

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

ANNUAL REPORT 2012



April 2013

Section I. Important Notice, Contents and Paraphrase

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

Chairman of the Company Mr. Zheng Yuxi, General Manager Mr. Yan Zesong, CFO Ms. Wang Zhiping and Manager of financial management dept. Mr. Xu Qiming declares that the financial report in this Annual Report is authentic, accurate and complete.

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

The Preplan Profit Distribution of the Company deliberated and approved by The Board is: taking total 250,900,154 shares at end of 2012 as the radix, sending RMB 2 in cash (tax included) per 10 shares to its all shareholders.

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

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

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Paraphrase

Items	Refers to	Contents
Shenshenbao/the Company/Listed Company	Refers to	Shenzhen Shenbao Industrial Co., Ltd
Shenbao Huacheng	Refers to	Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd
Wuyuan Jufangyong	Refers to	Jufangyong Tea Industry Co., Ltd. in Wuyuan County
Hangzhou Ju Fang Yong	Refers to	Hangzhou Ju Fang Yong Holding Co., Ltd.
Shenbao Yuxing	Refers to	Fujian Mount Wuyi Shenbao Yuxing Tea Co., Ltd.
Shen Shenbao Huafa	Refers to	Zhejiang Shen Shenbao Huafa Tea Co., Ltd.
Technology Center	Refers to	Shenzhen Shenbao Technology Center Co., Ltd.
Huizhou Shenbao Science & Technology	Refers to	Huizhou Shenbao Science & Technology Co., Ltd.
Shenbao Sanjing	Refers to	Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd
Shenbao Industrial & Trading	Refers to	Shenzhen Shenbao Industrial & Trading Co., Ltd.
Shenbao Properties	Refers to	Shenzhen Shenbao Properties Management Co., Ltd.
Shenbao Investment	Refers to	Huizhou Shenbao Industrial Investment Co., Ltd.
PepsiCo (China)	Refers to	PepsiCo Investment (China) Ltd.
Shenzhen PepsiCo	Refers to	Shenzhen PepsiCo Beverage Co., Ltd
Zhejiang Huafa	Refers to	Zhejiang Huafa Tea Co., Ltd.
Changzhou Sanjing	Refers to	Changzhou Sanjing Grease Co., Ltd
Agricultural Products	Refers to	Shenzhen Agricultural Products 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
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
SSE	Refers to	Shenzhen Stock Exchange
Dahua CPA	Refers to	Dahua Certified Public Accountants (LLP)
Article of Association	Refers to	Article of Association of Shenzhen Shenbao Industrial Co., Ltd
RMB/10 thousand yuan	Refers to	CNY/ten thousand yuan

Section II Company profile

I. Company information

Short form of the stock	SHENSHENBAO-A, SHENSHENBAO-B	Stock code	000019, 200019
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	深圳市深宝实业股份有限公司		
Short form of the Company (in Chinese)	深宝		
Foreign name of the Company(if applicable)	SHENZHEN SHENBAO INDUSTRIAL CO.,LTD		
Short form of foreign name of the Company(if applicable)	SBSY		
Legal representative	Mr. Zheng Yuxi		
Registrations add.	South, 20F/Tower Building, Education and Technology Mansion, Zhuzilin, Futian Zone, Shenzhen		
Code for registrations add	518040		
Offices add.	South 20F(23F in elevator guidance), Education Technology Mansion, No.26 Zizhu Qi Dao, Zhuzilin Fourth Road, Futian District, Shenzhen		
Codes for office add.	518040		
Company's Internet Web Site	http://www.sbsy.com.cn		
E-mail	shenbao@sbsy.com.cn		

II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Li Yiyan	Zheng Guibo
Contact add.	23/F, Education Technology Mansion, No.26 Zizhu Qi Dao, Zhuzilin Fourth Road, Futian District, Shenzhen	23/F, Education Technology Mansion, No.26 Zizhu Qi Dao, Zhuzilin Fourth Road, Futian District, Shenzhen
Tel.	0755-82027522	0755-82027522
Fax.	0755-82027522	0755-82027522
E-mail	lyy@sbsy.com.cn	zhenggb@sbsy.com.cn

III. Information disclosure and preparation place

Newspaper appointed for information disclosure	<i>Securities Times; China Securities Journal and Hong Kong Commercial Daily</i>
Website for annual report publish appointed by CSRC	http://www.cninfo.com.cn
Preparation place for annual report	Office of the Board of Directors

IV. Registration changes of the Company

	Date for registration	Place for registration	Registration No. for enterprise legal license	No. of taxation registration	Organization code
Initial registration	1981-07-30	Shenzhen	19218075-4	440301192180754	19218075-4
Registration at end of report period	2011-07-12	Shenzhen	440301103223954	440301192180754	19218075-4
Changes of main business since listing (if applicable)	No changes				
Previous changes for controlling shareholders (if applicable)	On 10 September 1999, Shenzhen Investment Management Co., Ltd. entered into the “Equity Transfer Agreement of Shenzhen Shenbao Industrial Co., Ltd.” with Agricultural Products for 58,347,695 shares of the Company (35% in total shares of the Company) transfer to Agricultural Products with price of RMB 1.95 per share. Agricultural Products comes to the first majority shareholder of the Company after transfer and procedures for the above equity transfer has completed in June of 2003.				

V. Other relevant information

CPA engaged by the Company

Name of CPA	Dahua Certified Public Accountants (LLP)
Offices add. for CPA	11/F, Block B, Union Square, No. 5022, Binhe Blv, Futian District, Shenzhen
Signing Accountants	Chen Baohua, Gong Chenyan

Sponsor engaged by the Company for performing continuous supervision duties in reporting period

Applicable Not applicable

Name of sponsor	Offices add. for sponsor	Name of sponsor deputy	Continuous supervision period
Dongguan Securities Co., Ltd.	29/F, Jinyuan Center, No.1 Keyuan Rd. (S), Guancheng District, Dongguan	Pan Yunsong, LvXiaoshu	2011.7.4-2012.12.31

Guotai Junan Securities Co., Ltd.	29/F, Bank of Shanghai Tower, No. 168 Yincheng Center Rd., Shanghai	Yuan Huagang, Yang Xiaotao	2011.7.4-2012.12.31
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Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

Applicable Not applicable

Name of consultant	Offices add. for financial consultant	Organizer of financial consultant	Continuous supervision period
Southwest Securities Co., Ltd.	No.8, Qiaobeiyuan, Jiangbei District, Chongqing	Tian Ye, Qin Cuiping	2011.12.19-2012.12.31

Section III. Accounting data and summary of financial indexes

I. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting error correction or not

Yes No

	2012	2011	Changes over last year (%)	2010
Operating income (RMB)	310,790,324.70	318,230,243.67	-2.34%	229,797,398.17
Net profit attributable to shareholders of the listed company(RMB)	74,529,471.28	6,980,233.57	967.72%	5,687,644.79
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	-33,778,384.16	-13,338,969.53	-153.23%	-41,851,853.99
Net cash flow arising from operating activities(RMB)	-48,434,558.23	-18,790,209.92	-157.76%	5,223,014.63
Basic earnings per share (RMB/Share)	0.297	0.0323	819.50%	0.031
Diluted earnings per share (RMB/Share)	0.297	0.0323	819.50%	0.031
Return on Equity (%)	8.04%	1.15%	6.89%	1.76%
	End of 2012	End of 2011	Changes over end of last year (%)	End of 2010
Total assets (RMB)	1,222,994,595.75	1,061,964,234.64	15.16%	658,468,839.95
Net assets attributable to shareholder of listed company (Owners' equity attributable to shareholder of listed company) (RMB)	964,216,674.18	889,876,512.59	8.35%	325,092,060.80

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

Difference of the net profit and net assets attributable to shareholders of parent company disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Unit: RMB

	Net profit attributable to shareholders of listed company		Net assets attributable to shareholders of listed company	
	Amount in this period	Amount in last period	Amount at period-end	Amount at period-begin
Chinese GAAP	74,529,471.28	6,980,233.57	964,216,674.18	889,876,512.59
Items and amount adjusted by IAS				
1. Adjustment for amortization of equity investment differences			1,016,958.04	1,016,958.04
2. Adjustment for cost of transfer of equity of Shenzhen Pepsi	381,359.27		-762,718.54	-381,359.27
3. Adjustment for other payable fund of stock market regulation			1,067,000.00	1,067,000.00
IAS	74,910,830.55	6,980,233.57	965,537,913.68	891,579,111.36

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

Unit: RMB

Item	Amount in 2012	Amount in 2011	Amount in 2010
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	103,325,804.23	-10,632.50	43,147,293.25
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	3,250,145.75	1,800,048.00	1,868,815.57
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	2,416,674.15	1,971,899.34	94,500.00
Switch-back of impairment of account receivable that practice impairment test independent		70,619.95	
Other non-operating income and expenditure except for the aforementioned items	-197,762.37	16,896,972.61	2,851,389.23
Impact on income tax	-486,348.75	-409,704.30	-106,885.18
Impact on minority shareholders' equity (post-tax)	-657.57		-315,614.09
Total	108,307,855.44	20,319,203.10	47,539,498.78

Section IV. Report of the Board of Directors

I. Introduction

In reporting period, the Company pursues more efforts to the promotion of development of tea industry surround the annual operational plan. In first half year of 2012, being suffered from slowdown in growth of domestic economy, continued weaknesses in beverage market and decline in sales, effective demand for tea market of the Company was insufficient with sales down. In second half year, under the support of steady growth policy, economy shows a sign of stabilizing and recovering; being closely keep up with the changes of market, optimized marketing policy timely and readjusted the product mix, the Company well maintains the stable of existing clients and market shares. According to the environment in and out of the Company, the Company formulate a development strategy plan for next 3-5 years, adjusted and optimize the framework, promoted implementation of projects with fund raised designedly and step by step; furthermore, timely adjusted part of the projects with fund raised based on the development strategy, invest more in R&D, proactively expand boutique tea market and tea export business and make further efforts to improve the tea industry chain as well as shore up the foundation for tea industry development of the Company.

II. Main business analysis

1. Introduction

Vary operational index of the Company for year of 2012:

Unit: RMB

Item	2012	2011	Y-o-y changes (%)
Operating revenue	310,790,324.70	318,230,243.67	-2.34%
Operating profit	74,051,626.99	-4,989,779.90	1584.07%
Net profit attributable to owner of parent company	74,529,471.28	6,980,233.57	967.72%

Operating revenue decreased mainly due to the slowdown in growth of general economy and insufficient demand in beverage market; operating profit and net profit has a dramatically growth mainly due to the income from equity sold was recognized in this period, that is the 15% equity of Shenzhen Pepsi.

Summary of Previously Disclosed Development Strategy and Business Plan in Reporting Period

(I) Achievement of the company's 3-5 years future development strategy and implementation outline to roadmap the sustainable development for the company.

During the reporting period, the Company set up strategic planning leading group, accomplished 3-5 years future development strategy, including the diagnosis on overall strategic environment, the combing of core business development model and the design of strategy, organization, control strategy and human resource security and the development goals and action plan for the following 3 to 5 years as well; the Company also launched strategy preaching focused on the implementation of deployment strategy action plan, to guarantee strategic into full play.

(II) Optimization of human resources management and training system to provide continuous power source for

Company development

In line with the Company's strategic planning and the needs of business development, the Company established recruitment channels to introduce professional talents and to constantly satisfy the personnel demand; At the same time, the Company strengthened its training function actively and the internal trainer team construction, set up training system, improved operating and comprehensive ability of the existing personnel, and provided talents guarantee for its strategy implementation.

(III) Implementation of fund raise investment projects in a planed and orderly way

During the reporting period, the Company strengthened the basic work, steadily pushed forward the construction of raise investment project, and adjusted part of the project, which is more suitable for company development strategy.

1. After get the *construction permit* in April 2012, the comprehensive tea industrial investment project has been operated in an all-round way. The Company went all out for the construction schedule, optimized the process management, carried out project engineering and equipment procurement work as planned; At the same time, keeping pace with the project schedule, the Company also gradually developed training and recruitment of staff and backbone in deep processing production line, selected and sent backbone employee to factory in Shenzhen for on-the-job training, which achieved good results and prepared backbone employees in advance for new production line.

2. Strengthened R&D investment and technological innovation management, and established Shenzhen Shenbao Technology Center Co., Ltd. As a specialized R&D institution in the Company, the center's operation mechanism as basic research and application project management is highlighted, providing technical support and services to affiliated companies with focus on new products R&D. During the reporting period, the Company improved the laboratory and pilot plant experiment instrument and equipment, strengthened its resources integration and specialist recruitment, built perfect research system, and effectively excited the work enthusiasms of scientific research personnel through the establishment of R&D personnel incentive mechanism and technical title evaluation system. In 2012, the company declared 6 invention patents which were passed the acceptance, meanwhile, the company also declared 7 provincial science and technology projects, 2 municipal science and technology progress prize, 1 enterprise technology center, 1 city "talents", and accepted 2 scientific and technological projects. These scientific research achievements obtained laid a good foundation for the application and popularization of product industrialization.

3. Launched excellent tea high-end brand investment and development projects, and established of Hangzhou Ju Fang Yong Holding Co., Ltd. Hangzhou Ju Fang Yong has now completed some basic work , such as the construction of office space site, the building of management structure and the establishment of system process. The Company also entered into the core producing region of west lake dragon well tea through acquisition and cooperation, launched "Jufangyong " dragon well tea series products; At the same time, Hangzhou Ju Fang Yong invested holding company Shenbao Yuxing in Wuyi mountain in Fujian province, the hometown of Wuyi rock tea's, focusing on building d "Xingjiu" brand Wuyi rock tea products.

4. Broadened tea processed products export channels, and Co-established Zhejiang Shen Shenbao Huafa Tea Co., Ltd. According to the Company's development strategy, during the reporting period, the Company and Zhejiang

Wafa co-invested RMB 58 million to set up Shen Shenbao Huafa to carry out tea processing and export business. The Company, investing RMB 30 million, owned 51.72% stake. This cooperation realized complementary advantages on both sides, broadened export channels for processed tea products, and improved tea industry chain.

(IV) Continuously strength on production safety and food safety to avoid any major production safety accidents and major food quality safety accident throughout the year

During the reporting period, being closely around the guiding policy of "safety first, precaution crucial; manages concerted, comprehensive management", the Company continued to strengthen the 4 "full coverage", namely responsibility system full coverage, safety training full coverage, check and inspection full coverage, supervision and rectification full coverage. This effectively ensured 0 annual major safety accident, 0 serious quality and safety accidents, and 0 serious industrial injury accident.

(V) Perfection of internal control system construction to enhance internal control and the ability to prevent and withstand risks

During the reporting period, the Company further proceeded with the internal control system construction. The company serves this as an opportunity to improve and perfect the existing company system, enforced the existing system and ensures system authority; the Company further strengthened the connection and docking among systems to effectively improve the company's ability to resist risk; the Company also established regular evaluation mechanism to ensure system suitability and effectiveness.

2. Income

During January to December in 2012, the Company gained revenue RMB 310.7903 million, a 2.34% fall year on year; In the second half of the year, by investing Shen Shenbao Huafa and carrying out tea export business, the Company gained current new consolidated operating income RMB 44.16 million. The operating income of deep processing business experienced a year on year fall due to factors like domestic economy slowdown and continuous beverage market weakness.

Whether income from physical sales larger than income from labors or not

Yes No

Unit: Ton

Industries	Item	2012	2011	Increase/decrease y-o-y (%)
Industry	Sales volume	18,676.44	20,290.58	-7.96%
	Production volume	18,544.25	20,617.03	-10.05%
	Stock volume	2,034.33	2,019.96	0.71%
Trading	Sales volume	2,617	-	-

Major sales of the Company

Unit: RMB

Total top five clients in sales (RMB)	101,511,112.48
Proportion in total annual sales volume for top five clients (%)	32.67%

Information of top five clients of the Company

Applicable Not applicable

Unit: RMB

Serial	Name	Sales (RMB)	Proportion in total annual sales (%)
1	Client I	25,541,256.28	8.22%
2	Client II	24,314,991.35	7.82%
3	Client III	19,102,598.28	6.15%
4	Client IV	17,423,179.52	5.61%
5	Client V	15,129,087.05	4.87%
Total	—	101,511,112.48	32.67%

3. Cost

Industry classification

Unit: RMB

Industry classification	2012		2011		Increase/decrease y-o-y (%)
	Amount	Ratio in operation cost (%)	Amount	Ratio in operation cost (%)	
Industry	216,684,707.06	84.16%	255,679,112.43	100%	-15.25%
Trading	40,785,120.19	15.84%	-	-	-

Product classification

Unit: RMB

Product classification	2012		2011		Increase/decrease y-o-y (%)
	Amount	Ratio in operation cost (%)	Amount	Ratio in operation cost (%)	
Soft drinks	26,181,346.48	10.17%	22,866,678.21	8.88%	14.5%
Seasoning	7,812,323.90	3.03%	6,717,331.19	2.61%	16.3%
Tea products	223,476,156.87	86.8%	226,095,103.03	87.83%	-1.16%

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	74,745,127.77
Proportion in total annual purchase amount for top five suppliers (%)	26.69%

Information of top five suppliers of the Company

√Applicable □Not applicable

Serial	Name	Sum of purchase (RMB)	Proportion in total annual sum of purchase (%)
1	Supplier I	37,477,503.73	13.38%
2	Supplier II	10,476,548.20	3.74%
3	Supplier III	9,187,948.03	3.28%
4	Supplier IV	9,066,030.71	3.24%
5	Supplier V	8,537,097.10	3.05%
Total	—	74,745,127.77	26.69%

4. Expenses

Unit: RMB

Item	2012	2011	Increase/decrease %
Sales expenses	19,796,335.71	16,461,242.33	20.26%
Administration expenses	63,593,314.76	47,497,079.07	33.89%
Financial expenses	-483,988.21	2,959,988.95	-116.35%

Administration expenses changed mainly because new subsidiary increased in this period, than expenses for administration growth correspondingly; financial expenses changed mainly due to the interest income from fund raised and the expenses for loan interest in this period declined.

5. R&D expenses

During the reporting period, the Company established a Technology Center Company, formulated and improved the science & researcher system and put more invest in R&D; the accumulated R&D expenses for the whole year amounting as RMB 18,300,400 with a y-o-y growth of 61.34%, a 1.90% in audited net assts of the Company of 2012. The Company completed 45 development of application projects, and declared 6 items of patent for invention which have been accepted the application, also, 7 items are declared for the provincial/municipal science & technology projects, 2 items for municipal award for scientific & technological advancement, 1 item for enterprise technology center, 2 items for acceptance of the science & technology projects and 1 item for municipal "Leading Talents".

6. Cash flow

Unit: RMB

Item	2012	2011	Increase/decrease y-o-y (%)
Subtotal of cash in-flow from operation activity	358,750,727.61	365,476,276.94	-1.84%
Subtotal of cash out-flow from operation activity	407,185,285.84	384,266,486.86	5.96%
Net cash flow from operation activity	-48,434,558.23	-18,790,209.92	-157.76%
Subtotal of cash in-flow from investment activity	164,376,318.29	48,403,731.54	239.59%
Subtotal of cash out-flow from investment activity	140,734,964.13	37,761,060.80	272.7%
Net cash flow from investment activity	23,641,354.16	10,642,670.74	122.14%
Subtotal of cash in-flow from financing activity	321,300,000.00	628,906,340.41	-48.91%

Subtotal of cash out-flow from financing activity	358,608,766.79	224,447,919.13	59.77%
Net cash flow from financing activity	-37,308,766.79	404,458,421.28	-109.22%
Net increased amount of cash and cash equivalent	-63,920,692.68	396,302,537.83	-116.13%

Reasons for y-o-y relevant data with over 30% changes

√Applicable □Not applicable

1. Net cash flow from operation activity changes mainly because vary expenditure increased;
2. Cash in-flow from investment activity increased mainly because the transfer amount received from 15% equity of Shenzhen Pepsi, the affiliated enterprise of the Company;
3. Cash out-flow from investment activity changes mainly because more purchase for fixed assets and intangible assets from subsidiaries;
4. Cash in-flow from financing activity changes mainly because in 2011, cash in-flow from issue additional stock while no such cash in this year;
5. Cash out-flow from financing activity changes mainly because more short-term loans paid in this period.

III. Composition of main business

Unit: RMB

	Operating revenue	Operating cost	Gross profit ratio (%)	Increase/decrease of operating revenue y-o-y (%)	Increase/decrease of operating cost y-o-y (%)	Increase/decrease of gross profit ratio y-o-y (%)
According to industries						
Industry	266,043,573.56	216,684,707.06	18.55%	-15.9%	-15.25%	-0.62%
Trading	44,159,951.14	40,785,120.19	7.64%			
Rental service	586,800.00		100%			
According to products						
Soft drinks	31,884,425.72	26,181,346.48	17.89%	17.18%	14.5%	1.92%
Seasoning	12,043,617.99	7,812,323.90	35.13%	20.99%	16.3%	2.62%
Tea products	266,275,480.99	223,476,156.87	16.07%	-4.62%	-1.16%	-2.94%
Property rental	586,800.00		100%			
According to region						
South China	88,507,317.87	68,189,232.39	22.96%	-0.91%	-0.94%	0.02%
North China	39,716,918.03	34,094,305.15	14.16%	-8.35%	-7.06%	-1.19%
East China	101,123,814.33	81,617,638.64	19.29%	-7.01%	-0.85%	-5.02%
Central China	36,189,149.60	33,009,712.90	8.79%	-31.86%	-31.94%	0.11%
Other	9,948,008.17	9,089,390.34	8.63%	-48.03%	-46.4%	-2.78%

region						
Export	35,305,116.70	31,469,547.83	10.86%	1,211.27%	1,218.54%	-0.49%

IV. Assets and liability analysis

1. Major changes of assets

Unit: RMB

	End of 2012		End of 2011		Ratio changes (%)	Notes of major changes
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)		
Monetary fund	373,422,024.47	30.53%	437,342,717.15	41.18%	-10.65%	More relevant account paid for new-established projects
Account receivable	105,402,754.63	8.62%	71,769,419.01	6.76%	1.86%	The receivable account for goods from new subsidiaries increased.
Inventory	203,462,389.32	16.64%	56,983,348.83	5.37%	11.27%	Land cost of Jadeite Apartment Project was transfer-in from intangible assets and investment for the construction increased.
Long-term equity investment	25,471,291.08	2.08%	63,891,371.62	6.02%	-3.94%	15% equity of Shenzhen Pepsi transfer in this period, the affiliated enterprise of the Company
Construction in progress	94,422,143.01	7.72%	11,113,058.18	1.05%	6.67%	More invest for project with fund raised in this period
Account paid in advance	28,323,450.51	2.32%	10,243,725.62	0.96%	1.36%	Account for tea procurement paid in advance increased in this period
Other account receivable	22,251,167.26	1.82%	35,956,860.85	3.39%	-1.57%	The receivable land bid bond approximately RMB 12 million at period-end was return in this period

2. Major changes of liability

Unit: RMB

	2012		2011		Ratio changes (%)	Notes of major changes
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)		

Short-term loans			38,000,000.00	3.58%	-3.58%	The loans have paid in this period
Other account payable	153,192,884.98	12.53%	79,810,651.49	7.52%	5.01%	The payable account for Jadeite Apartment Project increased

V. Core Competitive Ability Analysis

During the reporting period, the company's equipment, patent, non patented technology, land use rights, etc. underwent no significant changes.

As the first tea major listed company in Shenzhen main board, setting tea and natural plant deep processing as its core, the construction of natural health products & services and the integration of industrial chain as its goal, the Company carried out strategy of tea plantation base and excellent tea business. After years of development and accumulation, the Company has become a domestic famous tea and natural plant raw material suppliers who owns high-quality customer resources domestically and internationally and sets up a series of security system endorsed by international large-scale food and beverage enterprise; the Company holds strong technical R&D capabilities and technical accumulation, assembles leading technology advantage, initially formed complete tea industrial chain from early tea planting, tea processing, deep processing to tea sales and tea exportation. The Company will continue to gain stronger competitiveness in product innovation, process technology, advanced equipment and industrial layout. The Company will go on with system and mechanism innovation, ideas innovation, products innovation, further develop and make better use of tea and natural plant value to enhance the chain synergies and core competitiveness of tea industry.

VI. Investment analysis

1. Situation of foreign equity investment

(1) Securities investment

Variety of securities	Code of securities	Short form of securities	Initial investment cost(RMB)	Amount of stock-holding at the beginning of the period (Share)	Proportion of stock-holding at the beginning of the period (%)	Amount of stock-holding at the end of the period (Share)	Proportion of stock-holding at the end of the period (%)	Book value at the end of the period (RMB)	Gains and loss in the reporting (RMB)	Accounting subject	Source of stock
stock	400005	Hai Guo Tou	272,288.09	150,000	0.06%	150,000	0.06%	208,500.00	22,500.00	Financial assets available for sale	Legal person stocks purchased from the original STAQ trading system
stock	000030	*ST SUNRIS E- A		1,011,320	0.74%	0	0	0	2,394,174.15	Financial assets available for sale	Paid shares from debt reorganization
Other security investment held at period-end			0.00	0	--	0	--	0.00	0.00	--	--
Total			272,288.	1,161,320	--	150,000	--	208,500.	2,416,674.	--	--

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2. Application of raised proceeds

(1) Overall application of raised proceeds

Unit: In ten thousand yuan

Total raised proceeds	57,239.21
Total raised proceeds invested during the reporting period	16,060.46
Total accumulative raised proceeds invested	22,682.66
Total raised proceeds for new purposes during the reporting period	16,729.17
Total accumulative raised proceeds for new purposes	16,729.17
Proportion of the total accumulative raised proceeds for new purposes (%)	29.23%

General application of raised proceeds

Being approved of “Reply on Privately Offering from Shenzhen Shenbao Industrial Co., Ltd.” ZJXX[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. The capital privately raised above said has fully funded on 23 June 2011 and has verified by “Verification Report” LIXIN DAHUA YZi [2011] No. 177 issued from Lixin Dahua. The fund-raised above said saving in the specific account dated 22 July 2011.

During this reporting period, the Company raised proceeds of RMB 155 million by canceling the “Comprehensive Project with Annual Capacity of 300 Tons Catechin”, among which, RMB125 million was used to invest in the “Project of Developing High-end Brand Classical Tea” (including the original “Chain Project for Classical Tea Leaves” with total investment of RMB155 million, among which, RMB125 million was provided by the change in the proceeds application from the aforesaid “Comprehensive Project with Annual Capacity of 300 Tons Catechin”, and RMB 30 million was from the proceeds from the original “Chain Project for Classical Tea Leaves”, the project was implemented by the subordinate Hangzhou Ju Fang Yong). Besides, the remaining RMB 30 million was used to establish a joint venture with Zhejiang Huafa to carry out export business of tea leaves. The Company cancelled implementation for the “Expansion Project of Seasoning Production Line”, pursuant to which, the original proceeds RMB12, 291,700 was adjusted in increasing investment for the “Project of R&D Center for Tea and Natural Plants”. The Company also decided to change the implementation subject of such project from the original wholly-owned subsidiary Wuyuan Jufangyong to the newly incorporated and registered subordinate wholly-owned subsidiary Shenzhen Shenbao Research & Development Center Co., Ltd. also, the place for implementation was also changed from Wuyuan county Jiangxi province to Shenzhen, Guangdong province. Those changes were deliberated and approved in the 2011 Annual General Shareholders’ Meeting of the Company held on 27 April 2012.

On 12 March 2012, the “Proposal of Using Part of Idle Fund Raised for Supplement Current Capital Temporary Again” was deliberated and approved in First Extraordinary Shareholders’ General Meeting of 2012, the Company agrees to supplement current capital of the Company with RMB 150 million fund raised temporary for 6 months at most; and this fund raised has been return by the Company dated 13 On 12 October 2012, the “Proposal of Using Part of Idle Fund Raised for Supplement Current Capital Temporary Again” was deliberated and approved in Third Extraordinary Shareholders’ General Meeting of 2012 with part of the fund raised RMB 120 million to supplement current capital of the Company for 6 months at most.

(2) Situation of committed project of raised proceeds

Unit: In ten thousand yuan

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 serviceable condition date of project	Profit realized in this year	Reach the predicted interest or not	Project feasibility was changed hugely or not
Investment project commitment										
1. Acquisition of 48.33% equity from Shenbao Huacheng	No	6,510.05	6,510.05		6,510.05	100%	2011-07-31	117.99	Yes	No
2. Comprehensive Investment Project of Tea Industry Chain	No	27,000	27,000	7,165.84	7,204.89	26.68%	2015-09-30		No	No
3. Comprehensive Project with Annual Capacity of 300 Tons Catechin	Yes	15,500					2014-01-31		N/A	Yes
4. Chain Project for Classical Tea Leaves	Yes	3,000					2015-07-31		N/A	No
5. Project of R&D Center for Tea and Natural Plants	Yes	4,000					2012-04-30		N/A	No
6. Expansion Project of Condiment Production Line	Yes	4,000					2012-07-31		N/A	Yes
7. Project of Developing High-end Brand Classical Tea			15,500	5,344.08	5,366.16	34.62%	2016-04-30		No	No
8. Establishment of joint venture of Zhejiang Shen Shenbao Huafa Tea Co., Ltd.			3,000	3,000.42	3,000.42	100%	2012-12-31	66.45	Yes	No
9. Project of R&D Center for Tea and Natural Plants			5,229.16	550.12	601.14	11.5%	2013-12-31		No	No

Total of commitment projects	--	60,010.05	57,239.21	16,060.46	22,682.66	--	--	184.44	--	--
Particular about not coming up to schemed progress or expected revenue and the reason(In specific project)	<p>Project of R&D Center for Tea and Natural Plants fails to achieved the investment progress:</p> <p>In April 2012, the Company decided to increase the total investment in tea and natural plant R&D center project to RMB 54 million, including RMB 34.55 million for office and laboratory in Shenzhen; affected by the price fluctuation of real estate market, the project site failed to be decided, which caused the investment progress unaccomplished as schedule. On 22 April 2013, Proposal of Purchasing Offices was deliberated and approved in the 5th meeting of 8th session of the board, in which cooperate with subordinate Shenzhen Shenbao Technology Center Co., Ltd. to purchase office site in Shenzhen with RMB 90 million at most; and fund raised RMB 3.455 million at most can be use in aspect of purchasing the office site and lab places from Technology Center Company.</p>									
Explanation on great changes of feasibility of project	<p>1. Comprehensive Project with Annual Capacity of 300 Tons Catechin: by virtue of technical innovation, the Company made comprehensive enhancements in the original production crafts for instant tea powder, pursuant to which, the production line for instant tea powder was equipped with the function of producing catechin and natural plant products. Therefore, the Company was able to develop and produce catechin and natural plant products for sales, satisfying demands from its existing and new customers. As compared to the original plan on implementing the Comprehensive Project with Annual Capacity of 300 Tons Catechin, the Company can be better served with such innovated technologies to make comprehensive use of the production line of instant tea powder, with fewer equipments allocation, more efficient benefits, reduction of fixed assets allocation and amortization, so as to improve the integrated profitability of the Company. In order to effectively prevent from investment risks and protect the interests of the Company and its shareholders, the Company, with careful and prudent consideration, decided to cancel the Comprehensive Project with Annual Capacity of 300 Tons Catechin and thereby to change the proceeds application purposes.</p> <p>2. Expansion Project of Condiment Production Line: despite that the prospectus of condiment market was positive; the furious market competition can't be ignored. In case that the Company wanted to make significant breakthrough in the furious market competition based on the prevailing operation condition of condiment, the Company was required to allocate material human, assets and property resources. In 2011, the Company experienced significant drop in income from its condiment operation, recording relatively material losses. Considering that it had no advantage in condiment operation, the Company would face relatively significant market risks and uncertainty if the original resources allocation couldn't meet the expected target. By virtue of the non-public offering, the Company determined its development direction for tea industry, namely Natural, Green and Healthy, in 2011. According to the development strategy, the Company would focus on expanding tea industry. Therefore, the Company cancelled the Expansion Project of Condiment Production Line, and applied the proceeds for such project to investment in the Project of R&D Center for Tea and Natural Plants. At the 2011 Annual General Meeting held on 27 April 2012, the Company considered and approved the Proposal on Change of Part Proceeds Application Purposes, approving the changes and adjustments involved in the above projects.</p>									
Amount, usage and progress of using for fund raising out of the	Not applicable									

plan	
Change of implementation place of investment project of raised capitals	Applicable
	<p>Occurred during the reporting period</p> <p>The Company changed the implementation place of Project of R&D Center for Tea and Natural Plants from Wuyuan county Jiangxi province to Shenzhen Guangdong province. Those changes were considered and approved in the 2011 Annual General Meeting of the Company held on 27 April 2012.</p>
Adjustment to implementation method of investment project with proceeds	Not applicable
Initial input and replacement of investment project with proceeds	Not applicable
Temporary supplement of current capital with idle proceeds	Applicable
	<p>On 12 March 2012, the “Proposal of Using Part of Idle Fund Raised for Supplement Current Capital Temporary Again” was deliberated and approved in First Extraordinary Shareholders’ General Meeting of 2012, the Company agrees to supplement current capital of the Company with RMB 150 million fund raised temporary for 6 months at most; and this fund raised has been return by the Company dated 13 On 12 October 2012, the “Proposal of Using Part of Idle Fund Raised for Supplement Current Capital Temporary Again” was deliberated and approved in Third Extraordinary Shareholders’ General Meeting of 2012 with part of the fund raised RMB 120 million to supplement current capital of the Company for 6 months at most. The fund raised has return dated 9 April 2013.</p>
Balance of fund raised in way of implementation and reasons	Not applicable
Purposes and application of unutilized proceeds	Saved in the special account for proceeds and supplement current capital.
Problems found during the application and disclosure of proceeds or other issues	The related information concerning proceeds disclosed by the Company is in-time, true, accurate and complete; no illegal issue has been found in place, use, management and disclosure of proceeds. The Company has never made financing for over 2 times, not even the application of proceeds in those years.

(3)The changed project of raised proceeds

Unit: In ten thousand yuan

Project after the change	Corresponding original committed project	Total amount invested after	Virtual amount input	Accumulation virtual amount	Progress of the investment deadline the	Predicted serviceable condition date of project	Income	Whether it has	Whether the feasibility of
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		adjustment (1)	in the reporting	input deadline the end of the reporting (2)	end of the reporting (%) (3)=(2)/(1)		achieved in the reporting	come up to the schedule d income	the project changed after the alteration
Investment development project for high-end brand classical tea	Comprehensive Project with Annual Capacity of 300 Tons Catechin /Chain Project of Classical Tea Leaves	15,500	5,344.08	5,366.16	34.62%	2016-04-30		No	No
Jointly incorporation of Zhejiang Shenbao Huafa Tea Co., Ltd.	Comprehensive Project with Annual Capacity of 300 Tons Catechin	3,000	3,000.42	3,000.42	100%	2012- 12-31	66.45	Yes	No
Project of R&D Center for Tea and Natural Plants	Project of R&D Center for Tea and Natural Plants / Expansion Project of Condiment Production Line	5,229.16	550.12	601.14	11.5%	2013-12-31		No	No
Total	--	23,729.16	8,894.62	8,967.72	--	--	66.45	--	--
Changing reason, decision procedure and statement of disclosure(In specific project)		<p>(1) Cancel the “Comprehensive Project with Annual Capacity of 300 Tons Catechin”: by virtue of technical innovation, the Company made comprehensive enhancements in the original production crafts for instant tea powder, pursuant to which, the production line for instant tea powder was equipped with the function of producing catechin and natural plant products. Therefore, the Company was able to develop and produce catechin and natural plant products for sales, satisfying demands from its existing and new customers. As compared to the original plan on implementing the Comprehensive Project with Annual Capacity of 300 Tons Catechin, the Company can be better served with such innovated technologies to make comprehensive use of the production line of instant tea powder, with fewer equipments allocation, more efficient benefits, reduction of fixed assets allocation and amortization, so as to improve the integrated profitability of the Company. In order to effectively prevent from investment risks and protect the interests of the Company and its shareholders, the Company, with careful and prudent consideration, decided to cancel the Comprehensive Project with Annual Capacity of 300 Tons Catechin. The proceeds for such project were invested in investment development project for high-end brand classical tea and jointly incorporation of Zhejiang Shenbao Huafa Tea Co., Ltd.</p>							

	<p>(2) Cancel the “Expansion Project of Condiment Production Line”: despite that the prospectus of condiment market was positive; the furious market competition can’t be ignored. In case that the Company wanted to make significant breakthrough in the furious market competition based on the prevailing operation condition of condiment, the Company was required to allocate material human, assets and property resources. In 2011, the Company experienced significant drop in income from its condiment operation, recording relatively material losses. Considering that it had no advantage in condiment operation, the Company would face relatively significant market risks and uncertainty if the original resources allocation couldn’t meet the expected target. The Company determined its development direction for tea industry, namely Natural, Green and Healthy. According to the development strategy, the Company would focus on expanding tea industry. Therefore, the Company cancelled the Expansion Project of Condiment Production Line, and applied the proceeds for such project to investment in the Project of R&D Center for Tea and Natural Plants.</p> <p>(3) Changes of “tea and natural plant R&D center "project location and implementation main body: there are many advantages of the initial location of the project, which is in Wuyuan county, Jiangxi Province, owns many advantages in tea industry resources and cost. However, the initial location of the project is weak in talent gathering, information exchange, resource sharing and integration, and customer service market. Therefore, the initial location in Wuyuan county Jiangxi Province was moved to Shenzhen city, Guangdong province. The implementation main body was turned from Wuyuan Jufangyong into Shenzhen Shenbao Technology Center Co., Ltd., wholly owned subsidiary of the Company. The Company also increased its investment to RMB 54 million after counting the fixed assets investment of the project and high labor cost in the new implementation. The modification of raise investment project was deliberated and approved in the 20th Meeting of 7th session of the Board on 5 April 2012 and annual shareholders’ general meeting of 2011 on 27 April 2012. For details, please refer to the related announcement disclosed at Securities Times, China Securities, Hong Kong Commercial Daily and www.cninfo.com.cn on 6 April 2012 and 28 April 2012.</p>
<p>Not meet the scheduled progress or projected benefits, and reasons for that (based on specific project)</p>	<p>Project of R&D Center for Tea and Natural Plants fails to achieved the investment progress:</p> <p>In April 2012, the Company decided to increase the total investment in tea and natural plant R&D center project to RMB 54 million, including RMB 34.55 million for office and laboratory in Shenzhen; affected by the price fluctuation of real estate market, the project site failed to be decided, which caused the investment progress unaccomplished as schedule. On 22 April 2013, Proposal of Purchasing Offices was deliberated and approved in the 5th meeting of 8th session of the board, in which cooperate with subordinate Shenzhen Shenbao Technology Center Co., Ltd. to purchase office site in Shenzhen with RMB 90 million at most; and fund raised RMB 3.455 million at most can be use in aspect of purchasing the office site and lab places from Technology Center Company.</p>
<p>Explanation on significant changes in feasibility of projects</p>	<p>-</p>

3. Main subsidiaries and stock-jointly companies

Particular about main subsidiaries and stock-jointly companies

Company name	Type	Industries	Main products or service	Register capital	Total assets (RMB)	Net Assets (RMB)	Operating revenue (RMB)	Operating profit (RMB)	Net profit (RMB)
Shenbao Huacheng	Subsidiary	Manufacture	Instant tea powder and tea extraction	153,451,300.00	205,132,532.20	166,882,406.56	213,368,465.99	2,036,207.84	3,029,341.85
Huizhou Shenbao Science & Technology	Subsidiary	Comprehensive	Seasoning, Soft drinks	60,000,000.00	227,769,177.63	42,956,119.60	43,928,043.71	-5,781,633.30	-5,726,674.51
Wuyuan Jufangyong	Subsidiary	Manufacture	Tea products	290,000,000.00	310,511,823.84	303,492,485.07	102,595,299.63	4,475,724.38	3,660,431.34
Hangzhou Jufang Yong	Subsidiary	Comprehensive	Tea products	175,000,000.00	187,418,678.33	184,295,271.48	6,422,642.03	-7,036,574.57	-7,036,152.94
Technology Center Company	Subsidiary	Science research and technology service	Development, consultant and transfer of technology	54,000,000.00	51,782,014.80	51,442,767.99		-3,233,996.12	-3,233,996.12
Shen Shenbao Huaafa	Controlling subsidiary	Trading	Exportation of tea	30,000,000.00	74,016,284.42	59,300,844.09	44,159,951.14	1,711,309.46	1,284,844.09

Notes of main subsidiaries and stock-jointly companies

1. Shenzhen Shenbao Huacheng Science and Technology Co., Ltd. the wholly-owned subsidiary of the Company; business scope: incorporation of industry (further declaration needed for individual project); information advisory, food technology development (excluding restricted items); sales and production of tea-related products (production permit for industrial products), with effective term expiring on 13 December 2013; import & export of goods and technologies (excluding the projects prohibited by laws and administrative regulations, for which, their operation is subject to acquisition of relevant permits). Registered capital: RMB153,451,300. Ended as this period-end, the total assets of Shenbao Huacheng is RMB 205,132,500, and shareholders' equity attributable to parent company is RMB 166,882,400; in the reporting period, Shenbao Huacheng realized operation income and net profit attributable to shareholders of parent company of RMB 213,368,500 and RMB 3,029,300 respectively.

2. Jiangxi Wuyuan County Jufangyong Tea Industry Co., Ltd. it is held by the Company and Shenbao Huacheng of 95.72% and 4.28% respectively. Business scope:

planting of tea leaves, fine processing and further processing of tea leaves, production, processing, sales and delivery of tea leaves related products; processing and sales of instant tea and tea concentrated juice; import & export of tea leaves and agricultural by-products. Registered capital: RMB 290 million. Ended as this period-end, the total assets of Wuyuan Jufangyong is RMB 310,511,800, and shareholders' equity attributable to parent company is RMB 303,492,500; in the reporting period, Wuyuan Jufangyong realized operation income and net profit of RMB 102,595,300 and RMB 3,660,400 respectively.

3. Huizhou Shenbao Science & Technology Co., Ltd. the wholly-owned subsidiary of the Company; business scope: operation projects permitted, and operation scope is determined by reference to production permit for industrial products; normal operation projects: industry investment, property management (operate by qualification certificate); domestic trade (excluding the projects prohibited by laws and administrative regulations, for which, their operation is subject to acquisition of relevant permits). Registered capital: RMB 60 million. Ended as this period-end, the total assets of Shenbao Science & Technology is RMB 22,7769,200, and shareholders' equity attributable to parent company is RMB 42,956,100; in the reporting period, Shenbao Science & Technology realized operation income and net profit of RMB 43,928,100 and RMB -5,726,800 respectively.

4. Hangzhou Ju Fang Yong Holding Co., Ltd., the wholly-owned subsidiary of the Company. Business scope: whole-sale, retail; tea-things; acquisition, tea needed for sales for the enterprise (limited to purchased from original producer of primary industry directly); service; investment and assets management for tea enterprises, technology development of tea and tea products, technology development, consultant, service and results transferring of tea cultivation and seeding. Register capital: RMB 175 million. Ended as this period-end, the total assets of Ju Fang Yong is RMB 187,418,700, and shareholders' equity attributable to parent company is RMB 170,969,300; in the reporting period, Ju Fang Yong realized operation income and net profit attributable to shareholder of parent company as RMB 6,422,600 and RMB -5,950,300 respectively.

5. Zhejiang Shen Shenbao Huafa Tea Co., Ltd., the controlling subsidiary of the Company with 51.72% equity held by the Company. Business scope: wholesale and retail of pre-packed tea and bulk tea; R&D of tea technology; import and export of goods. Register capital: RMB 58 million. Ended as this period-end, the total assets of Shen Shenbao Huafa is RMB 74,016,300, and shareholders' equity attributable to parent company is RMB 59,300,800; in the reporting period, Shen Shenbao Huafa realized operation income and net profit attributable to shareholder of parent company as RMB 44,160,000 and RMB 1,284,800 respectively.

Particular about subsidiaries obtained or disposed in report period

√Applicable □ Not applicable

Name of the company	Purpose for obtained and disposed subsidiary in reporting period	Way to obtained and disposed the subsidiary in reporting period	Influence on general production and performance
Hangzhou Ju Fang Yong Holding Co., Ltd.	Conducted project of developing High-end Brand Classical Tea	Established by investment	Have a strong expansion in tea industry chain in terminal areas
Zhejiang Shen Shenbao Huafa Tea Co., Ltd.	Conducted export of tea	Established by joint venture	Further to improved the tea industry chain of the Company
Shenzhen Shenbao Technology Center Co., Ltd.	R&D of science and technology	Established by investment	Provided strong science and technology guarantee for the development of the Company

VII. Prospects on future development

1. Development trend and competition layout of the industry

(1) Tea and Natural Plant Products Deep Processing Development Trend

Tea beverage market in China started from 1993, and developed rapidly in 2002. Statistics from China's beverage industry association show that China's tea drinks is one of varieties growing fastest in domestic beverages market, growing from 1.982 million tons to 8 million tons in 2009 with the average annual growth of 23.06%, far higher than other varieties of drinks. If predicted as the average increase of 12%, by 2015 tea beverage market will have experienced a market scale of 16 million tons. On the other hand, with further understanding of effective components in tea and natural plant, extraction and utilization of their functional ingredients, and their usage in medicine, food, chemical industry will become a new trend for tea and natural plant deep processing. The prosperity of tea beverage market as well as the expansion of tea and natural plant products deep processing of application field will lay a solid market foundation for sustainable development of tea industry in our country.

(2) Tea Industry Development Trend

Domestic tea market is developing rapidly with green tea as the main body, oolong tea, puerh tea, and black tea developing comprehensively. With continuous consumption and growing demand for natural healthy tea drinks, tea sales continue to rise. High-end tea drink has become a pursuit as part of the qualified life. In recent years, Chinese tea industry has achieved rapid development with huge potential market and broad prospects. At the same time, tea consumption trends show the characteristics as higher grade, environment-friendly cover, and health care function. These changes in consumer demand are bound to bring new opportunities for Chinese tea market development.

(3) Competitive Landscape of the Industry

With continuous development of domestic health industry, abundant-fund large pharmaceutical companies and food companies also began to expand their business to the tea industry, posing a new challenge to enterprises in the industry. At the same time, large amounts of capital into tea industry has played a good role not only in promoting rapid industry development but also in bringing challenge to the Company.

2. Development Strategy of the Company

(1) Future Development Opportunities of the Company

China's relative high economic growth in the future, the accelerating urbanization process, the increase of urban household disposable income, the robust growth of consumption expenditure, and widely promotion on tea drinking tradition and culture, will lay a solid foundation for the continuous growth of Chinese tea industry in the future. The upgraded residents' consumption and consumption pattern conversion to nature, health and nutrition together with the macroeconomic factors mentioned above will provide a broad market space for the Company's health industry.

After years of development, the Company's tea industry gains strong competitive advantages. The Company has preliminarily formed relatively perfect industry chain including tea plantation base, tea rough processing, tea deep processing, tea export, tea terminal marketing; the Company owns obvious advantage in R&D and technology with domestic advanced tea and natural plant deep processing production line and production technology; The

Company has accumulated many large high-quality customer resources both at home and abroad and has become the main raw material supplier whose quality and sourcing certification is approved by several domestic and international well-known brand food and beverage companies. The Company also accomplished non-public release providing a strong financial support for the subsequent development, and established "natural, green, healthy" business philosophy to be ready to convert to the development direction with tea industry as its main industry. All these above lay a good foundation and provide opportunities for tea industry subsequent development.

(2) Development Strategy of the Company

The Company aims at seizing opportunity, centralizing resources, keeping tea and natural plant deep processing as the core, setting the construction of natural health products and services integration industrial chain as the goal, extending to poplars of tea plantation base and excellent tea business, implementing industrialized standard and international management, and striving to promote tea industry chain synergies and enhance traditional industry value-creating ability, to make Shenbao the most valuable tea industry listed company in China.

3. Business Plan 2013 of the Company

In 2013, based on the development strategy, the Company will draw up a strategy implementation roadmap and action plan made up of deep processing, excellent tea, food and beverage, tea export, tea plantations, R&D and other business sectors. The Company will set up annual business plan implement monitoring system, and steadily push forward the implementation of development strategy, continue to strengthen R&D investment, enhance new product R&D and technology improvement to provide a strong technology guarantee for company development. The Company will implement brand development strategy to build brand core value, strengthen human resources reserves while perfecting incentive mechanism to improve operating and comprehensive ability of the existing personnel to provide talent guarantee for strategy implementation; We will continue to do well in the implementation and management of raise investment project, strengthen production safety and food safety, ensure the whole year without major production safety accidents or major food quality safety accident; we will go on improving internal control system construction, enhance internal control of the company as a whole, and enhance the competence in fending off risk.

4. Would-be Unfavorable factors

(1) Talent shortage

With tea industry development direction the Company has already established as "natural, green, and healthy" and increasing business development, we need more and more talents, especially top talents. However, we need time for talent introduction, training, and culture running-in. If talents cannot be supplemented timely, we are not likely to accomplish future plans and goals of the company.

Intended countermeasures and measures:

We plan to strengthen human resources integration and talent reservation, promote career development planning, provide business platform, perfect payment and performance management system and incentive mechanism to attract and motivate talents to create more value for the company

(2) Rising Production Cost

Due to the rise of raw materials and labor cost, the operating costs of the Company will increase, so the profit

margins will be squeezed.

Intended countermeasures and measures:

We will deepen the cost control, improve product added value by upgrading technology, optimize raw material purchasing management, and improve supplier management mode at the same time. We will adjust product structure to market demand, strengthen new product development R&D and market development, enhance production and sales and improve enterprise profitability.

(3) Short-term benefits not in full play due to long raise investment project construction cycle

Because the construction of raise investment project lasts for a long period, the funds raised by the Company still needs a period of time to effect, therefore the benefits is difficult to be in full play in short term.

Intended countermeasures and measures:

The Company is now actively promoting raise investment project construction in order to put the project into production as soon as possible to improve the Company's income.

VIII. Change statements in This Consolidation Range Compared with Financial Statements 2012

1. Four new subsidiaries in this consolidation range: the Company set up wholly owned subsidiary Hangzhou Ju Fang Yong, Technology Center Company, and holding subsidiary Shen Shenbao Huafa on 3 May 2012, 10 May 2012 and 17 August 2012 respectively. The wholly owned subsidiary Hangzhou Ju Fang Yong invested holding subsidiary Shenbao Yuxing on 16 July 2012

2. One wholly owned subsidiary decreased in consolidation range in this period: Huizhou Shenbao Industrial Investment Co., Ltd. has cancelled the Commerce and Industrial procedures dated 5 July 2012

IX. Profit Distribution and Dividend Payout of the Company

Profit Distribution Policy Especially Cash Dividend Policy Formulation, Implementation and Adjustment During the Reporting Period

In line with the relevant provisions of China securities regulatory commission " Notice on Further Implementation of Listed Company Cash Dividend Related Matters (CSRC [2012] no. 37) and CSRC Shenzhen securities regulatory bureau "Announcement on Implementation of the < Notice on Further Implementation of Listed Company Cash Dividend Related Matters > and the Company actual situation, the Company amended some articles related to profit distribution, further refined cash dividend policy and drew up shareholder returns planning in the following 3 years (2012-2014) which is approved in 22nd session of 7th board meeting and 2nd extraordinary general meeting. Independent directors released independent advice on relevant articles. For details, please refer to the related announcement disclosed at Securities Times, China Securities Journal, Hong Kong Commercial Daily and www.cninfo.com.cn on 2 August 2011 and 18 August 2012.

The profit distribution plan and capitalization of capital reserve plan of the Company in the reporting period accorded with relevant provisions of Articles of Association and Management Method of Dividend

Yes No Not applicable

The profit distribution plan and capitalization of capital reserve plan of the Company for the

last three years (reporting period included)

Taking the actual operation needs in 2010 and 2011 into consideration and small cardinal of profit in 2010 and 2011, the Company has no plan of profit distribution for year of 2010 and 2011.

The Preplan Profit Distribution of the Company for year of 2012 is: taking total 250,900,154 shares at end of 2012 as the radix, sending RMB 2 in cash (tax included) per 10 shares to its all shareholders. And the plan should submit for deliberation to Shareholders' General Meeting.

Cash dividend in latest three years

Unit: RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to shareholders of listed company in consolidation statement for bonus year	Ratio in net profit attributable to shareholders of listed company contained in consolidation statement (%)
2012	50,180,030.80	74,529,471.28	67.33%
2011	0.00	6,980,233.57	0
2010	0.00	5,687,644.79	0

X. Social Responsibility

The Company, in accordance with Company Law, Securities Law, the Company's Articles of Association and other relevant laws and regulations requirements, has established a standardized corporate governance structure by combining the reality of the Company. In the process of production, business operation and business development, when creating value for shareholders, the Company attaches great importance to the performance of social responsibility, conforms to the comprehensive country and society development and strives to achieve intercoordination between economic benefit and social benefit, short-term interests and long-term interests, own development and the social development, achieving healthy and harmonious development between the Company and employees, the Company and society, the Company and environment.

XI. In the report period, reception of research, communication and interview

Time	Place	Way	Type	Reception	Contents discussed and material provided
2012.2.13	Conference room of the Company	Spot research	Institution	New Horizon	Discussion of production status and future strategy plan of the Company. No undisclosed material information are reveal, disclose or leak to reception object

Section V. Important Events

I. Significant lawsuits and arbitrations of the Company

√Applicable □Not applicable

General information of lawsuits(arbitration)	Amount involved (10 thousand yuan)	Accrual liability formed (Yes/No)	Progress of lawsuits(arbitration)	Trial results and influence from lawsuits(arbitration)	Enforcement of the judgment	Date for disclosure	Index for disclosure
The case concerning the joint-liability guarantee the Company provided for RMB 7 million loans which Shenzhen China Bicycle Company (Holdings) Limited (“CBC” 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		No	On 12 October 2012, Shenzhen Intermediate People’s Court accept and hear the bankruptcy reorganization case of CBC, the Company reporting claims RMB 24,061,322.14. Detail amount will confirm to the judge from the Court	The approval amount from CBC has no further progress till recently	Not applicable	2004.4.10	The aforesaid events can be found in “Annual Report of 2003” dated 10 April 2004;”Semi-Annual Report of 2004” dated 6 August 2004; Notice of the Board of the Company published on <i>Securities Times</i> , Hong Kong <i>Ta Kung Pao</i> and Juchao Website (www.cninfo.com.cn) dated 30 July 2004, 20 November 2004, 16 December 2004, 29 December 2004 and 18 January 2005 respectively

<p>repayment.</p> <p>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.</p>							
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Questioned from media

Applicable Not applicable

No media questioned for the Company in reporting period

II. Trade of assets

1. Sales of assets

The other party of transaction or final controller	Assets sold	Sales date	Trading price (in 10 thousand yuan)	Net profit contributed to the listed Company from the begin of the reporting to the sales date(in 10 thousand yuan)	Gains/losses from sales (in 10 thousand yuan)	Ratio of net profit contributed by the sold assets for listed company in total profit (%)	Pricing principal	Related transaction or not	The related relationship(applicable for related transaction)	Assets rights concerned transferred ownership fully or not	Credit and liability concerned shifted fully or not	Date of disclosure	Index of disclosure
PepsiCo Investment (China) Ltd.	15% equity of Shenzhen PepsiCo	2012.6.29	14,400	-29.94	10,354.65	134.68%	Determined trading price through publicly listed in Shenzhen United Property and Share Rights Exchange	No	Not applicable	Yes	Yes	2012.7.4	The "Notice of 15% Equity of Shenzhen PepsiCo Beverage Co., Ltd Transfer Involve Implementation of Material Assets Sales" published on Juchao Website (www.cninfo.com.cn) dated 4 July 2012

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Overview of assets sold

On 19 July 2011, approved by the 13th session of the 7th board meeting, the Company planed to sell 15% stake of Shenzhen Pepsi. According to the related regulations, the transaction constituted the material assets reorganization of listed company. From 27 July 2011 to 23 August, the Company publicly sold 15% stake of Shenzhen Pepsi in Shenzhen united assets and equity exchange, and by the end of listing date, Pepsi (China), a qualified buy side came into being. On 29 August 2011, the Company and PepsiCo (China) signed the equity transfer agreement and transferred the 15% stake at RMB 144 million to PepsiCo (China). On 6 September 2011, Shenzhen united assets and equity exchange issued the property rights transaction authentication book about the stock transfer. On 7 September 2011, the 17th session of the 7th board meeting examined and approved the bill about the Company's major asset sales plan and about major asset sales report of Shenzhen Shenbao industrial co., Ltd. On 26 September 2011, the bills were approved by the third temporary general meeting of the Company, on the same day, Shenzhen science and technology, industry and trade and information commission issued the approval on investor shareholding modification of the Sino-foreign joint venture Shenzhen Pepsi-cola beverage co., Ltd., agreed the Company to transfer 15% stake to the PepsiCo (China). On 22 December 2011, the China securities regulatory commission approved the restructuring plan, and issued an approval on major asset restructuring plan of Shenbao industrial co., Ltd. On 10 January 2012, Shenzhen Pepsi-cola completed industrial and commercial change procedures of its 15% stake transfer. On 29 June 2012, the Company received payment of \$22788415.89 Yuan (about 144 million Yuan) from PepsiCo (China), and the payment of equity transfer is completed. So far, execution of the material assets reorganization has completed. For details, please refer to the report on implementation of the material assets reorganization of the Company disclosed at www.cninfo.com.cn on 4 July 2012 and the 2012 semi-annual report disclosed on 21 August 2012. The Company still owned 10% stake in Shenzhen Pepsi after the completion of the transfer.

III. Significant related transaction

1. Related transaction connected to routine operations

Related transaction parties	Related relationship	Related transaction type	Related transaction content	Pricing principal	Related transaction price	Related transaction amount (in 10)	Proportion in the amount of the same	Related transaction settlement mode	Market price	Date of disclosure	Index of disclosure
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						thousand yuan)	transaction (%)				
Zhejiang Huafa Tea Co., Ltd.	Minority shareholder of controlling subsidiary	Purchasing goods	Purchase of tea	Measure and calculate the cost base on market price, that is setting recommended price after cost analysis according to the unit price for raw material purchasing, production cost and sales unit price in market provided by Zhejiang Huafa; in principle, the price should not higher the 5% of average market price in the previous year, determine final trading price based on fair and justice principle.	Not applicable	4,022.40	100%	Bank transfer	Not applicable	2012.9.14	Relevant related transaction amount should be found in notice ” Controlling subsidiary Zhejiang Shen Shenbao Huafa Tea Co., Ltd. plans to sign tea purchasing contract which involve related transaction” and t should be found in notice ” Controlling subsidiary Zhejiang Shen Shenbao Huafa Tea Co., Ltd. plans to sign tea purchasing contract again which involve related transaction” published on Juchao Website (www.cninfo.com.cn) dated 14 September 2012 and 27 September 2012 respectively
Total				--	--	4,022.40	100%	--	--	--	--
Detail of sales return with major amount involved				N/A							
Necessity and sustainable of related transaction as well as reasons of related transaction with related parties(not with other marketing dealers)				Zhejiang Huafa owes strong ability in tea production and process as well as stable quality control system; Shen Shenbao Huafa purchased tea from Zhejiang Huafa, which has a concentrate and stable supply, the Company benefit in cost controlling and promotion of the development for tea exportation business due to the timely supply and quality guarantee.							
Influence on independence of listed company from related transaction				The aforesaid related transaction exercise in order to satisfy the development requirement in business for Shen Shenbao Huafa;							

	pricing principle is based on the market price, and shows fair-ness without harm to the Company's interest, and shows no bad effect for the Company and no influence on the independency of the Company either.
Dependence security to related parties and relevant countermeasures (if applicable)	The Company shows no dependency to related parties
Report the actual implementation of the normal related transactions which were projected about their total amount by types during the reporting period(if applicable)	Not applicable
Reasons for major differences between trading price and market reference price	Not applicable

IV. Significant contracts and its implementation

1. Guarantees

Unit: In ten thousand yuan

Guarantee for the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party (Yes or no)
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd		1,500	2012.2.1	1,500	Joint liability assurance	7-month	Yes	Yes
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd		5,000	2012.2.8	5,000	Joint liability assurance	12-month	Yes	Yes
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd		3,000	2012.7.25	3,000	Joint liability assurance	12-month	Yes	Yes
Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd		3,000	2012.7.25	3,000	Joint liability assurance	12-month	Yes	Yes
Total amount of approving guarantee for subsidiaries in report period (B1)		12,500		Total amount of actual occurred guarantee for subsidiaries in report period (B2)		12,500		
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)		12,500		Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)		0		
Total amount of guarantee of the Company(total of two abovementioned guarantee)								
Total amount of approving guarantee in report period (A1+B1)		12,500		Total amount of actual occurred guarantee in report period (A2+B2)		12,500		
Total amount of approved guarantee at the end of report period (A3+B3)		12,500		Total balance of actual guarantee at the end of report period (A4+B4)		0		
The proportion of the total amount of actually guarantee in the net assets of the Company(that is A4+ B4)				0%				
Including:								

Amount of guarantee 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 amount of guarantee 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	Not applicable
Explanations on external guarantee against regulated procedures	Not applicable

V. Implementation of commitments

1. Commitments from the Company or shareholders (with over 5% shares held) in or continued to reporting period

Undertakings	Undertaker	Contents	Dated for commitment	Commitment term	Implementation
Share Merger Reform	Shenzhen Agricultural Products Co., Ltd Shenzhen Investment Holding Co., Ltd	The original shareholders of non circulation shares made the following undertakings during the equity reform: 1. Agricultural Products and Investment Holdings will observe relevant laws, regulations and rules during the equity reform, and perform their legal undertaking obligations; 2. Upon completion of the equity reform, in order to provide long-term effective incentives to management, the original shareholders of non circulation shares, namely Agricultural Products and Investment Holdings, will sell the shares which they will hold upon satisfaction of consideration (such shares account for 6%-8% of the total share capital (182,923,088 shares in total) of the Company to management within 3 years according to their shareholding percentages after the equity reform.			Observe the undertakings
Commitments in report of acquisition or equity change	N/A				
Commitments in assets reorganization	N/A				

Commitments in initial public offering or refinancing	N/A				
Other commitments to minority shareholders of the Company	N/A				
Completed on time or not	No				
Detail reasons for un-complement and further plan	In accordance with the “Trial Method of Implementation of Stock Option Incentive for State Holding Listed Compay (Domestic)” jointly issued by SASAC and Ministry of Finance dated 6 December 2006, the stock option incentive plan of the Company should refining according to relevant regulations; the stock option incentive of management team should be promoted, in an appropriate market condition, with permission in relevant laws and regulations from the State for original shareholders with non-circulated shares hold.				
Whether made a promise to horizontal competition and related transactions that resulted or not	Yes				
Solution term promised	Not applicable				
Solution way	Not applicable				
Complementation	No party with commitments made has violated commitments been found, and no un-implemented commitment made over the deadline either.				

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

Accounting firm appointed

Name of domestic accounting firm	Dahua Certified Public Accountants (LLP)
Remuneration for domestic accounting firm (in 10 thousand yuan)	50
Continuous life of auditing service for foreign accounting firm	5-year
Name of domestic CPA	Chen Baohua, Gong Chenyan

Employment of Internal Control Audit accounting Firm, Financial Adviser or Sponsors

Applicable Not applicable

1. During the reporting period, Dahua Certified Public Accountants (LLP) was hired as the internal control audit institutions of the Company.
2. In 2011, since the transfer of PepsiCo's 15% stake involved the material assets reorganization, the Company employed Southwest Securities Company Ltd as financial adviser and Jingtian & Gongcheng (Shenzhen) Law Firm as counsel. In 2012, the Company paid a total of 1.2 million yuan for financial advisory fee, RMB 350,000 for legal consultancy fee.

VII. Explanation on Other Important Matters

1. On May 21, 2012, The Company received the official letter of agricultural products from the Company shareholders in which agricultural products and relevant parties were negotiating the significant matters about the Company, and the plan for the item, with significant uncertainty, needed further argument. Upon application of the Company, the Company's shares were suspended on May 22 and would not resume trading until the determination of related matters and the disclosure of relevant information. The Company's shares have been resumed trading on June 18, 2012. For details, please refer to the announcement on major matters resumption disclosed at www.cninfo.com.cn on June 18, 2012.

2. On 29 August 2011, the Company signed equity transfer agreement with PepsiCo (China) that the Company transferred 15% stake of Shenzhen Pepsi to PepsiCo (China) at RMB 144 million, which involved significant asset sales. By the end of 29 June 2012, the Company has received payment of \$22,788,415.89 (about RMB 144 million) from PepsiCo (China). All payment of share transfer was finished. Up to this point, the material assets reorganization has been completed. For details, please refer to Announcement on the transfer of 15% stake of Shenzhen PepsiCo Beverage Co., Ltd and Report on the Implementation of the Material Assets Reorganization published at www.cninfo.com.cn on 4 July 2012.

3. On 28 December 2012, the shares were suspended when starting trading, because the Company planned to transfer shares of Shenzhen Pepsi. On 18 January 2013, the third session of the eighth board meeting of the Company approved and agreed to sell Shenzhen Pepsi 10% stake at RMB 95 million in the way of public trading. By the end of the listing day, a qualified buy Pepsi (China) came into being. According to the property rights

trading rules, the equity transfer has entered into the process of contract transfer. On 28 February 2013, the Company and PepsiCo (China) signed the equity transfer agreement with the transaction price of RMB 95 million. On 18 March 2013 and 8 April, the Company held the fourth session of the eighth board meeting and the first extraordinary shareholders' general meeting in 2013 respectively, approved the material assets sale plan, etc. For details, please refer to related announcements disclosed at www.cninfo.com.cn on 18 January, 22 March and 9 April 2013.

4. There are no directors, supervisors, senior managers, shareholders, actual controllers under investigation or judicial disciplinary inspection by relevant authorities in the reporting period have been transferred to judicial organs shall be investigated for criminal responsibility or administrative penalties, the China securities regulatory commission inspection, the China securities regulatory commission, securities markets, and identified as not appropriate candidate, by other administrative departments of punishment and the stock exchange publicly denounced.

VIII. Important Matters of Company Subsidiary

1. On 6 March 2012, Shenbao Huacheng, a subsidiary of the Company, obtained high-tech enterprise certificate jointly issued by the Shenzhen science and technology industry and trade and information commission, Shenzhen finance committee, Shenzhen municipal office of SAT, and Shenzhen local taxation bureau with the certificate number of GF201144200112, the release time of 3 November 2011 and the period of validity of three years. According to the law of the People's Republic of China on enterprise income tax, after went through the review of high and new technology enterprise, Shenbao Huacheng will continue to enjoy relevant preferential policies of national high and new technology enterprise for three consecutive years since 2011, and the enterprise is taxed at 15%. For details, please refer to the announcement on the subsidiary obtainment of certificate of high and new technology enterprise disclosed at www.cninfo.com.cn on 6 March 2012.

2. On 8 September 2012, the Meeting of 7th Session of the Board deliberated and agreed controlling subsidiary Shen Shenbao Huafa to sign tea purchasing contract with Zhejiang Huafa. Shen Shenbao Huafa intended to purchase export tea with a total amount of less than RMB 40 million from Zhejiang Huafa. For details, please refer to announcement on tea purchase contract entered by controlling subsidiary Zhejiang Shen Shenbao Huafa Tea Co., Ltd. with related transactions involved disclosed at www.cninfo.com.cn on 14 September 2012.

3. On 26 September 2012, the Meeting of 7th Session of the Board deliberated and agreed subordinate controlling company Shen Shenbao Huafa to sign tea purchase contracts with Zhejiang Huafa again, and increased the purchasing amount of less than RMB 40 million by the end of December 31, 2012. In 2012, the tea accumulative total amount does not exceed RMB 80 million estimately. For details, please refer to announcement on tea purchase contract entered by controlling subsidiary Zhejiang Shen Shenbao Huafa Tea Co., Ltd. with related transactions involved disclosed at www.cninfo.com.cn September 27, 2012.

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Shares

	Before the Change		Increase/Decrease in the Change (+, -)				After the Change		
	Amount	Proportion (%)	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion (%)
I. Restricted shares	83,530,913	33.29%				-61,494,252	-61,494,252	22,036,661	8.78%
1. State-owned shares									
2. State-owned corporate shares	6,783,729	2.7%						6,783,729	2.7%
3. Other domestic shares	76,747,184	30.59%				-61,494,252	-61,494,252	15,252,932	6.08%
Including: Domestic legal person's shares	56,011,496	22.32%				-48,241,378	-48,241,378	7,770,118	3.1%
Domestic nature person's shares	20,735,688	8.26%				-13,252,874	-13,252,874	7,482,814	2.98%
4. Shares held by foreign capital									
Including: Foreign legal person's Shares									
Foreign nature person's shares									
5. Senior executive's shares									
II. Un-restricted shares	167,369,241	66.71%				61,494,252	61,494,252	228,863,493	91.22%
1. RMB common shares	141,233,241	56.29%				61,494,252	61,494,252	202,727,493	80.8%
2. Domestically listed foreign shares	26,136,000	10.42%						26,136,000	10.42%
3. Foreign listed foreign shares									
4. Other									
III. Total shares	250,900,154	100%						250,900,154	100%

Reasons for changes: privately offering shares are released for trading.

II. Security offering and listing

1. Previous security offering in latest three years at period-end

Stock/derivative securities	Offering date	Offering price(RMB/Share)	Circulation number	Listing date	Numbers approved for trading (Share)	End of trading date
Stock						
Privately offering (A-share)	2011-06-22	8.7	68,977,066	2011-07-04	68,977,066	

Explanation on security offering in previous three years

Explanation on securities offering in previous three years:

Approved by the CSRC by issuing the Approval for Shenzhen Shenbao Industrial Co., Ltd. to Issue Stock on a Non-public Basis (ZJXK No.777(2011)), the Company issued 68,977,066 Renminbi common shares (A shares) to 8 specific investors on a non-public basis at the issue price of RMB8.70, through which, an aggregate of RMB600,100,474.20 was raised. After deduction of the issuance expense RMB27, 708,332.31, the actual net proceeds raised by the Company was RMB572, 392,141.89. in particular, four related natural persons, namely Mrs. Lin Yixiang, Mr. Xia Zhenzhong, Mrs. Cao Lijuan and Mrs. Zheng Lingna subscribed such shares by the 48.33% equity interests they held in Shenbao Huacheng, and other four investors, namely Shenzhen Tianzhong Investment Co., Ltd., Mrs. Li Duruo, Xinjiang Xiehe Equity Investment Joint Venture (with Limited Liability) and Yingfu (Tianjin) Equity Investment Management Joint Venture (with Limited Liability) subscribed such shares by cash. As certified by the Capital Verification Report (LXDHYZi No.177 (2011)) issued by Shulun Pan Dahua Certified Public Accountants Co., Ltd., the proceeds raised through this non-public issuance have been settled in full on 23 June 2011. The Company has saved the proceeds in a separate account. And the involved shares have been completed registration for custody with Shenzhen branch of China Securities Depository and Clearing Corporation Limited, and recorded in the registrar on 1 July 2011. On 4 July 2011, the newly issued shares of the Company were listed in Shenzhen Stock Exchange. The transfer procedure for the 48.33% equity interests in Shenbao Huacheng has been finished on 8 June 2011. Upon the issuance, the total share capital of the Company changed to 250,900,154 shares from the original 181,923,088 shares.

III. Particulars about shareholder and actual controller of the Company

1. Amount of shareholders of the Company and particulars about shares holding

Unit: Share

Total shareholders in reporting period		22,944	Total shareholders ended as the 5 th trading day before annual report disclosed		22,892			
Particulars about shares held above 5% by shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held (%)	Total shareholders at the end of report period	Changes in report period	Amount of restrict shares held	Amount of un-restrict shares held	Number of share pledged/frozen	
							State of share	Amount
Shenzhen Agricultural Products Co., Ltd	Other	19.09%	47,895,097	0	7,770,118	40,124,979		
Shenzhen Investment Holding Co., Ltd	State-owned legal person	16%	40,143,586	0	6,783,729	33,359,857		
Shenzhen Tianzhong Investment Co., Ltd.	Other	9.96%	24,983,908	0	0	24,983,908	Pledge	24,983,908
Li Duruo	Domestic nature person	3.56%	8,923,084	-4,329,790	0	8,923,084		
Xinjiang Xiehe Equity	Other	2.51%	6,295,402	-5,300,000	0	6,295,402		

Investment Management L.P								
Yingfu(Tianjin) Equity Investment Management L.P	Other	2.42%	6,070,506	-5,591,562	0	6,070,506		
Li Liang	Domestic nature person	1.93%	4,836,654	4,836,654	0	4,836,654		
Lin Yixiang	Domestic nature person	1.02%	2,561,002	0	2,561,002	0		
Xian Zhenzhong	Domestic nature person	0.85%	2,134,917	0	2,134,917	0	Pledge	2,134,917
Cao Lijun	Domestic nature person	0.80%	2,012,758	0	2,012,758	0	Pledge	2,012,758
Explanation on associated relationship among the aforesaid shareholders	Shenzhen SASAC directly holds 21.52% equity interests of Agricultural Products, indirectly holds 5.22% equity interests of Agricultural Products and directly holds 100% equity interests of Shenzhen Investment Holding. Except for this, the Company was not aware of any related relationship between other shareholders above, and whether they belonged to parties acting in concert as defined by the Acquisition Management Method of Listed Company.							
Particular about top ten shareholders with un-restrict shares held								
Shareholders' name	Amount of un-restricted shares held at year-end	Type of shares						
		Type	Amount					
Shenzhen Agricultural Products Co., Ltd	40,124,979	RMB common shares	40,124,979					
Shenzhen Investment Holding Co., Ltd	33,359,857	RMB common shares	33,359,857					
Shenzhen Tianzhong Investment Co., Ltd.	24,983,908	RMB common shares	24,983,908					
Li Duruo	8,923,084	RMB common shares	8,923,084					
Xinjiang Xiehe Equity Investment Management L.P	6,295,402	RMB common shares	6,295,402					
Yingfu(Tianjin) Equity Investment Management L.P	6,070,506	RMB common shares	6,070,506					
Li Liang	4,836,654	RMB common shares	4,836,654					
Zhang Zhengrong	1,900,100	RMB common shares	1,900,100					
Liu Yi	1,102,809	RMB common shares	1,102,809					
Zheng Chenxi	1,100,000	RMB common shares	1,100,000					
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	Shenzhen SASAC directly holds 21.52% equity interests of Agricultural Products, indirectly holds 5.22% equity interests of Agricultural Products and directly holds 100% equity interests of Shenzhen Investment Holding. Except for this, the Company was not aware of any related relationship between other shareholders above, and whether they belonged to parties acting in concert as defined by the Acquisition Management Method of Listed Company.							

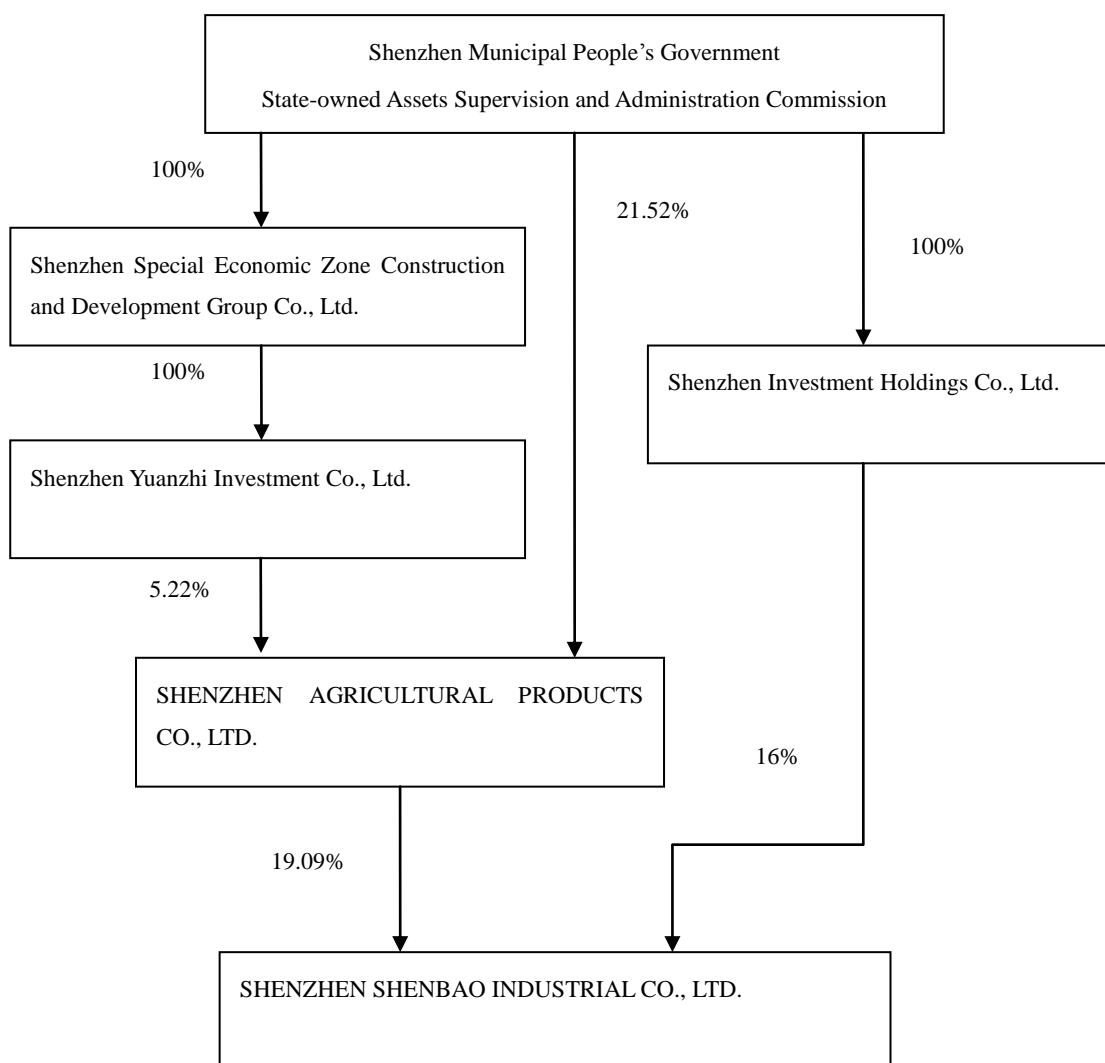
2. Controlling shareholder of the Company

Controlling shareholder	Legal rep./person in charge of unit	Date established	Organization code	Register capital(in 10 thousand yuan)	Main business
Shenzhen Agricultural Products Co., Ltd	Chen Shaoqun	1989-01-14	192179163	138,331.41	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.
Operation result, financial status, cash flow and future development strategy ect.	More details found in Annual Report 2012 of Agricultural Products, the controlling shareholder of the Company				
Equity of other domestic/foreign listed company with share controlling and share participation by controlling shareholder in reporting period	More details found in Annual Report 2012 of Agricultural Products, the controlling shareholder of the Company				

3. Actual controller of the Company

Actual controller	Legal rep./person in charge of unit	Date established	Organization code	Register capital	Main business
Shenzhen Municipal People's Government State-owned Assets Supervision & Administration Commission	Zhang Xiaoli		K31728067	Not applicable	Supervised and managing the state-owned assets
Operation result, financial status, cash flow and future development strategy ect.	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.				
Equity of other domestic/foreign listed company controlled by actual controller in reporting period	-				

Property right and controlling relationship between the actual controller and the Company is as follow:



4. Particulars about other legal person shareholders with over 10% shares held

Corporate shareholders	Legal rep./person in charge of unit	Date established	Organization code	Register capital (in 10 thousand yuan)	Main business or management activity
Shenzhen Investment Holding Co., Ltd	Fan Mingchun	2004.10.13	767566421	560,000	Provide guarantee for state-owned enterprises on municipality level; manage the state-owned equity interests of enterprises which are not under direct supervision by municipality SASAC; carry out assets reorganization, transformation and capital operation for belonging enterprises; other businesses authorized by the municipality SASAC.

Section VII. Particulars about Directors, Supervisors and Senior Executives and Employees

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

Name	Title	Post-holding status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-beg in (Share)	Increasing shares held in this period (Share)	Decreasing shares held in this period (Share)	Shares held at period-end (Share)
Zheng Yuxi	Chairman, Party Secretary	Currently in office	M	51	2012.10.12	2015.10.12	0	0	0	0
Chen Shaoqun	Director	Currently in office	M	51	2012.10.12	2015.10.12	0	0	0	0
Huang Yu	Director	Currently in office	M	39	2012.10.12	2015.10.12	0	0	0	0
Lin Yanfeng	Director	Currently in office	M	41	2012.10.12	2015.10.12	0	0	0	0
Dou Qiang	Director	Currently in office	M	41	2012.10.12	2015.10.12	0	0	0	0
Wu Shuping	Independent director	Currently in office	M	60	2012.10.12	2015.10.12	0	0	0	0
Fan Zhiqing	Independent director	Currently in office	M	64	2012.10.12	2015.10.12	0	0	0	0
Xu Zhuangcheng	Independent director	Currently in office	M	41	2012.10.12	2015.10.12	0	0	0	0
Yan Zesong	Director, GM	Currently in office	M	43	2012.10.12	2015.10.12	0	0	0	0
Lin Hong	Chairman of Supervisory Committee	Currently in office	F	48	2012.10.12	2015.10.12	0	0	0	0
Luo Longxin	Supervisor	Currently in office	M	52	2012.10.12	2015.10.12	0	0	0	0
Huang Qin	Supervisor	Currently in office	F	50	2012.10.12	2015.10.12	0	0	0	0
Li Fang	Deputy GM	Currently in office	F	39	2012.10.12	2015.10.12	0	0	0	0
Li Yiyang	Deputy GM, Secretary of the Board	Currently in office	F	47	2012.10.12	2015.10.12	0	0	0	0

Qian Xiaojun	Deputy GM	Currently in office	M	41	2012.10.12	2015.10.12	0	0	0	0
Yao Xiaopeng	Deputy GM	Currently in office	M	45	2012.10.12	2015.10.12	0	0	0	0
Wang Zhiping	CFO	Currently in office	F	42	2012.10.12	2015.10.12	0	0	0	0
Du Wenjun	Independent director	Office leaving	F	45	2009.12.30	2012.10.11	0	0	0	0
Deng Meixi	Independent director	Office leaving	F	41	2009.12.30	2012.10.11	0	0	0	0
He Dong	Director	Office leaving	M	44	2009.12.30	2012.10.11	0	0	0	0
Zeng Suyan	CFO	Office leaving	F	58	2009.12.30	2012.10.11	0	0	0	0
Total	--	--	--	--	--	--	0	0	0	0

II. Post-holding

Major working experience of directors, supervisors and senior executive at the present in latest five years

(I) Directors

Mr. Zheng Yuxi, bachelor degree of economics, was born in 1962. He has served successively as director and Deputy GM of underling enterprise of Shenzhen Special Economic Region Free Commodities Enterprises, Chairman of Shenzhen Agri-Pastoral Enterprises Co., Ltd., GM assistant and Deputy GM and GM of the Company, Chairman of 7th session of the Board and Party Secretary; and serves as Chairman of 8th session of the Board and Party Secretary since 12 October 2012.

Mr. Chen Shaoqun, was born in 1962, master degree, a senior economist, and study the course of global CEO of CEIBS in 2008. He was the representative of 4th Session and 5th Session of Shenzhen Municipal People's Congress, successively served as Deputy GM, Director, GM and Chairman of the 4th and 5th session of the board of Agricultural Products and Director of the 7th session of the Board of the Company. now serves as Chairman and Party Secretary of 6th session of the Board of Agricultural Products; Director of 8th session of the Board of the Company since 12 October 2012.

Mr. Huang Yu, was born in 1974, a MBA, senior accountant and Chinese CPA. He has served successively as auditor of Shenzhen Shekou Xinde CPA; Manager of audit department and assistant director of Shenzhen HengDaXin CPA; deputy director of audit department of Shenzhen Commerce & Trade Investment Holding Co., Ltd.; principal staff member of social affair division and 2nd division of enterprise of Shenzhen Municipal People's Government State-owned Assets Supervision & Administration Commission. Now he serves as director of financial budget department of Shenzhen Investment Holding Co., Ltd., and serves as Director of 8th Session of the Board of the Company since 12 October 2012.

Mr. Wu Shuping, born in 1953, a Master degree and senior economist. He has served successively as deputy factory director of Shanghai Starter Motor Factory; deputy director of comprehensive division of General Office of Shanghai Municipal People's Government; Director and Deputy President of Asia Commerce Enterprises Consultant Co., Ltd. and Independent Director of Shenzhen Agricultural Products Co., Ltd. Now he serves as GM of Shanghai Baiyan Enterprise Management

Consultant Co., Ltd, and Independent Director of Chengdu Hi-Tech Investment Group. He serves as Independent Director of the Company since 12 October 2012.

Mr. Fan Zhiqing, born in 1949, a graduate degree, a senior accountant and senior economist. He has served successively as judge of title of a senior professional post in Guangdong Province and panelists, financial manager and CFO of large state-run or joint venture in Shenzhen, guest professor of Shenzhen University and Shenzhen Managers College and Independent Director of the Company from July 2002 to December 2009. Now he serves as Independent Director of Shenzhen Shahe Industrial Co., Ltd. and Kingsignal Technology Co., Ltd. and he serves as Independent Director of the Company since 12 October 2012.

Mr. Xu Zhuangcheng, was born in 1972, bachelor in laws. He has served successively as 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, standing director of China Beverage Industry Association. He successively served as Director and GM of subordinate Shenzhen Shenbao Huacheng Food Co., Ltd., President of Shenbao Huacheng, supervisor of 6th Session of Supervisory Committee of the Company and Director and GM of 7th session of the Board of the Company. He serves as Director and GM of 8th session of the Board of the Company since 12 October 2012.

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. He serves as director of 8th Session of the Board since 12 October 2012.

Mr. Dou Qiang, was born in 1972, a university background. He successively served as editor in Zhumadian People's Ratio 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. He serves as director of 8th Session of the Board since 12 October 2012.

(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 and chairman of 7th session of supervisory committee of the Company. Now she serves as chairman of 8th session of 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 and Director of Technology Center Company. He serves as supervisor of 8th session of supervisory committee since 12 October 2012.

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 Shenbao Huacheng and Supervisor of Wuyuan Jufangyong. She serves as staff supervisor of 8th Session of Supervisory Committee of the Company since October 2012.

(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 Yiyan, 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. Now she serves as the Deputy GM, Secretary of the Board of the Company.

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 Science and Technology Co., Ltd. Now he serves as Deputy GM of the Company.

Mr. Yao Xiaopeng, born in 1968, a university background, a food safety division. He has successively served as deputy GM and GM of Guangdong Shenbao Food Co., Ltd., Chairman of Shenbao Sanjing and GM assistant of the Company. Now he serves as deputy GM of the Company.

Ms. Wang Zhiping, born in 1971, a university background, an accountant and non-practicing CPA. She has successively served as auditor, senior auditor and department manager of Shenzhen Dahua CPA; director assistant and director of accounting and financial department of the Company. Now she serves as CFO of the Company.

Post-holding in shareholder's unit

Applicable Not applicable

Name	Name of shareholder's units	Position	Start dated of office term	End date of office term	Weather receiving remuneration from shareholder's units
Chen Shaoqun	Shenzhen Agricultural Products Co., Ltd	Chairman, Party Secretary			Yes
Huang Yu	Shenzhen Investment Holding Co., Ltd	Director of Finance Budget Dept.			Yes
Dou Qiang	Shenzhen Tianzhong Investment Co., Ltd.	Deputy GM			Yes

Post-holding in other unit

Applicable Not applicable

Name	Name of other units	Position	Start dated of office term	End date of office term	Weather receiving remuneration from other units
Lin Yanfeng	Guangdong Changjiang Trade Co., Ltd	Director, GM			Yes
Dou Qiang	Henan Peoples Group Co., ltd	President			-

		assistant			
Wu Shuping	Shanghai Baiyan Enterprise Management Consultant Co., Ltd	GM			Yes
	Chengdu Hi-Tech Investment Group	Independent director			Yes
Fan Zhiqing	Shenzhen Shahe Industrial Co., Ltd	Independent director			Yes
Fan Zhiqing	Kingsignal Technology Co., Ltd.	Independent director			Yes
Xu Zhuangcheng	Shenzhen branch of DeHeng Law Office	Attorney			Yes

III. Remuneration for directors, supervisors and senior executives

Decision-making procedures, determination bases and actual payment of remunerations of directors, supervisors and senior management

(I) Basis and Decision-making Process for the Annual Reward of Company Directors, Supervisors and Senior Managers

During the reporting period, according to the headquarter compensation plan and performance measures, the Company's board meeting remuneration and appraisal committee combined with the Company's annual business situation and individual performance appraisal result and determined the directors, supervisors and senior management personnel salary. The subsidiary standard of independent directors is subject to the resolution by the shareholders meeting.

(II) Total Compensation of Directors, Supervisors and Senior Managers

By the end of the reporting period, the total amount of annual pre-tax pay of the current directors, supervisors and senior manager is RMB 4.4065 million. The annual pre-tax pay of the current directors, supervisors and senior manager who left during the reporting period is RMB 439,500, which totals RMB 4.846 million.

(III) Independent Director Allowance: the annual allowance for each independent director is RMB 89,000.

Remuneration before taxation for directors, supervisors and senior executives in reporting period

In ten thousand yuan

Name	Title	Sex	Age	Post-holding status	Total remuneration obtained from the Company	Total remuneration obtained from shareholder's unit	Remuneration actually obtained at period-end
Zheng Yuxi	Chairman, Party Secretary	M	51	Currently in office	65.5	0	65.5
Chen Shaoqun	Director	M	51	Currently in office	0	-	-
Huang Yu	Director	M	39	Currently in	0	-	-

				office			
Lin Yanfeng	Director	M	41	Currently in office	0	-	-
Dou Qiang	Director	M	41	Currently in office	0	-	-
Wu Shuping	Independent director	M	60	Currently in office	2.225	-	2.225
Fan Zhiqing	Independent director	M	64	Currently in office	2.225	-	2.225
Xu Zhuangcheng	Independent director	M	41	Currently in office	8.9	-	8.9
Yan Zesong	Director, GM	M	43	Currently in office	64	0	64
Lin Hong	Chairman of Supervisory Committee	F	48	Currently in office	48.5	0	48.5
Luo Longxin	Supervisor	M	52	Currently in office	39.8	0	39.8
Huang Qin	Supervisor	F	50	Currently in office	17.3	0	17.3
Li Fang	Deputy GM	F	39	Currently in office	41.9	0	41.9
Li Yiyang	Deputy GM, Secretary of the Board	F	47	Currently in office	47.1	0	47.1
Qian Xiaojun	Deputy GM	M	41	Currently in office	44.5	0	44.5
Yao Xiaopeng	Deputy GM	M	45	Currently in office	32.6	0	32.6
Wang Zhiping	CFO	F	42	Currently in office	26.1	0	26.1
Du Wenjun	Independent director	F	45	Office leaving	6.675	-	6.675
Deng Meixi	Independent director	F	41	Office leaving	6.675	-	6.675
He Dong	Director	M	44	Office leaving	0	-	-
Zeng Suyan	CFO	F	58	Office leaving	30.6	0	30.6
Total	--	--	--	--	484.6	-	484.6

IV. Post-leaving and dismissals for directors, supervisors and senior executives

Name	Title	Type	Date	Reasons
Du Wenjun	Independent director	Office leaving	2012-10-11	Leave while office term expired
Deng Meixi	Independent director	Office leaving	2012-10-11	Leave while office term expired
He Dong	Director	Office leaving	2012-10-11	Leave while office term expired
Zeng Suyan	CFO	Office leaving	2012-10-11	Leave while office term expired

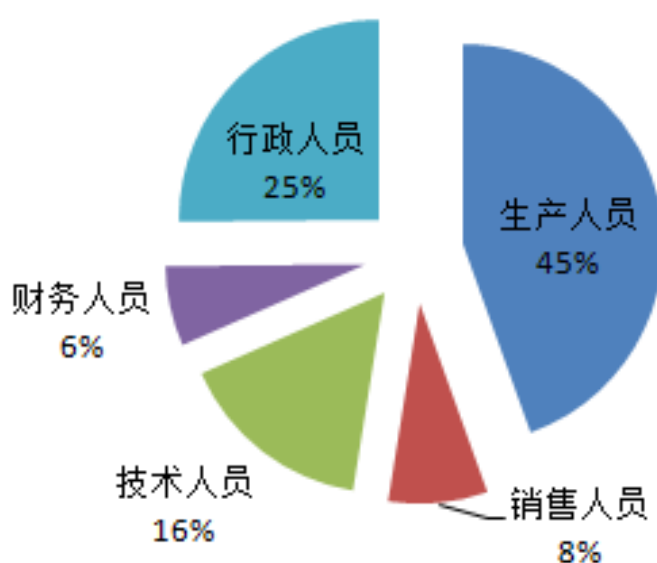
V. Particulars of workforce

Ended as 31 December 2012, the Company owes 712 employees in total (including employees from enterprise in consolidation statement). Composition is as:

1. Staff composition

Profession	Number	Proportion (%)
Production personnel	317	45
Salesperson	57	8
Technicians	113	16
Financial personnel	46	6
Administrative personnel	179	25
Total	712	100

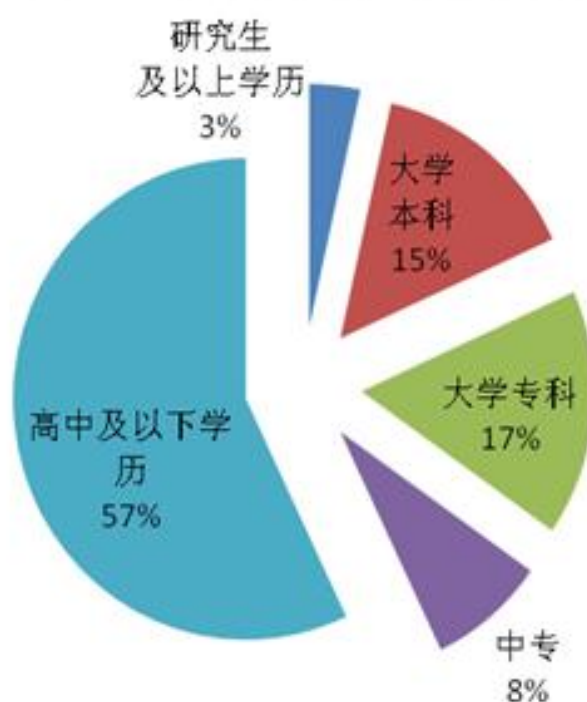
1、员工专业构成结构表



2. Education Background

Education	Number	Proportion (%)
Postgraduate or above	25	3
Undergraduate	105	15
3-years regular college graduate	118	17
Polytechnic school graduate	58	8
Senior middle school graduate or below	406	57
Total	712	100

2、员工受教育程度结构表



3. By the end of the reporting period, there is no retired workers subsidized by the Company.

4. Employee Compensation Policy

During the reporting period, employee wages was paid monthly according to salary management provisions set by the Company, and the performance-related pay was issued based on the actual situation of benefit and individual performance assessment results at the end of the year.

5. Training Plan

With the development of corporate strategy planning and the implementation of management by objectives, all modules of the Company has more diversified and comprehensive quality requirements for all kinds of personnel, especially key talent in the key positions. Thus, the Company plans to establish a learning organization covering

all the staff gradually with effective implementation of the training credit system, changing passive learning into active learning. At the same time, the Company has initially set up internal trainer team to encourage sharing, help the employees grasp the required knowledge, skills and attitudes, further improving the self quality and staff capacity.

Section VIII. Corporate governance

I. Brief introduction of corporate governance

During the reporting period, in strict accordance to the requirements of the Company Law, Securities Law, Corporate Governance Rules for Listed Company as well as normative documents with corporate governance concerned issued by CSRC and Shenzhen Stock Exchange, the Company continued to improve structure of legal person governance, enhance standardized operation with purpose of consolidating the efficiency decision-making which is currently in effect, and operation management system.

(I) The Company strictly followed the basic management mechanism of Article of Association, Discussion Rules for Shareholders' General Meeting, Discussion Rules for the Board, Discussion Rules for Supervisory Committee, Regulations on Works for the GM, System of Independent Directors and vary work regulations of specialized committee; the responsibilities are well-defined between the Shareholders' General Meeting, Board of Directors, Supervisory Committee and Management team, guarantee the effective implementation of internal control system.

(II) Governance system established and revised in reporting period:

Serial	System	Disclosure index
1	Management System of Internal Audit (October 2012)	Disclosed on Juchao Website (www.cninfo.com.cn) dated 13 October 2012
2	Article of Association (August 2012)	Disclosed on Juchao Website (www.cninfo.com.cn) dated 18 August 2012
3	Plan of Shareholders Return for Next Three Years (2012-2014)	Disclosed on Juchao Website (www.cninfo.com.cn) dated 2 August 2012

The Company received no relevant documents with administrative regulation concerned from supervision department in reporting period, and has no particular about rectification within a time limit. From point of the Board, corporate governance of the Company shows no difference to requirement from relevant documents with actual condition.

Is there any difference between corporate governance and the requirements of the Company Law and relevant regulations from CSRC

Yes No

There is no difference between corporate governance and the requirements of the Company Law and relevant regulations of the CSRC

Progress of the special activity for corporate governance, establishment and implementation of insider information registration management system

In order to further improve the Company's internal management system, strengthen inside information management, improve the rule of law, self-discipline consciousness of the Company's shareholders, directors, supervisors and senior management personnel and other insider, put an end to insider trading, illegal activities such as stock price manipulation, etc., and ensure open, fair and just disclosure of company information, on October 30, 2009, the 26th meeting of the sixth board meeting reviewed and adopted the bill about building inside information and insider registration system of the Company. For details, please refer to Shenzhen Shenbao industrial co., Ltd. insider information and insider registration system published at <http://www.cninfo.com.cn> on 31 October 2009.

During the reporting period, the Company has made a good registration and record on the insiders, organized the directors, supervisors and senior management personnel and related staff access to inside information to visit insider trading warning education exhibition held by Shenzhen exchange in order to raise awareness of the compliance and confidentiality, forwarded the relevant documents to controlling shareholder and other external agencies, and regulate the behavior of submitting information and the use of our company information by external information users. During the reporting period, the Company found no insider using inside information to buy and sell company shares before the disclosure of significant sensitive information which influenced Company's share price and no investigation and punishment by regulators.

II. In the report period, the Company held annual shareholders' general meeting and extraordinary shareholders' general meeting

1. Annual Shareholders' General Meeting in the report period

Session of meeting	Date	Name of meeting motion	Situation	Date of disclosure	Index of disclosure
Annual Shareholders' General Meeting of 2011	2012.4.27	1. "Report of the Board for year of 2011", 2. "Report of the Supervisory Committee for year of 2011", 3. "Annual Financial Results 2011", 4. "Profit Distribution Plan of 2011", 5. "Remuneration of Directors, Supervisors and Senior Executives for year of 2011", 6. "Annual Report of 2011 and its Summary", 7. "Special Proposal of Amendment of 'Article of Association'", 8. "Proposal of Engagement of Audit Institution for year of 2012", 9. "Changing Using Purpose for Part of the Fund Raised "	All proposals have been approved by the Meeting	2012.4.28	"Resolution Notice of Annual Shareholders' General Meeting 2011 of Shenzhen Shenbao Industrial Co., Ltd" No.: 2012-20 published on Juchao Website (www.cninfo.com.cn) dated 28 April 2012

2. Extraordinary shareholders' general meeting in the report period

Session of meeting	Date	Name of meeting motion	Situation	Date of disclosure	Index of disclosure
First Extraordinary Shareholders' General Meeting 2012	2012.3.21	1. "Increasing Capital for Jufangyong Tea Industry Co., Ltd. in Wuyuan County", 2."Supplement Current Capital with Part of Idle Fund Raised Again"	All proposals have been approved by the Meeting	2012.3.22	"Resolution Notice of First Extraordinary Shareholders' General Meeting 2012 of Shenzhen Shenbao Industrial Co., Ltd" No.: 2012-10 published on Juchao Website (www.cninfo.com.cn) dated 22 March 2012
Second Extraordinary Shareholders' General Meeting 2012	2012.8.17	1. "Special Proposal of Amendment of 'Article of Association'", 2. "Shareholders Return Plan for Next Three Years (2012-2014)"	All proposals have been approved by the Meeting	2012.8.18	"Resolution Notice of Second Extraordinary Shareholders' General Meeting 2012 of

					Shenzhen Shenbao Industrial Co., Ltd” No.: 2012-38 published on Juchao Website (www.cninfo.com.cn) dated 18 August 2012
Third Extraordinary Shareholders’ General Meeting 2012	2012.10.12	1.”Supplement Current Capital with Part of Idle Fund Raised Again”, 2. “Subordinate controlling company Zhejiang Shen Shenbao Huafa Tea Co., Ltd. plans to purchase tea from Zhejiang Huafa Tea Co., Ltd. which involve related transaction”, 3. “Nomination of Candidates for Director of 8 th Session of the Board”, 4. “Nomination of Candidates for Supervisor of 8 th Session of Supervisory Committee”	All proposals have been approved by the Meeting	2012.10.13	”Resolution Notice of Third Extraordinary Shareholders’ General Meeting 2012 of Shenzhen Shenbao Industrial Co., Ltd” No.: 2012-57 published on Juchao Website (www.cninfo.com.cn) dated 13 October 2012

III. Responsibility performance of independent directors in report period

1. The attending of independent directors to Board meetings and shareholders’ general meeting

The attending of independent directors							
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of Presence	Times of attending by communication	Times of entrusted presence	Times of Absence	Whether absent the Meeting for the second time in a row or not	
Du Wenjun	6	4	2	0	0	No	
Deng Meixi	6	4	2	0	0	No	
Wu Shuping	2	2	0	0	0	No	
Fan Zhiqing	2	2	0	0	0	No	
Xu Zhuangcheng	8	6	2	0	0	No	
Times attending shareholders’ general meeting from independent directors							4

Explanation of absent the Board Meeting for the second time in a row

Not applicable

2. Objection for relevant events from independent directors

Whether independent directors come up with objection about company’s relevant matters or not

Yes No

Independent directors has no objections for relevant events in reporting period

3. Other explanation about responsibility performance of independent directors

Whether the opinions from independent directors have been adopted or not

Yes No

The Explanation of the Advice adopted or not accepted by Independent Director

During the reporting period, the Company's independent directors actively attended the board meeting and the general meeting of shareholders in strict accordance with law of the Company, instructional advice on establishing independent director system of listed companies and other relevant laws, regulations and the Company's articles of association rules. While actively participating in discussion and putting forward reasonable suggestions, the independent directors made regular check and guide of the Company production and management work. They made independent advice for the important items in the Company daily operation. Independent directors, conscientious in their duties, has played a positive role in board decision, effectively safeguarding the interests of the whole of the Company and protecting the legitimate rights and interests of the masses of medium and small shareholders.

IV. Performance of Duties by Specialized Committees under the Board Meeting in the Reporting Period**1. Performance of Duties by the Strategy Committee of the Board**

During the reporting period, under the domination of the Strategy Committee of the Board, the Company started to make future 3-5 years development strategy planning project. Board committee members has taken active participate in strategic research and on-the-spot investigation, and made serious study and put forward valuable opinions and suggestions on the Company's long-term development strategic planning. In order to unify thought and build consensus, after the completion of the development strategy of the Company, the strategy committee conducted two strategies preach, and formulated the strategic implementation plans and steps, making strategic planning effective ground.

2. Performance of Duties by the Auditing Committee

During the reporting period, the audit committee has held four meetings to review the Company's financial year, semiannual, quarterly reports, and has audited internal control construction. In addition, the audit committee has made clear requirements for the high audit priority of the annual report, supervised the auditors to submit audit report within the prescribed period of time, and expressed opinions on external audit institutions hired by the Company.

3. Performance of Duties by the Remuneration and Appraisal Committee

During the reporting period, the remuneration and appraisal committee has held two meetings to examine the 2011 annual performance factor according to the regulation of performance management measures for the headquarters, and inspected the 2011 annual salary for the Company's directors, supervisors and senior managers, at the same time, made confirmation for the operating performance indicators in 2012.

4. Performance of Duties by the Nomination Committee of the Board

During the reporting period, the nomination committee of the board held a meeting. In view of re-election of the

board meeting, the board nomination committee has made detail verification on various aspects of primary staff and confirmed the nomination of nine candidates of the eighth board meeting after preparatory work according to the Company's articles of association, the work rules of nomination committee of the board.

V. Works from Supervisory Committee

Whether the Company has risks or not in reporting period that found in supervisory activity from supervisory committee

Yes No

Supervisory committee has no objection about supervision events in reporting period

VI. Independence of the Company in aspect of business, personnel, assets, institute and finance relative to its controlling shareholder

By the end of the reporting period, agricultural products held by controlling shareholders account for 19.09 percent .The Company, in strict accordance with the governance rules of listed corporate and other relevant provisions, completely separates from the controlling shareholders in business, finance, personnel, assets, organizations, and has independent full business and self management ability. Details are as follows:

1. Independent Business: The Company has complete business and self management ability and is mainly engaged in tea, food and beverage products production, sale, which has no competition with controlling shareholder and its subordinate enterprises. The controlling shareholder has no direct or indirect intervention in the Company business activities.

2. Independent Staff: The Company has special organization to manage labor and payment, and has independent perfect personnel system and collective management system. Chairman of the board meeting has not served as the legal representative of the Company shareholders; Executives of the Company are full-time with no part-time controlling shareholder, and they are paid by our company. All the Company's directors, supervisors are elected through legal procedures. The general manager, deputy general manager, chief financial officer and the board secretary are appointed by the board meeting. The Company has independent power of appointment and removal of personnel.

3. Independent Assets: The Company has independent production system, auxiliary production systems and supporting facilities. All procurement and sales systems are owned by the Company independently. There is no controlling shareholder's non business occupation of money and the property.

4. Independent Organization: The Company has set up a sound organizational structure system; the production, operation and office space are completely separated from the controlling shareholders; Board meeting, board of supervisors, and other internal organizations can operate independently. There is no mixed operation between the Company and controlling shareholders.

5. Financial Independent: The Company, with independent financial department, has set up independent accounting system and financial management system. With independent bank accounts, tax payment, the

Company strictly follows the financial system and has independent operation and standardized management. There is no intervention into financial and accounting activity by controlling shareholder.

VII. Horizontal Competition

During the reporting period, competition and related transactions caused by part of the restructuring, industry characteristics, national policy or acquisitions do not exist; there exist neither provision of undisclosed information to the big shareholders, actual controllers nor intervention into the Company production, management by major shareholders, actual controllers.

VIII. Appraisal and incentive mechanism for senior executives

The personnel department of the Company is responsible for assessing the daily performance evaluation of senior management personnel. By the end of the year, based on the Company's overall business performance and achievement of management index, the remuneration and appraisal committee under the board meeting of the Company will carry on comprehensive evaluation in accordance with the headquarter performance management method, take it as the basis for salary adjustment and rewards of senior management personnel and then implement after the approval of the board meeting and general meeting. The company will further explore the effective incentive mechanism to fully arouse the initiative and enthusiasm of management, promoting the sustainable and stable development of the Company.

Section IX. Internal control

I. Construction of internal control

The Company, according to the requirements of laws and regulations and regulatory documents including the Company Law, the Securities Law, Basic Standards of Enterprise Internal Control and the matching guidance, as well as the requirements raised by the principal department and market supervision & administration department in respect of the internal control, has established complete, reasonable and effective internal control system which covers legal person governance structure, finance management control and information disclosure control, providing effective guarantee for standard operation and long term development of the Company.

1. During the reporting period, pursuant to the notice on further implementation of cash dividend related issues of listed company issued by the CSRC and the notice on practice of the notice on further implementation of cash dividend related issues of listed company issued by the securities regulatory bureau of Shenzhen, the Company amended the Articles of Association and prepared three year return plan for shareholder (2012-2014), which determined constant, stable and active dividend policy, thus to further improve legal person governance structure and protect investors' interests. Meanwhile, the Company made internal control system corresponding to the existing complete governance structure, and set clear definition about the control targets, responsibility and authority of each level and each position, thus to make sure that the orders delivered by the board and operation level can be executed strictly.

2. During the reporting period, taking into account the strategic development requirements, the Company made human resources planning system, performance management method, remuneration management method and staff training management system according to relevant laws and regulations, thus to build such human resources management system that complied with modern enterprise management.

3. As to standardization of internal control system, the Company established the internal control system complying with basic standard requirement oriented by strategy and risk through organization and evaluation of internal control procedure. Risks were found and prevented by means of ending summary, regular budget review, and regular operation analysis and performance examination.

4. The Company has established finance management system, to improve and enhance accounting calculation and authorities of finance management in system. And the Company established management method in respect of engagement of accounting firm and responsibility accounting system in respect of material mistake in annual report information disclosure, thus to standardize the conduct of the accounting firm in relation to its audit affairs, enhance the quality of audit works and financial information, and to increase the truthfulness, accuracy, completeness and promptness of annual report information disclosure.

5. As to information disclosure, the Company made information disclosure management system and insider information registration system, to standardize its external disclosure conduct, increase the transparency of information disclosure and protect the legal interests of the company and its entire shareholders.

6. In 2012, in order to further complete the internal audit system, strengthen internal audit supervision, improve

operation management and enhance economic benefits, the Company established its internal audit management system according to the audit law of the PRC, internal audit principles of the PRC and basic internal control standards of enterprise.

II. Statement from the Board on responsibility of internal control

The board of directors and all the members guarantee that there is no false statement, misleading representation or material omission in the content of this report, and take several and joint responsibility as to the truthfulness, accuracy and completeness of the content. To establish healthy internal control and effectively implement the same is the responsibility of the board. The supervisory committee supervises the establishment and implementation of internal control by the board; managers are in charge of normal operation of internal control. Target of internal control: ensure legal operation on a reasonable basis, asset safety, truthful and complete of financial report and related information, enhancement of operational efficiency and effects as well as realization of development strategy. Since internal control has the inherent limit, guarantee for realization of such target is only provided on a reasonable basis.

III. Bases for construction of financial report internal control

The Company, according to the requirements of laws and regulations and regulatory documents including the Company Law, the Securities Law, Basic Standards of Enterprise Internal Control and the matching guidance, as well as the requirements raised by the principal department and market supervision & administration department in respect of the internal control, has established internal control system which complied with the actual operation of the Company.

IV. Self-evaluation report of internal control

Details of major defects in self-evaluation report that found in reporting period	
No major defect has been found in the report period.	
Date of self-evaluation report of internal control disclosed (full-text)	2013-04-24
Index of self-evaluation report of internal control disclosed(full-text)	Juchao website (www.cninfo.com.cn)

V. Audit report of internal control

Applicable Not applicable

Auditing comments section for audit report of internal control	
Dahua Certified Public Accountants (LLP) considers that: according to relevant regulations and “Basic Rules of Internal Control for Enterprises”, Shenbao in all major aspects, keeps an efficiency of internal control of financial report	
Disclosure date of audit report of internal control (full-text)	2013-04-24
Index of audit report of internal control (full-text)	Juchao website (www.cninfo.com.cn)

Whether modified audit opinions carried out for the audit report of internal control from CPA or not

Yes No

Whether audit report of internal control, issued by CPA, is in agreement with self-evaluation report, issued by the Board

Yes No

VI. Establishment and enforcement of Accountability Mechanism for Major Errors in Annual Report

According to the announcement on 2009 annual report and related works of listed company (2009 No.34) issued by the CSRC, the Company determined responsibility accounting system for material mistakes in annual report information disclosure (April 2010) which was considered and approved at the 2nd meeting of the 7th board of directors. Through strengthening responsibility accounting power in respect of the principal of annual report information disclosure, the Company can further improve the quality and transparency of annual report information disclosure, and increase the truthfulness, accuracy, completeness and promptness of information disclosure. During the reporting period, there was no material mistake in annual report information disclosure, no supplement for material omissions and no amendment to results prediction.

Section X. Financial Report

I. Audit report

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	2013-4-22
Name of audit institute	Dahua Certified Public Accountants(LLP)
Document serial of audit report	Dahua Shen Zi [2013] No.: 004705

Auditor's Report

DHSZ(2013)No. 004705

All shareholders of Shenzhen Shenbao Industrial Co., Ltd:

DHSZ [2013] No. 004705 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 ShenBao 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 SshenBao Industrial Company Merger in December 31, 2012and the parent company financial condition as well as the2012

annual consolidated and the parent company operating results and cash flow.

Dahua Certified Public Accountants(LLP)

Name of the CPA

Chen Baohua、Gong Chenyan

22 April 2013

II. Financial Statement

Currency used in note of financial statement is RMB (Yuan)

1. Consolidated Balance Sheet

Prepared by Shenzhen Shenbao Industrial Co., Ltd

Unit: RMB

Items	Balance at period-end	Balance at period-begin
Current assets:		
Monetary funds	373,422,024.47	437,342,717.15
Transaction finance asset	208,500.00	14,627,801.40
Accounts receivable	105,402,754.63	71,769,419.01
Accounts paid in advance	28,323,450.51	10,243,725.62
Other accounts receivable	22,251,167.26	35,956,860.85
Inventories	203,462,389.32	56,983,348.83
Other current assets	1,760,669.36	0
Total current assets	734,830,955.55	626,923,872.86
Non-current assets:		
Long-term equity investment	25,471,291.08	63,891,371.62
Fixed assets	160,018,803.58	150,807,447.25
Construction in progress	94,422,143.01	11,113,058.18
Productive biological asset	436,156.00	436,156.00
Intangible assets	198,302,445.47	202,531,194.37
Long-term expenses to be apportioned	6,958,018.09	3,615,812.95
Deferred income tax asset	2,554,782.97	2,645,321.41
Total non-current asset	488,163,640.20	435,040,361.78
Total assets	1,222,994,595.75	1,061,964,234.64
Current liabilities:		
Short-term loans		38,000,000.00
Accounts payable	42,544,365.20	34,863,967.03

Accounts received in advance	2,087,351.44	3,420,712.90
Wage payable	4,937,554.49	3,666,717.12
Taxes payable	2,448,094.70	4,923,433.34
Dividend payable	2,909,182.74	2,909,182.74
Other accounts payable	153,192,884.98	79,810,651.49
Other current liabilities	43,137.43	43,137.43
Total current liabilities	208,162,570.98	167,637,802.05
Non-current liabilities:		
Other non-current liabilities	8,661,364.25	4,449,920.00
Total non-current liabilities	8,661,364.25	4,449,920.00
Total liabilities	216,823,935.23	172,087,722.05
Owners' equity (or shareholders' equity):		
Paid-in capital (or share capital)	250,900,154.00	250,900,154.00
Capital public reserve	568,510,912.82	568,700,222.51
Surplus public reserve	40,071,736.73	32,464,033.34
Provision of general risk		
Retained profit	104,733,870.63	37,812,102.74
Total owners' equity attributable to parent company	964,216,674.18	889,876,512.59
Minority equity	41,953,986.34	
Total owners' equity (or shareholders' equity)	1,006,170,660.52	889,876,512.59
Total liability and owners' equity (or shareholders' equity)	1,222,994,595.75	1,061,964,234.64

Legal person: Mr. Zheng Yuxi

Person in Charge of Accounting Works: Ms. Wang Zhiping

Person in Charge of Accounting Institution: Mr. Xu Qiming

2. Balance sheet of parent company

Prepared by Shenzhen Shenbao Industrial Co., Ltd

Unit: RMB

Item	Balance at period-end	Balance at period-begin
Current assets:		
Monetary funds	55,033,726.34	399,181,994.57
Transactional financial assets		14,441,801.40
Accounts receivable		10,800.00
Other receivables	206,844,593.12	290,113,278.83
Inventories	136,549,875.59	748,577.05
Total current assets	398,428,195.05	704,496,451.85
Non-current assets:		
Long-term equity investment	884,524,266.12	313,836,495.78
Investment real estate	23,840,011.01	24,670,895.45
Fixed assets	3,302,782.72	2,821,015.29
Construction in progress		6,977,937.19
Productive biological asset	436,156.00	436,156.00

Intangible assets	5,887,134.46	66,607,860.51
Long-term expenses to be apportioned	543,883.58	785,282.95
Deferred income tax asset	1,449,942.42	1,475,455.82
Total non-current asset	919,984,176.31	417,611,098.99
Total assets	1,318,412,371.36	1,122,107,550.84
Current liabilities:		
Short-term loans		
Accounts received in advance		130,320.00
Wage payable	3,801,195.32	2,602,137.43
Taxes payable	87,353.38	213,379.40
Dividend payable	2,909,182.74	2,909,182.74
Other accounts payable	235,348,510.46	115,853,186.53
Total current liabilities	242,146,241.90	121,708,206.10
Non-current liabilities:		
Long-term loans		
Long-term account payable		
Special accounts payable		
Deferred income tax liabilities		
Other non-current liabilities	49,920.00	49,920.00
Total non-current liabilities	49,920.00	49,920.00
Total liabilities	242,196,161.90	121,758,126.10
Owners' equity (or shareholders' equity):		
Paid-in capital (or share capital)	250,900,154.00	250,900,154.00
Capital public reserve	583,300,472.29	583,510,721.44
Surplus public reserve	40,071,736.73	32,464,033.34
Provision of general risk		
Retained profit	201,943,846.44	133,474,515.96
Balance difference of foreign currency translation		
Total owners' equity (or shareholders' equity)	1,076,216,209.46	1,000,349,424.74
Total liability and owners' equity (or shareholders' equity)	1,318,412,371.36	1,122,107,550.84

Legal person: Mr. Zheng Yuxi

Person in Charge of Accounting Works: Ms. Wang Zhiping

Person in Charge of Accounting Institution: Mr. Xu Qiming

3. Consolidated profit statement

Prepared by Shenzhen Shenbao Industrial Co., Ltd

Unit: RMB

Item	Amount in this period	Amount in last period
I. Total operating income	310,790,324.70	318,230,243.67
Including: Operating income	310,790,324.70	318,230,243.67
II. Total operating cost	342,402,546.36	326,406,415.39
Including: Operating cost	257,469,827.25	257,434,027.83

Operating tax and extras	1,867,632.01	2,018,165.04
Sales expenses	19,796,335.71	16,461,242.33
Administration expenses	63,593,314.76	47,497,079.07
Financial expenses	-483,988.21	2,959,988.95
Losses of devaluation of asset	159,424.84	35,912.17
Add: Changing income of fair value	22,500.00	-488,802.60
Investment income (loss is listed with “-“)	105,641,348.65	3,675,194.42
Including: Investment income on affiliated Company and joint venture	-299,393.90	-289,786.96
Exchange gains (loss is listed with “-“)		
III. Operating profit (loss is listed with “-“)	74,051,626.99	-4,989,779.90
Add: Non-operating income	3,269,282.38	18,943,092.91
Less: Non-operating expense	437,663.17	260,984.24
Including: Disposal loss of non-current asset	237,578.80	65,015.04
IV. Total Profit (total loss is listed with “-“)	76,883,246.20	13,692,328.77
Less: Income tax expense	2,819,321.12	4,049,089.51
V. Net profit (net loss is listed with “-“)	74,063,925.08	9,643,239.26
Including: Net profit realized before merger by the merged party		
Net profit attributable to owners of parent Company	74,529,471.28	6,980,233.57
Minority interest	-465,546.20	2,663,005.69
VI. Earnings per share	--	--
i. Basic earnings per share	0.297	0.0323
ii. Diluted earnings per share	0.297	0.0323
VII. Other consolidated income	-210,249.15	
VIII. Total consolidated income	73,853,675.93	9,643,239.26
Total consolidated income attributable to owners of parent Company	74,319,222.13	6,980,233.57
Total consolidated income attributable to minority shareholders	-465,546.20	2,663,005.69

Legal person: Mr. Zheng Yuxi

Person in Charge of Accounting Works: Ms. Wang Zhiping

Person in Charge of Accounting Institution: Mr. Xu Qiming

4. Profit statement of parent company

Prepared by Shenzhen Shenbao Industrial Co., Ltd

Unit: RMB

Item	Amount in this period	Amount in last period
I. Total operating income	3,826,254.68	3,276,184.09
Less: Operating cost	932,532.43	256,782.90
Operating tax and extras	152,437.48	134,400.00
Sales expenses	304,429.34	938,831.49
Administration expenses	30,065,445.58	23,704,061.76
Financial expenses	1,337,747.73	-610,203.66
Losses of devaluation of asset	382,391.35	382,417.68

Add: Changing income of fair value (loss is listed with “-“)		-370,302.60
Investment income (loss is listed with “-“)	105,631,358.15	3,675,194.42
Including: Investment income on affiliated Company and joint venture	-299,393.90	-289,786.96
II. Operating profit (loss is listed with “-“)	76,282,628.92	-18,225,214.26
Add: Non-operating income		17,096,799.66
Less: Non-operating expense	180,081.65	35,969.20
Including: Disposal loss of non-current asset	180,081.65	
III. Total Profit (total loss is listed with “-“)	76,102,547.27	-1,164,383.80
Less: Income tax expenses	25,513.40	-239,541.50
IV. Net profit (net loss is listed with “-“)	76,077,033.87	-924,842.30
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	75,866,784.72	-924,842.30

Legal person: Mr. Zheng Yuxi

Person in Charge of Accounting Works: Ms. Wang Zhiping

Person in Charge of Accounting Institution: Mr. Xu Qiming

5. Consolidated cash flow statement

Prepared by Shenzhen Shenbao Industrial Co., Ltd

Unit: RMB

Item	Amount in this period	Amount in last period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	331,616,125.15	356,451,230.61
Write-back of tax received	200,279.26	128,296.14
Other cash received concerning operating activities	26,934,323.20	8,896,750.19
Subtotal of cash inflow arising from operating activities	358,750,727.61	365,476,276.94
Cash paid for purchasing commodities and receiving labor service	302,487,481.78	293,582,894.15
Cash paid to/for staff and workers	40,059,830.92	34,305,570.53
Taxes paid	24,499,200.93	22,162,460.93
Other cash paid concerning operating activities	40,138,772.21	34,215,561.25
Subtotal of cash outflow arising from operating activities	407,185,285.84	384,266,486.86
Net cash flows arising from operating activities	-48,434,558.23	-18,790,209.92
II. Cash flows arising from investing activities:		
Cash received from recovering investment	159,774,086.29	29,404,203.54

Cash received from investment income		1,500,000.00
Net cash received from disposal of fixed, intangible and other long-term assets	602,232.00	13,149,528.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	4,000,000.00	4,350,000.00
Subtotal of cash inflow from investing activities	164,376,318.29	48,403,731.54
Cash paid for purchasing fixed, intangible and other long-term assets	140,734,964.13	37,761,060.80
Subtotal of cash outflow from investing activities	140,734,964.13	37,761,060.80
Net cash flows arising from investing activities	23,641,354.16	10,642,670.74
III. Cash flows arising from financing activities		
Cash received from absorbing investment	5,800,000.00	512,499,992.40
Including: Cash received from absorbing minority shareholders' investment by subsidiaries	5,800,000.00	
Cash received from loans	315,000,000.00	93,000,000.00
Other cash received concerning financing activities	500,000.00	23,406,348.01
Subtotal of cash inflow from financing activities	321,300,000.00	628,906,340.41
Cash paid for settling debts	353,000,000.00	210,900,000.00
Cash paid for dividend and profit distributing or interest paying	5,108,766.79	8,339,586.82
Other cash paid concerning financing activities	500,000.00	5,208,332.31
Subtotal of cash outflow from financing activities	358,608,766.79	224,447,919.13
Net cash flows arising from financing activities	-37,308,766.79	404,458,421.28
IV. Influence on cash due to fluctuation in exchange rate	-1,818,721.82	-8,344.27
V. Net increase of cash and cash equivalents	-63,920,692.68	396,302,537.83
Add: Balance of cash and cash equivalents at the period -begin	436,842,717.15	40,540,179.32
VI. Balance of cash and cash equivalents at the period -end	372,922,024.47	436,842,717.15

Legal person: Mr. Zheng Yuxi

Person in Charge of Accounting Works: Ms. Wang Zhiping

Person in Charge of Accounting Institution: Mr. Xu Qiming

6. Cash flow statement of parent company

Prepared by Shenzhen Shenbao Industrial Co., Ltd

Unit: RMB

Item	Amount in this period	Amount in last period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	3,950,945.78	3,497,194.56
Write-back of tax received		
Other cash received concerning operating activities	156,736,810.86	6,237,437.41
Subtotal of cash inflow arising from operating activities	160,687,756.64	9,734,631.97
Cash paid for purchasing commodities and receiving labor service	1,132,426.82	1,021,014.32
Cash paid to/for staff and workers	12,225,433.96	11,197,341.54
Taxes paid	2,262,885.62	1,165,105.07
Other cash paid concerning operating activities	14,794,894.89	48,478,485.93
Subtotal of cash outflow arising from operating activities	30,415,641.29	61,861,946.86
Net cash flows arising from operating activities	130,272,115.35	-52,127,314.89
II. Cash flows arising from investing activities:		
Cash received from recovering investment	159,774,086.29	29,404,203.54
Cash received from investment income		1,500,000.00
Net cash received from disposal of fixed, intangible and other long-term assets	115,000.00	13,050,000.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	159,889,086.29	43,954,203.54
Cash paid for purchasing fixed, intangible and other long-term assets	16,585,567.37	3,477,324.60
Cash paid for investment	613,497,641.88	26,000,000.00
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	630,083,209.25	29,477,324.60
Net cash flows arising from investing activities	-470,194,122.96	14,476,878.94
III. Cash flows arising from financing activities		
Cash received from absorbing investment		512,499,992.40
Cash received from loans	220,000,000.00	30,000,000.00
Other cash received concerning financing activities		23,906,348.01

Subtotal of cash inflow from financing activities	220,000,000.00	566,406,340.41
Cash paid for settling debts	220,000,000.00	142,500,000.00
Cash paid for dividend and profit distributing or interest paying	3,246,971.45	5,483,423.92
Other cash paid concerning financing activities		5,208,332.31
Subtotal of cash outflow from financing activities	223,246,971.45	153,191,756.23
Net cash flows arising from financing activities	-3,246,971.45	413,214,584.18
IV. Influence on cash due to fluctuation in exchange rate	-979,289.17	
V. Net increase of cash and cash equivalents	-344,148,268.23	375,564,148.23
Add: Balance of cash and cash equivalents at the period -begin	399,181,994.57	23,617,846.34
VI. Balance of cash and cash equivalents at the period -end	55,033,726.34	399,181,994.57

Legal person: Mr. Zheng Yuxi

Person in Charge of Accounting Works: Ms. Wang Zhiping

Person in Charge of Accounting Institution: Mr. Xu Qiming

7. Consolidated Statement on Changes of Owners' Equity

Prepared by Shenzhen Shenbao Industrial Co., Ltd

Amount in this period

Unit: RMB

Item	Amount in this period									
	Total owners' equity attributable to parent company								Minority equity	Total owners' equity
	Paid-in capital (or share capital)	Capital public reserve	Less: Treasury Stock	Reasonable reserve	Surplus public reserve	Provision of general risk	Retained profit	Other		
I. Balance at the end of the last year	250,900,154.00	568,700,222.51			32,464,033.34		37,812,102.74			889,876,512.59
Add: Changes of accounting policy										
Error correction of the last period										
Others										
II. Balance at the beginning of this year	250,900,154.00	568,700,222.51			32,464,033.34		37,812,102.74			889,876,512.59
II. Increase/ Decrease in this year less is listed with "-"		-189,309.69			7,607,703.39		66,921,767.89		41,953,986.34	116,294,147.93
(I) Net profit							74,529,471.28		-465,546.20	74,063,925.08
(II) Other consolidated income		-210,249.15								-210,249.15
Total of (I) and (II)		-210,249.15					74,529,471.28		-465,546.20	73,853,675.93
(III) Owners' devoted and decreased capital		20,939.46							42,419,532.54	42,440,472.00
1. Owners' devoted capital									42,400,000.00	42,400,000.00
2. Amount calculated into shareholders' equity paid in shares										
3. Others		20,939.46							19,532.54	40,472.00
(IV) Profit distribution					7,607,703.39		-7,607,703.39			
1. Withdrawal of surplus reserves					7,607,703.39		-7,607,703.39			
2. Withdrawal of general risk provisions										
3. Distribution for owners (or shareholders)										
4. Others										

(V) Carrying forward internal owners' equity										
1. Capital reserves converted to capital (share capital)										
2. Surplus reserves converted to capital (share capital)										
3. Remedying loss with surplus reserve										
4. Others										
(VI) Reasonable reserve										
1. Withdraw in this period										
2. Usage in this period										
(VII) Other										
IV. Balance at the end of period	250,900,154.00	568,510,912.82			40,071,736.73		104,733,870.63		41,953,986.34	1,006,170,660.52

Amount at last year

Unit: RMB

Item	Amount at last year									
	Total owners' equity attributable to parent company								Minority equity	Total owners' equity
	Paid-in capital (or share capital)	Capital public reserve	Less: Treasury Stock	Reasonable reserve	Surplus public reserve	Provision of general risk	Retained profit	Other		
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		47,849,552.44	372,941,613.24
Add: Retroactive adjustment arising from combination under same control										
Add: Changes of accounting policy										
Error correction of the last period										
Other										

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 (Decrease is listed with “-”)	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										
Subtotal of (I) and (II)							6,980,233.57		2,663,005.69	9,643,239.26
(III) Owners’ devoted and decreased capital	68,977,066.00	488,827,152.22							-50,512,558.13	507,291,660.09
1. Owners’ devoted capital	68,977,066.00	503,415,075.89								572,392,141.89
2. Amount calculated into owners’ equity paid in shares										
3. Other		-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 owners (or shareholders)										
4. Other										
(V) Carrying forward internal owners’ equity										
1. Capital reserves conversed to capital (share capital)										
2. Surplus reserves conversed to capital (share capital)										
3. Remedying loss with surplus										

reserve									
4. Other									
(VI) Reasonable reserve									
1. Withdrawal in the report period									
2. Usage in the report period									
(VII)Others									
IV. Balance at the end of the report period	250,900,154.00	568,700,222.51			32,464,033.34		37,812,102.74		889,876,512.59

Legal person: Mr. Zheng Yuxi

Person in Charge of Accounting Works: Ms. Wang Zhiping

Person in Charge of Accounting Institution: Mr. Xu Qiming

8. Statement on Changes of Owners' Equity of Parent Company

Prepared by Shenzhen Shenbao Industrial Co., Ltd

Amount in this period

Unit: RMB

Item	Amount in this period							
	Paid-in capital (or share capital)	Capital public reserve	Less: Treasury Stock	Reasonable reserve	Surplus public reserve	Provision of general risk	Retained profit	Total Owners' equity
I. Balance at the end of the last year	250,900,154.00	583,510,721.44			32,464,033.34		133,474,515.96	1,000,349,424.74
Add: Changes of accounting policy								
Error correction of the last period								
Other								
II. Balance at the beginning of this year	250,900,154.00	583,510,721.44			32,464,033.34		133,474,515.96	1,000,349,424.74
III. Increase/ Decrease in this year (Decrease is listed with "-")		-210,249.15			7,607,703.39		68,469,330.48	75,866,784.72
(I) Net profit							76,077,033.87	76,077,033.87
(II) Other consolidated income		-210,249.15						-210,249.15
Subtotal of (I) and (II)		-210,249.15					76,077,033.87	75,866,784.72

(III) Owners' devoted and decreased capital								
1. Owners' devoted capital								
2. Amount calculated into Owners' equity paid in shares								
3. Other								
(IV) Profit distribution					7,607,703.39		-7,607,703.39	
1. Withdrawal of surplus reserves					7,607,703.39		-7,607,703.39	
2. Withdrawal of general risk provisions								
3. Distribution for owners (or shareholders)								
4. Others								
(V) Carrying forward internal owners' 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) Reasonable reserve								
1. Withdrawal in the report period								
2. Usage in the report period								
(VII) Others								
IV. Balance at the end of the report period	250,900,154.00	583,300,472.29			40,071,736.73		201,943,846.44	1,076,216,209.46

Amount at last year

Unit: RMB

Item	Amount at last year
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	Paid-in capital (or share capital)	Capital public reserve	Less: Treasury Stock	Reasonable reserve	Surplus public reserve	Provision of general risk	Retained profit	Total Owners' equity
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								
Other								
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 (Decrease is listed with "-")	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								
Subtotal of (I) and (II)							-924,842.30	-924,842.30
(III) Owners' devoted and decreased capital	68,977,066.00	503,415,075.89						572,392,141.89
1. Owners' devoted capital	68,977,066.00	503,415,075.89						572,392,141.89
2. Amount calculated into Owners' equity paid in shares								
3. Other								
(IV) Profit distribution								
1. Withdrawal of surplus reserves								
2. Withdrawal of general risk provisions								
3. Distribution for owners (or shareholders)								
4. Others								
(V) Carrying forward internal owners' 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) Reasonable reserve								
1. Withdrawal in the report period								
2. Usage in the report period								
(VII) Others								
IV. Balance at the end of the report period	250,900,154.00	583,510,721.44			32,464,033.34		133,474,515.96	1,000,349,424.74

Legal person: Mr. Zheng Yuxi

Person in Charge of Accounting Works: Ms. Wang Zhiping

Person in Charge of Accounting Institution: Mr. Xu Qiming

III. Company profile

(I) Historical development of the Company

Shenzhen Shenbao Industrial Co., Ltd. (the “Company” or “Company” for short), formerly named Shenzhen Shenbao Canned Food Company, obtained approval (Document (1991) No.978) from Shenzhen Municipal People’s Government to change to the present name as 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.

Registered address of the Company: South 20/F, Education Technology Mansion, Zhuzilin, Futian District, Shenzhen, P.R. China; license No.: 440301103223954

(II) Nature of business

The Company belongs to the food and drinks industry

(III) Business scope

Main business scope including: production of food can, beverage and local products(business license of their production base is applied additionally); domestic trading(excluding special sales, specific control and exclusive commodity); operation of import-export business(laws, administrative regulation, excluding items probated by State Council, limited items requires authorization for operation); development real estate operation while obtained land use right legally.

(IV) Main products and labor service

The Company mainly engaged in the products of tea series of “Jindiao” brand including instant tea powder 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; rock tea of “Xing Jiu” series; “Jufangyong” longjing green tea; “Gutan” red tea and series of “Fu Hai Tang”.

(V) Basic structure of the Company

The highest authority organ of the Company is general meeting, and general manager take charge of the company under the board. Based on the needs for business development, the Company set function departments like project development department, administrative HR department, purchase department, planning department, engineering department, research institution, tea business segment, finance department, food business department, safety committee office and internal audit department.

IV. Major accounting policy, accounting estimation and prior-period errors correction

1. Basis of preparation of financial statements

Based on continuing operation, the Company conducts recognition and measurement according to actual occurrence of transactions and issues, pursuant to the accounting principles for enterprise-basic rules and No.38 detailed accounting principle issued by the ministry of finance on 15 February 2006 as well as the application

guidance for the accounting principles for enterprise, interpretation to the accounting principles for enterprise and other related requirements (hereinafter referred to as Enterprise Accounting Principles) later issued by the ministry of finance, as well as the Information Disclosure Preparation Rules for Company Public Issuing Securities No.15-General Rules for Financial Report (amended in 2010) of the CSRC. And financial report is prepared on such basis.

2. 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.

3. Accounting period

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

4. Standard currency

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

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

(1)Business combination under the same control

As for the business combination under the same control, assets and liabilities acquired by the acquirer in such business combination shall be measured under their book value as at the combination date. As for the difference between the book value of net assets acquired by the acquirer and the book value of combination consideration paid (or aggregate carrying value of shares issued), it is used to adjust capital reserve. If capital reserve is insufficient to off set, then the retained earnings shall be adjusted.

In case that the accounting policies of acquiree differ from that of the Company, the Company shall make adjustment under its own accounting policies as at the combination date, on the basis of which, to make recognition according to enterprise accounting principles.

(2)Business combination not under the same control

As for the business combination not under the same control, combination costs shall be the fair value of assets paid, liabilities occurred or assumed and equity securities issued by the acquirer for the purpose of acquiring the control over the acquiree on the purchase date.

As for the business combination not under the same control realized through several exchange transactions step by step, related accounting treatment shall be conducted based on individual financial statement and combined financial statement:

(1)in individual financial statement, book value of the equity investment held in the acquiree prior to the acquisition date and the new investment cost of the acquisition date shall be the initial investment cost of this investment; if the equity investment held in the acquiree prior to the acquisition date involves other comprehensive income, such comprehensive income related to this investment (i.e. change of fair value of financial assets available for sale which is recorded in capital reserve) shall be transferred to current investment income.

(2)in combined financial statement, the equity investment held in the acquiree prior to the acquisition date shall be re-measured under its fair value as at the acquisition date; difference between the fair value and its book value shall be recorded in current investment income. If the equity investment held in the acquiree prior to the acquisition date involves other comprehensive income, such comprehensive income related to this investment shall be transferred to current investment income as of the acquisition date.

The intermediate expenses occurred by acquirer for business combination such as audit, legal service and appraisal consultation expenses and other related management expenses shall be recorded in current gains and losses when occurred; the trading expenses for such equity securities or debt securities issued by acquirer as combination consideration shall be recorded in initial recognition amount of the equity securities or debt

securities.

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

6. 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 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.

In case that a company loses control over the original subsidiary due to disposal of certain equity investment or other reasons, then in combined financial statement, the remaining equities shall be re-measured based on its fair value as at the date when the control is lost. The sum between the consideration received from equity disposal and fair value of the remaining equity less the net assets of the original subsidiary entitled by the company calculated under the previous shareholding proportion on a continuing basis since the acquisition date shall be recorded in investment income of the period when the control is lost. Other comprehensive income related to equity investment in original subsidiary shall be transferred to current investment income when the control is lost.

7. 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.

8. Foreign currency business

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

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

9. 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) Account receivables

As for the creditor's right receivables arising from commodity sales or labor service provision and the creditor's right arising from holding debt instruments of other companies (excluding those which have quotation on active market) such as account receivables, other receivables, note receivables, account paid in advance and long term account receivables, the initial recognition amount shall be determined based on the contract or agreement amount receivable from the purchaser. If such creditor's right has financing nature, then initial recognition shall be made

based on its present value.

Difference between the amount received from recover or disposal and the book value of the account receivables shall be recorded in current gains and losses.

(4) 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.

(5) 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) De-recognition condition for financial liability

As for the financial liabilities with its whole or part present obligations released, the company shall de-realize such financial liabilities or part of it. if the company enters into agreement with its creditor to substitute for the existing financial liabilities by means of assuming new financial liabilities, then the company shall de-realize the

existing financial liabilities and realize the new financial liabilities provided that the contract clauses of the new and the existing financial liabilities are different in substance.

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

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

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

(5) Determination method for fair value of financial assets and financial liabilities

As for the financial assets and financial liabilities measured by fair value and in case that there are active market for those assets and liabilities, then the fair value shall be determined based on the quotation on active market; in case that there are no such active market for financial assets and financial liabilities, the fair value shall be determined by evaluation technology (including by reference to the price adopted by the willing parties who are familiar with the situation in their latest market transaction, by reference to the prevailing fair value of other financial instruments which are the same in substance, cash flow discount method and option pricing pattern); as for the financial assets initially acquired or financial liabilities assumed, their fair value are determined based on the market transaction prices.

(6) Testing method for impairment of financial assets (excluding account receivables) and provision of impairment reserve

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

(1) Impairment reserve of financial assets available for sale:

If the financial assets available for sale experience great decline as to its fair value at the period end, or it is predicted that the decline trend is not temporary after taking into account various factors, the assets would be deemed as impaired. The accumulative losses arising from decrease of fair value which shall be originally recorded in owners' equity directly shall be transferred out and realize impairment losses.

(2) Impairment reserve of held-to-maturity investment:

As for the held-to-maturity investment, if there is objective evidence showing impairment of the investment, impairment loss shall be realized according to the difference between the carrying value and the present value of the predicted future cash flow; if there is evidence showing that the value has been recovered after the provision, then the impairment loss previously realized can be transferred back and recorded in current gains and losses, provided that the carrying value transferred back shall not exceed the amortized cost of the financial assets as at the transfer-back date assuming no impairment reserve has ever been provided.

10. Recognition standards and accrual method for bad debt provision for accounts receivable

Accounts receivable refer to trade receivables and other receivables.

The Company adopts the following standards for recognition of bad debt: ①debts 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; ②debts 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) Account receivable with single significant item and withdrawal bad debt provision separately

Determine basis or amount standards for single significant amount	Amount occupied 10 percent (including 10 percent) of the balance of account receivable.
withdrawal method for account with single significant amount and withdrawal single item bad debt provision	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) Accounts whose bad debts provision was accrued by combination

Combination	Methods on withdrawal of bad debt provision based on combination	Basis for combination recognized
Account receivable with bad debt provision accrued by age combination	Age analysis	Account receivable without impairment occurred after testing independently

In combination, accounts whose bad debts provision was accrued by age analysis:

Application Not application

Aging	Withdrawal proportion for account receivable (%)	Withdrawal proportion for other account receivable (%)
Within one year (one year included)	0%	0%
1—2 years (2-year included)	5%	5%
2—3 years (3-year included)	10%	10%
Over 3 years	15%	15%

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

Applicable Not applicable

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

Applicable Not applicable

(3) Accounts with single significant amount and bad debts provision accrued individually

Reasons for provision of bad debt reserve	Existence of objective evidence showing possible impairment, such as withdrawal, bankruptcy or death of debtor, debt can not be recovered or insufficient cash flow after settlement with the bankruptcy property or heritage.
Provision method of bad debt reserve	As for the account receivables where objective evidence shows impairment may occur, it shall be separated from the related group and conduct impairment test individually, thus to realize impairment losses.

11. Inventories

(1) Classification

1. Classification of inventories: the inventories of the Company mainly comprise of inventory commodities, delivered commodities, unfinished products, raw materials, package materials, low-value consumables and entrusted process materials, develop cost, planned development land, developed products as well as leasing developed products.

(2) Calculation method of inventory

Calculation method: Weighted Average

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) Inventory system

Inventory system is the perpetual inventory system.

(5) Amortization of low-value consumables and packaging materials

Adopt five-five amortization for low-value consumables;

Packing materials are recorded in production cost at once when being received.

12. Long-term equity investment**(1) Recognition of investment cost**

(1) 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, should calculated base on consolidated financial statement, net profit and other changes of investment.

(2) Recognition of gains and losses

Under cost method for recognition of gains & losses, 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 assets of invested unit while obtained investment, while recognized net profit or net losses of invested units that should be enjoy by investment enterprise; the 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.

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

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

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

For those where impairment indication exists, the company estimates the recoverable amount. Where the recoverable amount is less than its carrying value, the company shall realize related impairment losses.

As for investment property, once impairment loss is realized, it shall not be written back.

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

14. Fixed asset

(1) Recognition of fixed assets

Fixed assets is defined as the tangible assets which are held for the purpose of producing goods, providing services, lease or for operation & management, and have more than one year of service life. Fixed assets should be recognized for qualified the followed conditions at the same time:

- (1) It is probable that the economic benefits associated with the assets will flow into the Company; 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 terms and annual depreciation ratio for vary fixed assets are as:

categories	Depreciation term(year)	Salvage value	Annual depreciation ratio
Buildings: Consistenc– Production buildings	35-year	5%	2.71%
–Non-production buildings	40-year	5%	2.38%
Temporary buildings	9-year	5%	10.56%
Machinery equipment	12-year	5%	7.92%

Transportation facility	9-year	5%	10.56%
Other equipment	6-year	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.

15. 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.

16. 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 status or sale-able status for assets purchased, constructed or manufactured.

(2) Period of capitalization

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

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

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

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

(3) Period of suspended

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

(4) Calculation for capitalization amount

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

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

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

17. 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.

18. Intangible assets

(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 assets. For those purchased amount that paid overdue exceeded the normal credit condition, owns financing natures actually, the cost should be recognized based on the current value while purchased

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

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

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

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

(2) Subsequent measurement

Analysis and determined the service life for intangible assets 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 assets without limited useful life predicted, amortized nothing due to intangible assets without certain service life.

(2) Particular about the estimation on intangible assets with limited service life

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

Item	Predicted useful life	Basis
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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

(3) Basis for intangible assets without certain service life:

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

(4) Accrual of impairment provision for 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 losses 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.

19. Long-term expenses to be amortized

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

20. Accrual 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 accrual liability shall be recognized.

(1) Recognition of accrual liabilities

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

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

While determined the best estimation, take the risks, uncertainty and periodic value of currency that connected to the contingent issues into consideration.

For major influence from periodic value of currency, determined best estimation after discount on future relevant cash out-flow.

Treatment for best estimation:

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

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

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

21. Income

(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.

22. 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.

23. 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.

(V) Taxes

1、Major taxes and rates applicable to the Company

taxes	Basis	Rate
VAT	Base on sales of commodity or sales of taxable labor service provided	17%
Business tax	Base on sales	5%
Urban maintenance and construction tax	Levied by payable turnover taxes	5% or 7% of the turnover taxes (5% applicable in Wuyuan, 7% applicable for other regions except Wuyuan)
enterprise income tax	Base on payable income tax	15% or 25%

Rate of income tax for the Company and controlling subsidiary in reporting period:

Name of company	Note	Rate of enterprise income tax for year of 2012

The Company	---	25%
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	25%
Huizhou Shenbao Science & Technology Co., Ltd. (Huizhou Shenbao Science & Technology)	Wholly-owned subsidiary	25%
Shenzhen Shenbao Properties Management Co., Ltd. (Shenbao Properties)	Wholly-owned subsidiary	25%
Shenzhen Shenbao Industrial & Trading Co., Ltd. (Shenbao Industrial & Trading)	Wholly-owned subsidiary	25%
Hangzhou Ju Fang Yong Holding Co., Ltd. (Hangzhou Ju Fang Yong)	Wholly-owned subsidiary	25%
Fujian Mount Wuyi Shenbao Yuxing Tea Co., Ltd. (Shenbao Yuxing)	Controlling subsidiary of Hangzhou Ju Fang Yong	25%
Shenzhen Shenbao Technology Center Co., Ltd. (Technology Center)	Wholly-owned subsidiary	25%
Zhejiang Shen Shenbao Huafa Tea Co., Ltd. (Shen Shenbao Huafa)	Controlling subsidiary	25%

2. Tax preferential and approvals

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.

VI. Business combination and consolidated financial statements

1. Particular about subsidiary

(1) Subsidiaries obtained by establishment or investment

Unit: RMB

Subsidiaries	Type	Place of registration	Nature of business	Register capita (in 10 thousand yuan)	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

													rs in the original owners' equity of the subsidiary
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd*1	Wholly-owned	Shenzhen	Manufacture	15,345.13	Production and sales of concentrated tea juice and instant tea powder	168,551,781.80		100%		Yes			
Jufangyong Tea Industry Co., Ltd. in Wuyuan County*2	Wholly-owned	Wuyuan	Manufacture	29,000.00	Tea, nature plants, extract of tea and nature plants; planting and export & import of tea; agricultural products and native products; acquisition, processing and sales	292,804,134.35		100%		Yes			
Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd	Wholly-owned	Shenzhen	Manufacture	3,015.00	Import & Export business, normal cargo transportation; wholesale of pre-packaging food products	80,520,842.36		100%		Yes			

Huizhou Shenbao Science & Technology Co., Ltd.*3	Wholly-owned	Huizhou	Comprehensive	6,000.00	Industrial investment, property management and trading domestically	60,000,000.00		100%		Yes			
Shenzhen Shenbao Properties Management Co., Ltd.*4	Wholly-owned	Shenzhen	Property management	500.00	Management of self-owned properties	5,000,000.00		100%		Yes			
Shenzhen Shenbao Industrial & Trading Co., Ltd.	Wholly-owned	Shenzhen	Commercial wholesale	550.00	Commercial wholesale	5,500,000.00		100%		Yes			
Hangzhou Ju Fang Yong Holding Co., Ltd.*5	Wholly-owned	Hangzhou	Comprehensive	17,500.00	wholesales and retails: tea sets; acquisition: teas need for sales in the Company (purchased limited to original producer in first industry); service: investment of tea enterprise and assets management, technology development on tea and	176,906,952.42		100%		Yes			

					its products; technology development and consultant on tea cultivation and feeding; technology service, result transfer								
Shenzhen Shenbao Technology Center Co., Ltd.*6	Wholly-owned	Shenzhen	Development, consultant and transfer of technology	5,400.00	Technology development, consultant, transfer and inspection service for tea, plant products, soft drinks and foods	54,676,764.11		100%		Yes			
Zhejiang Shen Shenbao Huafa Tea Co., Ltd.*7	Controlling	Sheng Zhou	Export trading of tea	5,800.00	Technology development, consultant, transfer and inspection service for tea, plant products, soft drinks and foods	30,000,000.00		51.72%		Yes	28,628,047.53		
Fujian Mount Wuyi Shenbao Yuxing Tea Co., Ltd.*8	Controlling	Mount Wuyi	Tea plantation, production and sales	4,000.00	wholesales and retail of prepackaged food (tea included) and bulk food (tea included)	20,700,000.00		51.75%		Yes	13,325,938.81		
Shenzhen Shenbao (Liaoyuan)	Controlling	Shenzhen	---	237.80	Not operating officially	57,628.53		53.5%		No			

Industrial Company ("Shenbao Liaoyuan") *9													
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Explanation on subsidiaries obtained by establishment or investment:

*1: Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd: on 26 September 2012, as considered and approved at the 24th meeting of the 7th board, it was agreed for the Company to increase capital injection to Shenbao Huacheng with foreign currency equivalent to RMB50 million. After the capital increase, the registered capital increased to RMB153, 451,300 from RMB103, 451,300. This capital injection was verified by the capital verification report (DHYZ(2012)No.284) issued by Da Hua Certified Public Accountants.

*2: Jufangyong Tea Industry Co., Ltd. in Wuyuan County: as considered and approved at the 19th meeting of the 7th board and the 1st extraordinary general meeting of 2012, the Company increased capital injection of RMB270million to Wuyuan Jufangyong, which was used to apply in the tea industry chain comprehensive investment project. Actually, the Company increased capital injection of RMB272, 524,134.35 to Wuyuan Jufangyong, among which, RMB 271,913,925.35 was monetary capital injection and RMB610, 209.00 was transferred from creditor's right. This capital injection was verified by the capital verification report (DHYZ(2012)No.023) issued by Da Hua Certified Public Accountants. The Company held 95.72% equities, and its wholly-owned subsidiary Shenbao Huacheng held 4.28% equities.

*3: Huizhou Shenbao Science & Technology Co., Ltd.: on 30 November 2012, the board agreed the Company to increase capital injection to Shenbao Technology with foreign currency equivalent to RMB30 million. After the capital increase, the registered capital of Huizhou Shenbao Technology increased to RMB60 million from RMB30 million. This capital injection was verified by the capital verification report (DHYZ(2012)No.360) issued by Da Hua Certified Public Accountants.

*4: Shenzhen Shenbao Properties Management Co., Ltd.: The Company holds 51.00% equities, and its wholly-owned subsidiary Shenbao Sanjing holds 49.00% equities.

5: Hangzhou Ju Fang Yong Holding Co., Ltd.(original name: Hangzhou Mingduan Tianpin Tea Leaves Co., Ltd.): on13 December 2011, the board of the Company agreed to contribute RMB20 million to set wholly-owned subsidiary in Hangzhou. The Company has contributed RMB20 million to set the wholly-owned subsidiary Hangzhou Ju Fang Yong in March 2012. This capital injection was verified by the capital verification report (LADYZ(2012)No. L1106) issued by Reanda Certified Public Accountants. Later, as considered and approved at the 20th meeting of the 7th board and 2011 annual general meeting, the Company increased capital injection of RMB155 million to Hangzhou Jufangyong. On 3 May 2012, the Company made actual contribution of RMB156, 906,952.42. This capital injection was verified by the capital verification report (DHYZ(2012)No.036) issued by Da Hua Certified Public Accountants.

*6: Shenzhen Shenbao Technology Center Co., Ltd.: as considered and approved at the 20th meeting of the 7th board and 2011 annual general meeting, the Company established the wholly-owned subsidiary Technology Center. On 10 May 2012, the Company made actual contribution of RMB54, 676,764.11. This capital contribution was verified by the capital verification report (DHYZ(2012)No.034) issued by Da Hua Certified Public Accountants.

*7: Zhejiang Shen Shenbao Huafa Tea Co., Ltd.: as considered and approved at the 20th meeting of the 7th board and 2011 annual general meeting, the Company and Zhejiang Huafa Tea Co., Ltd. established Shen Shenbao Huafa with joint capital contribution, to carry out tea process export business. The registered capital of Shenshenbao Huafa is RMB58 million, among which, the Company contributed RMB 30 million (representing 51.72% equities) and Zhejiang Huafa Tea Industry Co., Ltd. contributed RMB28 million with physical assets and cash both (representing 48.28% equities). This capital contribution was verified by the capital verification report (LADYZ(2012)No. L1114) issued by Zhejiang Branch of Reanda Certified Public Accountants.

*8: Fujian Mount Wuyi Shenbao Yuxing Tea Co., Ltd: as considered and approved at the 7th meeting of the 1st board of Hangzhou Jufangyong, it was agreed to transfer in the 30.38% equities

of Shenbao Yuxing held by Fujian Wuyishan Yuxing Tea Leaf Co., Ltd. at the price of RMB4.80 million, and increase capital contribution to Shenbao Yuxing with cash RMB15.90 million. After the capital increase, the registered capital of Shenbao Yuxing amounted to RMB40 million, among which, RMB20.70 million was contributed by Hangzhou Jufangyong (representing 51.75% equities), RMB14.40 million was contributed by Fujian Wuyishan Yuxing Tea Leaf Co., Ltd. (representing 36% equities), RMB4.90 million was contributed by Xingjiu Tea Co., Ltd. (representing 12.25% equities). As at 31 December 2012, Hangzhou Jufangyong and Fujian Wuyishan Yuxing Tea Leaf Co., Ltd. made the contribution in full, and the contribution amount of RMB35.10 million was verified by the capital verification report (DHYZ(2012)No.098) issued by Da Hua Certified Public Accountants.

*9: Shenzhen Shenbao (Liaoyuan) Industrial Company: the company has been established for a long time, while it has never conducted normal operation. Therefore, the industry & commerce authorities have withdrawn the business license. The Company has already provided long-term investment impairment reserve for the investment in the company in full. The financial statements of the company were not consolidated.

2. Explanation for change of consolidation scope

Explanation for change of consolidation scope

Applicable Non-applicable

Four subsidiaries were newly consolidated in this period: the Company set new wholly-owned subsidiaries Hangzhou Jufangyong and Technology Center respectively on 3 May 2012 and 10 May 2012 by capital contribution, set new holding subsidiary Shenshenbao Huafa on 17 August 2012 by capital contribution. The wholly-owned subsidiary Hangzhou Jufangyong set holding subsidiary Shenbao Yuxing on 16 July 2012 by capital contribution.

One wholly-owned subsidiary was eliminated from consolidation scope in this period: Huizhou Shenbao Industrial Investment CO., Ltd. has completed the deregistration procedures on 5 July 2012.

3 Entity newly taken into the consolidation scope and entity not taken into the consolidation scope any longer during the reporting period

Subsidiary, special purpose entity as well as operating entity whose control is formed through entrusted operation or leasing that newly taken into the consolidation scope

Unit: RMB

Name	Net assets at period-end	Net profit in this period
Hangzhou Ju Fang Yong Holding Co., Ltd.	184,295,271.48	-7,036,152.94
Shenzhen Shenbao Technology Center Co., Ltd.	51,442,767.99	-3,233,996.12
Zhejiang Shen Shenbao Huafa Tea Co., Ltd.	59,300,844.09	1,284,844.09
Fujian Mount Wuyi Shenbao Yuxing Tea Co., Ltd.	32,873,966.44	-2,250,505.56

Subsidiaries out of consolidation scope and special purpose entity in reporting period as well as operation entity with controlling rights formed through entrust operation or rental

Unit: RMB

Name	Net assets at disposal date	Net profit from year-begin to disposal date
Huizhou Shenbao Industrial Investment Co., Ltd.	4,990,674.68	-665.18

VII. Notes to main items of consolidated financial statements

1. Monetary fund

Unit: RMB

Item	Amount of period-end			Amount of period-begin		
	Foreign currency	translation rate	RMB	Foreign currency	translation rate	RMB
Cash:	--	--	134,145.48	--	--	90,189.16
RMB	--	--	129,582.17	--	--	85,625.06
HKD	4,860.00	8.11%	3,940.73	4,860.00	8.11%	3,940.00
USD	99.05	628.55%	622.58	99.05	630.00%	624.10
Bank deposit:	--	--	372,787,878.99	--	--	436,752,527.99
RMB	--	--	328,874,214.89	--	--	436,600,180.24
HKD	13,326.38	8.11%	10,805.69	13,323.97	8.11%	10,800.17
USD	6,984,785.02	628.55%	43,902,858.41	22,464.66	630.00%	141,547.58
Other monetary funds:	--	--	500,000.00	--	--	500,000.00
RMB	--	--	500,000.00	--	--	500,000.00
Total	--	--	373,422,024.47	--	--	437,342,717.15

The restricted monetary fund details are as follows:

Type of notes	Closing balance	Opening balance
Guarantee deposit	500,000.00	500,000.00
Total	500,000.00	500,000.00

2. Transaction financial assets

(1) Transaction financial assets

Unit: RMB

Item	Fair value at period-end	Fair value at period-begin
Transactional equity instrument investment	208,500.00	14,627,801.40
Total	208,500.00	14,627,801.40

3. Accounts receivable

(1) Account receivable classified according to categories

Unit: RMB

Type	Amount of period-end		Amount of period-begin	
	Balance of book value	Bad debt provision	Balance of book value	Bad debt provision

	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Account receivable with single major amount and withdrawal bad debt provision for single item								
Account receivable of bad debt provision withdrawal by combination								
Account receivable withdrawal bad debt provision by age combination	106,125,184.23	84.55%	722,429.60	0.68%	72,641,733.27	78.93%	872,314.26	1.2%
Subtotal of group	106,125,184.23	84.55%	722,429.60	0.68%	72,641,733.27	78.93%	872,314.26	1.2%
Account receivable with single minor amount but withdrawal bad debt provision for single item	19,391,001.77	15.45%	19,391,001.77	100%	19,391,001.77	21.07%	19,391,001.77	100%
Total	125,516,186.00	--	20,113,431.37	--	92,032,735.04	--	20,263,316.03	--

Statement on category of explanation on account receivables

Account receivables represent account receivables and other receivables.

The Company realizes bad debt under the following standards: ①due to withdrawal, bankruptcy or death of debtor, debt can not be recovered or insufficient cash flow after settlement with the bankruptcy property or heritage; ②debtor can't perform his debt obligations within the time limit, and there is obvious characteristics showing that the debt can't be recovered. As for the account receivables where there is obvious evidence showing that it is impossible to recover the same, the account receivables shall be realized as bad debt losses, and the bad debt reserve provided shall be written off accordingly.

The Company calculates the possible bad debt loss by allowance method.

1. Account receivables with significant amount of single item and bad debt reserve provided item by item

Standards for realization of account receivables with significant amount of single item and bad debt reserve provided item by item:

Specific standards for single item with significant amount: account for 10% (10% included) of the balance of account receivables.

Provision method for bad debt reserve of account receivables with significant amount of single item: conduct impairment test individually, provide bad debt reserve based on the difference between the present value of predicted future cash flow and its carrying value, and recorded in current gains and losses.

2. Account receivables with bad debt reserve provided under aging groups

(1) The group belongs to account receivables which are not impaired after individual test.

(2) Provision method for the group: bad debt reserve is provided under aging method, with provision standards as follows:

Age	Withdrawal proportion of account	Withdrawal proportion of other
-----	----------------------------------	--------------------------------

	receivable	account receivable
Within 1 year(Including 1 year)	0%	0%
1-2years(Including 2 years)	5%	5%
2-3years(Including 3 years)	10%	10%
Above 3 years	15%	15%

3. Account receivables without significant amount of single item and bad debt reserve provided item by item

Grounds for provision of bad debt reserve item by item: there is objective evidence showing it maybe impaired. For example, due to withdrawal, bankruptcy or death of debtor, debt can not be recovered or insufficient cash flow after settlement with the bankruptcy property or heritage.

Provision method for bad debt reserve: as for the account receivables which maybe impaired proven by objective evidence, the account shall be separated from the related group and experience individual impairment test, and realize impairment losses.

Account receivable with single major amount and withdrawal bad debt provision for single item at period-end

Application Non-application

Unit: RMB

Age	Amount of period-end			Amount of period-begin		
	Balance of book value		Bad debt provision	Balance of book value		Bad debt provision
	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 year	100,711,569.37	80.24%		66,592,797.78	72.36%	
1-2years	821,172.61	0.65%	41,058.63	198,807.23	0.22%	9,940.36
2-3years	149,907.23	0.12%	14,990.72	302,906.78	0.33%	30,290.68
Above 3 years	4,442,535.02	3.54%	666,380.25	5,547,221.48	6.02%	832,083.22
Total	106,125,184.23	84.55%	722,429.60	72,641,733.27	78.93%	872,314.26

Account receivables provided for bad debt reserve under balance percentage method in the groups

Application Non-application

Account receivables provided for bad debt reserve under other method in the groups

Application Non-application

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

Application Non-application

Unit: RMB

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%	Minor possibility recover
Total	19,391,001.77	19,391,001.77	--	--

(2) Reversal or recovery of account receivables during the reporting period

Provision for bad debt reserve for account receivable with single significant or minor amount but tested for impairment separately as at period-end

Unit: RMB

Item of account receivable	Carrying value	Amount of bad debt	Withdrawal proportion (%)	Reasons
Account receivable with over 3 years of minor possibility recovery	19,391,001.77	19,391,001.77	100%	Minor possibility recover
Total	19,391,001.77	19,391,001.77	--	--

(3) Account receivables actually written-off during the reporting period

Application Non-application

(4) Account receivables due from the shareholders holding 5% or above voting shares of the Company during the reporting period

Unit: RMB

Name	Amount at period-end		Amount at period-begin	
	Carrying balance	bad debt amount withdrawal	Carrying balance	bad debt amount withdrawal
Shenzhen Agricultural Products Co., Ltd.	6,602.00		5,200.00	
Total	6,602.00		5,200.00	

(5) The top 5 arrears in account receivables at period-end

Unit: RMB

Name of the unit	Relationship with the Company	Amount	Life	Proportion in total account receivable (%)
Customers I	Non-related party	13,771,200.00	Within 1 year	10.97%
Customers II	Non-related party	13,261,669.28	Within 1 year	10.57%
Customers III	Non-related party	9,884,760.00	Within 1 year	7.88%
Customers IV	Non-related party	6,917,192.75	Within 1 year	5.51%
Customers V	Non-related party	6,415,420.00	Within 1 year	5.11%
Total	--	50,250,242.03	--	40.04%

(6) Account receivables due from related parties

Application Non-application

(7) Account receivables derecognized

Application Non-application

(8) As for securities with account receivables as target subject, list the assets and liabilities arising from further involvement

Application Non-application

4. Other receivables

(1) Other account receivable classified according to categories

Unit: RMB

categories	Amount at period-end				Amount at period-begin			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	amount	Ratio (%)	amount	Ratio (%)	amount	Ratio (%)	amount	Ratio (%)
Other account receivable with single major amount and withdrawal bad debt provision for single item								
Other receivable of bad debt provision withdrawal by combination(Age)								
Other account receivable withdrawal bad debt provision by age combination	24,570,177.93	58.29%	2,319,010.67	9.44%	37,975,122.55	68.36%	2,018,261.70	5.31%
Subtotal of group	24,570,177.93	58.29%	2,319,010.67	9.44%	37,975,122.55	68.36%	2,018,261.70	5.31%
Other account receivable with single minor amount but withdrawal bad debt provision for single item	17,584,990.00	41.71%	17,584,990.00	100%	17,576,429.47	31.64%	17,576,429.47	100%

Total	42,155,167.93	--	19,904,000.67	--	55,551,552.02	--	19,594,691.17	--
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Statement on category of explanation on other account receivables

Account receivables represent account receivables and other receivables.

The Company realizes bad debt under the following standards: ①due to withdrawal, bankruptcy or death of debtor, debt can not be recovered or insufficient cash flow after settlement with the bankruptcy property or heritage; ②debtor can't perform his debt obligations within the time limit, and there is obvious characteristics showing that the debt can't be recovered. As for the account receivables where there is obvious evidence showing that it is impossible to recover the same, the account receivables shall be realized as bad debt losses, and the bad debt reserve provided shall be written off accordingly.

The Company calculates the possible bad debt loss by allowance method.

1. Account receivables with significant amount of single item and bad debt reserve provided item by item

Standards for realization of account receivables with significant amount of single item and bad debt reserve provided item by item:

Specific standards for single item with significant amount: account for 10% (10% included) of the balance of account receivables.

Provision method for bad debt reserve of account receivables with significant amount of single item: conduct impairment test individually, provide bad debt reserve based on the difference between the present value of predicted future cash flow and its carrying value, and recorded in current gains and losses.

2. Account receivables with bad debt reserve provided under aging groups

(1) The group belongs to account receivables which are not impaired after individual test.

(2) Provision method for the group: bad debt reserve is provided under aging method, with provision standards as follows:

Book age	Provision percentage for accounts receivable	Provision percentage for other receivable
Within 1 year(Including 1 year)	0%	0%
1-2years(Including 2 years)	5%	5%
2-3years(Including 3 years)	10%	10%
Above 3 years	15%	15%

3. Account receivables without significant amount of single item and bad debt reserve provided item by item

Grounds for provision of bad debt reserve item by item: there is objective evidence showing it maybe impaired. For example, due to withdrawal, bankruptcy or death of debtor, debt can not be recovered or insufficient cash flow after settlement with the bankruptcy property or heritage.

Provision method for bad debt reserve: as for the account receivables which maybe impaired proven by objective evidence, the account shall be separated from the related group and experience individual impairment test, and realize impairment losses.

Other account receivable with single major amount and withdrawal bad debt provision for single item at period-end

Application Non-application

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

Application Non-application

Unit: RMB

Age	Amount at period-end	Amount at period-begin
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	Book balance		Bad debt provision	Book balance		Bad debt provision
	amount	Ratio (%)		amount	Ratio (%)	
Within 1 year	6,898,494.15	16.36%		20,704,137.59	32.27%	
1-2years	1,111,143.06	2.64%	55,557.15	4,575,836.26	8.24%	228,791.82
2-3years	4,412,551.72	10.47%	441,255.17	2,325,838.66	4.19%	232,583.86
Above 3 years	12,147,989.00	28.82%	1,822,198.35	10,369,310.04	18.66%	1,556,886.02
Total	24,570,177.93	58.29%	2,319,010.67	37,975,122.55	68.36%	2,018,261.70

Other receivables provided for bad debt reserve under balance percentage method in the groups

Applicable Non-applicable

Other receivables provided for bad debt reserve under other method in the groups

Applicable Non-applicable

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

Application Non-application

Unit: RMB

Item	Carrying value	bad debt provision	Withdrawal proportion	Reasons
Account receivable with over 3 years	17,584,990.00	17,584,990.00	100%	Formed due to history reasons, hard to recover
Total	17,584,990.00	17,584,990.00	--	--

(2) Reversal or recovery of other receivables during the reporting period

Provision for bad debt provision of other account receivables with significant amount in single item or insignificant but having a separate impairment test in the end of the period

Unit: RMB

Item	Carrying value	Bad debt balance	Withdrawal proportion	Reasons
Account receivable with over 3 years	17,584,990.00	17,584,990.00	100%	Formed due to history reasons, hard to recover
Total	17,584,990.00	17,584,990.00	--	--

Statement of other account receivables whose single amount is not significant, but which is grouped by credit risk feature to the portfolio whose risk is significant

(3) Other receivables actually written-off during the reporting period

Applicable Non-applicable

(4) Other receivables due from the shareholders holding 5% or above voting shares of the Company during the reporting period

Applicable Non-applicable

(5) Nature or content of other receivables with significant amount

Applicable Non-applicable

(6) The top 5 amounts in other account receivables

Unit: RMB

Name of the unit	Relationship with the Company	Amount	Age	Portion in total other receivables (%)
Changzhou Sanjing Oil Co., Ltd.	Associated company	16,488,110.19	1-3years	39.11%
Export tax refund receivable	Non-related party	4,208,129.84	Within 1 year	9.98%
Shenzhen Jinsailong Equipment Company	Non-related party	490,000.00	Above 3 years	1.16%
Committee of Industrial Zone of Wuyuan Country	Non-related party	256,296.20	Above 3 years	0.61%
Wulong tea plant of Nanan City Fujian Province	Non-related party	187,888.72	Above 3 years	0.45%
Total	--	21,630,424.95	--	51.31%

(7) Other receivables due from related parties

Unit: RMB

Name of the unit	Relationship with the Company	Amount	Portion in total other receivables (%)
Changzhou Sanjing Oil Co., Ltd.	Associated company	16,488,110.19	39.11%
Total	--		

5. Account paid in advance

(1) Aging analysis

Unit: RMB

Age	Amount at period-end		Amount at period-begin	
	Amount	Ratio	Amount	Ratio
Within 1 year	28,059,110.02	99.07%	10,132,690.85	98.92%
1-2years	203,205.72	0.72%	82,367.97	0.8%
2-3years	40,967.97	0.14%	17,649.80	0.17%

Above 3 years	20,166.80	0.07%	11,017.00	0.11%
Total	28,323,450.51	--	10,243,725.62	--

(2) The top 5 units in account paid in advance

Unit: RMB

Name of the unit	Relationship with the Company	Amount	Time	Reasons for outstanding
Customers I	Non-related party	7,070,525.73	2012-10-29	Goods not received
Customers II	Related party	4,581,943.05	2012-09-21	Goods not received
Customers III	Non-related party	4,217,963.98	2012-10-23	Goods not received
Customers IV	Non-related party	3,414,254.83	2012-09-30	Custom taxes paid in advance
Customers V	Non-related party	2,655,166.94	2012-10-30	Goods not received
Total	--	21,939,854.53	--	--

(3) Shareholders holding 5% or above voting shares of the Company in payments in advance during the reporting period

Applicable Non-applicable

(4) Explanation for payment in advance

Applicable Non-applicable

6. Inventory

(1) Classification

Unit: RMB

Item	Amount at period-end			Amount at period-begin		
	Book balance	Depreciation provision	Book value	Book balance	Depreciation provision	Book value
Raw materials	24,306,493.52	3,576,751.78	20,729,741.74	19,142,798.08	3,576,751.78	15,566,046.30
Product in process	12,364,557.73		12,364,557.73	13,781,707.06		13,781,707.06
Stock products	28,870,852.88	486,905.35	28,383,947.53	23,056,656.89	546,312.89	22,510,344.00
Revolving materials	3,310,455.97		3,310,455.97	5,011,189.52		5,011,189.52

Goods delivered	2,062,123.63		2,062,123.63	28,014.91		28,014.91
OEM goods	5,359,698.81	5,298,011.68	61,687.13	5,384,058.72	5,298,011.68	86,047.04
Development costs	136,549,875.59		136,549,875.59			
Total	212,824,058.13	9,361,668.81	203,462,389.32	66,404,425.18	9,421,076.35	56,983,348.83

(2) Inventory impairment provision

Unit: RMB

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	546,312.89			59,407.54	486,905.35
OEM goods	5,298,011.68				5,298,011.68
Total	9,421,076.35			59,407.54	9,361,668.81

7. Other current assets

Item	Book balance as at period-begin	Book balance as at period-begin
Deductable VAT	1,760,669.36	---
Total	1,760,669.36	---

8. Investment for affiliated enterprise and joint ventures

Unit: RMB

Invested company	Proportion of shares held to the Company (%)	Proportion of voting right to the Company (%)	Total assets at period-end	Total liabilities at period-end	Total net assets at period-end	Total operating income in this period	Net profit in this period
I. Joint-venture							
II. Affiliated enterprise							
Changzhou Sanjing Oil Co., Ltd.	33%	33%	12,316,059.27	25,544,934.26	-13,228,874.99	1,643,971.19	-4,145,944.52

9. Long-term equity investment

(1) Details of long-term equity investment

Unit: RMB

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 (%)	Explanation on the incongruity in share holding proportion and voting proportion in invested company	Impairment provision	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		
Changzhou Sanjing Oil Co., Ltd. *2	Equity	13,500,000.00				33.00%	33.00%				
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 Tianji 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	Cost	57,628.53	57,628.53		57,628.53	53.50%	53.50%		57,628.53		

Shenbao (Liaoyuan) Industrial Co., Ltd.*1											
Shenzhen PepsiCo Beverage Co., Ltd. *5	Cost	24,071,627.22	63,833,871.62	-38,420,080.54	25,413,791.08	10.00%	10.00%				
Beijing Tiantan Holdings Co., Ltd *4	Cost	57,500.00	57,500.00		57,500.00						
Total	--	58,036,755.75	84,299,000.15	-38,420,080.54	45,878,919.61	--	--	--	20,407,628.53		

Explanation on long-term equity investment:

- *1. The two companies have founded for long time, whose license were revoked at present. Due to not settle the accounts, all assets are made provision for impairment.
- *2. The long-term equity investment of Changzhou Sanjin Oil Co., Ltd. is accounted by equity method, due to it suffered heavy losses and the book value of long-term equity investment is 0.
- *3. Since the foundation of the Company, it is in poor management and loss of business. The Company made provision for impairment by the difference between recoverable amount and book value.
- *4. The stock is legal person share stock brought from the original STAQ trading system, whose old name is Beijing Shuanghesheng Five Star Beer Three-ring Co., Ltd. The initial stock of 55,000 shares, which changed to 33,333 shares after changing the company name.
- *5. 25% equity of Shenzhen Pepsi Cola Drink Co., Ltd. was held the Company at the beginning of the period, which is accounted by equity method. On June 29, 2012, 15% equity was disposed, and the left 10% equity did not have significant influence, which was accounted by cost method from July 1, 2012.

10. Fixed assets

(1) Particular about fixed assets

Unit: RMB

Item	Book balance at period-begin	Increase during this period		Decrease during this period	Book balance at period-end
I. Total of book balance	256,038,345.34	20,218,269.99		3,945,873.80	272,310,741.53
Including:House & buildings	106,919,940.63	9,841,477.41			116,761,418.04
Machinery equipments	136,186,985.60	7,136,123.26		66,491.45	143,256,617.41
Transportation tools	5,961,213.99	2,264,374.00		1,507,464.29	6,718,123.70
Other equipments	6,970,205.12	976,295.32		2,371,918.06	5,574,582.38
--	Book balance at period-begin	Increase during this period	Accrual in this period	Decrease during this period	Book balance at period-end
II. Total of accumulated depreciation	102,583,785.40	259,481.68	10,357,684.10	3,556,125.92	109,644,825.26
Including:House & buildings	10,438,065.01	21,311.21	2,899,247.67		13,358,623.89
Machinery equipments	83,929,093.40	91,918.01	6,574,663.70	21,104.90	90,574,570.21
Transportation tools	3,449,966.87	112,302.91	390,321.65	1,277,197.52	2,675,393.91
Other equipments	4,766,660.12	33,949.55	493,451.08	2,257,823.50	3,036,237.25
--	Book balance at period-begin	--			Book balance at period-end
III. Total net value of fixed assets	153,454,559.94	--			162,665,916.27
Including:House & buildings	96,481,875.62	--			103,402,794.15
Machinery equipments	52,257,892.20	--			52,682,047.20
Transportation tools	2,511,247.12	--			4,042,729.79
Other equipments	2,203,545.00	--			2,538,345.13
IV. Total of impairment provision	2,647,112.69	--			2,647,112.69
Including:House & buildings		--			
Machinery equipments	2,647,112.69	--			2,647,112.69
Transportation tools		--			
Other equipments		--			
V. Total book value of fixed assets	150,807,447.25	--			160,018,803.58

Including:House & buildings	96,481,875.62	--	103,402,794.15
Machinery equipments	49,610,779.51	--	50,034,934.51
Transportation tools	2,511,247.12	--	4,042,729.79
Other equipments	2,203,545.00	--	2,538,345.13

Depreciation in this period amounts to RMB 10,617,165.78; original price transfer from construction in progress to fixed assets amounting as RMB 8,113,057.65.

(2) Fixed assets without un-completed property certificates

Item	Reasons for un-completed certificate	Times expected for certificate completed
Dormitory of the Shantou branch of Shenzhen Huacheng	New plan for aged district	To manage it after the new plan comes out and the company had been in the processing.

Statement on fixed assets:

1. Among the ending balance, the original value of fixed assets used for bank pledge was RMB30, 567,419.75, and the net value was RMB24, 238,382.61. as for this pledge, the Company pledged No. 1# and 2# factories located at He'ao village, Henggang town, Longgang district Shenzhen to Shenzhen Branch of Shanghai Pudong Development Bank, in order to apply for comprehensive credit loan of RMB50 million. As at 31 December 2012, the Company has repaid the loan of RMB50 million under the comprehensive credit agreement in full, while the Company has not completed the procedures for property pledge release.

2. At the period end, the Company found no recoverable amount of any fixed asset was less than its carrying value, thus it hasn't provided impairment reserve.

11. Construction in process

(1) Particular about construction in process

Unit: RMB

Item	Amount at period-end			Amount 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	
Project in respect of Shenbao Building				6,957,258.19		6,957,258.19
Comprehensive investment project of tea industry chain(the new factory project)	72,627,916.30		72,627,916.30	390,407.00		390,407.00
Project of production line of Shenbao Huacheng	531,703.86		531,703.86	3,188,552.19		3,188,552.19
Supervision system and simple warehouse of Huizhou Shenbao Technology	144,985.26		144,985.26	556,161.80		556,161.80
Office building of Hangzhou Jufangyong	19,868,374.03		19,868,374.03			
Equipments	1,249,163.56		1,249,163.56			

remaining installation of Shenbao Technology Center						
Other	903,189.74	903,189.74		923,868.74	903,189.74	20,679.00
Total	99,167,666.39	4,745,523.38	94,422,143.01	15,858,581.56	4,745,523.38	11,113,058.18

(2) Changes of major projects under construction

Unit: RMB

Project	Budget	Amount at period-begin	Increase during this period	Transferred to fixed assets	Other decrease	Proportion of project investment in budget	Progress	Accumulated amount of interest capitalization	including: interest capitalized amount of the year	Interest capitalization rate of the year (%)	Capital source
Shenbao Plaza project	200,000,000.00	6,957,258.19	46,521,231.97		53,478,490.16						
Comprehensive investment project of tea industry chain(new factory)	150,000,000.00	390,407.00	74,766,363.97	2,528,854.67		48.42%	56%				Raised proceeds
Office building of Hangzhou Jufangyong	21,000,000.00		19,868,374.03			94.61%	94.61%				Raised proceeds
Total	371,000,000.00	7,347,665.19	141,155,969.97	2,528,854.67	53,478,490.16	--	--			--	--

Statement of the change of projects under construction

Shenbao Plaza project had changed its named as Jade Apartment, the period changed into inventory development costs to calculate.

(3) Construction in process impairment provision

Unit: RMB

Item	Amount at period-begin	Increase during this period	Decrease during this period	Amount at period-end	Accrual Reason
Shenbao Plaza project	3,842,333.64			3,842,333.64	
Other	903,189.74			903,189.74	
Total	4,745,523.38			4,745,523.38	--

(4) Progress of material construction in progress

Item	progress	Note
Comprehensive investment project of tea industry chain(the new factory project)	56.00%	
Office building of Hangzhou Jufangyong	94.61%	

12. Productive biological assets

(1) Measured by cost

Unit: RMB

Item	Book balance at period-begin	Increase during this period	Decrease during this period	Book balance at period-end
Tea plant	436,156.00			436,156.00
Total	436,156.00			436,156.00

13. Intangible assets

(1) Particular about intangible assets

Unit: RMB

Item	Book balance at period-begin	Increased in the period	decreased in the period	Book balance at period-end
I. Total of original value	224,072,999.01	61,862,547.40	63,379,827.14	222,555,719.27
1. Land using right	193,933,780.01	46,165,562.00	63,379,827.14	176,719,514.87
2. Patent technologies	28,271,029.35	1,966,085.40		30,237,114.75
3. Use right of forest	1,868,189.65	13,730,900.00		15,599,089.65
II. Total accumulated amortization	21,541,804.64	6,747,969.16	4,036,500.00	24,253,273.80
1. Land using right	10,617,196.85	5,031,424.22	4,036,500.00	11,612,121.07
2. Patent technologies	10,781,379.90	1,527,993.47		12,309,373.37

3. Use right of forest	143,227.89	188,551.47		331,779.36
III. Total net book value of intangible assets	202,531,194.37			198,302,445.47
1. Land using right	183,316,583.16			165,107,393.80
2. Patent technologies	17,489,649.45			17,927,741.38
3. Use right of forest	1,724,961.76			15,267,310.29
IV. Accumulated intangible asset impairment provisions				
1. Land using right				
2. Patent technologies				
3. Use right of forest				
Total of intangible asset book value	202,531,194.37			198,302,445.47
1. Land using right				
2. Patent technologies				
3. Use right of forest				

The amount amortized in this period accounting as RMB 6,747,969.16.

(2) Expenditure of project development

Unit: RMB

Item	Amount at period-begin	Increased in the period	Decreased in the period		Amount at period-end
			Calculating into current profit and loss	Confirmed as intangible assets	
Development project I		759,875.73		759,875.73	
Development project II		7,950.00		7,950.00	
Development project III		1,786,327.40	1,786,327.40		
Development project IV		2,192,689.87	2,192,689.87		
Development project V		526,199.85		526,199.85	
Development project VI		672,059.82		672,059.82	
Others		3,850,000.00	3,850,000.00		
Total		9,795,102.67	7,829,017.27	1,966,085.40	

Development expenditure at the period accounted for 100% of the total expenditure for R&D projects at the period.

Intangible assets from the company internal R&D accounted for 0.99% of intangible assets book value at period-end.

14. Long-term deferred expense

Unit: RMB

Item	Amount at period-begin	Increased in the period	Amortization during this period	Other decrease	Amount at period-end

3 years term of comprehensive property insurance	22,062.99		22,062.99		
Decoration charge for office rented-in	1,301,378.25	95,750.49	386,966.10		1,010,162.64
Project of maintenance reform on canned warehouse and waste tea house	346,810.16		88,547.28		258,262.88
Affiliated project of resident area in Jufangyong Wuyuan	569,578.03		140,487.96		429,090.07
Reform of tea park in Wuyuan		381,511.00	76,302.24		305,208.76
Reform project of warehouse and swage	1,210,517.54	1,336,727.78	375,888.09		2,171,357.23
Lease of workshop and office building		2,649,173.00	302,292.00		2,346,881.00
Other	165,465.98	377,480.84	105,891.31		437,055.51
Total	3,615,812.95	4,840,643.11	1,498,437.97		6,958,018.09

Statement of long-term deferred expense

Note: explain the specific amortize method on the long-term deferred expense projects with large amounts.

15. Deferred income tax assets and deferred income tax liabilities

(1) Net amount of deferred income tax assets and deferred income tax liabilities before deduction

Recognized deferred income tax assets and deferred income tax liabilities

Unit: RMB

Item	Balance as at period-end	Balance as at period-begin
Deferred income tax assets		
Impairment provision for assets	2,554,782.97	2,645,321.41
Opening charge		
Deductible losses		
Subtotal	2,554,782.97	2,645,321.41
Deferred income tax liabilities:		
Estimated value of transactional financial instrument and derivative financial instrument		
Fair value variation of financial assets available for sale that reckon into capital reserve		

Subtotal		

Details of uncertain deferred income tax assets

Unit: RMB

Item	Balance as at period-end	Balance as at period-begin
Difference of temporary deductible	16,702,066.08	16,667,582.50
Losses deductible	6,971,958.26	22,748,882.37
Total	23,674,024.34	39,416,464.87

(2) Net amount of deferred income tax assets and deferred income tax liabilities after deduction

The grouped project of deferred income tax assets or liabilities after deduction

Unit: RMB

Items	Deferred income tax assets or liabilities after deduction at the end of the reporting	Deductible or taxable temporary differences after deduction at the end of the reporting	Deferred income tax assets or liabilities after deduction at the begin of the reporting	Deductible or taxable temporary differences after deduction at the begin of the reporting
Deferred income tax assets	2,554,782.97		2,645,321.41	
Deferred income tax liabilities				

16. Details of asset impairment provision

Unit: RMB

Item	Balance as at period-begin	Increase during this period	Decrease during this period		Balance as at period-end
			Reversal	Written-off	
I. Bad debt reserve	39,858,007.20	159,424.84			40,017,432.04
II. Inventory impairment provision	9,421,076.35			59,407.54	9,361,668.81
III. Long-term equity investment impairment provision	20,407,628.53				20,407,628.53
IV. Fixed asset impairment provision	2,647,112.69				2,647,112.69
V. Impairment provision for construction materials	4,745,523.38				4,745,523.38
Total	77,079,348.15	159,424.84		59,407.54	77,179,365.45

17. Short-term loans

(1) Type of Short-term Loans

Unit: RMB

Item	Amount at period-end	Amount at period-begin
Collateral loan		10,000,000.00
Ensure loans		28,000,000.00
Total		38,000,000.00

18. Account payables

(1) Particular about account payables

Unit: RMB

Item	Amount at period-end	Amount at period-begin
within 1 year	39,845,007.64	31,955,489.50
Within 1 to 2 years	29,699.92	159,856.56
Within 2 to 3 years	22,085.17	14,252.35
Over 3 years	2,647,572.47	2,734,368.62
Total	42,544,365.20	34,863,967.03

(2) Statement of large accounts payable with age over 1 year

Name	Amount	Reason of not caring forward	Notes
Customer I	518,655.52	Whether need to pay with uncertainty	Over 3 years
Customer II	515,892.30	Whether need to pay with uncertainty	Over 3 years
Total	1,034,547.82		

19. Account received in advance

(1) Particular about account received in advance

Unit: RMB

Item	Amount as at period-end	Amount as at period-begin
within 1 year	1,242,004.49	2,685,306.45
Within 1 year to 2 years	109,940.50	
Within 2 to 3 years		
Over 3 years	735,406.45	735,406.45
Total	2,087,351.44	3,420,712.90

20. Wages payable

Unit: RMB

Item	Balance as at period-begin	Increase during this period	Decrease during this period	Balance as at period-end
I. Wage, bonus, allowance and subsidy	2,741,577.32	29,484,667.24	28,355,521.86	3,870,722.70
II. Employees' welfare		4,297,823.15	4,297,823.15	

III. Social security	16,367.81	4,418,856.22	4,400,052.85	35,171.18
Including: medical insurance premiums		827,437.32	816,500.34	10,936.98
Basic endowment insurance premiums	16,367.81	3,481,091.43	3,476,363.47	21,095.77
Unemployment insurance premiums		42,979.34	41,077.26	1,902.08
Industrial injury insurance premiums		37,619.42	37,143.90	475.52
Maternity insurance premiums		29,728.71	28,967.88	760.83
IV. Housing public reserve		2,373,416.17	2,373,416.17	
V. Compensation from labor relationship dismissed	169,826.60		11,182.50	158,644.10
VI. Other				
VII. Trade union fee and education fee	738,945.39	755,905.51	621,834.39	873,016.51
Total	3,666,717.12	41,330,668.29	40,059,830.92	4,937,554.49

In wages payable has 0 yuan belongs to arrears.

Labor union expenses and staff educational expenses amounting to RMB 873,016.51; non-monetary welfare amounting to RMB 0 and compensation for dismiss of labor relationship amounting to 11,182.50 yuan.

21. Tax payable

Unit: RMB

Item	Amount as at period-end	Amount as at period-begin
VAT	-	825,879.69
Business tax	8,245.50	196,470.25
Enterprise income tax	1,939,717.08	3,213,102.57
Personal income tax	190,943.51	177,741.85
City maintenance and construction tax	8,685.50	128,397.41
House property tax	40,812.40	36,483.74
Embankment fee	69,683.11	167,963.18
Surtax for education expenses	4,352.74	107,437.01

Use tax of land	65,906.08	-
Other tax fee	119,748.78	69,957.64
Total	2,448,094.70	4,923,433.34

22. Dividend payable

Unit: RMB

Name	Amount as at period-end	Amount 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	--

23. Other payables

(1) Particular about other payables

Unit: RMB

Item	Amount as at period-end	Amount as at period-begin
within 1 year	82,396,957.19	12,459,188.92
Within 1 year to 2 years	5,701,411.12	62,066,329.50
Within 2 to 3 years	59,979,741.54	127,800.00
Over 3 years	5,114,775.13	5,157,333.07
Total	153,192,884.98	79,810,651.49

(2) Explanation on unit of major connected amount for other account payable

Unit	Relationship with the Company	Amount	Nature or content	Remarks
Shenzhen Jitai Industrial Development Co., Ltd.	Non-related party	76,627,654.20	Construction of Shenbao Building	1-3 years
Zhongtai Construction Group Co., Ltd.	Non-related party	54,296,931.65	Construction of Shenbao Building	Within 1 year
Shenzhen Investment Management Co., Ltd.	Original largest shareholder of the company	3,510,297.20	Current amount	Over 3 years
Huizhou Shengli Property Investmetn Co., Ltd.	Non-related party	2,776,167.00	Current amount	Within 1 year
Guangzhou Branch of Shanghai Jingshi Marketing Consultant Co., Ltd.	Non-related party	744,000.00	Brand-building fee	Within 1 year
Total		137,955,050.05		

*The company will located in (Parcel No.H307-0018) block, Wenjin North Road, Luohu District, Shenzhen City with 2776.80 square meters and proceed to project development with Shenzhen Jitai Industry Development Co., LTD, and all funds of development project are provided by Shenzhen Jitai Industry Development Co., LTD according to Construction Project Cooperation Agreement signed by both parties, which will be included in other payables to calculate.

24. Other current liability

Unit: RMB

Item	Book balance at period-end	Book balance at period-begin
Research project on key technology for process of the extracts from ARS nature high-essence green tea	43,137.43	43,137.43
Total	43,137.43	43,137.43

Statement of other current liability

Special funds for special purpose of research project on key technology for process of the extracts from ARS nature high-essence green tea had RMB 43,137.43 not used until December 31, 2012, it expected to use out in 2013.

25. Other non-current liability

Unit: RMB

Item	Book balance at period-end	Book balance 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*1	1,250,000.00	1,375,000.00
Industrialization project of instant tea power *2	4,000,000.00	
Special fund project of strategic emerging industry development*3	611,444.25	
Base of further processing for tea and nature plants *4	2,750,000.00	3,025,000.00
Total	8,661,364.25	4,449,920.00

*1. 50 tons clean & superior tea process project: the project was invested with the loan interests and financial subsidy granted by the finance bureau of Shangrao in respect of the comprehensive agriculture development operation of Wuyuan County. The total subsidy amounted to RMB1.50 million; the starting date of amortization was 1 January 2011, with amortization term of 2 years. RMB125,000 was realized as non-operating income in this period.

*2. Instant tea powder industry project: this project was based on the circular (SFG2012 No.1461) issued by the development and reform commission of Shenzhen. The total subsidy amounted to RMB4.00 million, with construction period from 2012-2013. Amortization would start once the project construction is completed.

*3. Special capital project of strategic emerging industry development: this project was based on the circular (SFG2012 No.1065) issued by the science and technology innovation commission of Shenzhen. The total subsidy amounted to RMB1.50 million, RMB888,555.75 was realized as non-operating income in this period.

*4. Tea leaf and natural plant further process industrialization base project: this project was based on the circular (SFG2011 No.468) issued by the science and technology innovation commission of Shenzhen. The total subsidy amounted to RMB3.30 million, with RMB275,000 was realized as non-operating income in this period, amortization from 1 January 2011 for 12-year in total.

26. Share capital

Unit: RMB

	Amount at period-begin	Increased (decreased) in this year					Amount at period-end
		New shares issued	Bonus shares	Shares converted from public reserve	Other	Sub-total	
Total of shares	250,900,154.00						250,900,154.00

Share capital had no changes in the reporting.

27. Capital reserves

Unit: RMB

Item	Amount at period-begin	Increase during this period	Decrease during this period	Amount at period-end
Capital premium (Share capital premium)	567,410,252.95	20,939.46		567,431,192.41
Other capital reserve	1,289,969.56		210,249.15	1,079,720.41
Total	568,700,222.51	20,939.46	210,249.15	568,510,912.82

Statement of capital reserves

1. Share capital perminu at the period increased from Shenshenbao Hua Fa and Shenbao Yuxing two new companies, and minority shareholders investing capital.
2. Other capital reserves at the period decreased for the disposal of Shenzhen PEPSI 15% long-term equity investment, and decreased relevant confirmed capital reserves.

28. Surplus reserves

Unit: RMB

Item	Amount at period-begin	Increase during this period	Decrease during this period	Amount at period-end
Statutory surplus reserves	32,464,033.34	7,607,703.39		40,071,736.73
Total	32,464,033.34	7,607,703.39		40,071,736.73

The increase amount was statutory surplus reserves from 10% provision of net profit of the parent company.

29. Retained profit

Unit: RMB

Item	Amount	Exaction or Distribution Proportion
Undistributed profit at the end of the previous year before adjustment	37,812,102.74	--
Total undistributed profit at the beginning of the previous year before adjustment (increase +, decrease -)		--
Undistributed profit at the begin of the year after adjustment	37,812,102.74	--
Add: Attributable to the owners of the parent company's net profit	74,529,471.28	--
Substruct: Exact Statutory surplus reserves	7,607,703.39	
Exact any surplus reserves		
Exact general risk provision		
Ordinary stock dividends payable		
Ordinary stock dividends transferred to capital		
Undistributed profit at the end of the period.	104,733,870.63	--

30. Operating income and operating costs

(1) Operating income and operating cost

Unit: RMB

Item	Amount at this period	Amount at previous period
Main business operating income	310,790,324.70	316,347,948.59

Other business operating income		1,882,295.08
Operating cost	257,469,827.25	257,434,027.83

(2) Main business (by industry)

Unit: RMB

Industry	Amount at this period		Amount at previous period	
	Operating income	Operating cost	Operating income	Operating cost
Industry	266,043,573.56	216,684,707.06	316,347,948.59	255,679,112.43
Trade	44,159,951.14	40,785,120.19		
Leasing service	586,800.00			
Total	310,790,324.70	257,469,827.25	316,347,948.59	255,679,112.43

(3) Main business (by products)

Unit: RMB

Product	Amount at this period		Amount at previous period	
	Operating income	Operating cost	Operating income	Operating cost
Soft beverage	31,884,425.72	26,181,346.48	27,210,338.08	22,866,678.21
Seasoning	12,043,617.99	7,812,323.90	9,954,144.12	6,717,331.19
Tea products	266,275,480.99	223,476,156.87	279,183,466.39	226,095,103.03
Property leasing	586,800.00			
Total	310,790,324.70	257,469,827.25	316,347,948.59	255,679,112.43

(4) Main business (by area)

Unit: RMB

Area	Amount at this period		Amount at previous period	
	Operating income	Operating cost	Operating income	Operating cost
South of China	88,507,317.87	68,189,232.39	89,322,897.94	68,839,264.48
North of China	39,716,918.03	34,094,305.15	43,333,580.07	36,683,943.50
East of China	101,123,814.33	81,617,638.64	108,748,596.57	82,313,264.43
Central of China	36,189,149.60	33,009,712.90	53,108,960.48	48,498,899.88
Other regions	9,948,008.17	9,089,390.34	19,141,485.80	16,957,038.03
Export	35,305,116.70	31,469,547.83	2,692,427.73	2,386,702.11
Total	310,790,324.70	257,469,827.25	316,347,948.59	255,679,112.43

(5) Business income of top 5 clients

Unit: RMB

Customers	Main business income	Portion taken in all main business income of the Company (%)
Customers I	25,541,256.28	8.22%
Customers II	24,314,991.35	7.82%
Customers III	19,102,598.28	6.15%
Customers IV	17,423,179.52	5.61%
Customers V	15,129,087.05	4.87%

Total	101,511,112.48	32.67%
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31. Operating tax and surcharges

Unit: RMB

Item	Amount at this period	Amount at previous period	Taxation standard
Business tax	279,340.00	320,340.00	
City maintenance and construction tax	899,322.83	971,240.44	
educational extra and others	660,449.38	726,579.71	
Others	28,519.80	4.89	
Total	1,867,632.01	2,018,165.04	--

32. Sales expenses

Unit: RMB

Item	Amount at this period	Amount at previous period
Employee compensation and employee costs	5,270,047.09	3,996,756.92
Rental and utilities	906,408.24	314,396.64
Depreciation and amortization expenses	30,547.93	469,802.68
Goods transport miscellaneous expenses	7,939,117.48	6,881,670.21
Sales discounts and promotion fee	1,126,763.28	2,244,457.50
Daily office expenses	3,959,881.39	2,096,542.71
Others	563,570.30	457,615.67
Total	19,796,335.71	16,461,242.33

33. Management expenses

Unit: RMB

Item	Amount at this period	Amount at previous period
Employee compensation and employee costs	22,922,342.26	17,571,221.17
Rental and utilities	1,807,673.23	1,674,769.76
Depreciation and amortization expenses	9,094,403.29	8,925,693.61
Intermediary and disclosure expenses	6,113,152.90	3,074,784.60
Tax and fee	3,317,799.82	1,670,951.82
Daily office expenses	12,808,813.18	9,105,166.15
Shut down expenses		1,197,672.25
Others	7,529,130.08	4,276,819.71
Total	63,593,314.76	47,497,079.07

34. Financial expenses

Unit: RMB

Item	Amount at this period	Amount at previous period
Interest expense	5,108,766.79	8,339,586.82
Interest income	-7,762,879.13	-5,589,585.11
Exchange loss	1,972,529.97	35,377.18
Others	197,594.16	174,610.06
Total	-483,988.21	2,959,988.95

35. Gains from change of fair value

Unit: RMB

Source of gains from change of fair value	Amount at this period	Amount at previous period
Transaction financial assets	22,500.00	-488,802.60
Total	22,500.00	-488,802.60

36. Investment gains

(1) Details of investment gains

Unit: RMB

Item	Amount at this period	Amount at previous period
Long-term equity investment gains recognized under equity method	-299,393.90	-289,786.96
Investment income from disposal of long-term equity investment	103,546,568.40	4,279.44
Investment income gained from disposal of available-for-sales financial assets	2,394,174.15	2,460,701.94
Other		1,500,000.00
Total	105,641,348.65	3,675,194.42

(2) Long-term equity investment gains calculated under equity method

Unit: RMB

Invested unit	Amount as at this period	Amount as at previous period	Reasons of changes compare with last period
Shenzhen PEPSI	-299,393.90	-289,786.96	Net profit decreased from January to June 2012
Total			--

37. Asset impairment loss

Unit: RMB

Item	Amount at this period	Amount at previous period
I. Bad debt loss	159,424.84	-45,263.67
II. Loss of depreciation of stock		81,175.84
Total	159,424.84	35,912.17

38. Non-operating income

(1) Particular about non-operating income

Unit: RMB

Item	Amount at this period	Amount at previous period	Included in the current non-recurring profit and loss amount
Total income from disposal of non-current assets	16,814.63	50,103.10	16,814.63
Including: Gains from disposal of	8,224.00	50,103.10	8,224.00

fixed assets			
Gains from disposal of intangible assets	8,590.63		8,590.63
Government grant	3,250,145.75	1,800,048.00	3,250,145.75
Other	2,322.00	17,092,941.81	2,322.00
Total	3,269,282.38	18,943,092.91	3,269,282.38

(2) Details of government grant

Unit: RMB

Item	Amount at this period	Amount at previous period	Remarks
Revenue Increase Award 2011	383,580.00		WF(2007)No. 5
Special raw material industrialization of new-type tea drink	80,000.00		G CJ(2011)No.125
Boiler renovation subsidies by Human Settlements Commission of Shenzhen Municipality	210,000.00		-
Pengcheng waste reduction advanced enterprise bonus	20,000.00		SRH[2012]No.168
Concentrated tea industry funding by Market Supervision Administration of Shenzhen Municipality	52,500.00		-
Independent innovation of state-owned enterprises belong to the city	300,000.00		SGZW[2012]No.194
Integrated fund for tea		200,000.00	G CY(2010)No.262
Agricultural industrialization project grant(discount)		300,000.00	G CN(2011)No.189
The Finance Bureau of technical assistance funds		600,000.00	R GXTZZ(2011)No.107
Project funding of special raw material industrialization of new-type tea drink		120,000.00	WF(2007)No. 5
Tea extract key technology research and development subsidies	800,000.00		S FG[2011]No. 1782
Government grants for other projects	115,510.00	180,048.00	---
Deferred income transfer-in	1,288,555.75	400,000.00	
Total	3,250,145.75	1,800,048.00	--

39. Non-operating expenses

Unit: RMB

Item	Amount at this period	Amount at previous period	Included in the current non-recurring profit and loss amount

Losses from disposal of non-current assets	237,578.80	65,015.04	237,578.80
Including: Losses from disposal of fixed assets	237,578.80	65,015.04	237,578.80
External donation expenditure	200,000.00	160,000.00	200,000.00
Other	84.37	35,969.20	84.37
Total	437,663.17	260,984.24	437,663.17

40. Income tax expense

Unit: RMB

Item	Amount at this period	Amount at previous period
Current income tax calculated by tax law and relevant regulations	2,728,782.68	4,099,177.59
Deferred income tax	90,538.44	-50,088.08
Total	2,819,321.12	4,049,089.51

41. Computer of basic earnings per share and diluted earnings per share

Item	Amount at this period
Computer of basic earnings per share	
(I) Numerator:	
net profit attributable to shareholders of ordinary shares of the Company(PO)	74,529,471.28
net profit attributable to shareholders of ordinary shares of the Company after deducting non-recurring gains/losses (PO)	-33,778,384.16
(II) Denominator:	
aggregate of shares as at period-begin (S0)	250,900,154.00
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)	---
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
the accumulated months commencing from the month subsequent upon shares addition to year-end of the period (Mi)	---
the accumulated months commencing from the month subsequent upon shares deduction to year-end of the period (Mj)	---
the weighted average number of ordinary shares in issue (S)	250,900,154.00
(III) EPS	
Basic EPS	
Net profit attributable to ordinary shareholders of company	0.2970
Net profit attributable to ordinary shareholders of company after deducting non-recurring gains/losses	-0.1346

42. Other comprehensive gains

Unit: RMB

Item	Amount at this period	Amount at previous period
Net amount reckoned into other comprehensive income in previous period while transfer-in current gains/losses	210,249.15	
Sub-total	-210,249.15	
Total	-210,249.15	

43. Notes to statement of cash flow

(1) Other cash received in relation to operation activities

Unit: RMB

Item	Amount
Government grants received	3,461,590.00
Connected amount	14,900,000.00
Interest	7,762,879.13
Others	809,854.07
Total	26,934,323.20

(2) Other cash paid in relation to operation activities

Unit: RMB

Item	Amount
Connected amount	1,704,682.25
Administration expense	24,567,865.64
sales expense	10,221,280.53
Others	3,644,943.79
Total	40,138,772.21

(3) Cash received from other investment activities

Unit: RMB

Item	Amount
Government subsidy with assets concerned	4,000,000.00
Total	4,000,000.00

(4) Cash received from other financing activities

Unit: RMB

Item	Amount
Decrease of other monetary funds	500,000.00
Total	500,000.00

(6) Other cash received in relation to financing activities

Unit: RMB

Item	Amount
Increase of other monetary funds	500,000.00
Total	500,000.00

44. Supplementary information to statement of cash flow
(1) Supplementary information to statement of cash flow

Unit: RMB

Supplementary information	Amount at this period	Amount at previous period
1.Net profit adjusted to cash flow of operation activities:	--	--
Net profit	74,063,925.08	9,643,239.26
Add: assets impairment losses	159,424.84	35,912.17
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	10,617,165.78	9,987,047.50
Amortization of intangible assets	6,747,969.16	5,678,611.65
Amortization of long-term deferred expenses	1,498,437.97	932,999.99
Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with “-”)	176,205.72	14,911.94
Loss of disposing fixed assets(gain is listed with “-”)	44,558.45	
Loss from change of fair value(gain is listed with “-”)	-22,500.00	488,802.60
Financial expenses (gain is listed with “-”)	6,927,488.61	4,433,238.81
Investment loss (gain is listed with “-”)	-105,641,348.65	-3,675,194.42
Decrease of deferred income tax asset(increase is listed with “-”)	90,538.44	-50,088.08
Increase of deferred income tax liability (decrease is listed with “-”)		
Decrease of inventory (increase is listed with “-”)	-9,929,164.90	-3,887,076.71
Decrease of operating receivable accounts (increase is listed with “-”)	26,764,895.73	-17,822,157.82
Increase of operating payable accounts (decrease is listed with “-”)	-59,932,154.46	-24,570,456.81
Others		
Net cash flow arising from operating activities	-48,434,558.23	-18,790,209.92
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	372,922,024.47	436,842,717.15
Less: Balance of cash at year-begin	436,842,717.15	40,540,179.32
Plus: Balance of cash equivalents at the period end		
Less: Balance of cash equivalent at year-begin		
Net increasing of cash and cash equivalents	-63,920,692.68	396,302,537.83

(2) Relevant information of subsidiary or other operation unit obtained or disposed in reporting period

Unit: RMB

Supplementary information	Amount at this period	Amount at previous period
I. Relevant information of subsidiary and other operation unit obtained	--	--
1. Price for obtaining the subsidiary and other operation unit		
2. Cash and cash equivalent paid for obtaining the subsidiary and other operation unit		
Less: Cash and cash equivalent held by subsidiary and other operation unit		
3. Net cash amount paid for obtaining the subsidiary and other operation unit		
4. Net assets of subsidiary obtained		
Current assets		
Non-current assets		
Current liability		
Non-current liability		
II. Relevant information of disposal of subsidiary and other operation unit	--	--
1. Price for disposing the subsidiary and other operation unit		
2. Cash and cash equivalent received from disposal of subsidiary and other operation unit		
Less: Cash and cash equivalent held by subsidiary and other operation unit		
3. Net cash amount received from disposal of subsidiary and other operation unit	142,558,846.79	
4. Net assets of subsidiary disposed		
Current assets		
Non-current assets		
Current liability		
Non-current liability		

(3) Constitution of cash and cash equivalent

Unit: RMB

Item	Balance at period-end	Balance at period-begin
I. Cash	372,922,024.47	436,842,717.15
Including: stock cash	134,145.48	90,189.16
Bank deposit available for payment at any time	372,787,878.99	436,752,527.99
Other monetary fund available for payment at any time		

II. Cash equivalent		
Including: bond investment matured within 3 months		
III. Balance of cash and cash equivalent at year-end	372,922,024.47	436,842,717.15

(VIII) Related Parties and Transactions

1. Parent company of the Company

Unit: RMB

Parent company	Relationship	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.	Controlling shareholder	Stock limited (listing)	Shenzhen	Chen Shaoqun	Development, construction, operation and management of agricultural products retail market, operation of market leasing	RMB 1,383,314,100	19.09%	19.09%	SASAC of Shenzhen	192179163

2. Subsidiary of the Company

Unit: RMB

Subsidiary of the Company	Type	Nature	Registration place	Legal representative	Business nature	Registered capital	Proportion of shares held (%)	Proportion of voting right (%)	Organization code
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd.	Holding subsidiaries	Limited liability company	Shenzhen	Yan Zesong	Manufacture	153,451,300.00	100%	100%	73628169-3
Wuyuan Jufangyong Tea Industry Co., Ltd.	Holding subsidiaries	Limited liability company	Wuyuan	Yan Zesong	Manufacture	290,000,000.00	95.72%	95.72%	77236879-6
Hangzhou Jufangyong Holding Co.,Ltd.	Holding subsidiaries	Limited liability company	Hangzhou	Qian Xiaojun	Comprehensive	175,000,000.00	100%	100%	59305626-0

Shenzhen Shenbao technology Center Co., Ltd.	Holding subsidiaries	Limited liability company	Shenzhen	Luo Longxin	technological development, consultancy, assignment	54,000,000.00	100%	100%	59566405-9
Huizhou Shenbao Technologies Co., Ltd.	Holding subsidiaries	Limited liability company	Huizhou	Yao Xiaopeng	Manufacture	60,000,000.00	100%	100%	66495245-0
Zhejiang Shenshenbao Wefa Tea Co., Ltd.	Holding subsidiaries	Limited liability company	Shengzhou	Li Yiyao	Wholesale and retail, technological development, import and export of goods	58,000,000.00	51.72%	51.72%	05280263-8
Fujian province Wuyishan Shenbao Yuxing Tea Co., Ltd.	Holding subsidiaries	Limited liability company	Wuyishan	Chen Liang	Comprehensive	40,000,000.00	51.75%	51.75%	05031666-0
Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd.	Holding subsidiaries	Limited liability company	Shenzhen	Yao Xiaopeng	Commercial wholesale	30,150,000.00	100%	100%	19246379-7
Shenzhen Shenbao Properties Management Co., Ltd.	Holding subsidiaries	Limited liability company	Shenzhen	Li Fang	Property management	5,000,000.00	51%	51%	27931409-X
Shenzhen Shenbao Industrial Trading & Development Co., Ltd.	Holding subsidiaries	Limited liability company	Shenzhen	Guan Lihua	Commercial wholesale	5,500,000.00	100%	100%	19218639-8
Shenzhen Shenbao(Liaoyuan) Industrial Co., Ltd.	Holding subsidiaries	Limited liability company	Shenzhen	--	--	2,378,000.00	53.5%	53.5%	

3. Details of joint-venture and affiliated enterprise of the Company

Unit: RMB

Company	Type	Place of registration	Legal representative	Nature of business	Register capital	Equity proportion held by the	Proportion of voting rights in invested	Related relationship	Organization code
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						Company (%)	company (%)		
I. Joint-venture									
II. Affiliated enterprise									
Changzhou Sanjing Oil Co., Ltd.	Limited liability company	Changzhou	Pan Guangsheng	Manufacture	54,000,000.00	33%	33%	Affiliated company	77052631-6
Shenzhen PepsiCo Beverage Co., Ltd.	Limited liability company	Shenzhen	Zhu Huaxi	Manufacture	\$12,250,000.00	10%	10%	Affiliated company	61890818-4

4. Particulars about other related parties

Name	Related relationship	Organization code
Shenzhen Investment Management Company	The company's original largest shareholder	767566421
Changzhou Sanjing Oil Co., Ltd.	Affiliated company	66382186-2
Zhejiang Shenshenbao Wefa Tea Co.,Ltd.	Minority shareholders of holding subsidiary company	05280263-8
Fujian province Wuyishan Shenbao Yuxing Tea Co.,Ltd.	Minority shareholders of holding subsidiary company	71730243-6
Xingjiu Tea Co.,Ltd.	Minority shareholders of holding subsidiary company	58310361-7

5. Related transaction

(1) Statement of commodity purchased and labor service received

Unit: RMB

Related Party	Related Trading	Price-making Method and Decision-making Procedure	Amount at this period		Amount at previous period	
			Amount	Proportion in the same trade amount (%)	Amount	Proportion in the same trade amount (%)

Zhejiang Wefa Tea Co.,Ltd.	Purchase of tea		40,224,036.19	82.36%		
Fujian province Wuyishan Yuxing Tea Co.,Ltd.	Purchase of tea	Market Price	8,617,283.09	17.64%		
Fujian province Wuyishan Yuxing Tea Co.,Ltd.	Workshop leasing	Market Price	720,000.00	100%		

Statement of commodity sales and labor service provided

Unit: RMB

Related Party	Related Trading	Price-making Method and Decision-making Procedure	Amount at this period		Amount at previous period	
			Amount	Proportion in the same trade amount (%)	Amount	Proportion in the same trade amount (%)
Shenzhen Agricultural Products Co., Ltd.	Purchase of tea	Market Price	134,204.54	100%	128,230.77	100%

(3) Related leasing

Statement of company leasing

Unit: RMB

Name of the lessor	Name of the lessee	Type of leasing assets	The beginning date of leasing	The ending date of leasing	Rent pricing basis	The confirmed rent in the reporting
Fujian province Wuyishan Yuxing Tea Co.,Ltd.	Fujian province Wuyishan Shenbao Yuxing Tea Co.,Ltd.	Workshop	2012-09-08	2014-09-08	Market price	120,000.00

Statement of related leasing

The production workshop that provided for Fujian province Wuyishan Yuxing Tea Co., Ltd. located in Huanglongzhou Huangbaicun Wuyi Street Wuyishan City Fujian province, and had 2 years leasing term with the rent RMB 360,000 per year, and amounted the cost of the period RMB 120,000. Related trade pricing was based on market price.

(4) Related guarantee

Unit: RMB

Guarantor	Guaranteed Party	Guaranteed	Start Date	Due Date	Performed or not
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		Amount			
Shenzhen Shenbao Industrial Co., Ltd.*1	Shenbao Huacheng	20,000,000.00	2011-12-06	2012-12-06	Y
Shenzhen Shenbao Industrial Co., Ltd.*2	Shenbao Huacheng	8,000,000.00	2011-12-14	2012-12-14	Y
Shenzhen Shenbao Industrial Co., Ltd.*3	Shenbao Sanjing	30,000,000.00	2012-08-27	2013-09-02	Y
Shenzhen Shenbao Industrial Co., Ltd.*4	Shenbao Huacheng	15,000,000.00	2012-02-24	2012-09-27	Y
Shenzhen Shenbao Industrial Co., Ltd.*5	Shenbao Huacheng	50,000,000.00	2012-08-28	2013-02-28	Y
Shenzhen Shenbao Industrial Co., Ltd.*6	Shenbao Huacheng	30,000,000.00	2012-08-27	2013-09-02	Y

Particulars about related guarantees

*1: Shenbao Huacheng, subsidiary of the Company, entered into current capital borrowing contract with Xiangmihu Branch of Guangdong Development Bank on 6 December 2011, pursuant to which, Shenbao Huacheng acquired borrowings of RMB20 million with term of one year. The Company provided joint responsibility guarantee. As at 1 April 2012, RMB20 million has been repaid, and the ending balance was nil.

*2: Shenbao Huacheng, subsidiary of the Company, entered into current capital borrowing contract with Xiangmihu Branch of Guangdong Development Bank on 14 December 2011, pursuant to which, Shenbao Huacheng acquired borrowings of RMB8 million with term of one year. The Company provided joint responsibility guarantee. As at 1 April 2012, RMB5 million has been repaid, and the remaining RMB3 million was repaid on 25 April 2012. The ending balance was nil.

*3: Shenbao Sanjing, subsidiary of the Company, entered into current capital borrowing contracts with Shenzhen Nanshan Baoshan Village Bank during the period from 27 August 2012 to 3 September 2012, pursuant to which, Shenbao Sanjing acquired borrowings of RMB30 million with term of one year. The Company provided joint responsibility guarantee. As at 17 October 2012, RMB30 million has been repaid, and the ending balance was nil.

*4: Shenbao Huacheng, subsidiary of the Company, entered into current capital borrowing contracts with Shenzhen Nanshan Baoshan Village Bank during the period from 24 February 2012 to 28 February 2012, pursuant to which, Shenbao Huacheng acquired borrowings of RMB15 million with term of seven months. The Company provided joint responsibility guarantee. As at 5 April 2012, RMB15 million has been repaid, and the ending balance was nil.

*5: Shenbao Huacheng, subsidiary of the Company, entered into current capital borrowing contract with Xiangmihu Branch of Guangdong Development Bank on 28 August 2012, pursuant to which, Shenbao Huacheng acquired borrowings of RMB50 million with term of six months. The Company provided joint responsibility guarantee. As at 22 October 2012, RMB50 million has been repaid, and the ending balance was nil.

*6: Shenbao Huacheng, subsidiary of the Company, entered into current capital borrowing contracts with Shenzhen Nanshan Baoshan Village Bank during the period from 27 August 2012 to 3 September 2012, pursuant to which, Shenbao Huacheng acquired borrowings of RMB30 million with term of one year. The Company provided joint responsibility guarantee. As at 7 December 2012, RMB30 million has been repaid, and the ending balance was nil.

6. Account receivable/payable for related parties

The listed company account receivable from related parties

Unit: RMB

Item	Related party	At period-end		At period-begin	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable	Shenzhen Agricultural Products Co., Ltd.	6,602.00		5,200.00	
Advance payments	Zhejiang Wefa Tea Co.,Ltd.	4,581,943.05			
Other account receivable	Changzhou Sanjing Oil Co., Ltd.	16,488,110.19	2,022,775.72	15,530,485.40	1,644,683.94

The listed company account payable to related parties

Unit: RMB

Item	Related party	Balance at period-end	Balance at period-begin
Account payable	Zhejiang Wefa Tea Co.,Ltd.	12,390,555.20	
Other account payable	Shenzhen Investment Management Company	3,510,297.20	3,510,297.20
Dividend payable	Shenzhen Investment Management Company	2,690,970.14	2,690,970.14

IX. Contingent events**1. Contingent liability and its financial influence formed by debt guarantee provided for other units**

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.

On 12 October 2012, Shenzhen Intermediate People’s Court heard the case of bankruptcy & reorganization of CBC. The Company declared creditor’s right of RMB24,061,322.14 to its manager, among which,RMB13,631,575.92 and RMB10,429,746.22 were principal and interests respectively. on 5 December 2012, the amount of creditor’s right confirmed by the manager of CBC was RMB20,972,491.51, among which,RMB13,631,575.92 and RMB7,340,915.59 were principal and interests respectively. On 21 December 2012, the Company addressed objection on the review results of such creditor’s right and submitted feedback table in respect of the review opinions. Detail amount should confirm after the rule from the Court.

X. Commitments

1. Large commitments

The company had no large commitments to disclose until December 31, 2012.

XI. Subsequent events of balance sheet

1. Explanation on major event after balance sheet date

Unit: RMB

Item	Content	Influence on financial status and operation results	Reasons for no estimation on influence amount
Transfer 15% equity of Shenzhen Pepsi	1. On 18 January 2013, the 3 rd Meeting of 8 th session of the Board agrees to sold 10% equity of Shenzhen Pepsi, and plans to collect transferee through listed at Shenzhen United Property And Share Rights Exchanged. The 4 th meeting of 8 th session of the Board and 1 st extraordinary shareholders general meeting of 2013 were held respectively dated 18 March 2013 and 8 April, agrees the Company to sold 10% equity of Shenzhen Pepsi to Pepsi (China) with price of 95 million yuan. On 11 April 2013, the aforesaid equity transfer was approved by Shenzhen Economic and Trade and Information Technology Commission. And the transfer should be approval by CSRC.	This transfer is expected to bring the company investment income of about RMB 68 million.	

2. Profit distribution after balance sheet date

Unit: RMB

Proposed distribution of profits or dividends	50,180,030.80
Profits or dividends approved and declared to distribute by the discussion	0

XII. Other significant events

1. According to the construction project cooperation agreement entered into by the Company and Shenzhen Jitai Industrial Development Co., Ltd.(hereinafter referred to as Jitai Industrial), the Company and Jitai Industrial developed and built office building for its own use with the land located at Wenjin north road, Luohu district Shenzhen(No. H307-0018). The Company would not increase any investment to this project and assume any cost, Jitai Industrial shall be responsible for the entire capital for project construction. The Company determined the property allocation proportion based on the appraisal value of the land (No. H307-0018) of RMB42 million. The property allocation proportion of the Company was: based on the appraisal value of the land (No. H307-0018), to determine the proportion that RMB42 million accounts for in the total construction cost (namely RMB42 million plus the entire audited capital contributed by Jitai Industrial to the project); if the proportion is less than 20%, then the smallest allocation proportion of the

Company shall be 20%. In December 2012, both parties agreed to cancel the purpose of the above office building, and transferred the construction in progress of RMB77,295,880.97 occurred by the project and land amortization cost of RMB58,892,053.48 to inventories-development cost for calculation. As at 31 December 2012, Jitai Industrial has provided land premiums and construction account of RMB76, 727,654.00. The construction account of RMB 54,296,931.65 payable to Zhongtai Construction Group Co., Ltd. still paid for provision and payment by Jitai Industrial.

2. On 19 July 2011, as the 13th meeting of the 7th board considered and approved, the Company was agreed to dispose the 15% equity interests of Shenzhen Pepsi Beverage Co., Ltd. (hereinafter referred to as Shenzhen Pepsi), and seek for transferee through public bidding at Shenzhen United Property and Share Rights Exchange. On 29 August, the Company entered into equity transfer agreement with the qualified transferee Pepsi (China) Investment Co., Ltd.(hereinafter referred to as Pepsi (China)), pursuant to which, the Company transferred 15% equity interests of Shenzhen Pepsi to Pepsi (China) at the price of RMB144 million, and Pepsi (China) has already paid acquisition deposit of RMB30 million to Shenzhen United Property and Share Rights Exchange. On 26 September, the transaction was considered and approved at the 3rd extraordinary general meeting of 2011. at the same date, Shenzhen science and technology, industry and trade and information commission issued reply on change of investors' equity interests of Sino-foreign joint venture Shenzhen Pepsi Beverage Co., Ltd., pursuant to which, the Company was agreed to transfer the 15% equity interests of Shenzhen Pepsi to Pepsi (China). According to the Material Assets Reorganization Management Method of Listed Company, the transaction constituted Material Assets Reorganization of Listed Company which needed submission to the CSRC for authorization. On 22 December, the Company received the reply on authorizing the material assets reorganization plan of Shenzhen Shenbao Industrial Co., Ltd (ZJXX(2011) No.2030) issued by the CSRC, to approve this equity transfer. On 10 January 2012, Shenzhen Pepsi completed the relevant industry and commerce change procedures in respect of the transfer of 15% equity interests of Shenzhen Pepsi. On 29 June 2012, the Company received transfer payment in full. Till then, the equity transfer was completed.

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

1. Account receivable

(1) Account receivable

Unit: RMB

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 (%)
Account receivable with single major amount and withdrawal bad debt provision for single item								
Account receivable withdrawal bad debt provision by combination								
Account receivable withdrawal bad debt provision by age combination					10,800.00	27.51%		
Sub-total by combination					10,800.00	27.51%		
Account receivable with single minor	28,453.08	100%	28,453.08	100%	28,453.08	72.49%	28,453.08	100%

amount but withdrawal bad debt provision for single item								
Total	28,453.08	--	28,453.08	--	39,253.08	--	28,453.08	--

Account receivables represent account receivables and other receivables.

The Company realizes bad debt under the following standards: ①due to withdrawal, bankruptcy or death of debtor, debt can not be recovered or insufficient cash flow after settlement with the bankruptcy property or heritage; ②debtor can't perform his debt obligations within the time limit, and there is obvious characteristics showing that the debt can't be recovered. As for the account receivables where there is obvious evidence showing that it is impossible to recover the same, the account receivables shall be realized as bad debt losses, and the bad debt reserve provided shall be written off accordingly.

The Company calculates the possible bad debt loss by allowance method.

1. Account receivables with significant amount of single item and bad debt reserve provided item by item

Standards for realization of account receivables with significant amount of single item and bad debt reserve provided item by item:

Specific standards for single item with significant amount: account for 10% (10% included) of the balance of account receivables.

Provision method for bad debt reserve of account receivables with significant amount of single item: conduct impairment test individually, provide bad debt reserve based on the difference between the present value of predicted future cash flow and its carrying value, and recorded in current gains and losses.

2. Account receivables with bad debt reserve provided under aging groups

(1) The group belongs to account receivables which are not impaired after individual test.

(2) Provision method for the group: bad debt reserve is provided under aging method, with provision standards as follows:

Age	Provision ratio of accounts receivable	Provision ratio of other accounts receivable
Within 1 year (including 1 year)	0%	0%
1 to 2 years (including 2 years)	5%	5%
2 to 3 years (including 3 years)	10%	10%
Over 3 years	15%	15%

3. Account receivables without significant amount of single item and bad debt reserve provided item by item

Grounds for provision of bad debt reserve item by item: there is objective evidence showing it maybe impaired. For example, due to withdrawal, bankruptcy or death of debtor, debt can not be recovered or insufficient cash flow after settlement with the bankruptcy property or heritage.

Provision method for bad debt reserve: as for the account receivables which maybe impaired proven by objective evidence, the account shall be separated from the related group and experience individual impairment test, and realize impairment losses.

Account receivable with single major amount and withdrawal bad debt provision for single item at period-end
Application Non-application

In combination, account receivable withdrawal bad debt provision by age analysis
Application Non-application

Unit: RMB

Age	Balance at period-end	Balance at period-begin
-----	-----------------------	-------------------------

	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Ratio		Amount	Ratio	
Within 1 year				10,800.00	27.51%	
1 to 2 years						
2 to 3 years						
Over 3 years						
Total		--		10,800.00	--	

In combination, account receivable withdrawal bad debt provision by balance proportion

Application Non-application

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

Application Non-application

Account receivable with single minor amount but withdrawal bad debt provision for single item at period-end

Application Non-application

Unit: RMB

Item of account receivable	Book balance	Bad debt provision	Withdrawal proportion (%)	Reasons
Instrument factory of Potou Hubei	9,996.58	9,996.58	100%	Minor possibility in recover
Guo Wenhui	18,456.50	18,456.50	100%	Minor possibility in recover
Total	28,453.08	28,453.08	--	--

(2) Account receivable reverse or withdrawal in report period

Provision for bad debt provision of account receivables with significant amount in single item or insignificant but having a separate impairment test in the end of the period

Unit: RMB

Item of account receivable	Book balance	Bad debt provision	Withdrawal proportion (%)	Reasons
Instrument factory of Potou Hubei	9,996.58	9,996.58	100%	Minor possibility in recover
Guo Wenhui	18,456.50	18,456.50	100%	Minor possibility in recover
Total	28,453.08	28,453.08	--	--

2. Other receivables

(1) Other receivables

Unit: RMB

Categories	Balance at period-end				Balance at period-begin			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Other account receivable with single major amount and withdrawal bad debt provision for single item								

Other account receivable withdrawal bad debt provision by combination								
Other account receivable withdrawal bad debt provision by age combination	208,916,171.51	97.45%	2,071,578.39	0.99%	291,802,465.87	98.16%	1,689,187.04	0.58%
Sub-total by combination	208,916,171.51	97.45%	2,071,578.39	0.99%	291,802,465.87	98.16%	1,689,187.04	0.58%
Other account receivable with single minor amount but withdrawal bad debt provision for single item	5,472,398.91	2.55%	5,472,398.91	100%	5,472,398.91	1.84%	5,472,398.91	100%
Total	214,388,570.42	--	7,543,977.30	--	297,274,864.78	--	7,161,585.95	--

Account receivables represent account receivables and other receivables.

The Company realizes bad debt under the following standards: ①due to withdrawal, bankruptcy or death of debtor, debt can not be recovered or insufficient cash flow after settlement with the bankruptcy property or heritage; ②debtor can't perform his debt obligations within the time limit, and there is obvious characteristics showing that the debt can't be recovered. As for the account receivables where there is obvious evidence showing that it is impossible to recover the same, the account receivables shall be realized as bad debt losses, and the bad debt reserve provided shall be written off accordingly.

The Company calculates the possible bad debt loss by allowance method.

1. Account receivables with significant amount of single item and bad debt reserve provided item by item

Standards for realization of account receivables with significant amount of single item and bad debt reserve provided item by item:

Specific standards for single item with significant amount: account for 10% (10% included) of the balance of account receivables.

Provision method for bad debt reserve of account receivables with significant amount of single item: conduct impairment test individually, provide bad debt reserve based on the difference between the present value of predicted future cash flow and its carrying value, and recorded in current gains and losses.

2. Account receivables with bad debt reserve provided under aging groups

(1) The group belongs to account receivables which are not impaired after individual test.

(2) Provision method for the group: bad debt reserve is provided under aging method, with provision standards as follows:

Age	Provision ratio of accounts receivable	Provision ratio of other accounts receivable
Within 1 year	0%	0%
1 to 2 years	5%	5%
2 to 3 years	10%	10%
Over 3 years	15%	15%

3. Account receivables without significant amount of single item and bad debt reserve provided item by item

Grounds for provision of bad debt reserve item by item: there is objective evidence showing it maybe impaired. For example, due to withdrawal, bankruptcy or death of debtor, debt can not be recovered or insufficient cash flow after settlement with the bankruptcy property or heritage.

Provision method for bad debt reserve: as for the account receivables which maybe impaired proven by objective evidence, the account shall be separated from the related group and experience individual impairment test, and realize impairment losses.

Other account receivable with single major amount and withdrawal bad debt provision for single item at period-end:

Application Non-application

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

Application Non-application

Unit: RMB

Age	Balance at period-end			Balance at period-begin		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 year	193,003,040.50	90.02%		276,838,171.65	93.13%	
1 to 2 years	948,836.79	0.44%	47,441.84	4,410,151.72	1.48%	220,507.59
2 to 3 years	4,410,151.72	2.06%	441,015.17	2,288,838.66	0.77%	228,883.86
Over 3 years	10,554,142.50	4.93%	1,583,121.38	8,265,303.84	2.78%	1,239,795.59
Total	208,916,171.51	97.45%	2,071,578.39	291,802,465.87	98.16%	1,689,187.04

In combination, other account receivable withdrawal bad debt provision by balance proportion

Application Non-application

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

Application Non-application

Other account receivable with single minor amount but withdrawal bad debt provision for single item at period-end

Application Non-application

Unit: RMB

Content of Other account	Book balance	Bad debt provision	Withdrawal proportion (%)	Reasons
Other account over 3-years	5,472,398.91	5,472,398.91	100%	Un-recover due to historical formation
Total	5,472,398.91	5,472,398.91	--	--

(2) Other account receivable reverse or withdrawal in report period

Provision for bad debt provision of other account receivables with significant amount in single item or insignificant but having a separate impairment test in the end of the period

Unit: RMB

Content of account	Book balance	Bad debt amount	Withdrawal proportion (%)	Reasons
Other account over 3-years	5,472,398.91	5,472,398.91	100%	Un-recover due to historical formation
Total	5,472,398.91	5,472,398.91	--	--

(3) Top five other account receivable

Unit: RMB

Unit	Relation with the Company	Amount	Age	Portion taken in total other account receivable (%)
Huizhou Shenbao Technology	Wholly-owned subsidiaries	165,220,104.73	Within 1 year	77.07%
Shenbao Sanjing	Wholly-owned subsidiaries	26,204,103.10	Within 1 year	12.22%
Changzhou Sanjing Oil Co., Ltd.	Affiliated company	16,488,110.19	1 to 3 years	7.69%
Shenbao Industrial Trading & Developmen	Wholly-owned subsidiaries	530,589.19	Within 1 year	0.25%

Lease office building owners	Non-related party	174,577.20	Within 1 year	0.08%
Total	--	208,617,484.41	--	97.31%

(4) Particular about Other account receivable from related parties

Unit: RMB

Unit	Relation with the Company	Amount	Portion taken in total other account receivable (%)
Huizhou Shenbao Technology	Wholly-owned subsidiaries	165,220,104.73	77.07%
Shenbao Sanjing	Wholly-owned subsidiaries	26,204,103.10	12.22%
Changzhou Sanjing Oil Co., Ltd.	Affiliated company	16,488,110.19	7.69%
Shenbao Industrial Trading & Developmen	Wholly-owned subsidiaries	530,589.19	0.25%
Shenbao Yuxing	Holding subsidiary	50,173.00	0.02%
Total	--	208,493,080.21	97.25%

3. Long-term equity investment

Unit: RMB

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 un-concord between shares held and voting rights held in invested unit	Impairment provision	Withdrawal 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%	33%				
Shenbao Properties	Cost method	2,550,000.00	2,550,000.00		2,550,000.00	51%	51%				
Shenbao Industrial Trading & Developmen	Cost method	5,500,000.00	5,500,000.00		5,500,000.00	100%	100%				
Shenbao Sanjing	Cost method	80,520,842.36	80,520,842.36		80,520,842.36	100%	100%				

Shenbao Huacheng	Cost method	168,551,781.80	118,551,781.80	50,000,000.00	168,551,781.80	100%	100%				
Shenbao Investment	Cost method	0	5,000,000.00	-5,000,000.00							
Huizhou Shenbao Technologies	Cost method	60,000,000.00	30,000,000.00	30,000,000.00	60,000,000.00	100%	100%				
Wuyuan Jufangyong	Cost method	280,404,134.35	7,880,000.00	272,524,134.35	280,404,134.35	95.72%	95.72%				
Hangzhou Jufangyong	Cost method	176,906,952.42		176,906,952.42	176,906,952.42	100%	100%				
Shenbao Technology Center	Cost method	54,676,764.11		54,676,764.11	54,676,764.11	100%	100%				
Shenbao Liaoyuan	Cost method	57,628.53	57,628.53		57,628.53	53.5%	53.5%		57,628.53		
Shenshenbao Wafa	Cost method	30,000,000.00		30,000,000.00	30,000,000.00	51.72%	51.72%				
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		
Shenzhen PepsiCo	Cost method	24,071,627.22	63,833,871.62	-38,420,080.54	25,413,791.08	10%	10%				

Beverage Co., Ltd.											
Total	--	917,089,730.79	334,244,124.31	570,687,770.34	904,931,894.65	--	--	--	20,407,628.53		

4. Operating income and operating cost**(1) Operating income**

Unit: RMB

Item	Amount at this period	Amount at previous period
Operating income of main business	1,426,254.68	876,184.09
Operating income of other business	2,400,000.00	2,400,000.00
Total	3,826,254.68	3,276,184.09
Operating cost	932,532.43	256,782.90

(2) Main business (by industry)

Unit: RMB

Industry	Amount at this period		Amount at previous period	
	Operating income	operating cost	Operating income	operating cost
Industry	1,426,254.68	932,532.43	876,184.09	256,782.90
Total	1,426,254.68	932,532.43	876,184.09	256,782.90

(3) Main business (by products)

Unit: RMB

Product	Amount at this period		Amount at previous period	
	Operating income	operating cost	Operating income	operating cost
Tea products	1,426,254.68	932,532.43	876,184.09	256,782.90
Total	1,426,254.68	932,532.43	876,184.09	256,782.90

(4) Main business (by area)

Unit: RMB

Area	Amount at this period		Amount at previous period	
	Operating income	operating cost	Operating income	operating cost
South China	716,972.70	228,636.55	876,184.09	256,782.90
Other area	709,281.98	703,895.88		
Total	1,426,254.68	932,532.43	876,184.09	256,782.90

(5) Main business income in top five clients

Unit: RMB

Name	Total Operating income	Proportion in total main business income (%)
Customer I	486,563.77	12.72%
Customer II	325,128.31	8.5%
Customer III	222,718.21	5.82%
Customer IV	127,602.54	3.33%
Customer V	82,738.47	2.16%
Total	1,244,751.30	32.53%

5. Investment income

(1) Details of investment income

Unit: RMB

Item	Amount at this period	Amount at previous period
Investment income of long-term equity based on equity	-299,393.90	-289,786.96
Investment income from disposal of long-term equity	103,536,577.90	4,279.44
Investment income obtained from disposal of transactional financial assets	2,394,174.15	2,460,701.94
Other		1,500,000.00
Total	105,631,358.15	3,675,194.42

(2) Investment income of long-term equity based on equity

Unit: RMB

Unit	Amount at this period	Amount at previous period	Reason of changes compare with last period
Shenzhen Pepsi Coca-Cola Beverage Co., Ltd.	-299,393.90	-289,786.96	Decrease of net profit in January to June 2012
Total	-299,393.90	-289,786.96	--

6. Supplementary information about statement of cash flow

Unit: RMB

Supplementary information	Amount at this period	Amount at previous period
1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	76,077,033.87	-924,842.30
Add: assets impairment reserve	382,391.35	382,417.68
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	1,235,252.38	1,226,988.10
Amortization of intangible assets	1,828,672.57	1,829,667.10
Amortization of long-term deferred expenses	286,179.37	278,475.24
Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with "-")	180,081.65	-8,266.45
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 "-")	4,226,260.62	1,577,075.91
Investment loss (gain is listed with "-")	-105,631,358.15	-3,675,194.42
Decrease of deferred income tax asset((increase is listed with "-")	25,513.40	-239,541.50

Increase of deferred income tax liability (decrease is listed with “-”)		
Decrease of inventory (increase is listed with “-”)	748,577.05	75,710.61
Decrease of operating receivable accounts (increase is listed with “-”)	124,824,977.48	-32,844,486.04
Increase of operating payable accounts (decrease is listed with “-”)	26,088,533.76	-20,175,621.42
Others		
Net cash flow arising from operating activities	130,272,115.35	-52,127,314.89
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	55,033,726.34	399,181,994.57
Less: Balance of cash at year-begin	399,181,994.57	23,617,846.34
Plus: Balance of cash equivalents at the period end		
Less: Balance of cash equivalent at year-begin		
Net increasing of cash and cash equivalents	-344,148,268.23	375,564,148.23

XIV. Supplementary information

1. Return on equity and earnings per share

Unit: RMB

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	8.04%	0.2970	0.2970
Net profit (net of non-current gains and losses) attributable to shareholders of ordinary shares of the Company	-3.64%	-0.1346	-0.1346

2. Explanation on reasons for abnormal situation in financial statements

Unit: RMB

Item	Balance at period-end (or Amount as at this period)	Balance at period-begin (or Amount as at previous period)	Ratio changed (%)	Reason of Change
Transaction financial	208,500.00	14,627,801.40	(98.57%)	*1

assets				
Accounts receivable	105,402,754.63	71,769,419.01	46.86%	*2
Advance payment	28,323,450.51	10,243,725.62	176.50%	*3
Other accounts receivable	22,251,167.26	35,956,860.85	(38.12%)	*4
Inventory	203,462,389.32	56,983,348.83	257.06%	*5
Other current assets	1,760,669.36	---	100%	*6
Long-term equity investment	25,471,291.08	63,891,371.62	(60.13%)	*7
Projects under construction	94,422,143.01	11,113,058.18	749.65%	*8
Long-term prepaid expenses	6,958,018.09	3,615,812.95	92.43%	*9
Short-term loans	---	38,000,000.00	(100.00%)	*10
Tax payable	2,448,094.70	4,923,433.34	(50.28%)	*11
Other payables	153,192,884.98	79,810,651.49	91.95%	*12
Other non-current liabilities	8,661,364.25	4,449,920.00	94.64%	*13
Management fee	63,593,314.76	47,497,079.07	33.89%	*14
Financial expenses	(483,988.21)	2,959,988.95	(116.35%)	*15
Investment income	105,641,348.65	3,675,194.42	2774.44%	*16
Non-operating income	3,269,282.38	18,943,092.91	(82.74%)	*17

*1: the major reason for change was the disposal of *ST Sunrise A shares in this period;

*2: the major reason for change was the increase of account receivable from the new subsidiaries;

*3: the major reason for change was that accounts paid in advance for tea leaf and custom taxes increased due to that the imported tea leaf hadn't reached at the destination port at the period end;

*4: the major reason for change was that the land bidding deposit of approximately RMB12 million which should be received at period begin was recovered in this period;

*5: the major reason for change was that the land cost of Jade Apartment project was transferred in from intangible assets and increase of investment for this project;

*6: the deductible VAT was re-category to other current assets;

*7: the major reason for change was the transfer of 15% equity interests of the joint venture Shenzhen Pepsi in this period;

*8: the major reason for change was the increase of investment in Wuyuan Jufangyong Tea Industry Chain comprehensive project with RMB72,237,509.30 and Hangzhou Jufangyong applied RMB19,868,374.03 in purchasing and decorating the office building;

*9: the major reason for change was that Hangzhou Jufangyong and Shenbao Yuxing paid plant rentals in advance;

*10: the major reason for change was repayment of borrowings in this period;

*11: the deductible VAT was re-category to other current assets;

*12: the major reason for change was the increase of account payable to Shenzhen Jitai Industrial Development Co., Ltd. as RMB14,900,000.00 and construction account payable to Zhongtai Construction Group Co., Ltd. of RMB54,296,931.65;

*13: the major reason for change was the receipt of government subsidy RMB4 million in this period concerning "preparation of instant black tea powder industrialization project";

*14: the major reason for change was the increase of new subsidiaries resulting increase of administrative expense;

*15: the major reason for change was decrease of interests income from raised proceeds and interest expenses of borrowings in this period;

*16: the major reason for change was the transfer of 15% equity interests of Shenzhen Pepsi in this period;

*17: the major reason for change was that the Company realized non-operating income in previous period since it received RMB1,381,800 and 2,135,000 *ST sunrise shares from Guangdong Sunrise Holdings Co., Ltd. as repayment of creditor's right, while there was no such income in this period.

Section XI. Documents available for Reference

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

1. Text of financial statement with signature and seals of legal person, person in charge of accounting works and person in charge of accounting institution;
2. Original audit report with seal of accounting firms and signature and seals of CPA;
3. Original and official copies of all documents which have been disclosed on *Securities Times*, *China Securities Journal*, and *Hong Kong Commercial Daily* in the report period;
4. Original copies of 2012 Annual Report with signature of the Chairman.

Shenzhen Shenbao Industrial Co., Ltd.

Chairman of Board: Zheng Yuxi

April 22, 2013