

深圳市深宝实业股份有限公司
SHENZHEN SHENBAO INDUSTRIAL CO., LTD.
ANNUAL REPORT 2017



April 2018

Section I. Important Notice, Contents and Paraphrase

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

Chairman of the Company Zheng Yuxi, General Manager Yan Zesong, Chief Financial Officer Wang Zhiping and Financial Management Department Manager Xu Qiming hereby confirm that the Financial Report of Annual Report 2017 is authentic, accurate and complete.

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

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

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

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.

The Company plans no cash dividend, bonus and no capitalizing of common reserves either.

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Paraphrase

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

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

Section II Company Profile and Main Financial Indexes

I. Company information

Short form for share	SHENSHENBAO-A, SHENSHENBAO-B	Stock code	000019, 200019
Listing stock exchange	Shenzhen Stock Exchange		
Chinese name of the Company	深圳市深宝实业股份有限公司		
Abbr. of Chinese name of the Company	深宝		
English name of the Company(if applicable)	SHENZHEN SHENBAO INDUSTRIAL CO.,LTD.		
Abbr. of English name of the Company(if applicable)	SBSY		
Legal Representative	Zheng Yuxi		
Registrations add.	8F, B Section, 4 th Tower, Software Industrial Base, South Technology Park, Xuefu Road, Yuehai Street, Nanshan District, Shenzhen		
Code for registrations add	518057		
Offices add.	8/F, Tower-B, Building 4, Technology Park Nanshan Software Base, Nanshan District, Shenzhen		
Codes for office add.	518057		
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.	8/F, Tower-B, Building 4, Software Industry Base, Science & Technology Park (South), Xuefu Road, Nanshan District, Shenzhen	8/F, Tower-B, Building 4, Software Industry Base, Science & Technology Park (South), Xuefu Road, Nanshan District, Shenzhen
Tel.	0755-82027522	0755-82027522
Fax.	0755-82027522	0755-82027522
E-mail	lyy@sbsy.com.cn	huangbx@sbsy.com.cn

III. Information disclosure and preparation place

Newspaper appointed for information disclosure	<i>Securities Times; China Securities Journal and Hong Kong</i>
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	<i>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

Organization code	91440300192180754J
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 (Special General Partnership)
Offices add. for CPA	11/F, Block B, Union Square, No. 5022, Binhe Blv, Futian District, Shenzhen
Signing Accountants	Chen Baohua, Zhou Lingzhi

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

VI. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data or not

Yes No

	2017	2016	Changes over last year	2015
Operating revenue (RMB)	315,762,708.35	273,383,642.99	15.50%	338,224,512.31
Net profit attributable to shareholders of the listed Company(RMB)	-54,094,136.23	96,620,658.92	-155.99%	-35,256,169.10
Net profit attributable to shareholders of the listed	-56,114,386.31	-64,394,848.68	12.86%	-44,785,428.54

Company after deducting non-recurring gains and losses(RMB)				
Net cash flow arising from operating activities(RMB)	-94,914,594.15	61,740,568.12	-253.73%	-45,963,089.09
Basic earnings per share (RMB/Share)	-0.1089	0.1945	-155.99%	-0.0781
Diluted earnings per share (RMB/Share)	-0.1089	0.1945	-155.99%	-0.0781
Weighted average ROE	-5.46%	9.82%	-15.28%	-3.70%
	End of 2017	End of 2016	Changes over end of last year	End of 2015
Total assets (RMB)	1,070,386,220.55	1,178,543,725.30	-9.18%	1,060,458,757.46
Net assets attributable to shareholder of listed Company(RMB)	946,920,577.33	1,031,768,388.87	-8.22%	935,622,280.75

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

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

Applicable Not applicable

In RMB

	Net profit attributable to shareholders of listed Company		Net assets attributable to shareholders of listed Company	
	2017	2016	Amount at period-end	Amount at period-begin
Chinese GAAP	-54,094,136.23	96,620,658.92	946,920,577.33	1,031,768,388.87
Items and amount adjusted by IAS				
Adjustment for other payable fund of stock market regulation	0	0	1,067,000.00	1,067,000.00
IAS	-54,094,136.23	96,620,658.92	947,987,577.32	1,032,835,388.87

2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not applicable

The Company has no above mentioned condition occurred in the period

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

Applicable Not applicable

VIII. Main financial index disclosed by quarter

In RMB

	1 st Q	2 nd Q	3 rd Q	4 th Q
Operating income	59,762,320.34	78,396,062.61	92,588,317.43	85,016,007.97
Net profit attributable to shareholders of the listed Company	-9,918,007.24	-7,841,769.59	-8,629,218.79	-27,705,140.61
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses	-9,743,364.46	-9,614,195.55	-7,354,148.19	-29,402,678.11
Net cash flow arising from operating activities	-11,795,410.04	-38,637,238.11	-13,125,304.88	-31,356,641.12

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the Company's quarterly report and semi-annual report

Yes No

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

Applicable Not applicable

In RMB

Item	2017	2016	2015	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-50,200.13	171,607,536.76	-37,081.52	
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)	2,990,059.15	4,000,648.87	4,229,841.97	
Fund possession cost reckoned in current gain/loss charged from non-financial enterprise	488,839.56	0	0	
Profit and loss of assets delegation on others' investment or management	2,706,034.95	821,891.58	2,093,233.10	
Gains and losses from change of fair values of held-for-transaction financial assets and financial liabilities except for	-1,651,270.40	-335,414.30	1,808,657.11	

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				
Other non-operating income and expenditure except for the aforementioned items	-4,097,739.37	8,557,332.04	3,616,614.35	
Less: impact on income tax	51,797.61	23,961,893.28	2,179,393.09	
Impact on minority shareholders' equity (post-tax)	-1,686,323.93	-325,405.93	2,612.48	
Total	2,020,250.08	161,015,507.60	9,529,259.44	--

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

Applicable Not applicable

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

Section III Summary of Company Business

I. Main businesses of the Company in the reporting period

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

Yes No

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

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

II. Major changes in main assets

1. Major changes in main assets

Major assets	Note of major changes
Equity assets	No major Change
Fixed assets	No major Change
Intangible assets	No major Change
Construction in progress	No major Change
Monetary fund	1. monetary fund decreased due to the (1) operational cash expenditure in the period and (2) dividend implemented in the period

2. Main overseas assets

Applicable Not applicable

III. Core Competitiveness Analysis

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

Yes No

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

Section IV Discussion and Analysis of the Operation

I. Introduction

During the reporting period, the Company continued to promote scientific and technological innovation by focusing on the existing industrial layout and market development trends, fully implemented various operational measures to consolidate the industrial foundation and enhance the industrial value, vigorously expand the main business, and enhance the profitability and core competitiveness of the enterprise.

In order to promote the overall strategic adjustment of the state-owned grain and agriculture enterprise of Shenzhen City, during the reporting period, the Company and Shenzhen Cereals Group have undergone major assets restructuring; during the restructuring period, the Company actively carried out various tasks to maintain the stable operations and sustainable development of existing businesses.

During the reporting period, as the core driving force for the scientific research-driven industry development, Shenbao Technology Center has upheld the service concept of “realizing integrative solutions from concept to product”, strengthened the application product development, and strived to open up production, research and profit channels, actively cooperated with the deep processing division and Hangzhou Ju Fang Yong Company, provided new product development and technical supports for customers, effectively promoted the increase of orders and the improvement of economic efficiency. Within the year, it applied for 2 national invention patents; obtained 4 national invention patents. As of the end of the current year, the Company has 42 national invention patents.

During the reporting period, the deep processing division actively explored customers, orders from industrial customers increased significantly, orders for the special channel industry remained basically stable, and supply of instant tea powder and liquid main agent products showed an increasing trend; and achieved results in consumption reducing and efficiency increasing, and in optimization of supply chain and cost control.

During the reporting period, Hangzhou Ju Fang Yong took the existing outlets channels, product systems and businesses as the base, integrated and built “Shenbao Teabank” full tea boutique tea retail platform and tea experience space, put up a terminal channel system for Shenbao tea products; completed the optimization and upgrade of high traffic outlets such as transportation hubs and scenic spots, and vigorously expanded the joint investment. As the profitability of “iTealife” tasting business was poor, the Company shut down the stores with high costs and losses in the second half of the year, and improved the overall profitability by developing new products with high acceptance and adjusting prices and focusing on tea-based drink and reducing items; at the same time, made full use of the Company’s advantages in the tea industry chain and the development of tea-based drink products, liberalized the franchise system, and completed 3 franchise cooperation during the year.

During the reporting period, in the face of severe market conditions, Huizhou Science and Technology actively responded to changes in the market, adjusted its operating strategies, expanded sales channels by supporting dealers, effectively stabilized the existing market shares and achieved steady sales growth.

During the reporting period, the Company's tea exchange center started its business in the light of its established development direction. Afterwards, in accordance with the Notice on Printing and Distributing Yunnan Province's "Looking Back" Implementation Plan for Cleanup and Rectification issued by the Yunnan Provincial Government Finance Office and the Yunnan Securities Regulatory Bureau, the Company cooperated with the requirements of the Yunnan Provincial Cleanup Office, and all listed products of the tea exchange center went offline and stopped trading, so the development of the supply chain business sector centering on tea exchange center was affected. In order to ensure the follow-up development, after the rectification is completed, the tea exchange center will actively communicate with relevant government departments to restore the access rights; at the same time, it will cooperate with banks and other financial institutions to try to implement supply chain finance business.

During the reporting period, the Company focused on the principle of "safety first, prevention first, joint management, and comprehensive governance", put extra emphasis on food safety, innovated management models, paid close attention to implementation, supervision and inspection, actively carried out safety production management, strengthened employee safety awareness and operational skill training, and effectively implemented the safety responsibilities to systems, institutions and personnel. In 2017, the Company's food safety accident rate was "0," and all types of safety production accident rate was "0", achieving five "0" goals for safety and irresponsibility accident.

In 2017, the Company achieved total operating income of 315,762,708.35 Yuan, an increase of 15.50% over the same period of last year; operating profit of (57,180,665.35) Yuan, a decrease of 156.25% over the same period of last year; net profit attributable to shareholders of the listed Company of (54,094,136.23) Yuan, a decrease of 155.99% over the same period of last year. The changes in net profit attributable to shareholders of the listed Company mainly because there was an investment income from equity disposal last year while no such amount occurred in the period

II. Main business analysis

1. Introduction

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

2. Revenue and cost

(1) Constitute of operation revenue

In RMB

	2017		2016		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total operation revenue	315,762,708.35	100%	273,383,642.99	100%	15.50%

According to industries					
Industry	284,161,315.01	89.99%	241,949,064.53	88.50%	17.45%
Trading	23,399,365.17	7.41%	17,602,551.23	6.44%	32.93%
Leasing business	1,780,092.00	0.56%	1,844,660.57	0.67%	-3.50%
Service	598,140.76	0.19%	10,610,377.04	3.88%	-94.36%
Other	5,823,795.41	1.84%	1,376,989.62	0.50%	322.94%
According to products					
Soft drinks	32,220,427.40	10.20%	28,537,221.17	10.44%	12.91%
Condiment	7,889,820.23	2.50%	8,966,379.88	3.28%	-12.01%
Tea products	267,468,427.64	84.71%	222,048,014.71	81.22%	20.46%
Property leasing	1,780,092.00	0.56%	1,844,660.57	0.67%	-3.50%
Other	6,403,941.08	2.03%	11,987,366.66	4.38%	-46.58%
According to region					
Exportation	14,475,530.53	4.58%	12,509,701.98	4.58%	15.71%
South China	54,547,995.44	17.27%	109,134,649.49	39.92%	-50.02%
North China	22,266,296.17	7.05%	20,323,825.12	7.43%	9.56%
East China	188,165,970.72	59.59%	107,699,798.02	39.40%	74.71%
Central China	20,727,285.30	6.56%	14,261,668.46	5.22%	45.34%
Other region	15,579,630.19	4.93%	9,453,999.92	3.46%	64.79%

(2) About the industries, products, or regions accounting for over 10% of the Company's operating income or operating profit

Applicable Not applicable

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

Yes No

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	284,161,315.01	231,132,106.62	18.66%	17.45%	19.16%	-1.17%
Trading	23,399,365.17	9,889,768.61	57.73%	32.93%	1.13%	13.29%
According to products						

Soft drinks	32,220,427.40	22,530,855.90	30.07%	12.91%	5.86%	4.66%
Tea products	267,468,427.64	213,303,350.39	20.25%	20.46%	20.61%	-0.10%
According to region						
South China	54,547,995.44	42,056,492.94	22.90%	-50.02%	-41.42%	-11.32%
East China	182,342,175.31	139,964,141.13	23.24%	71.50%	67.36%	1.90%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

Applicable Not applicable

(3) Income from physical sales larger than income from labors

Yes No

Industries	Item	Unit	2017	2016	Increase/decrease y-o-y
Industry	Sales volume	Ton	16,548.74	13,914.44	15.92%
	Output	Ton	16,038.30	15,210.31	5.16%
	Storage	Ton	3,526.50	4,677.57	-32.64%

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

Applicable Not applicable

Change of the product structure and amount decreased due to the change of clients

(4) Fulfillment of the Company's signed significant sales contracts up to this reporting period

Applicable Not applicable

(5) Constitute of operation cost

Classification of industries and products

In RMB

Industries	Item	2017		2016		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Industry	Raw materials	170,660,851.03	69.40%	123,881,660.69	60.53%	37.76%
Industry	Labor wage	9,383,982.21	3.82%	11,217,506.09	5.48%	-16.35%
Industry	Energy	21,732,257.67	8.84%	25,532,216.93	12.48%	-14.88%
Industry	Depreciation	13,238,425.54	5.38%	16,291,256.71	7.96%	-18.74%

Industry	Cost of production	17,268,811.64	7.02%	17,052,338.13	8.33%	1.27%
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In RMB

Products	Item	2017		2016		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Tea products	Raw materials	158,307,860.95	64.38%	111,993,962.02	54.73%	41.35%
Tea products	Labor wage	8,185,274.32	3.33%	9,633,017.71	4.71%	-15.03%
Tea products	Energy	20,232,543.77	8.23%	24,068,105.34	11.76%	-15.94%
Tea products	Depreciation	11,597,734.69	4.72%	14,507,617.02	7.09%	-20.06%
Tea products	Cost of production	14,979,936.66	6.09%	16,649,935.95	8.14%	-10.03%

Explanation

Nil

(6) Whether the changes in the scope of consolidation in Reporting Period

Yes No

Subsidiary, special purpose entity, and operational entities with controlling rights held by entrusted operation or lessee that including in consolidation scope of the Company in the period

Name	Reason for change
Shenbao Tea-Shop	New established
Fuhaitang Catering	New established

(7) Material changes or adjustment for products or services of the Company in reporting period

Applicable Not applicable

(8) Major sales and main suppliers

Major sales of the Company

Total top five clients in sales (RMB)	124,652,771.31
Proportion in total annual sales volume for top five clients	39.47%
Proportion in total annual sales volume for related sales among top five clients	0.00%

Top five clients

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	Client I	44,474,424.88	14.08%

2	Client II	38,741,888.39	12.27%
3	Client III	20,845,774.28	6.60%
4	Client IV	10,590,512.83	3.35%
5	Client V	10,000,170.93	3.17%
Total	--	124,652,771.31	39.47%

Other explanation on main clients

Applicable Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	61,975,448.10
Proportion in total annual purchase amount for top five suppliers	20.22%
Proportion in total annual purchase amount from related purchase among top five suppliers	0.00%

Top five suppliers of the Company

Serial	Name	Sum of purchase (RMB)	Proportion in total annual sum of purchase
1	Supplier I	18,581,728.90	6.06%
2	Supplier II	12,935,560.18	4.22%
3	Supplier III	11,876,964.14	3.88%
4	Supplier IV	9,818,219.31	3.20%
5	Supplier V	8,762,975.57	2.86%
Total	--	61,975,448.10	20.22%

Other explanation on main suppliers

Applicable Not applicable

3. Expenses

In RMB

	2017	2016	Increase/decrease y-o-y (%)	Note of major changes
Sales expenses	44,061,027.90	44,338,389.32	-0.63%	
Administration expenses	76,128,683.00	86,120,689.47	-11.60%	
Financial expenses	-1,692,626.33	-1,182,236.05	-43.17%	

4. R&D investment

Applicable Not applicable

In this year, Shenbao Technology Center adhered to the service concept of "realize the integrating solutions from concept to products", actively explored new channels and new markets, developed new products and technical support services for beverage customers; developed new series of catering products for catering markets; provided integrated technical supports for new products production for the company and factory; provided supports and services for the company to participate in exhibitions, customer technical exchanges, and after-sales services. In this year, the company developed and implemented a total of 70 customer projects, and successfully developed a total of 46 new products, including tea raw materials, tea powder, tea concentrated juice, plant extracts, and food and beverage products. During the reporting period, the company applied for a total of two national invention patents, and obtained the authorization of four national invention patents.

R&D investment of the Company

	2017	2016	Change ratio
Number of R&D (people)	32	33	-3.03%
Ratio of number of R&D	5.65%	4.29%	0.36%
R&D investment (Yuan)	8,769,959.88	7,770,753.76	12.86%
investment accounted for operation income	2.78%	2.84%	-0.06%
R&D investment capitalization (Yuan)	0.00	2,904,702.08	-100.00%
Capitalization R&D investment accounted for R&D investment	0.00%	37.38%	-37.38%

The reason of great changes in the proportion of total R&D investment accounted for operation income than last year

Applicable Not applicable

Reason for the great change in R&D investment capitalization rate and rational description

Applicable Not applicable

The R&D investment in the year did not required the capitalization condition

5. Cash flow

In RMB

Item	2017	2016	Increase/decrease y-o-y
Subtotal of cash in-flow from operation activity	368,388,607.25	435,401,568.68	-15.39%
Subtotal of cash out-flow from operation activity	463,303,201.40	373,661,000.56	23.99%
Net cash flow from operation	-94,914,594.15	61,740,568.12	-253.73%

activity			
Subtotal of cash in-flow from investment activity	342,680,610.10	310,408,558.03	10.40%
Subtotal of cash out-flow from investment activity	340,280,365.73	179,221,053.21	89.87%
Net cash flow from investment activity	2,400,244.37	131,187,504.82	-98.17%
Subtotal of cash in-flow from financing activity	22,523,100.00	68,500,079.19	-67.12%
Subtotal of cash out-flow from financing activity	32,342,767.32	50,825,895.83	-36.37%
Net cash flow from financing activity	-9,819,667.32	17,674,183.36	-155.56%
Net increased amount of cash and cash equivalent	-102,602,592.42	211,050,355.68	-148.62%

Reasons for y-o-y relevant data with major changes

Applicable Not applicable

1. Changes of cash in-flow from operation activity: there was a large amount of intercourse funds occurred in last period while there is no such account occurred in the period;
2. Changes of cash out-flow from operation activity: cash paid for raw material purchase in the period have significantly growth in the period;
3. Changes of cash out-flow from investment activity: cash paid for purchasing financial products increased from a year earlier;
4. Changes of cash in-flow from financing activity: cash received from bank loans decreased from a year earlier;
5. Changes of cash out-flow from financing activity: there was major amount of loans are paid in last period while no such amount occurred in the period

Reasons of major difference between the cash flow of operation activity in report period and net profit of the Company

Applicable Not applicable

III. Analysis of the non-main business

Applicable Not applicable

In RMB

	Amount	Ratio in total profit	Note	Whether be sustainable
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Investment income	2,397,094.38	-3.91%	Gains from financial products	Unsustainable
Gains/losses of fair value variation	-1,651,270.40	2.69%	Change of stock value	Unsustainable
Asset impairment	5,919,333.50	-9.66%	Provision for impairment of assets	Unsustainable
Non-operating income	524,245.69	-0.86%		Unsustainable
Non-operating expense	4,621,985.06	-7.54%	Compensation	Unsustainable

IV. Assets and liability

1. Major changes of assets composition

In RMB

	End of 2017		End of 2016		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	255,961,650.41	23.91%	358,564,242.83	30.42%	-6.51%	1. monetary fund decreased due to the (1) operational cash expenditure in the period and (2) dividend implemented in the period
Account receivable	77,193,068.03	7.21%	62,582,867.63	5.31%	1.90%	
Inventory	155,306,108.94	14.51%	140,951,059.39	11.96%	2.55%	
Investment property	18,401,275.03	1.72%	18,872,865.36	1.60%	0.12%	
Long-term equity investment	5,248,629.66	0.49%	5,866,481.63	0.50%	-0.01%	
Fix assets	313,742,404.72	29.31%	333,013,767.86	28.26%	1.05%	
Construction in process	134,918.91	0.01%	54,574.34	0.00%	0.01%	
Short-term loans	10,000,000.00	0.93%	5,000,000.00	0.42%	0.51%	

2. Assets and liability measured by fair value

Applicable Not applicable

In RMB

Items	Amount at the beginning period	Changes of fair value gains/losses in this period	Accumulative changes of fair value reckoned into equity	Devaluation of withdrawing in the period	Amount of purchase in the period	Amount of sale in the period	Amount in the end of period
Financial assets							
1. Financial assets measured by fair value and whose change is recorded in current gains and losses (excluding derivative financial assets)	3,250,938.60	-1,651,270.40	518,602.11				1,599,668.20
Aforementioned total	3,250,938.60	-1,651,270.40	518,602.11				1,599,668.20
Financial liabilities	0.00						0.00

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

Yes No

3. The assets rights restricted till end of the period

The Company has no above mentioned conditions till end of the Period

V. Investment analysis

1. Overall situation

Applicable Not applicable

Investment in reporting period (Yuan)	Investment in the same period of last year (Yuan)	Range
6,460,000.00	37,000,000.00	-82.54%

2. The major equity investment obtained in the reporting period

Applicable Not applicable

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

Applicable Not applicable

4. Financial assets investment

(1) Securities investment

√ Applicable □ Not applicable

In RMB

Variety of securities	Code of securities	Short form of securities	Initial investment cost	Accounting measurement model	Book value at the beginning of the period	Changes in fair value of the current profit and loss	Cumulative fair value changes in equity	Current purchase amount	Current sales amount	Profit and loss in the Reporting Period	Book value at the end of the period	Accounting subject	Capital Source
Domestic and overseas stock	000017	CBC-A	--	Fair value measurements	3,250,938.60	-1,651,270.40	518,602.11	0.00	0.00	-1,651,270.40	1,599,668.20	Financial assets available for sale	Paid shares from debt reorganization
Other securities investment held at period-end			--	--								--	--
Total			--	--	3,250,938.60	-1,651,270.40	518,602.11	0.00	0.00	-1,651,270.40	1,599,668.20	--	--
Disclosure date of securities investment approval of the Board			Not applicable										
Disclosure date of securities investment approval of the Shareholder Meeting (if applicable)			Not applicable										

(2) Derivative investment

Applicable Not applicable

The Company has no derivatives investment in the Period

5. Application of raised proceeds

Applicable Not applicable

The Company has no application of raised proceeds in the Period

VI. Sales of major assets and equity

1. Sales of major assets

Applicable Not applicable

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

2. Sales of major equity

Applicable Not applicable

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

Applicable Not applicable

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

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Hangzhou Ju	Subsidiary	Production &	175,000,000.00	212,413,641.73	161,927,246.25	33,063,373.55	-15,439,912.12	-14,659,161.55

Fang Yong		sales of tea product						
Shenbao Investment	Subsidiary	Investment management	50,000,000.00	24,497,735.63	20,904,438.20	5,721,413.62	-7,447,759.73	-7,430,463.90
Shenbao Technology Center	Subsidiary	Technical development, consultant and transfer	54,000,000.00	44,081,174.45	35,868,367.69	142,036.98	-7,487,789.51	-7,487,789.51
Tea Trading Center	Subsidiary	Service industry	50,000,000.00	48,850,197.44	36,754,698.90	624,442.03	-6,030,287.68	-10,207,322.35

Particular about subsidiaries obtained or disposed in report period

Applicable Not applicable

Name of Company	The way of getting and treating subsidiary in the reporting	Influence on overall product and performance
Shenbao Tea-Shop	New established	Impact on net profit of the Company: (1,074,500) Yuan
Fuhaitang Catering	New established	Impact on net profit of the Company: (125,700) Yuan

Explanation on main holding/stock-jointly enterprise:

1. Hangzhou Ju Fang Yong Holding Co., Ltd., a wholly owned subsidiary. Business scope: sell both retail and wholesale: wholesale, retail of the prepackaged food and bulk food (pre-approval items should be operated within validity period): tea set; acquisitions: tea business sales required (limited to the acquisition of the original producer of primary industry directly); Services: Tea business investment and asset management, technology development, cultivation, breeding, technical consulting, technical services, transfer of results, the other all legitimate projects without approval, subsidiaries' business scope included. Register capital was 175 million Yuan. Ended as this period-end, the total assets of Ju Fang Yong is 212,413,641.73 Yuan, and net assets amounting to 161,927,246.25 Yuan, shareholders' equity attributable to parent Company is 162,234,107.82 Yuan; in the reporting period, Ju Fang Yong achieved operation income, net profit and net profit attributable to shareholder of parent Company as 33,063,373.55 Yuan, (14,659,161.55) Yuan and (13,840,286.65) Yuan respectively.

2. Shenzhen Shenshenbao Investment Co., Ltd. a wholly owned subsidiary. Business scope: investment industry (specific items to be declared separately); marketing, consulting services, tea training for knowledge and tea culture; sales of tea set, tea table, root; online trade, domestic trade (excluding franchise, Monopoly, special goods); business import and export business (excluding restricted items). Register capital was 50 million Yuan. Ended as this period-end, the total assets of Shenbao Investment is 24,497,735.63 Yuan, net assets amounting to 20,904,438.20 Yuan, and shareholders' equity attributable to parent Company is 20,904,438.20 Yuan; in the reporting period, Shenshenbao Investment achieved operation revenue of 5,721,413.62 Yuan, net profit amounting to (7,430,463.90) Yuan and net profit attributable to parent company amounted as (5,683,841.90) Yuan

3. Shenzhen Shenbao Technology Center Co., Ltd. is a wholly-owned subsidiary of the Company, its business scope includes technical development, technical consultation, technology transfer and inspection services for tea, plant products, soft drinks and food (except for projects subject to approval before registration by laws, administrative regulations, State Council decisions); domestic trade; prepackaged food wholesale, liquor wholesale. Register capital was 54 million Yuan. Ended as this period-end, total assets of Shenbao Technology Center amounted as 44,081,174.45 Yuan, net assets amounting to 35,868,367.69 Yuan, the shareholders equity attributable to parent company amounted as 35,868,367.69 Yuan; in the reporting period, Shenbao Technology Center achieved operation revenue of 142,036.98 Yuan, net profit amounting to (7,487,789.51) Yuan and net profit attributable to parent company amounted as (7,487,789.51) Yuan

4. Yunnan Pu'er Tea Trading Center Co., Ltd. is a non-wholly-owned subsidiary of the Company, its business scope includes providing places, facilities and intermediary, brokerage, auction, finance, and consulting services for tea and other agricultural and sideline products, spot trading of industrial raw materials and bulk stock, and related financial services; investment and management of other related projects; conference and exhibition services (projects subject to approval according to law, operating activities only be carried out after the approval of relevant departments). Register capital was 50 million Yuan. Ended as this period-end, total assets of Pu'er Tea Trading Center amounted as 48,850,197.44 Yuan, net assets amounting to 36,754,698.90 Yuan, the shareholders equity attributable to parent company amounted as 36,754,698.90 Yuan; in the reporting period, Pu'er Tea Trading Center achieved operation revenue of 624,442.03 Yuan, net profit amounting to (10,207,322.35) Yuan and net profit attributable to parent company amounted as (10,207,322.35) Yuan

VIII. Structured vehicle controlled by the Company

Applicable Not applicable

IX. Prospects on future development

(I) Development trend and competition layout of the industry

1. The development trend of tea industry

According to statistical data released by China Tea Marketing Association and other institutions, in 2017, the total tea garden areas of 18 tea-producing provinces reached 45,887,000 mu, an increase of 3.61% over the same period last year; the output of dry *Antirhea chinensis* was 2,609,000 tons, an increase of 6.1% over the same period last year, the total output value of dry *Antirhea chinensis* reached 190.76 billion Yuan, an increase of 13.4%. In 2017, the production scale of the tea industry in the country continued to maintain an overall growth trend, the output of dry *Antirhea chinensis* continued to increase, and the output value increased significantly, while the output of bulk tea decreased and the price increased, the space for development and utilization was large, the price of tea continued to rise, the tea structure was adjusted and optimized, and the quality and safety level continued to improve; under the influence of intensified financial control, the vast majority of more than 30 tea financial trading platforms suspended trading for internal reformation during the year. With the rapid development of mobile internet, the overall sales volume of online tea has continued to increase, “Online + Offline” become the standard in the tea industry, and there is a clear trend in industry cross-border cooperation. Safe, affordable, diversified, younger products and diversified marketing are still the development trend of the tea industry.

2. The development trend of tea and deep-processing products based on natural plant

The consumption transformation promotes the transformation and upgrading of beverage industry. With the interiorizing of personalization, quality, and “green health” concept, new products related to quality consumption and green consumption will maintain rapid growth; while the emerging retail industry maintaining fast development, the traditional retail format is also continuously innovating business models and expanding sales channels; product category structure will be further optimized, low-calorie beverages, healthy nutritional beverages, tea beverages, and plant-based dairy beverages will have good development prospects, and functional beverages and health drinks will have a fast development. As ingredients of food and beverage, the tea and natural plant deep processing products have natural and healthy essential characteristics, of which the application in food and beverage field continues to innovate and develop, and the tremendous development space of tea drinks and plant beverages lays a good foundation for the development of tea and natural plant deep processing products.

3. Competitive landscape

The Company’s tea and natural plant deep processing product is a sub-sector in the tea industry, and now it has evolved into a market with relatively concentrated market share. The Company’s main competitors are also the certified suppliers of large-scale food and beverage customers at home and abroad, so the price competition in the industry is fierce; at the same time, the rise in raw material prices and labor costs has also led to a significant increase in the cost of deep processing production of tea. However, the Company has comparative advantages in terms of product innovation, process technology, advanced equipment, etc.; and the Company is a tea industry chain integrated enterprise which is very few in the industry at present, it has a number of production lines for tea refining, instant tea powder, condensed tea juice and tea raw materials for beverage, etc., and has several

proprietary technologies by independent research and development and other advantages.

The competition among various brands and categories in the domestic tea consumption market has become increasingly fierce, the marketing and promotion methods continue to be innovated, and the cross-border cooperation continues to deepen. With the consumption upgrading, consumers have paid more attention to quality and brand in addition to tea price. The tea enterprises with good reputation and brand have gradually expanded their market share and achieved greater development. The safety of tea products still poses a challenge to the healthy development of tea industry.

China's economic development has been generally stable and good, the structural reform of supply side has been continuously deepened, and a series of policy measures to stabilize consumption and adjust structure continue to play a role, and the people's living standards have been continuously improved. The expansion of consumer demands and the promotion of tiers within the entire society have created a good external environment for the sustainable and healthy development of tea industry.

(II) Development Strategy

In accordance with established guidelines, the Company seizes opportunities, centralizes resources, focuses on the deep processing of tea and natural plants, aims at building an integrated industrial chain of natural health products and services, and extends to the tea plantation base and boutique tea business; implements industrialization, standardization, and international management, and strives to enhance the synergy of tea industry chain and the value-creating ability of traditional industry so as to make the Company become the most valuable listed Company in the Chinese tea industry.

(III) Operation plan for year of 2018

In 2018, the Company will actively promote the major asset restructuring, cooperate with intermediaries to complete audits, assessments, and other related tasks in an orderly manner, continue to advance project progress, fulfill decision-making, approval procedures, and information disclosure obligations so as to ensure the major asset restructuring to proceed smoothly. At the same time, it will continue to steadily promote the Company's various operations and management to ensure the stable operation and sustainable development of the Company's existing business.

1. Give full play to the research and development main body effect of the technology center, continue to implement the research and development projects and the implementation of customer projects steadily, strengthen the application development and promotion of existing new products, promote the integration of production and research, accelerate the transformation of scientific and technological achievements, and provide strong supports for the development of each business segment.
2. Amplify the advantages of deep processing business segment, and vigorously develop catering channel products through integration and innovation. Actively develop and expand new customers and foreign markets to promote efficiency.
3. By means of the brand layout of "Shenbao Teabank" and "iTealife", Hangzhou Ju Fang Yong makes use of the

Company's development advantages in the supply chain and tea-based drinks, export tea series products through the franchise chain system, vigorously developed franchisees, and optimize products and upgrade supply chain around the franchise system.

4. Huizhou Science and Technology continues to consolidate and enhance the existing main sales market, accelerate the pace of expansion; strengthen the monitoring of production details, reduce losses, and improve quality and efficiency.

5. The tea supply chain business segment with the tea exchange center as its core will explore new development ideas, seek new development, improve and optimize the tea supply chain service business, and enhance the platform value based on the regulatory requirements.

6. Optimize and improve the Company's human resource management system; strengthen the internal control management, and optimize the financial informatization management platform.

7. Strengthen the party building work, combine party organization construction with enterprise development, enhance corporate culture construction, and build a harmonious internal and external environment for enterprise development.

8. Continue to strengthen production and food safety work, and ensure safety accidents to be zero during the year.

X. Research reception, communication and interview activities

1. Registration form of research reception, communication and interview in the Period

Applicable Not applicable

There were no research reception, communication and interview activities occurred in the period

Section V. Important Events

I. Profit distribution plan of common stock and capitalizing of common reserves plan

Formulation, Implementation and Adjustment of common stock Profit Distribution Policy Especially Cash Dividend policy during the Reporting Period

Applicable Not applicable

In reporting period, no adjustment and change happened to profit distribution rule.

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

Profit distribution plan (pre-plan) of common stock and capitalizing of common reserves plan (pre-plan) in latest three years (including the reporting period)

The equity distribution plan for 2015: Based on share capital of 301,080,184 on 31 Dec 2015, carried out 5 shares every 10-share to all shareholders using capital reserve, no cash dividend and no bonus share.

The equity distribution plan for 2016: Based on share capital of 451,620,276 on 31 Dec 2016, distributed 0.5 Yuan (tax included) for every 10-share to all shareholders with one share bonus (tax included), and no share converted from capital reserve

The equity distribution plan for 2017: No cash dividend, no bonus shares as well as no share converted from capital reserve

Particulars for cash dividend of common share for 3 years (current period included)

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed Company in consolidation	Ratio in net profit attributable to common stock shareholders of listed Company contained in	Amount for cash bonus by other ways	Proportion for cash bonus by other ways

		statement for bonus year	consolidation statement		
2017	0.00	-54,094,136.23	0.00%	0.00	0.00%
2016	22,581,013.80	96,620,658.92	23.37%	0.00	0.00%
2015	0.00	-35,256,169.10	0.00%	0.00	0.00%

The Company gains profits in reporting period and the retained profit of common stock shareholders provided by parent Company is positive but no plan of cash dividend proposed of common stock

Applicable Not applicable

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

Applicable Not applicable

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either for the year.

III. Implementation of commitment

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

Applicable Not applicable

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

2. Concerning assts or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast

Applicable Not applicable

IV. Non-operational fund occupation from controlling shareholders and its related party

Applicable Not applicable

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

V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for “Qualified Opinion” that issued by CPA

Applicable Not applicable

VI. Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year

√Applicable □Not applicable

Change of accounting policy

Content & reasons	Approval procedure	Note
On 10 May 2017, the “Accounting Standards for Business Enterprise No. 16- Government grant” has revised and issued by Ministry of Finance. The new Standards implemented since 12 June 2017. Meanwhile, the prospective application method shall be adopted by an enterprise for government grant on 1 January 2017; the new government grant from 1 January 2017 to date of such Standards implemented should be adjusted in line with the revised Standards.	The change has deliberated on 11 th session of 9 th BOD and no need to deliberated in shareholder general meeting	
According to the relevant regulation of " Accounting Standards for Business Enterprise No. 42 - Non-current Assets Held for Sale, Disposal Group and Discontinuing Operation" issued by Ministry of Finance on 28 April 2017, relevant accounting treatment for non-current assets held for Sale, disposal group and discontinuing operation are changed correspondingly	The change has deliberated on 16 th session of 9 th BOD and no need to deliberated in shareholder general meeting	

Explanation:

(1) On 10 May 2017, the “Accounting Standards for Business Enterprise No. 16- Government grant” has revised and issued by Ministry of Finance. The new Standards implemented since 12 June 2017. Meanwhile, the prospective application method shall be adopted by an enterprise for government grant on 1 January 2017; the new government grant from 1 January 2017 to date of such Standards implemented should be adjusted in line with the revised Standards.

The new revised Standards are implemented by the Company since 12 June 2017, main changes for the above mentioned policy are including: pursuit to the recruitment of “Accounting Standards for Business Enterprise No. 16- Government grant” (CK [2017] No.15), the government grant with operation activity concerned should reckoned into other income or reducing relevant cost expenses according to its essence of economic business. Those without operation activity concerned should be reckoned into non-operation revenue & expenditure. As a result, relevant government grant are listed in item of “other income” instead of “non-operation revenue” in the profit statement, the ”amount occurred from Jan. to Jun. 2017“ for “non-operation revenue” decreased 1,077,854.03 Yuan, the ”amount occurred from Jan. to Jun. 2017“ for “other income” increased 1,077,854.03 Yuan; the data in comparable period listed in Financial Report of 2016 are not carry retroactively adjustment.

(2) On 28 April 2017, the “Accounting Standards for Business Enterprise No. 42 - Non-current Assets Held for Sale, Disposal Group and Discontinuing Operation” has revised and issued by Ministry of Finance. The new Standards implemented since 28 May 2017. Pursuit to the regulation of “Announcement on Revising and Printing

Financial Report Format for General Corporate” (CK [2017] No.30), issued by Ministry of Finance, item of “Income from assets disposal” increased in profit statement and net profit should be listed in line with the business continuity. Pursuit to relevant regulation of “Accounting Standards for Business Enterprise No. 30- Presentation of Financial Statement”, data in comparable period should be adjusted. Impact on financial statement for above mentioned standards implemented are including:

Amount listed in financial statement are adjusted in line with the regulation of “Accounting Standards for Business Enterprise No. 42 - Non-current Assets Held for Sale, Disposal Group and Discontinuing Operation”, the income from non-current assets disposal occurred from 1 Jan. 2017 to 31 Dec. 2017 should be listed to “Income from Assets disposal” as (50,200.13)Yuan from “non-operation revenue” and “non-operation expenditure”; data in comparable period should be adjusted. The income from non-current assets disposal occurred from 1 Jan. 2016 to 31 Dec. 2016 should be listed to “Income from Assets disposal” as 7,470,328.76 Yuan from “non-operation revenue” and “non-operation expenditure”

Change of accounting estimation

Main accounting estimation are not changed in the period

VII. Major accounting errors within reporting period that needs retrospective restatement

Applicable Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

VIII. Compare with last year’s financial report; explain changes in consolidation statement’s scope

Applicable Not applicable

Subsidiary, special purpose entity, and operational entities with controlling rights held by entrusted operation or lessee that including in consolidation scope of the Company in the period

Name	Reason for change
Shenbao Tea-Shop	New establihsed
Fuhaitang Catering	New establihsed

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

Accounting firm appointed

Name of domestic accounting firm	Dahua Certified Public Accountants (Special General Partnership)
Remuneration for domestic accounting firm (in 10 thousand Yuan)	48

Continuous life of auditing service for domestic accounting firm	10-year
Name of domestic CPA	Chen Baohua, Zhou Lingzhi
Continuous life of auditing service for domestic CPA	2-year

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

During the reporting period, Dahua Certified Public Accountants (Special General Partnership) was hired as the internal control audit institutions of the Company, 250,000 Yuan for internal control audit fee.

In the year, Vanho Securities Co., Ltd. are appointed as independent financial advisor of the Company for material assets reorganization, financial advisor fee of 0.5 million Yuan are paid during the service time.

X. Particular about suspended and delisting after annual report disclosed

Applicable Not applicable

XI. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization for the Company in reporting period

XII. Significant lawsuits and arbitrations of the Company

Applicable Not applicable

No significant lawsuits and arbitrations occurred in the reporting period

XIII. Penalty and rectification

Applicable Not applicable

No penalty and rectification for the Company in reporting period.

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

Applicable Not applicable

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

Applicable Not applicable

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

XVI. Major related transaction

1. Related transaction with routine operation concerned

Applicable Not applicable

No related transaction occurred in the period with routine operation concerned

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

Applicable Not applicable

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

3. Related transaction of foreign investment

Applicable Not applicable

No related transaction of foreign investment occurred at period-end

4. Related credits and liabilities

Applicable Not applicable

No related credits and liabilities occurred in period

5. Other major related transaction

Applicable Not applicable

No other major related transaction in the Period

XVII. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

Applicable Not applicable

No trusteeship for the Company in reporting period

(2) Contract

Applicable Not applicable

No contract for the Company in reporting period

(3) Leasing

Applicable Not applicable

No leasing in the Period

2. Major Guarantee

Applicable Not applicable

(1) Guarantee

In 10 thousand Yuan

External Guarantee (not including guarantees to subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party
Guarantee 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
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd		3,000	2017-07-27	3,000	Joint liability guaranty	One year	N	Y
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)				3,000
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)			3,000	Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)				3,000
Guarantee of the subsidiaries 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

	date	agreement)		or not
Total amount of guarantee of the Company(total of three abovementioned guarantee)				
Total amount of approving guarantee in report period (A1+B1+C1)		3,000	Total amount of actual occurred guarantee in report period (A2+B2+C3)	3,000
Total amount of approved guarantee at the end of report period (A3+B3+C2)		3,000	Total balance of actual guarantee at the end of report period (A4+B4+C4)	3,000
The proportion of the total amount of actually guarantee in the net assets of the Company(that is A4+ B4+C4)			3.17%	
Including:				

Explanation on compound guarantee

Nil

(2) Illegal external guarantee

Applicable Not applicable

No illegal external guarantee in the period

3. Cash asset management

(1) Trust financing

Applicable Not applicable

Trust financing in the period

In 10 thousand Yuan

Type	Fund sources	Amount occurred	Prematurity balance	Overdue amount
Bank financial products	Owned fund	935	0	0
Bank financial products	Owned fund	3,000	0	0
Bank financial products	Owned fund	3,000	0	0
Bank financial products	Owned fund	1,000	0	0
Bank financial products	Owned fund	3,000	0	0
Bank financial products	Owned fund	5,000	0	0

Bank financial products	Owned fund	3,000	0	0
Bank financial products	Owned fund	4,000	0	0
Bank financial products	Owned fund	2,000	0	0
Bank financial products	自有资金	3,000	0	0
Bank financial products	Owned fund	4,000	0	0
Bank financial products	Owned fund	2,000	0	0
Total		33,935	0	0

The high-risk trust investment with single major amount or has minor security, poor fluidity and non-guaranteed

Applicable Not applicable

Unrecoverable principal or impairment possibility from entrust investment

Applicable Not applicable

(2) Entrusted loans

Applicable Not applicable

No entrusted loans in the Period

4. Other material contracts

Applicable Not applicable

No other material contracts for the Company in reporting period

XVIII. Social responsibility

1. Performance of social responsibility

During the reporting period, the Company has been strictly in accordance with "Company Law", "Securities Law", "Articles of Association" and other relevant laws and regulations, continues to improve governance structure and regulized operation. the Company attaches importance to social responsibility, sustains attention to social create value, integrity management according to law, to provide consumers with safe and secure products, high-quality, green and healthy products to enhance the capacity for sustainable development and overall competitiveness; making efforts to improve management, enhance innovation capability and core competencies; the Company

uphold a fair, just and open principles of treatment for all investors, with particular emphasis on safeguarding the interests of minority shareholders; the Company strictly comply with national environmental laws and regulations, thoroughly implement green philosophy, strengthen ecological protection, comply with the overall development of the country and society, and strive to achieve economic and social benefits, short-term interests and long-term interests of their own development and social development, coordination, thus achieve healthy and harmonious development between the Company and the community, the Company and the environment.

2. Execution of social responsibility of targeted poverty alleviation

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

3. Environmental protection

The listed Company and subsidiaries is in the range of heavy pollution industry that regulated by State environment protection departments

Yes No

XIX. Explanation on other significant events

Applicable Not applicable

Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “the Company”) has applied for a suspension of the Company’s stock (referred to as: Shenshenbao A, Shenshenbao B, stock code: 000019, 200019) from the opening of the market on August 22, 2017 to the Shenzhen Stock Exchange due to the planning and preparation of major events. On September 5, 2017, the Company disclosed the “Announcement on the Suspension for the Major Asset Restructuring of the Company” (Announcement No. 2017-29), the Company’s stock has been transferred to major asset restructuring and continued to be suspended since the opening of the market on September 5, 2017. During the suspension of the Company’s stock, the Company has disclosed the “Announcement on Suspension Progress of Major Asset Restructuring” at least every five trading days in accordance with relevant regulations.

On March 23, 2018, the Company convened the fifteenth meeting of the Ninth Session of Board of Directors which discussed and approved the “Proposal on Preplanning of Shenzhen Shenbao Industrial Co., Ltd. Issuing Shares to Purchase Assets and Related Transactions”, and the proposals related to this major asset restructuring. See details on the relevant announcement that the Company published on www.cninfo.com.cn on March 24, 2018.

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

of Shenzhen Shenbao Industrial Co., Ltd. Issuing Shares to Purchase Assets and Related Transactions (revised version)”, see details on the relevant announcement that the Company published on www.cninfo.com.cn on April 4, 2018.

By application, the Company’s stock (referred to as: Shenshenbao A, Shenshenbao B, stock code: 000019, 200019) resumed the trading on the opening of the market on the morning of April 4, 2018 (Wednesday). After the resumption of trading, the Company and related parties will continue to advance the work related to this major asset restructuring, prepare the restructuring report as soon as possible and perform related approval procedures. See details on the relevant announcement that the Company published on www.cninfo.com.cn on April 4, 2018.

The transaction of the Company still needs the Company to convene the board of directors for deliberation and approval, and needs to be approved by the shareholders’ general meeting of the Company, approved by the state-owned assets supervisory authorities, approved by the concentration of undertakings of Ministry of Commerce, and approved by the China Securities Regulatory Commission. There are uncertainties in the time of approval or obtaining relevant approvals, investors are advised to pay attention to relevant risks. The Company’s designated media for information disclosure are China Securities Journal, Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn, all Company information is subject to the publish on the designated media mentioned above.

XX. Significant event of subsidiary of the Company

Applicable Not applicable

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Shares

1. Changes in shares

	Before the Change		Increase/Decrease in the Change (+, -)					In Share After the Change	
	Amount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Restricted shares	26,425,861	5.85%		2,642,584			2,642,584	29,068,445	5.85%
1. State-owned shares	0	0.00%		0			0	0	0.00%
2. State-owned corporate shares	12,210,713	2.70%		1,221,071			1,221,071	13,431,784	2.70%
3. Other domestic shares	14,166,661	3.14%		1,416,664			1,416,664	15,583,325	3.14%

Including: Domestic legal person's shares	13,986,211	3.10%		1,398,621			1,398,621	15,384,832	3.10%
Domestic nature person's shares	180,450	0.04%		18,043			18,043	198,493	0.04%
4. Foreign shares	48,487	0.01%		4,849			4,849	53,336	0.01%
Including: Foreign corporate shares	0	0.00%		0			0	0	0.00%
overseas nature person's share	48,487	0.01%		4,849			4,849	53,336	0.01%
II. Un-restricted shares	425,194,415	94.15%		42,519,443			42,519,443	467,713,858	94.15%
1. RMB common shares	378,149,615	83.73%		37,814,963			37,814,963	415,964,578	83.73%
2. Domestically listed foreign shares	47,044,800	10.42%		4,704,480			4,704,480	51,749,280	10.42%
3. Foreign listed foreign shares	0	0.00%		0			0	0	0.00%
4. Other	0	0.00%		0			0	0	0.00%
III. Total shares	451,620,276	100.00%		45,162,027			45,162,027	496,782,303	100.00%

Reasons for share changed

Applicable Not applicable

In June 2017, the Company implemented an equity allocation scheme for year fo 2016, based on total share capital as 451,620,276 of the Company dated 31 December 2016, distributed 0.5 Yuan (tax included) in cash for each 10 shares held by all shareholders with one bonus shares (tax included) and no share converted from capital reserve.

Found more in the Notice released on Juchao Website (www.cninfo.com.cn) dated 22 June 2017

Approval of share changed

Applicable Not applicable

The equity allocation scheme for year of 2016 was deliberated and approved by 9th session of 9th BOD held by 21 April 2017 and AGM of 2016 held on 15 May 2017.

Ownership transfer of share changed

Applicable Not applicable

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

Applicable Not applicable

In reporting period, after equity allocate for year of 2016, the basic EPS for year of 2016 and 2017, based on new share capital 496,782,303 shares, counted as 0.1945 Yuan/Share and (0.1089) Yuan/Share respectively; net assets value per share counted as 2.0769 Yuan/Share and 1.9061 Yuan/Share respectively

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

Applicable Not applicable

2. Changes of restricted shares

Applicable Not applicable

In Share

Shareholders' name	Number of shares restricted at Period-begin	Number of shares released in the Year	Number of new shares restricted in the Year	Number of shares restricted at Period-end	Restriction reasons	Released date
Shenzhen Agricultural Products Co., Ltd	13,986,211	0	1,398,621	15,384,832	Restricted shares for IPO	--
Shenzhen Investment Holding Co., Ltd	12,210,713	0	1,221,071	13,431,784	Restricted shares for IPO	--
Zheng Yuxi	45,000	0	4,500	49,500	Senior executives locked-up shares	Shares unlock every year takes 25% of the total shares holding
Lin Hong	28,125	0	2,812	30,937	Senior executives locked-up shares	Shares unlock every year takes 25% of the total shares holding
Yan Zesong	48,487	0	4,849	53,336	Senior executives locked-up shares	Shares unlock every year takes 25% of the total shares holding
Li Fang	27,113	0	2,711	29,824	Senior executives locked-up shares	Shares unlock every year takes 25% of the total shares

						holding
Li Yiyan	28,125	0	2,812	30,937	Senior executives locked-up shares	Shares unlock every year takes 25% of the total shares holding
Yao Xiaopeng	30,262	0	3,026	33,288	Senior executives locked-up shares	Shares unlock every year takes 25% of the total shares holding
Wang Zhiping	19,125	0	1,912	21,037	Senior executives locked-up shares	Shares unlock every year takes 25% of the total shares holding
Fan Zhiqing	2,700	0	270	2,970	Senior executives locked-up shares	Shares unlock every year takes 25% of the total shares holding
Total	26,425,861	0	2,642,584	29,068,445	--	--

II. Securities issuance and listing

1. Security offering (without preferred stock) in Reporting Period

Applicable Not applicable

2. Changes of total shares and shareholders structure as well as explanation on changes of assets and liability structure

Applicable Not applicable

In reporting period, after equity allocation for year of 2016 implemented, total share capital of the Company increased to 496,782,303 shares from 451,620,276 shares, the restricted shares up to 29,068,447 shares from 26,425,861 shares while un-restricted shares up to 467,713,856 shares from 425,194,415 shares.

3. Existing internal staff shares

Applicable Not applicable

III. Particulars about shareholder and actual controller of the Company

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

In Share

Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shares hold at the end of report period	Changes in report period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
Shenzhen Agricultural Products Co., Ltd	Other	19.09%	94,832,294	8,621,118	15,384,832	79,447,462		
Shenzhen Investment Holding Co., Ltd	State-owned legal person	16.00%	79,484,302	7,225,845	13,431,784	66,052,518		
Sun Huiming	Domestic nature person	0.69%	3,403,262	139,487	0	3,403,262		
Hu Xiangzhu	Domestic nature	0.38%	1,910,000	1,659,850	0	1,910,000		

	person							
Xiamen International Trust Co., Ltd. – Xinjin No.7 Security Investment Trust Fund Plan	Other	0.35%	1,755,291	1,755,291	0	1,755,291		
Central Huijin Asset Management Co., Ltd.	State-owned legal person	0.30%	1,472,625	133,875	0	1,472,625		
Zhang Yue	Domestic nature person	0.28%	1,392,077	1,392,077	0	1,392,077		
Li Qian	Domestic nature person	0.26%	1,282,678	-69,624	0	1,282,678		
Xu Yanhui	Domestic nature person	0.22%	1,072,500	97,500	0	1,072,500		
Ye Xiuxia	Domestic nature person	0.20%	1,000,230	140,230	0	1,000,230		
Strategy investors or general corporation comes top 10 common shareholders due to rights issue (if applicable) (see note 3)	N/A							
Explanation on associated relationship among the aforesaid shareholders	Shenzhen SASAC directly holds 28.76% equity interests of Agricultural Products, indirectly holds 5.24% equity interests of Agricultural Products and directly holds 100% equity interests of Shenzhen Investment Holding; the Company was not aware of any related relationship between other shareholders above, and whether they belonged to parties acting in concert as defined by the Acquisition Management Method of Listed Company.							

Particular about top ten shareholders with un-restrict shares held			
Shareholders' name	Amount of un-restrict shares held at Period-end	Type of shares	
		Type	Amount
Shenzhen Agricultural Products Co., Ltd	79,447,462	RMB common shares	79,447,462
Shenzhen Investment Holding Co., Ltd	66,052,518	RMB common shares	66,052,518
Sun Huiming	3,403,262	Domestically listed foreign shares	3,403,262
Hu Xiangzhu	1,910,000	RMB common shares	1,910,000
Xiamen International Trust Co., Ltd. – Xinjin No.7 Security Investment Trust Fund Plan	1,755,291	RMB common shares	1,755,291
Central Huijin Asset Management Co., Ltd.	1,472,625	RMB common shares	1,472,625
Zhang Yue	1,392,077	RMB common shares	1,392,077
Li Qian	1,282,678	RMB common shares	1,282,678
Xu Yanhui	1,072,500	RMB common shares	1,072,500
Ye Xiuxia	1,000,230	RMB common shares	1,000,230
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 28.76% equity interests of Agricultural Products, indirectly holds 5.24% 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	N/A		

applicable) (see note 4)	
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Whether top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period

Yes No

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

2. Controlling shareholder of the Company

Nature of controlling shareholders: local state-owned holding

Type of controlling shareholders: legal person

Controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
Shenzhen Agricultural Products Co., Ltd	Cai Yin	1989-01-14	91440300192179163P	Develop, construction, management and operation of the agricultural products wholesale market (business license for wholesale market of agricultural products should applying in addition), management the leasing business of market; internal commerce, supply and marketing industry for materials (excluding monololy, special control commodities); agricultural products business, wholesale of aquatic products, chain business and import & export business (business license should required for specific operations); provides supporting guest house, buffet, food& drink shop and business of transportation, loading & unloading, warehousing and

				packaging (business license should required for specific operations); engaged in information consultation (excluding items needs approvals that prohibit and regulated by the laws, administrative management and State Council), property management, hotel management and owned property leasing; market investment and investment of industrial (specific items should be declare for operation)
Equity of other domestic/oversea listed Company control by controlling shareholder as well as stock-joint in report period	Found more in annual report 2017 under the name of Agricultural Products			

Changes of controlling shareholders in reporting period

Applicable Not applicable

The Company had no changes of controlling shareholders in reporting period

3. Actual controller of the Company

Nature of actual controller: local state-owned assets management

Type of actual controller: legal person

Actual controlling shareholders	Legal person/person	Date of foundation	Organization code	Main operation business
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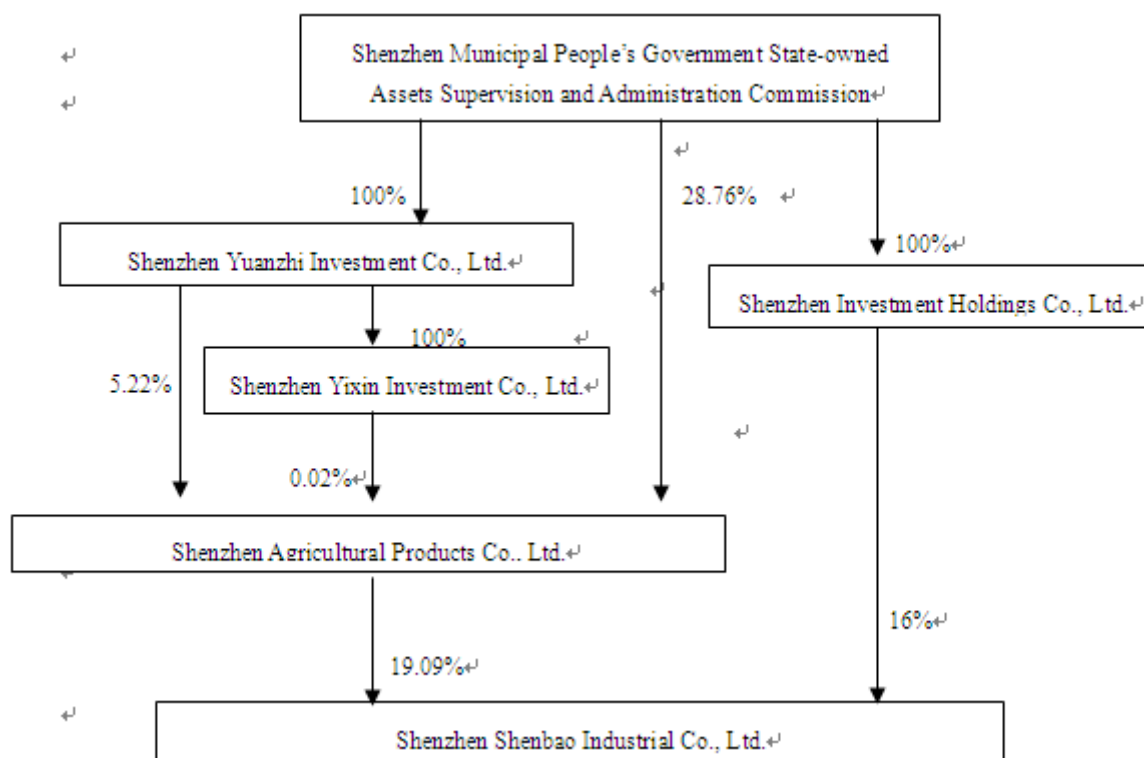
	in charge of the unit			
Shenzhen Municipal People's Government State-owned Assets Supervision & Administration Commission	Peng Haibin	2004-04-02	11440300K31728067 2	State-owned assets supervision and administration
Equity of other domestic/foreign listed Company controlled by actual controller in reporting period	-			

Changes of actual controller in reporting period

Applicable Not applicable

No changes of actual controllers for the Company in reporting period.

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



Actual controller controlling the Company by entrust or other assets management

Applicable Not applicable

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

Applicable Not applicable

Corporate shareholders	Legal rep./person in charge of unit	Date established	Register capital	Main business or management activity
Shenzhen Investment Holding Co., Ltd	Wang Yongjian	2004-10-13	23,149 million Yuan	Invest, operate and manage the state-owned stock rights of wholly-owned, controlling and shareholding enterprises by reorganization and integration, capital operation and assets disposal; engage in real estate development and business operations within the scope of legal acquisition of land use rights; make policy and strategic investments according to the requirements of the

				Shenzhen City SASAC; provide guarantee for the municipal state-owned enterprises; the Shenzhen City SASAC authorizes to carry out other businesses.
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5. Limitation and reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects

Applicable Not applicable

Section VII. Preferred Stock

Applicable Not applicable

The Company had no preferred stock in the Period.

Section VIII. Particulars about Directors, Supervisors, 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)	Other changes (share)	Shares held at period-end(Share)
Zheng Yuxi	Party Secretary, Chairman	Currently in office	M	56	2015-9-10	2018-9-10	60,000	6,000	0	0	66,000
Zhang Guodong	Director	Currently in office	M	56	2017-09-13	2018-9-10	0	0	0	0	0
Liu Zhengyu	Director	Currently in office	M	48	2015-9-10	2018-9-10	0	0	0	0	0
Huang Yu	Director	Currently in office	M	44	2015-9-10	2018-9-10	0	0	0	0	0
Fan Zhiqing	Independent director	Currently in office	M	69	2015-9-10	2018-9-10	3,600	360	0		3,960
Wu Shuping	Independent director	Currently in office	M	65	2015-9-10	2018-9-10	0	0	0	0	0
Chen Cansong	Independent director	Currently in office	M	46	2015-9-10	2018-9-10	0	0	0	0	0
Yan Zesong	Director, GM	Currently in office	M	48	2015-9-10	2018-9-10	64,649	6,465	0	0	71,114
Li Yiyan	Director, Deputy GM, Secretary of the Board	Currently in office	F	52	2015-9-10	2018-9-10	37,500	3,750	0	0	41,250
Lin Hong	Chairman of supervisory committee	Currently in office	F	53	2015-9-10	2018-9-10	37,500	3,750	0	0	41,250
Li Xinjian	Supervisor	Currently in	M	46	2015-9-10	2018-9-10	0	0	0	0	0

		office									
Luo Longxin	Supervisor	Currently in office	M	57	2015-9-10	2018-9-10	0	0	0	0	0
Li Fang	Deputy party secretary, SCID, Deputy GM	Currently in office	F	44	2015-9-10	2018-9-10	36,151	3,615	0	0	39,766
Qian Xiaojun	Deputy GM	Currently in office	M	46	2015-9-10	2018-9-10	0	0	0	0	0
Yao Xiaopeng	Deputy GM	Currently in office	M	50	2015-9-10	2018-9-10	40,350	4,035	0	0	44,385
Wang Zhiping	CFO	Currently in office	F	47	2015-9-10	2018-9-10	25,500	2,550	0	0	28,050
Li Jinhua	Director	Office-leaving	F	53	2015-9-10	2017-08-11	0	0	0	0	0
Total	--	--	--	--	--	--	305,250	30,525	0	0	335,775

II. Changes of directors, supervisors and senior executives

√Applicable □ Not applicable

Name	Title	Type	Date	Reasons
Li Jinhua	Director	Dismissal	2017-08-11	Take the initiative to quite the Director of the Company for work reasons

III. Post-holding

Professional background, major working experience and present main responsibilities in Company of directors, supervisors and senior executive

(i) Director

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., assistant GM and Deputy GM and GM of the Company, Chairman of 7th and 8th BOD; and now serves as Party Secretary of the Company and chairman of the 9th BOD

Mr. Zhang Guodong: postgraduate student, and engineer, was born in 1962. He successively served as director of the assets management dept. in Shenzhen Agricultural Products Co., Ltd, the director of international dept. and director of the GM Office; the GM and chairman of Shanghai Hanjisi Market Management Co., Ltd. Now he serves as GM of the HQ of supplying chain management in Shenzhen Agricultural Products Co., Ltd; also the director of 9th BOD of the Company

Mr. Liu Zhengyu: born in 1970, master of business administration, senior accountant. Ever posted as section head,

deputy director of the Shenzhen SASAC; deputy director of investigation department, Shenzhen state-owned assets supervision and administration supervision; deputy director and chief director of investigation department, Shenzhen People's government state-owned assets supervision and administration commission, chief accountant of Shenzhen Investment Holding Co., Ltd and director of Shenzhen City Construction & Development (Group) Co., Ltd. Now he serves as deputy GM of Shenzhen Investment Holding Co., Ltd, supervisor of China Nanshan development group; and director of 9th BOD of the Company.

Mr. Huang Yu, was born in 1974, a MBA, senior accountant and Chinese CPA. He has served successively as principal staff member in social service department and second enterprise office of Shenzhen Municipal People's Government State-owned Assets Supervision & Administration Commission; deputy director, director and office chief in financial budget department of Shenzhen Investmetn Holding Co., Ltd., director of Shenzhen Yuetong Construction Engineering Co., Ltd. Now he serves as chief account in Shenzhen Investmetn Holding Co., Ltd.; director of Shenzhen General Institute of Architectural Design and Research Co., Ltd; dierctor of Shenzhen Urban Construction Development (Group) Co., Ltd and Shenzhen Kunpeng Equity Investment Management Co., Ltd.; and director of 9th BOD of the Company.

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 Ocean's King Lighting Science & Technology Co., Ltd.; independent Director of Shenzhen Kingsignal Technology Co., Ltd.; Independent director of Shenzhen Universe Group; he also served as independent director of 5th, 6th and 8th BOD of the Company; independent director of Shenzhen Shahe Industrial Co., Ltd; now he serves as independent director of Shenzhen SEG Co., Ltd. and independent director of 9th BOD of the Company.

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 and Chengdu Hi-Tech Investment Group. Now he serves as GM of Shanghai Baiyan Enterprise Management Consultant Co., Ltd, and Independent Director of 9th BOD of the Company.

Mr. Chen Cansong: born in 1972, bachelor degree. Successive director, politics and law committee of the district party committee, Shantou; assistant lawyer of Guangdong Xincheng Law firm; lawyer of Guangdong Ruite Law firm; now he is a lawyer and partner of Guangdong Dena Law Firm; outside director of Shenzhen State-owned Duty Free Commodities (Group) Co., Ltd. and independent director of 9th BOD of the Company.

Mr. Yan Zesong, was born in 1970, a university background. He served as Director and GM of Shenzhen Shenbao

Huacheng Food Co., Ltd., President and chairman of Shenbao Huacheng Science and Technology Co.,Ltd, supervisor of 6th Supervisory Committee of the Company and Director of 7th and 8th BOD of the Company. He now serves as Director and GM of 9th BOD of the Company

(ii) Supervisor

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 and 8th supervisory committee of the Company. Now she serves as chairman of 9th supervisory committee of the Company.

Mr. Li Xinjian: born in 1972, bachelor's degree. He successively served as account, Deputy Minister of finance and accounting division in Shenzhen Urban Construction Development (Group) Co., Ltd. and he was the director of enterprise management dept.; the minister of Examination and Distribution unit in Shenzhen Investment Holding Co., Ltd. currently he serves as 3rd business minister of Shenzhen Investment Holding Co., Ltd.; director of China Resources Ng Fung meat products (Shenzhen) Co., Ltd.; director of Shenzhen Universe Group; director of Guoxin Securities Co., Ltd. and supervisor of 9th supervisory committee of the Company.

Mr. Luo Longxin, was born in 1961, bachelor degree and researcher in tea science, 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. he served as charge in production and quality controller in Shenzhen Shenbao Huacheng Food Co., Ltd. and supervisor of 8th supervisory committee. Now he is CTO, person in charge of R&D center, supervisor of 9th supervisory committee and chairman of Shenzhen Shenbao Technology Center Co., Ltd.

(iii) Senior executive

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 serves as deputy party secretary, SCID, deputy GM of the Company and chairman of Shenzhen Shenbao Properties Management Co., Ltd.

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, 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 Ju Fang Yong Holding Co., Ltd and Shenzhen Shenshenbao Investment Co., Ltd.

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 Food & Beverage Development Co., Ltd and GM assistant of the Company. Now he serves as deputy GM of the Company and chairman of Huizhou Shenbao Science & Technology Co., Ltd.

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
Zhang Guodong	Shenzhen Agricultural Products Co., Ltd	GM of the HQ of supplying chain management			Y
Li Jinhua	Shenzhen Agricultural Products Co., Ltd	Deputy chairman of the labor union			Y
Liu Zhengyu	Shenzhen Investment Holding Co., Ltd	Deputy GM			Y
HuangYu	Shenzhen Investment Holding Co., Ltd	Chief accountant			Y
Li Xinjian	Shenzhen Investment Holding Co., Ltd	Director of Enterprise 3 rd Dept.			Y
Explanation on post-holding in shareholder's unit	N/A				

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
Liu Zhengyu	China Nanshan Development Group	Supervisor			N
HuangYu	Shenzhen General Institute of Architectural Design and Research Co., Ltd	Director			N
	Shenzhen Urban Construction Development (Group) Co., Ltd	Director			N
	Shenzhen Kumpeng Equity Investment Management Co., Ltd.	Director			N
Fan Zhiqing	Shenzhen SEG Co., Ltd.	Independent director			Y
Wu Shuping	Shanghai Baiyan Enterprise Management Consultant Co., Ltd,	GM			Y
Chen Cansong	Guangdong Dena Law Firm	Lawyer, partner			Y

	Shenzhen State-owned Duty Free Commodities (Group) Co.,Ltd	Outside Director			N
Li Xinjian	China Resources Ng Fung meat products (Shenzhen) Co., Ltd	Director			N
	Shenzhen Universe Group Co., Ltd.	Director			N
	Guoxin Securities Co., Ltd	Director			N
Explanation on post-holding in other unit	N/A				

Punishment of securities regulatory authority in recent three years to the Company's current and outgoing directors, supervisors and senior management during the reporting period

Applicable Not applicable

IV. 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

At end of the period, current directors, supervisors and senior executives' total remuneration obtained from the Company at period-end amounting to 4,961,400 Yuan before tax for the year. The resigned directors obtained 0 Yuan from the Company for the year during office term, totally 4961,400 Yuan obtained.

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex	Age	Post-holding status	Total remuneration obtained from the Company	Whether remuneration obtained from related party of the Company
Zheng Yuxi	Party Secretary, Chairman	M	56	Currently in office	66.39	N
Zhang Guodong	Director	M	56	Currently in office	0	Y
Liu Zhengyu	Director	M	48	Currently in office	0	Y
Huang Yu	Director	M	44	Currently in office	0	Y
Fan Zhiqing	Independent director	M	69	Currently in	10.00	N

				office		
Wu Shuping	Independent director	M	65	Currently in office	10.00	N
Chen Cansong	Independent director	M	46	Currently in office	10.00	N
Yan Zesong	Director, GM	M	48	Currently in office	64.84	N
Li Yiyan	Director, Deputy GM, Secretary of the Board	F	52	Currently in office	59.25	N
Lin Hong	Chairman of supervisory committee	F	53	Currently in office	51.71	N
Li Xinjian	Supervisor	M	46	Currently in office	0	Y
Luo Longxin	Supervisor	M	57	Currently in office	44.71	N
Li Fang	Deputy party secretary, SCID, Deputy GM	F	44	Currently in office	49.46	N
Qian Xiaojun	Deputy GM	M	46	Currently in office	45.99	N
Yao Xiaopeng	Deputy GM	M	50	Currently in office	38.90	N
Wang Zhiping	CFO	F	47	Currently in office	44.89	N
Li Jinhua	Director	F	53	Office leaving	0	Y
Total	--	--	--	--	496.14	--

Delegated equity incentive for directors, supervisors and senior executives in reporting period

Applicable Not applicable

V. Particulars of workforce

1. Number of Employees, Professional composition, Education background

Employee in-post of the parent Company(people)	59
Employee in-post of main Subsidiaries (people)	629
The total number of current employees(people)	688
The total number of current employees to receive pay (people)	688
Retired employee' s expenses borne by the parent Company and main Subsidiaries(people)	0
Professional composition	
Category of professional composition	Numbers of professional composition (people)
Production personnel	337
Salesperson	90
Technicians	68
Financial personnel	45
Administrative personnel	148
Total	688
Education background	
Education	Numbers (people)
Postgraduate or above	25

Undergraduate	145
3-years regular college graduate	136
Polytechnic school graduate	45
Senior middle school graduate or below	337
Total	688

2. Remuneration 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 year-end.

3. Training Plan

According to the Company's overall strategic deployment and business plan, and combining with the Company's actual business conditions, in 2017, the Company launched a series of capacity enhancement projects in order to build a quality service team. Combining the "portable, fast, and practical" characteristics of online learning, the Company regularly pushed and shared articles to guide employees to enjoy quality articles and achieve self-dissemination. At the same time, the Company closely followed the industry and social hot spots, made full use of media resources, and guided employees to focus on current affairs hot spots, and carried out the relevant theme training and to cultivate employees' innovative thinking by combining with this year's hot spots.

In 2018, the Company will also adopt "solving business problems" oriented training approach to encourage employees to actively identify work problems and solve problems, and at the same time, improve their working ability. In the actual work of 2018, the Company will put emphasis on employee participation, present the contents concerned by employees, guide employees to think and discuss, and then strengthen the memory points, so that the employees can facilitate the transformation of knowledge according to their actual conditions through their own participation and experience; promote the employees to continuously improve themselves by the close integration of training and actual business so as to support the corporate strategy to land effectively.

4. Labor outsourcing

Applicable Not applicable

Section IX. 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, and 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" and "Standardize Operational Guidelines to Main Board Listed Companies of 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) In reporting period, governance mechanism formulated and revised by the Company are as:

The Special Proposal of Article of Association Revision has deliberated and approved in AGM 2016 held on 15 May 2017, found more in the Article of Association (April 2017) released on Juchao Website (www.cninfo.com.cn) dated 16 May 2017

The Special Proposal of Article of Association Revision has deliberated and approved in First Extraordinary shareholders meeting of 2017 held on 13 September 2017, found more in the Article of Association (September 2017) released on Juchao Website (www.cninfo.com.cn) dated 14 September 2017

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 the actual condition of corporate governance and relevant regulations about corporate governance for listed Company from CSRC?

Yes No

There are no differences between the actual condition of corporate governance and relevant regulations about corporate governance for listed Company from CSRC.

II. 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.

III. Horizontal Competition

Applicable Not applicable

IV. 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	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
Annual General	AGM	0.03%	2017-05-15	2017-05-16	Disclosed at

Meeting of 2016						www.cninfo.com.cn on No. 2017-13 " resolutions Announcement to 2016 Annual General Shareholders' meeting of Shenzhen Shenbao Industrial Co., Ltd. " on 16 May 2017
First extraordinary general meeting of 2017	FEGM	0.00%	2017-09-13		2017-09-14	Disclosed at www.cninfo.com.cn on No. 2017-32 " resolutions Announcement to First extraordinary general meeting of 2017 " on 14 September 2017
Second extraordinary general meeting of 2017	SEGM	4.45%	2017-11-21		2017-11-22	Disclosed at www.cninfo.com.cn on No. 2017-49 " resolutions Announcement to Second extraordinary general meeting of 2017 " on 22 November 2017

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

Applicable Not applicable

V. Responsibility performance of independent directors

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

The attending of independent directors							
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of Presence	Times of attending by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)	Times of attending shareholders' meeting
Fan Zhiqing	6	4	1	1	0	N	1
Wu Shuping	6	2	4	0	0	N	0
Chen Cansong	6	6	0	0	0	N	1

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

2. Objection for relevant events from independent directors

Independent directors come up with objection about Company's relevant matters

Yes No

Independent directors has no objections for relevant events in reporting period

3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

Yes No

Explanation on advice that accepted/not accepted from independent directors

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., and continue to enhance consciousness of performing duties according to law, express independent and impartial advice for investment outside, related party transactions, hiring auditors and other matters occurred during the reporting period in time. 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 “2017 Annual Work Report of Independent Directors” detailed in www.cninfo.com.cn on disclosure.

VI. Performance of Duties by Specialized Committees under the Board Meeting in the Reporting Period

1. 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, Annual Report 2016, First Quarterly Report of 2017, semi-annual report 2017, the financial report of 3rd 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.

2. Performance of Duties by the Remuneration and Appraisal Committee

During the reporting period, the remuneration and appraisal committee has held one meeting to examine the 2016 annual performance factor according to the regulation of performance management measures for the headquarters, and inspected the 2016 annual salary for the Company's directors, supervisors and senior managers, at the same time, made confirmation for the operating performance indicators in 2017.

3. Performance of Duties by the Nomination Committee

During the reporting period, the Nominations Commission of the Board of Directors convened a meeting which reviewed the proposal on supplementing Zhang Guodong as a director of the Company and conducted examination on his qualifications in accordance with the stipulations of the “Work Regulations on the Nominations Commission of the Board of Directors of the Company”.

4. Performance of Duties by the Information Disclosure Committee

During the reporting period, the Information Disclosure Commission of the Board of Directors held three meetings and reviewed the Company's periodic reports of 2016 and the first quarter of 2017, the semi-annual of 2017 and the third quarter of 2017 in accordance with the "Implementation Rules of Information Disclosure Commission of the Company", and ensured that the information disclosure contents were true, accurate and complete without false records, misleading statements or major omissions.

VII. 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.

VIII. Appraisal and incentive mechanism for senior executives

The personnel department of the Company is 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.

IX. Internal control

1. Details of major defects in IC appraisal report that found in reporting period

Yes No

2. Self-appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	2018-04-24
Disclosure index of full internal control evaluation report	Juchao information website (www.cninfo.com.cn)
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the Company's consolidated financial statements	92.48%
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the Company's consolidated financial statements	92.86%

Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	<p>Qualitative evaluation criteria of financial reporting are as follows:</p> <p>Major defects: Defect alone or together with other defects in a timely manner cause unpreventable or undetectable and uncorrectable material misstatement in the financial statements.</p> <p>The Company may indicate the presence of significant deficiencies in internal control over financial reporting if following circumstances:</p> <p>(1)The directors, supervisors and senior management fraud;</p> <p>(2) Enterprise corrected mistake which has been published in financial statements;</p> <p>(3) CPA found material misstatement in current financial statements, but internal control during operation failed to find the misstatements;</p> <p>(4) Oversight of internal control by Corporate Audit Committee and the internal audit is invalid;</p> <p>(5) Particularly important or significant deficiencies found during internal control has not been rectified;</p> <p>(6) The lack of business-critical system or invalid system. Important defect: defect alone or together with other defects in a timely manner cause unpreventable or undetectable and uncorrectable material misstatement in the financial statements, although not reach and exceed the level of importance, should lead to management attention misstatements.</p> <p>General Defects: other internal defects do not pose a significant or important defect control deficiencies.</p>	<p>Qualitative evaluation criteria for Identified internal control deficiencies in non-financial reporting are as follows:</p> <p>the Company may indicate the presence of significant deficiencies related to non-financial reporting internal control if following circumstances:</p> <p>(1)The lack of democratic decision-making process, such as the lack of decision-making on major issues, an important appointment and dismissal of cadres, major investment decisions, large sums of money using the decision-making process;</p> <p>(2)Decision-making process is not scientific, such as major policy mistakes, resulting in significant property damage to the Company;</p> <p>(3) Serious violations of national laws and regulations;</p> <p>(4) Loss of key executives or loss of a large number of key talent;</p> <p>(5) Negative media news are frequent. Other cases are determined by the degree of influence as an important general defect or common defects.</p>
Quantitative standard	<p>Qualitative criteria of financial reporting are as follows:</p> <p>General Defects:</p> <p>reported wrongly <0.5% of total capital or reported wrongly<0.5% of operating income;</p> <p>Important flaw: 0.5% of total assets ≤ reported wrongly <1% of total assets or 0.5% of operating income≤ misstatements <1% of revenue;</p> <p>Major flaw: misstatement ≥ 1% of total assets or misstatements ≥ 1% of revenue.</p>	<p>Qualitative evaluation criteria for Identified internal control deficiencies in non-financial reporting are as follows:</p> <p>General defects: the amount of direct property loss of 10 million (10 million) and ~ 1.5 million Yuan by the provincial (including provincial) government the following penalties but the Company disclosed in periodic reports on the negative impact;</p> <p>Important flaw: the amount of direct property loss of 1.5 million Yuan (including 1.5 million Yuan) ~ 3 million Yuan and punished by the state government but the Company disclosed in periodic reports on the negative impact;</p>

		Major flaw: the amount of direct property loss of 3 million Yuan and above and have been officially disclosed outside the Company disclosed in periodic reports and adversely affected.
Amount of significant defects in financial reports		0
Amount of significant defects in non-financial reports		0
Amount of important defects in financial reports		0
Amount of important defects in non-financial reports		0

X. Audit report of internal control

Applicable Not applicable

Deliberations in Internal Control Audit Report	
Dahua Certified Public Accountants (special general partnership) believes Shenshenbao Company was in accordance with the "basic norms of internal control" and the relevant provisions and maintained effective internal control of financial reporting in all material respects on 31 Dec 2017	
Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	2018-04-24
Index of audit report of internal control (full-text)	Juchao Information Website (www.cninfo.com.cn)
Opinion type of auditing report of IC	Standard unqualified
Whether the non-financial report had major defects	No

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

Section X Corporate Bond

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

Yes No

Section XI. Financial Report

I. Audit Report

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	2018-04-20
Name of audit institute	Dahua Certified Public Accountants (Special General Partnership)
Document serial of audit report	Da Hua Shen Zi [2018] No.: 005463
Name of the CPA	Chen Baohua, Zhou Lingzhi

Text of auditing report

Auditor's Report

Da Hua Shen Zi [2018] No.: 005463

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

I. Auditing opinions

We have audited the financial statement under the name of Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as Shen Shenbao Company), including the consolidated and parent Company's balance sheet of 31 December 2017 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.

In our opinion, the Company's financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, and they fairly present the financial status of the Company and of its parent company as of 31 December 2017 and its operation results and cash flows for the year ended.

II. Basis of opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants of China. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of the auditor's report. We are independent of the Company in accordance with the Certified Public Accountants of China's Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters that we need to communicate in the audit report include:

1. Inventory and inventory falling price reserves;
2. Revenue confirmation.

1. Inventory and inventory falling price reserves

1. Matter description

Please refer to Note IV. (xii) and Note VI, Annotation 6. to the consolidated financial statements for the accounting policies and carrying amounts of the inventory and inventory falling price reserves.

As of December 31, 2017, the inventory book balance presented on the consolidated financial statements of Shenshenbao Company was RMB 166,431,074.79, and the amount of inventory falling price reserves was RMB 11,124,965.85. Inventory is measured at the lower one between the cost and the net realizable value, due to the large amount of money of inventory, the management needed to make significant judgments when determining the decrease in value of inventory, therefore, we determined the inventory and inventory falling price reserves as key audit matters.

2. Audit response

The main audit procedures we implemented for the inventory and inventory falling price reserves of Shenshenbao Company include:

- (1) Understood, evaluated and tested the internal control design and implementation related to inventory falling price reserves of Shenshenbao Company so as to evaluate whether the internal control of inventory falling price reserves was compliant and effective;
- (2) We performed the inventory monitoring procedures for inventory, and checked the quantity and status of inventory, etc.;
- (3) We obtained the year-end inventory age list of Shenshenbao Company's inventory, conducted an analytical review of the inventory with long inventory age, and analyzed the reasonableness of the provisions of inventory falling price reserves;
- (4) We inquired the changes in the prices of raw materials and finished products in the current year, understood the trends in the prices of raw materials and finished products in 2017, and examined and analyzed the risks that the management considered these factors may generate falling price in inventory;
- (5) Acquired the calculation table of inventory falling price reserve, implemented the inventory impairment test procedure, checked whether it was implemented according to the relevant accounting policies, and the changes of inventory falling price in the previous year's provision during the current period, and analyzed whether provision for inventory falling price reserves was sufficient.
- (6) We assessed the accounting treatment and disclosure of the management to inventory falling price reserves on December 31, 2017.

Based on the executed audit procedures, we reached an audit conclusion that the relevant judgments and

estimates made by Shenshenbao Company's management on the inventory falling price reserves were reasonable.

2. Revenue confirmation

1. Matter description

Please refer to Note IV. (xxv) and Note VI. Annotation 31 to the consolidated financial statements for the accounting policies and carrying amounts of the inventory and inventory falling price reserves.

Shenshenbao Company achieved operating revenue of 315,762,708.35 Yuan in 2017, of which the sales revenue of tea products and soft drinks amounted to 299,688,855.04 Yuan, accounting for 94.91% of operating revenue. Shenshenbao Company's revenue was recognized when the risks and rewards of the ownership of the goods had been transferred to the customers, for domestic sales, the revenue was recognized after the goods had been delivered and conformed to the relevant causes of the contract; for export sales, the revenue was recognized after the goods had been sent and declared and conformed to the relevant causes of the contract.

As the sales revenue was an important item in Shenshenbao Company's consolidated financial statements, and whether the revenue recognition might involve material misstatement risks during the appropriate financial statements, so we identified revenue recognition as a key audit matter.

2. Audit response

The main audit procedures we implemented for the inventory and inventory falling price reserves of Shenshenbao Company include:

(1) Understood, evaluated and tested the internal control design and implementation related to revenue recognition of Shenshenbao Company so as to evaluate whether the internal control of revenue recognition was compliant and effective;

(2) Selected business contract samples and conduct interviews with management to assess whether Shenshenbao Company's revenue recognition policies met the requirements of relevant accounting standards;

(3) Implemented analytical procedures on operating revenue and operating costs, analyzed abnormal changes in gross profit margin, and reviewed the rationality of revenue;

(4) We adopted the sampling method and executed the following procedures for the operating revenue confirmed by Shenshenbao Company:

① Inspected important customer contracts, delivery orders, receipt forms, acceptance statements, and settlement vouchers, and implemented the external confirmations procedures by combining with accounts receivable;

② Analyzed and selected important customer samples, and affirmed whether there was related relationship between customers and Shenshenbao Company through verification procedures such as network and business information and management interviews;

③ Performed cut-off tests to check the delivery notes, receipt forms, acceptance statements, export invoices, and other supporting documents of sales revenue and transaction before and after the balance sheet date so as to assess whether the sales revenue was confirmed during the appropriate period.

(5) Assessed whether the financial statement disclosure of the management to revenue was appropriate.

Based on the executed audit procedures, we reached an audit conclusion that the reporting and disclosure made by Shenshenbao Company's management on the operating revenue were appropriate.

IV. Other information

The management of Tellus Holding Company is responsible for other information which includes the information covered in the Company's 2017 annual report excluding the financial statement and our audit report.

The audit opinion issued by us for the financial statement has not covered other information, for which we do not issue any form of assurance opinions.

Considering our audit on financial statements, we are liable to read other information, during which, we shall consider whether other information differs materially from the financial statements or that we understand during our audit, or whether there is any material misstatement.

Based on the works executed by us, we should report the fact if we find any material misstatement in other information. In this regards, we have nothing to report.

V. Responsibilities of management and those charged with governance for the financial statements

The management of Shen Shenbao Company is responsible for the preparation of the financial statements in accordance with the Accounting Standards for Enterprise to secure a fair presentation, and for the design, establishment and maintenance of the internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern (if applicable), disclosing matters related to going concern and using the going concern assumption unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. Responsibilities of the auditor for the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the CAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the CAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the CAS to draw users' attention in audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify audit opinion. Our conclusions are based on the information obtained up to the date of audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because of the adverse consequences of doing so would reasonably be

expected to outweigh the public interest benefits of such communication.

Dahua Certified Public Accountants (Special General
Partnership)
Beijing · China

Chinese CPA: Chen Baohua
(Engagement partner)

Chinese CPA: Zhou Lingzhi

20 April 2018

II. Financial Statement

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

1. Consolidated Balance Sheet

Prepared by Shenzhen Shenbao Industrial Co., Ltd

2017-12-31

In RMB

Items	Ending balance	Opening balance
Current assets:		
Monetary fund	255,961,650.41	358,564,242.83
Settlement provisions		
Capital lent		
Financial assets measured by fair value and with variation reckoned into current gains/losses	1,599,668.20	3,250,938.60
Derivative financial assets		
Notes receivable		
Account receivable	77,193,068.03	62,582,867.63
Account paid in advance	11,787,432.82	6,321,827.64
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable		
Dividends receivable		
Other receivables	23,311,599.67	22,643,449.94
Purchase restituted finance asset		
Inventory	155,306,108.94	140,951,059.39
Assets held for sale		
Non-current assets due within one year		
Other current assets	2,758,494.99	11,299,954.58
Total current assets	527,918,023.06	605,614,340.61
Non-current assets:		
Loans and payments on behalf		
Available-for-sale financial assets	57,500.00	57,500.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investment	5,248,629.66	5,866,481.63
Investment property	18,401,275.03	18,872,865.36
Fix assets	313,742,404.72	333,013,767.86
Construction in process	134,918.91	54,574.34
Project materials		
Disposal of fixed assets		
Productive biological assets	416,771.28	426,463.64
Oil and natural gas assets		

Intangible assets	187,321,246.43	195,678,353.58
Research and development costs		
Goodwill		673,940.32
Long-term deferred expenses	11,136,767.80	13,312,189.59
Deferred income tax assets	5,524,575.14	4,973,248.37
Other non-current assets	484,108.52	
Total non-current assets	542,468,197.49	572,929,384.69
Total assets	1,070,386,220.55	1,178,543,725.30
Current liabilities:		
Short-term loans	10,000,000.00	5,000,000.00
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	23,546,074.15	15,782,288.29
Accounts received in advance	2,866,288.61	2,379,824.13
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	14,385,332.90	16,279,706.84
Taxes payable	6,605,186.44	26,345,138.53
Interest payable		
Dividend payable	2,909,182.74	2,909,182.74
Other accounts payable	32,812,938.61	46,119,690.25
Reinsurance payables		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	93,125,003.45	114,815,830.78
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Accrual liabilities		

Deferred income	12,863,139.81	12,335,552.15
Deferred income tax liabilities	1,244,747.03	1,653,779.51
Other non-current liabilities		
Total non-current liabilities	14,107,886.84	13,989,331.66
Total liabilities	107,232,890.29	128,805,162.44
Owners' equity:		
Share capital	496,782,303.00	451,620,276.00
Other equity instrument		
Including: Preferred stock		
Perpetual capital securities		
Capital reserve	358,999,356.28	367,172,017.79
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve	54,736,482.14	54,736,482.14
Provision of general risk		
Retained profit	36,402,435.91	158,239,612.94
Total owners' equity attributable to parent company	946,920,577.33	1,031,768,388.87
Minority interests	16,232,752.93	17,970,173.99
Total owners' equity	963,153,330.26	1,049,738,562.86
Total liabilities and owner's equity	1,070,386,220.55	1,178,543,725.30

Legal Representative: Zheng Yuxi
 Person in charge of accounting institute: Xu Qiming

Person in charge of accounting works: Wang Zhiping

2. Balance Sheet of Parent Company

Prepared by Shenzhen Shenbao Industrial Co., Ltd

2017-12-31

In RMB

Items	Ending balance	Opening balance
Current assets:		
Monetary fund	239,662,344.24	305,477,853.97
Financial assets measured by fair value and with variation reckoned into current gains/losses	1,599,668.20	3,250,938.60
Derivative financial assets		
Notes receivable		
Account receivable	53,950,930.37	40,123,423.12
Account paid in advance	2,000.00	
Interest receivable		
Dividends receivable		
Other receivables	163,404,561.75	212,821,890.56
Inventory	4,963,517.93	7,784,904.36
Assets held for sale		
Non-current assets due within one year		

Other current assets		9,895,236.82
Total current assets	463,583,022.49	579,354,247.43
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investment	921,506,982.37	916,622,212.24
Investment property	18,401,275.03	18,872,865.36
Fix assets	32,560,534.94	33,686,897.31
Construction in process		
Project materials		
Disposal of fixed assets		
Productive biological assets	416,771.28	426,463.64
Oil and natural gas assets		
Intangible assets	7,264,135.59	7,742,703.23
Research and development costs		
Goodwill		
Long-term deferred expenses	623,337.06	837,768.34
Deferred income tax assets	3,395,295.39	3,288,450.21
Other non-current assets		
Total non-current assets	984,168,331.66	981,477,360.33
Total assets	1,447,751,354.15	1,560,831,607.76
Current liabilities:		
Short-term loans	10,000,000.00	5,000,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	65,683,781.46	47,165,259.53
Accounts received in advance	194,269.96	495,004.08
Wage payable	6,577,772.01	9,641,601.54
Taxes payable	2,832,009.17	15,711,497.39
Interest payable		
Dividend payable	2,909,182.74	2,909,182.74
Other accounts payable	225,624,530.71	306,770,480.94
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	313,821,546.05	387,693,026.22
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term payable		

Long-term wages payable		
Special accounts payable		
Accrual liabilities		
Deferred income	47,239.24	48,348.52
Deferred income tax liabilities	129,650.53	542,468.13
Other non-current liabilities		
Total non-current liabilities	176,889.77	590,816.65
Total liabilities	313,998,435.82	388,283,842.87
Owners' equity:		
Share capital	496,782,303.00	451,620,276.00
Other equity instrument		
Including: Preferred stock		
Perpetual capital securities		
Capital reserve	382,444,482.45	382,444,482.45
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve	54,736,482.14	54,736,482.14
Retained profit	199,789,650.74	283,746,524.30
Total owners' equity	1,133,752,918.33	1,172,547,764.89
Total liabilities and owner's equity	1,447,751,354.15	1,560,831,607.76

Legal Representative: Zheng Yuxi
 Person in charge of accounting institute: Xu Qiming

Person in charge of accounting works: Wang Zhiping

3. Consolidated Profit Statement

Prepared by Shenzhen Shenbao Industrial Co., Ltd

Year of 2017

In RMB

Items	2017	2016
I. Total operating income	315,762,708.35	273,383,642.99
Including: Operating income	315,762,708.35	273,383,642.99
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	375,816,252.41	341,363,913.26
Including: Operating cost	245,897,171.06	204,648,621.41
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		

Bonus expense of guarantee slip		
Reinsurance expense		
Operating tax and extras	5,502,663.28	1,138,024.68
Sales expenses	44,061,027.90	44,338,389.32
Administration expenses	76,128,683.00	86,120,689.47
Financial expenses	-1,692,626.33	-1,182,236.05
Losses of devaluation of asset	5,919,333.50	6,300,424.43
Add: Changing income of fair value(Loss is listed with “-”)	-1,651,270.40	-335,414.30
Investment income (Loss is listed with “-”)	2,397,094.38	162,493,453.10
Including: Investment income on affiliated company and joint venture	-308,940.57	-2,465,646.48
Exchange income (Loss is listed with “-”)		
Income from assets disposal (Loss is listed with “-”)	-50,200.13	7,470,328.76
Other income	2,177,254.86	
III. Operating profit (Loss is listed with “-”)	-57,180,665.35	101,648,097.29
Add: Non-operating income	524,245.69	12,976,126.04
Less: Non-operating expense	4,621,985.06	418,145.13
IV. Total Profit (Loss is listed with “-”)	-61,278,404.72	114,206,078.20
Less: Income tax expense	-25,476.53	24,060,552.12
V. Net profit (Net loss is listed with “-”)	-61,252,928.19	90,145,526.08
(i) Continued operation net profit (net loss listed with “-”)	-61,252,928.19	90,145,526.08
(ii) Discontinued operation net profit (net loss listed with “-”)		
Net profit attributable to owner’s of parent company	-54,094,136.23	96,620,658.92
Minority shareholders’ gains and losses	-7,158,791.96	-6,475,132.84
VI. Net after-tax of other comprehensive income		
Net after-tax of other comprehensive income attributable to owners of parent company		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		

1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	-61,252,928.19	90,145,526.08
Total comprehensive income attributable to owners of parent Company	-54,094,136.23	96,620,658.92
Total comprehensive income attributable to minority shareholders	-7,158,791.96	-6,475,132.84
VIII. Earnings per share:		
(i) Basic earnings per share	-0.1089	0.1945
(ii) Diluted earnings per share	-0.1089	0.1945

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

Legal Representative: Zheng Yuxi
 Person in charge of accounting institute: Xu Qiming

Person in charge of accounting works: Wang Zhiping

4. Profit Statement of Parent Company

Prepared by Shenzhen Shenbao Industrial Co., Ltd
 Year of 2017

In RMB

Items	2017	2016
I. Operating income	163,863,447.98	126,457,763.47
Less: Operating cost	154,883,304.80	115,553,924.00
Operating tax and extras	458,784.42	-2,574,861.08
Sales expenses	4,003,107.93	4,529,308.46
Administration expenses	24,115,186.64	32,118,546.43
Financial expenses	-2,224,430.38	-848,524.77
Losses of devaluation of asset	425,880.76	1,131,687.92
Add: Changing income of fair value (Loss is listed with "-")	-1,651,270.40	-335,414.30
Investment income (Loss is listed with "-")	2,399,716.48	73,867,977.33

Including: Investment income on affiliated company and joint venture	-306,318.47	-190,239.61
Income from assets disposal (Loss is listed with "-")	12,532.09	11,933,204.04
Other income	201,109.28	
II. Operating profit (Loss is listed with "-")	-16,836,298.74	62,013,449.58
Add: Non-operating income	113,065.05	4,103,837.74
Less: Non-operating expense	10,261.85	
III. Total Profit (Loss is listed with "-")	-16,733,495.54	66,117,287.32
Less: Income tax expense	-519,662.78	15,461,098.25
IV. Net profit (Net loss is listed with "-")	-16,213,832.76	50,656,189.07
(i) Continued operation net profit (net loss listed with "-")	-16,213,832.76	50,656,189.07
(ii) Discontinued operation net profit (net loss listed with "-")		
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
VI. Total comprehensive income	-16,213,832.76	50,656,189.07
VII. Earnings per share:		

(i) Basic earnings per share		
(ii) Diluted earnings per share		

Legal Representative: Zheng Yuxi
 Person in charge of accounting institute: Xu Qiming

Person in charge of accounting works: Wang Zhiping

5. Consolidated Cash Flow Statement

Prepared by Shenzhen Shenbao Industrial Co., Ltd

Year of 2017

In RMB

Items	2017	2016
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	349,994,270.50	376,950,458.97
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Write-back of tax received	653,832.01	182,087.90
Other cash received concerning operating activities	17,740,504.74	58,269,021.81
Subtotal of cash inflow arising from operating activities	368,388,607.25	435,401,568.68
Cash paid for purchasing commodities and receiving labor service	266,505,426.02	211,020,152.09
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Cash paid for interest, commission charge and commission		

Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	80,886,836.50	74,602,147.23
Taxes paid	46,365,321.98	36,660,085.62
Other cash paid concerning operating activities	69,545,616.90	51,378,615.62
Subtotal of cash outflow arising from operating activities	463,303,201.40	373,661,000.56
Net cash flows arising from operating activities	-94,914,594.15	61,740,568.12
II. Cash flows arising from investing activities:		
Cash received from recovering investment	339,350,000.00	130,000,000.00
Cash received from investment income	3,014,946.35	821,891.58
Net cash received from disposal of fixed, intangible and other long-term assets	65,663.75	13,745.00
Net cash received from disposal of subsidiaries and other units		177,514,708.73
Other cash received concerning investing activities	250,000.00	2,058,212.72
Subtotal of cash inflow from investing activities	342,680,610.10	310,408,558.03
Cash paid for purchasing fixed, intangible and other long-term assets	6,535,365.73	32,111,042.90
Cash paid for investment	333,745,000.00	144,250,000.00
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities		2,860,010.31
Subtotal of cash outflow from investing activities	340,280,365.73	179,221,053.21
Net cash flows arising from investing activities	2,400,244.37	131,187,504.82
III. Cash flows arising from financing activities		
Cash received from absorbing investment	640,000.00	11,250,000.00
Including: Cash received from absorbing minority shareholders' investment by subsidiaries	640,000.00	11,250,000.00
Cash received from loans	10,000,000.00	55,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities	11,883,100.00	2,250,079.19
Subtotal of cash inflow from financing activities	22,523,100.00	68,500,079.19
Cash paid for settling debts	5,000,000.00	50,000,000.00
Cash paid for dividend and profit distributing or interest paying	23,444,851.03	825,895.83
Including: Dividend and profit of		

minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities	3,897,916.29	
Subtotal of cash outflow from financing activities	32,342,767.32	50,825,895.83
Net cash flows arising from financing activities	-9,819,667.32	17,674,183.36
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-268,575.32	448,099.38
V. Net increase of cash and cash equivalents	-102,602,592.42	211,050,355.68
Add: Balance of cash and cash equivalents at the period -begin	358,564,242.83	147,513,887.15
VI. Balance of cash and cash equivalents at the period -end	255,961,650.41	358,564,242.83

Legal Representative: Zheng Yuxi
 Person in charge of accounting institute: Xu Qiming

Person in charge of accounting works: Wang Zhiping

6. Cash Flow Statement of Parent Company

Prepared by Shenzhen Shenbao Industrial Co., Ltd
 Year of 2017

In RMB

Items	2017	2016
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	178,586,945.42	198,021,990.22
Write-back of tax received	433,663.93	27,140.22
Other cash received concerning operating activities	46,511,565.69	144,632,517.40
Subtotal of cash inflow arising from operating activities	225,532,175.04	342,681,647.84
Cash paid for purchasing commodities and receiving labor service	158,845,824.76	157,962,478.44
Cash paid to/for staff and workers	21,540,904.44	17,399,885.56
Taxes paid	16,886,190.92	19,508,848.80
Other cash paid concerning operating activities	82,836,968.40	22,049,676.22
Subtotal of cash outflow arising from operating activities	280,109,888.52	216,920,889.02
Net cash flows arising from operating activities	-54,577,713.48	125,760,758.82
II. Cash flows arising from investing activities:		
Cash received from recovering investment	339,350,000.00	130,000,000.00
Cash received from investment		821,891.58

income		
Net cash received from disposal of fixed, intangible and other long-term assets	3,014,946.35	33,095,045.31
Net cash received from disposal of subsidiaries and other units	31,000.00	79,023,330.00
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	342,395,946.35	242,940,266.89
Cash paid for purchasing fixed, intangible and other long-term assets	260,849.80	2,293,831.28
Cash paid for investment	335,500,000.00	167,850,000.00
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities		1,287,004.64
Subtotal of cash outflow from investing activities	335,760,849.80	171,430,835.92
Net cash flows arising from investing activities	6,635,096.55	71,509,430.97
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	10,000,000.00	55,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities	383,100.00	79.19
Subtotal of cash inflow from financing activities	10,383,100.00	55,000,079.19
Cash paid for settling debts	5,000,000.00	50,000,000.00
Cash paid for dividend and profit distributing or interest paying	23,045,545.47	950,646.97
Other cash paid concerning financing activities	97,916.29	11,925,000.00
Subtotal of cash outflow from financing activities	28,143,461.76	62,875,646.97
Net cash flows arising from financing activities	-17,760,361.76	-7,875,567.78
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-112,531.04	8,575.54
V. Net increase of cash and cash equivalents	-65,815,509.73	189,403,197.55
Add: Balance of cash and cash equivalents at the period -begin	305,477,853.97	116,074,656.42
VI. Balance of cash and cash equivalents at the period -end	239,662,344.24	305,477,853.97

Legal Representative: Zheng Yuxi
Person in charge of accounting institute: Xu Qiming

Person in charge of accounting works: Wang Zhiping

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

Prepared by Shenzhen Shenbao Industrial Co., Ltd

Year of 2017

Amount in 2017

In RMB

Items	2017												
	Owners' equity attributable to parent company											Minority interests	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit		
	Preferred stock	Perpetual capital securities	Other										
I. Balance at the end of the last year	451,620,276.00				367,172,017.79				54,736,482.14		158,239,612.94	17,970,173.99	1,049,738,562.86
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	451,620,276.00				367,172,017.79				54,736,482.14		158,239,612.94	17,970,173.99	1,049,738,562.86
III. Increase/Decrease in this year (Decrease is listed with "-")	45,162,027.00				-8,172,661.51						-121,837,177.03	-1,737,421.06	-86,585,232.60
(i) Total comprehensive											-54,094,136.23	-7,158,791.96	-61,252,928.19

income													
(ii) Owners' devoted and decreased capital					-8,172,661.51							5,421,370.90	-2,751,290.61
1.Common shares invested by shareholders												640,000.00	640,000.00
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4.Other					-8,172,661.51							4,781,370.90	-3,391,290.61
(III) Profit distribution	45,162,027.00										-67,743,040.80		-22,581,013.80
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)	45,162,027.00										-67,743,040.80		-22,581,013.80
4.Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves converted to capital (share capital)													
2. Surplus reserves converted to capital (share capital)													
3. Remedying loss with surplus													

reserve													
4.Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI)Others													
IV. Balance at the end of the report period	496,782,303.00				358,999,356.28				54,736,482.14		36,402,435.91	16,232,752.93	963,153,330.26

Legal Representative: Zheng Yuxi
 Person in charge of accounting institute: Xu Qiming

Person in charge of accounting works: Wang Zhiping

Amount in 2016

In RMB

Items	2016												
	Owners' equity attributable to parent company										Minority interests	Total owners' equity	
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk			Retained profit
	Preferr ed stock	Perpet ual capita l securities	Other										
I. Balance at the end of the last year	301,080,184.00				518,186,660.59				49,670,863.23		66,684,572.93	21,515,728.34	957,138,009.09
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise													

combine under the same control													
Other													
II. Balance at the beginning of this year	301,080,184.00				518,186,660.59				49,670,863.23		66,684,572.93	21,515,728.34	957,138,009.09
III. Increase/Decrease in this year (Decrease is listed with "-")	150,540,092.00				-151,014,642.80				5,065,618.91		91,555,040.01	-3,545,554.35	92,600,553.77
(i) Total comprehensive income											96,620,658.92	-6,475,132.84	90,145,526.08
(ii) Owners' devoted and decreased capital												2,929,578.49	2,929,578.49
1.Common shares invested by shareholders												11,250,000.00	11,250,000.00
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4.Other												-8,320,421.51	-8,320,421.51
(III) Profit distribution									5,065,618.91		-5,065,618.91		
1. Withdrawal of surplus reserves									5,065,618.91		-5,065,618.91		
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4.Other													

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

distribution											
1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)	45,162,027.00									-22,581,013.80	-22,581,013.80
3.Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves converted to capital (share capital)											
2. Surplus reserves converted to capital (share capital)											
3. Remedying loss with surplus reserve											
4.Other											
(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VI)Others											
IV. Balance at the end of the report period	496,782,303.00				382,444,482.45				54,736,482.14	199,789,650.74	1,133,752,918.33

Legal Representative: Zheng Yuxi
 Person in charge of accounting institute: Xu Qiming

Person in charge of accounting works: Wang Zhiping

Amount in 2016

In RMB

Items	2016										
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	301,080,184.00				532,984,495.26				49,670,863.23	238,155,954.14	1,121,891,496.63
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	301,080,184.00				532,984,495.26				49,670,863.23	238,155,954.14	1,121,891,496.63
III. Increase/Decrease in this year (Decrease is listed with "-")	150,540,092.00				-150,540,012.81				5,065,618.91	45,590,570.16	50,656,268.26
(i) Total comprehensive income										50,656,189.07	50,656,189.07
(ii) Owners' devoted and decreased capital											
1.Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											

4.Other											
(III) Profit distribution									5,065,618.91	-5,065,618.91	
1. Withdrawal of surplus reserves									5,065,618.91	-5,065,618.91	
2. Distribution for owners (or shareholders)											
3.Other											
(IV) Carrying forward internal owners' equity	150,540,092.00				-150,540,012.81						79.19
1. Capital reserves converted to capital (share capital)	150,540,092.00				-150,540,092.00						
2. Surplus reserves converted to capital (share capital)											
3. Remedying loss with surplus reserve											
4.Other					79.19						79.19
(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VI)Others											
IV. Balance at the end of the report period	451,620,276.00				382,444,482.45				54,736,482.14	283,746,524.30	1,172,547,764.89

Legal Representative: Zheng Yuxi
 Person in charge of accounting institute: Xu Qiming

Person in charge of accounting works: Wang Zhiping

III. Basic situation of Company

1. The history of the company

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

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

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

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

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

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

End as December 31, 2017, the total share capital of the company was 496,782,303 shares.

Register address of the Company: 8/F, B Section, 4th Tower, Software Industrial Base, South Technology Park,

Xuefu Street, Yuehai Avenue, Nanshan District, Shenzhen, P.R. China.

2. Industry nature

The company is the food and beverage industry.

3. Business scope

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

4. Report approval for the financial statement

The statement has been approved by all directors of the company dated 20 August 2018 for reporting.

Consolidated financial statement scope

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

Subsidiaries	Type	Level	Shareholding ratio (%)	Voting rights ratio (%)
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd. (Shenbao Huacheng for short)	Wholly-owned subsidiary	First grade	100	100
Ju Fang Yong Tea Industry Co., Ltd. in Wuyuan County (Wuyuan Ju Fang Yong for short)	Wholly-owned subsidiary	First grade	100	100
Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd. (Shenbao Sanjing for short)	Wholly-owned subsidiary	First grade	100	100
Huizhou Shenbao Science & Technology Co., Ltd. (Huizhou Shenbao Science & Technology for short)	Wholly-owned subsidiary	First grade	100	100
Shenzhen Shenbao Properties Management Co., Ltd. (Shenbao Properties for short)	Wholly-owned subsidiary	First grade	100	100
Shenzhen Shenbao Industrial & Trading Co., Ltd. (Shenbao Industrial & Trading for short)	Wholly-owned subsidiary	First grade	100	100

Hangzhou Ju Fang Yong Holding Co., Ltd. (Hangzhou Ju Fang Yong for short)	Wholly-owned subsidiary	First grade	100	100
Shenzhen Shenbao Technology Center Co., Ltd. (Shenbao Technology Center for short)	Wholly-owned subsidiary	First grade	100	100
Shenzhen Shenshenbao Investment Co., Ltd. (Shenshenbao Investment for short)	Wholly-owned subsidiary	First grade	100	100
Yunnan Shenbao Pu'er Tea Supply Chain Management Co., Ltd. (Yunnan Supply Chain for short)	Wholly-owned subsidiary	First grade	100	100
Huizhou Shenbao Food Co., Ltd. (Huizhou Shenbao Food for short)	Wholly-owned subsidiary	First grade	100	100
Yunnan Pu'er Tea Trading Center Co., Ltd. (Pu'er Tea Trading Center for short)	Holding subsidiary	First grade	55	55
Mount Wuyi Shenbao Rock Tea Co., Ltd. (Shenbao Rock Tea for short)	Wholly-owned subsidiary	Second grade	100	100
Hangzhou Fuhaitang Tea Ecological Technology Co., Ltd. (Fuhaitang Ecological for short)	Wholly-owned subsidiary	Second grade	100	100
Hangzhou Chunshi Network Technology Co.,Ltd. (Chunshi Network for short)	Wholly-owned subsidiary	Second grade	100	100
Shenzhen Shenshenbao Tea Culture Management Co., Ltd. (Shenshenbao Tea Culture for short)	Wholly-owned subsidiary	Second grade	100	100
Hangzhou Jufangyong Trading Co., Ltd. (Jufangyong Trading for short)	Holding subsidiary	Second grade	60	60
Shenzhen Shenbao Tea-Shop Co., Ltd. (Shenbao Tea-Shop for short)	Wholly-owned subsidiary	Second grade	100	100
Hangzhou Fuhaitang Catering Management chain Co., Ltd. (Fuhaitang Catering for short)	Wholly-owned subsidiary	Second grade	100	100

Body included in consolidated financial statement in the period has 2 increased by compare with same period of last year, including:

1. Subsidiary, special purpose entity, and operational entities with controlling rights held by entrusted operation or leassee that including in consolidation scope of the Company in the period

Item	Reasons for change
Shenbao Tea-Shop	New establised
Fuhaitang Catering	New establised

Found more in Note VII. Change of consolidate scope

2. Subsidiary excluded in consolidated financial statement

(1) Shenzhen Shenbao (Liaoyuan) Industrial Company has established for a long time without normal operation, Industry and Commerce Bureau has canceled the business license of the company, the long-term equity

investment for the company has been accrual for impairment totally. Financial statement of the company is out of the consolidation range.

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

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

IV. Basis of preparation of financial statements

1. Basis of preparation

Based on continuing operation, the Company conducts recognition and measurement according to actual occurrence of transactions and issues, pursuant to the accounting principles for enterprise-basic rules and specific accounting principle as well as the application guidance for the accounting principles for enterprise, interpretation to the accounting principles for enterprise and other related requirements (hereinafter referred to as Enterprise Accounting Principles) issued by the ministry of finance, on that basis, combining the Information Disclosure Preparation Rules for Company Public Issuing Securities No.15-General Rules for Financial Report (amended in 2014) of the CSRC for statement preparation.

2. Going concern

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

V. Major accounting policy, accounting estimation

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

No

Specific accounting policies and estimation attention:

Nil

1. Statement for observation of Accounting Standard for Enterprise

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

2. Accounting period

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

3. Operating cycle

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

4. Standard currency

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

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

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

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

2. Business combination under the same control

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

If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. In case there is existence of contingent consideration which needs to confirm projected liabilities or

assets, then the difference between the projected liabilities or assets and settlement amount for consequent contingent consideration is utilized to adjust capital reserve (capital premium or equity premium); in case of insufficient capital reserve, adjust retained earnings.

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

3. Business combination not under the same control

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

- ① The business merger contract or agreement has been approved by the Company's internal authority.
- ② Business merger matters need to be approved by the relevant national competent authority, and approval has been obtained.
- ③ The necessary procedures for the transfer of property rights have been completed.
- ④ The Company has paid most of the merger cost and has the ability and plan to pay the remaining amount.
- ⑤ The Company has actually controlled the finance and operating policies of the acquiree, and enjoys corresponding benefits and assumes corresponding risks.

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

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

and losses.

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

4. Expenses related to the merger

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

6. Methods for preparation of consolidated financial statements

1. Merger scope

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

2. Merger procedure

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

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

when preparing consolidated financial statements according to the accounting policy and accounting period of the Company.

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

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

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

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

(1) Increase of subsidiary or business

During the reporting period, the merger of the enterprises under the same control results in additional subsidiaries or business, then adjust the opening amount of consolidated balance sheet; income, expenses and profit of the subsidiaries or business from beginning to the end of the reporting shall be included in the consolidated profit statement; cash flows of the subsidiaries or business from beginning to the end of reporting period shall be included into the consolidated cash flow statement. And relevant comparative items of comparable statement shall be adjusted since reporting entity is controlled by the ultimate controller.

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

During the reporting period, opening amount of consolidated balance sheet shall not be adjusted since enterprise

under different control combine or increase holding of subsidiary or business; the income, expense and profit of the subsidiaries or business from the acquisition date to the end of reporting period shall be included in the consolidated profit statement; while cash flows shall be included into the consolidated cash flow statement.

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

(2) Disposal of subsidiaries or business

1) The general approach

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

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

2) Step disposal of subsidiaries

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

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

If disposal of equity in subsidiaries lead the loss of control and the transactions can be seen as a package deal, the Company will take accounting treatment of the transaction; however, before the loss of control the difference

between the disposal price and the corresponding net assets of the subsidiary, recognized as other comprehensive income in the consolidated financial statements, into current profit and loss at current period when losing controlling right.

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

(3) Purchase of a minority stake in the subsidiary

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

(4) Disposal of equity in subsidiary without losing control

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

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

1. Classification of joint venture arrangement

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

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

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

2. Accounting for joint operations

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

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

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

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

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

8. Recognition standards for cash and cash equivalents

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

9. Foreign currency business and conversion of foreign currency statement

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

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

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

10. Financial instruments

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

1. Categories of financial instruments

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

2. Recognition and measurement for financial instrument

(1) Financial assets or liabilities at fair value through profit or loss

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

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

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

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

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

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

(2) Account receivables

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

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

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

(3) Held-to-maturity investment

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

The Company takes the sum of fair value (after deducting bond interests which is due for interest payment but not received) and related transaction fee as initial recognition amount in respect of held-to-maturity investment upon acquisition of the investment. During the holding period, the Company recognizes interest income at amortized

cost and effective interest rate which is included in investment income. The effective interest rate is determined upon acquisition of the investment and remains unchanged for the expected continuous period or appropriate shorter period. Difference between sale price and carrying value of the investment is included in investment income.

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

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

(4) Available-for-sale financial assets

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

The Company initially measures available-for-sale financial assets at the sum between their fair values when acquiring the assets or liabilities (after deducting cash dividend already declared but not paid or bond interests which is due for interest payment but not received) and the relevant transaction fee. Interest or cash dividend acquired during the holding period shall be recognized as investment income. Gains or losses arising from movement of fair value is directly included in other comprehensive income except for impairment loss and exchange difference arising from foreign currency monetary financial assets. When disposing available-for-sale financial assets, the Company includes the difference between the acquired price and carrying value of the financial assets into investment profit or loss. Meanwhile, accumulated fair value movement attributable to the disposed part which is originally directly included in other comprehensive income is transferred out and included investment profit or loss.

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

(5) Other financial liabilities

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

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

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

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

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

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

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

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

4. De-recognition condition for financial liability

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

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

amendment to its clauses shall be realized as new financial liabilities.

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

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

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

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

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

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

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

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

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

1. Significant financial difficulty of the issuer or obligor;
2. A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
3. The creditor, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession

to the borrower;

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

Details for impairment of financial assets are set out below:

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

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

Initial segment of the "cost" of the sale of equity instruments in accordance with available cost less any principal repayment and amortization, impairment loss has been included in determining profit or loss; The fair value of the available-for-sale equity instrument investment without an active market is determined by the present value determined on the basis of the current market return similar to financial assets versus the future discounted cash; the fair value of available-for-sale equity instrument investment with offers in the active market is determined by the closing price of the stock exchange at the end of the period, unless this available-for-sale equity instrument investment has a restricted stock trade period. For the presence of restricted investments in equity instruments available for sale, according to the end of the closing price of the stock exchange market participants by deducting the risk equity instrument within a specified period cannot be sold on the open market and the requirements to obtain compensation.

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

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

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

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

7. Offset of financial assets and financial liabilities

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

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

11. Account receivable

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

Account with single significant amount	Amount occupied 10 percent (including 10 percent) of the balance of account receivable.
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 based on credit risk characteristics portfolio

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

Group with bad debt provision accrual by aging:

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

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

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

12. Inventories

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

No

1. Classification

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

2. Valuation method

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

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

After inventory at period-end, the inventories are accounted depending on which is lower between the cost and the net realizable value or adjusted the provision of inventory. The net realizable value of inventory products and sellable materials, in normal business production, is measured as the residual value after deducting the estimated

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

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

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

3. Inventory system

Inventory system is the perpetual inventory system.

4. Amortization of low-value consumables and packaging materials

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

13. Classified as assets held for sale

1. The confirmation standards for classifying as available for sale

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

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

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

2. Accounting methods for available for sale

The Company does not calculate and distill depreciation or amortization for the non-current assets or disposal

group available for sale, if the book value is higher than the net amount after deducting selling cost from fair value, the book value shall be written down to the net amount after deducting selling cost from fair value, the write-down amount is recognized as asset impairment loss and is included in the current gains and losses, and makes provision for impairment of available-for-sale assets at the same time.

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

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

14. Long-term equity investment

1. Recognition of investment cost

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

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

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

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

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

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

2. Subsequent measurement and recognition of gains and losses

(1) Cost method

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

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

(2) Equity method

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

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

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

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

When the Company is confirmed to share losses of the invested units, the following order shall prevail for disposal: first of all, offset carrying value of long-term equity investment. Second, for long-term equity investment

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

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

3. Transfer of calculation for long term equity investment

(1) Measure at fair value transfer to equity method

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

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

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

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

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

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

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

(3) Calculation under equity method transfer to fair value measurement

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

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

(4) Cost method transfer to equity method

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

(5) Cost method transfer to fair value measure

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

4. Disposal of long term equity investment

Difference between carrying value and actual acquisition price in respect of disposal of long term equity investment shall be included in current period gains and losses. For long term equity investment under equity method, the Company shall adopt the same basis as the investee directly disposes relevant assets or liabilities

when disposing this investment, and account for the part originally included in other comprehensive income under appropriate proportion.

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

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

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

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

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

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

(1) In consolidated financial statements, difference between each payment from disposal of an equity and the book

value of such long-term equity investment before the loss of control should be recognized as other comprehensive income and at the time of loss of control, transferred to profit or loss for the current period.

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

5. Criteria for common control and significant influence

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

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

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

15. Investment real estate

Measurement

Measured by cost

Depreciation or amortization method

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

The investment property of the Company is accounted at its cost. Cost of investment property purchased from the external sources includes purchase payment, related taxes and other expenditures which can be directly

attributable to such assets; Cost of investment property constructed by the Company comprise of the necessary expenditure occurred during the construction for reaching the condition of planned use.

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

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

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

16. Fixed asset

(1) Recognition of fixed assets

Fixed assets is defined as the tangible assets which are held for the purpose of producing goods, providing services, lease or for operation & management, and have more than one year of service life. Fixed assets should be recognized for qualified the followed conditions at the same time: (1) It is probable that the economic benefits associated with the assets will flow into the Company; (2) The cost of the assts can be measured reliably. (1) The cost of outsourcing fixed assets includes the buying price, import tariff and other related taxes and fees, as well as other expenses occurred before making the fixed assets reach the intended serviceable condition and can be directly attributable to the assets. (2) The cost of self-constructed fixed assets consists of the necessary expenses occurred before reaching the intended serviceable condition by the construction of the assets. (3) The fixed assets invested by the investors take the value stipulated by investment contract or agreement as the entry value, but it should take the fair value as the entry value when the value stipulated by investment contract or agreement is not fair. (4) When the cost of purchasing fixed assets has a delay in payment exceeding the normal credit terms and substantially possesses financing, the cost of fixed assets is determined on the basis of the present value of the purchasing price. The balance between the actual paid cost and the present value of purchasing price is reckoned in the current profits and losses in the credit period, except for the capitalization. Subsequent measurement and disposal of fixed assets (1) Depreciation of fixed assets is accrued within the estimated useful life after deducting the estimated residual value from its entry value. For the fixed assets accrued with provision for impairment, determine the amount of depreciation by the book value deducting the provision for impairment and according to the useful life. The Company determines the useful life and estimated net residual value of fixed assets according to the nature and use of fixed assets, and rechecks the useful life, estimated net residual value, and depreciation

method of fixed assets at the end of the year, and makes corresponding adjustments if there is difference with the original estimated number. (2) The follow-up expenses of fixed assets and the follow-up expenses related to fixed assets are included in the cost of fixed assets if they meet the requirements for recognition of fixed assets; those cannot meet the requirements for recognition of fixed assets should be included in the current profits and losses when occur. (3) When the fixed assets are disposed, or expected not to generate economic benefits through use or disposal, derecognize the fixed assets. The amount after deducting its book value and related taxes and dues from the disposal income of the fixed assets sale, transfer, retirement or impairment is included in the current profits and losses.

(2) Depreciation methods

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

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

A fixed asset leased by the Company is recognized as the fixed asset held under finance lease if one or more of the following criteria are met: (1) Upon the expiry of the lease term, the ownership is transferred to the Company. (2) The Company has the option to purchase the asset at a predetermined price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and it is reasonably ascertained at the inception of lease that the option will be exercised. (3) The lease term approximates the useful life of the relevant asset even if the ownership is not transferred. (4) At the inception of the lease, the present value of the minimum lease payments is substantially equivalent to the fair value of the leased asset. (5) The leased assets are of such a specialized nature that only the Company can use them without major modification. A fixed asset held under finance lease is initially recognized at the lower of fair value of the leased asset and the present value of the minimum lease payments, while the amount of the minimum lease payments will be recognized as the entry value of long-term account payable, the difference between them will be recognized as unrecognized financing costs. The initial direct costs such as commissions, attorney's fees, and travelling expenses, stamp duties attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value. Unrealized finance costs will be amortized using actual interest rate method over each period during the lease terms. The Company adopts depreciation policies for leased assets consistent with those of self-owned fixed assets for the purpose of calculating the depreciation of a leased asset. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the

ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

17. Construction in process

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

No

1. Initial measurement of constructions under progress

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

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

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

18. Borrowing expenses

1. Recognition of the borrowing expenses capitalization

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

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

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

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

2. Period of capitalization

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

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

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

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

3. Period of suspended

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

4. Calculation for capitalization amount

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

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

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

19. Biological assets

1. Classification of biological assets

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

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

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

2. Initial recognition of Biological assets

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

3. Subsequent measurement of biological assets

(1) Follow-up expenses

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

(2) Depreciation of productive biological assets

Biological assets of the Company refer to the tea plants. For those productive biological assets that reached its predicted productive purpose, withdrawal depreciation by average age method. The service life was determined by the residual terms of the residual term of land use after deducting the un-maturity period (5-year) of the tea plants with 5 percent salvage value calculated. Reviewing the service life, predicted salvage value and depreciation method at year-end, if there have difference between the predicted number and original estimated number or have major changes on way of profit earning, than adjusted the service life or predicted salvage value or depreciation method as account estimation variation.

(3) Disposal of biological assets:

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

4. Biological assets impairment

The Company inspects the productive biological assets at least at the end of each year, conclusive evidence indicates that if the recoverable amount of productive biological assets are less than the book value due to natural

disasters, insect pests, animal diseases or changes in market demand, the Company make the provision for impairment of biological assets and include them in the current profits and losses according to the balance between the recoverable amount and the book value.

The balance lower than the book value shall be calculated and accrued to falling price reserves or provision for impairment of biological assets and included in the current profits and losses. Once the provision for impairment of productive biological assets is made, it cannot be reversed.

20. Intangible assets

(1) Measurement, use of life and impairment testing

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

1. Measurement of intangible assets

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

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

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

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

For those cost of intangible assets development internally including: the used materials, labor cost and register charge for development; amortization for other patent and concession used and interest expense satisfying the

capitalization condition during process of development; other directly expense before reached its predated useful purpose.

2. Subsequent measurement

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

1. Intangible assets with limited useful life

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

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

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

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

2. Intangible assets without certain service life

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

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

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

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

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

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

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

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

2. Standards for capitalization satisfaction of expenditure in exploitation state

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

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

Expenditure happened in development phase not satisfying the above conditions is included in current period gains and losses when occurs. Development expenditure previously included in gains and losses in previous periods will not be re-recognized as assets in later periods. Capitalized development expenditure is stated in balance sheet as development expenditure, and is transferred to intangible assets when the project is ready for planned use.

21. Impairment of long term assets

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

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

If measurement of recoverable amount shows that the recoverable amount of long term asset is lower than carrying value, and then the carrying value shall be deducted to recoverable amount, with the deducted amount

recognized as impairment loss which is included in current period gains and losses, meanwhile, asset impairment provision shall be made accordingly. Once recognized, asset impairment loss would not be reversed in future accounting period.

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

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

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

22. Long term prepaid expense

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

23. Staff remuneration

(1) Short term remuneration

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

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

(2) Post office benefits

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

Post benefit plan is categorized as defined withdraw plan.

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

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

(3) Dismissal benefit

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

(4) Other long term staff benefits

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

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

24. Accrual liability

1. Recognition standards for accrual liability

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

The responsibility is a current responsibility undertaken by the Company;

Fulfilling of the responsibility may lead to financial benefit outflow;

The responsibility can be measured reliably for its value.

2. Measurement

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

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

Treatment for best estimation:

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

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

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

25. Revenue

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

No

1. Recognition of the income from commodity sales

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

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

2. Basis on use right income for transaction assets

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

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

26. Government Grants

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

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.

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

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

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

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

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

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

The government subsidy relevant to discounted interest on policy concessional loans is used to offset the relevant borrowing costs; the fair value of borrowings is used as the entry value of borrowings and the borrowing costs are calculated according to the actual interest rate method, the balance between the actual amount received and the

fair value of borrowings is recognized as deferred income. Deferred income is amortized to offset the related borrowing costs by adopting the actual interest rate method in duration of borrowings.

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

27. Deferred income tax assets and deferred income tax liabilities

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

1. Reference for recognition of deferred income tax assets

Deferred income tax asset arising from deductible temporary difference is recognized to the extent of assessable income which is likely to acquire to offset deductible temporary difference and for which deductible losses and tax credit for subsequent years can be carried forward. However, deferred income tax assets arising from initial measurement of assets or liabilities in transactions with the following characteristics would not be recognized: (1) the transaction is not business combination; (2) occurrence of the transaction would neither affect accounting profit nor affect assessable income or deductible loss.

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

2. Basis for determination of deferred income tax liabilities

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

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

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

- (1) An enterprise has the legal rights to settle the income tax assets and income tax liabilities for the current period

by net amount;

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

28. Lease

(1) Accounting for operating lease

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

Accounting for operating lease

(1) Assets lease-in by Operating:

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

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

(2) Operating leased assets:

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

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

(2) Accounting for financing lease

Accounting for financing lease

(1) Assets lease-in by financing: On the beginning date of the lease, the entry value of leased asset shall be at the lower of the fair value of the leased asset and the present value of minimum lease payment at the beginning date

of the lease. Minimum lease payment shall be the entry value of long-term accounts payable, with difference recognized as unrecognized financing expenses.

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

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

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

29. Changes of important accounting policy and estimation

(1) Changes of major accounting policies

√ Applicable □ Not applicable

Content and reasons	Approval procedure	Note
On 10 May 2017, the “Accounting Standards for Business Enterprise No. 16- Government grant” has revised and issued by Ministry of Finance. The new Standards implemented since 12 June 2017. Meanwhile, the prospective application method shall be adopted by an enterprise for government grant on 1 January 2017; the new government grant from 1 January 2017 to date of such Standards implemented should be adjusted in line with the revised Standards.	The change has deliberated on 11 th session of 9 th BOD and no need to deliberated in shareholder general meeting	
According to the relevant regulation of " Accounting Standards for Business Enterprise No. 42 - Non-current Assets Held for Sale, Disposal Group and Discontinuing Operation” issued by Ministry of Finance on 28 April 2017, relevant	The change has deliberated on 16 th session of 9 th BOD and no need to deliberated in shareholder general meeting	

accounting treatment for non-current assets held for Sale, disposal group and discontinuing operation are changed correspondingly		
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Explanation:

(1) On 10 May 2017, the “Accounting Standards for Business Enterprise No. 16- Government grant” has revised and issued by Ministry of Finance. The new Standards implemented since 12 June 2017. Meanwhile, the prospective application method shall be adopted by an enterprise for government grant on 1 January 2017; the new government grant from 1 January 2017 to date of such Standards implemented should be adjusted in line with the revised Standards.

The new revised Standards are implemented by the Company since 12 June 2017, main changes for the above mentioned policy are including: pursuit to the recruitment of “Accounting Standards for Business Enterprise No. 16- Government grant” (CK [2017] No.15), the government grant with operation activity concerned should reckoned into other income or reducing relevant cost expenses according to its essence of economic business. Those without operation activity concerned should be reckoned into non-operation revenue & expenditure. As a result, relevant government grant are listed in item of “other income” instead of “non-operation revenue” in the profit statement, the ”amount occurred from Jan. to Jun. 2017“ for “non-operation revenue” decreased 1,077,854.03 Yuan, the ”amount occurred from Jan. to Jun. 2017“ for “other income” increased 1,077,854.03 Yuan; the data in comparable period listed in Financial Report of 2016 are not carry retroactively adjustment.

(2) On 28 April 2017, the “Accounting Standards for Business Enterprise No. 42 - Non-current Assets Held for Sale, Disposal Group and Discontinuing Operation” has revised and issued by Ministry of Finance. The new Standards implemented since 28 May 2017. Pursuit to the regulation of “Announcement on Revising and Printing Financial Report Format for General Corporate” (CK [2017] No.30), issued by Ministry of Finance, item of “Income from assets disposal” increased in profit statement and net profit should be listed in line with the business continuity. Pursuit to relevant regulation of “Accounting Standards for Business Enterprise No. 30- Presentation of Financial Statement”, data in comparable period should be adjusted. Impact on financial statement for above mentioned standards implemented are including:

Amount listed in financial statement are adjusted in line with the regulation of “Accounting Standards for Business Enterprise No. 42 - Non-current Assets Held for Sale, Disposal Group and Discontinuing Operation”, the income from non-current assets disposal occurred from 1 Jan. 2017 to 31 Dec. 2017 should be listed to “Income from Assets disposal” as (50,200.13)Yuan from “non-operation revenue” and “non-operation expenditure”; data in comparable period should be adjusted. The income from non-current assets disposal occurred from 1 Jan. 2016 to 31 Dec. 2016 should be listed to “Income from Assets disposal” as 7,470,328.76 Yuan from “non-operation revenue” and “non-operation expenditure”

(2) Changes of important accounting estimate

Applicable Not applicable

VI. Taxes

1. Type of tax and rate for main applicable tax

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

Rate of income tax for different taxpaying body:

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

2. Tax preferential and basis

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

VII. Annotation to main items of consolidated financial statements

1. Monetary fund

In RMB

Item	Closing balance	Opening balance
Cash on hand	194,650.44	207,519.80
Cash in bank	255,448,120.29	358,356,723.03
Other monetary fund	318,879.68	
Total	255,961,650.41	358,564,242.83

Other note

The Company did not has account pledge, freezed or has potential risks in collection ended as 31 December 2017

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

In RMB

Item	Closing balance	Opening balance
Tradable financial assets	1,599,668.20	3,250,938.60
Equity investment	1,599,668.20	3,250,938.60
Total	1,599,668.20	3,250,938.60

Other explanation:

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

3. Account receivable

(1) Account receivable classified according to types

In RMB

Type	Closing balance	Opening balance
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	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrual Ratio		Amount	Ratio	Amount	Accrual Ratio	
Account receivable withdrawal bad debt provision by group of credit risk characteristics	78,480,035.29	79.49%	1,286,967.26	1.64%	77,193,068.03	63,476,680.17	75.89%	893,812.54	1.41%	62,582,867.63
Account receivable with single minor amount but withdrawal bad debt provision for single item	20,254,411.14	20.51%	20,254,411.14	100.00%		20,164,693.05	24.11%	20,164,693.05	100.00%	
Total	98,734,446.43	100.00%	21,541,378.40	21.82%	77,193,068.03	83,641,373.22	100.00%	21,058,505.59	25.18%	62,582,867.63

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

Applicable Not applicable

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

Applicable Not applicable

In RMB

Age	Closing balance		
	Account receivable	Bad debt reserve	Accrual ratio
Sub item of within one year			
Within 1 year	67,409,929.69		
1-2 years	2,626,275.05	131,313.75	5.00%
2-3 years	2,710,147.67	271,014.76	10.00%
Over 3 years	5,897,591.58	884,638.75	15.00%
3-4years	3,441,293.53	516,194.04	15.00%
4-5 years	122,015.02	18,302.25	15.00%
5years above	2,334,283.03	350,142.46	15.00%
Total	78,480,035.29	1,286,967.26	1.64%

Explanation on combination determines:

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

Applicable Not applicable

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

(2) Bad debt provision accrual collected or switch back

Bad debt provision accrual of RMB 523,230.58; collected or switch back bad debt provision of RMB 40,357.77.

Major bad debt provision collected or switch back:

In RMB

Name	Amount	Method

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

Name	Closing balance	Proportion in total receivables at closing balance (%)	Bad debt provision accrual
Customer 1	16,621,620.00	16.83	---
Customer 2	6,346,741.00	6.43	---
Customer 3	5,752,100.00	5.83	---
Customer 4	5,427,110.36	5.50	---
Customer 5	5,417,740.00	5.49	---
Total	39,565,311.36	40.08	---

4. Account paid in advance

(1) Aging analysis

In RMB

Age	Closing balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within 1 year	11,179,178.48	94.84%	5,357,620.52	84.75%
1-2years	128,246.97	1.09%	826,840.85	13.08%
2-3years	369,435.97	3.13%	31,530.94	0.50%
Over 3 years	110,571.40	0.94%	105,835.33	1.67%
Total	11,787,432.82	--	6,321,827.64	--

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

Nil

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

Name	Closing amount	Ratio in total account paid in advance (%)	Time	Unsettled reasons
Supplier 1	3,828,440.96	32.48	Within 1 year	The contract is being carried out
Supplier 2	1,491,643.77	12.65	Within 1 year	The contract is being carried out
Supplier 3	1,443,729.07	12.25	Within 1 year	The contract is being carried out
Supplier 4	420,553.58	3.57	Within 1 year	The contract is being carried out
Supplier 5	313,120.00	2.66	Within 1 year	The contract is being carried out

Total	7,497,487.38	63.61		
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Other note:

Balance of account paid in advance increased 5,465,605.18 Yuan over that of period-beginning with 86.46% up, mainly because the account paid in advance for materials to suppliers increased

5. Other account receivable

(1) Other account receivable classified according to types:

In RMB

Type	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Other account receivable with single major amount and withdrawal bad debt provision for single item	19,977,283.01	39.50%	9,071,148.72	45.41%	10,906,134.29	19,540,618.68	39.73%	8,634,484.39	44.19%	10,906,134.29
Other account receivable withdrawal bad debt provision by group of credit risk characteristics	12,872,295.52	25.45%	466,830.14	3.63%	12,405,465.38	12,066,358.31	24.53%	329,042.66	2.73%	11,737,315.65
Other account receivable with single minor amount but withdrawal bad debt provision for single item	17,723,455.12	35.05%	17,723,455.12	100.00%		17,577,795.82	35.74%	17,577,795.82	100.00%	
Total	50,573,033.65	100.00%	27,261,433.98	53.91%	23,311,599.67	49,184,772.81	100.00%	26,541,322.87	53.96%	22,643,449.94

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

Applicable Not applicable

In RMB

Account receivable(units)	Closing balance			
	Account receivable	Bad debt reserve	Accrual ratio	Reasons
Changzhou Shenbao Chacang E-commerce Co., Ltd.	19,977,283.01	9,071,148.72	45.41%	Estimated recoverable amount is lower than the book balance
Total	19,977,283.01	9,071,148.72	--	--

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

Applicable Not applicable

In RMB

Age	Closing balance		
	Other accounts receivable	Bad debt provision	Accrual ratio
Sub item of within one year			

Within 1 year	7,694,660.29		
1-2 years	2,579,148.76	128,957.44	5.00%
2-3 years	1,038,005.19	103,800.52	10.00%
Over 3 years	1,560,481.28	234,072.18	15.00%
3-4 years	94,896.77	14,234.51	15.00%
4-5 years	748,187.20	112,228.08	15.00%
5 years above	717,397.31	107,609.59	15.00%
Total	12,872,295.52	466,830.14	3.63%

Explanations on combination determine:

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

Applicable Not applicable

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

Applicable Not applicable

(2) Bad debt provision accrual collected or switch back

Bad debt provision accrual was 735,691.76 Yuan; the amount collected or switches back amounting to 15,463.22 Yuan

Major bad debt provision collected or switch back:

In RMB

Name	Amount	Method
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(3) Nature classification for other receivables

In RMB

Item	Closing book balance	Opening book balance
Margin and deposit	4,540,242.47	3,683,788.00
VAT rebates receivables	733,709.16	454,807.35
Intercourse funds and other	45,299,082.02	45,046,177.46
Total	50,573,033.65	49,184,772.81

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

In RMB

Name	Amount nature	Closing balance	Age	Ratio in total other account receivable at closing balance	Bad debt provision Closing balance
Changzhou Shenbao Chacang E-commerce Co., Ltd.	Intercourse funds	19,977,283.01	With 1 year, 1-3 year and above	39.50%	9,071,148.72

Shichu Mingmen	Intercourse funds	1,870,811.75	Within 1 year and 1-2 year	3.70%	53,585.30
Hangzhou Xiaoshan International Airport Co., Ltd.	Deposit	1,127,100.00	Within 1 year and 1-2 year	2.23%	22,875.00
Hangzhou Xiaoshan International Airport Zhejiang Brigade Hotel Co., Ltd.	Deposit	742,500.00	Within 1 year and 1-3 year	1.47%	1,000.00
Tax refund for export receivables	Tax refund	733,709.16	Within 1 year and 1-2 year	1.45%	1,057.17
Total	--	24,451,403.92	--	48.35%	9,149,666.19

6. Inventory

Whether the company need to comply with the disclosure requirements of the real estate industry

No

(1) Types

In RMB

Items	Closing balance			Opening balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	77,403,549.46	4,385,924.31	73,017,625.15	65,391,782.65	3,869,665.51	61,522,117.14
Goods in process	28,569,954.36	264,169.09	28,305,785.27	28,856,613.35	328,209.99	28,528,403.36
Finished goods	44,089,811.15	1,184,370.13	42,905,441.02	40,266,937.30	1,774,575.14	38,492,362.16
Goods in transit	5,475,723.52		5,475,723.52	6,509,501.82		6,509,501.82
Materials processed on commission	5,394,430.47	5,290,502.32	103,928.15	5,341,566.56	5,290,502.32	51,064.24
Wrappage	5,497,605.83		5,497,605.83	6,497,436.43	649,825.76	5,847,610.67
Total	166,431,074.79	11,124,965.85	155,306,108.94	152,863,838.11	11,912,778.72	140,951,059.39

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

No

(2) Inventory falling price reserves

In RMB

Type	Opening balance	Current amount increased		Current amount decreased		Closing balance
		Accrual	Other	Switch back/ Written off	Other	
Raw materials	3,869,665.51	594,406.30		78,147.50		4,385,924.31
Goods in process	328,209.99	258,757.40		322,798.30		264,169.09
Finished goods	1,774,575.14	189,284.24		779,489.25		1,184,370.13
Work in process-outsourced	5,290,502.32					5,290,502.32
Turnover materials	649,825.76			649,825.76		
Total	11,912,778.72	1,042,447.94		1,830,260.81		11,124,965.85

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

Nil

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

In RMB

Item	Amount
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Other note:

Nil

7. Other current assets

In RMB

Item	Closing balance	Opening balance
VAT input tax ready for deduction	2,712,300.53	1,949,954.58
Financial products held to maturity within one year		9,350,000.00
Other	46,194.46	
Total	2,758,494.99	11,299,954.58

Other note

8. Financial assets available for sale

(1) Financial assets available for sale

In RMB

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

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

In RMB

Type	Instrument equity available for sale	Instrument debt available for sale	Total

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

In RMB

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

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

In RMB

Type	Instrument equity available for sale	Instrument debt available for sale		Total
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(5) Fair value of the available-for-sale equity instrument drops significantly or not contemporarily without depreciation reserves accrued

In RMB

Equity instruments project available for sale	Investment cost	Ending fair value	Decline range of fair value compare with the cost	Times continued to declined (Month)	Amount accrual for impairment	Reasons for un-accrual
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Other note

Nil

9. Long-term equity investment

In RMB

Investee unit	Opening book balance	-,+ in the Period								Closing book balance	Ending balance of impairment provision
		Additional investment	Capital reduction	Investment gains recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Impairment accrual	Other		
I. Joint venture											
II. Associated enterprise											
Shenzhen Shenbao (Xinmin) Foods Co., Ltd*1	2,870,000.00									2,870,000.00	2,870,000.00
Changzhou Shenbao Chacang E-commerce Co., Ltd *2											
Shenzhen Shenbao (Liaoyuan) Industrial Co., Ltd.*1	57,628.53									57,628.53	57,628.53

Shenzhen Shenbao Ma Nan Bio-techn ology Co., Ltd.	1,057,570 .23			-2,622.10					1,054,948 .13	
Shenzhen Shichumi ngmen Restauran t Managem ent Co., Ltd.										
Guangzho u Shenbao Mendao Tea Co., Ltd.	4,808,911 .40			-306,318. 47			-308,911. 40		4,193,681 .53	
Subtotal	8,794,110 .16			-308,940. 57			-308,911. 40		8,176,258 .19	2,927,628 .53
Total	8,794,110 .16			-308,940. 57			-308,911. 40		8,176,258 .19	2,927,628 .53

Other explanation

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

*2: the long term equity investment in Changzhou Shenbao Tea Storage E-commerce Company is measured at equity method. Due to that the company recorded serious losses, book balance for this long term equity investment is treated with nil.

10. Investment real estate

(1) Investment real estate measured at cost

Applicable Not applicable

In RMB

Item	House and building	Land use right	Construction in process	Total
I. Total original book value				
1. Opening balance	19,834,643.51			19,834,643.51
2. Current amount increased				
(1) Purchase				

(2) Stock\fixed assets \Transfer-in from construction in process				
(3) Increased by combination				
3. Current amount decreased				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	19,834,643.51			19,834,643.51
II. accumulated depreciation and accumulated amortization				
1. Opening balance	961,778.15			961,778.15
2. Current amount increased	471,590.33			471,590.33
(1) Accrual or amortization	471,590.33			471,590.33
3. Current amount decreased				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	1,433,368.48			1,433,368.48
III. impairment provision				
1. Opening balance				
2. Current amount increased				
(1) Accrual				
3. Current amount decreased				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance				
IV. Book value Total				
1. Ending book value	18,401,275.03			18,401,275.03
2. Opening book value	18,872,865.36			18,872,865.36

(2) Investment real estate measured by fair value

Applicable Not applicable

(3) Certificate of title un-completed

In RMB

Item	Book value	Reasons
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Other note

At the end of the period, there was no case that the recoverable amount of the investment real estate was lower than its book value, so no provision for asset impairment was made.

11. Fixed assets

(1) Fixed assets

In RMB

Item	House & buildings	Machinery equipment	Transportation facilities	Other equipment	Total
I. Total original book value					
1. Opening balance	256,205,988.92	233,505,726.87	7,402,854.55	15,961,444.60	513,076,014.94
2. Current amount increased	48,653.88	617,155.20	91,948.71	1,412,714.67	2,170,472.46
(1) Purchase	48,653.88	617,155.20	91,948.71	1,412,714.67	2,170,472.46
(2) Transfer-in from construction in process					
(3) Increased by combination					
3. Current amount decreased			378,430.00	288,496.68	666,926.68
(1) Disposal or scrap			378,430.00	288,496.68	666,926.68
4. Closing balance	256,254,642.80	234,122,882.07	7,116,373.26	17,085,662.59	514,579,560.72
II. accumulated depreciation					
1. Opening balance	29,168,595.82	133,139,998.42	4,372,504.62	7,736,906.67	174,418,005.53
2. Current amount increased	7,019,246.26	11,653,414.02	590,199.67	2,036,030.02	21,298,889.97
(1) Accrual	7,019,246.26	11,653,414.02	590,199.67	2,036,030.02	21,298,889.97
3. Current amount decreased			347,724.13	176,256.92	523,981.05
(1) Disposal or scrap			347,724.13	176,256.92	523,981.05
4. Closing balance	36,187,842.08	144,793,412.44	4,614,980.16	9,596,679.77	195,192,914.45
III. impairment provision					
1. Opening balance	1,355,290.18	4,288,951.37			5,644,241.55
2. Current amount increased					
(1) Accrual					
3. Current amount decreased					
(1) Disposal or scrap					
4. Closing balance	1,355,290.18	4,288,951.37			5,644,241.55
IV. Book value Total					
1. Ending book value	218,711,510.54	85,040,518.26	2,501,393.10	7,488,982.82	313,742,404.72

2. Opening book value	225,682,102.92	96,076,777.08	3,030,349.93	8,224,537.93	333,013,767.86
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(2) Temporarily idle fixed assets

In RMB

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Note
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(3) Fixed assets acquired by financing lease

In RMB

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value
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(4) Fixed assets acquired by operating lease

In RMB

Item	Ending book value
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(5) Certificate of title un-completed

In RMB

Item	Book value	Reasons
House and building	1,711,311.00	In progress

Other note

In consideration of the recoverable amount and book value of the production equipment and structures involved in the removal of Shenbao Huacheng, the Company made corresponding provision for impairment of fixed assets; in addition, the Company believed that the remaining fixed assets had no signs of impairment.

12. Construction in process

(1) Construction in process

In RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Shenbao Plaza project	3,842,333.64	3,842,333.64		3,842,333.64	3,842,333.64	
Other	1,038,108.65	903,189.74	134,918.91	957,764.08	903,189.74	54,574.34
Total	4,880,442.29	4,745,523.38	134,918.91	4,800,097.72	4,745,523.38	54,574.34

(2) Changes of major construction in process

In RMB

Projects	Budget	Opening balance	Current increased	Transfer-in fixed assets	Other decrease d in the Period	Closing balance	Proporti on of project investme nt in budget	Progress	Accumul ated capitaliz ation of interest	Includin g: amount of capitaliz ation of interest in Period	Interest capitaliz ation rate in Period	Capital resources

(3) The provision for impairment of construction projects

In RMB

Item	Provision amount	Reason

Other note

Nil

13. Productive biological assets

(1) Productive biological assets measured by cost

√ applicable □ not applicable

In RMB

Item	Plant	Livestock	Forestry	Fisheries	Total
			Tea tree		
I. Total original book value					
1. Opening balance			426,463.64		426,463.64
2. Current amount increased					
(1) Purchase					
(2)self-cultivate					
3. Current amount decreased					
(1) Disposal					
(2) Other					
4. Closing balance			426,463.64		426,463.64
II. accumulated depreciation			9,692.36		9,692.36
1. Opening balance					
2. Current amount increased			9,692.36		9,692.36
(1) Accrual			9,692.36		9,692.36

3. Current amount decreased					
(1) Disposal					
(2) Other					
4. Closing balance			19,384.72		19,384.72
III. impairment provision					
1. Opening balance					
2. Current amount increased					
(1) Accrual					
3. Current amount decreased					
(1) Disposal					
(2) Other					
4. Closing balance					
IV. Book value Total					
1. Ending book value			416,771.28		416,771.28
2. Opening book value			426,463.64		426,463.64

(2) Productive biological assets measured by fair value

Applicable Not applicable

14. Intangible assets

(1) Intangible assets

In RMB

Item	Land using right	Patent	Un-patent tech	Other	Total
I. Total original book value					
1. Opening balance	172,549,352.87	46,260,818.89	3,690,648.83	22,871,704.98	245,372,525.57
2. Current amount increased		3,900.00	1,469,089.04		1,472,989.04
Purchase		3,900.00	1,469,089.04		1,472,989.04
(2) internal R&D					
(3) Increased by combination					
3. Current amount decreased					
(1) Disposal					
4. Closing balance	172,549,352.87	46,264,718.89	5,159,737.87	22,871,704.98	246,845,514.61
II. accumulated depreciation					

1. Opening balance	25,205,877.83	20,292,151.69	1,000,768.43	3,195,374.04	49,694,171.99
2. Current amount increased	3,504,439.32	2,075,736.57	590,379.04	659,697.37	6,830,252.30
(1) Accrual	3,504,439.32	2,075,736.57	590,379.04	659,697.37	6,830,252.30
3. Current amount decreased					
(1) Disposal					
4. Closing balance	28,710,317.15	22,367,888.26	1,591,147.47	3,855,071.41	56,524,424.29
III. impairment provision					
1. Opening balance					
2. Current amount increased		1,869,502.01		1,130,341.88	2,999,843.89
(1) Accrual		1,869,502.01		1,130,341.88	2,999,843.89
3. Current amount decreased					
(1) Accrual					
4. Closing balance		1,869,502.01		1,130,341.88	2,999,843.89
IV. Book value Total					
1. Ending book value	143,839,035.72	22,027,328.62	2,438,248.52	19,016,633.57	187,321,246.43
2. Opening book value	147,343,475.04	25,968,667.20	2,689,880.40	19,676,330.94	195,678,353.58

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

(2) Land use rights without certificate of ownership

In RMB

Item	Book value	Reason of not complete the property certificate
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Other note:

- (1) No intangible asset was used for mortgage or guarantee at the end of the period.
- (2) The main reasons for impairment provision for intangible assets of the Company in the current year were: 1) Pu'er Tea Exchange received a notice of rectification from the Yunnan Provincial Clearing Office, and the Company rectified the trading system, which made the original trading system could not be used and the recoverable amount lower than its book value, the Company made corresponding provision for impairment of RMB 1,130,341.88; 2) As some proprietary technology of the Company has no use value and the product production of the Company has not been put into the Company's product production, which caused the recoverable amount of this proprietary technology was lower than its book value, the Company has made provision for impairment of RMB 1,869,502.01 for such proprietary technology.

Except for the above situations, the Company believed that there were no indications of impairment for the remaining intangible assets.

15. Goodwill

(1) Original book value of goodwill

In RMB

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

(2) Goodwill depreciation reserves

In RMB

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

Explain process of impairment test, index and determination:

Other note

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

16. Long-term deferred expense

In RMB

Item	Opening balance	Current increased	Current amortization	Other decreased	Closing balance
Decoration charge for office rented-in	6,976,452.89	2,358,114.50	3,703,908.47		5,630,658.92
Affiliated project of resident area in Jufangyong Wuyuan	699,319.22		309,363.22		389,956.00
Reform of tea park in Wuyuan	22,666.65		15,999.99		6,666.66
Reform project of warehouse	1,680,033.10	223,233.63	848,602.80		1,054,663.93
Lease of workshop and office building	225,350.00	765,369.60	257,240.40		733,479.20
Other	3,708,367.73	171,794.54	558,819.18		3,321,343.09

Total	13,312,189.59	3,518,512.27	5,693,934.06		11,136,767.80
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Other note

Nil

17. Deferred income tax assets and deferred income tax liability

(1) Deferred income tax assets without offset

In RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Impairment provision for assets	19,149,097.09	4,784,661.61	19,564,737.19	4,830,556.06
Unrealized profits in internal transactions	2,518,115.62	629,528.91		
Deferred income	441,538.48	110,384.62	570,769.24	142,692.31
Total	22,108,751.19	5,524,575.14	20,135,506.43	4,973,248.37

(2) Deferred income tax liability without offset

In RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liability	Taxable temporary differences	Deferred income tax liability
Asset evaluation increment of enterprise combine under different control	4,460,386.00	1,115,096.50	4,445,245.52	1,111,311.38
Change of fair value for the financial assets available for sale	518,602.11	129,650.53	2,169,872.52	542,468.13
Total	4,978,988.11	1,244,747.03	6,615,118.04	1,653,779.51

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

In RMB

Item	Trade-off between the deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after off-set	Trade-off between the deferred income tax assets and liabilities at period-begin	Opening balance of deferred income tax assets or liabilities after off-set
Deferred income tax assets		5,524,575.14		4,973,248.37
Deferred income tax liabilities		1,244,747.03		1,653,779.51

(4) Details of uncertain deferred income tax assets

In RMB

Item	Closing balance	Opening balance
Deductible temporary differences	74,575,918.49	70,745,263.45
Losses deductible	125,382,554.44	55,242,461.48
Total	199,958,472.93	125,987,724.93

(5) Deductible losses of un-recognized deferred income tax assets expired on the followed year

In RMB

Year	Ending amount	Opening amount	Note

Other note:

Nil

18. Other non-current assets

In RMB

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

Other explanation:

Nil

19. Short-term loans

(1) Short-term loans

In RMB

Type	Closing balance	Opening balance
Guarantee loan	10,000,000.00	5,000,000.00
Total	10,000,000.00	5,000,000.00

Note:

According to the "Liquidity Loan Contract" numbered 81010120170000072 signed by the Company with the Agricultural Bank of China Co., Ltd. Shenzhen Branch on January 11, 2017, the Shenzhen Branch of China Agricultural Bank Co., Ltd. provided a loan of RMB 1,000 million to the Company. In order to ensure that the loan contract can be repaid, Shenbao Huacheng, a subsidiary of the Company, provided joint and several liability guarantees.

(2) Overdue short-term loans without payment

RMB 0 short-term loans over due without paid at period-end, including follow major amount:

In RMB

Loan unit	Closing balance	Loan rate	Overdue time	Overdue interest
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Other note:

Nil

20. Account payables

(1) Account payables

In RMB

Item	Closing balance	Opening balance
Material payable	21,674,392.61	12,787,679.00
Trade accounts payable	1,494,694.23	2,840,985.32
Other	376,987.31	153,623.97
Total	23,546,074.15	15,782,288.29

(2) Major accounts payable with age over 1 year

In RMB

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

Other note:

Nil

21. Account received in advance

(1) Account received in advance

In RMB

Item	Closing balance	Opening balance
Within 1 year	1,949,897.16	1,582,442.08
1-2 years	132,674.36	20,824.77
2-3 years	7,378.31	1,175.11
Over 3 years	776,338.78	775,382.17
Total	2,866,288.61	2,379,824.13

22. Wages payable

(1) Wages payable

In RMB

Item	Opening balance	Current increased	Current decreased	Closing balance
I. Short-term compensation	16,013,302.23	73,611,205.97	75,491,957.89	14,132,550.31
II. After-service welfare-defined contribution plans	266,404.61	5,381,256.59	5,394,878.61	252,782.59
Total	16,279,706.84	78,992,462.56	80,886,836.50	14,385,332.90

(2) Short-term compensation

In RMB

Item	Opening balance	Current increased	Current decreased	Closing balance
1. Wage, bonus, allowance and subsidy	13,926,638.79	60,566,887.55	62,789,163.39	11,704,362.95
2. Employees' welfare		6,363,425.38	6,363,425.38	
3. Social insurance charges	37,917.96	2,122,656.19	2,141,384.45	19,189.70
Including: basic medical insurance premium	33,867.62	1,804,984.85	1,822,432.49	16,419.98
Industrial injury insurance premiums	747.55	156,104.49	156,049.57	802.47
Maternity insurance premiums	3,302.79	161,566.85	162,902.39	1,967.25
4. Housing public reserve		3,200,616.87	3,200,616.87	
5. Trade union fee and education fee	2,048,745.48	1,357,619.98	997,367.80	2,408,997.66
Total	16,013,302.23	73,611,205.97	75,491,957.89	14,132,550.31

(3) Defined contribution plans

In RMB

Item	Opening balance	Current increased	Current decreased	Closing balance
1. Basic endowment insurance premiums	262,640.68	5,250,054.98	5,261,708.51	250,987.15
2. Unemployment insurance premiums	3,763.93	131,201.61	133,170.10	1,795.44
Total	266,404.61	5,381,256.59	5,394,878.61	252,782.59

Other note:

Nil

23. Tax payable

In RMB

Item	Closing balance	Opening balance
VAT	1,504,443.80	875,568.98
Enterprise income tax	3,486,792.17	24,416,713.98
Personal income tax	466,035.81	549,066.33
Urban maintenance and construction tax	65,591.62	36,241.36
House property tax	332,637.65	148,805.39
Surtax for education expenses	54,877.18	26,677.72
Use tax of land	615,768.07	125,174.33
Other tax fee	79,040.14	166,890.44
Total	6,605,186.44	26,345,138.53

Other note:

Balance of tax payable decreased 19,739,952.09 Yuan over that of period-beginning with 74.93 % down, mainly because the payable enterprise income tax declined

24. Dividend payable

In RMB

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

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

Nil

25. Other account payables

(1) Listed by age

In RMB

Item	Closing balance	Opening balance
Deposit and margin	618,257.53	2,090,774.94
Engineering quality retention money and fund of tail	1,121,662.69	17,097.62
Intercourse funds and other	19,592,619.66	38,588,210.38
Fund lending	11,480,398.73	5,423,607.31
Total	32,812,938.61	46,119,690.25

(2) Significant other payable with over one year age

In RMB

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

Other note

Nil

26. Deferred income

In RMB

Item	Opening balance	Increase during the year	Decreased during the year	Closing balance	Causes
Government grants	12,335,552.15	2,300,000.00	1,772,412.34	12,863,139.81	
Total	12,335,552.15	2,300,000.00	1,772,412.34	12,863,139.81	--

Items involving governance grants:

In RMB

Liability	Opening balance	Grants increased in the Period	Amount reckoned into non-operating revenue	Amount reckoned into other revenue	Amount with costs reduction in the period	Other changes	Ending balance	Assets-related/income-related
(1) Subsidy for tea seeding of New Tea Garden in Wangkou	48,348.52			1,109.28			47,239.24	Assets-related
(2) Construction amount for 50 tons for clearly processing for Mingyou tea	750,000.00			125,000.00			625,000.00	Assets-related
(3) Industrialization project of instant tea powder	2,477,028.41			196,445.87			2,280,582.54	Assets-related
(4) Special fund project of strategic emerging industry development	20,123.05			20,123.05				Assets-related
(5) Base of	1,650,000.00			275,000.00			1,375,000.00	Assets-related

further processing for tea and nature plants								d
(6) Enterprise technology center is a municipal R&D center. Subsidies for industrial technological advancement	2,395,350.11			204,024.47			2,191,325.64	Assets-related
(7) Subsidies for key technology research and industrialization of instant tea powder	181,501.23			14,245.01			167,256.22	Assets-related
(8) Subsidy of Guangdong-Agricultural public relation project	1,120.58			1,120.58				Assets-related
(9) Special funds for Shenzhen strategic emerging industrial development (deep processing of natural plant project) (Shen Fa Gai No. 20131601)	4,241,311.01			351,209.03			3,890,101.98	Assets-related
(10) Project grants for years for agricultural district, Xihu Zone	570,769.24			129,230.76			441,538.48	Assets-related

(11) Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors		250,000.00					250,000.00	Assets-related
(11) Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors		550,000.00		25,200.00			524,800.00	Income-related
(12) Finance Discount		1,500,000.00			429,704.29		1,070,295.71	Income-related
Total	12,335,552.15	2,300,000.00		1,342,708.05	429,704.29		12,863,139.81	--

Other note:

The amount in the current profit and loss of the current period included other income of RMB 1,342,708.05, offsetting the financial charge – interest expense of RMB 429,704.29.

(1) Shenbao Technology Center, a subsidiary of the Company, received a subsidy of RMB 800,000 for key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors, of which, the amount of government grants related to assets was RMB 250,000, and the amount of government grants related to income was RMB 550,000. As of December 31, 2017, the remaining amortization amount of the project was 774,800.00 Yuan.

(2) Pu'er Tea Exchange, a subsidiary of the Company, received a loan subsidy for financial discount of 1.5 million Yuan which was used for the subsidy of one-year loan interest, up to December 31, 2017, the remaining amortization amount of the fund was RMB 1,070,295.71.

27. Share capital

In RMB

	Opening balance	Increased (decreased) in this year +,-					Closing balance
		New shares issued	Bonus shares	Shares converted from public reserve	Other	Sub-total	
Total shares	451,620,276.00		45,162,027.00			45,162,027.00	496,782,303.00

Other note:

The increase in this period was based on the 2016 annual equity allocation plan reviewed and approved at the shareholders' meeting on May 15, 2017, took the general capital of 451,620,276 shares up to the December 31, 2016 as the cardinal number, and distributed cash dividend of 0.50 Yuan (tax included) and bonus stock of 1 share per 10 shares to all shareholders. After the transfer, the capital stock increased to 496,782,303 shares.

28. Capital reserves

In RMB

Item	Opening balance	Current increased	Current decreased	Closing balance
Capital premium (Share capital premium)	366,706,783.36		8,526,370.90	358,180,412.46
Other capital reserve	465,234.43	353,709.39		818,943.82
Total	367,172,017.79	353,709.39	8,526,370.90	358,999,356.28

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

The increase in capital reserve during the period was mainly as said in Note XII (v) 4, Shenzhen Nongdimei Investment Management Co., Ltd. exempted all interests and penalties of 5,250,000.00 Yuan under the creditor's rights of Shenshenbao Tea Culture, involving an exemption amount of 353,709.39 Yuan.

The decrease in capital reserve during the period was mainly as said in Note VIII (ii),

Shenshenbao Investment, a wholly-owned subsidiary of the Company, purchased 35% equity of Shenshenbao Tea Culture, a sub-subsidiary of the Company, held by Shenzhen Nongdimei Investment Management Co., Ltd. in July 2017. After the completion of the transaction, the Company holds 100% equity of Shenshenbao Tea Culture. The purchase cost difference between the purchase cost and the net identifiable assets that calculated by the newly acquired equity ratio and confirmed to enjoy the continuous calculation of the subsidiary since the trading day made changes and reductions to capital surplus - share premium of RMB 8,526,370.90.

29. Surplus reserves

In RMB

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

Other explanation, including changes and reasons for changes:

Nil

30. Retained profit

In RMB

Item	This period	Last period
Retained profit at the end of the previous year before adjustment	158,239,612.94	66,684,572.93
Total retained profit at the beginning of the previous year before adjustment	158,239,612.94	66,684,572.93
Add: net profit attributable to shareholder of parent company	-54,094,136.23	96,620,658.92
Less: Exact Statutory surplus reserves		5,065,618.91
Dividend for common shares payable	22,581,013.80	
Dividend of common shares transferred	45,162,027.00	
Retained profit at the begin of the year after adjustment	36,402,435.91	158,239,612.94

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

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

31. Operating income and Operating cost

In RMB

Items	Current Period		Last Period	
	Income	Cost	Income	Cost
Main operating	309,938,912.94	241,493,465.56	272,006,653.37	204,219,662.05
Other operating	5,823,795.41	4,403,705.50	1,376,989.62	428,959.36
Total	315,762,708.35	245,897,171.06	273,383,642.99	204,648,621.41

32. Tax and surcharges

In RMB

Item	Current Period	Last Period
City maintenance and construction tax	1,154,088.32	829,809.31
Educational fee and extra	950,299.68	710,040.82
Property tax	1,878,194.17	1,151,822.10
Land use tax	1,304,584.36	947,059.82

Stamp tax	215,496.75	328,871.37
Business tax		202,687.52
Land VAT		-3,032,266.26
Total	5,502,663.28	1,138,024.68

Other note:

Nil

33. Sales expenses

In RMB

Item	Current Period	Last Period
Employee compensation and employee costs	17,251,663.99	17,099,490.56
Rental and utilities	10,339,593.09	6,931,097.53
Depreciation and amortization expenses	4,354,736.43	4,603,006.75
Goods transport miscellaneous expenses	6,690,253.93	7,101,137.97
Sales discounts, promotion fee and advertising expenses	448,776.63	3,307,664.72
Daily office expenses	2,692,881.33	3,300,290.98
Others	2,283,122.50	1,995,700.81
Total	44,061,027.90	44,338,389.32

Other note:

Nil

34. Management expenses

In RMB

Item	Current Period	Last Period
Employee compensation and employee costs	41,674,666.84	41,380,568.58
Rental and utilities	2,295,965.86	1,598,542.00
Depreciation and amortization expenses	15,351,388.04	16,635,053.33
Intermediary and disclosure expenses	4,267,573.16	8,090,745.89
Tax and fee		883,847.68
Daily office expenses	8,570,788.74	10,674,641.10
Planning and design fee		3,418,551.89
Others	3,968,300.36	3,438,739.00
Total	76,128,683.00	86,120,689.47

Other note:

Nil

35. Financial expenses

In RMB

Category	Current Period	Last Period
Interest expense	644,633.75	1,036,025.00
Less: interest income	3,118,313.19	1,913,379.90
Exchange loss	836,679.69	-570,381.60
Others	327,473.42	265,500.45
Total	-1,692,626.33	-1,182,236.05

Other note:

Nil

36. Asset impairment loss

In RMB

Item	Current Period	Last Period
I. Bad debt losses	1,203,101.35	1,465,766.13
II. Inventory falling price loss	1,042,447.94	1,837,529.44
VII. Impairment loss of fixed assets		2,997,128.86
XII. Impairment loss of intangible assets	2,999,843.89	
XIII. Impairment loss of goodwill	673,940.32	
Total	5,919,333.50	6,300,424.43

Other note:

Nil

37. Gains /losses from change of fair value

In RMB

Source of gains from change of fair value	Current Period	Last Period
Financial assets measured by fair value and with its variation reckoned into current gains/losses	-1,651,270.40	-335,414.30
Total	-1,651,270.40	-335,414.30

Other note:

Nil

38. Investment gains

In RMB

Item	Current Period	Last Period
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Long-term equity investment gains recognized under equity method	-308,940.57	-2,465,646.48
Investment income from disposal of long-term equity investment		164,137,208.00
Earnings from financing products	2,706,034.95	821,891.58
Total	2,397,094.38	162,493,453.10

Other note:

Nil

39. Asset disposal income

In RMB

Source of asset disposal income	Current Period	Last Period
Profit or loss for the disposal of fixed assets	-50,200.13	7,470,328.76

40. Other income

In RMB

Source of other income	Current Period	Last Period
Amortization of deferred income	1,342,708.05	
Supporting fund of energy-saving & emission reduction for voluntary clean production project	150,000.00	
Industrial Development Grants of Xihu Longjing” -2017 city-level from Xihu District	110,000.00	
Grants of processing enterprise (district-level) for Xihu Longjing Tea for year of 2016	40,000.00	
Steady post subsidy	128,546.81	
Special fund of the development for independent innovation industry in Nanshan District for year of 2017	200,000.00	
Grants of “Quality agriculture creation project”- City –level for year of 2016 in Xihu District (XN (2017) No.50)	70,000.00	
Award for Three products & One standards	30,000.00	
Provincial enterprise technology center certification award for year of 2016 from Commission of Industry & Information of	100,000.00	

Wuyuan County		
Supporting fund for intellectual property rights from Market & Quality Supervision & Management Committee		6,000.00
Total of government subsidies		2,177,254.86

41. Non-operating income

In RMB

Item	Current Period	Last Period	Amount included in the current non-recurring profit and loss
Government grants		4,000,648.87	
Other	524,245.69	639,571.97	524,245.69
Liquidation		3,733,754.39	
Performance compensation		4,602,150.81	
Total	524,245.69	12,976,126.04	524,245.69

Government subsidy reckoned into current gains/losses:

In RMB

Item	Issuing subject	Issuing cause	Property type	Whether the impact of subsidies on the current profit and loss	Whether special subsidies	Amount of this period	Amount of last period	Assets related/Income related
Deferred income transfer-in							1,295,155.18	Assets related
Gan po 555 excellence projects funded (second year)	Wuyuan County Committee Organization Department of the Communist Party of China	Award	Subsidy for national commitment to safeguard certain public utilities or socially necessary product supply	No	No		500,000.00	Income related
Market Supervision Bureau - Patent funded subsidies	Shenzhen Market Supervisory Authority	Subsidy	Subsidy for industries the country encourage and support	No	No		22,000.00	Income related

			(according to national policy)					
First batch of patent grants for year of 2016 from Economy, Trade and Information Commission of Shenzhen municipality	Shenzhen Market Supervisory Authority	Subsidy	Subsidy for industries the country encourage and support (according to national policy)	No	No		1,250,000.00	Income related
Financial assistance for development of service industry (E-Business)	Shenzhen Economic and Trade and Information Technology Commission	Subsidy	Subsidy for industries the country encourage and support (according to national policy)	No	No		470,000.00	Income related
Provincial enterprise technology center award fund from Shangrao for year of 2014	Organization department of CPC Wuyuan Committee	Subsidy	Subsidy for national commitment to safeguard certain public utilities or socially necessary product supply	No	No		100,000.00	Income related
Provincial industrial enterprise technological innovation bonus from Wuyuan Industry and Information Commission for year of 2015	Wuyuan County Finance Bureau of Jiangxi Province	Award	Subsidy for research and development, technological upgrading and transformation	No	No		100,000.00	Income related

Loan discount of agriculture industrialization for key leading enterprises	Shenzhen Municipal Finance Committee	Subsidy	Subsidy for national commitment to safeguard certain public utilities or socially necessary product supply	No	No		79,500.00	Income related
Tax incentive for tea industry of 2015	Finance Bureau of Wuyi Mount	Award	Subsidy for national commitment to safeguard certain public utilities or socially necessary product supply	No	No		63,000.00	Income related
Enterprise financial aid for "scale-up" of 2015 from Huangzhou Hi-Tech District (Bingjiang)	Finance Office of Bingjiang District	Subsidy	Subsidy for national commitment to safeguard certain public utilities or socially necessary product supply	No	No		50,000.00	Income related
Stabilization subsidy for year of 2015 from Social Security Bureau	Shenzhen Social Security Bureau	Subsidy	Subsidy for national commitment to safeguard certain public utilities or socially necessary product supply	No	No		45,565.19	Income related
Project subsidy for motor	Finance Bureau of Huicheng	Subsidy	Subsidy for national commitment	No	No		14,535.00	Income related

transformation	District		to safeguard certain public utilities or socially necessary product supply					
Steady post subsidy	Shenzhen Science and Technology Innovation Committee	Subsidy	Subsidy for national commitment to safeguard certain public utilities or socially necessary product supply	No	No		10,893.50	Income related
Total	--	--	--	--	--		4,000,648.87	--

Other note:

Nil

42. Non-operating expenditure

In RMB

Item	Current Period	Last Period	Amount reckoned into current non-recurring gains/losses
External donations	270,920.27		270,920.27
Reimbursement	4,182,763.54	355,810.32	4,182,763.54
Losses on disposal of assets	28,856.30		28,856.30
Other	139,444.95	62,334.81	139,444.95
Total	4,621,985.06	418,145.13	

Other note:

In this year's non-operating expenses, the compensation was mainly because Pu'er Tea Exchange, a subsidiary of the Company, received the document about the "Notice on Further Improving the Work of Normative Rectification", requiring all previously listed products of Pu'er Tea Exchange to stop trading and delisting from the market. In order to properly handle the delisting of listed products, Pu'er Tea Exchange compensated the listed dealers for offline products, and the compensation amounted to RMB 4,182,763.54.

43. Income tax expense

(1) Statement of income tax expenses

In RMB

Item	Current Period	Last Period
Current income tax expenses	934,882.72	24,840,894.00
Deferred income tax expenses	-960,359.25	-780,341.88
Total	-25,476.53	24,060,552.12

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

In RMB

Item	Current Period
Total profit	-61,278,404.72
Income tax expenses calculated by statutory tax rate	-15,322,323.10
Impact from different tax rate apply with the subsidiary	-55,036.17
Impact from previous income tax adjusted	-383,716.68
Cost, expenses and loss which are not deductible	1,196,288.11
Losses deductible of the deferred income tax assets unrecognized before period of use	18,860.65
Impact on deductible temporary differences or losses deductible which was un-recognized as deferred income tax assets	14,859,478.99
impact on R&D expenses deduction	-278,400.06
Impact on previous deferred income tax assets for tax rate changes	-60,628.27
Income tax expense	-25,476.53

Other note

Nil

44. Annotation of cash flow statement

(1) Cash received with other operating activities concerned

In RMB

Item	This Period	Last Period
Interest income	2,774,581.68	1,913,379.90
Government grants	1,384,546.81	2,705,493.69
Intercourse funds and other	13,581,376.25	53,650,148.22

Total	17,740,504.74	58,269,021.81
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Note of cash received with other operating activities concerned:

Nil

(2) Cash paid with other operating activities concerned

In RMB

Item	This Period	Last Period
Expenses	42,914,170.94	48,845,499.27
Intercourse funds and other	26,631,445.96	2,533,116.35
Total	69,545,616.90	51,378,615.62

Note of cash paid with other operating activities concerned:

Nil

(3) Cash received with other investment activities concerned

In RMB

Item	This Period	Last Period
Beijing Yudingsheng Company Investment compensation		204,000.00
Government subsidies related assets	250,000.00	700,000.00
Pu'er Tea Trading Center transfer in monetary money		1,154,212.72
Total	250,000.00	2,058,212.72

Note of cash received with other investment activities concerned

Nil

(4) Cash paid related with investment activities

In RMB

Item	This Period	Last Period
Expense of purchase subsidiary		2,860,010.31
Total		2,860,010.31

Note of cash paid related with investment activities

Nil

(5) Cash received with other financing activities concerned

In RMB

Item	This Period	Last Period
Sales of odd lots from increase by transferring		79.19
Guarantee bond		500,000.00
Fund borrowing from related party		1,750,000.00
Loans	10,000,000.00	
Government discount received	1,883,100.00	
Total	11,883,100.00	2,250,079.19

Note of cash received with other financing activities concerned

Nil

(6) Cash paid related with financing activities

In RMB

Item	This Period	Last Period
Fund borrowing from related party	3,800,000.00	
Relevant expenses for bonus paid	97,916.29	
Total	3,897,916.29	

Note of cash paid related with financing activities:

Nil

45. Supplementary information to statement of cash flow

(1) Supplementary information to statement of cash flow

In RMB

Item	This Period	Last Period
1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	-61,252,928.19	90,145,526.08
Add: Impairment provision for assets	5,919,333.50	6,300,424.43
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	21,780,172.66	25,456,839.31
Amortization of intangible assets	6,830,252.30	7,358,093.06
Amortization of long-term deferred expenses	5,436,693.66	6,533,221.16
Loss from disposal of fixed assets, intangible assets and other long-term assets (income is listed with "-")	50,200.13	-7,470,328.76
Losses on scrapping of fixed assets (income	28,856.30	

is listed with “-”)		
Loss from change of fair value (income is listed with “-”)	1,651,270.40	335,414.30
Financial expenses (income is listed with “-”)	530,109.07	1,036,025.00
Investment loss (income is listed with “-”)	-2,397,094.38	-162,493,453.10
Decrease of deferred income tax assets (increase is listed with “-”)	-551,326.77	-794,978.17
Increase of deferred income tax liability (decrease is listed with “-”)	-409,032.48	14,636.29
Decrease of inventory (increase is listed with “-”)	-15,397,497.49	33,033,784.70
Decrease of operating receivable accounts (increase is listed with “-”)	-23,093,397.51	30,160,122.23
Increase of operating payable accounts (decrease is listed with “-”)	-34,040,205.35	32,125,241.59
Net cash flow arising from operating activities	-94,914,594.15	61,740,568.12
2. Material investment and financing not involved in cash flow:	--	--
3. Net change of cash and cash equivalents	--	--
Balance of cash at period end	255,961,650.41	358,564,242.83
Less: Balance of cash at year-begin	358,564,242.83	147,513,887.15
Net increasing of cash and cash equivalents	-102,602,592.42	211,050,355.68

(2) Constitution of cash and cash equivalent

In RMB

Item	Closing balance	Opening balance
I. Cash	255,961,650.41	358,564,242.83
Including: Cash on hand	194,650.44	207,519.80
Bank deposit available for payment at any time	255,448,120.29	358,356,723.03
Other monetary funds available for payment at any time	318,879.68	
III. Balance of cash and cash equivalent at year-end	255,961,650.41	358,564,242.83

Other note:

Nil

46. Foreign currency monetary items**(1) Foreign currency monetary items**

In RMB

Item	Ending foreign currency balance	Exchange rate convert	Ending balance of RMB converted
Including: USD	611,232.54	6.5342	3,993,915.66
HKD	200,437.98	0.8359	167,548.11
Including: USD	237,849.80	6.5342	1,580,119.06
HKD	119,690.35	0.8359	100,050.36

Other note:

Nil

(2) Explanation on foreign operational entity, including as for the major foreign operational entity, disclosed main operation place, book-keeping currency and basis for selection; if the book-keeping currency changed, explain reasons Applicable Not applicable**VIII. Changes of consolidation range****1. Changes of combination scope**

Consolidation scope changes caused by other reasons (eg, newly establish subsidiaries, liquidate subsidiaries, etc.) and the related circumstances:

During the report period, there were two newly established subsidiaries, among which

(1) Shenbao Teabank is invested and established by Hangzhou Ju Fang Yong, a subsidiary of the Company, with the registered capital of RMB 1 million. Business items include the production of tea, tea products, tea and natural plant extracts, canned food, beverages, and native produces (production sites and business licenses are applied separately); technology development and technical services for tea, plant products, soft drinks, and food; information technology development and supporting services; online trade; investment, operating management, and development of tea gardens; investment in the establishment of industries (subject to separate declarations); domestic trade (excluding franchise, special control, and monopoly products); engage in import and export businesses; engage in real estate development and management on the land with legal use rights; rental and sales and property management of self-owned property. (Except for the projects prohibited by the laws, administrative regulations, and decisions of the State Council, the restricted projects must be licensed before operation); the wholesale (non-physical) of prepackaged foods (excluding reheated prepackaged foods).

(2) Fuhaitang Catering is invested and established by Hangzhou Ju Fang Yong, the Company's subsidiary, with the registered capital of RMB 1 million. Business items: Services: food and beverage management, business management consulting, business information consulting, marketing planning; Sales: prepackaged food and bulk food, primary edible agricultural products (except food, medicine), general merchandise, kitchen equipment, hotel equipment, office supplies; including the business scope of the subsidiary branches (projects subject to approval according to law may only be carried out after the approval of relevant departments).

IX. Equity in other entity

1. Equity in subsidiary

(1) Constitute of enterprise group

Subsidiary	Main operation place	Registered place	Business nature	Share-holding ratio		Acquired way
				Directly	Indirectly	
Shenbao Huacheng	Shenzhen	Shenzhen	Manufacturing	100.00%		Establishment
Wuyuan Ju Fang Yong	Shangrao	Shangrao	Manufacturing	100.00%		Establishment
Shenbao Sanjing	Huizhou	Shenzhen	Manufacturing	100.00%		Establishment
Huizhou Shenbao Science & Technology	Huizhou	Huizhou	Comprehensive	100.00%		Establishment
Shenbao Properties	Shenzhen	Shenzhen	Property management	100.00%		Establishment
Shenbao Industrial & Trading	Huizhou	Shenzhen	Trade and Commerce wholesale	100.00%		Establishment
Hangzhou Ju Fang Yong	Hangzhou	Hangzhou	Comprehensive	100.00%		Establishment
Shenbao Technology Center	Shenzhen	Shenzhen	Technology development, consulting and transfer	100.00%		Establishment
Fuhaitang Ecological	Hangzhou	Hangzhou	Planting, production and sales of tea		100.00%	Purchased
Chunshi Network	Hangzhou	Hangzhou	Trade and Commerce wholesale		100.00%	Establishment
Shenshenbao Investment	Shenzhen	Shenzhen	Investment management	100.00%		Establishment
Shenshenbao Tea Culture	Shenzhen	Shenzhen	Trade and Commerce		100.00%	Establishment
Jufangyong Trading	Hangzhou	Hangzhou	Trade and Commerce wholesale		60.00%	Establishment
Yunnan Supply	Pu'er	Pu'er	Trade and	100.00%		Establishment

Chain			Commerce wholesale			
Huizhou Shenbao Food	Shenzhen	Shenzhen	Trade and Commerce wholesale	100.00%		Establishment
Shenbao Rock Tea	Wuyishan City	Wuyishan City	Manufacturing	100.00%		Establishment
Pu'er Tea Trading Center	Pu'er	Pu'er	Service	55.00%		Establishment
Shenbao Tea-Shop	Shenzhen	Shenzhen	Trade and Commerce		100.00%	Establishment
Fuhaitang Catering	Hangzhou	Hangzhou	Catering		100.00%	Establishment

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

Nil

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

Nil

Major structured entity included in consolidate statement:

Nil

Basis of termination of agent or consigner:

Nil

Other note:

(2) Important non-wholly-owned subsidiary

In RMB

Subsidiary	Share-holding ratio of minority	Gains/losses attributable to minority in the Period	Dividend distribute for minority in the Period	Accumulated equity of minority at period-end
Pu'er Tea Trading Center	45.00%	-4,593,295.06		16,539,614.50

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

Nil

Other note:

Nil

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

In RMB

Subsidiary	Closing balance						Opening balance					
	Current	Non-curr	Total	Current	Non-curr	Total	Current	Non-curr	Total	Current	Non-curr	Total

	assets	ent assets	assets	liability	ent liability	liability	assets	ent assets	assets	liability	ent liability	liability
Pu'er Tea Trading Center	36,821,307.26	12,028,890.18	48,850,197.44	11,025,202.83	1,070,295.71	12,095,498.54	35,223,379.95	12,263,329.01	47,486,708.96	524,687.71	0.00	524,687.71

In RMB

Subsidiary	Current Period				Last Period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Pu'er Tea Trading Center	624,442.03	-10,207,322.35	-10,207,322.35	-41,034,391.81	5,592,478.01	208,228.33	208,228.33	1,836,795.24

Other note:

Nil

(4) Significant restrictions on the use of enterprise group assets and pay off debts of the enterprise group

Nil

(5) Financial or other supporting offers to the structured entity included in consolidated financial statement range

Nil

Other note:

Nil

2. Transaction that has owners equity shares changed in subsidiary but still with controlling rights

(1) Explanation on equity ratio changed in subsidiary

Subsidiary of the Company-Shenshenbao Investment purchased 35% equity of the minority shareholder Shenzhen Nongdimei Investment Management Co., Ltd. of the sub-subsidiary Shenshenbao Tea Culture in the Period, ratio of the equity turns to 100% from 65%

(2) Impact on minority's equity and owner's equity attributable to parent company

In RMB

Purchase cost / disposal consideration	3,745,000.00
--	--------------

--Cash	3,745,000.00
Less: net assets of subsidiary measured by equity shares obtained by disposed	-4,781,370.90
Differences	8,526,370.90
Including: capital public reserve adjusted	8,526,370.90

Other note:

Nil

3. Equity in joint venture and cooperative enterprise

(1) Important joint venture and cooperative enterprise

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

Holding shares ratio different from the voting right ratio:

Nil

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

Nil

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

In RMB

	Closing balance /Amount of this period	Opening balance /Amount of last period
Joint venture:	--	--
Total numbers measured by share-holding ratio	--	--
Cooperative enterprise:	--	--
Total book value of investments	5,248,629.66	5,866,481.63
Total numbers measured by share-holding ratio	--	--
-- Net profit	-1,120,512.73	-1,966,495.47
-- Total comprehensive income	-1,120,512.73	-1,966,495.47

Other note

Nil

(3) Excess losses from joint venture or cooperative enterprise

In RMB

Name	Cumulative un-confirmed losses	Un-confirmed losses not recognized in the Period (or net profit enjoyed in the Period)	Cumulative un-confirmed losses at period-end
Changzhou Shenbao Chacang E-commerce Co., Ltd	7,710,869.12	405,039.78	8,115,908.90
Shenzhen Shichumingmen Restaurant Management Co., Ltd.	2,533,011.85	406,532.38	2,939,544.23

Other note

Nil

X. Disclosure of risks relating to financial instruments

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

1. Credit risk

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

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

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

Up to 31st December 2017, the top five client's account receivable takes 40.08% in total account receivable of the Company (2016: 35.08%)

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

2. Liquidity risk

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

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

3. Market risk

(1) Exchange risk

The major operation of the Company is located in the PRC, and its major operation is settled in Renminbi. However, there is also exchange risk in respect of the recognized foreign currency assets and liabilities and future foreign currency transactions which are mainly denominated in US dollar. Our finance department is responsible for monitoring scale of foreign currency assets and liabilities and foreign currency transactions, to minimize its exposure to exchange risks. In 2017 and 2016, the Company did not sign any forward exchange contract or monetary exchange contract.

(2) Interest risk

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

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

(3) Price risk

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

XI. Disclosure of fair value

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

In RMB

Items	Ending fair value			
	First-order	Second-order	Third-order	Total
I. Sustaining measured by fair value	--	--	--	--
(I) Financial assets measured by fair value and with variation reckoned into current gains/losses	1,599,668.20			1,599,668.20
Total assets sustaining measured by fair value	1,599,668.20			1,599,668.20
II. Non-persistent measure	--	--	--	--

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

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

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

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

Input value of level 2 includes: 1) quoted price for similar assets or liabilities in active markets; 2) quoted price for the same or

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

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

XII. Related party and related transactions

1. Parent company

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

Explanation on parent company of the enterprise

Nil

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

Other note:

Nil

2. Subsidiary

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

3. Cooperative enterprise and joint venture

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

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

Name	Relationship
Shenzhen Shichumingmen Restaurant Management Co., Ltd.	Cooperative enterprise
Changzhou Shenbao Chacang E-commerce Co., Ltd	Cooperative enterprise
Shenzhen Shenbao Manan Biotechnology Co., Ltd	Cooperative enterprise
Guangzhou Shenbao Mendao Tea Co., Ltd.	Cooperative enterprise

Other note:

Nil

4. Other related party

Other related party	Relationship with the Enterprise
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Shenzhen Investment Management Company	Former first largest shareholder of the Company
Shenzhen Investment Holding Co., Ltd	Second largest shareholder of the Company
Fujian Wuyishan Yuxing Tea Co., Ltd.*1	Minority shareholder of the former Holding subsidiary
Shenzhen Nongmei Investment Management Co., Ltd.*2	Minority shareholder of the former Holding subsidiary
Guangzhou Shenbao Mendao Tea Co., Ltd.	Parent company of the affiliated enterprise of the Company
Shenzhen Fruit and Vegetable Trade Co., Ltd.	Wholly-owned subsidiary of the parent company of the company
Shenzhen Haijixing International Agricultural Products Logistics Management Co., Ltd.	Holding subsidiary of the parent company of the company

Other note

*1: Fujian Wuyishan Yuxing Tea Co., Ltd. was a minority shareholder of Fujian Wuyishan Shenbao Yuxing Tea Co., Ltd., a former controlling subsidiary of Hangzhou Ju Fang Yong which is a subsidiary of the Company, and the controlling subsidiary was separated in 2016.

*2: Shenzhen Nongdimei Investment Management Co., Ltd. was a minority shareholder of Shenshenbao Tea Culture, a former controlling subsidiary of Shenshenbao Investment which is a subsidiary of the Company, Shenzhen Nongdimei Investment Management Co., Ltd. transferred its 35.00% stake held in Shenshenbao Tea Culture at a price of RMB 3,745,000 to Shenshenbao Investment on July 27, 2017. The changes for industrial and commercial information of Shenshenbao Tea Culture have been completed on August 7, 2017.

5. Related transaction

(1) Goods purchased and labor service received

Goods purchasing, labor service providing and receiving

In RMB

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

Goods sold/labor service providing

In RMB

Related party	Content	Current Period	Last Period
Shenzhen Agricultural Products Co., Ltd.	Sales of tea	48,028.38	0.00
Shenzhen Shichumingmen Restaurant Management Co., Ltd.	Activity service	39,105.00	842,650.00
Shenzhen Shichumingmen Restaurant Management Co.,	Sales of tea products	11,222.23	30,304.24

Ltd.			
Shenzhen Fruit and Vegetable Trade Co., Ltd.	Sales of tea	2,794.87	0.00
Shenzhen Haijixing International Agricultural Products Logistics Management Co., Ltd.	Sales of tea	13,974.36	0.00

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

Nil

(2) Related lease

As a lessor for the Company:

In RMB

Lessee	Assets type	Lease income in recognized in the Period	Lease income in recognized last the Period
Shenzhen Shichumingmen Restaurant Management Co., Ltd.	Operating site	819,000.00	832,650.00

As lessee:

In RMB

Lesser	Assets type	Lease income in recognized in the Period	Lease income in recognized last the Period
Shenzhen Investment Holding Co., Ltd	Operating site	1,880,242.71	1,563,871.93

Explanation on related lease

The Company's sub-subsidiary, Shenzhen Shenshenbao Tea Culture Management Co., Ltd., Nanshan Software Industry Base Subbranch, subleased the shop at Room 02, 2nd Floor, Block A, Building 5, Software Industry Base, Keyuan Road, Nanshan District, Shenzhen City, renting from Shenzhen Investment Holdings Co., Ltd., to Shenzhen Shi Chu Ming Men Restaurant Management Co., Ltd., the Company's associated Company, and the rental income for the year was 819,000.00, and the pricing of the related transaction was based on the market price.

Shenzhen Investment Holdings Co., Ltd. leased some of its shops located at the 1st and 2nd Floors of Block A, Building 5, Software Industry Base, Keyuan Road, Nanshan District, Shenzhen to the Company's sub-subsidiary Shenzhen Shenshenbao Tea Culture Management Co., Ltd., Nanshan Software Industry Base Subbranch, the annual rental fee for 2017 was 1,880,242.71 Yuan. The pricing of related transactions was based on market prices.

(3) Related guarantee

As guarantor

In RMB

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

As secured party

In RMB

Guarantor	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
Shenbao Huacheng	100,000,000.00	2016-01-19		No

Related guarantee note

The company as a guarantor

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

The Company acted as the secured party

According to the “Liquidity Loan Contract” numbered 81010120170000072 signed by the Company with the Agricultural Bank of China, Shenzhen Branch on January 11, 2017, the Agricultural Bank of China, Shenzhen Branch provided a loan of RMB 10 million to the Company. In order to ensure that the loan contract can be repaid, Shenbao Huacheng, a subsidiary of the Company, provided a maximum guarantee with guarantee amount of RMB 100,000,000.00, the guarantee period was from January 19, 2016 to the end of the two-year period from the expiration date for debt performance stipulated by the master contract.

(4) Related party’s borrowed funds

In RMB

Related party	Loan amount	Start date	Expiry date	Note
Borrowing				
Shenzhen Nongmeidi Investment Management Co., LTD	5,250,000.00	2017-01-01	2017-07-31	Prime interest rate of the central bank’s benchmark over the same period
Loans				

6. Receivable and payable of related party

(1) Item receivable

In RMB

Item	Related party	Closing balance	Opening balance
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		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable	Shenzhen Shichumingmen Restaurant Management Co., Ltd.			13,965.00	
Other account receivable	Changzhou Shenbao Chacang E-commerce Co., Ltd	19,977,283.01	9,071,148.72	19,540,618.68	8,634,484.39
Other account receivable	Shenzhen Agricultural Products Co., Ltd	1,060.00	159.00	1,060.00	
Other account receivable	Shenzhen Shichumingmen Restaurant Management Co., Ltd.	1,870,811.75	53,585.30	2,048,972.70	
Other account receivable	Shenzhen Investment Holding Co., Ltd	319,129.94	31,743.34	317,433.36	

(2) Item payable

In RMB

Item	Related party	Closing book balance	Opening book balance
Dividend payable	Shenzhen Investment Management Company	2,690,970.14	2,690,970.14
Other payable	Shenzhen Nongdimei Investment Management Company	1,478,800.00	5,423,607.31
Other payable	Shenzhen Investment Management Company	3,510,297.20	3,510,297.20

7. Commitments of related party

XIII. Commitment or contingency

1. Important commitments

Important commitments in balance sheet date

End as 31 Dec. 2017, the Company had no important commitment need to disclosed.

2. Contingency

(1) Contingency on balance sheet date

1. Contingencies arising from pending litigation or arbitration and its financial impact

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

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

2. Open letter of guarantee and letter of credit

As of December 31, 2017, the total amount of the letter of credit that the Company has opened but not yet expired was US\$506,646.00, equivalent to RMB 3,310,526.29.

XIV. Events after balance sheet date

1. Explanation on other events after balance sheet day

According to the Equity Allocation Plan for year of 2017 that deliberated and approved by 16th session of 9th BOD, the Company did not has plans of cash dividends, bonus shares carried out and public reserves converted into share capital either

Except for the above mentioned events, the Company did not has other major events after balance sheet day till end of this Report Disclosed.

XV. Other important events

1. Other

On 22 August 2017, the Company received a notice from largest shareholder of the Company - Shenzhen Agricultural Products Co., Ltd (hereinafter referred to as Agricultural Products), due to major events with the Company concerned are negotiated between the Agricultural Products and related parties, and after application to the Shenzhen Stock Exchange, stock of the Company suspended since 22 August 2017.

On 5 September 2017, the major events constitute a major assets reorganization, and after application to the Shenzhen Stock Exchange, stock of the Company continue to suspended for major asstes reorganization since 5 September 2017.

On 19 January 2018, the Company received a notice from actual controller of the Company –State-owned Assets Supervision and Administration Commission of the People’s Government of Shenzhen Municipal (hereinafter

referred to as Shenzhen SASAC), with purpose of promoting the overall strategic adjustment for state-owned food & agricultural enterprise with Shenzhen Municipal-run, people’s government of Shenzhen Municipal making an announcement as SFH(2018) No.17, agreed the state-owned enterprise with Shenzhen Municipal-run to implementing the overall changed, that is, the 28.76% stock of Agricultural Products held by Shenzhen SASAC, the 5.22% stock of Agricultural Products held by Shenzhen Zhiyuan Investment Co., Ltd., the 0.02% stock of Agricultural Products held by Shenzhen Yixin Investment Co., Ltd. and the 16% stock of the Company held by Shenzhen Investment Holding Co., Ltd are transferred to Shenzhen Fude State-owned Capital Operation Co., Ltd. for free.

The above mentioned parties are entered into a Unpaid Share/Property Transfer Agreement on 23 January 2018, and transfer issues are completed on 3 April 2018 in total.

On 23 March 2018, relevant proposals with major assets reorganization concered such as “Proposal of Issued Shares and Purchased Assets and Pre-plan of the Related Transactions of Shenzhen Shenbao Industrial Co., Ltd.” were deliberated and approved by 15th session of 9th BOD. In the Preplan, “the Company will acquire 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as SZCG) held by Fude Capital by means of issuing shares. The 100% equity of SZCG are estimated value as 5,859,432,100 Yuan, the trading parties are initially agreed that the transaction price will based on the value for underlying assets.”

On 27 March 2018, the Company received an “Inquiry Letter on Reorganization of Shenzhen Shenbao Industrial Co., Ltd.”[Reorganization Inquiry letter for License Type[2018] No.6](hereinafter referred to as Inquiry Letter) from Shenzhen Stock Exchange. According to the requiriement, the original pre-plan has supplemented and revised by the Company and released the “Purchasing Assets by Shares Issued of Shenzhen Shenbao Industiral Co., Ltd. and Related Transactions Preplan (Revision)” dated 4 April 2018.

After application to Shenzhen Stock Exchange, stock of the Company resume trading since 4 April 2018.

The above mentioned trandings needs to deliberated and approved by the Board Meeting, and shall approved by voting on sharehodler’s general meeting, as well as the approval from state-owned assets supervision & administration institution, the centralized review of the business management and CSRC; whether or not it can be approved or relevant approval time still be un-predictability.

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

1. Account receivables

(1) Disclosed by type

In RMB

Type	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Account receivable	53,950,9	99.95%			53,950,93	40,123,	99.93%			40,123,423.

withdrawal bad debt provision by group of credit risk characteristics	30.37				0.37	423.12				12
Account receivable with single minor amount but withdrawal bad debt provision for single item	28,453.08	0.05%	28,453.08	100.00%		28,453.08	0.07%	28,453.08	100.00%	
Total	53,979,383.45	100.00%	28,453.08		53,950,930.37	40,151,876.20	100.00%	28,453.08	0.07%	40,123,423.12

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

Applicable Not applicable

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

Applicable Not applicable

In RMB

Age	Closing balance		
	Account receivable	Bad debt provision	Accrual ratio (%)
Sub item within 1 year			
Within 1 year	53,950,930.37		
Total	53,950,930.37		

Explanations on combination determine:

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

Applicable Not applicable

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

Nil

(2) Bad debt provision accrual, collected or reversed

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

Major bad debt provision collected or switch back:

In RMB

Name	Amount	Method

(3) Top five receivables at Period-end

Name	Closing balance	Proportion in total receivables at closing balance (%)	Bad debt provision accrual
Customer 1	16,621,620.00	30.79	
Customer 2	6,346,741.00	11.76	
Customer 3	5,752,100.00	10.66	

Customer 4	5,427,110.36	10.05	
Customer 5	5,417,740.00	10.04	
Total	39,565,311.36	73.30	

2. Other receivables

(1) Disclosed by type

In RMB

Types	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Other account receivable with single major amount and withdrawal bad debt provision for single item	19,347,283.01	10.87%	9,008,148.72	46.56%	10,339,134.29	18,910,618.68	8.33%	8,571,484.39	45.33%	10,339,134.29
Other account receivable withdrawal bad debt provision by group of credit risk characteristics	153,106,793.92	86.05%	41,366.46	0.03%	153,065,427.46	202,534,906.30	89.26%	52,150.03	0.03%	202,482,756.27
Other account receivable with single minor amount but withdrawal bad debt provision for single item	5,472,398.91	3.08%	5,472,398.91	100.00%		5,472,398.91	2.41%	5,472,398.91	100.00%	
Total	177,926,475.84	100.00%	14,521,914.09	8.16%	163,404,561.75	226,917,923.89	100.00%	14,096,033.33	6.21%	212,821,890.56

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

Applicable Not applicable

In RMB

Other receivables (unit)	Closing balance			
	Other receivables	Provision for bad debt	Accrue ratio	Accrue reason
Changzhou Shenbao Chacang E-commence Trading Co., Ltd	19,347,283.01	9,008,148.72	46.56%	estimated due received maybe lower than book balance
Total	19,347,283.01	9,008,148.72	--	--

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

Applicable Not applicable

In RMB

Age	Closing balance		
	Other receivable	Bad debt provision	Accrual ratio (%)
Sub item within 1 year			
Subtotal within 1 year	31,684,826.39		
1—2 yeas	121,153,972.23	1,167.17	0.00%
Over 3 years	267,995.30	40,199.29	15.00%
4-5 years	60,026.89	9,004.03	15.00%
Over 5 years	207,968.41	31,195.26	15.00%
Total	153,106,793.92	41,366.46	0.03%

Explanations on combination determine:

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

Applicable Not applicable

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

Applicable Not applicable

(2) Bad debt provision accrual, collected or reversed

Accrual bad debt provision 438,966.80 Yuan; collected or reversed 13,086.04 Yuan.

Major bad debt provision collected or switch back:

In RMB

Name	Amount	Method

(3) Other receivables by nature

In RMB

Nature	Ending book balance	Opening book balance
Deposit	233,289.39	280,986.43
Intercourse accounts and other	177,693,186.45	226,636,937.46
Total	177,926,475.84	226,917,923.89

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

In RMB

Company	Nature	Ending balance	Book age	Ratio in total ending balance of other receivables	Ending balance of bad bet provision
Huizhou Shenbao Technologies	Intercourse funds	119,146,494.47	Within 1 year and 1-2 year	66.96%	
Shenbao Sanjing	Intercourse funds	26,190,703.36	1-2 year	14.72%	

Changzhou Shenbao Chacang E-commerce Co., Ltd	Intercourse funds	19,347,283.01	1-3 year and above	10.87%	9,008,148.72
Shenbao Technology Center	Intercourse funds	5,364,868.03	Within 1 year and 1-2 year	3.02%	
Tax refund for export receivables	Tax refund	733,709.16	Within 1 year and 1-2 year	0.41%	1,057.17
Total	--	170,783,058.03	--	95.98%	9,009,205.89

3. Long-term equity investment

In RMB

Items	Closing balance			Opening balance		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Investment for subsidiary	917,313,300.84		917,313,300.84	911,813,300.84		911,813,300.84
Investment for associates and joint venture	7,121,310.06	2,927,628.53	4,193,681.53	7,736,539.93	2,927,628.53	4,808,911.40
Total	924,434,610.90	2,927,628.53	921,506,982.37	919,549,840.77	2,927,628.53	916,622,212.24

(1) Investment for subsidiary

In RMB

Investee unit	Opening balance	Current increased	Current decreased	Closing balance	Impairment reserve accrual in the Period	Closing balance of impairment reserve
Shenbao Properties	2,550,000.00			2,550,000.00		
Shenbao Industrial & Trading	5,500,000.00			5,500,000.00		
Shenbao Sanjing	80,520,842.36			80,520,842.36		
Shenbao Huacheng	168,551,781.80			168,551,781.80		
Huizhou Shenbao Science & Technology	60,000,000.00			60,000,000.00		
Wuyuan Ju Fang Yong	280,404,134.35			280,404,134.35		
Hangzhou Ju Fang Yong	176,906,952.42			176,906,952.42		
Shenbao	54,676,764.11			54,676,764.11		

Technology Center					
Shenshenbao Investment	50,000,000.00			50,000,000.00	
Yunnan Supply Chain	14,500,000.00	5,500,000.00		20,000,000.00	
Pu'er Tea Trading Center	18,202,825.80			18,202,825.80	
Total	911,813,300.84	5,500,000.00		917,313,300.84	

(2) Investment for associates and joint venture

In RMB

Company	Opening balance	Increase & decrease in this period								Ending balance	Ending balance of impairment provision
		Additional investment	Capital reduction	Investment gains recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Impairment accrual	Other		
I. Joint venture											
II. Associated enterprise											
Shenzhen Shenbao (Liaoyuan) Industrial Company	57,628.53									57,628.53	57,628.53
Shenzhen Shenbao (Xinmin) Food Co., Ltd	2,870,000.00									2,870,000.00	2,870,000.00
Changzhou Shenbao Chacang E-commerce Co., Ltd											
Guangzhou Shenbao Mendao	4,808,911.40			-306,318.47			-308,911.40			4,193,681.53	

Tea Co., Ltd.											
Subtotal	7,736,539.93			-306,318.47				-308,911.40			7,121,310.06 2,927,628.53
Total	7,736,539.93			-306,318.47				-308,911.40			7,121,310.06 2,927,628.53

(3) Other note

Nil

4. Operating income and operating cost

In RMB

Items	Current Period		Last Period	
	Income	Cost	Income	Cost
main business income	163,863,447.98	154,883,304.80	126,457,763.47	115,553,924.00
Other business income	163,863,447.98	154,883,304.80	126,457,763.47	115,553,924.00

Other note:

Nil

5. Investment earnings

In RMB

Item	Current Period	Last Period
Investment income of long-term equity based on equity	-306,318.47	-190,239.61
Investment income from disposal of long-term equity		73,236,325.36
Financial products revenue	2,706,034.95	821,891.58
Total	2,399,716.48	73,867,977.33

XVII. Supplementary information

1. Current non-recurring gains/losses

Applicable Not applicable

In RMB

Item	Amount	Statement
Gains/losses from the disposal of non-current asset	-50,200.13	
Governmental subsidy calculated into	2,990,059.15	

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)		
Capital occupancy expense, collected from non-financial enterprises and recorded in current gains and losses	488,839.56	
Profit and loss of assets delegation on others' investment or management	2,706,034.95	
Gains and losses from change of fair values of held-for-transaction financial assets and financial liabilities except for the effective hedge business related to normal business of the Company, and investment income from disposal of transactional financial assets and liabilities and financial assets available for sale	-1,651,270.40	
Other non-operating income and expenditure except for the aforementioned items	-4,097,739.37	
Less: Impact on income tax	51,797.61	
Affect on minority equity(after taxation)	-1,686,323.93	
Total	2,020,250.08	--

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

Applicable Not applicable

2. REO and earnings per share

Profits during report period	Weighted average ROE	Earnings per share	
		Basic EPS (RMB/Share)	Basic EPS (RMB/Share)
Net profits belong to common stock stockholders of the Company	-5.46%	-0.1089	-0.1089
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	-5.67%	-0.1130	-0.1130

3. Difference of accounting data under CAS and IAS

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

√ Applicable □ Not applicable

In RMB

	Net profit		Net assets	
	Current Period	Last Period	Closing balance	Opening balance
By Chinese Accounting Standards	-54,094,136.23	96,620,658.92	946,920,577.33	1,031,768,388.87
Items and amount adjusted by IAS:				
Other adjustment on regulated funds payable in share market			1,067,000.00	1,067,000.00
By International Accounting Standards	-54,094,136.23	96,620,658.92	947,987,577.32	1,032,835,388.87

Section XII. 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 2017 Annual Report with signature of the Chairman.

Shenzhen Shenbao Industrial Co., Ltd.

Chairman of Board: Zheng Yuxi

20 April 2018