at period-end (or Amount as at this period) | Balance as at period-begin (or Amount as at previous period) | Ratio changed (%) | Reason of Change |
|-------------------------------|--|--|-------------------|------------------|
| Monetary capital | 437,342,717.15 | 60,540,179.32 | 622.40 | *1 |
| Transaction financial assets | 14,627,801.40 | 304,500.00 | 4,703.88 | *2 |
| Accounts paid in advance | 10,243,725.62 | 6,545,149.29 | 56.51 | *3 |
| Other accounts receivable | 35,956,860.85 | 56,556,386.04 | (36.42) | *4 |
| Projects in construction | 11,113,058.18 | 7,513,353.21 | 47.91 | *5 |
| Short-term loan | 38,000,000.00 | 62,400,000.00 | (39.10) | *6 |
| Share capital | 250,900,154.00 | 181,923,088.00 | 37.92 | *7 |
| Capital public reserve | 568,700,222.51 | 79,873,070.29 | 612.00 | *8 |
| Operating income | 318,230,243.67 | 229,797,398.17 | 38.48 | *9 |
| Operating cost | 257,434,027.83 | 177,464,378.03 | 45.06 | *10 |
| Sales expenses | 16,461,242.33 | 11,840,571.78 | 39.02 | *11 |
| Financial expenses | 2,959,988.95 | 9,827,703.23 | (69.88) | *12 |
| Changing income of fair value | (488,802.60) | 94,500.00 | (617.25) | *13 |
| Investment income | 3,675,194.42 | 8,869,512.82 | (58.56) | *14 |
| Non-operating income | 18,943,092.91 | 12,156,137.41 | 55.83 | *15 |
| Income tax | 4,049,089.51 | 2,179,624.79 | 85.77 | *16 |

- *1: changes mainly because raised fund wire in account from privately offering;
- *2: changes mainly because 2.135 million shares of “*ST A” (000030) allocated by creditors—Guangdong Sunrise Group Co., Ltd. received;
- *3: changes mainly because sales volume of Shenbao Huacheng, subsidiary of the Company soaring then amount paid for stock materials increased correspondingly;
- *4: changes mainly because balance RMB 23 million for transferring 5% equity of Shenzhen PepsiCo Beverage Co., Ltd. and land reserve balance RMB 12.95 million in this period.
- *5: changes mainly because purchasing of equipments increased;
- *6: changes mainly because short-term loans have been paid;
- *7: changes mainly because successful of the privately offering of the Company in this period;
- *8: changes mainly because successful of the privately offering of the Company in this period;
- *9: changes mainly because sales income of tea products increased;
- *10: changes mainly because sales of the Company gain a y-o-y growth;
- *11: changes mainly because sales income for selling tea products in this period increased, then sales expenses increased correspondingly;
- *12: changes mainly because loans of the Company decreased and interest income of fixed deposit increased;
- *13: changes mainly because the “*ST Sunrise A”, allocated from Guangdong Sunrise Group Co., Ltd. has decrease of market value;
- *14: changes mainly because there are 5% equity of Shenzhen PepsiCo Beverage Co., Ltd. transferred in last period while has no such exchange occurred in this period;
- *15: changes mainly because allocation payment of creditor RMB 1.3818 million was received by the Company from Guangdong Sunrise Group Co., Ltd., and 2.135 million shares of “*ST Sunrise A”(000030) received;
- *16: changes mainly because operation profit of subsidiary increased

XIV. Approval for reporting of financial statements

The financial statements of the Company have obtained approval for reporting from the board of directors of the Company as at 5 April 2012.

Documents available for Reference

There are complete following documents in Secretariat of the Board of the Company provided for reference upon demand of China Securities Regulatory Commission, Shenzhen Stock Exchange and the shareholders of the Company, the documents including:

1. Financial Statements with the signatures and seals of the legal representative, CFO, and manager of the accounting department;
2. Original Auditor's Report with seals and signatures of the CPAs;
3. Original and official copies of all documents which have been disclosed on Securities Times, China Securities, and Hong Kong Commercial Daily in the report term;
4. The official copy of the Annual Report 2011 carried with personal signature and seal of the Chairman of the Board.

Chairman of the Board: Zheng Yuyi
Shenzhen Shenbao Industrial Co., Ltd.

5 April 2012