

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

ANNUAL REPORT 2013



March 2014

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 of profit distribution deliberated and approved by the Board was: taking total stock issue of the Company ended as 31 December 2013 as the radix, sending RMB 0.00 in cash (tax included) per 10 shares to its all shareholders with 00 bonus shares (tax included) and additional 2 shares per 10 shares from capitalizing of capital public reserve.

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.
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
Tianzhong Investment	Refers to	Shenzhen Tianzhong Investment 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
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

Major risks warning

I. The adverse impact on fast moving consumer goods from political and economic environment, the industry shows a dramatically down in market consumption, sales of the Company suffer restriction and pressures.

II. Strategy talent reserve of the Company shall be strengthening. If the Company in short of well-qualified experts, the talent shortage will comes to the bottleneck of development restriction probably in the future.

III. with soaring raw & auxiliary materials and labor costs, operation costs are increased continuously, profit will be squeezed.

IV. The long construction raised fund projects have no benefit generated in a short term, and has a certain development risks.

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 20/F(23/F 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	Huang Bingxia
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	huangbx@sbsy.com.cn
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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	192180754-4	440301192180754	19218075-4
Registration at end of report period	2013-05-21	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	Gong Chenyan, Liu Yaohui

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

Applicable Not applicable

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

Applicable Not applicable

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

	2013	2012	Changes over last year (%)	2011
Operating income (RMB)	438,318,662.25	310,790,324.70	41.03%	318,230,243.67
Net profit attributable to shareholders of the listed company(RMB)	43,662,208.27	74,529,471.28	-41.42%	6,980,233.57
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	-32,398,173.16	-33,778,384.16	4.09%	-13,338,969.53
Net cash flow arising from operating activities(RMB)	-11,917,839.62	-48,434,558.23	75.39%	-18,790,209.92
Basic earnings per share (RMB/Share)	0.174	0.297	-41.41%	0.032
Diluted earnings per share (RMB/Share)	0.174	0.297	-41.41%	0.032
Weighted average ROE (%)	4.52%	8.04%	-3.52%	1.15%
	End of 2013	End of 2012	Changes over end of last year (%)	End of 2011
Total assets (RMB)	1,336,638,587.42	1,222,994,595.75	9.29%	1,061,964,234.64
Net assets attributable to shareholder of listed company (Owners' equity attributable to shareholder of listed company) (RMB)	960,517,069.55	964,216,674.18	-0.38%	889,876,512.59

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)

In 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	43,662,208.27	74,529,471.28	960,517,069.55	964,216,674.18
Items and amount adjusted by IAS				
1. Adjustment for amortization of equity investment differences				1,016,958.04
2. Adjustment for cost of transfer of equity of Shenzhen Pepsi	254,239.51	381,359.27		-762,718.54
3. Adjustment for other payable fund of stock market regulation			1,067,000.00	1,067,000.00
IAS	43,916,447.78	74,910,830.55	961,584,069.55	965,537,913.68

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

In RMB

Item	Amount in 2013	Amount in 2012	Amount in 2011
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	68,194,019.57	103,325,804.23	-10,632.50
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)	8,578,084.78	3,250,145.75	1,800,048.00
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	73,048.00	2,416,674.15	1,971,899.34
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	11,482,996.33	-197,762.37	16,896,972.61
Less: impact on income tax	12,268,048.40	486,348.75	409,704.30
Impact on minority shareholders' equity (post-tax)	-281.15	657.57	
Total	76,060,381.43	108,307,855.44	20,319,203.10

Section IV. Report of the Board of Directors

I. Introduction

In 2013, affected by various factors such as the slow global economic recovery, the domestic policy and the economic environment, the consumer industries grow slowly, and the competition in the food and beverage industry is particularly fierce. Facing the dual pressure of not only severe and complicated external situation but also the their own transformation and development, the Company keeps up with the market trends, timely adjusts the strategies, strengthens the research and development in order to meet the market demand with research & development products, actively expands the main business, especially devotes greater efforts to the Specialty Tea business development, which generates the brand effect in the end markets. Meanwhile, the Company continues to increase the marketing efforts, and stabilizes the market shares of deep-processing products in the major clients. In 213, the Company pushes forward the implementation of the funds raising project as planned, endeavors to complete the sustainable construction of tea industry chain, provides powerful supports so as to gradually expand the market shares; the Company positively promotes the remuneration and performance reformation, establishes a diversified motivate mechanism, effective attracts and stimulates the professionals so as to provide the talent guarantee for the sustainable and stable development of the company. Along with the formally launched ERP system in the second half year, the informatization precision management level of the company is further enhanced, which lays a solid foundation for the large-scale management of the Company.

II. Main business analysis

1. Introduction

Operational index of the Company for year of 2013:

In RMB

Item	2013	2012	Y-o-y changes (%)
Total operating revenue	438,318,662.25	310,790,324.70	41.03%
Operating profit	42,008,350.29	74,051,626.99	-43.27%

Net profit attributable to shareholder of listed company	43,662,208.27	74,529,471.28	-41.42%
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Summary of Previously Disclosed Development Strategy and Business Plan in Reporting Period

(I) Refine and complete the company's control system construction to the development strategy, and ensure the propulsion and implementation of the overall strategy.

During the reporting period, the Company launched and formulated and perfected the strategy planning for next three years of technology research as well as business in aspect of deep processing, specialty tea, food and beverage and tea garden, specified the executable action plan and time schedule, and ensured the propulsion and implementation of the Company's overall strategy. At the same time, combining the business development, the Company has started the new adjustment to organizational structure and personnel allocation in February, reconstructed, established and published the departmental functions after the adjustment, and has prepared to organize the deep-processing division since March. The organizational structure, staffing and job settings of the business division have been completed at the end of June and the business division' operating has been implemented operating according to the new organizational structure.

(II) Implement the human resource strategy action plan, advance and motivate the mechanism optimization project.

To cooperate with the propulsion and implementation of the company's strategy development project, the Company has engaged the professional institute, developed the optimization project for the remuneration and performance management system, checked, improved and completed the current remuneration and performance management system in accordance with the human resource action plan, carried out the performance management and relevant training for all the staff, strived to constantly optimize the company's motivation mechanism, and constructed the complete reserve of talents and training management system. Meanwhile, the Company has further strengthened the corporate training, established "Pilot management measures about training and learning points-based system", which has immensely motivated the staff to study, share and pass on the knowledge, and provided the talents guarantee for the implementation of the enterprise strategy.

(III) ERP system is formally launched; the informatization precision management of the company reaches a new stage.

During the year, after the strict project preparation and implementation, the Company has completed the selection of ERP system, hardware selection, business process blueprint design, the realization of business processes and other related work, developed several system training and issue tracking aiming at the key users by combining with the organizational structure adjustment and process optimization and renewal of the tea deep processing business, and ensured the company's ERP system formally launched in the second half of 2013. The construction of the ERP system has comprehensively balanced and optimized all resources such as human, finance, materials, information, time and space of the company, coordinated the various departments of the company, launched the business activities by the market orientation, accelerated the informatization response to the Company's strategy implementation, and thereby comprehensively improved the enterprise's strategic decision-making and the management of market management decisions.

(IV) Gradually build the company's brand core value, and accelerate the process of building the company's brand.

In 2013, the Company launched the construction of the enterprise brand integration design and Group VI system. In order to ensure the progress and effectiveness of the project implementation, the company hired a professional design firm to take charge of the planning and implementation of the projects, and established the VI design

special working group to organize, and lead and coordinate the project. On the basis of the industry analysis and internal investigation in the early stage, the Company has successively completed the new logo design of for “Ju Fang Yong” and “Xing Jiu”, the brand culture combing and the product packaging, construction of Group VI system and core concepts output results; subsequently, the Company will gradually improve brand culture combing, and build brand management and marketing management practices, and further promote the Company's branding strategy implementation process.

(V) Steadily advance the raising and investment projects, and continue to strengthen the management to the raising and investment projects.

During the reporting period, the company has planned way to promote equity investment and project implementation, as follows:

1. The Company has spared no pains to arrange the progress of works and optimize the process management, the comprehensive investment projects of the tea industry chain have been in the trail production. In April 2013, the recruitment and training for the junior staff of the deep processing production line have been carried out so as to reserve key employees for the new production line ahead of schedule; the building project has been completed and accepted on August, 20th, the electromechanical, quality assurance, and key employees of production line have also been arranged while installing and debugging the equipments for the production line, which laid a solid foundation for the later operation of production line and the equipment maintenance; the new production line started the trial production in September 2013. The new production line has passed the on-site check by the expert group from the food hygiene license (QS certified) of Jiangxi Province Bureau of Quality and Technical Supervision. At present, body of the project, Wuyuan County Jufangyong Tea Company has applied for becoming the national high-tech enterprise and is waiting for further assessment.

2. The investment and development projects of specialty tea high-end brand is being advanced steadily, in this year, Hangzhou Ju Fang Yong has entered into the rapid development stage of channel development and brand building, started the brand communication and promotion through various media platforms, constantly increased the business development efforts to "Ju Fang Yong" Longjing tea, and has generated certain brand effect in the end markets; the Company has accelerated the brand promotion and marketing construction of "Xing Jiu" Rock tea, and the Rock tea series products got sales breakthrough by achieving sales performance of nearly 14 million yuan; during the year, "iTealife" Tmall flagship store and "Xing Jiu" Shantou flagship store which are the sub-brand of Hangzhou Ju Fang Yong have went into operation.

3. As the special research and development organization of the company, Shenbao Technology Center has further highlighted the operating mechanism as the center of fundamental research and application development project management, and played a good role in the subject effect of research and development by focusing on product development and technical services, research in 2013. During the reporting period, it has implemented more than sixty annual research, development and customer projects. Apply for the technological progress award, the municipal engineering laboratory technology center, the special funds and acceptance of science and technology plan projects which center on the relevant science and technology support projects of the government. Meanwhile, Shenbao technology center has strengthened the enterprise technology services and the expansion to the popularization and application areas of new products, and has developed six floral series products including Longjing tea and herb tea for Hangzhou Ju Fang Yong within the year, which have been gradually introduced to the market.

(VI) Continue to strengthen the production safety and food safety, and ensure no major safety production accidents or major food quality and safety accidents in the whole year.

During the reporting period, the Company continued to focus on the principle of "safety first, prevention first; make concerted efforts, take comprehensive measures", constantly strengthened the safety management consciousness and operational level of the employees, refined the safety goal layer upon layer, and implemented the security responsibilities to the system, mechanism and personnel. The Company strengthened the security renovation and special governance to effectively ensure no major safety production accidents or major food quality and safety accidents in the whole year by establishing a top-down regular safety check and a bottom-up self-inspection reporting system of safety production, improving the security emergency mechanism, building the security risk pool, and implementing the entity responsibilities of the safe production of enterprises.

(VII). Constantly improve the internal control system, and improve the overall level of internal control of the Company.

In 2013, the Company continued to further advance the internal control system, further standardized the construction to the current internal control system, organized Shenbao headquarters, Shenbao Huacheng, Wuyuan Ju Fang Yong and Huizhou Shenbao Technology to develop the internal control self-assessment test, and implemented and reformed the defects found in the internal control inspection. The Company launched and guided the subordinate enterprises including Hangzhou Ju Fang Yong, Shenbao Huafa, Shenbao Technology Center, Shenbao Yuxing to develop the internal control system construction, optimize the business process, separate the incompatible positions and responsibilities, implement and reform the defects after found the design defects and operational defects by the walk through testing and the running tests. During the reporting period, the Company successively carried out the internal special audit, supervise and check the operation of the various companies, and further standardize the enterprise operation, comprehensively complete the company system, and establish the regular evaluation mechanism to ensure the effectiveness of all systems so as to promote the company's overall level of internal control and strengthen the company's ability to prevent and resist the risks.

2. Revenue

During January to December of 2013, the Company gained revenue RMB 438.3187 million, a 41.03% up year on year, which mainly due to the increased in operation revenue from tea export business of Shen Shenbao Huafa, the holding subsidiary

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

Yes No

		In Tons		
Industries	Item	2013	2012	Increase/decrease y-o-y (%)
Industry	Sales volume	17,531.02	18,676.44	-6.13%
	Production volume	17,827.90	18,544.25	-3.86%
	Stock volume	2,234.84	2,034.33	9.86%
Trading	Sales volume	8,102.71	2,617.00	209.62%

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

Applicable Not applicable

Sales volume of trading changed mainly because sales of export tea increased greatly y-o-y.

Major sales of the Company

Total top five clients in sales (RMB)	151,949,741.97
Proportion in total annual sales volume for top five clients (%)	34.68%

Information of top five clients of the Company

√Applicable □Not applicable

Serial	Name	Sales (RMB)	Proportion in total annual sales (%)
1	Client I	50,602,928.52	11.54%
2	Client II	38,245,084.12	8.73%
3	Client III	22,552,771.22	5.15%
4	Client IV	20,756,616.38	4.74%
5	Client V	19,792,341.73	4.52%
Total	--	151,949,741.97	34.67%

3. Cost

Industry classification

In RMB

Industry classification	2013		2012		Increase/decrease y-o-y (%)
	Amount	Ratio in operation cost (%)	Amount	Ratio in operation cost (%)	
Industry	236,918,929.71	64.45%	216,684,707.06	84.16%	9.34%
Trading	130,656,560.03	35.55%	40,785,120.19	15.84%	220.35%

Product classification

In RMB

Product classification	2013		2012		Increase/decrease y-o-y (%)
	Amount	Ratio in operation cost (%)	Amount	Ratio in operation cost (%)	
Soft drinks	20,624,414.64	5.61%	26,181,346.48	10.17%	-21.22%
Seasoning	6,280,021.19	1.71%	7,812,323.90	3.03%	-19.61%
Tea products	340,671,053.91	92.68%	223,476,156.87	86.8%	52.44%

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	169,569,946.14
Proportion in total annual purchase amount for top five suppliers (%)	46.95%

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	128,124,725.10	35.48%
2	Supplier II	12,718,738.99	3.52%
3	Supplier III	10,186,702.31	2.82%
4	Supplier IV	9,628,070.24	2.67%
5	Supplier V	8,911,709.50	2.47%
Total	--	169,569,946.14	46.95%

4. Expenses

In RMB

Item	2013	2012	Increase/decrease y-o-y (%)
Sales expenses	34,286,008.25	19,796,335.71	73.19%
Administration expenses	60,626,094.40	63,593,314.76	-4.67%
Financial expenses	-121,468.43	-483,988.21	74.90%

Sales expenses changed mainly because operating revenue increased in the period which caused the corresponding sales expenses and advertising and promotional costs of this period increased; financial expenses changed mainly due to the decrease of interest income from fund raised, more exchange rate losses and the expenses for loan interest in this period declined.

5. R&D expenses

During the reporting period, the Company's R&D project developed normally, the accumulated R&D expenses for the whole year amounting as RMB 13.6424 million, a 1.42% in audited net assets of the Company of 2013, and a 3.11% in operating revenue. In 2013, the Company completed more than 60 researches, development applications and customer projects, declared 9 items of patent for national invention, achieved 4 patents for national invention and achieved 1 item of the second prize of Jiangxi province's science and technology progressing.

6. Cash flow

In RMB

Item	2013	2012	Increase/decrease y-o-y (%)
Subtotal of cash in-flow from operation activity	656,269,211.63	358,750,727.61	82.93%

Subtotal of cash out-flow from operation activity	668,187,051.25	407,185,285.84	64.1%
Net cash flow from operation activity	-11,917,839.62	-48,434,558.23	75.39%
Subtotal of cash in-flow from investment activity	103,679,646.57	164,376,318.29	-36.93%
Subtotal of cash out-flow from investment activity	157,370,487.26	140,734,964.13	11.82%
Net cash flow from investment activity	-53,690,840.69	23,641,354.16	-327.11%
Subtotal of cash in-flow from financing activity	165,720,000.00	321,300,000.00	-48.42%
Subtotal of cash out-flow from financing activity	212,797,559.33	358,608,766.79	-40.66%
Net cash flow from financing activity	-47,077,559.33	-37,308,766.79	-26.18%
Net increased amount of cash and cash equivalent	-115,193,082.42	-63,920,692.68	-80.21%

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

√Applicable □Not applicable

1. Cash in-flow from operation activity changed mainly because payments for tea sales increased and the Company received project funds of Jadeite Apartment from the partner Jitai Company and settlement funds from CBC.
2. Cash out-flow from operation activity increased mainly because purchase of raw materials and development expenditure of Jadeite Apartment increased.
3. Net cash flow from operation activity changed mainly because of the above two items changed.
4. Cash in-flow from investment activity changed mainly because investment return and investment income received decreased over that of last year.
5. Net cash flow from investment activity changed mainly because of the above reason listed in “4” and the purchase of office in the reporting period.
6. Cash in-flow from financing activity changed mainly because bank loans decreased.
7. Cash out-flow from financing activity changed mainly because the return of bank loans decreased.

III. Composition of main business

In 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	292,576,886.01	236,918,929.71	19.02%	9.97%	9.34%	0.47%
Trading	144,674,976.24	130,656,560.03	9.69%	227.62%	220.35%	2.05%
Rental service	586,800.00		100.00%	0.00%		0.00%
According to products						
Soft drinks	26,092,398.17	20,624,414.64	20.96%	-18.17%	-21.22%	3.07%
Seasoning	10,035,055.94	6,280,021.19	37.42%	-16.68%	-19.61%	2.29%
Tea products	401,124,408.14	340,671,053.91	15.07%	50.64%	52.44%	-1.00%
Property rental	586,800.00					
According to region						
Export	154,499,275.35	136,424,089.78	11.70%	337.61%	333.51%	0.84%
South China	88,472,601.27	62,922,991.09	28.88%	-0.04%	-7.72%	5.92%
North China	34,470,243.46	29,339,951.76	14.88%	-13.21%	-13.94%	0.73%
East China	111,529,415.96	93,790,010.98	15.91%	10.29%	14.91%	-3.38%
Central China	36,816,348.05	33,955,715.03	7.77%	1.73%	2.87%	-1.02%
Other region	12,050,778.16	11,142,731.10	7.54%	21.14%	22.59%	-1.10%

IV. Assets and liability analysis

1. Major changes of assets

In RMB

	End of 2013		End of 2012		Ratio changes (%)	Notes of major changes
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)		
Monetary fund	258,228,942.05	19.32%	373,422,024.47	30.53%	-11.21%	For the use of raise funds in the period
Account receivable	106,664,101.14	7.98%	105,402,754.63	8.62%	-0.64%	--
Inventory	305,574,845.40	22.86%	203,462,389.32	16.64%	6.22%	Development expenditure of Jadeite

						Apartment in the period increased
Long-term equity investment	57,500.00	0.00%	25,471,291.08	2.08%	-2.08%	10% equity of Shenzhen PepsiCo transfer in this period, the affiliated enterprise of the Company
Fixed assets	308,220,725.48	23.06%	160,018,803.58	13.08%	9.98%	The comprehensive Investment Project of Tea Industry Chain was transfer as fixed assets
Construction in progress	93,769,195.13	7.02%	94,422,143.01	7.72%	-0.70%	--
Account paid in advance	19,617,679.28	1.47%	28,323,450.51	2.32%	-0.85%	The imported tea was arrival in the period, the account paid in advance for tea decreased

2. Major changes of liability

In RMB

	2013		2012		Ratio changes (%)	Notes of major changes
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)		
Advance payment	15,220,850.95	1.14%	2,087,351.44	0.17%	0.97%	Account for pre-sales from Jadeite Apartment received in the period
Employee salary payable	9,553,292.94	0.71%	4,937,554.49	0.40%	0.31%	2013 annual performance salary was accrued in advance in the period.
Tax payable	15,006,102.34	1.12%	2,448,094.70	0.20%	0.92%	The accrued 2013 annual income tax expenses increased in the period
Other payables	233,058,495.02	17.44%	153,192,884.98	12.53%	4.91%	Project funds of Jadeite Apartment increased in the period.
Other non-current liabilities	15,745,161.90	1.18%	8,661,364.25	0.71%	0.47%	Government subsidies received in the period increased.

V. Core Competitive Ability Analysis

During the reporting period, the company's core competitive ability had 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. 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%	0	0.00%	0.00	6,688.65	Financial assets available for sale	Legal person stocks purchased from the original STAQ trading system
Stock	000017	*ST CBC-A	-	0	0.00%	258,011	0.05%	1,135,248.40	1,135,248.40	Financial assets available for sale	Paid shares from debt reorganization
Stock	200017	*ST CBC-B	-	0	0.00%	197,019	0.04%	254,039.69	254,039.69	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	272,288.09	150,000	--	455,030	--	1,389,288.09	1,395,976.74	--	--

2. Application of raised proceeds

(1) Overall application of raised proceeds

In ten thousand yuan

Total raised proceeds	57,239.21
Total raised proceeds invested during the reporting period	13,819.21
Total accumulative raised proceeds invested	36,501.87
Total raised proceeds for new purposes during the reporting period	0.00
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.” ZJXK[2011] No. 777 issued from CSRC, the Company privately offering 68,977,066 shares of RMB ordinary share (A share) to 8 target investors with issuing price of RMB 8.70 each, RMB 1.00 face value. 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.

In 2012, 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 on 13 September 2012. 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, and this fund raised has been return by the Company on 9 April 2013. On 15 May 2013, the “Proposal of Using Part of Idle Fund Raised for Supplement Current Capital Temporary Again” was deliberated and approved in Annual General Meeting of 2012 with part of the fund raised RMB 110 million to supplement current capital of the Company for 12 months at most.

(2) Situation of committed project of raised proceeds

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	0	6,510.05	100.00%	2011-7-31	19.42	Yes	No
2. Comprehensive Investment Project of Tea Industry Chain	No	27,000.00	27,000.00	6,108.94	13,313.83	49.31%	2015-9-30	207.81	No	No
3. Comprehensive Project with Annual Capacity of 300 Tons Catechin	Yes	15,500.00					2014-1-31		Not applicable	Yes
4. Chain Project for Classical Tea Leaves	Yes	3,000.00					2015-7-31		Not applicable	No
5. Project of R&D Center for Tea and Natural Plants	Yes	4,000.00					2012-4-30		Not applicable	No
6. Expansion Project of Condiment Production Line	Yes	4,000.00					2012-7-31		Not applicable	Yes
7. Project of Developing High-end Brand Classical Tea			15,500.00	3,489.07	8,855.24	57.13%	2016-4-30		No	No
8. Establishment of joint venture of Zhejiang Shen Shenbao Huafa Tea Co., Ltd.			3,000.00	0	3,000.42	100.00%	2012-12-31	93.48	Yes	No

9. Project of R&D Center for Tea and Natural Plants			5,229.17	4,221.20	4,822.33	92.22%	2013-12-31		No	No
Total of commitment projects	--	60,010.05	57,239.22	13,819.21	36,501.87	--	--	320.71	--	--
Particular about not coming up to schemed progress or expected revenue and the reason(In specific project)	<p>1. Reasons of not reaching the expected plan of tea and natural plant research center project In April 2012, the Company increased investment for the tea and natural plant R&D center to RMB 54 million in total, RMB 34.55 million used for purchasing office and lab spaces in Shenzhen. And suffer from the fluctuation of real estate market price, the project complete out of the schedule due to the failure of site selection. On 31 May 2013, the “proposal of purchasing office site from shareholder of the Company” was deliberated and approved by 2nd extraordinary general meeting of 2013, purchasing office site from affiliated subsidiary –Shenzhen Shenbao Technology Center Co., Ltd. in Shenzhen, and Shenbao Technology Center participated in the site purchasing with raised fund RMB 34.55 million at most. Currently, office site was purchased by the Company, decoration and part of the equipment still in progress and expected to complete on 31 December 2014.</p> <p>2. Comprehensive investment project of tea industry chain and project of developing high-end brand classical tea are in a production period without expected earnings obtained.</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.</p> <p>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	Not applicable									

fund raising out of the plan	
Change of implementation place of investment project of raised capitals	Applicable
	Occurred in previous years
	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.
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
	On 12 October 2012, the “proposal of using part of the idle raised fund for current assets supply temporary again” was deliberated and approved by 3 rd extraordinary general meeting of 2012, part of the raised fund RMB 120 million used for current capital supply temporary with term of 6 month at most. The raised fund was returned by the Company dated 9 April 2013.
	On 15 May 2013, the “Proposal of Using Part of Idle Fund Raised for Supplement Current Capital Temporary Again” was deliberated and approved in Annual General Meeting of 2012 with part of the fund raised RMB 110 million to supplement current capital of the Company for 12 months at most. The above fund raised will be returned On 14 May 2014.
Balance of fund raised in way of implementation and reasons	Not applicable
Purposes and application	Saved in the special account for proceeds and supplement current capital.

of unutilized proceeds	
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

In ten thousand yuan

Project after the change	Corresponding original committed project	Total amount invested after adjustment (1)	Virtual amount input in the reporting	Accumulation virtual amount input deadline the end of the reporting (2)	Progress of the investment deadline the end of the reporting (%) (3)=(2)/(1)	Predicted serviceable condition date of project	Income achieved in the reporting	Whether it has come up to the scheduled income	Whether the feasibility of 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	15,500.00	3,489.07	8,855.24	57.13%	2016-04-30		No	No
Jointly incorporation of Zhejiang Shenbao Huafa Tea Co., Ltd.	Comprehensive Project with Annual Capacity of 300 Tons Catechin	3,000.00		3,000.42	100.00%	2012-12-31	93.48	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	5,229.17	4,221.20	4,822.33	92.22%	2013-12-31		No	No

	Condiment Production Line								
Total	--	23,729.17	7,710.27	16,677.99	--	--	93.48	--	--
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. and original selected tea chain project was included in the high-end brand classical tea investment.</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.</p>							

	The modification of raise investment project was deliberated and approved in the 20 th Meeting of 7 th 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.
Not meet the scheduled progress or projected benefits, and reasons for that (based on specific project)	<p>1. Reasons of not reaching the expected plan of tea and natural plant research center project</p> <p>In April 2012, the Company increased investment for the tea and natural plant R&D center to RMB 54 million in total, RMB 34.55 million used for purchasing office and lab spaces in Shenzhen. And suffer from the fluctuation of real estate market price, the project complete out of the schedule due to the failure of site selection. On 31 May 2013, the “proposal of purchasing office site from shareholder of the Company” was deliberated and approved by 2nd extraordinary general meeting of 2013, purchasing office site from affiliated subsidiary –Shenzhen Shenbao Technology Center Co., Ltd. in Shenzhen, and Shenbao Technology Center participated in the site purchasing with raised fund RMB 34.55 million at most. Currently, office site was purchased by the Company, decoration and part of the equipment still in progress and expected to complete on 31 December 2014.</p> <p>2. Comprehensive investment project of tea industry chain and project of developing high-end brand classical tea are in a production period without expected earnings obtained.</p>
Explanation on significant changes in feasibility of projects	Not applicable

3. Main subsidiaries and stock-jointly companies

Particular about main subsidiaries and stock-jointly companies

In RMB

Company name	Type	Industries	Main products or service	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Shenbao Huacheng	Subsidiary	Manufacture	Instant tea powder and tea extraction	153,451,300.00	197,264,226.78	167,056,910.16	163,656,908.88	-1,710,507.07	174,503.60
Huizhou Shenbao Science & Technology	Subsidiary	Comprehensive	Seasoning, Soft drinks	60,000,000.00	223,236,764.04	37,979,414.51	36,127,454.11	-4,991,506.60	-4,976,705.09
Wuyuan Jufangyong	Subsidiary	Manufacture	Tea products	290,000,000.00	386,108,322.73	312,711,904.84	127,719,501.08	7,608,814.71	9,219,419.77

Hangzhou Ju Fang Yong	Subsidiary	Comprehensive	Tea products	175,000,000.00	181,807,569.53	179,100,869.63	21,532,774.98	-10,202,823.81	-10,094,401.85
Technology Center Company	Subsidiary	Science research and technology service	Development, consultant and transfer of technology	54,000,000.00	50,947,056.87	50,720,603.06	2,377,358.42	-722,164.93	-722,164.93
Shen Shenbao Huafa	Controlling subsidiary	Trading	Exportation of tea	30,000,000.00	69,317,473.96	66,828,214.87	145,154,976.24	4,316,467.71	1,807,370.78

Explanation on subsidiary and stock-jointly enterprise

1. Shenzhen Shenbao Huacheng Science and Technology Co., Ltd. is a wholly owned subsidiary. Business scope: set up industry (specific projects to be reported separately); information consult, food technology development (above excluding the restricted items); goods and technology import and export; production and sales of other food (chrysanthemum extract instant powder for food industry, momordica grosvenori extract instant powder for food industry, honeysuckle extract instant powder for food industry, complex dark plum extract condensed juice for food industry, herbal tea concentrates, herbal tea concentrated juice for food industry, red dates instant powder, mixing plants instant powder; mesona chinensis instant powder, fresh lalang grass rhizome instant powder); production and sales of tea products (instant tea). Registered capital was RMB153, 451,300. Ended as this period-end, the total assets of Shenbao Huacheng is RMB 197,264,200, and shareholders' equity attributable to parent company is RMB 167,056,900; in the reporting period, Shenbao Huacheng realized operation income and net profit attributable to shareholders of parent company of RMB 163,656,900 and RMB 174,500 respectively.

2. 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 was RMB 60 million. Ended as this period-end, the total assets of Shenbao Science & Technology is RMB 223,236,800, and shareholders' equity attributable to parent company is RMB 37,979,400; in the reporting period, Shenbao Science & Technology realized operation income and net profit of RMB 36,127,500 and RMB -4,976,700 respectively.

3. 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:

tea, natural plant, tea and natural plant extracts, planting, tea import and export trade, agricultural and sideline native products, acquisition, processing, sales (For special provisions from the State, effective qualification certificate and license shall be required). Registered capital was RMB 290 million. Ended as this period-end, the total assets of Wuyuan Jufangyong is RMB 386,108,300, and shareholders' equity attributable to parent company is RMB 312,711,900; in the reporting period, Wuyuan Jufangyong realized operation income and net profit of RMB 127,719,500 and RMB 9,219,400 respectively.

4. Hangzhou Jufangyong Holding Co., Ltd. is a wholly owned subsidiary. Business scope: wholesale, retail pre-packaged food (Food Circulation Permit is valid until March 28th, 2015), and tea set; purchase the tea required by the Company's business (limited to directly purchase from the original producers of the primary industry); serve the investment and asset management of tea enterprise, the technology development of the tea and tea products, the technology development, technology consulting, technical services and the transfer of results of tea cultivation and seedling growth, and the other legitimate projects no need for approval, including the operating range of the subordinate branches. Register capital was RMB 175 million. Ended as this period-end, the total assets of Ju Fang Yong is RMB 181,807,600, and shareholders' equity attributable to parent company is RMB 160,195,500; in the reporting period, Ju Fang Yong realized operation income and net profit attributable to shareholder of parent company as RMB 21,532,800 and RMB -10,773,800 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 69,317,500, and shareholders' equity attributable to parent company is RMB 66,828,200; in the reporting period, Shen Shenbao Huafa realized operation income and net profit attributable to shareholder of parent company as RMB 145,155,000 and RMB 1,807,400 respectively.

VII. Prospects on future development

1. Development trend and competition layout of the industry

(1) Trend for products refined and processed with tea and natural plants

With gradual improvement of living standard of people and their changing consumption conception, healthy beverage especially tea drink, is gaining a huge popularity and becoming one of the major marketers. From statistics shown in China Beverage Industry Association, we could see that since 2002 the tea drink has become the rapidest growing product in domestic beverage market, increasing from 1.982 million tons to 9 million tons in 2011. Tea drink accounted for 20% to the whole beverage consumption market. It is consumed that it will expand to a volume of 16 million tons. Presently tea drink has been the supporting point for the tea industry. Since 2012, tea drink industry has stepped into the mature stage. Brand concentration in this industry is standing out. Constant growth for tea drink market could be expected due to rapid living style and consumption of customers who seeking for healthy and convenient life. At the same time, with digging into effective ingredients buried in tea and natural plants, the refined and processed products will find a new trend which is to dig out these effective ingredients to apply in various fields such as pharmacy, food and chemistry.

(2) Trend for tea-leaf industry

Tea leaf has been applied in China for a long history. And it has formed a unique cultural phenomenon in recent years. The country's tea culture revival contributed greatly to enhancing the overall sales and consumption of Chinese tea. Currently tea leaf market is developing rapidly, basically formed an overall development of oolong tea, Pu'er tea and other trends taking green tea as the main product. At the same time, the process of development is facing increasingly fierce competition. Internally speaking for this industry, competitiveness in quality is gradually evolved into competitiveness in brands, packaging, corporate identity and marketing services while market competition has gradually evolved into the technology, information, personnel and competitiveness in other aspects. Consumption is not just to satisfy material needs, but to meet the culture and spiritual needs. These changes bound to bring new opportunities for those large-scale enterprises with strong tea industry's core competitiveness.

(3) Industry Competition

After years of development, the market-oriented Chinese tea industry has highly developed. More and more international beverage manufacturing companies, food companies, and even large pharmaceutical companies are beginning to expand their business to the tea industry, which constitutes a new challenge to the existing enterprises; meanwhile, more and more capital will be invested in the tea industry, which will enable a number of very large-scale enterprises to show up. It will lead the industry to a certain leading role, but also bring in more intense competition among enterprises. In the future it is bound to be competition in brand, quality, marketing network, cultural services. Enterprises in the industry will also face survival of the fittest.

2. Development Strategy

(1) Future opportunities

China will keep a relatively high speed in economy, urbanization will accelerate while the consumption will upgrade. Consumption pattern will gradually transfer to being natural and healthy. Internal demand expands thus tea culture deepen, laying a firm foundation for the development of tea industry. If we make a comprehensive survey on the tea industry and the market, it is obviously that operation and construction falls behind overseas market largely, seen from resource, marketing, brand and culture and other current conditions. Presently we just only have famous tea but not brand. We have plenty of resource but integration, and along with the uneven products quality and bad behaviour of false products and misleading consumers manners, the sustainable development of Chinese tea industry suffer a bad influence. After years of development and research, the

Company has initially formed a relatively complete industrial chain of tea including tea park base, early production of tea-leaf, tea refining, processing, terminal sales and traceability system. The Company has the domestic leading level of production line and technology of deep processing of tea and natural plant. Quality and procurement have been credited by a number of well-known branding food and beverage companies in China, which has accumulated a large number of high-quality customers. All of that lays a solid and sound foundation for establishing the realizable brand of Chinese tea industry in aspect of healthy and high-quality products.

(2) The Company's development strategy

Seize the opportunity to pool resources and take deep processing of tea and natural plant as the core to build industrial chain integrating natural health products and services, extending to tea park base and fine tea business. Conduct the implementation of industrialization, standardization and internationalization, put efforts to enhance synergies of tea industrial chain and creation capabilities of traditional industry value, thus the Company develops into a most valuable listed company in tea industry.

3. Operation plan for 2014

In accordance with Overall Strategy Report (2013-2015) issued in 2012, the Company will steadily promote implementation of various businesses including refined and deepened processing, refined tea, food and beverage, export of tea-leaf, tea park and R&D. we strive to improve implementation for the strategy thus realize rapid transformation. Details please find from below:

1. Continuously optimize and perfect management and control system, promote plan of creating an operational headquarter.

Combined the strategy and business demand, we will innovate our minds, optimize and perfect various management and control system, based on perfection of tea industrial chain. We're further promoting plan for creating an operational headquarter. Thus headquarter will gradually become the center for strategy, investment and capital management, operational center for partial businesses, coordination center for all the businesses and administrative center for public resources and professions.

2. comprehensively promote reform on KPI

We'll constantly perfect, complete and solid reform on KPI system, explore flexible motivation system, and conduct various motivation methods. At the same time, we're strengthening internal study on KPI system thus activate staff.

3. integrate resources and build an O2O sales platform

The Company will integrate all the tea industrial resources including current brands, products, R&D, tea garden and clients. We'll gradually lead these resources to O2O platform, thus build a new pattern of E-Commerce model which is fit for operation of quality tea products of the Company. The O2O experience center will be set up in key cities as a management platform for the operation of Mingyou tea region so as to improve the brand influence and value of sales channel.

4. expand the tea park base

Based on the present tea park bases, we're seeking business projects with tea culture as the theme, creating multiple experience and tourism business surrounding the tea park base, thus enrich tea industrial chain. Improving value added of the tea garden base and supports the construction of model of tea industrial chain and boosts the brand influence at the same time.

5. Continue to promote selected tea development

The Company continues to enlarge the brand marketing of selected tea as Wuyi rock tea, Longjing and black tea, proactively expand the sales channel, E-commerce included; meanwhile, under the help of general advantage of tea industry chain and the platform of listed company, planning and laying out the business of Pu'er tea, participated in the construction of Pu'er tea trading center, integrated Pu'er tea resources and strengthen the industry of Pu'er tea.

4. Unfavorable factors we may be facing

(1) Influence of national policy and macro economy

In 2013, due to unfavorable factors arising from national policy and macro economy, consumption market fell down obviously. Quality tea business of the Company is still in stage of cultivation. Its brand awareness hasn't much competitiveness yet. Thus sales of 2014 will be suppressed to some degree under a substantial pressure.

Measures to be made:

Summarize and analyze development condition of brand tea market periodically, adjust marketing strategy on time, innovate marketing model and focus on channel expanding and operation capability, thus ensure healthy development of the business of quality tea.

(2) Problem of insufficient talent

Governance structure upgrading and strategic goal promoting, strategic talent of the Company was still insufficient, especially high quality talent. If we wouldn't change this situation, it may become the key factor to hinder the Company's development.

Measures to be made:

Put more efforts to enhance H&R resource integration, promote optimizing KPI, perfect motivation mechanism and culture construction. Thus we want to attract high quality talent, motivate mutual progress with internal brilliant talent. All these will be done to build a complete talent reservation system, laying a better foundation for the development of the Company.

(3) Rising operation cost

Due to rising cost of raw materials and labor, operation cost constantly ascends while the profit is restrained.

Measures to be made:

Deepen expenses control; fully exert the advantage of R&D and technology. Complete administration model for suppliers by way of upgrading technology and optimizing raw materials' purchasing, thus to control the cost and supply of raw materials. Combine the market to regulate products' structure in time; enhance R&D of new products and marketing efforts, thus to improve sales and profitability of the Company.

(4) Effectiveness won't be fully realized because of long period of raising-fund projects

Effectiveness of capital invested in projects won't be realized in short-term because of the long period of construction of raising-funds projects.

Measures to be made:

The Company is positively promoting construction of raising-funds projects. Including comprehensive investment in tea industrial chain has been in production since Sep of 2013. Subsequently the Company will standardize the production and strive to improve the effectiveness. While for the project of quality high-end brand tea, we're actively exploring channels, and speed up the brand promotion and marketing thus strive to improve income of the Company.

VIII. Profit Distribution and Dividend Payout of the Company

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

Applicable Not applicable

With purpose of perfecting profit distribution plan policy of the Company, strengthen standard and transparency of the cash bonus and improving reasonable return for shareholders, 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. In reporting period, policy for the cash dividend hasn't been changed. The entire dividends were implemented strictly in accordance with rules of the Article of Association and requests of General Shareholders' Meeting. Standard and ratio were clear and obvious. Relative procedures were complete. Independent directors took their duties and played their roles. Minority shareholders got the opportunity to rise up their opinion and their rights were perfectly protected. The entire dividends were implemented strictly in accordance with rules of the Article of Association and requests of General Shareholders' Meeting.

The implementation of the 2013 annual profit distribution: on 15 May 2013, the Company held the 2012 annual general meeting, examined and approved the 2012 annual profit distribution plan, and the 2012 equity allocation scheme of the Company is : taking total 250,900,154 shares at end of 2012 as the radix, sending RMB 2.0 in cash (tax included) per 10 shares to its all shareholders, and sending total cash dividends RMB 50,180,030.80, the remaining undistributed profit are credited to the future annual for distribute. As of 11 July 2013, the above profit distribution plans had been completed.

Special explanation on cash dividend policy	
Satisfy regulations of General Meeting or requirement of Article of Association (Y/N):	Y
Well-defined and clearly dividend standards and proportion (Y/N):	Y
Completed relevant decision-making process and mechanism (Y/N):	Y
Independent directors perform duties completely and play a proper role (Y/N):	Y
Minority shareholders have opportunity to express opinions and demands totally and their legal rights are	Y

fully protected (Y/N):	
Condition and procedures are compliance and transparent while the cash bonus policy adjusted or changed (Y/N):	Y

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 into consideration and small cardinal of profit in 2011, the Company has no plan of profit distribution for year of 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 sending total cash dividends RMB 50,180,030.80, the remaining undistributed profit are credited to the future annual to distribute.

The preplan of profit distribution for year of 2013 was: taking total stock issue of the Company ended as 31 December 2013 as the radix, sending RMB 0.00 in cash (tax included) per 10 shares to its all shareholders with 00 bonus shares (tax included) and additional 2 shares per 10 shares from capitalizing of capital public reserve.

Cash dividend in latest three years

In 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 (%)
2013	0.00	43,662,208.27	0%
2012	50,180,030.80	74,529,471.28	67.33%
2011	0.00	6,980,233.57	0%

The Company gains profits in reporting period and the retained profit of parent company is positive but no plan of cash dividend proposed

Applicable Not applicable

The Company is still in key stage of strategic transformation. Projects of the whole industry are being carried out with vast and brilliant prospect. Therefore more capital is needed. That's to say considering 2014 annual capital usage plan and investment demand, we aren't going to make cash dividend in 2013. All the profit will be used to satisfy daily operation and external investment.

IX. Social Responsibility

In reporting period, the Company strictly followed request of the Company Law, Security Law, the Article of Association and other rules, combined actual situation of the Company, set up normalized governance structure. The Company paid attention to fulfill social responsibility, constantly focus on creating social value, honestly operated, provided safe products for customers, improved sustainable development capabilities and overall competitiveness. We strived to boost management level, enhanced innovation, strengthened core competitiveness, and paid our customers back with stable operation. The Company treated all the investors by principle of fairness, justness and openness, especially focused on interests of minority shareholders. The Company strictly followed

relative rules about environment protection, deeply conduct green principle of environment protection. We enhanced ecological protection, adapted to comprehensive development of nation, strived to seek mutual coordination between economic interest and social interest, short-term interest and long-term interest, self-development and social development. Generally speaking, we tried to seek harmonium development among staff, the Company and the environment.

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

Time	Place	Way	Type	Reception	Contents discussed and material provided
2013-1-21	Company	Telephone communication	Personal	Shareholder	Put forward the proposal to the Company's future development.
2013-2-27	Company	Telephone communication	Personal	Shareholder	Inquiry of the transfer of 10% equity of Shenzhen PepsiCo.
2013-3-15	Company	Telephone communication	Personal	Shareholder	Inquiry of the transfer income of 10% equity of Shenzhen PepsiCo.
2013-3-19	Company	Reply to the Interaction Question in Shenzhen Stock Exchange	Personal	Shareholder	To know the impletementation of Shen Shenbao high-quality tea project.
2013-4-18	Company	Reply to the Interaction Question in Shenzhen Stock Exchange	Personal	Shareholder	Inquiry of the operation of the Company
2013-5-07	Company	Field research	Institution	China Investment Securities Company Limited	Discussion of the tea industry status and future strategy plan of the Company.
2013-5-18	Company	Reply to the Interaction Question in Shenzhen Stock Exchange	Personal	Shareholder	To know the progress of Jadeite Apartment Project.
2013-5-19	Company	Reply to the Interaction	Personal	Shareholder	Inquiry of the impletementation of the Company's equity incentive.

		Question in Shenzhen Stock Exchange			
2013-5-19	Company	Reply to the Interaction Question in Shenzhen Stock Exchange	Personal	Shareholder	Inquiry of the operation of the Company
2013-5-21	Company	Reply to the Interaction Question in Shenzhen Stock Exchange	Personal	Shareholder	To suggest the Company to strengthened the brand publicity.
2013-5-28	Company	Telephone communication	Personal	Shareholder	Discussion of the operation of the Company
2013-6-26	Company	Telephone communication	Personal	Shareholder	Inquiry of dividend and the main business of the Company.
2013-6-28	Company	Telephone communication	Personal	Shareholder	Discussion of product and brand publicity of Jufangyong.
2013-7-12	Company	Telephone communication	Personal	Shareholder	Inquiry of the business development of the Company
2013-7-24	Company	Reply to the Interaction Question in Shenzhen Stock Exchange	Personal	Shareholder	To know the work of the Company internal audit department.
2014-8-08	Company	Reply to the Interaction Question in Shenzhen Stock Exchange	Personal	Shareholder	To know the main business of the Company.
2013-8-11	Company	Reply to the Interaction	Personal	Shareholder	To know the debts problems of CBC.

		Question in Shenzhen Stock Exchange		er	
2013-8-20	Company	Telephone communication	Personal	Shareholder	Inquiry of Jadeite Apartment opened or not.
2013-9-16	Company	Telephone communication	Personal	Shareholder	Inquiry of that whether the Company to set up electronic business company and when Jadeite Apartment open.
2013-9-24	Company	Telephone communication	Personal	Shareholder	Inquiry of development of the Company
2013-10-9	Company	Telephone communication	Personal	Shareholder	To know the progress of raise investment project of the Company.
2013-10-18	Company	Reply to the Interaction Question in Shenzhen Stock Exchange	Personal	Shareholder	Inquiry of the progress of Jadeite Apartment Project.
2013-11-4	Company	Reply to the Interaction Question in Shenzhen Stock Exchange	Personal	Shareholder	Discussion of future development of the Company.
2013-11-6	Company	Reply to the Interaction Question in Shenzhen Stock Exchange	Personal	Shareholder	To know the development status of the Company
2013-11-21	Company	Reply to the Interaction Question in Shenzhen Stock Exchange	Personal	Shareholder	To know the future plan of the Company.
2013-11-26	Company	Telephone communication	Personal	Shareholder	To know the business state of the Company

		n		er	
2013-12-11	Company	Telephone communication	Personal	Shareholder	To know the business of deep processing of the Company
2013-12-19	Company	Telephone communication	Personal	Shareholder	Inquiry of relevant information about Jadeite Apartment.
2013-12-30	Company	Telephone communication	Personal	Shareholder	To know the business state of the Company.

No undisclosed material information is 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)	Accrued 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
<p>The case concerning the joint-liability guarantee the Company provided for RMB 7 million loans which CBC 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 (“Shenzhen Intermediate” for short) for the enforcement on the above repayment. 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</p>	No		<p>On 5 November 2013, the “Civil Ruling Paper” (2012) Shen Zhong Fa Po Zi No. 30-6 from Shenzhen Intermediate Peoples Court ruled the approval of reorganization plan for CBC and terminated the CBC reorganization procedures. In line with the reorganization plan, creditor’s right of</p>	<p>On 5 November 2013, the “Civil Ruling Paper” (2012) Shen Zhong Fa Po Zi No. 30-6 from Shenzhen Intermediate Peoples Court ruled the approval of reorganization plan for CBC and terminated the CBC reorganization procedures. In line with the reorganization plan, creditor’s right of</p>	<p>RMB9,894,717.14 compensation and 258,011 shares “*STShen Zhonghua A”(000017) are transferred to the name of the Company so far; another 197,019 shares *STShen Zhonghua B”(200017) will be realized by CBC custodian after</p>	2004-4-10	<p>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 Company published on Juchao Website dated 30 July 2004, 20</p>

<p>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. On 12 October 2012, Shenzhen Intermediate People’s Court accepted the bankruptcy reorganization of the CBC, the Company to submit claims of RMB 24,061,322.14 to its administrator. On 17 July 2013, Shenzhen Intermediate Peoples Court</p> <p>Issued a “Civil Ruling Paper” Shen Zhong Fa Po Zi No. 30-4 for confirmed the “Debt statement of Shenzhen China Bicycle Company (Holdings) Limited” prepared by CBC. According to the debt statement, creditor’s right was recognized as RMB 20,972,491.51.</p>		<p>ordinary creditor was compensated through monetary and shares. Creditor’s right RMB9, 894,717.14 and 258,011 shares “*STShen Zhonghua A” (000017) was received by the Company from custodian; another 197,019 shares *STShenzhonghua B” (200017) will be realized by CBC custodian within 20 trading days after resumption. And paid relevant realized cash according to the average realization.</p>	<p>ordinary creditor was compensated through monetary and shares. Approximately income RMB 11.21 million expected to increased for year of 2013 after CBC liquidation</p>	<p>realization</p>		<p>November 2004, 16 December 2004, 29 December 2004, 18 January 2005, 7 August 2013 and 2 January 2014 respectively</p>
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II. Questioned from media

Applicable Not applicable

No media questioned for the Company in reporting period

III. Transaction in assets

1. Acquisition of assets

Counterparty or ultimate controlling party	Assets acquired or replaced	Trading price (in 10 thousand Yuan)	Progress (Note 2)	Impact on operation of the Company (Note 3)	Impact on gains/losses of the Company (Note 4)	Ratio of the profit contributed to listed company in total net profit (%)	Whether a related transaction or not	Relationship with counterparty (apply to related transaction)	Disclosure date (Note 5)	Disclosure index
Shenzhen Investment Holding	Office	8,424.72	--	The transaction was based on the actual development needs of the Company; both parties followed basis of cooperation of equality and mutual benefit and mutual consultation, in accordance with the principles of transparency, fairness and justice, which without damages the interests of the Company and shareholders and didn't affect the company's independence.	--	--	Yes	The second largest shareholder of the Company	2013-5-16	“Related Transaction of Purchasing Office Site from Shareholder of Shenzhen Shenbao Industrial Co., Ltd.” published on Juchao Website dated 16 May 2013

2. 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)	Impact on the Company (Note 3)	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 (China)	10% equity of Shenzhen PepsiCo	2013-8-16	9,500	--	That can bring to the Company investment income of about 68.26 million Yuan	156.34%	Determined trading price through publicly listed in Shenzhen United Property and Share Rights Exchange	No	Not applicable	Yes	Yes	2013-5-13	“Report of Sales of Substantial Assets” (Revised) and “Implementation of Substantial Assets Restructuring” published on Juchao Website dated 13 May 2013

				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.								
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; 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 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								
Reasons for major differences between trading price and market reference price				Not applicable								

2. Related transaction from assets acquisition and assets sold

Related transaction parties	Related relationship	Related transaction type	Related transaction content	Pricing principal	Book value of the transferred assets (in	Assessed value of the transferred assets (in	Fair market value (in ten thousand	Transfer price(in ten thousand Yuan)	Related transaction settlement mode	Trading profit and loss(in ten	Date of disclosure	Index of disclosure

					ten thousand Yuan)	ten thousand Yuan))	Yuan)			thousand Yuan)		
Shenzhen Investment Holding	The second largest shareholder	Purchase of assets	Purchase of office space	In accordance with the principle of voluntary, equality, mutual benefit and fair, and transaction price determined in accordance with market prices.	--	--	--	8,424.72	One-time payment	--	2013-5-16	“Related Transaction of Purchasing Office Site from Shareholder of Shenzhen Shenbao Industrial Co., Ltd.” published on Juchao Website dated 16 May 2013
Reasons for major differences between transfer price, book value and assessed value (if applicable)				Not applicable								
Influence of operating results and financial condition to the Company				The related transaction was based on the actual development needs of the Company, and both parties followed basis of cooperation of equality and mutual benefit and mutual consultation, in accordance with the principles of transparency, fairness and justice, which without damages to the interests of the Company and shareholders and didn't affect the company's independence.								

V. Significant contracts and its implementation

1. Guarantees

In ten thousand yuan

Guarantee for the subsidiaries (not including guarantees to subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party (Yes or no)

N/A	-	-	-	-	-	-	-	-
Total approving external guarantee in report period (A1)			0	Total actual occurred external guarantee in report period (A2)				0
Total approved external guarantee at the end of report period (A3)			0	Total actual balance of external guarantee at the end of report period (A4)				0
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 Sanjing Food & Beverage Development Co., Ltd		3,000	2013-3-11	3,000	Joint liability assurance	1 year	Yes	Yes
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd		3,000	2013-3-11	3,000	Joint liability assurance	1 year	Yes	Yes
深圳市深宝华城科技有限公司 Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd		3,000	2013-5-30	3,000	Joint liability assurance	1 year	No	Yes
Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd		3,000	2013-6-19	2,500	Joint liability assurance	1 year	Yes	Yes
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd		3,000	2013-6-19	2,500	Joint liability assurance	1 year	Yes	Yes

Total amount of approving guarantee for subsidiaries in report period (B1)	3,000	Total amount of actual occurred guarantee for subsidiaries in report period (B2)	14,000
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)	9,000	Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)	3,000
Total amount of guarantee of the Company(total of two abovementioned guarantee)			
Total amount of approving guarantee in report period (A1+B1)	3,000	Total amount of actual occurred guarantee in report period (A2+B2)	14,000
Total amount of approved guarantee at the end of report period (A3+B3)	9,000	Total balance of actual guarantee at the end of report period (A4+B4)	3,000
The proportion of the total amount of actually guarantee in the net assets of the Company(that is A4+ B4) (%)	3.12%		
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		

VI. 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
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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.	2006-7-27	Long-term effective	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				

<p>Detail reasons for un-complement and further plan</p>	<p>In accordance with the “Trial Method of Implementation of Stock Option Incentive for State Holding Listed Company (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.</p>
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VII. 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)	45.00
Continuous life of auditing service for foreign accounting firm	6-year
Name of domestic CPA	Gong Chenyan, Liu Yaohui

Whether re-appointed accounting firms in this period or not

Yes No

Appointment of internal control auditing accounting firm, financial consultant or sponsor

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 2013, since the transfer of PepsiCo's 10% stake involved the material assets reorganization, the Company employed Greatwall Securities Co., Ltd. as financial adviser and Junyian (Guangdong) Law Firm as counsel. In 2013, the Company paid a total of one million yuan for financial advisory fee, RMB 200,000 for legal consultancy fee.

VIII. Explanation on Other Important Matters

Ten percent equity of Shenzhen Pepsi transfer with major assets restructuring involved
On 28 December 2012, the shares were suspended when starting trading, because the Company planned to transfer shares of Shenzhen Pepsi. On 10 January 2013, the 3rd meeting of 8th session of the board deliberated and approved to sell 10% equity of Shenzhen Pepsi with 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. On 10 May 2013, the Company received the Reply on Approval for the Plan of Sales of Major Assets of Shenzhen Shenbao Industrial Co., Ltd (Zheng Jian Xu Ke [2013] No.635) issued by the CSRC, to approve the aforesaid major assets sold. Ownership transfer procedure for 10% equity of Shenzhen Pepsi was completed on 12 June 2013. The equity transfer amount RMB 95 million was received by the Company dated 16 August 2013 from PepsiCo (China), the major assets restructuring with 10% equity of Shenzhen Pepsi concerned was completed. For details, please refer to related announcements disclosed at www.cninfo.com.cn on 18 January, 22 March, 9 April, 13 May 2013 and 21 August 2013. .

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Shares

In share

	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	22,036,661	8.78%						22,036,661	8.78%
2. State-owned corporate shares	6,783,729	2.7%						6,783,729	2.7%
3. Other domestic shares	15,252,932	6.08%						15,252,932	6.08%
Including: Domestic legal person's shares	7,770,118	3.1%						7,770,118	3.1%
Domestic nature person's shares	7,482,814	2.98%						7,482,814	2.98%
II. Un-restricted shares	228,863,493	91.22%						228,863,493	91.22%
1. RMB common shares	202,727,493	80.8%						202,727,493	80.8%
2. Domestically listed foreign shares	26,136,000	10.42%						26,136,000	10.42%
III. Total shares	250,900,154	100%						250,900,154	100%

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)	2011-6-22	8.70	68,977,066	2011-7-4	68,977,066	

Explanation on security 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 Lixin Dahua, 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 on 27 June 2011 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

In Share

Total shareholders in reporting period		20,371		Total shareholders ended as the 5 th trading day before annual report disclosed			19,596	
Particulars about shares held above 5% by shareholders or top 10 shareholding								
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	16.00%	40,143,586	0	6,783,729	33,359,857		
Shenzhen Tianzhong Investment Co.,	Other	6.38%	16,013,908	-8,970,000	0	16,013,908		

Ltd.								
Special account of agreement buy-back of Huatai Securities Co., Ltd.	Other	3.58%	8,970,000	8,970,000	0	8,970,000		
Li Duruo	Domestic nature person	3.50%	8,790,874	-132,210	0	8,790,874		
Ma Zhihong	Domestic nature person	1.92%	4,814,900	4,814,900	0	4,814,900		
Lin Yixiang	Domestic nature person	1.02%	2,561,002	0	2,561,002	0	Pledge	2,561,000
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
Special account of agreement buy-back of Founder Securities Co., Ltd.	Other	0.65%	1,619,482	1,619,482	0	1,619,482		
Explanation on associated relationship among the aforesaid shareholders	Shenzhen SASAC directly holds 24.31% 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	Amount of listed shares held at end of the Period		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.	16,013,908		RMB common shares	16,013,908				
Special account of agreement buy-back of Huatai Securities Co., Ltd.	8,970,000		RMB common shares	8,970,000				

Li Duruo	8,790,874	RMB common shares	8,790,874
Ma Zhihong	4,814,900	RMB common shares	4,814,900
Special account of agreement buy-back of Founder Securities Co., Ltd.	1,619,482	RMB common shares	1,619,482
Xi'an Changliu Investment Management Limited Partnership	1,508,625	RMB common shares	1,508,625
Hou LI	1,407,910	RMB common shares	1,407,910
Du Yuanxiang	1,180,000	RMB common shares	1,180,000
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 24.31% 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.		
Explanation on top 10 shareholders involving margin business (if applicable)	Tianzhong Investment, shareholder of the Company, holds 16,013,908 shares through the guarantee securities account of customer credit transactions of Huatai Securities Co., Ltd.		

Agreed to buy back deals occurred in Period from shareholders

Yes No

On 27 May 2013, Tianzhong Investment, shareholder of the Company with 8,970,000 shares of the Company held, exercise securities trading of buy-back agreement with Huatai Securities Co., Ltd., the initial trading volume was 8,970,000 shares in buy-back agreement, representing 3.58 percent of the total share capital of the Company. On 27 November 2013, delay buy-back procedures was performed by Tianzhong Investment. In reporting period, no shares with buy-back trading involved in Tianzhong Investment. As of reporting period, 16,013,908 shares of the Company were held by Tianzhong Investment, representing 6.38 percent of the total share capital of the Company.

In the reporting period, Wang Chengping, shareholder of the Company, with 1,619,482 shares of the Company held, exercise securities trading of buy-back agreement with Founder Securities Co., Ltd., the initial trading volume was 1,619,482 shares in buy-back agreement, representing 0.65 percent of the total share capital of the Company. In reporting period, no shares with buy-back trading involved in Wang Chengping. As of reporting period, 0 shares of the Company was held by Wang Chengping, representing 0 percent of the total share capital of the Company.

2. Controlling shareholder of the Company

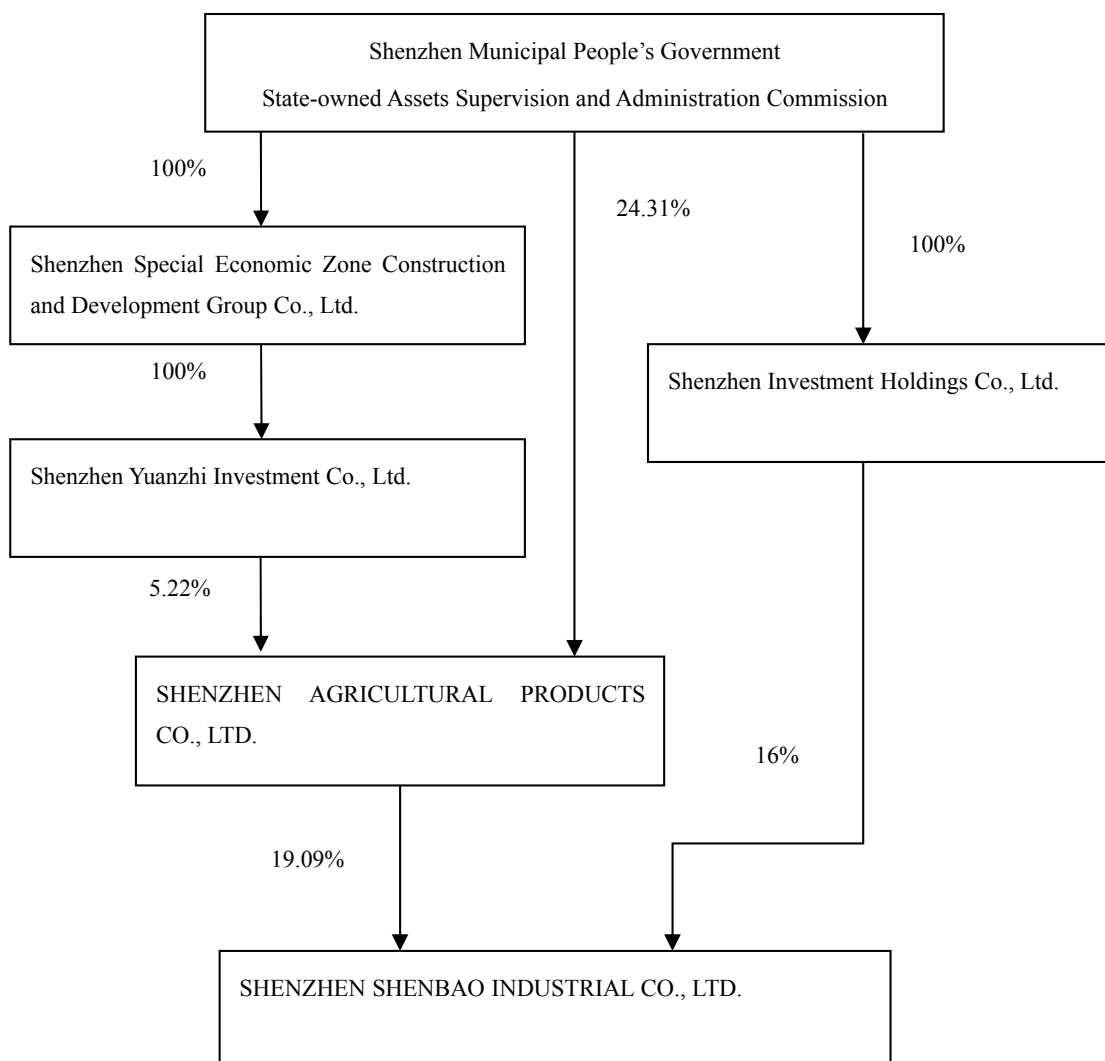
Controlling shareholder	Legal rep./person in charge of unit	Date established	Organization code	Register capital(in 10 thousand yuan)	Main business
Shenzhen Agricultural Products Co., Ltd	Chen Shaoqun	1989-1-14	192179163	169,696.41	Engaged in develop, construct, operate and manage agricultural wholesale market and rental business; domestic business, material supply and marketing industry (excluding franchise and specialized goods); engaged in agricultural products, aquatic products wholesale, chain operations as well as import and export business; provide support for the agricultural products wholesale such as hostel, canteen, restaurant, transport, handling, storage, packaging; engaged in information (not including project against the laws, administrative regulations or projects the State Council decided to ban), property management, hotel management ; owned property leasing; market investment, investment in industry.
Operation result, financial status, cash flow and future development strategy ect.	More details found in Annual Report 2013 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 2013 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 State-owned Supervision Administration Commission	Shenzhen Municipal Government Assets &	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	By means of restructuring, capital operation and asset disposal, we invested, operated and managed in equity shares of controlled and state-owned enterprises, operations and management; engaged in real estate development within the scope of legally having obtained the land use rights; according to SASAC requirements conducting strategic investments; providing security for state-owned enterprises; and other businesses SASAC mandated.

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-begin (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	52	2012-10-12	2015-10-12	0	0	0	0

Chen Shaoqun	Director	Currently in office	M	52	2012-10-12	2015-10-12	0	0	0	0
Huang Yu	Director	Currently in office	M	40	2012-10-12	2015-10-12	0	0	0	0
Dou Qiang	Director	Currently in office	M	42	2012-10-12	2015-10-12	0	0	0	0
Lin Yanfeng	Director	Currently in office	M	42	2012-10-12	2015-10-12	0	0	0	0
Yan Zesong	Director, GM	Currently in office	M	44	2012-10-12	2015-10-12	0	0	0	0
Fan Zhiqing	Independent director	Currently in office	M	65	2012-10-12	2015-10-12	0	0	0	0
Wu Shuping	Independent director	Currently in office	M	61	2012-10-12	2015-10-12	0	0	0	0
Xu Zhuangcheng	Independent director	Currently in office	M	42	2012-10-12	2015-10-12	0	0	0	0
Lin Hong	Chairman of Supervisory Committee	Currently in office	F	49	2012-10-12	2015-10-12	0	0	0	0
Luo Longxin	Supervisor	Currently in office	M	53	2012-10-12	2015-10-12	0	0	0	0
Huang Qin	Supervisor	Currently in office	F	51	2012-10-12	2015-10-12	0	0	0	0
Li Fang	Deputy GM	Currently in office	F	40	2012-10-12	2015-10-12	0	0	0	0
Li Yiyan	Deputy GM, Secretary of the Board	Currently in office	F	48	2012-10-12	2015-10-12	0	0	0	0
Qian Xiaojun	Deputy GM	Currently in office	M	42	2012-10-12	2015-10-12	0	0	0	0
Yao Xiaopeng	Deputy GM	Currently in office	M	46	2012-10-12	2015-10-12	0	0	0	0
Wang Zhiping	CFO	Currently in office	F	43	2012-10-12	2015-10-12	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. He was the representative of 4th Session and 5th Session of Shenzhen Municipal People's Congress. he served as Deputy GM, Director, GM, Party Secretary and Chairman of the 4th and 5th session of the Board and Director of the 7th session of the Board of the Company. Now he 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. Deputy minister and minister of financial budget department of Shenzhen Investment Holding Co., Ltd. Now he serves as office 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. 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.

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. 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. Fan Zhiqing, was 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, independent Director of Shenzhen Kingsignal Technology Co., Ltd. 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 he serves as Independent Director of the Company since 12 October 2012.

Mr. Wu Shuping, was 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. from August 2003 to December 2009. 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. Xu Zhuangcheng, was born in 1972, bachelor in laws. He has served successively as deputy section chief of Shenzhen Public Security Bureau, deputy director of Guangdong Dingfeng Law Firm and Shenzhen branch partner of Beijing Deheng Law Offices. Now he serves as Director of Shenzhen Kajinya Jewery Co., Ltd., arbitrator of Shenzhen Arbitration Committee and Independent director of Hangzhou Tianmushan Pharmaceutical Co., Ltd. and served as independent director of the Company since December 2009.

(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, was 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 CTO, person in charge of R&D center and chairman 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 and chairman of Hangzhou Jufangyong.

Mr. Yao Xiaopeng, was 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 and chairman of Huzhou Shenbao Technology.

Ms. Wang Zhiping, was 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	Office director			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
Dou Qiang	Henan Peoples Group Co., ltd	Vice president			-
Lin Yanfeng	Guangdong Changjiang Trade Co., Ltd	Director, GM			Yes
Fan Zhiqing	Shenzhen Shahe Industrial Co., Ltd	Independent director			Yes

Wu Shuping	Shanghai Baiyan Enterprise Management Consultant Co., Ltd	GM			Yes
	Chengdu Hi-Tech Investment Group	Independent director			Yes
Xu Zhuangcheng	Hangzhou Tianmushan Pharmaceutical Co.,LTD	Independent director			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 2012 Annual General Meeting and adjusted as RMB 100,000 (tax included) per year for one person.

(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 4.7160 million. There is no departure of directors, supervisors and senior manager of the Company in the reporting period.

Remuneration 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	52	Currently in office	65.40	-	65.40
Chen Shaoqun	Director	M	52	Currently in office	0	-	0
Huang Yu	Director	M	40	Currently in office	0	-	0
Dou Qiang	Director	M	42	Currently in office	0	-	0
Lin Yanfeng	Director	M	42	Currently in office	0	-	0

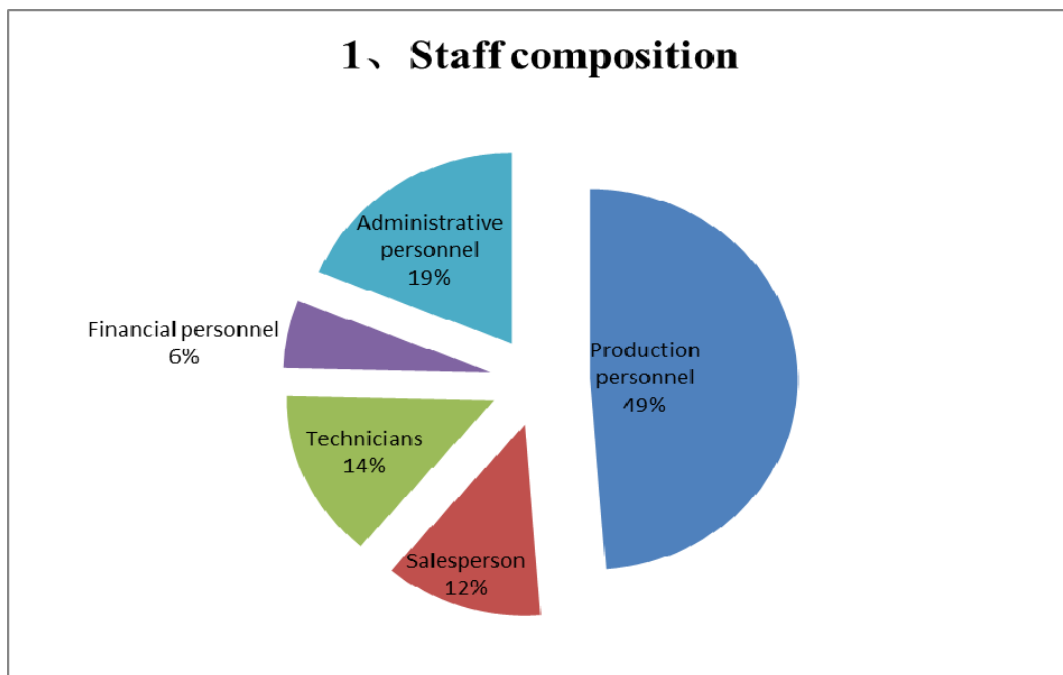
Yan Zesong	Director, GM	M	44	Currently in office	63.89	-	63.89
Fan Zhiqing	Independent director	M	65	Currently in office	10	-	10
Wu Shuping	Independent director	M	61	Currently in office	10	-	10
Xu Zhuangcheng	Independent director	M	42	Currently in office	10	-	10
Lin Hong	Chairman of Supervisory Committee	F	49	Currently in office	48.46	-	48.46
Luo Longxin	Supervisor	M	53	Currently in office	39.47	-	39.47
Huang Qin	Supervisor	F	51	Currently in office	18.56	-	18.56
Li Fang	Deputy GM	F	40	Currently in office	43.13	-	43.13
Li Yiyan	Deputy GM, Secretary of the Board	F	48	Currently in office	50.58	-	50.58
Qian Xiaojun	Deputy GM	M	42	Currently in office	44.77	-	44.77
Yao Xiaopeng	Deputy GM	M	46	Currently in office	32.55	-	32.55
Wang Zhiping	CFO	F	43	Currently in office	34.79	-	34.79
Total	--	--	--	--	471.60	-	471.60

IV. Particulars of workforce

Ended as 31 December 2013, the Company owes 820 employees in total (including employees from enterprise in consolidation statement). Composition is as:

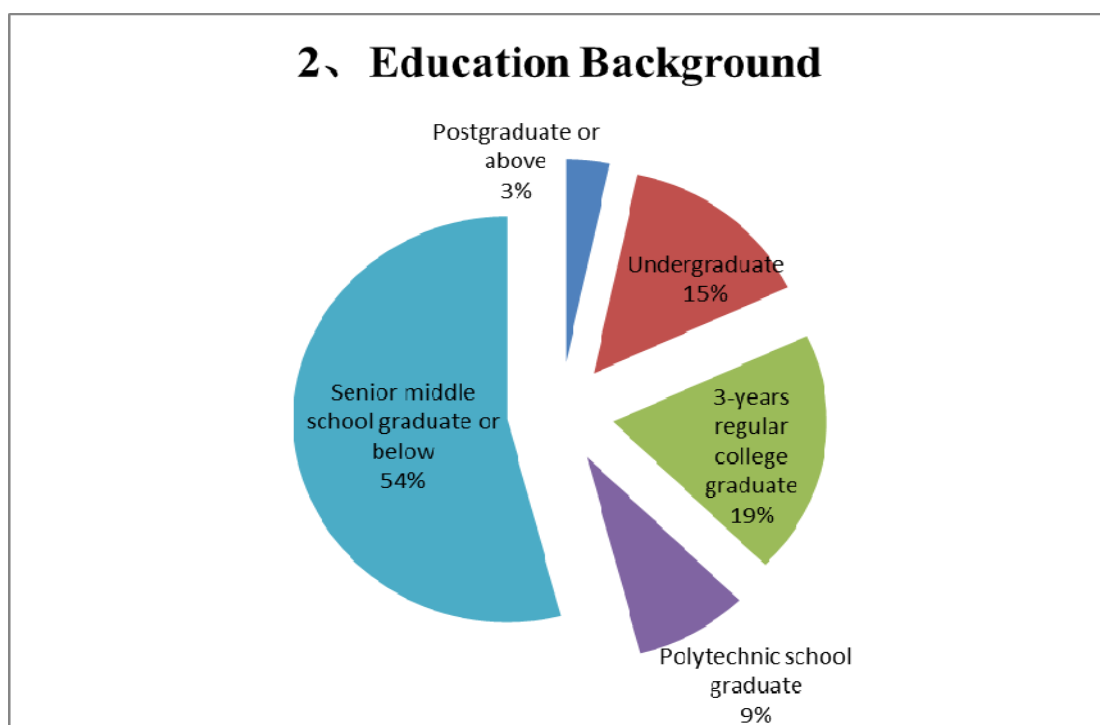
1. Staff composition

Profession	Number	Proportion (%)
Production personnel	400	49
Salesperson	101	12
Technicians	117	14
Financial personnel	47	6
Administrative personnel	155	19
Total	820	100



2. Education Background

Education	Number	Proportion (%)
Postgraduate or above	27	3
Undergraduate	121	15
3-years regular college graduate	159	19
Polytechnic school graduate	70	9
Senior middle school graduate or below	443	54
Total	820	100



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, the Company constantly improved the corporate governance structure, improved the quality of corporate governance, established a sound internal control system, strictly in accordance with corporate governance requirements of normative documents released by the "Company Law", "Securities Law", "Corporate Governance Guidelines", "Standardize Operational Guidelines to Main Board Listed Companies of Shenzhen Stock Exchange" and China Securities Regulatory Commission and Shenzhen Stock Exchange. The Company continued to carry out the governance activities, improved the standard operation level, and safeguarded the legitimate interests of the Company and investors.

(I) Accountability among Shareholders' General Meeting, the Board of Directors and Supervisors were clear, we strictly implemented the rules from the "Articles of Association" during the reporting period as well as work regulations and other basic management system to ensure the effective implementation of the internal control system.

(II) During the reporting period, the Company developed a "Strategic Management System", and revised the "Articles of Association", thus to protect the scientific and operational normative.

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 internal management system, strengthen insider information management, improve self-awareness of shareholders, directors, supervisors, senior management and other insiders, to prevent insider trading, price manipulation and other illegal activities, and to ensure the fairness, justice and openness of information, the sixth session of the twenty-sixth meeting of the Board of Directors approved the "Proposal on Establishment of <Insider Information and Insider Registration System". Details are available at Juchao Information Website which was Insider Information and Insider Registration System of Shenzhen Shenbao Industrial Co., Ltd." published in October 31, 2009. During the reporting period, the Company earnestly carried out daily insiders registration and filing. In the window of important issues we always warned in advance insiders not to disclose insider information and trade company stocks. 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 general meeting and extraordinary shareholders' general meeting

1. Annual General Meeting in the report period

Session of meeting	Date	Name of meeting motion	Situation	Date of disclosure	Index of disclosure
Annual General Meeting of 2012	2013-5-15	1. "Report of the Board for year of 2012", 2. "Report of the Supervisory Committee for year of 2012", 3. "Annual Financial Results 2012", 4. "Profit Distribution Plan of 2012", 5. "Remuneration of Directors, Supervisors and Senior Executives for year of 2012", 6. "Annual Report of 2012 and its Summary", 7. "Allowance adjustment for independent directors of the Company", 8. "Special Proposal of Amendment of 'Article of Association", 9. "Using part of the idle raised fund for current capital supply temporary again", 10. "Routine related transaction for year of 2013"	All proposals have been approved by the Meeting	2013-5-16	"Resolution Notice of Annual General Meeting 2012 of Shenzhen Shenbao Industrial Co., Ltd" No.: 2013-28 published on Juchao Website dated 16 May 2013

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	2013-4-08	1. "Satisfy Condition of Material Assets Reorganization", 2. "Plan	All proposals have been	2013-4-09	"Resolution Notice of First Extraordinary

Shareholders' General Meeting 2013		of Material Assets for Sale”, 3. “Entered into the “Equity Transfer Agreement” with conditions precedent with PepsiCo (China)”, 4. “Report of Sales of Material Assets (Draft) of Shenzhen Shenbao Industrial Co., ltd.”, 5. “Explanation on Company’s Sales of Material Assets Satisfy regulation of Article 4 of “Provisions on Issues Concerning Regulating the Material Assets Reorganizations of Listed Companies” ”, 6. “Submit Authorization of the Board for Sales of Material Assets to General meeting”	approved by the Meeting		Shareholders' General Meeting 2013 of Shenzhen Shenbao Industrial Co., Ltd” No.: 2013-10 published on Juchao Website dated 9 April 2013
Second Extraordinary Shareholders' General Meeting 2013	2014-5-31	”Related transaction of purchasing office site from shareholder of the Company ”	All proposals have been approved by the Meeting	2013-6-01	“Resolution Notice of Second Extraordinary Shareholders' General Meeting 2013 of Shenzhen Shenbao Industrial Co., Ltd” No.: 2013-32 published on Juchao Website dated 1 June 2013
Third Extraordinary Shareholders' General Meeting 2013	2013-9-09	”Appointment of Dahua CPA (LLP) as auditing institution for year of 2013”	All proposals have been approved by the Meeting	2013-9-10	“Resolution Notice of Third Extraordinary Shareholders' General Meeting 2013 of Shenzhen Shenbao Industrial Co., Ltd” No.: 2013-41 published on Juchao Website dated 10 September 2013

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	Times of Presence	Times of attending by communicatio	Times of entrusted presence	Times of Absence	Whether absent the Meeting for the second

	report period		n			time in a row or not
Fan Zhiqing	6	5	1	0	0	No
Wu Shuping	6	5	1	0	0	No
Xu Zhuangcheng	6	5	1	0	0	No
Times attending shareholders' general meeting from independent directors						2

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 have 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, independent directors of the Company was in strict accordance with relevant laws from the "Articles of Association", the "Company Law", "Guidance to Establishment of Independent Director System in Listed Companies ", and actively attended board meetings, shareholders' meetings. We issued independent professional opinion for important issues. And we sustained attention to the operating, inspected and guided the management work from time to time, learned about internal control system, implementation progress of the equity investment project, etc., participate actively in independent directors training organized by board of supervisors to improve the performance of their duties according to the law of consciousness; in time published independent and impartial advice for a major asset sale, related party transactions, hiring auditors and other matters occurred during the reporting period. Duties performance of independent directors has improved the corporate governance structure and safeguarded the interests of the Company and its shareholders. From performance of duties of Independent Directors please note from " 2013 Annual Work Report of Independent Directors" detailed in www.cninfo.com.cn on disclosure.

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

In reporting period, strategy committee of the Board held one meeting for the deliberation and approve of "General Development Strategy Report of the Company (2013-2015)". Meanwhile, as for the 10% equity of Shenzhen PepsiCo transfer, involved in sales of material assets, the committee seriously discussed and analyzed and proposed professional opinions and suggestion which play an important role in strengthen the scientificity of decision-making as well as in improving the decision-making efficiency and quality.

2. Performance of Duties by the Auditing Committee

In the reporting period, totally three meetings are held by auditing committee for annual report of the Company, semi-annual report and quarterly report deliberation; and confirmed that the financial report satisfy requirement of Accounting rules and present a fair and complete financial status, operation results and cash flow of the Company; examined the construction progress of internal control, carried a professional opinions for the auditing institution appointed outside the Company, guarantee the Company finished auditing on schedule. Auditing committee of the Company earnestly following the principle of diligence, play a supervise role in full and protect the independency of the auditing.

3. Performance of Duties by the Remuneration and Appraisal Committee

During the reporting period, the remuneration and appraisal committee has held one meetings to examine the 2012 annual performance factor according to the regulation of performance management measures for the headquarters, and inspected the 2012 annual salary for the Company's directors, supervisors and senior managers, at the same time, made confirmation for the operating performance indicators in 2013. At the same time, remuneration and appraisal committee carried out a proposal for reference to the Board after seriously deliberated the allowance adjustment for independent directors.

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

Nomination committee of the Board is responsible for the option of directors and senior executives of the Company; propose professional opinions on the standards and decision-making procedures for directors and senior executives. There are no meetings held in the Period

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.

1. Independent Business:

The business of the Company is independent from controlling shareholders and has complete business and self management ability and is mainly engaged in tea, food and beverage products production, and sale. It develops business alone, not depends on the shareholders and their affiliated enterprises, 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. General manager of the Company as well s deputy GM, secretary of the Board, CFO and other senior executives are received remuneration from the Company, and are not received remuneration from shareholders” unit and subordinate enterprises and holding the post except director or supervisor. 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 and integrity asset structure, has independent production system, auxiliary production systems and supporting facilities, and has independent purchase and sales system. 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 and operates independently; owns production and business operation place independent from the controlling shareholders; 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 and makes financial decision independently. 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. The Company had prepared three year return plan for shareholder (2012-2014), who 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. 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. In terms of financial management, 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. The Company had established its internal audit management system in order to further complete the internal audit system, strengthen internal audit supervision, improve operation management and enhance economic benefits.

II. Statement from the Board on responsibility of internal control

In accordance with specification requirements of internal control system, the Company established a sound and effective internal control system, evaluated their effectiveness and truthfully disclosed internal control evaluation report. All these are the responsibility of the Board of Directors of the Company. The Supervisory Committee of the Board established and implemented internal control supervision. Managers were responsible for organizing

and leading the daily operation of internal control. Board of Directors and the Directors ensure that the contents of this report does not contain any false, misleading statements or material omissions, and accept joint and several liabilities for the authenticity, accuracy and completeness of the contents of the report. Target of internal control is to reasonably ensure that the management is with legal compliance, and that asset security, financial reports and related information are true and complete, thus improve operational efficiency and effectiveness. Because of the inherent limitations of internal control, it can only provide reasonable assurance to achieve these goals. In addition, because the changes may lead to internal control inappropriate, or reduce the degree of control policies and procedures to follow, way of speculating future effectiveness of internal control according to the evaluation of internal control is a little risky.

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)	2014-3-18
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)	2014-3-18
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	2014-3-14
Name of audit institute	Dahua Certified Public Accountants (LLP)
Document serial of audit report	Dahua Shen Zi [2014] No. 003104

Auditor's Report

Dahua Shen Zi [2014] No. 003104

To all shareholders of SHENZHEN SHENBAO INDUSTRIAL CO.,LTD.:

We have audited the companying consolidated and parent Company's financial statements of Shenzhen Shenbao Industrial Co., Ltd ("the Company"), including balance sheet of 31 December 2013, and profit statement, and cash flow statement, and statement on changes of shareholders' equity for the year ended, and notes to the financial statements for the year ended.

I. Management's responsibility for 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.

II. Auditor's responsibility

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, we consider internal control related to 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.

III. Auditing opinion

In our opinion, the Company's financial statements have been prepared in accordance with the Enterprises Accounting Standards and Enterprises Accounting System, and they fairly present the financial status of the Company and its consolidated statement as of December 31, 2012, and its operation results of the parent company and consolidate statement and cash flows for the year ended.

Dahua Certified Public Accountants (LLP)

Beijing • China

Chinese CPA:

Gong Chenyan

Chinese CPA:

Liu Yaohui

14 March 2014

II. Financial Statement

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

1. Consolidated Balance Sheet

Prepared by Shenzhen Shenbao Industrial Co., Ltd

In RMB

Shenzhen Shenbao Industrial Co., Ltd.

Consolidated Balance Sheet

2013-12-31

(RMB is used for currency unit unless otherwise state)

Asset	Note V	Balance at period-end	Balance at period-begin
Current assets:			
Monetary funds	Annotation 1	258,228,942.05	373,422,024.47
Transaction finance asset	Annotation 2	1,389,288.09	208,500.00
Notes receivable		-	-
Accounts receivable	Annotation 3	106,664,101.14	105,402,754.63
Accounts paid in advance	Annotation 4	19,617,679.28	28,323,450.51
Interest receivable		-	-
Dividend receivable		-	-
Other receivables	Annotation 5	22,503,883.61	22,251,167.26
Inventories	Annotation 6	305,574,845.40	203,462,389.32
Non-current asset due within one year		-	-
Other current assets	Annotation 7	2,835,640.51	1,760,669.36
Total current assets		716,814,380.08	734,830,955.55
Non-current assets:			
Financial assets available for sale		-	-
Hold-to-maturity investment		-	-
Long-term account receivable		-	-
Long-term equity investment	Annotation 8	57,500.00	25,471,291.08
Investment real estate		-	-
Fixed assets	Annotation 9	308,220,725.48	160,018,803.58
Construction in process	Annotation 10	93,769,195.13	94,422,143.01
Engineering material		-	-
Disposal of fixed asset		-	-
Productive biological assets	Annotation 11	436,156.00	436,156.00
Intangible assets	Annotation 12	205,740,916.53	198,302,445.47
Expense on Research and Development		-	-

Goodwill		-	-
Long-term expenses to be apportioned	Annotation 13	8,969,680.56	6,958,018.09
Deferred income tax asset	Annotation 14	2,630,033.64	2,554,782.97
Other non-current asset		-	-
Total non-current asset		619,824,207.34	488,163,640.20
Total assets		1,336,638,587.42	1,222,994,595.75

(the attached annotation is part of the consolidated financial statement)

Legal person: Mr. Zheng Yuxi

Person in Charge of Accounting Works: Ms. Wang Zhiping

Person in Charge of Accounting Institution: Mr. Xu Qiming

Shenzhen Shenbao Industrial Co., Ltd. Consolidated Balance Sheet (cont.)

2013-12-31

(RMB is used for currency unit unless otherwise state)

Liabilities and shareholders equity	Note V	Balance at period-end	Balance at period-begin
Current liabilities:			
Short-term loans		-	-
Transaction financial liabilities		-	-
Notes payable		-	-
Accounts payable	Annotation 16	33,460,808.35	42,544,365.20
Accounts received in advance	Annotation 17	15,220,850.95	2,087,351.44
Wage payable	Annotation 18	9,553,292.94	4,937,554.49
Taxes payable	Annotation 19	15,006,102.34	2,448,094.70
Interest payable		-	-
Dividend payable	Annotation 20	2,909,182.74	2,909,182.74
Other accounts payable	Annotation 21	233,058,495.02	153,192,884.98
Non-current liabilities due within 1 year		-	-
Other current liabilities	Annotation 22	-	43,137.43
Total current liabilities		309,208,732.34	208,162,570.98

Non-current liabilities:			
Long-term loans		-	-
Bonds payable		-	-
Long-term account payable		-	-
Special accounts payable		-	-
Projected liabilities		-	-
Deferred income tax liabilities		-	-
Other non-current liabilities	Annotation 23	15,745,161.90	8,661,364.25
Total non-current liabilities		15,745,161.90	8,661,364.25
Total liabilities		324,953,894.24	216,823,935.23
Shareholders equity:			
Share capital	Annotation 24	250,900,154.00	250,900,154.00
Capital public reserve	Annotation 25	571,329,130.72	568,510,912.82
Less: Inventory shares		-	-
Reasonable reserve		-	-
Surplus public reserve	Annotation 26	45,001,147.33	40,071,736.73
Retained profit	Annotation 27	93,286,637.50	104,733,870.63
Balance difference of foreign currency translation		-	-
Total shareholders equity attributable to parent Company		960,517,069.55	964,216,674.18
Minority interests	IV (I)	51,167,623.63	41,953,986.34
Total shareholders equity		1,011,684,693.18	1,006,170,660.52
Total liabilities and shareholders equity		1,336,638,587.42	1,222,994,595.75

(the attached annotation is part of the consolidated financial statement)

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

In RMB

Shenzhen Shenbao Industrial Co., Ltd. Balance sheet

2013-12-31

(RMB is used for currency unit unless otherwise state)

Asset	Note XI	Balance at period-end	Balance at period-begin
Current assets:			
Monetary fund		105,859,108.94	55,033,726.34
Transaction finance asset		1,389,288.09	-
Notes receivable		-	-
Account receivable	Annotation 1	26,786,709.08	-
Accounts paid in advance		-	-
Interest receivable		-	-
Dividend receivable		-	-
Other receivables	Annotation 2	195,025,202.17	206,844,593.12
Inventory		205,150,584.62	136,549,875.59
Non-current asset due within one year		-	-
Other current assets		-	-
Total current assets		534,210,892.90	398,428,195.05
Non-current assets:			
Financial assets available for sale		-	-
Hold-to-maturity investment		-	-
Long-term account receivable		-	-
Long-term equity investment	Annotation 3	859,110,475.04	884,524,266.12
Investment real estate		23,012,842.86	23,840,011.01
Fixed assets		3,272,893.01	3,302,782.72
Construction in process		50,023,561.00	-
Engineering material		-	-
Disposal of fixed asset		-	-
Productive biological assets		436,156.00	436,156.00
Intangible assets		8,272,752.63	5,887,134.46
Expense on Research and Development		-	-
Goodwill		-	-
Long-term expenses to be apportioned		280,888.31	543,883.58
Deferred income tax asset		1,425,156.37	1,449,942.42
Other non-current asset		-	-

Total non-current asset		945,834,725.22	919,984,176.31
Total assets		1,480,045,618.12	1,318,412,371.36

(the attached annotation is part of the consolidated financial statement)

Legal person: Mr. Zheng Yuxi

Person in Charge of Accounting Works: Ms. Wang Zhiping

Person in Charge of Accounting Institution: Mr. Xu Qiming

Shenzhen Shenbao Industrial Co., Ltd. Balance sheet (cont.)

2013-12-31

In RMB

Liabilities and shareholders equity	Note	Balance at period-end	Balance at period-begin
Current liabilities:			
Short-term loans		-	-
Transaction financial liabilities		-	-
Notes payable		-	-
Accounts payable		30,990,754.97	-
Accounts received in advance		12,581,452.00	-
Wage payable		5,093,244.06	3,801,195.32
Taxes payable		10,930,170.59	87,353.38
Interest payable		-	-
Dividend payable		2,909,182.74	2,909,182.74
Other accounts payable		342,300,775.21	235,348,510.46
Non-current liabilities due within 1 year		-	-
Other current liabilities		-	-
Total current liabilities		404,805,579.57	242,146,241.90
Non-current liabilities:			
Long-term loans		-	-
Bonds payable		-	-
Long-term account payable		-	-
Special accounts payable		-	-
Projected liabilities		-	-
Deferred income tax liabilities		-	-
Other non-current liabilities		49,920.00	49,920.00

Total non-current liabilities		49,920.00	49,920.00
Total liabilities		404,855,499.57	242,196,161.90
Shareholders equity:			
Share capital		250,900,154.00	250,900,154.00
Capital public reserve		583,160,306.19	583,300,472.29
Less: Inventory shares		-	-
Reasonable reserve		-	-
Surplus public reserve		45,001,147.33	40,071,736.73
Retained profit		196,128,511.03	201,943,846.44
Total shareholders equity		1,075,190,118.55	1,076,216,209.46
Total liabilities and shareholders equity		1,480,045,618.12	1,318,412,371.36

(the attached annotation is part of the consolidated financial statement)

Legal person: Mr. Zheng Yuxi

Person in Charge of Accounting Works: Ms. Wang Zhiping

Person in Charge of Accounting Institution: Mr. Xu Qiming

3. Profit statement

Prepared by Shenzhen Shenbao Industrial Co., Ltd

In RMB

Shenzhen Shenbao Industrial Co., Ltd.

Profit statement

In 2013

(RMB is used for currency unit unless otherwise state)

Item	Note V	Amount in this period	Amount in last period
I. Operating income	Annotation 28	438,318,662.25	310,790,324.70
Less: Operating cost	Annotation 28	367,575,489.74	257,469,827.25
Operating tax and extras	Annotation 29	1,559,176.26	1,867,632.01
Sales expenses	Annotation 30	34,286,008.25	19,796,335.71
Administration expenses	Annotation 31	60,626,094.40	63,593,314.76
Financial expenses	Annotation 32	(121,468.43)	(483,988.21)

Losses of devaluation of asset	Annotation n 33	718,024.89	159,424.84
Add: Changing income of fair value	Annotation n 34	66,359.35	22,500.00
Investment income	Annotation n 35	68,266,653.80	105,641,348.65
Including: Investment income on affiliated Company and joint venture	Annotation n 35	-	(299,393.90)
III. Operating profit		42,008,350.29	74,051,626.99
Add: Non-operating income	Annotation n 36	20,069,364.44	3,269,282.38
Less: Non-operating expense	Annotation n 37	74,228.91	437,663.17
Including: Disposal loss of non-current asset		74,221.87	237,578.80
IV. Total Profit		62,003,485.82	76,883,246.20
Less: Income tax	Annotation n 38	16,789,256.26	2,819,321.12
V. Net profit		45,214,229.56	74,063,925.08
Including: net profit realized for merged party before combination		-	-
Net profit attributable to owner's equity of parent Company		43,662,208.27	74,529,471.28
Minority shareholders' gains and losses		1,552,021.29	(465,546.20)
VI. Earnings per share:			
(I) Basic earnings per share	Annotation n 39	0.1740	0.2970
(II) Diluted earnings per share	Annotation n 39	0.1740	0.2970
VII. Other consolidated income	Annotation n 40	(140,166.10)	(210,249.15)
VIII. Total consolidated income		45,074,063.46	73,853,675.93
Total consolidated income attributable to shareholders of parent Company		43,522,042.17	74,319,222.13
Total consolidated income attributable to minority shareholders		1,552,021.29	(465,546.20)

(the attached annotation is part of the consolidated financial statement)

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

In RMB

Shenzhen Shenbao Industrial Co., Ltd.**Profit statement**

In 2013

In RMB

Item	Note XI	Amount in this period	Amount in last period
I. Operation income	Annotation 4	60,972,143.52	3,826,254.68
Less: Operation cost	Annotation 4	55,661,017.95	932,532.43
Operating tax and extras		141,470.27	152,437.48
Sales expenses		1,252,220.51	304,429.34
Administration expenses		25,043,344.88	30,065,445.58
Financial expenses		(295,000.43)	1,337,747.73
Losses of devaluation of asset		315,833.29	382,391.35
Add: Changing income of fair value		66,359.35	-
Investment income	Annotation 5	68,259,965.15	105,631,358.15
Including: Investment income on affiliated Company and joint venture		-	(299,393.90)
II. Operating profit		47,179,581.55	76,282,628.92
Add: Non-operating income		12,873,304.58	-
Less: Non-operating expense		3,410.56	180,081.65
Including: Disposal loss of non-current asset		3,410.56	180,081.65
III. Total Profit		60,049,475.57	76,102,547.27
Less: Income tax		10,755,369.58	25,513.40
IV. Net profit		49,294,105.99	76,077,033.87
V. Earnings per share			
(I)Basic earnings per share		-	-
(II)Diluted earnings per share		-	-

VI. Other consolidated income		(140,166.10)	(210,249.15)
VII. Total consolidated income		49,153,939.89	75,866,784.72

(the attached annotation is part of the consolidated financial statement)

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

In RMB

Shenzhen Shenbao Industrial Co., Ltd.

Consolidated cash flow statement

In 2013

(RMB is used for currency unit unless otherwise state)

Item	Note V	Amount in this period	Amount in last period
I. Cash flows arising from operating activities:			
Cash received from selling commodities and providing labor services		506,712,387.12	331,616,125.15
Write-back of tax received		22,665,987.35	200,279.26
Other cash received concerning operating activities	Annotation 41	135,970,837.16	26,934,323.20
Subtotal of cash inflow arising from operating activities		665,349,211.63	358,750,727.61
Cash paid for purchasing commodities and receiving labor service		550,726,968.83	302,487,481.78
Cash paid to/for staff and workers		51,497,653.30	40,059,830.92
Taxes paid		19,918,563.16	24,499,200.93
Other cash paid concerning operating activities	Annotation 41	46,043,865.96	40,138,772.21
Subtotal of cash outflow arising from operating activities		668,187,051.25	407,185,285.84
Net cash flows arising from operating activities		(11,917,839.62)	(48,434,558.23)
II. Cash flows arising from investing activities:			
Cash received from recovering investment		25,488,813.63	56,227,517.89
Cash received from investment income		68,259,965.15	103,546,568.40
Net cash received from disposal of fixed, intangible and other long-term assets		850,867.79	602,232.00

Net cash received from disposal of subsidiaries and other units		-	-
Other cash received concerning investing activities	Annotation 41	9,080,000.00	4,000,000.00
Subtotal of cash inflow from investing activities		103,679,646.57	164,376,318.29
Cash paid for purchasing fixed, intangible and other long-term assets		157,370,487.26	140,734,964.13
Cash paid for investment		-	-
Net increase of mortgaged loans		-	-
Net cash received from subsidiaries and other units		-	-
Other cash paid concerning investing activities		-	-
Subtotal of cash outflow from investing activities		157,370,487.26	140,734,964.13
Net cash flows arising from investing activities		(53,690,840.69)	23,641,354.16

(the attached annotation is part of the consolidated financial statement)

Legal person: Mr. Zheng Yuxi

Person in Charge of Accounting Works: Ms. Wang Zhiping

Person in Charge of Accounting Institution: Mr. Xu Qiming

Shenzhen Shenbao Industrial Co., Ltd. Consolidated cash flow statement (cont.)

In 2013

(RMB is used for currency unit unless otherwise state)

Item	Note V	Amount in this period	Amount in last period
III. Cash flows arising from financing activities:			
Cash received from absorbing investment		-	5,800,000.00
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		-	5,800,000.00
Cash received from loans		160,000,000.00	315,000,000.00
Cash received from issuing bonds		-	-
Other cash received concerning financing activities	Annotation 41	5,720,000.00	500,000.00
Subtotal of cash inflow from financing activities		165,720,000.00	321,300,000.00
Cash paid for settling debts		160,000,000.00	353,000,000.00

Cash paid for dividend and profit distributing or interest paying		52,797,559.33	5,108,766.79
Including: Dividend and profit of minority shareholder paid by subsidiaries		-	-
Other cash paid concerning financing activities		-	500,000.00
Subtotal of cash outflow from financing activities		212,797,559.33	358,608,766.79
Net cash flows arising from financing activities		(47,077,559.33)	(37,308,766.79)
IV. Influence on cash due to fluctuation in exchange rate		(2,506,842.78)	(1,818,721.82)
V. Net increase of cash and cash equivalents		(115,193,082.42)	(63,920,692.68)
Add: Balance of cash and cash equivalents at the period -begin		372,922,024.47	436,842,717.15
VI. Balance of cash and cash equivalents at the period -end	Annotation 42	257,728,942.05	372,922,024.47

(the attached annotation is part of the consolidated financial statement)

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

In RMB

Shenzhen Shenbao Industrial Co., Ltd.

Cash flow statement

In 2013

(RMB is used for currency unit unless otherwise state)

Item	Note XI	Amount in this period	Amount in last period
I. Cash flows arising from operating activities:			
Cash received from selling commodities and providing labor services		57,307,532.12	3,950,945.78
Write-back of tax received		-	-
Other cash received concerning operating activities		806,654,964.76	156,736,810.86
Subtotal of cash inflow arising from operating activities		863,962,496.88	160,687,756.64
Cash paid for purchasing commodities and receiving labor service		137,939,835.98	1,132,426.82
Cash paid to/for staff and workers		14,246,525.69	12,225,433.96
Taxes paid		1,078,737.64	2,262,885.62

Other cash paid concerning operating activities		648,305,739.50	14,794,894.89
Subtotal of cash outflow arising from operating activities		801,570,838.81	30,415,641.29
Net cash flows arising from operating activities		62,391,658.07	130,272,115.35
II. Cash flows arising from investing activities:			
Cash received from recovering investment		25,488,813.63	56,227,517.89
Cash received from investment income		68,259,965.15	103,546,568.40
Net cash received from disposal of fixed, intangible and other long-term assets		-	115,000.00
Net cash received from disposal of subsidiaries and other units		-	-
Other cash received concerning investing activities		-	-
Subtotal of cash inflow from investing activities		93,748,778.78	159,889,086.29
Cash paid for purchasing fixed, intangible and other long-term assets		53,411,574.99	16,585,567.37
Cash paid for investment		-	613,497,641.88
Net increase of mortgaged loans		-	-
Net cash received from subsidiaries and other units		-	-
Other cash paid concerning investing activities		-	-
Subtotal of cash outflow from investing activities		53,411,574.99	630,083,209.25
Net cash flows arising from investing activities		40,337,203.79	(470,194,122.96)
III. Cash flows arising from financing activities:			
Cash received from absorbing investment		-	-
Cash received from loans		105,000,000.00	220,000,000.00
Cash received from issuing bonds		-	-
Other cash received concerning financing activities		-	-
Subtotal of cash inflow from financing activities		105,000,000.00	220,000,000.00
Cash paid for settling debts		105,000,000.00	220,000,000.00
Cash paid for dividend and profit distributing or interest paying		51,611,280.80	3,246,971.45
Other cash paid concerning financing activities		-	-
Subtotal of cash outflow from financing activities		156,611,280.80	223,246,971.45
Net cash flows arising from financing activities		(51,611,280.80)	(3,246,971.45)
IV. Influence on cash due to fluctuation in exchange rate		(292,198.46)	(979,289.17)
V. Net increase of cash and cash equivalents		50,825,382.60	(344,148,268.23)
Add: Balance of cash and cash equivalents at the begin of year	Annotation 6	55,033,726.34	399,181,994.57
VI. Balance of cash and cash equivalents at the end of year		105,859,108.94	55,033,726.34

(the attached annotation is part of the consolidated financial statement)

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

In RMB

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

In 2013

(RMB is used for currency unit unless otherwise state)

Item	Shareholders equity attributable to the parent Company							Minority's equity	Total shareholders equity
	Share capital	Capital reserves	Treasury Stock	Reasonable reserve	Surplus reserves	Retained profit	Other		
I. Balance at the end of the last year	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
Add: Changes of accounting policy	-	-	-	-	-	-	-	-	-
Error correction of the last period	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of this year	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
III. Increase/ Decrease in this year	-	2,818,217.90	-	-	4,929,410.60	(11,447,233.13)	-	9,213,637.29	5,514,032.66
(I) Net profit	-	-	-	-	-	43,662,208.27	-	1,552,021.29	45,214,229.56
(II) Other consolidated income	-	(140,166.10)	-	-	-	-	-	-	(140,166.10)

)							
Subtotal of (I) and (II)	-	(140,166.10)	-	-	-	43,662,208.27	-	1,552,021.29	45,074,063.46
(III) Shareholders devoted and decreased capital	-	2,958,384.00	-	-	-	-	-	7,661,616.00	10,620,000.00
1. Shareholders devoted capital	-	-	-	-	-	-	-	4,900,000.00	4,900,000.00
2. Amount calculated into shareholders equity paid in shares	-	-	-	-	-	-	-	-	-
3. Other	-	2,958,384.00	-	-	-	-	-	2,761,616.00	5,720,000.00
(IV) Profit distribution	-	-	-	-	4,929,410.60	(55,109,441.40)	-	-	(50,180,030.80)
1. Withdrawal of surplus reserves	-	-	-	-	4,929,410.60	(4,929,410.60)	-	-	-
2. Distribution for shareholders	-	-	-	-	-	(50,180,030.80)	-	-	(50,180,030.80)
3. Other	-	-	-	-	-	-	-	-	-
(V) Carrying forward internal shareholders equity	-	-	-	-	-	-	-	-	-
1. Capital reserves converted to share capital	-	-	-	-	-	-	-	-	-
2. Surplus reserves converted to share capital	-	-	-	-	-	-	-	-	-
3. Remedying loss with surplus reserve	-	-	-	-	-	-	-	-	-
4. 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 year	-	-	-	-	-	-	-	-	-
	250,900,154.00	571,329,130.72	-	-	45,001,147.33	93,286,637.50	-	51,167,623.63	1,011,684,693.18

(the attached annotation is part of the consolidated financial statement)

Legal person: Mr. Zheng Yuxi

Person in Charge of Accounting Works: Ms. Wang Zhiping

Person in Charge of Accounting Institution: Mr. Xu Qiming

Amount for last year

In RMB

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

In 2012

(RMB is used for currency unit unless otherwise state)

Item	Shareholders equity attributable to the parent Company							Minority's equity	Total shareholders equity
	Share capital	Capital reserves	L ess: Treas ury Stock	Reasona ble reserve	Surplus reserves	Retained profit	Oth er		
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	-	-	-	-	-	-	-	-	-
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
III. Increase/ Decrease in this year	-	(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)
Subtotal of (I) and (II)	-	(210,249.15)	-	-	-	74,529,471.28	-	(465,546.20)	73,853,675.93
(III) Shareholders devoted and decreased capital	-	20,939.46	-	-	-	-	-	42,419,532.54	42,440,472.00
1. Shareholders devoted capital	-	-	-	-	-	-	-	42,400,000.00	42,400,000.00
2. Amount calculated into shareholders equity paid in shares	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	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. Distribution for shareholders	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-
(V) Carrying forward internal shareholders equity	-	-	-	-	-	-	-	-	-
1. Capital reserves conversed to share capital	-	-	-	-	-	-	-	-	-
2. Surplus reserves conversed to 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 year	250,900,154.00	568,510,912.82	-	-	40,071,763.73	104,733,870.63	-	41,953,986.34	1,006,170,660.52

(the attached annotation is part of the consolidated financial statement)

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

In RMB

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

In 2013

(RMB is used for currency unit unless
otherwise state)

Item	Share capital	Capital reserves	Les s: Treasury Stock	Reasonable reserve	Surplus reserves	Retained profit	Other	Total shareholders equity
I. Balance at the end of the last year	250,900,154.00	583,300,472.29	-	-	40,071,736.73	201,943,846.44	-	1,076,216,209.46
Add: Changes of accounting policy	-	-	-	-	-	-	-	-
Error correction of the last period	-	-	-	-	-	-	-	-
II. Balance at the beginning of this year	250,900,154.00	583,300,472.29	-	-	40,071,736.73	201,943,846.44	-	1,076,216,209.46
III. Increase/ Decrease in this year	-	(140,166.10)	-	-	4,929,410.60	(5,815,335.41)	-	(1,026,090.91)
(I) Net profit	-	-	-	-	-	49,294,105.99	-	49,294,105.99

(II) Other consolidated income	-	(140,166.10)	-	-	-	-	-	(140,166.10)
Subtotal of (I) and (II)	-	(140,166.10)	-	-	-	49,294,105.99	-	49,153,939.89
(III) Shareholders devoted and decreased capital	-	-	-	-	-	-	-	-
1. Shareholders devoted capital	-	-	-	-	-	-	-	-
2. Amount calculated into shareholders equity paid in shares	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
(IV) Profit distribution	-	-	-	-	4,929,410.60	(55,109,441.40)	-	(50,180,030.80)
1. Withdrawal of surplus reserves	-	-	-	-	4,929,410.60	(4,929,410.60)	-	-
2. Distribution for shareholders	-	-	-	-	-	(50,180,030.80)	-	(50,180,030.80)
3. Other	-	-	-	-	-	-	-	-
(V) Carrying forward internal shareholders equity	-	-	-	-	-	-	-	-
1. Capital reserves converted to share capital	-	-	-	-	-	-	-	-
2. Surplus reserves converted to share capital	-	-	-	-	-	-	-	-
3. Remedying loss with surplus reserve	-	-	-	-	-	-	-	-
4. 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 year	250,900,154.00	583,160,306.19	-	-	45,001,147.33	196,128,511.03	-	1,075,190,118.55

(the attached annotation is part of the consolidated financial statement)

Legal person: Mr. Zheng Yuxi

Person in Charge of Accounting Works: Ms. Wang Zhiping

Person in Charge of Accounting Institution: Mr. Xu Qiming

Amount for last year

In RMB

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

In 2012

(RMB is used for currency unit unless
otherwise state)

Item	Share capital	Capital reserves	Les s: Treasury Stock	Reasonable reserve	Surplus reserves	Retained profit	Other	Total shareholders 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	-	-	-	-	-	-	-	-
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	-	(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) Shareholders devoted and decreased capital	-	-	-	-	-	-	-	-
1. Shareholders devoted capital	-	-	-	-	-	-	-	-
2. Amount calculated into shareholders 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. Distribution for shareholders	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
(V) Carrying forward internal shareholders equity	-	-	-	-	-	-	-	-
1. Capital reserves converted to share capital	-	-	-	-	-	-	-	-
2. Surplus reserves converted to share capital	-	-	-	-	-	-	-	-
3. Remedying loss with surplus reserve	-	-	-	-	-	-	-	-
4. 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 year	250,900,154.00	583,300,472.29	-	-	40,071,736.73	201,943,846.44	-	1,076,216,209.46

(the attached annotation is part of the consolidated financial statement)

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 on 1 August 1991. Then with the approval (Document (1991)No.126) from People’s Bank of China, the Company began to list on Shenzhen Stock Exchange.

The Company initially issued 107,312,935 shares in the stock exchange. In 1992, one bonus share was dispatched for each 10 shares held by its shareholders, thus totally 10,731,290 shares were increased. In 1993, one bonus share and one allotted share were dispatched for each 10 shares held by its shareholders, thus totally 20,878,845 shares were increased. Subsequently, one bonus share was dispatched for each 10 shares held by shareholders upon the basis of total share capital as at the end of 1996, and capitalizing of capital reserves was carried out at one to ten basis, thus totally 27,784,614 shares were increased. In 2001, based on the total share capital as at the end of 1999, three shares were allotted for each 10 shares held by shareholders, and totally 15,215,404 shares were allotted. The registered capital of the Company amounts to RMB181,923,088.

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

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

General business scope including: production of tea, tea products, extract of tea and natural plant, canned food, beverage and native products (business license for the production place should apply separately); technology development and technology service of tea, plant products, soft beverage and foods; info tech development and supporting service; on-line trading; investment, operation, management and development of tea plantation; investment in industrial projects (apply separately for detail projects); domestic trading(excluding special sales, specific control and exclusive commodity); import and export business; engaged in real estate development and operation in the land legally obtained; lease and sales of the self-owned property and property management.” (as for the projects subject to examination and approval regulated by the state laws, administrative regulations and state council, approval should be obtained before operation). Business in license: wholesale of prepackaged food (excluding reheating prepackaged food) (in non-physical way)

(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; rock tea of “Xing Jiu” serial; “Jufangyong” longjing green tea; “Gutan” red tea and serials of “Fu Hai Tang”; 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

(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 office

of the Board, office of GM, HR Dept., Financial management Dept., investment development dept., brand planning dept., caffeine deep processing division, R&D center, monitor room and internal auditing dept.

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

(I) 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.

(II) Statement for observation of Accounting Standard for Enterprise

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

(III) Accounting period

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

(IV) Standard currency

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

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

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

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

2. Business combination under the same control

1) Individual financial statements

Where the consideration for the combination is the cash paid, the non-cash assets transferred and the liabilities assumed and equity securities issued, it shall, on the combining day, treat the share of the carrying amount of owner's equity of the combined party as the initial cost of long-term equity investment. Difference between the initial cost of the long-term equity investment and the consideration paid for the combination is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Any cost directly attributable to the combination should, including the expenses for audit, assessment and legal services, be recognized in profit or loss for the current period. Where there is consolidated financial statements of the combined party, the initial cost of the long-term equity investment shall be determined on the basis of owner's equity of the combined party in its consolidated financial statements on the combining day.

2) Consolidated financial statements

Assets and liabilities obtained by the absorbing party are measured at their carrying amounts on the combining day. Where the accounting policy adopted by the combined party is different from that adopted by the Company, the Company shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the combined party, and shall, pursuant to the accounting standards for enterprises, recognize them on the basis of such adjustment.

3. 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. In combination agreement, as for the contract made for the influence that probably impact the combination costs, if the future event probably impact on the combination cost on purchasing date, which can be measured reliably, than reckoned into combination cost.

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

As for the business combination not under the same control realized through several exchange transactions step by step, 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.

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 losses 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.

(VII) Recognition standards for cash and cash equivalents

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

(VIII) Foreign currency business and conversion of foreign currency statement

1. 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.

(IX) Financial instruments

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

1. Categories of financial instruments

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

2. Recognition evidence and measurement methods for financial instruments**(1) Financial assets (financial liabilities) at fair value through current gains and losses**

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

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

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

(2) Held-to-maturity investment

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

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

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

(3) 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. provision of impairment reserve for impairment of financial assets (excluding account receivables)

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

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

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

(X) Recognition standards and accrual method for bad debt provision for accounts receivable**1. Account receivable with single significant amount and withdrawal single item bad debt provision:**

Recognition standards:

Account with single significant amount: Amount occupied 10 percent (including 10 percent) of the balance of account receivable.

Withdrawal method for bad debt provision of account receivable with single significant amount: Conducted impairment testing separately, balance between the present value of future cash flow and its carrying value, bad debt provision withdrawal and reckoned into current gains/losses. For those without impairment being found after test, collected into relevant combination for accrual.

2. Accounts receivable whose bad debts provision was accrued by combination

(1) the group without impairment after test independently

(2) the group withdrawing bad debt provision by age analysis:

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

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.

(XI) Inventories**1. Classification**

Inventory means finished goods and merchandise that are ready for sale, work-in-progress, or material used in the process of production or provision of service in the ordinary course of business. Inventory includes merchandise in warehouse, delivered goods, work-in-progress, raw materials, packing materials, low value consumables, subcontracted materials, development cost, land proposed for development, developed products and those for lease, etc.

2. Valuation method

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

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

After inventory at period-end, the inventories are accounted depending on which is lower between the cost and the net realizable value or adjusted the provision of inventory. The net realizable value of finished goods, inventory products and sellable materials, in normal business production, is measured as the residual value after deducting the estimated sales expense and related taxes and fees from the estimated selling price; the net realizable value of an item of inventories subject to further processing, in normal business production, is measured as the residual

value after deducting the sum of the estimated costs of completion, sales expense and related taxes and fees from the estimated selling price of the sellable item. The net realizable value of the quantity of inventories held to satisfy firm sales or service contracts is based on the contract price. If the sales contracts are for less than the inventory quantities held, the net realizable value of the excess is based on general selling prices.

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

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

4. Inventory system

Inventory system is the perpetual inventory system.

5. Amortization of low-value consumables and packaging materials

Adopt five-five amortization for low-value consumables;

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

6. Accounting method of land for development

The expenditure of projects purely for land development standing alone constitutes land development cost;

The expenditure of projects involving overall real estate development that is borne by other parties is generally amortized into the cost of commercial properties according to the actual area.

7. Accounting method of ancillary facilities fee

Ancillary facilities that are not allowed to be transferred with compensation are amortized into the cost of commercial properties according to the proportion of benefit;

Cost incurred for ancillary facilities that are allowed to be transferred with compensation is attributable to each ancillary facilities project as a cost accounting unit.

8. Accounting method of maintenance fund

According to the relevant regulations of the place where the development projects are located, maintenance fund shall, at the time of sale or presale of the development, be charged from the purchasers or credited by the Company into the development cost accordingly, and turned over to the managing department of maintenance fund.

9. Accounting method of retention

Retention is withheld from the progress payment of construction unit according to the construction contract. Maintenance fee incurred during the warranty period of the development is credited against retention. At the maturity of warranty as stipulated for the development, balance of the retention will be returned to the construction unit.

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

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

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

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

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. Disposal by steps of investment in subsidiaries

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

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

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

(1) In individual financial statements, equity disposed should be accounted for in accordance with the Accounting Standards for Enterprises No. 2 – Long-term equity investments. Meanwhile, remaining equity should be recognized at its carrying amount as long-term equity investment or other relevant financial asset. Remaining equity after disposal that can exercise common control or significant influence on original subsidiaries should be accounted for in accordance with the relevant regulations on the exchange between cost approach and equity method.

(2) In consolidated financial statements, remaining equity should be re-measured according to its fair value on the day of its loss of control. The sum of consideration gained from the disposal of equity and the fair value of remaining equity minus the share of net assets of original subsidiaries since the day of purchase and based on its original shareholding ratio is credited into investment gain for the current period. Other comprehensive income in relation to equity investments of original subsidiaries should be transferred to investment gain for the period at the time of loss of control. Enterprises should disclose in the notes the fair value of remaining equity after disposal on the day of loss of control and the amount of gain or loss arising from the re-measurement at fair value.

Each transaction involved in the disposal of equity investments of subsidiaries until loss of control falls into a package deal and should be accounted for accordingly in differentiation with individual financial statements and consolidated financial statements:

- (1) In individual financial statements, each transaction should be accounted for as a transaction-involving disposal of subsidiaries and loss of control. When disposing the investments in subsidiaries by enterprises, difference between the payment and the carrying amount should be recognized as investment gain for the period in individual financial statements of parent company;
- (2) In consolidated financial statements, difference between each payment from disposal of a subsidiary and the share of its net assets through investment before the loss of control should be recognized as other comprehensive income and at the time of loss of control, transferred to profit or loss for the current period.

4. 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.

5. Impairment testing and withdrawal of the impairment

At the balance sheet date, if there are indications that a long-term equity investment has impaired due to a sustained decline in market price or deterioration in the operation conditions of the investee unit, the recoverable amount of the long-term equity investment is determined based on the higher of the fair value net of disposal costs and the present value of the estimated future cash flow of the long-term equity investment. If the recoverable amount of the long-term equity investment is lower than the carrying amount, the carrying amount of the asset is reduced to the recoverable amount and the amount so reduced is recognized as impairment loss and recognized in profit or loss for the period, and corresponding provision for impairment is allocated.

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.

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

(XIII) Investment real estate

Investment real estate is defined as the real estate with the purpose to earn rent or capital appreciation or both, including the rented land use rights and the land use rights which are held and prepared for transfer after appreciation, the rented buildings.

The 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.

(XIV) 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 fixed assets

Except for the fixed assets that continue using after depreciation withdrawal totally, the 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.

Fixed assets leased on a financing lease which it can be reasonably assured that ownership of the leased asset can be obtained upon expiration of lease, the leased asset is depreciated over its remaining useful life; if ownership of the leased asset cannot be reasonably determined upon expiration of lease, the shorter of the lease term and the remaining useful life of the leased asset is used for allocation of depreciation.

Fixed assets formed using special reserve expense are deducted against the special reserve based on the cost of forming the fixed assets and corresponding amount is recognized in accumulated depreciation. No further allocation for depreciation can be made for such fixed assets in future periods.

The Company determines the useful life and estimated residual value of fixed assets based on their nature and use condition. The useful life, estimated residual value and method of depreciation of fixed assets are re-assessed at the end of the period, corresponding adjustment is made when any difference from the originally estimated amount is found.

The period of depreciation and depreciation ratio of different categories of fixed assets are as follows:

Type	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 assets should be adjusted correspondingly in future period. And during the rest of service life, the fixed assets should be amortized the book value of fixed assets (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.

4. Recognition and measurement of fixed assets held under finance lease

A fixed asset leased by the Company is recognized as the fixed asset held under finance lease if one or more of the following criteria is met:

- (1) Upon the expiry of the lease term, the ownership is transferred to the Company.
- (2) the Company has the option to purchase the asset at a predetermined price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and it is reasonably ascertained at the inception of lease that the option will be exercised.
- (3) the lease term approximates the useful life of the relevant asset even if the ownership is not transferred.
- (4) at the inception of the lease, the present value of the minimum lease payments is substantially equivalent to the fair value of the leased asset.
- (5) the leased assets are of such a specialized nature that only the Company can use them without major modification.

A fixed asset held under finance lease is initially recognized at the lower of fair value of the leased asset and the present value of the minimum lease payments, while the amount of the minimum lease payments will be recognized as the entry value of long-term account payable, the difference between them will be recognized as unrecognized financing costs. The initial direct costs such as commissions, attorney's fees, travelling expenses, stamp duties attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value. Unrealized finance costs will be amortized using actual interest rate method over each period during the lease terms.

The Company adopts depreciation policies for leased assets consistent with those of self-owned fixed assets for the purpose of calculating the depreciation of a leased asset. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

(XV) Construction in process

1. Classification of constructions under progress

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

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

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

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

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

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

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

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

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

(XVI) Borrowing expenses

1. Recognition of the borrowing expenses capitalization

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

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

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

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

(XVII) Biological assets

Biological assets of the Company refer to the productive biological assets

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

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

Biological assets used for production are stated at cost at initial recognition. The cost of biological asset used for production purchased from the outside includes the purchase price, related taxes, transportation expense, insurance premium and other charges directly attributable to the purchase of such asset. Biological asset used for production input by investors is stated at its entry value which is calculated based on the value as stipulated in the investment contract or agreement plus the related taxes payable. Where value stipulated in the contract or agreement is not fair, the actual cost is fixed at fair value. The cost of self-bred biological asset used for production is determined based on the necessary expenses incurred so as to achieve the anticipated production and operation purposes, including feed costs, labor costs and indirect costs to be allocated.

Management and protection and feed expenses of the Company's biological assets used for production incurred after the canopy closure or achievement of the expected production and operation purposes are charged to profit or loss for the current period.

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.

At the balance sheet date, biological assets used for production of the Company are measured at the lower of their carrying amount and recoverable amount, and provision for impairment is made according to the difference between the recoverable amount and carrying amount on an individual basis. An impairment loss recognized on the biological assets used for production shall not be reversed in a subsequent period.

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

(XVIII) Intangible assets and R&D expenditure

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

1. Measurement of intangible assets

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

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

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

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

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

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

(2) Subsequent measurement

Analysis and determined the service life for intangible assts while obtained.

Those intangible assets with limited useful life are evenly amortized on straight basis from the date when they become useable to the end of expected useful life; for those intangible assts without limited useful life predicted, amortized nothing due to intangible assts without certain service life.

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

Item	Predicted useful life	Basis
Land use right	Amortized the actual rest of life after certificate of land use right obtained	Certificate of land use right
Proprietary technology	20-year	Actual situation of the Company

At end of report term, revising will be performed on the useful life of intangible assets with limited useful life and the methods of amortizing.

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

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.

(XIX) Goodwill

Goodwill refers to the difference in cost of business combination of entities not under common control that exceeds the share in the fair value of the identifiable net assets of the investee unit or acquiree on the date of acquisition or date of purchase.

Goodwill related to subsidiaries is stated separately on the consolidated financial statements; goodwill related to associated companies and joint ventures is included in the carrying amount of long-term equity investments.

Goodwill separately stated in financial statements is tested for impairment at least once every year at the end of the year. When testing for impairment, the carrying amount of goodwill is apportioned to the benefited asset group or portfolio of asset groups based on the synergy from business combination that can benefit such asset group or portfolio of asset groups.

(XX) Long-term expenses to be amortized

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

(XXI) Accrual liability

1. Recognition standards for accrual liability

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

- (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

(XXII) 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.

As for main sales in the Company, according to the arrival of acceptance period agreed in the contract, income shall be recognized after the period expired

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.

(XXIII) 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

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

2. Recognition of government subsidies

Government subsidies in the form of monetary assets are stated at the amount received or receivable. Government subsidies in the form of non-monetary assets are measured at fair value; if fair value cannot be obtained, a nominal amount (RMB1) is used. Government subsidies measured at nominal amount is recognized immediately in profit or loss for the current period.

3. 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.

When there is reversal of the government grants recognized, if the relevant deferred income exists, such deferred income is offset against the balance of the carrying value with the excess dealt with in the profit or loss for the period. If the relevant deferred income does not exist, it will be directly dealt with in the profit or loss for the period.

(XXIV) Accounting treatment for income tax

Income tax of the Company adopts balance sheet liability approach for treatment

(XXV) 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.

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

(1) an enterprise has the legal rights to settle the income tax assets and income tax liabilities for the current period by net amount;

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

Generally, in individual financial statements, current and deferred tax assets and liabilities can be offset and presented at net amount. In consolidated financial statements, the current or deferred tax assets of one party generally are not allowed to be offset against those of other party, unless the said enterprise has the right and intention to settle in net amount.

(XXVI) Operating lease

1. As lessee of operating leases, rental payments under operating leases are recognized as costs or expenses on a straight-line basis over the lease term (including rent-free periods). Initial direct costs that are attributable to an operating lease incurred by the Company are credited into expenses for the period.

When the lessor bears the lease related expenses that shall be undertaken by the Company, such expenses shall be deducted from the rent and amortized at the net amount over the lease term and credited into expenses for the period.

2. As lessor of operating leases, rental payment from operating leases is recognized as rental income on a straight-line basis over the lease term (including rent-free periods). Initial direct costs in relation to lease transaction paid by the Company are credited into expenses for the period. If with significant amount, they are capitalized when incurred, and are recognized in revenue for the current period on the same basis as rental income over the lease term.

When the Company bears the lease related expenses, which should be undertaken by the lessee, the Company should deduct this part of expense from the rent income, and amortize the net amount over the lease term.

(XXVII) Changes of main accounting policy and estimation

1. Changes of accounting policy

Accounting policy of the Company has no changed in the Period

Accounting estimation of the Company has no changed in the Period

(XXVIII) Correction for previous errors

1. Retrospective restatement

No errors with retrospective restatement being performed in Period

2. Prospective approach

No previous accounting errors with prospective restatement being performed in Period

V. Taxes

(I) Major taxes and rates applicable to the Company

1. Turnover tax and Sur-tax

Taxes	Basis	Rate
VAT	Sales of goods	17%
Business tax	Taxable turnover	5%
Urban maintenance and construction tax	Payable turnover taxes	5%, 7%
Educational surtax	Payable turnover taxes	5%

2. Enterprise income tax

Name	Tax rate	Note
The Company	25%	---
Shenzhen Shenbao Huacheng Technology Co.,Ltd (Shenbao Huacheng)	15%	Wholly-owned subsidiaries
Including: Shantou Branch of Shenbao Huacheng(Huacheng Shantou)	25%	Branch of Shenbao Huacheng
Jufangyong Tea Industry Co., Ltd. in Wuyuan County (Wuyuan Jufangyong)	25%	Wholly-owned subsidiaries
Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd. (Shenbao Sanjing)	25%	Wholly-owned subsidiaries
Huizhou Shenbao Technologies Co., Ltd. (Huizhou Shenbao Technologies)	25%	Wholly-owned subsidiaries
Shenzhen Shenbao Properties Management Co., Ltd. (Shenbao Properties)	25%	Wholly-owned subsidiaries
Shenzhen Shenbao Industrial Trading & Developmen Co., Ltd. (Shenbao Industrial Trading & Developmen)	25%	Wholly-owned subsidiaries
Hangzhou Jufangyong Holding Co., Ltd. (Hangzhou Jufangyong)	25%	Wholly-owned subsidiaries
Fujian Mount. Wuyi Shenbao Yuxing Tea Co., Ltd. (Shenbao Yuxing)	25%	Controlling subsidiary
Shenzhen Shenbao Technology Center Co., Ltd. (Technology Center)	25%	Wholly-owned subsidiaries
Zhejiang Shenshenbao Wafa Tea Co., Ltd. (Shenshenbao Wafa)	25%	Controlling subsidiary

(II) Tax preferential and approvals

1. 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

(I) Particular about subsidiary

1. Subsidiaries obtained by establishment or investment

Subsidiaries	Type	Place of registration	Nature of business	Register capita (in 10 thousand yuan)	Business scope
Shenzhen Shenbao Huacheng Technology Co.,Ltd	Wholly-owned	Shenzhen	Manufacture	15,345.13	Industrial investment (specific projects to be reported separately); information consultant, food technology development (not including the restrained items); import and export of goods and technology; production and sales of other foods (Chrysanthemum extract instant powder for food industry, Momordica grosvenori extract instant powder for food industry, HoneySuchle flowers extract instant powder for food industry, Composite ebony extract condensed juice, herbal tea concentrate, herbal tea concentrate for food industry, red date instant powder, blendimings instant powder; Mesona instant powder, fresh Imperata cylindrica), production and sales of tea products (instant tea)
Jufangyong Tea Industry Co., Ltd. in Wuyuan County	Wholly-owned	Wuyuan	Manufacture	29,000.00	Import and export trade of tea, natural plant, extractive of tea and natural plant, cultivation and tea; agricultural and sideline products, native products, purchasing, processing and sales (for special provision of goods from the State, effective certificate and licenses shall be required)

Subsidiaries	Type	Place of registration	Nature of business	Register capita (in 10 thousand yuan)	Business scope
Shenzhen Sanjing Food & Beverage Development Co., Ltd.	Wholly-owned	Shenzhen	Manufacture	3,015.00	Import and export business, normal freight, whole sales of prepackaged foods
Huizhou Technologies Ltd.	Wholly-owned	Huizhou	Comprehensive	6,000.00	Confirmed business scope in line with "National Industrial Production License"; industrial investment, property management (operated with certification only); domestic trading (excluding the items forbidden by laws, regulations; license are required for those items that restricted by laws and regulations)
Shenzhen Properties Management Ltd.	Wholly-owned	Shenzhen	Property management	500.00	Management of self-owned properties
Shenzhen Industrial Trading & Development Co., Ltd.	Wholly-owned	Shenzhen	Commercial wholesale	550.00	Commercial wholesale
Hangzhou Jufangyong Holding Co., Ltd.	Wholly-owned	Hangzhou	Comprehensive	17,500.00	Whole sales and retail of tea sets; purchase: tea the enterprise need for sales (purchase from original manufacturer of the 1 st industry directly only); service: investment and assets management of tea enterprises, technology development of tea and tea products, technology development of tea cultivation and breeding, technology consultant, technology service and results transfer
Shenzhen Technology Center Co., Ltd.	Wholly-owned	Shenzhen	Development, consultant and transfer of	5,400.00	Technology development, consultant, transfer and inspection service for tea, plant products, soft drinks and foods

Subsidiaries	Type	Place of registration	Nature of business	Register capita (in 10 thousand yuan)	Business scope
			technology		
Zhejiang Shenshenbao Tea Co., Ltd.	Wafa Controlling	Sheng Zhou	Export trading of tea	5,800.00	wholesale, retail pre-packaged tea and loose packages tea (valid until 8 August 2015); research of tea technology; import and export of goods
Fujian Mount. Wuyi Shenbao Yuxing Tea Co., Ltd.	Controlling	Mount Wuyi	Tea plantation, production and sales	4,000.00	Tea processing, tea planting, tea culture communication, package design for tea, tea art training, e-ecological tea park sightseeing, sales of tea furnitures, tea table and root carving; Wholesales and retail of prepackaged food (tea included) and bulk food (tea included)
Shenzhen Shenbao (Liaoyuan) Industrial Co., Ltd. (“Shenbao Liaoyuan”)	Controlling	Shenzhen	---	237.80	Not open officially

Continued:

Name	Shares ratio held (%)	Voting right ratio (%)	Actual investment at period-end (RMB)	Other balance of items constitute net investment in subsidiary actually	Combination (Y/N)
Shenzhen Shenbao Huacheng Technology Co.,Ltd	100	100	168,551,781.80	---	Y
Jufangyong Tea Industry Co., Ltd. in Wuyuan County	100	100	292,804,134.35	---	Y
Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd.	100	100	80,520,842.36	---	Y
Huizhou Shenbao Technologies Co., Ltd.	100	100	60,000,000.00	---	Y
Shenzhen Shenbao Properties Management Co., Ltd.	100	100	5,000,000.00	---	Y
Shenzhen Shenbao Industrial Trading & Developmen CO., Ltd.	100	100	5,500,000.00	---	Y
Hangzhou Jufangyong Holding Co., Ltd.	100	100	176,906,952.42	---	Y

Name	Shares ratio held (%)	Voting right ratio (%)	Actual investment at period-end (RMB)	Other balance of items constitute net investment in subsidiary actually	Combination (Y/N)
Shenzhen Shenbao Technology Center Co., Ltd.	100	100	54,676,764.11	---	Y
Zhejiang Shenshenbao Wafa Tea Co., Ltd.	51.72	51.72	30,000,000.00	---	Y
Fujian Mount. Wuyi Shenbao Yuxing Tea Co., Ltd.	51.75	51.75	20,700,000.00	---	Y
Shenzhen Shenbao (Liaoyuan) Industrial Co., Ltd. *	53.50	53.50	57,628.53	---	Y

*: Shenzhen Shenbao (Liaoyuan) Industrial Co., Ltd. : 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.

Name	Type	Minority equity	The sum of money in minority equity which is used to write down the minority interest	The balance after the parent company's owner's equity writing down the excess of the current loss undertaken by minority shareholders of the subsidiary over the share enjoyed by minority shareholders in the original owners' equity of the subsidiary
Shenzhen Shenbao Huacheng Technology Co.,Ltd	LLC	---	---	---
Jufangyong Tea Industry Co., Ltd. in Wuyuan County	LLC	---	---	---
Shenzhen Shenbao Sanjing Food Beverage Development Co., Ltd.	LLC	---	---	---
Huizhou Shenbao Technologies Co., Ltd.	LLC	---	---	---
Shenzhen Shenbao Properties Management Co., Ltd.	LLC	---	---	---
Shenzhen Shenbao Industrial	LLC	---	---	---

Name	Type	Minority equity	The sum of money in minority equity which is used to write down the minority interest	The balance after the parent company's owner's equity writing down the excess of the current loss undertaken by minority shareholders of the subsidiary over the share enjoyed by minority shareholders in the original owners' equity of the subsidiary
Trading & Development Co., Ltd.				
Hangzhou Jufangyong Holding Co., Ltd.	LLC	---	---	---
Shenzhen Shenbao Technology Center Co., Ltd.	LLC	---	---	---
Zhejiang Shenshenbao Wafa Tea Co., Ltd.	LLC	32,262,262.14	---	---
Fujian Mount. Wuyi Shenbao Yuxing Tea Co., Ltd.	LLC	18,905,361.49		---
Shenzhen Shenbao (Liaoyuan) Industrial Co., Ltd.	LLC	---	---	---

(II) 2. Explanation for change of consolidation scope

Consolidation scope of the Company has no changed in the Period

VII. Annotation to main items of consolidated financial statements

(RMB/CNY is used as the currency listed in the State unless otherwise noted)

Annotation 1. Monetary fund

Item	Closing balance			Opening balance		
	Original currency	Conversion rate	In RMB	Original currency	Conversion rate	In RMB
Cash:						
RMB	177,356.99	1.0000	177,356.99	129,582.17	1.0000	129,582.17
HKD	4,860.00	0.7862	3,821.08	4,860.00	0.8108	3,940.73
USD	99.05	6.0969	603.90	99.05	6.2855	622.58
Subtotal			181,781.97			134,145.48

Item	Closing balance			Opening balance		
	Original currency	Conversion rate	In RMB	Original currency	Conversion rate	In RMB
Bank deposit:						
RMB	251,367,585.11	1.0000	251,367,585.11	328,874,214.89	1.0000	328,874,214.89
HKD	62,496.46	0.7862	49,136.59	13,326.38	0.8108	10,805.69
USD	1,005,500.89	6.0969	6,130,438.38	6,984,785.02	6.2855	43,902,858.41
Subtotal			257,547,160.08			372,787,878.99
Other monetary funds:						
RMB	500,000.00	1.0000	500,000.00	500,000.00	1.0000	500,000.00
Subtotal			500,000.00			500,000.00
Total			258,228,942.05			373,422,024.47

The restricted monetary fund details are as follows:

Item	Closing balance	Opening balance
Guarantee deposit	500,000.00	500,000.00
Total	500,000.00	500,000.00

While prepare the cash flow statement, the money has deducted from the cash and cash equivalents at period-end

Annotation 2. Transaction financial assets

1. Transaction financial assets

Item	Closing fair value	Opening fair value
Transactional equity instrument investment	1,389,288.09	208,500.00
Total	1,389,288.09	208,500.00

Closing balance refers to the 258,011 shares of *ST Zhonghua-A” and 197,019 shares of *ST Zhonghua-B”

Annotation 3. Accounts receivable

(1) Account receivable classified according to types

Type	Closing balance	
	Book balance	Bad debt provision

	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 group	107,383,248.43	84.70	719,147.29	0.67
Account receivable with single minor amount but withdrawal bad debt provision for single item	19,391,001.77	15.30	19,391,001.77	100
Total	126,774,250.20	100	20,110,149.06	15.86

(Continued)

Type	Opening balance			
	Book balance		Bad debt provision	
	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 group	106,125,184.23	84.55	722,429.60	0.68
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
Total	125,516,186.00	100	20,113,431.37	16.02

Statement on type of explanation on account receivables

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

账龄	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 year	101,619,161.41	80.15	---	100,711,569.37	80.24	---
1—2years	1,056,675.26	0.83	52,833.77	821,172.61	0.65	41,058.63
2—3years	795,964.83	0.63	79,596.48	149,907.23	0.12	14,990.72
Over 3 years	3,911,446.93	3.09	586,717.04	4,442,535.02	3.54	666,380.25
Total	107,383,248.43	84.70	719,147.29	106,125,184.23	84.55	722,429.60

2. Provision of bad debt provision for those receivables with single minor amount but with impairment test performed alone

Item	Book balance	Bad debt provision	Provision ratio	Reasons
Account receivable with over 3-year that has minor possibility to recover	19,391,001.77	19,391,001.77	100	Minor possibility recover
Total	19,391,001.77	19,391,001.77	100	

4. Account receivable from shareholders' unit with over 5 percent (5 percent included) voting rights held in receivables at Period-end

Name	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Shenzhen Agricultural Products Co., Ltd.	75,426.00	---	6,602.00	---
Total	75,426.00	---	6,602.00	---

4. Top five amount in arear of receivables at Period-end

Name	Relation with the Company	Amount	Term	Proportion in total receivables (%)
Customer I	Non-related party	11,025,662.92	Within 1 year	8.70
Customer II	Non-related party	8,531,111.71	Within 1 year	6.73
Customer III	Non-related party	7,293,340.00	Within 1 year	5.75
Customer IV	Non-related party	5,855,640.00	Within 1 year	4.62
Customer V	Non-related party	5,074,880.00	Within 1 year	4.00
Total		37,780,634.63		29.80

5. No receivable from other related party at Period-end

6. Foreign currency balance in account receivables

FC	Closing balance			Opening balance		
	Original currency	Conversion rate	In RMB	Original currency	Conversion rate	In RMB
USD	5,174,428.12	6.0969	31,547,970.80	4,257,169.12	6.2855	26,758,436.51
Total			31,547,970.80			26,758,436.51

Annotation 4. Account paid in advance

1. Aging analysis

Age	Closing balance		Opening balance	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	19,304,913.09	98.40	28,059,110.02	99.07
1-2years	77,087.75	0.39	203,205.72	0.72
2-3years	195,397.64	1.00	40,967.97	0.14
Over 3 years	40,280.80	0.21	20,166.80	0.07
Total	19,617,679.28	100	28,323,450.51	100

Including: foreign currency

Item	Closing book balance			Opening book balance		
	Original currency	Conversion rate	In RMB	Original currency	Conversion rate	In RMB
USD	1,147,699.20	6.0969	6,997,407.25	2,522,788.74	6.2855	15,856,988.63
Total			6,997,407.25			15,856,988.63

2. The top 5 units in account paid in advance

Name	Relation with the Company	Amount	Time	Reasons for outstanding
Customers I	Non-related party	1,861,682.94	Within 1 year	Goods not received
Customers II	Non-related party	1,648,879.19	Within 1 year	Goods not received
Customers III	Non-related party	1,612,500.00	Within 1 year	Goods not received
Customers IV	Non-related party	1,600,000.00	Within 1 year	Goods not received
Customers V	Non-related party	1,565,393.85	Within 1 year	Goods not received
Total		8,288,455.98		

3. No account paid in advance to shareholders' unit with over 5 percent (5 percent included) voting rights held at Period-end

4. Account paid in advance to other related party at period-end, found more in Note VI. (V)

Annotation 5: Other account receivable

1. Disclosed by type:

Type	Closing balance			
	Book balance		Bad debt provision	
	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 group	25,112,996.31	58.82	2,609,112.70	10.39
Other account receivable with single minor amount but withdrawal bad debt provision for single item	17,584,990.00	41.18	17,584,990.00	100
Total	42,697,986.31	100	20,194,102.70	47.30

(Continued)

Type	Opening balance			
	Book balance		Bad debt provision	
	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 group	24,570,177.93	58.29	2,319,010.67	9.44
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
Total	42,155,167.93	100	19,904,000.67	47.22

Explanation on type of other receivable:

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

Age	Closing balance		Opening balance	
	Book balance	Bad debt	Book balance	Bad debt provision

	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 year	6,721,420.31	15.74	---	6,898,494.15	16.36	---
1—2 years	969,291.22	2.27	48,464.56	1,111,143.06	2.64	55,557.15
2—3 years	1,053,891.39	2.47	105,389.14	4,412,551.72	10.47	441,255.17
Over 3 years	16,368,393.39	38.34	2,455,259.00	12,147,989.00	28.82	1,822,198.35
Total	25,112,996.31	58.82	2,609,112.70	24,570,177.93	58.29	2,319,010.67

2. Provision of bad debt provision for those other account paid in advance with single minor amount but with impairment test performed alone

Other account receivable	Book balance	Bad debt provision	Provision ratio (%)	Reasons
Other account receivable with over 3 years age	17,584,990.00	17,584,990.00	100	Un-recover due to historical formation
Total	17,584,990.00	17,584,990.00	100	

3.No receivable from shareholders' unit with over 5 percent (5 percent included) voting rights held in other receivables at Period-end

4. Top five units in other account receivable

Name	Relation with the Company	Amount	Age	Portion taken in total other account receivable (%)	Nature or content
Changzhou Sanjing Oil Co., Ltd.	Affiliated company	17,935,501.33	*	42.01	Open credit ect.
Receivable tax rebate	Non-related party	1,006,971.54	Within 1 year	2.36	Tax rebate
Shenzhen Jinsailong Equipment Company	Non-related party	300,000.00	Over 3 years	0.70	Equipment refund
Management committee of industrial park of Wuyuan County	Non-related party	256,296.20	Over 3 years	0.60	Unsettled account for land purchaseing
Hanzhou Sangao Tea Company	Non-related party	208,536.78	Over 3 years	0.49	Open credit
Total		19,707,305.85		46.16	

* age of closing balance of Changzhou Sanjing Oil Co., Ltd.: RMB 1,447,391.14 (Within 1 year); RMB957,624.79 (1-2 years);RMB 862,945.1(2-3years); RMB 14,667,540.28 (Over 3 years)

5. Other account receivable from other related party at Period-end

Name	Relation with the Company	Amount	Portion taken in total other account receivable (%)
Changzhou Sanjing Oil Co., Ltd.	Affiliated company	17,935,501.33	42.01
Total		17,935,501.33	42.01

Annotation 6. Inventory

1. Types

Item	Closing balance			Opening balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	42,491,527.68	3,597,264.60	38,894,263.08	24,306,493.52	3,576,751.78	20,729,741.74
Wrappage	4,229,410.85	---	4,229,410.85	2,154,324.46	---	2,154,324.46
Goods in process	19,416,441.85	---	19,416,441.85	12,364,557.73	---	12,364,557.73
Finished goods	36,343,254.92	897,597.70	35,445,657.22	28,870,852.88	486,905.35	28,383,947.53
Goods in transit	4,111,657.13	---	4,111,657.13	2,062,123.63	---	2,062,123.63
Materials processed on commission	5,373,084.21	5,298,011.68	75,072.53	5,359,698.81	5,298,011.68	61,687.13
Low-value consumption goods	618,278.69	---	618,278.69	1,156,131.51	---	1,156,131.51
Development cost	202,784,064.05	---	202,784,064.05	136,549,875.59	---	136,549,875.59
Total	315,367,719.38	9,792,873.98	305,574,845.40	212,824,058.13	9,361,668.81	203,462,389.32

Including

(1) Development cost

Item	On-stream time	Estimated completion date	Estimated total investment	Closing balance	Opening balance
Jadeite Apartment	May 2011	January 2014	RMB 210 million	202,784,064.05	136,549,875.59
Total				202,784,064.05	136,549,875.59

2. Inventory falling price reserves

Type	Opening book balance	Provision amount	Amount decreased		Closing book balance
			Swich back	Written off	
Raw materials	3,576,751.78	20,512.82	---	---	3,597,264.60
Finished goods	486,905.35	410,692.35	---	---	897,597.70
Materials processed on commission	5,298,011.68	---	---	---	5,298,011.68
Total	9,361,668.81	431,205.17	---	---	9,792,873.98

3. Falling price reserves of inventory

Item	Provision basis	Reason of switch back	Ratio of amount switch back in closing balance of inventory
Raw materials	Net realizable value lower than the cost	---	---
Finished goods	Net realizable value lower than the cost	---	---
Materials processed on commission	Net realizable value lower than the cost	---	---

4.
No
capit

alization of borrowing costs that reckoned into inventory cost in the Period

Annotation 7. Other current assets

Item	Closing balance	Opening balance
VAT input tax ready for deduction	2,835,640.51	1,760,669.36
Total	2,835,640.51	1,760,669.36

VAT input tax ready for deduction was listed in other current assets at end of the Period

Annotation 8. Long-term equity investment

Items of long-term equity investment:

Invested unit	Calculation method	Initial investment cost	Opening book balance	-,+ in the Period (decreased listed with “-“)	Closing book balance
Shenzhen Shenbao (Xinmin) Foods Co., Ltd. *1	Equity method	2,870,000.00	2,870,000.00	---	2,870,000.00
Changzhou Sanjing Oil Co., Ltd.*2	Equity method	13,500,000.00	---	---	---

Invested unit	Calculation method	Initial investment cost	Opening book balance	-,+ in the Period (decreased listed with “-“)	Closing book balance
Shenzhen Sanjiu Weitai Holdings Co., Ltd.	Cost method	2,480,000.00	2,480,000.00	---	2,480,000.00
Shenzhen Taiji Optical-Electric Technologies Co., Ltd.*3	Cost method	15,000,000.00	15,000,000.00	---	15,000,000.00
Shenzhen Shenbao (Liaoyuan) Industrial Co., Ltd.*1	Cost method	57,628.53	57,628.53	---	57,628.53
Shenzhen PepsiCo Beverage Co., Ltd.*5	Cost method	24,071,627.22	25,413,791.08	(25,413,791.08)	---
Beijing Tiantan Holdings Co., Ltd.*4	Cost method	57,500.00	57,500.00	---	57,500.00
Total		58,036,755.75	45,878,919.61	(25,413,791.08)	20,465,128.53

Continued:

Invested unit	Ratio of share holding (%)	Ratio of voting right (%)	Depreciation reserves	Provision of depreciation reserves	Cash dividend
Shenzhen Shenbao (Xinmin) Foods Co., Ltd.*1	49.14	49.14	2,870,000.00	---	---
Changzhou Sanjing Oil Co., Ltd.*2	33.00	33.00	---	---	---
Shenzhen Sanjiu Weitai Holdings Co., Ltd.	0.95	0.95	2,480,000.00	---	---
Shenzhen Taiji Optical-Electric Technologies Co., Ltd.*3	3.77	3.77	15,000,000.00	---	---
Shenzhen Shenbao (Liaoyuan) Industrial Co., Ltd.*1	53.50	53.50	57,628.53	---	---
Shenzhen PepsiCo Beverage Co., Ltd.*5	---	---	---	---	---
Beijing Tiantan Holdings Co., Ltd.*4	---	---	---	---	---
Total			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: On 28 February 2013, the Company entered into a "Equity Transfer Agreement" with PepsiCo Investment (China) Ltd., the 10 percent shares of Shenzhen PepsiCo Beverage Co., Ltd. held by the Company was transferred to PepsiCo Investment (China) Ltd with price of RMB 95 million. Changes of industrial and commerce has completed on 12 June 2013, and equity amount received dated 16 August 2013.

Annotation 9. Original price of fixed assets and accumulated depreciation

1. Fixed assets

Item	Opening book balance	Increased		Decreased	Closing book balance
I. Total of book balance	272,310,741.53	163,359,989.68		7,933,764.52	427,736,966.69
Including:House & buildings	116,761,418.04	89,509,268.21		---	206,270,686.25
Machinery equipments	143,256,617.41	69,583,272.84		7,341,665.49	205,498,224.76
Transportation tools	6,718,123.70	1,055,334.75		255,030.00	7,518,428.45
Other equipments	5,574,582.38	3,212,113.88		337,069.03	8,449,627.23
		Increased newly	Provision		
II. Total of accumulated depreciation	109,644,825.26	---	14,241,254.41	7,016,951.15	116,869,128.52
Including:House & buildings	13,358,623.89	---	4,423,807.32	---	17,782,431.21
Machinery equipments	90,574,570.21	---	8,363,115.78	6,502,279.91	92,435,406.08
Transportation tools	2,675,393.91	---	673,540.61	206,335.15	3,142,599.37
Other equipments	3,036,237.25	---	780,790.70	308,336.09	3,508,691.86
III. Total net value of fixed assets	162,665,916.27				310,867,838.17
Including:House & buildings	103,402,794.15				188,488,255.04
Machinery equipments	52,682,047.20				113,062,818.68
Transportation tools	4,042,729.79				4,375,829.08

Item	Opening book balance	Increased	Decreased	Closing book balance
Other equipments	2,538,345.13			4,940,935.37
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	160,018,803.58			308,220,725.48
Including:House & buildings	103,402,794.15			188,488,255.04
Machinery equipments	50,034,934.51			110,415,705.99
Transportation tools	4,042,729.79			4,375,829.08
Other equipments	2,538,345.13			4,940,935.37

Depreciation in this period amounts to RMB 14,241,254.41;

Original price transfer from construction in progress to fixed assets amounting as RMB153,136,833.95.

2. No fixed assets rent-in through finance lease in the Period

3. Fixed assets without un-completed property certificates

Item	Book value	Reasons for un-completed certificate	Times expected for certificate completed
Dormitory of Shantou Branch of Shenbao Huacheng	1,973,459.64	New plan for aged district	To manage it after the new plan comes out and the company had been in the processing.
Wuyuan Jufangyong Tea Co.,Ltd	68,900,201.39	Completed in the Period, certificates still in process	2014
Total	70,873,661.03		

4. Among the ending balance, the original value of fixed assets used for bank pledge was RMB30,567,419.75, and the net value was RMB 23,399,325.94. 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 RMB 80 million. Pledge term is from 13

March 2013 to 12 March 2016.

5. 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.

Annotation 10. Construction in process

Item	Closing balance			Opening balance		
	Book balance	Provision reserve	Book value	Book balance	Provision reserve	Book value
Shenbao Plaza project	3,842,333.64	3,842,333.64	---	3,842,333.64	3,842,333.64	---
Comprehensive investment project of tea industry chain(the new factory project)	2,677,627.91	---	2,677,627.91	72,627,916.30	---	72,627,916.30
Project of production line of Shenbao Huacheng	---	---	---	531,703.86	---	531,703.86
Production line of Huizhou Technology Lile package	4,615,363.66	---	4,615,363.66	144,985.26	---	144,985.26
Office building of Hangzhou Jufangyong	---	---	---	19,868,374.03	---	19,868,374.03
Equipments remaining installation of Shenbao Technology Center	251,449.56	---	251,449.56	1,249,163.56	---	1,249,163.56
Phase II new finished goods storehouse of Huizhou Technology	1,977,535.00	---	1,977,535.00	---	---	---
Nanshan Office building	84,247,219.00	---	84,247,219.00	---	---	---
Other	903,189.74	903,189.74	---	903,189.74	903,189.74	---

Item	Closing balance			Opening balance		
	Book balance	Provision reserve	Book value	Book balance	Provision reserve	Book value
Total	98,514,718.51	4,745,523.38	93,769,195.13	99,167,666.39	4,745,523.38	94,422,143.01

1. Changes of major construction in process

Projects	Budget	Opening balance	Increased	Change to fixed assets	Other decrease d	Ratio of project investment in budget
Comprehensive investment project of tea industry chain(the new factory project)	RMB 150 million	72,627,916.30	58,618,912.75	128,569,201.14	---	85.71%
Office building of Hangzhou Jufangyong	RMB 21 million	19,868,374.03	269,961.41	20,138,335.44	---	95.90%
Total		92,496,290.33	58,888,874.16	148,707,536.58		

Continued:

Projects	Progress	Accumulated capitalization of interest	Inl: amount of capitalization of interest in Period	Interest capitalization rate in Period (%)	Capital resources	Closing balance
Comprehensive investment project of tea industry chain(the new factory project)*1	Part of the project completed	---	---	---	Raise fund	2,677,627.91
Office building of Hangzhou Jufangyong*2	Completed	---	---	---	Raise fund	---
Total		---	---	---		2,677,627.91

*1 Comprehensive investment project of tea industry chain has put into production in September 2013 and the production equipment was transferred to fixed assets

*2 Office building of Hangzhou Jufangyong was reached the expected condition for use in March 2013 and was carried forward as

fixed assets

2. Construction in process impairment provision

Item	Opening balance	Increase during this period	Decrease during this period	Closing balance	计提原因
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	

3. According to the condition that recoverable amount of construction in process lower than its book value, relevant impairment was accrual for construction in process at end of Period

4. No capitalization of borrowing costs inclosing balance of construction in process

Annotation 11. Productive biological assets**1. Measured by cost**

Item	Opening book balance	Increase during this period	Decrease during this period	Closing book balance
Tea plant	436,156.00	---	---	436,156.00
Total	436,156.00	---	---	436,156.00

2. No recoverable amount of productive biological assets lower than its book value been found in Period-end, than no impairment shall be withdrawl

Annotation 12. Intangible assets

Item	Opening book balance	Increase during this period	Decrease during this period	Closing book balance
1. Total original value	222,555,719.27	13,415,462.00	---	235,971,181.27
(1) Land using right	176,719,514.87	---	---	176,719,514.87
(2) Patent technologies	30,237,114.75	5,806,587.46	---	36,043,702.21
(3) Use right of forest	15,599,089.65	---	---	15,599,089.65
(4)Right to use a trademark	---	5,065,349.61	---	5,065,349.61
(5)Software license	---	2,543,524.93	---	2,543,524.93
2.Total accumulated amortization	24,253,273.80	5,976,990.94	---	30,230,264.74
(1) Land using right	11,612,121.07	3,639,392.78	---	15,251,513.85

Item	Opening book balance	Increase during this period	Decrease during this period	Closing book balance
(2) Patent technologies	12,309,373.37	1,636,726.31	---	13,946,099.68
(3) Use right of forest	331,779.36	390,949.20	---	722,728.56
(4)Right to use a trademark	---	256,932.55	---	256,932.55
(5)Software license	---	52,990.10	---	52,990.10
3.Total net book value of intangible assets	198,302,445.47			205,740,916.53
(1) Land using right	165,107,393.80			161,468,001.02
(2) Patent technologies	17,927,741.38			22,097,602.53
(3) Use right of forest	15,267,310.29			14,876,361.09
(4)Right to use a trademark	---			4,808,417.06
(5)Software license	---			2,490,534.83
4. Total impairment provisions	---	---	---	---
(1) Land using right	---	---	---	---
(2) Patent technologies	---	---	---	---
(3) Use right of forest	---	---	---	---
(4)Right to use a trademark	---	---	---	---
(5)Software license	---	---	---	---
5. Total intangible asset book value I	198,302,445.47			205,740,916.53
(1) Land using right	165,107,393.80			161,468,001.02
(2) Patent technologies	17,927,741.38			22,097,602.53
(3) Use right of forest	15,267,310.29			14,876,361.09
(4)Right to use a trademark	---			4,808,417.06
(5)Software license	---			2,490,534.83

1. RMB 5,976,990.94 amortized in the Period;

2. No intangible asstes used for pledge or guarantee at Period-end;

3. Base on the results of examination at Perio-end, no recoverable amount of intangible assets lower than its book value been found, than no impairment shall be withdrawl

Annotation 13. Long-term deferred expense

Item	Opening balance	Increased in the period	Amortization during this period	Other decrease	Closing balance	Reasons of other decreased
------	-----------------	-------------------------	---------------------------------	----------------	-----------------	----------------------------

Item	Opening balance	Increased in the period	Amortization during this period	Other decrease	Closing balance	Reasons of other decreased
Decoration charge for office rented-in	1,010,162.64	1,337,677.87	505,239.06	---	1,842,601.45	
Project of maintenance reform on canned warehouse and waste tea house	258,262.88	---	88,547.24	---	169,715.64	
Affiliated project of resident area in Jufangyong Wuyuan	429,090.07	493,407.73	170,946.97	---	751,550.83	
Reform of tea park in Wuyuan	305,208.76	79,999.92	85,635.51	---	299,573.17	
Reform project of warehouse and swage	2,171,357.23	2,128,976.29	713,117.77	---	3,587,215.75	
Lease of workshop and office building	2,346,881.00	383,760.69	1,161,913.59	---	1,568,728.10	
Other	437,055.51	610,322.14	297,082.03	---	750,295.62	
Total	6,958,018.09	5,034,144.64	3,022,482.17	---	8,969,680.56	

Annotation 14. Deferred income tax assets

1. Recognized deferred income tax assets

Item	Closing balance	Opening balance
Deferred income tax assets:		
Impairment provision for assets	2,613,443.80	2,554,782.97
Gains from changes of fair value	16,589.84	---
Subtotal	2,630,033.64	2,554,782.97

2. Details of uncertain deferred income tax assets

Item	Closing balance
(1)Difference of temporary deductible	67,230,543.32
(2)Losses deductible	34,058,166.22
Total	101,288,709.54

Annotation 15. Asset impairment provision

Item	Opening	Increase	Decrease during this period	Closing balance
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			Switch back	Written-off	
Bad debt provision	40,017,432.04	286,819.72	---	---	40,304,251.76
Inventory falling price reserves	9,361,668.81	431,205.17	---	---	9,792,873.98
Long-term equity investment impairment provision	20,407,628.53	---	---	---	20,407,628.53
Fixed asset impairment provision	2,647,112.69	---	---	---	2,647,112.69
Impairment provision for construction materials	4,745,523.38	---	---	---	4,745,523.38
Total	77,179,365.45	718,024.89	---	---	77,897,390.34

Annotation 16. Account payables

Item	Closing balance	Opening balance
Within 1 year	25,942,875.26	39,845,007.64
Within 1 to 2 years	5,133,867.64	29,699.92
Within 2 to 3 years	20,419.10	22,085.17
Over 3 years	2,363,646.35	2,647,572.47
Total	33,460,808.35	42,544,365.20

1. No account payable to shareholders' unit with over 5 percent (5 percent included) voting rights held in closing balance of payables

2. No account payable to other related party in closing balance

3. Large accounts payable with age over 1 year:

Name	Amount	Reason of not caring forward
Customer I	518,655.52	Has uncertainty in payment
Customer II	515,892.30	Has uncertainty in payment
Total	1,034,547.82	

4. Foreign currency balance of payables:

FC	Closing balance			Opening balance		
	Original currency	Conversion rate	In RMB	Original currency	Conversion rate	In RMB
USD	91,968.00	6.0969	560,719.70	101,923.00	6.2855	640,637.02
Subtotal			560,719.70			640,637.02

Annotation 17. Account received in advance

Item	Closing balance	Opening balance
Within 1 year	13,955,504.00	1,242,004.49
Within 1 year to 2 years	420,000.00	109,940.50
Within 2 to 3 years	109,940.50	---
Over 3 years	735,406.45	735,406.45
Total	15,220,850.95	2,087,351.44

1. No account received in advance from shareholders' unit with over 5 percent (5 percent included) voting rights held in closing balance of account received in advance

2. No account received in advance from other related party in closing balance

3. Foreign currency balance of account received in advance:

FC	Closing balance			Opening balance		
	Original currency	Conversion rate	In RMB	Original currency	Conversion rate	In RMB
USD	64,693.80	6.0969	394,431.63	22,697.10	6.2855	142,662.62
Subtotal			394,431.63			142,662.62

4. Account received in advance has major growth over that of period-begin mainly because the real estate joint development by the Company and Shenzhen Jitai Industrial Development Co., Ltd. began to open for booking

Item	Opening balance	Closing balance	Estimated completion date
Jadeite Apartment	---	12,503,733.00	Januray 2014
Total	---	12,503,733.00	

Annotation 18. Wages payable

Item	Opening balance	Increase during this period	Decrease during this period	Closing balance
(1) Wage, bonus, allowance and subsidy	3,870,722.70	38,316,439.63	33,949,778.69	8,237,383.64
(2) Employees' welfare	---	6,372,311.26	6,372,311.26	---
(3) Social security	35,171.18	6,881,829.73	6,676,142.96	240,857.95

Including: medical insurance premiums	10,936.98	1,571,919.30	1,558,578.70	24,277.58
Basic endowment insurance premiums	21,095.77	4,789,255.81	4,601,011.33	209,340.25
Unemployment insurance premiums	1,902.08	280,938.93	278,613.85	4,227.16
Industrial injury insurance premiums	475.52	151,088.04	150,614.51	949.05
Maternity insurance premiums	760.83	88,627.65	87,324.57	2,063.91
Pension payment	---	---	---	---
(4) Housing public reserve	---	3,447,097.26	3,447,097.26	---
(5) Trade union fee and education fee	873,016.51	1,095,713.87	1,052,323.13	916,407.25
(6) Non-monetary welfare	---	---	---	---
(7) Compensation due to relief the labor relationship	158,644.10	---	---	158,644.10
(8) Other	---	---	---	---
Total	4,937,554.49	56,113,391.75	51,497,653.30	9,553,292.94

Closing balance of wages payable refers to the unpaid performance salary for employees, no arrears of wage being found

Annotation 19. Tax payable

Taxes	Closing balance	Opening balance
VAT	---	---
business tax	36,978.05	8,245.50
Construction tax	14,226.87	8,685.50
Enterprise income tax	14,556,810.51	1,939,717.08
Personal income tax	123,369.58	190,943.51
House property tax	47,440.64	40,812.40
Embankment fee	53,344.27	69,683.11
Surtax for education expenses	8,925.86	4,352.74
Use tax of land	25,000.13	65,906.08
Other tax fee	140,006.43	119,748.78
Total	15,006,102.34	2,448,094.70

Annotation 20. Dividend payable

Name	Closing balance	Opening balance	Reasons for un-payment over one year

Name	Closing balance	Opening balance	Reasons for un-payment over one year
Shares without trusted	218,212.60	218,212.60	
Shenzhen Investment Management Company	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	

Annotation 21. Other account payables

Item	Closing balance	Opening balance
Within 1 year	86,632,457.69	82,396,957.19
Within 1 year to 2 years	76,544,967.60	5,701,411.12
Within 2 to 3 years	5,318,157.41	59,979,741.54
Over 3 years	64,562,912.32	5,114,775.13
Total	233,058,495.02	153,192,884.98

1. No account payable to shareholders' unit with over 5 percent (5 percent included) voting rights held in closing balance of payable

2. Account payable to other related party in closing balance of payables

Name	Closing balance	Opening balance
Shenzhen Investment Management Company	3,510,297.20	3,510,297.20
Total	3,510,297.20	3,510,297.20

3. Other payable with major amount at Period-end

Name	Amount	Nature or content	Note
Shenzhen Jitai Industrial Development Co., Ltd.*	179,827,654.20	Construction of Shenbao Building	1-4 years
Shenzhen Jitai Jian'an Engineering Co., Ltd.	13,555,842.36	Construction of Shenbao Building	Within 1 year
Zhongtai Construction Group Co., Ltd.	3,920,200.00	Construction of Shenbao Building	Within 1 year
Shenzhen Investment Management Company	3,510,297.20	Open credit	Over 3 years
Huizhou Shengli Property Investmetn Co.,	2,776,167.00	Open credit	1-2 years

Name	Amount	Nature or content	Note
Ltd.			
Total	203,590,160.76		

*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(more in Note X.1) .

Annotation 22. Other current liability

Item	Closing balance	Opening balance
Research project on key technology for process of the extracts from ARS nature high-essence green tea	---	43,137.43
Total	---	43,137.43

Annotation 23. Other non-current liability

Item	Closing book balance	Opening book balance
Government subsidy	15,745,161.90	8,661,364.25
Total	15,745,161.90	8,661,364.25

Deferred earnings with government subsidy concerned

Item	Opening balance	Subsidy new increased	Amount reckoned in non-operating income	Other changes	Closing balance	Assets concerned/earnings concerned
Subsidy for tea seeding of New Tea Garden in Wangkou	49,920.00	---	---	---	49,920.00	Assets concerned
Construction amount for 50 tons for clearly processing for Mingyou tea *1	1,250,000.00	---	125,000.00	---	1,125,000.00	Assets concerned
Industrialization project of instant tea power *2	4,000,000.00	---	933,511.06	---	3,066,488.94	Assets concerned
Special fund project of strategic emerging industry development *3	611,444.25	---	591,321.20	---	20,123.05	Earnings concerned
Base of further		---		---		Assets

processing for tea and nature plants *4	2,750,000.00		275,000.00		2,475,000.00	concerned
Enterprise technology center is a municipal R&D center. Subsidies for industrial technological advancement *5	---	3,000,000.00	71,370.09	---	2,928,629.91	Earnings concerned
Subsidies for key technology research and industrialization of instant tea powder *6	---	1,000,000.00	---	---	1,000,000.00	Assets concerned
Subsidy of Guangdong -Agricultural public relation project	---	80,000.00	---	---	80,000.00	Assets concerned
Special funds for Shenzhen strategic emerging industrial development (deep processing of natural plant project) (Shen Fa Gai No. 20131601)*7	---	5,000,000.00	---	---	5,000,000.00	Assets concerned
Total	8,661,364.25	9,080,000.00	1,996,202.35	---	15,745,161.90	

*1 Construction amount for 50 tons for clearly processing for Mingyou tea: 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 12 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 RMB 4 million, with construction period from 2012-2013. RMB 933,511.06 was transfer as non-operating revenue in the Period.

*3 Special fund 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, RMB 591,321.20 was realized as non-operating revenue in this period.

*4Base of further processing for tea and nature plants: 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 RMB3.3 million, with RMB275, 000 was realized as non-operating income in this period, amortization from 1 January 2011 for 12-year in total.

*5 Enterprise technology center is a municipal R&D center. Subsidies for industrial technological advancement were issued in the amount of RMB3 million according to a document issued by Economy, Trade and Information Commission of Shenzhen Municipality Shen Jing Mao Xin Xi Mi Shu Zi [2012] 1781. For the period, RMB71, 370.09 were transferred to non-operating income according to the actual charges.

*6 Subsidies for key technology research and industrialization of instant tea powder were issued in the amount of RMB1 million according to a document issued by Department of Finance of Guangdong Province and Guangdong Provincial Department of Science and Technology Yue Cai Jiao [2012] 392. The construction period is from 2014 to 2015. Subsidies will not be amortized until the completion of project construction.

*7 Special funds for Shenzhen strategic emerging industrial development (deep processing of natural plant project) were issued in the total amount of RMB5 million according to a document issued by Shenzhen Development and Reform Commission Shen Fa Gai [2013] 1601. The construction period is from 2014 to 2015. The amount will not be amortized until the completion of project construction.

Annotation 24. Share capital

Item	Opening balance	Increased (decreased) in this year					Sub-total	Closing balance
		New shares issued	Bonus shares	Shares converted from public reserve	Other			
1. Restricted shares								
(1)State-owned shares	---	---	---	---	---	---		
(2)State-owned legal person	6,783,729.00	---	---	---	---	---	6,783,729.00	
(3)Other domestic shares	15,252,932.00	---	---	---	---	---	15,252,932.00	
Including:								
Domestic legal person	7,770,118.00	---	---	---	---	---	7,770,118.00	
Domestic nature person	7,482,814.00	---	---	---	---	---	7,482,814.00	
(4)Foreign shares	---	---	---	---	---	---	---	
Including:								
Foreign legal	---	---	---	---	---	---	---	

Item	Opening balance	Increased (decreased) in this year					Sub-total	Closing balance
		New shares issued	Bonus shares	Shares converted from public reserve	Other			
person								
Foreign nature person	---	---	---	---	---	---	---	---
Total restricted shares	22,036,661.00	---	---	---	---	---	22,036,661.00	
2. Unrestricted shares								
(1)RMB common shares	202,727,493.00	---	---	---	---	---	202,727,493.00	
(2)Domestically listed foreign shares	26,136,000.00	---	---	---	---	---	26,136,000.00	
(3)Foreign listed foreign shares	---	---	---	---	---	---	---	
(4)Other								
Total unrestricted shares	228,863,493.00	---	---	---	---	---	228,863,493.00	
Total	250,900,154.00	---	---	---	---	---	250,900,154.00	

Annotation 25. Capital reserves

Item	Opening balance	Increase during this period	Decrease during this period	Closing balance
1. Share capital premium				
(1) Capital from investors	567,431,192.41	2,958,384.00	---	570,389,576.41
Subtotal	567,431,192.41	2,958,384.00	---	570,389,576.41
2. Other capital reserve	1,079,720.41	---	140,166.10	939,554.31
Total	568,510,912.82	2,958,384.00	140,166.10	571,329,130.72

Statement of capital reserves

- Share capital premium increased mainly due to the performance compensation received by Shenshenbao Wafa from Zhejiang Wafa Tea Co.,Ltd, shareholder of Shenshenbao Wafa
- Other capital reserves at the period decreased for the disposal of Shenzhen PepsiCo Beverage Co., Ltd. 10% long-term equity investment, and decreased relevant confirmed capital reserves.

Annotation 26. Surplus reserves

Item	Opening balance	Increase during this period	Decrease during this period	Closing balance
Statutory surplus reserves	40,071,736.73	4,929,410.60	---	45,001,147.33
Total	40,071,736.73	4,929,410.60	---	45,001,147.33

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

Annotation 27. Retained profit

Item	Amount	Exaction or Distribution Proportion
Undistributed profit at the end of the previous year before adjustment	104,733,870.63	
Total undistributed profit at the beginning of the previous year before adjustment (increase +, decrease -)		---
Undistributed profit at the begin of the year after adjustment	104,733,870.63	
Add: net profit attributable to shareholder of parent company	43,662,208.27	
Less: Exact Statutory surplus reserves	4,929,410.60	10% of Parent company's net profit
Withdrawal of free surplus reserves		---
Ordinary stock dividends payable	50,180,030.80	
Ordinary stock dividends transferred to capital		---
Undistributed profit at the end of the period.	93,286,637.50	

On 15 May 2013, according to the equity distribution plan for year of 2012 approved by general meeting: based on total shares of the Company 250,900,154 shares as of 31 December 2012, distributed RMB 2.0 (tax included) for every 10 shares in cash to shareholders, totally RMB 50,180,030.80 was distributed in cash.

Annotation 28. Operating income and Operating cost

1. Classification of operating income and operating cost

Item	This Period	Last Period
Operating income	438,318,662.25	310,790,324.70
Including: main business operating income	437,838,662.25	310,790,324.70
Other business operating income	480,000.00	----
Operating cost	367,575,489.74	257,469,827.25
Including: main business operating cost	367,575,489.74	257,469,827.25

Item	This Period	Last Period
Other business operating cost	---	---

2. Main business (by industry)

Industry	This Period		Last Period	
	Operating income	Operating cost	Operating income	Operating cost
Industry	292,576,886.01	236,918,929.71	266,043,573.56	216,684,707.06
Trade	144,674,976.24	130,656,560.03	44,159,951.14	40,785,120.19
Leasing service	586,800.00	---	586,800.00	---
Total	437,838,662.25	367,575,489.74	310,790,324.70	257,469,827.25

3. Main business (by products)

Product	This Period		Last Period	
	Operating income	Operating cost	Operating income	Operating cost
Soft beverage	26,092,398.17	20,624,414.64	31,884,425.72	26,181,346.48
Seasoning	10,035,055.94	6,280,021.19	12,043,617.99	7,812,323.90
Tea products	401,124,408.14	340,671,053.91	266,275,480.99	223,476,156.87
Property leasing	586,800.00	---	586,800.00	---
Total	437,838,662.25	367,575,489.74	310,790,324.70	257,469,827.25

4. Main business (by area)

Area	This Period		Last Period	
	Operating income	Operating cost	Operating income	Operating cost
Export	154,499,275.35	136,424,089.78	35,305,116.70	31,469,547.83
South of China	88,472,601.27	62,922,991.09	88,507,317.87	68,189,232.39
North of China	34,470,243.46	29,339,951.76	39,716,918.03	34,094,305.15
East of China	111,529,415.96	93,790,010.98	101,123,814.33	81,617,638.64
Central of China	36,816,348.05	33,955,715.03	36,189,149.60	33,009,712.90
Other regions	12,050,778.16	11,142,731.10	9,948,008.17	9,089,390.34
Total	437,838,662.25	367,575,489.74	310,790,324.70	257,469,827.25

5. Business income of top 5 clients

Customers	Total business income	Portion taken in all main business income of the Company (%)
Customers I	50,602,928.52	11.54
Customers II	38,245,084.12	8.73

Customers	Total business income	Portion taken in all main business income of the Company (%)
Customers III	22,552,771.22	5.15
Customers IV	20,756,616.38	4.74
Customers V	19,792,341.73	4.52
Total	151,949,741.97	34.68

Annotation 29. Operating tax and surcharges

Item	This Period	Last Period
Business tax	173,340.00	279,340.00
City maintenance and construction tax	716,532.93	899,322.83
Educational extra and others	669,303.33	688,969.18
Total	1,559,176.26	1,867,632.01

Annotation 30. Sales expenses

Item	This Period	Last Period
Employee compensation and employee costs	9,483,450.95	5,270,047.09
Rental and utilities	1,509,203.76	906,408.24
Depreciation and amortization expenses	380,701.01	30,547.93
Goods transport miscellaneous expenses	10,636,757.43	7,939,117.48
Sales discounts, promotion fee and advertising expenses	8,370,187.43	1,126,763.28
Daily office expenses	3,438,836.39	3,959,881.39
Others	466,871.28	563,570.30
Total	34,286,008.25	19,796,335.71

Annotation 31. Management expenses

Item	This Period	Last Period
Employee compensation and employee costs	27,469,748.69	22,922,342.26
Rental and utilities	2,617,657.34	1,807,673.23
Depreciation and amortization expenses	9,242,201.49	9,094,403.29
Intermediary and disclosure expenses	3,048,492.81	6,113,152.90
Tax and fee	2,623,117.87	3,317,799.82
Daily office expenses	10,539,029.37	12,808,813.18
Others	5,085,846.83	7,529,130.08
Total	60,626,094.40	63,593,314.76

Annotation 32. Financial expenses

Category	This Period	Last Period
Interest expense	2,617,528.53	5,108,766.79
Less: interest income	6,990,668.40	7,762,879.13
Exchange loss	3,961,409.86	1,972,529.97
Others	290,261.58	197,594.16
Total	(121,468.43)	(483,988.21)

Annotation 33. Asset impairment loss

Item	This Period	Last Period
Bad debt losses	286,819.72	159,424.84
Inventory falling price loss	431,205.17	---
Total	718,024.89	159,424.84

Annotation 34. Gains from change of fair value

Source of gains from change of fair value	This Period	Last Period
Transaction financial assets	66,359.35	22,500.00
Total	66,359.35	22,500.00

Annotation 35. Investment gains**1. Details of investment gains**

Item	This Period	Last Period
Long-term equity investment gains recognized under equity method	---	(299,393.90)
Investment income from disposal of long-term equity investment	68,259,965.15	103,546,568.40
Investment income gained from disposal of available-for-sales financial assets	6,688.65	2,394,174.15
Others	---	---
Total	68,266,653.80	105,641,348.65

2. More details of disposal of equity investment in the period can be seen in Annotation X.

3. There is no major limit in investment income repatriation of the Company.

Annotation 36. Non-operating income

Item	This Period	Last Period	Included in the current non-recurring profit and loss amount
Total income from disposal of non-current assets	8,276.29	16,814.63	8,276.29
Including: Gains from disposal of fixed assets	8,276.29	8,224.00	8,276.29

Gains from disposal of intangible assets	---	8,590.63	---
Satisfaction from Shenzhen CBC	11,217,645.88	---	11,217,645.88
Government grant	8,578,084.78	3,250,145.75	8,578,084.78
Others	265,357.49	2,322.00	265,357.49
Total	20,069,364.44	3,269,282.38	20,069,364.44

1. Details of government grant

Item	This Period	Last Period	Assets concerned/earnings concerned
Revenue Increase Award 2011	---	383,580.00	Earnings concerned
Special raw material industrialization of new-type tea drink	---	80,000.00	Earnings concerned
Boiler renovation subsidies	---	210,000.00	Earnings concerned
Pengcheng waste reduction advanced enterprise bonus	---	20,000.00	Earnings concerned
Concentrated tea industry funding	---	52,500.00	Earnings concerned
Independent innovation of state-owned enterprises belong to the city	---	300,000.00	Earnings concerned
Tea extract key technology research and development subsidies	---	800,000.00	Earnings concerned
Government grants for other projects	---	115,510.00	Earnings concerned
Shenzhen Supporting fund for key enterprise for year of 2011	180,000.00	---	Earnings concerned
Shenzhen science and technology prize for year of 2011	300,000.00		Earnings concerned
Aorporate award of industrial specific funds for agricultural leading enterprise	200,000.00		Earnings concerned
Incentive of agriculture industrialization for key leading enterprise	400,000.00		Earnings concerned
2013 subsidized loan of agriculture industrialization for key leading enterprise	800,000.00		Earnings concerned
Honor the top 10 industrial enterprise for year of 2012, advanced enterprise of	10,000.00		Earnings concerned

energy-saving and emission reduction, high-tech enterprise			
Comprehensive investment award	3,988,745.00		Earnings concerned
2012 construction fund of processing demonstration plant for Mingyou Tea	60,000.00		Earnings concerned
Subsidy	This Period	Last Period	Assets concerned/earnings concerned
Second Prize of finish machining new process of tea beverage and research of equipment as well as science and technology progress application	60,000.00		Earnings concerned
Construction fund for moder agricultural development of tea industry	40,000.00	---	Earnings concerned
2012 Province talend development special funds, expenditure of “Ganfan Talent 555 projects”	300,000.00	---	Earnings concerned
Expenditure of “Xinjiang Talend 866 project”	100,000.00	---	Earnings concerned
Supporting fund of enterprise training for independent innovation	100,000.00		Earnings concerned
Deferred income transfer-in	2,039,339.78	1,288,555.75	
Total	8,578,084.78	3,250,145.75	

2. Compensation from Shenzhen CBC: according to the “Civil Ruling Paper” (2012) Shen Zhong Fa Po Zi No. 30-6 ruled by Shenzhen Intermediate Peoples Court dated 5 November 2013, the creditor’s rights of CBC ordinary creditor was paid through monetary and shares. In December 2013, the creditor’s right RMB 9,894,717.14 was received by custodian of CBC and 258,011 “*STShenzhonghua A”(000017) and 197,019 “*ST Shenzhonghua B” (200017) were received at the same time

Annotation 37. Non-operating expenses

Item	This Period	Last Period	Included in the current non-recurring profit and loss amount
Losses from disposal of non-current assets	74,221.87	237,578.80	74,221.87
Including: Losses from disposal of fixed assets	74,221.87	237,578.80	74,221.87
External donation expenditure	---	200,000.00	---
Others	7.04	84.37	7.04

Item	This Period	Last Period	Included in the current non-recurring profit and loss amount
Total	74,228.91	437,663.17	74,228.91

Annotation 38. Income tax expense

Item	This Period	Last Period
Current income tax calculated by tax law and relevant regulations	16,864,506.93	2,728,782.68
Deferred income tax	(75,250.67)	90,538.44
Total	16,789,256.26	2,819,321.12

Annotation 39. Computer of basic earnings per share and diluted earnings per share

According to requirement of Preparation Rule No. 9 on *Information Disclosure for Companies Offering Their Securities to the Public --- Calculation and Disclosure of ROE and EPS (2010 Revised)* (Announcement of CSRC [2010] No. 2) from CSRC and *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss(2008)* (Announcement of CSRC [2008] No.43), the EPS of the Company are as:

1. The calculation results

Profit in the reporting period	This Period		Last Period	
	Basic earnings per share	Diluted earnings per share	Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of ordinary shares of the Company(I)	0.1740	0.1740	0.2970	0.2970
Net profit attributable to shareholders of ordinary shares of the Company after non-recurring gains/losses deducted(II)	(0.0910)	(0.0910)	(0.1346)	(0.1346)

2. Computer of per share

Item	Serial	This Period	Last Period
Net profit attributable to shareholders of ordinary shares of the Company	1	43,662,208.27	74,529,471.28
Non-recurring gains/losses attributable to net profit of common shareholder of parent company after deducted impact of income tax	2	66,491,910.33	108,307,855.44
Net profit attributable to shareholders of ordinary shares of the Company after	3=1-2	(22,829,702.06)	(33,778,384.16)

Item	Serial	This Period	Last Period
deducting non-recurring gains/losses			
Aggregate of shares as at period-begin	4	250,900,154.00	250,900,154.00
Share added due to conversion of public reserve to share capital or allocation of share dividends during the report period	5	---	---
Share added due to new issuance of shares or shares converted from debts during the report period	6	---	---
	6	---	---
	6	---	---
Months of the additional shares (new share issued or debt to equity) commencing from the next month till the end of the year	7	---	---
	7	---	---
	7	---	---
Shares decreased due to purchase-back of its own shares during the period	8	---	---
Months of the decreased shares commencing from the next month till the end of the year	9	---	---
Shares diluted during the period	10	---	---
Number of months for the period	11	12	12
Weighted average of ordinary shares issued (II)	$12=4+5+6\times 7 \div 11-8\times 9 \div 11-10$	250,900,154.00	250,900,154.00
Weighted average of ordinary shares issued that adjusted due to enterprise combine under the same control (I)	13	250,900,154.00	250,900,154.00
Basic EPS(I)	$14=1 \div 13$	0.1740	0.2970
Basic EPS(II)	$15=3 \div 12$	(0.0910)	(0.1346)
Diluted potential ordinary shares dividend recognized as expense and impacts factors	16	---	---
Income tax rate	17	---	---
Conversion expense	18	---	---
Shares increased from covention or exercise of convertible bonds, warrants and stock option	19	---	---
Diluted EPS(I)	$20=[1+(16-18)\times (100\%-17)] \div (13+19)$	0.1740	0.2970
Diluted EPS(II)	$21=[3+(16-18)$	(0.0910)	(0.1346)

Item	Serial	This Period	Last Period
	$\times(100\%-17)]\div(12+19)$		

(1) Basic earnings per share

Basic earnings per share = $P0 \div S$

$$S = S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk$$

Of which, P0 represents net profit attributable to ordinary shareholders of the Company or net profits attributable to ordinary shareholders after deducting non-recurring profits or losses; S represents the weighted average number of outstanding ordinary shares; S0 represents total number of shares at the beginning of the period; S1 represents shares increased from conversion of reserve fund into share capital or share dividend distribution in the reporting period; Si represents shares increased from issue of new shares or conversion of debt into equity in the reporting period; Sj represents the shares reduced from repurchase during the reporting period; Sk represents the number of reduced shares during the reporting period; M0 represents number of months in the reporting period; Mi represents the number of months from the month immediately following the increase of shares to the end of the reporting period; Mj represents the number of months from the month immediately following the decrease of shares to the end of the reporting period .

(2) Diluted earnings per share

Diluted earnings per share = $P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{weighted average number of ordinary shares increased from warrants, share options and convertible bonds})$.

Of which, P1 represents net profits attributable to ordinary shareholders of the Company or net profits attributable to ordinary shareholders of the Company after deducting non-recurring profits or losses, and has been adjusted in accordance with Accounting Standards for Business Enterprises and the relevant regulations after taking the effect of dilutive potential ordinary shares into consideration. When calculating the diluted earnings per share, the Company shall take into account all the effect of dilutive potential ordinary shares on net profits attributable to ordinary shareholders of the Company or net profits attributable to ordinary shareholders of the Company after deducting non-recurring profits or losses and the weighted average number of shares, and include in diluted earnings per share according to the magnitude of dilution in an ascending order until the dilutive earnings per share is reduced to the lowest level.

3. There are no potential ordinary shares without dilutability in preparation, but probably owns dilutability after the preparation

Annotation 40. Other comprehensive gains

Item	This Period	Last Period
------	-------------	-------------

Item	This Period	Last Period
1.Gains (losses) arising from financial assets available for sale	---	---
Less: Impact on income tax from financial assets available for sale	---	---
Net amount reckoned into other comprehensive income in previous period while transfer-in current gains/losses	140,166.10	210,249.15
Total	(140,166.10)	(210,249.15)

Annotation 41. Notes to statement of cash flow**1. Other cash received in relation to operation activities**

Item	This Period
Government grants received	6,538,745.00
Interest income	6,990,668.40
Satisfaction from Shenzhen CBC	9,894,717.14
Open credit	103,200,000.00
Others	266,706.62
Total	126,890,837.16

2. Other cash paid in relation to operation activities

Item	This Period
Open credit	1,840,705.30
Administration expense	20,636,310.86
sales expense	22,384,826.95
Others	1,182,022.85
Total	46,043,865.96

3. Cash received from other investment activities

Item	This Period
Performance compensation for minority shareholder	9,080,000.00
Total	9,080,000.00

Annotation 42. Supplementary information to statement of cash flow**1. Supplementary information to statement of cash flow**

Item	This Period	Last Period
1. Net profit adjusted to cash flow of operation activities:		
Net profit	45,214,229.56	74,063,925.08
Add: assets impairment losses	718,024.89	159,424.84
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	14,241,254.41	10,617,165.78
Amortization of intangible assets	5,976,990.94	6,747,969.16
Amortization of long-term deferred expenses	3,022,482.17	1,498,437.97

Item	This Period	Last Period
Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with “-”)	65,945.58	176,205.72
Loss of disposing fixed assets(gain is listed with “-”)	---	44,558.45
Loss from change of fair value(gain is listed with “-”)	(66,359.35)	(22,500.00)
Financial expenses (gain is listed with “-”)	5,124,371.31	6,927,488.61
Investment loss (gain is listed with “-”)	(68,266,653.80)	(105,641,348.65)
Decrease of deferred income tax asset((increase is listed with “-”)	(75,250.67)	90,538.44
Increase of deferred income tax liability (decrease is listed with “-”)	---	---
Decrease of inventory (increase is listed with “-”)	(102,543,661.25)	(9,929,164.90)
Decrease of operating receivable accounts (increase is listed with “-”)	11,081,401.50	26,764,895.73
Increase of operating payable accounts (decrease is listed with “-”)	82,669,385.09	(59,932,154.46)
Others		---
Net cash flow arising from operating activities	(2,837,839.62)	(48,434,558.23)
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	257,728,942.05	372,922,024.47
Less: Balance of cash at year-begin	372,922,024.47	436,842,717.15
Plus: Balance of cash equivalents at the period end	---	---
Less: Balance of cash equivalent at year-begin	---	---
Net increasing of cash and cash equivalents	(115,193,082.42)	(63,920,692.68)

2. Constitution of cash and cash equivalent

Item	Closing balance	Opening balance
I. Cash	257,728,942.05	372,922,024.47
Including: stock cash	181,781.97	134,145.48
Bank deposit available for payment at any time	257,547,160.08	372,787,878.99
Other monetary fund available for payment at any time	---	---
II. Cash equivalent	---	---

Item	Closing balance	Opening balance
Including: bond investment matured within 3 months	---	---
III. Balance of cash and cash equivalent at year-end	257,728,942.05	372,922,024.47

VIII. Related Parties and Transactions

(I) Parent company of the Company

Parent company	Relationship	Type	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.	The first major shareholder of the Company	Stock limited (listing)	Shenzhen	Chen Shaoqu	Development, construction, operation and management of agricultural products retail market, operation of market leasing	RMB 1,696,964,100	19.09	19.09	SASAC of Shenzhen	192179163

(II) Subsidiary of the Company found more in Note IV (I) Subsidiary

(III) Joint venture and affiliated company of the Company found more in Note V. Annotation 8. investment for joint venture and affiliated company

(IV) Particulars about other related parties

Name	Related relationship	Organization code
Shenzhen Investment Management Company	The company's original largest shareholder	192197644
Shenzhen Investment Holding Co., Ltd.	The company's second largest shareholder	76756642-1
Changzhou Sanjing Oil Co., Ltd.	Affiliated company	66382186-2
Zhejiang Wafa Tea Co., Ltd.	Minority shareholders of holding subsidiary company	05280263-8
Fujian Wuyi Mount. City Yuxing Tea Co., Ltd.	Minority shareholders of holding subsidiary company	71730243-6
Xingjiu Tea Co., Ltd.	Minority shareholders of holding subsidiary company	58310361-7

(V) Related transaction

- Concerning the subsidiary with controlling relationship concerned and in the consolidation scope, the dealings between the subsidiaries and parent company are have been off-set
- Related Trading of commodity purchased and labor service received

Related party	Related Trading	Price-making Method and Decision-making Procedure	This Period		Last Period	
			Amount	Proportion in the same trade (%)	Amount	Proportion in the same trade (%)
Zhejiang Wafa Tea Co.,Ltd.*	Purchase of tea	*	128,124,725.10	30.79	40,224,036.19	14.75
Fujian Wuyi Mount. City Yuxing Tea Co., Ltd.	Purchase of tea	Market price	4,712,358.71	1.13	8,617,283.09	3.16
Shenzhen Investment Holding Co., Ltd	Purchase of office place	Market price	84,247,219.00	100	---	---
Total			217,084,302.81		48,841,319.28	

* The price of connected transaction is cost-estimated based on the market price, that is to set recommended price after cost analysis based on the unit purchase prices of raw materials, production costs and unit selling prices at market provided by Zhejiang Wafa Tea Co.,Ltd. In principle, the price shall not be 5% higher than the average market price of previous year. It shall be fixed as the final trading price in a fair and equitable manner.

3. Related Trading of commodity sales and labor service provided

Related party	Related Trading	Price-making Method and Decision-making Procedure	This Period		Last Period	
			Amount	Proportion in the same trade (%)	Amount	Proportion in the same trade (%)
Shenzhen Agricultural Products Co., Ltd.	Purchase of tea	Market Price	348,882.68	0.09	134,204.54	0.05
Total			348,882.68	0.09	134,204.54	0.05

4. Related leasing

(1) Statement of company renting

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 annual
Zhejiang Shenshenbao Wafa Tea Co.,Ltd.	Zhejiang Wafa Tea Co.,Ltd.	Office building	2013-1-1	2013-12-31	Market Price	480,000.00

Zhejiang Wafa Tea Co.,Ltd rented a office building, locates at No. 88, Huafa South Rd., Economic technology development district,

Shenzhou City, with rental of RMB 480000. Income from rent was RMB 480000 in the Period, and the related transaction price was based on the market price.

(2)Statement of company leasing

Name of the lessee	Name of the lessor	Type of leasing assets	The beginning date of leasing	The ending date of leasing	Rent pricing basis	The confirmed rent in the annual
Fujian Wuyi Mount. City Yuxing Tea Co., Ltd.	Fujian province Wuyishan Shenbao Yuxing Tea Co.,Ltd.	Production workshop	2012-9-9	2014-9-8	Market Price	360,000.00

The production workshop that Fujian Wuyi Mount. City Yuxing Tea Co., Ltd. leased was located in Huanglongzhou Huangbaicun Wuyi Street Wuyishan City Fujian province with the rent RMB 720,000, and amounted the cost of the period RMB 360,000. Related trade pricing was based on market price.

5. Related party capital borrowing and lending

Borrowing funds from related party

Related party	Fund borrowed	Started	Ended	Note
Zhejiang Wafa Tea Co.,Ltd.	19,400,000.00	2013-3-6	2013-12-31	

On 6 March 2013, Shenshenbao Wafa entered into a borrowing contract with the Company and Zhejiang Wafa Tea Co., Ltd., according to the proportion of shareholding, the Company and Zhejiang Wafa Tea provided loans to Shenshenbao Wafa. RMB 19.4 million offered from Zhejiang Wafa Tea Co., Ltd., lending rate based on the one-year loan interest rate published by People’s Bank of China. Up to 31st December 2013, the loans are return in total, payable financial interest expenses RMB 530,023.32 generated in the Period to Zhejiang Wafa Tea Co.,Ltd.

6. Account receivable/payable for related parties

(1) The account receivable from related parties

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable					
	Shenzhen Agricultural Products Co., Ltd.	75,426.00	---	6,602.00	---
Account paid in advance					
	Zhejiang Wafa Tea Co.,Ltd.	---	---	4,581,943.05	---
	Fujian Wuyi Mount. City Yuxing Tea Co.,	1,457,375.73	---	---	---

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
	Ltd.				
Subtotal		1,457,375.73	---	4,581,943.05	---
Other account receivable					
	Changzhou Sanjing Oil Co., Ltd.	17,935,501.33	2,334,271.52	16,488,110.19	2,022,775.72
Total		19,468,303.06	2,334,271.52	21,076,655.24	2,022,775.72

(2) Account payable to related party

Item	Related party	Closing balance	Opening balance
Account payable			
	Zhejiang Wafa 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
Total		6,201,267.34	18,591,822.54

IX. Contingency

The Company has no major contingency need to disclosed ended as 31 December 2013

X. Commitments

The Company has no major commitments need to disclosed ended as 31 December 2013

XI. Events after balance sheet day**(I) Explanation on major event after balance sheet date**

The “Proposal of Transfer of 51.72 percent equity of Zhejiang Shenshenbao Wafa Tea Co., Ltd.” was deliberated and approved by 9th meeting of 8th session of the Board dated 27 January 2014. The 51.72 percent equity of Zhejiang Shenshenbao Wafa Tea Co., Ltd held by the Company was agreed to transfer to Zhejia Wafa Tea Co., Ltd. with consideration of RMB 34.5 million. The equity transfer was changed the industrial & commce registration dated 20 Feburay 2014, the Company has received equity transfer money

RMB 10 million up to the Reporting date.

(II) Explanation on profit distribution after balance sheet date

The Company has no plan of cash bonus issued, dividend distributed or capitalization of public common reserves for year of 2013

(III) The Company has no other events after balance sheet date should be disclosed up to the Reporting date

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 2013, Jitai Industrial has provided land premiums and construction account of RMB179,827,654.20. The construction account of RMB 3,920,200.00 payable to Zhongtai Construction Group Co., Ltd. still paid for provision and payment by Jitai Industrial.

2. On 10 January 2013, being deliberated and approved by 3rd meeting of 8th session of the Board, 10 percent equity of Shenzhen PepsiCo Beverage Co., Ltd. (“Shenzhen PepsiCo”) was sold by the Company and collected the transferee publically on SOTCBB. On 28 February, the qualify transferee—PepsiCo (China) Investment Ltd. (“PepsiCo (China)”) entered into a “Equity Transfer Agreement” with the Company. Shares of Shenzhen PepsiCo, that is 10 percent equity, was transfer to PepsiCo (China) with consideration of RMB 95 million; on 8 April, the first extraordinary general meeting 2013 of the Company deliberated and approved the transaction; on 11 April, according to the “Reply of Change of Investor’s Equity for Sino-foreign Joint Venture-- Shenzhen PepsiCo Beverage Co., Ltd.”, 10 percent equity of Shenzhen PepsiCo was agreed to transfer to PepsiCo (China). In line with relevant regulation of “Measures for Administration of Material Assets Reorganization of Listed Companies”, the equity transfer above said consist of material assets reorganization for listed company which shall be submitted for approved in CSRC. On 8 May, the “Reply for Approval of Material Assets Reorganization of Shenzhen Shenbao Industrial Co., Ltd.”(Zheng Jian Permit [2013] No. 635) was received by the Company for equity transfer approved. Ownership transfer procedure for 10% equity of Shenzhen PepsiCo was completed on

12 June 2013. And the transfer amount was received by the Company on 16 August 2013 in total, than the equity transfer was completed.

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

Annotation 1. Account receivables

1. Disclosed by type

Type	Closing balance			
	Book balance		Bad debt provision	
	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 group	26,786,709.08	99.89	---	---
Account receivable with single minor amount but withdrawal bad debt provision for single item	28,453.08	0.11	28,453.08	100
Total	26,815,162.16	100	28,453.08	0.11

(Continued)

Type	Opening balance			
	Book balance		Bad debt provision	
	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 group	---	---	---	---
Account receivable with single minor amount but withdrawal bad debt provision for single item	28,453.08	100	28,453.08	100
Total	28,453.08	100	28,453.08	100

Explanation on type of receivable:

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

Age	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Ratio (%)		Amount	Ratio (%)	

Age	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 year	26,786,709.08	99.89	---	---	---	---
1-2 years	---	---	---	---	---	---
2-3 years	---	---	---	---	---	---
Over 3 years	---	---	---	---	---	---
Total	26,786,709.08	99.89	---	---	---	---

2. Provision of bad debt provision for those receivables with single minor amount but with impairment test performed alone

Name	Book balance	Bad debt provision	Withdrawal ratio (%)	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		

3. No receivable written off in the Period

4. No receivable from shareholders' unit with over 5 percent (5 percent included) voting rights held in receivables at Period-end

5. No receivable from other related party at Period-end

6. Top five clients of receivables at Period-end

Name	Relation with the Company	Amount	Age	Proportion in total receivables (%)
Customer I	Non-related party	7,293,340.00	Within 1 year	27.20
Customer II	Non-related party	5,855,640.00	Within 1 year	21.84
Customer III	Non-related party	5,074,880.00	Within 1 year	18.93
Customer IV	Non-related party	2,741,593.60	Within 1 year	10.22
Customer V	Non-related party	2,238,132.60	Within 1 year	8.35

Name	Relation with the Company	Amount	Age	Proportion in total receivables (%)
Total		23,203,586.20		86.54

Annotation 2. Other receivables

1. Disclosed by type

Types	Closing balance			
	Book balance		Bad debt provision	
	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 group	197,412,613.85	97.30	2,387,411.68	1.21
Other account receivable with single minor amount but withdrawal bad debt provision for single item	5,472,398.91	2.70	5,472,398.91	100.00
Total	202,885,012.76	100	7,859,810.59	3.87

(Continued)

Type	Opening balance			
	Book balance		Bad debt provision	
	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 group	208,916,171.51	97.45	2,071,578.39	0.99
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
Total	214,388,570.42	100	7,543,977.30	3.52

Explanation on type of other receivable:

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

Age	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 year	180,541,958.05	88.98	---	193,003,040.50	90.02	---

Age	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Ratio (%)		Amount	Ratio (%)	
1—2years	957,624.79	0.47	47,881.24	948,836.79	0.44	47,441.84
2—3years	948,484.12	0.47	94,848.41	4,410,151.72	2.06	441,015.17
Over 3 years	14,964,546.89	7.38	2,244,682.03	10,554,142.50	4.93	1,583,121.38
Total	197,412,613.85	97.30	2,387,411.68	208,916,171.51	97.45	2,071,578.39

3. No other receivable written off in the Period

4. No receivable from shareholders' unit with over 5 percent (5 percent included) voting rights held in other receivables at Period-end

5. Top five other account receivable at period-end

Name	Relation with the Company	Nature or content	Amount	Age	Portion taken in total other account receivable (%)
Huizhou Shenbao Technologies	Wholly-owned subsidiaries	Open credit	153,217,104.73	Within 1 year	75.52
Shenbao Sanjing	Wholly-owned subsidiaries	Open credit	26,204,103.10	Within 1 year	12.92
Changzhou Sanjing Oil Co., Ltd.	Affiliated company	Open credit ect.	17,305,501.33	*	8.53
Shenbao Industrial Trading & Development	Wholly-owned subsidiaries	Open credit	230,589.19	Within 1 year	0.11
Owner of the leasing office building	Non-related party	Deposit	174,577.20	Over 3 years	0.09
Total			197,131,875.55		97.17

* Book age of Changzhou Sanjing Oil Co., Ltd. at closing balance was: RMB 817,391.14 within one year, RMB 957,624.79 (one year to two years), RMB 862,945.12 (2-3 years) and RMB 14,667,540.28 (over 3 years)

6. Particular about Other account receivable from related parties

Name	Relation with the Company	Amount	Portion taken in total other account receivable (%)
Huizhou Shenbao	Wholly-owned	153,217,104.73	75.52

Name	Relation with the Company	Amount	Portion taken in total other account receivable (%)
Technologies	subsidiaries		
Shenbao Sanjing	Wholly-owned subsidiaries	26,204,103.10	12.92
Changzhou Sanjing Oil Co., Ltd.	Affiliated company	17,305,501.33	8.53
Shenbao Industrial Trading & Development	Wholly-owned subsidiaries	230,589.19	0.11
Total		196,957,298.35	97.08

Annotation 3. Long-term equity investment

Name of the Companies	Calculation method	Initial investment cost	Opening book balance	-,+ in the Period (decreased listed with "-")	Closing book balance
Shenzhen Shenbao (Xinmin) Food Co., Ltd	Equity method	2,870,000.00	2,870,000.00	---	2,870,000.00
Changzhou Sanjing Oil Co., Ltd.	Equity method	13,500,000.00	---	---	---
Shenbao Properties	Cost method	2,550,000.00	2,550,000.00	---	2,550,000.00
Shenbao Industrial Trading & Development	Cost method	5,500,000.00	5,500,000.00	---	5,500,000.00
Shenbao Sanjing	Cost method	80,520,842.36	80,520,842.36	---	80,520,842.36
Shenbao Huacheng	Cost method	168,551,781.80	168,551,781.80	---	168,551,781.80
Huizhou Shenbao Technologies	Cost method	60,000,000.00	60,000,000.00	---	60,000,000.00
Wuyuan Jufangyong	Cost method	280,404,134.35	280,404,134.35	---	280,404,134.35
Hangzhou Jufangyong	Cost method	176,906,952.42	176,906,952.42	---	176,906,952.42
Shenbao Technology Center	Cost method	54,676,764.11	54,676,764.11	---	54,676,764.11
Shenbao Liaoyuan	Cost	57,628.53	57,628.53	---	57,628.53

Name of the Companies	Calculation method	Initial investment cost	Opening book balance	-,+ in the Period (decreased listed with “-“)	Closing book balance
Shenshenbao Wafa	Cost method	30,000,000.00	30,000,000.00	---	30,000,000.00
Shenzhen Sanjiu Weitai Holdings Co., Ltd.	Cost method	2,480,000.00	2,480,000.00	---	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
Shenzhen PepsiCo Beverage Co., Ltd.	Cost method	24,071,627.22	25,413,791.08	(25,413,791.08)	---
Total		917,089,730.79	904,931,894.65	(25,413,791.08)	879,518,103.57

Continue:

Invested company	Shares holding ratio (%)	Voting right ratio (%)	Depreciation reserves	Provision of depreciation reserve in the Period	Cash bonus in the Period
Shenzhen Shenbao (Xinmin) Food Co., Ltd	49.14	49.14	2,870,000.00	---	---
Changzhou Sanjing Oil Co., Ltd.	33.00	33.00	---	---	---
Shenbao Properties	51.00	51.00	---	---	---
Shenbao Industrial Trading & Development	100	100	---	---	---
Shenbao Sanjing	100	100	---	---	---
Shenbao Huacheng	100	100	---	---	---
Huizhou Shenbao	100	100	---	---	---

Invested company	Shares holding ratio (%)	Voting right ratio (%)	Depreciation reserves	Provision of depreciation reserve in the Period	Cash bonus in the Period
Technologies					
Wuyuan Jufangyong	95.72	95.72	---	---	---
Hangzhou Jufangyong	100	100	---	---	---
Shenbao Technology Center	100	100	---	---	---
Shenbao Liaoyuan	53.50	53.50	57,628.53	---	---
Shenshenbao Wafa	51.72	51.72	---	---	---
Shenzhen Sanjiu Weitai Holdings Co., Ltd.	0.95	0.95	2,480,000.00	---	---
Shenzhen Taiji Optical-Electronic Technologies Co., Ltd.	3.77	3.77	15,000,000.00	---	---
Shenzhen PepsiCo Beverage Co., Ltd.	---	---	---	---	---
Total			20,407,628.53	---	---

Annotation 4. Operating income and operating cost

1. Operating income and operating cost

Item	This Period	Last Period
Operating income	60,972,143.52	3,826,254.68
Incl.: main business income	58,572,143.52	1,426,254.68
Other business income	2,400,000.00	2,400,000.00
Operating cost	55,661,017.95	932,532.43
Incl.: main business cost	55,661,017.95	932,532.43
Other business cost	---	---

2. Main business (by industry)

Item	This Period		Last Period	
	Operating income	operating cost	Operating income	operating cost
Industry	58,572,143.52	55,661,017.95	1,426,254.68	932,532.43
Total	58,572,143.52	55,661,017.95	1,426,254.68	932,532.43

3. Main business (by products)

Item	This Period		Last Period	
	Operating income	operating cost	Operating income	operating cost
Tea products	58,572,143.52	55,661,017.95	1,426,254.68	932,532.43
Total	58,572,143.52	55,661,017.95	1,426,254.68	932,532.43

4. Main business (by area)

Area	This Period		Last Period	
	Operating income	operating cost	Operating income	operating cost
South China	12,927,039.57	12,283,710.15	716,972.70	228,636.55
East China	25,621,257.33	24,378,995.63	---	---
North China	17,095,432.96	16,219,656.68	---	---
Central China	547,975.20	521,097.60	---	---
Other area	2,380,438.46	2,257,557.89	709,281.98	703,895.88
Total	58,572,143.52	55,661,017.95	1,426,254.68	932,532.43

5. Main business income in top five clients

Name	Total Operating income	Proportion in total main business income (%)
Customer I	16,143,196.58	26.48
Customer II	13,314,982.91	21.84
Customer III	9,866,700.85	16.18
Customer IV	3,575,121.88	5.86
Customer V	2,632,676.07	4.32
Total	45,532,678.29	74.68

Annotation 5. Investment earnings

Item	This Period	Last Period
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Item	This Period	Last Period
Investment income of long-term equity based on equity	---	(299,393.90)
Investment income from disposal of long-term equity	68,259,965.15	103,536,577.90
Investment income obtained from disposal of transactional financial assets	---	2,394,174.15
Total	68,259,965.15	105,631,358.15

Annotation 6. Supplementary information of cash flow statement

Item	This Period	Last Period
1. Net profit adjusted to cash flow of operation activities:		
Net profit	49,294,105.99	76,077,033.87
Add: assets impairment reserve	315,833.29	382,391.35
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	1,274,075.64	1,235,252.38
Amortization of intangible assets	157,906.76	1,828,672.57
Amortization of long-term deferred expenses	265,114.85	286,179.37
Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with “-”)	(2,248.14)	180,081.65
Loss of disposing fixed assets(gain is listed with “-”)	---	---
Loss from change of fair value(gain is listed with “-”)	(66,359.35)	---
Financial expenses (gain is listed with “-”)	1,501,221.81	4,226,260.62
Investment loss (gain is listed with “-”)	(68,259,965.15)	(105,631,358.15)
Decrease of deferred income tax asset((increase is listed with “-”)	24,786.05	25,513.40
Increase of deferred income tax liability (decrease is listed with “-”)	---	---
Decrease of inventory (increase is listed with “-”)	(68,600,709.03)	748,577.05
Decrease of operating receivable accounts (increase is listed with “-”)	8,235,455.47	124,824,977.48
Increase of operating payable accounts (decrease is listed with “-”)	138,252,439.88	26,088,533.76
Others		---
Net cash flow arising from operating activities	62,391,658.07	130,272,115.35
2. Material investment and financing not involved in cash flow:		

Item	This Period	Last Period
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	105,859,108.94	55,033,726.34
Less: Balance of cash at year-begin	55,033,726.34	399,181,994.57
Plus: Balance of cash equivalents at the period end	---	---
Less: Balance of cash equivalent at year-begin	---	---
Net increasing of cash and cash equivalents	50,825,382.60	(344,148,268.23)

XIV. Supplementary information

(I) Current non-recurring gains/losses

Items	Amount	Note
Gains/losses from the disposal of non-current asset	68,194,019.57	See Note V. annotation (35), (36), (37) and Note X.
Tax refund or mitigate due to examination-and-approval beyond power or without official approval document	---	
Governmental subsidy calculated into current gains and losses(while closely related with the normal business of the Company, excluding the fixed-amount or fixed-proportion governmental subsidy according to the unified national standard)	8,578,084.78	See Note V. annotation (36)
Capital occupancy expense, collected from non-financial enterprises and recorded in current gains and losses	---	
Income from the exceeding part between investment cost of the Company paid for obtaining subsidiaries, associates and joint-ventures and recognizable net assets fair value attributable to the Company when acquiring the investment	---	
Gains and losses from exchange of non-monetary assets	---	
Gains and losses from assets under trusted investment or management	---	
Various provision for impairment of assets withdrew due to act of God such as natural disaster	---	
Gains and losses from debt restructuring	---	
Enterprise reorganization expense (eg.expenditure of staff replacement and integration charge)	---	
Gains and losses of the part arising from transaction in which price is not fair and exceeding fair value	---	
Current net gains and losses occurred from period-begin to combination day by subsidiaries resulting from business combination under common control	---	
Gains and losses arising from contingent proceedings irrelevant to normal operation of the Company	---	
Gains and losses from change of fair values of held-for-transaction financial assets and financial liabilities except for the effective hedge	73,048.00	See Note V. annotation (34),

Items	Amount	Note
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		(35)
Switch-back of provision of impairment of account receivable which are treated with separate depreciation test	---	
Gains and losses obtained from external trusted loans	---	
Gains and losses arising from change of fair value of investment real estate whose follow-up measurement are conducted according to fair value pattern	---	
Affect on current gains and losses after an one-time adjustment according to requirements of laws and regulations regarding to taxation and accounting	---	
Trust fee obtained from trust operation	---	
Other non-operating income and expenditure except for the aforementioned items	11,482,996.33	See Note V. annotation (36), (37)
Other gains and losses items complying with definition for non-current gains and losses	---	
Impact on income tax	(21,836,519.50)	
Affect on minority equity(after taxation)	281.15	
Total	66,491,910.33	

(II) Difference of accounting data under CAS and IAS

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

Region	Net profit		Net assets	
	Amount in this period	Amount in last period	Amount in this period	Amount in last period
By Chinese Accounting Standards	56,200,067.07	74,529,471.28	1,022,670,530.69	964,216,674.18
Items and amount adjusted by IAS				
1. Adjustment on amortization of differences of equity investment	---	---	---	1,016,958.04
2. Adjustment on cost of transferring Shenzhen Pepsi's equity	254,239.51	381,359.27	---	(762,718.54)
3. Other adjustment on regulated funds payable in share market	---	---	1,067,000.00	1,067,000.00
By International Accounting Standards	56,454,306.58	74,910,830.55	1,023,737,530.69	965,537,913.68

(III) Return on equity and earnings per share

Profit during period	Weighted average ROE (%)	Earnings per share
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		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of ordinary shares of the Company	4.52	0.1740	0.1740
Net profit attributable to shareholders of ordinary shares of the Company after non-recurring gains/losses deducted	(2.37)	(0.0910)	(0.0910)

(IV) Explanation on reasons for abnormal situation in financial statements

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
Monetary fund	258,228,942.05	373,422,024.47	(30.85)	*1
Account paid in advance	19,617,679.28	28,323,450.51	(30.74)	*2
Inventory	305,574,845.40	203,462,389.32	50.19	*3
Long-term equity investment	57,500.00	25,471,291.08	(99.77)	*4
Fixed assets	308,220,725.48	160,018,803.58	92.62	*5
Account received in advance	15,220,850.95	2,087,351.44	629.19	*6
Wages payable	9,553,292.94	4,937,554.49	93.48	*7
Taxes payable	15,006,102.34	2,448,094.70	512.97	*8
Other payable	233,058,495.02	153,192,884.98	52.13	*9
Other non-current liability	15,745,161.90	8,661,364.25	81.79	*10
Operating revenue	438,318,662.25	310,790,324.70	41.03	*11
Operating cost	367,575,489.74	257,469,827.25	42.76	*12
Sales expenses	34,286,008.25	19,796,335.71	73.19	*13
Investment earnings	68,266,653.80	105,641,348.65	(35.38)	*14
Non-operating revenue	20,069,364.44	3,269,282.38	513.88	*15
Income tax expenses	16,789,256.26	2,819,321.12	495.51	*16

*1: using of the raise funds in Period;

*2: most of the imported tea has received at period-end, the account paid in advance for tea and tariffs decreased;

*3: more expense on the development of Jadeite Apartment in the Period, found more in Note X (1);

*4: 10 percent equity of Shenzhen Pepsi was transferred in the Period;

*5: he comprehensive investment project, Wuyuan Jufangyong tea chain was carried forward as fixed assets in the Period;

*6: Jadeite Apartment pre-sales in 2013, account for house pre-sale received in advance;

*7: provision of the performance salary for year of 2013;

*8: income tax expenses for year of 2013 increaed;

*9: the project account accumulative received increase in the Period from Shenzhen Jitai Industrial Development Co., Ltd.;

*10: RMB 5 million of the special fund for development of strategic emerging industries was received in the Period;

*11: sales from Shenshenbao Wafa increased in the Period;

*12: sales from Shenshenbao Wafa increased in the Period;

*13: growth of the operating revenue bringing relevant increase in aspect of sales expense, advertisement costs and promotion charge;

*14: 10 percent equity of Shenzhen Pepsi was transferred in the Period;

*15: satisfaction account from Shenzhen China Bicycle received in the Period;

*16: income tax expenses for year of 2013 increaed;

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 2013 Annual Report with signature of the Chairman.

Shenzhen Shenbao Industrial Co., Ltd.

Chairman of Board: Zheng Yuxi

14 March 2014