

深圳市深粮控股股份有限公司  
**SHENZHEN CEREALS HOLDINGS CO.,LTD.**  
ANNUAL REPORT 2018



**April 2019**

## Section I. Important Notice, Contents and Paraphrase

Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of SHENZHEN CEREALS HOLDINGS 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 Zhu Junming, General Manager Hu Xianghai, Head of Accounting Ye Qingyun and Head of Accounting Institution (Accounting Supervisors) Wen Jieyu hereby confirm that the Financial Report of Annual Report 2018 is authentic, accurate and complete.

Except for followed director, other directors are attending the Board Meeting for Annual Report deliberation in person

| Director not attending in person | Position of the director not attending in person | Reasons on absent | Trustee     |
|----------------------------------|--------------------------------------------------|-------------------|-------------|
| Zhu Junming                      | Chairman                                         | On business trip  | Hu Haixiang |

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 profit distribution plan deliberated and approved by the Board Meeting was: distributed cash bonus of 1 yuan (tax included) for every 10 shares held by whole shareholders based on the 1,152,535,254, zero share(tax included) for bonus and zero share additional for every 10 shares held by whole shareholders with the capital public reserves.**

## Contents

|                                                                                              |                            |
|----------------------------------------------------------------------------------------------|----------------------------|
| <b>Section I Important Notice, Contents and Paraphrase .....</b>                             | <b>2</b>                   |
| <b>Section II Company Profile and Main Financial Indexes .....</b>                           | <b>6</b>                   |
| <b>Section III Summary of Company Business .....</b>                                         | <b>12</b>                  |
| <b>Section IV Discussion and Analysis of Operation.....</b>                                  | <b>17</b>                  |
| <b>Section V Important Events .....</b>                                                      | <b>38</b>                  |
| <b>Section VI Changes in shares and particular about shareholders .....</b>                  | <b><a href="#">105</a></b> |
| <b>Section VII Preferred Stock .....</b>                                                     | <b><a href="#">115</a></b> |
| <b>Section VIII Directors, Supervisors, Senior Executives and Staff of the Company .....</b> | <b><a href="#">116</a></b> |
| <b>Section IX Corporate Governance .....</b>                                                 | <b><a href="#">125</a></b> |
| <b>Section X Corporate Bond .....</b>                                                        | <b><a href="#">134</a></b> |
| <b>Section XI Financial Report .....</b>                                                     | <b><a href="#">135</a></b> |
| <b>Section XII Documents Available for Reference .....</b>                                   | <b><a href="#">328</a></b> |



## Paraphrase

| Items                             | Refers to | Contents                                                                                          |
|-----------------------------------|-----------|---------------------------------------------------------------------------------------------------|
| SZCH/Listed Company /the Company/ | Refers to | Shenzhen Cereals Holdings Co., Ltd.                                                               |
| Shenshenbao/Shenbao Company       | Refers to | Shenzhen Shenbao Industrial Co., Ltd.                                                             |
| SZCG                              | Refers to | Shenzhen Cereals Group Co., Ltd                                                                   |
| Doximi                            | Refers to | SZCG Doximi Business Co., Ltd.                                                                    |
| Flour Company, Flour Factory      | Refers to | Shenzhen Flour Co., Ltd                                                                           |
| SZCG Quality Inspection           | Refers to | SZCG Quality Inspection Co., Ltd.                                                                 |
| Dongguan Food Industrial Park     | Refers to | Dongguan International Food Industrial Park Development Co., Ltd.                                 |
| Wuyuan Ju Fang Yong               | Refers to | Ju Fang Yong Tea Industry Co., Ltd. in Wuyuan County                                              |
| Shenbao Technology Center         | Refers to | Shenzhen Shenbao Technology Center Co., Ltd.                                                      |
| Fude Capital                      | Refers to | Shenzhen Fude State-owned Capital Operation Co., Ltd.                                             |
| Agricultural Products             | Refers to | Shenzhen Agricultural Products Co., Ltd                                                           |
| Shenzhen Investment Holding       | Refers to | Shenzhen Investment Holding Co., Ltd                                                              |
| 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 Cereals Holdings 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                       | SZCH, Shenliang B                                                                                                                                    | Stock code | 000019, 200019 |
| Listing stock exchange                     | Shenzhen Stock Exchange                                                                                                                              |            |                |
| Chinese name of the Company                | 深圳市深粮控股股份有限公司                                                                                                                                        |            |                |
| Abbr. of Chinese name of the Company       | 深粮控股                                                                                                                                                 |            |                |
| English name of the Company(if applicable) | SHENZHEN CEREALS HOLDINGS CO.,LTD                                                                                                                    |            |                |
| Legal Representative                       | Zhu Junming                                                                                                                                          |            |                |
| Registrations add.                         | 8/F, Tower B, No.4 Building, Software Industry Base, South District, Science & Technology Park, Xuefu Rd., Yuehai Street, Nanshan District, Shenzhen |            |                |
| Code for registrations add                 | 518057                                                                                                                                               |            |                |
| Offices add.                               | 13/F, Tower A, World Trade Plaza, No.9 Fuhong Rd., Futian District, Shenzhen                                                                         |            |                |
| Codes for office add.                      | 518033                                                                                                                                               |            |                |
| Company's Internet Web Site                | www.slkg1949.com                                                                                                                                     |            |                |
| E-mail                                     | szch@slkg1949.com                                                                                                                                    |            |                |

### II. Person/Way to contact

|              | Secretary of the Board                                                       | Rep. of security affairs                                                     |
|--------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Name         | Wang Fangcheng                                                               | Huang Bingxia                                                                |
| Contact add. | 13/F, Tower A, World Trade Plaza, No.9 Fuhong Rd., Futian District, Shenzhen | 13/F, Tower A, World Trade Plaza, No.9 Fuhong Rd., Futian District, Shenzhen |
| Tel.         | 0755-82027522                                                                | 0755-82027522                                                                |
| Fax.         | 0755-82027522                                                                | 0755-82027522                                                                |
| E-mail       | wangfc@slkg1949.com                                                          | huangbx@slkg1949.com                                                         |

### III. Information disclosure and preparation place

|                                                     |                                                                                  |
|-----------------------------------------------------|----------------------------------------------------------------------------------|
| Newspaper appointed for information disclosure      | <i>Securities Times; China Securities Journal and Hong Kong Commercial Daily</i> |
| Website for annual report publish appointed by CSRC | Juchao Website: 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)        | On February 18, 2019, the company completed the registration procedures of changes in industry and commerce for business scope and other matters. The main business has newly increased grain and oil reserves, grain and oil trade, grain and oil processing, and service business for grain and oil circulation and grain and oil reserves based on the production, research and development and sales of food raw materials (ingredients) mainly based on tea and natural plant deep processing.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 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.<br>On April 3, 2018, Shenzhen Investment Holdings completed the transfer of all of its 79,484,302 shares of A shares in the company to Fude Capital. After the completion of the equity transfer, Shenzhen Investment Holdings no longer holds shares in the company, while Fude Capital directly holds 79,484,302 shares of A shares in the company (accounting for 16% of the company's original total share capital) and controls 19.09% shares of the company through Agricultural Products Control Company, becoming the controlling shareholder of the company. |

#### 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

| Financial consultant       | Office address                                                                     | Financial consultant sponsor | Continuous supervision period           |
|----------------------------|------------------------------------------------------------------------------------|------------------------------|-----------------------------------------|
| Wanho Securities Co., Ltd. | Times Technology Building<br>No.7028, Shennan Avenue,<br>Futian District, Shenzhen | Guo Yong, Yu Hai             | 12 November 2018 to 31<br>December 2019 |

#### VI. Main accounting data and financial indexes

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

Yes  No

Reasons for retroactive adjustment or re-statement

Enterprise combined under the same control

|                                                                                                                   | 2018              | 2017              |                   | Changes over last year        | 2016              |                  |
|-------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|------------------|
|                                                                                                                   |                   | Before adjustment | After adjustment  | After adjustment              | Before adjustment | After adjustment |
| Operating revenue (RMB)                                                                                           | 10,758,782,838.14 | 315,762,708.35    | 10,793,693,156.79 | -0.32%                        | 273,383,642.99    | 7,493,028,165.21 |
| Net profit attributable to shareholders of the listed Company(RMB)                                                | 308,331,032.44    | -54,094,136.23    | 359,174,263.44    | -14.16%                       | 96,620,658.92     | 364,384,734.36   |
| Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses(RMB) | -70,825,168.94    | -56,114,386.31    | -56,114,386.31    | -26.22%                       | -64,394,848.68    | -64,394,848.68   |
| Net cash flow arising from operating activities(RMB)                                                              | 299,103,635.58    | -94,914,594.15    | 17,058,691.88     | 1,653.38%                     | 61,740,568.12     | 99,307,564.51    |
| Basic earnings per share (RMB/Share)                                                                              | 0.2675            | -0.1089           | 0.3116            | -14.15%                       | 0.1945            | 0.3162           |
| Diluted earnings per share (RMB/Share)                                                                            | 0.2675            | -0.1089           | 0.3116            | -14.15%                       | 0.1945            | 0.3162           |
| Weighted average ROE                                                                                              | 7.70%             | -5.46%            | 9.55%             | -1.85%                        | 9.82%             | 10.77%           |
|                                                                                                                   | End of 2018       | End of 2017       |                   | Changes over end of last year | End of 2016       |                  |
|                                                                                                                   |                   | Before adjustment | After adjustment  | After adjustment              | Before adjustment | After adjustment |
| Total assets (RMB)                                                                                                | 6,468,951,793.87  | 1,070,386,220.55  | 5,911,027,724.31  | 9.44%                         | 1,178,543,725.30  | 5,487,316,562.13 |
| Net assets attributable to shareholder of listed Company(RMB)                                                     | 4,172,502,535.11  | 946,920,577.33    | 3,848,760,765.85  | 8.41%                         | 1,031,768,388.87  | 3,582,365,242.67 |

Total share capital of the Company on the trading day prior to disclosure:

|                                                                                   |               |
|-----------------------------------------------------------------------------------|---------------|
| Total share capital of the Company on the trading day prior to disclosure (Share) | 1,152,535,254 |
| Total diluted EPS calculated with the latest share capital (RMB/Share)            | 0.2675        |

Whether has corporate bonds

Yes No

**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 |                  |
|--------------------------------------------------------------|-----------------------------------------------------------|----------------|-----------------------------------------------------------|------------------|
|                                                              | Current period                                            | Last period    | Ending amount                                             | Opening amount   |
| Chinese GAAP                                                 | 308,331,032.44                                            | 359,174,263.44 | 4,172,502,535.11                                          | 3,848,760,765.85 |
| Items and amount adjusted by IAS                             |                                                           |                |                                                           |                  |
| Adjustment for other payable fund of stock market regulation |                                                           |                | 1,067,000.00                                              | 1,067,000.00     |
| IAS                                                          | 308,331,032.44                                            | 359,174,263.44 | 4,173,569,535.11                                          | 3,849,827,765.85 |

**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 <sup>st</sup> Q | 2 <sup>nd</sup> Q | 3 <sup>rd</sup> Q | 4 <sup>th</sup> Q |
|--------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Operating income                                                                                 | 2,427,761,440.54  | 2,006,927,206.28  | 2,834,555,228.13  | 3,489,538,963.19  |
| Net profit attributable to shareholders of listed Company                                        | 125,145,974.07    | 77,633,369.27     | 87,708,504.25     | 17,843,184.85     |
| Net profit attributable to shareholders of listed Company after deducted non-recurring gain/loss | -10,953,014.99    | -7,931,905.70     | -12,241,225.60    | -39,699,022.65    |
| Net cash flow arising from                                                                       | 99,267,533.46     | -46,406,288.16    | 64,495,978.61     | 181,746,411.67    |

|                      |  |  |  |  |
|----------------------|--|--|--|--|
| operating activities |  |  |  |  |
|----------------------|--|--|--|--|

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

| Item                                                                                                                                                                                                                                                                                                                       | 2018           | 2017           | 2016           | Note |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|------|
| Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)                                                                                                                                                                                                        | 1,207,842.88   | -50,200.13     | 171,607,536.76 |      |
| Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)                                                                                                                        | 8,311,158.51   | 2,990,059.15   | 4,000,648.87   |      |
| Fund possession cost reckoned in current gain/loss charged from non-financial enterprise                                                                                                                                                                                                                                   | 490,289.86     | 488,839.56     |                |      |
| Profit and loss of assets delegation on others' investment or management                                                                                                                                                                                                                                                   | 1,984,446.92   | 2,706,034.95   | 821,891.58     |      |
| Net gains/losses of the current period from beginning of the period to date of consolidation for those subsidiary arising from enterprise combined under the same control                                                                                                                                                  | 374,880,023.05 | 413,268,399.67 | 267,764,075.44 |      |
| 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 tradable financial assets and liabilities and financial assets available for sale | -474,740.24    | -1,651,270.40  | -335,414.30    |      |
| Other non-operating income and expenditure except for the aforementioned items                                                                                                                                                                                                                                             | -4,434,126.83  | -4,097,739.37  | 8,557,332.04   |      |
| Other gains/losses items that conform to the definition of non-recurring gains/losses                                                                                                                                                                                                                                      | 450,000.00     |                |                |      |
| Less: impact on income tax                                                                                                                                                                                                                                                                                                 | 3,210,576.33   | 51,797.61      | 23,961,893.28  |      |
| Impact on minority shareholders' equity (post-tax)                                                                                                                                                                                                                                                                         | 48,116.44      | -1,686,323.93  | -325,405.93    |      |

|       |                |                |                |    |
|-------|----------------|----------------|----------------|----|
| Total | 379,156,201.38 | 415,288,649.75 | 428,779,583.04 | -- |
|-------|----------------|----------------|----------------|----|

In RMB

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

Applicable  Not applicable

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

## Section III Summary of Company Business

### I. Main businesses of the Company in the reporting period

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

No

During the reporting period, the company completed major asset restructuring. The main business newly increased grain and oil reserves, grain and oil trade, grain and oil processing, and service business for grain and oil circulation and grain and oil reserves based on the production, research and development and sales of food raw materials (ingredients) mainly based on tea and natural plant deep processing.

The tea business mainly covers intensive processing, premium tea sales, tea life experience, tea electronic trading, food and beverage, technology research and development, and so on. The main products include “Golden Eagle” instant tea powder, tea concentrate and other series of tea products; “Jufangyong”, “Gutan”, “Fuhaitang” series of tea products; “Tri-Well” oyster sauce, chicken essence, seafood sauce and other series of condiments; “Shenbao” chrysanthemum tea, lemon tea, herbal tea and other series of drinks.

The grain and oil trade business is mainly rice, wheat, rice in the husk, corn, sorghum, cooking oil and other varieties of grain and oil. According to the market conditions and the needs of upstream and downstream enterprises, the above-mentioned grain and oil products purchased are independently traded. The wheat, rice in the husk, corn, barley and sorghum in the trade products are the unprocessed grain, which are mainly used for the further processing of food and feed for customers such as large traders, feed and flour processing enterprises in the industry; rice, flour and vegetable oil are the finished grain and oil, of which the main consumer groups are institutions, organizations, enterprises and public institutions, food deep processing enterprises and community residents.

The grain and oil processing business is mainly the processing and sale of flour, rice, cooking oil and other products. The main products of the company’s flour processing include “Jinchangman”, “Yingshanhong” and “Hongli” series bread flour; “Clivia” and “Canna” series tailored flour for cakes and steamed bun; “Sunflower” high-gluten tailored flour and biscuit tailored flour; “Feiyu” caramel treats tailored flour; “Yuejixiang” moon cake tailored flour and other various small packages of flour. Rice products include “SZCG Duoxi”, “Guzhixiang”, “Jinjiaxi”, “Runxiangliangpin”, “Hexiang”, etc. Among them, SZCG Duoxi Changxiangdao Daohuaxiang Rice was selected as the first batch of “China Good Grains and Oils” products by the State Administration of Grain as the only selected product in Guangdong Province. Cooking oil products include brands such as “SZCG Duoxi”, “SZCG Fuxi” and “Hongli”. The company has also established a grain and oil food delivery service system, actively promoted e-commerce marketing, had a B2C grain and oil network direct sales platform “duoximi.com”, and has opened channels in e-commerce platforms such as Tmall and Jingdong Mall, and has set up branches in Guangzhou to promote grain and oil terminal vending machines to enter the community and provide consumers with green and reliable grain and oil products.

The grain and oil reserve service business mainly provides dynamic grain and oil reserve services to local



governments in Shenzhen, and provides local governments with market-oriented services such as grain and oil reserves, testing, and rotation in the form of business holdings. With the advantages of brand, reputation, experience, management, service, facilities and information system accumulated in the grain and oil market, we independently organize and implement the procurement, storage, rotation, sales and other activities of the local government reserves of grain and oil, and ensure the quality, quantity and safety and other aspects of grain and oil reserves are in line with the requirements of the reserve grain and oil administrative authorities of local governments, providing local governments with high-quality dynamic grain and oil reserve services to ensure local food security.

The company also provides grain and oil circulation services such as warehousing and logistics, terminal loading and unloading, and quality inspection for upstream and downstream enterprises in the industrial chain. The SZCG Dongguan Grain Logistics Nodes Project has been steadily advanced, completed storehouse capacity of 320,000 tons (including temporary gas film silo) and a 5,000-ton grain-specific terminal which achieved an upgrade of 15,000 tons of berthing capacity during the reporting period, the storage transfer volume reached 1.2 million tons, and the terminal transfer volume was more than 400,000 tons; at the same time, the CDE silos with 510,000 tons of warehouse capacity under construction, food deep processing projects, the terminal phase I and other projects are progressing smoothly. After the project is completed, it will become a comprehensive grain circulation service provider integrating five functions including grain and oil terminal, transfer reserve, inspection and processing, delivery and bonded tax, and market transaction. The company's subordinate enterprise SZCG Quality Test has more than 100 professional equipment, and has obtained the qualification certificates authorized by quality testing organizations and was awarded the "Guangdong Shenzhen National Grain Quality Monitoring Station", and more than 6,000 samples were tested in 2018. The company's subsidiaries also provide logistics services and cold chain distribution services to customers, the above-mentioned grain and oil industry chain circulation services are gradually becoming an important business segment of the company.

## II. Major changes in main assets

### 1. Major changes in main assets

| Major assets             | Note of major changes                                                          |
|--------------------------|--------------------------------------------------------------------------------|
| Equity assets            | Adding new investment outside in the period                                    |
| Fixed assets             | No major Change                                                                |
| Intangible assets        | Parts of the property has surcharge for land price                             |
| Construction in progress | Investment for joint project engineering from SZCG Dongguan Logistic increased |
| Inventory                | Reducing grain inventory according to the market quotations                    |

### 2. Main overseas assets

Applicable  Not applicable

## III. Core Competitiveness Analysis

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

No

During the reporting period, the company completed major asset restructuring, and increased high-quality grain and oil reserves, grain and oil trade, grain and oil processing and grain and oil circulation and grain and oil reserve service industries on the basis of the established and complete tea industry chain system such as tea planting, tea primary processing /elaborate processing, tea deep processing, premium tea sales, tea life experience, tea electronic trading/finance, food and beverage, etc., through resource integration, the “double main business” developed in parallel, which extended the development of the grain and tea industry chain, deepened the enterprise reform, and rejuvenated the traditional industry. The company stimulated the viability of enterprises through innovative implementation of EVA performance appraisal mechanism, promoted the sustainable development of enterprises through the guidance of grain logistics nodes projects, built unique competitiveness by adhering to the organic combination of “dynamic reserves” and market-oriented operation, improved management efficiency by continuously leading the information construction of domestic grain industry, prevented business risks by building a new “four-in-one” management and control model, and built a leap-forward development foundation by strengthening the corporate culture and talent management so as to embark on a development path with “SZCG characteristics” to form the company’s unique competitiveness.

#### 1. Management advantages

The core management team of the company has rich experience and stable structure, and has a strong strategic vision and pragmatic spirit. It has formed a set of effective system and mechanism to promote the high-quality development of the company by combining with the company’s actual development. The company vigorously promotes the innovation and transformation of business models, and actively promotes the transition from “trade-oriented enterprises” to “service-oriented enterprises”, and from “operational management and control” to “strategic management and control”. In the business management and control, the company builds a “four-in-one” management and control model that the business operations and fund management, inventory management, and quality management relatively separate and check and balance each other, at the same time, it strengthens risk management, budget management, plan management, contract management, customer management and brand management and other measures to effectively prevent operational risks. Through innovative talent management, the company has established an open talent team to meet the long-term development of enterprises. The company has innovated and implemented the EVA performance appraisal mechanism and established a result-oriented incentive and restraint assessment mechanism which effectively built the performance culture and stimulated the viability within the enterprise. The company insists on cultivating and advocating the corporate culture with “people-oriented, performance first, excellent quality, and harmony” as the core values, combines the personal development goals of employees with the corporate vision, and enhances the cohesiveness and centripetal force of the enterprise.

#### 2. Business model advantages

In terms of business layout and management, the company has further cultivated the market segment, and gradually built and formed a “three-in-one” multi-level grain and oil supply network of catering and distribution services, terminal grain and oil e-commerce, and service-oriented grain and oil docking trade. The company vigorously develops new commercial activities of grain, actively promotes the development of new grain retail formats such

as “internet + grain”, grain e-commerce, and “community vending grain supply centers”, and promotes the deep integration of online and offline e-commerce platforms. The company builds a grain bulk commodity trading platform, efficiently integrates business flow, logistics and information flow, improves circulation efficiency, and provides spot trading, financing, logistics, quality inspection, transaction information and other services for internal business units, suppliers and customers. The company gives full play to the traction role of major projects such as grain logistics nodes, continuously improves the construction of the grain supply chain system, and promotes the sustainable development of enterprises.

### 3. Research and development technology advantages

The company attaches great importance to transforming and upgrading the traditional industries by modern technologies, and actively introduces a new generation of information technologies such as internet of things, cloud computing, big data and mobile internet into grain management. It takes the lead in promoting the construction of “standardization, mechanization, informationization and harmless” of warehouse management in the industry, independently develops “grain logistics information system” (SZCG GLS), applies RFID technology and slip sheet equipment, introduces intelligent robots, and upgrades the grain depot operation efficiency and management efficiency. The company has undertaken a number of national-level research projects, and multiple IT project results have won national, provincial and municipal awards. The company has completed the development and application of 30 new technologies and participated in several national-level scientific research projects. As of now, the company has 62 patents and 20 copyrights.

### 4. Quality advantages

The company gives full play to the advantages of products, channels, brands, warehousing, quality inspection, etc., and truly provides good quality and safety products for the society. The company has established a quality control system that is recognized by international large food and beverage enterprises. In the grain and oil business, the company’s subordinate enterprise, SZCG Quality Test, has the leading grain quality testing technology and equipment in the domestic grain industry, and has been officially incorporated into the national grain quality supervision and testing system, and has been awarded the “Guangdong Shenzhen National Grain Quality Monitoring Station” by the State Administration of Grain. The advanced testing technology selects and checks the grain from the source, and timely and accurately checks the quality status of grain and oil in all aspects of warehousing, storage and delivery. SZCG Quality Test has obtained the qualification certificate (CMA) for testing and inspection institutions, and it is the first among domestic peers to include pesticide residues, heavy metal pollutants, mycotoxins and other hygienic indicators and taste value indicators in daily testing indicators, and has the detection ability of four types of indicators such as grain regular quality, storage quality, hygiene and eating quality, which can meet the relevant quality inspection requirements of grain and oil products, and can accurately analyze the nutritional ingredients and hygienic index of grain and determine its storage quality and eating quality.

### 5. Brand advantage

The company regards “quality” as the cornerstone of establishing the enterprise brand, and takes “good service” and “livelihood guarantee” as the brand’s core value, and has created a batch of “reliable grain”, “reliable flour” and “reliable oil” brand systems, and has formed good brand effects. The company has been selected as one of the “Top 500 Chinese Service Enterprises” for five times, and has won the “China Top Ten Grain and Oil Group”,

“China Top 100 Grain and Oil Enterprise”, “China’s Most Respected Grain and Oil Enterprise”, “National Top 100 Military Supply Stations” and “Key Agricultural Leading Enterprises in Guangdong Province”, etc., and was awarded “Shenzhen Credit Enterprise”, “Shenzhen Old Brand”, “Leading Enterprises Strongly Support Grain and Oil Industrialization”, etc., the market influence of “SZCG Duoxi”, “Guzhixiang”, “Clivia”, “SZCG Fuxi” and other brands has gradually expanded, and the subordinate flour company has won the title of “Shenzhen Old Brand”, and SZCG Duoxi Changxiangdao Daohuaxiang rice has been selected as the first batch of “China Good Grain and Oil” products of the State Administration of Grain which is the only selected product in Guangdong Province.

#### 6. Market advantage

The company has a large-scale storehouse capacity in Shenzhen, and is the leading enterprise in Shenzhen’s municipal grain reserves. At present, the company has a self-owned grain storehouse capacity of about 400,000 tons, and has established long-term and extensive and diversified cooperative relationship with grain and oil traders, processors and end customers over the years and built wide business networks and stable business channels, and has a high market share in the regional market and was rated as “Key Agricultural Leading Enterprises in Guangdong Province” by the Department of Agriculture and Rural Affairs of Guangdong Province. On the basis of giving priority to ensuring the government’s macro-control to grain and ensuring grain security, the company gives full play to the operating characteristics and advantages of “dynamic rotation” and “constant storage and constant replacement” and fully participates in market competition. In the process of market-oriented self-management, the company continues to optimize and innovate the grain storage logistics mode and the grain and oil distribution docking mode, so that the market competitiveness and regulation power have significantly enhanced, the main channel advantages of grain and oil supply have been further stabilized, and the main position of grain and oil industry has further highlighted.

## Section IV Discussion and Analysis of the Operation

### I. Introduction

During the reporting period, Shenzhen Cereals Holdings earnestly implemented the annual key work and strategic planning objectives, implemented major asset restructuring, acquired 100% equity of Shenzhen Cereals Group, and achieved the overall listing of local state-owned grain enterprises. The company's main business newly increased grain and oil reserves, grain and oil trade, grain and oil processing, and service business for grain and oil circulation and grain and oil reserves based on the production, research and development and sales of food raw materials (ingredients) mainly based on tea and natural plant deep processing, and the company transformed into the track of "double main business" developing shoulder to shoulder.

During the reporting period, Shenzhen Cereals Holdings focused on creating "a quality service provider for grain supply chain and a safe and quality food supplier", took continuous innovation and development as the principle line, and insisted on quality leading and innovation driving. The operating efficiency of the whole year continued to improve, the company was awarded the "Top 500 Chinese Service Enterprises" and the subordinate Shenzhen Cereals Group was successfully selected into the list of "Double Hundred Actions" enterprises under the State Council's state-owned enterprise reform, and its subsidiary, Wuyuan Jufangyong, was recognized as a national high-tech enterprise.

#### 1. Main business development

As the "grain security" project and "rice bag" of Shenzhen, Shenzhen Cereals Holdings guaranteed both quality and quantity and completed the government reserve services during the reporting period, with monthly average grain reserves reaching 1,014,200 tons and oil reserves reaching 12,100 tons, and guaranteed that Shenzhen's grain and oil were in liberal supply and the prices were stable through balance rotation of grain and oil.

During the reporting period, based on its own advantages and industrial development, the company used informationization technology, innovated and opened up supply channels and trading methods for grain and oil products, built the "three-in-one" food service networks for family-oriented customers, schools, office buildings, large enterprises and institutions, as well as feed mills and factories, expanded the effective and medium-to-high-end supply of grain and oil to meet the needs of "quality, diversity, nutrition, health, greenness and convenience", and realized the transformation of grain supply from "eat enough" to "eat well". First, the members of its "duoximi.com" online member + offline unmanned retail model have reached more than 350,000 families, annual income exceeded 100 million yuan. Second, its subsidiary SZCG Big Kitchen Food Supply Chain Co., Ltd provided one-stop kitchen distribution services for high-end office buildings, schools, hospitals, enterprises and institutions, catering and other units, serving more than 400,000 people per year. Third, its "online bulk grain and oil trading platform" expanded the processing of raw materials and brought together the service business, with an annual turnover exceeding 5 million tons, and the turnover reached 11 billion yuan.

During the reporting period, the subordinate SZCG Quality Test passed the CATL qualification certification of agricultural products and obtained the CMA certificate, 6,223 samples were tested throughout the year, an increase

of 24% on a year-on-year basis, including 1217 samples tested for external customers. Checked the inventory of provincial-level grain and oil, the quality compliance rate of grain storage in the northeast region was 100%, and the quality compliance rate of municipal grain and oil inventory was 98%. In addition, the satisfactory results of the military grain service satisfaction assessment were 100%, and got “0” complaints throughout the year.

## 2. Key projects

During the reporting period, the company’s Dongguan grain logistics nodes project simultaneously carried out the construction of 510,000 tons of CDE silos, food deep processing projects, and terminal phase I and other projects. The progress of the pile foundation project of the CDE silos project reached 90%, and the main construction of the food deep processing project was basically completed. The international food terminal achieved an upgrade of 15,000 tons of berthing capacity, and 406 vessels were loaded and unloaded throughout the year, and the transfer volume exceeded 400,000 tons. The company has won many honors such as “Key Agricultural Leading Enterprises of Guangdong Province” and “National Reassuring Grain and Oil Demonstration and Storage Enterprise”.

During the reporting period, [www.zglsjy.com.cn](http://www.zglsjy.com.cn) was fully launched on the platform, and held the first bran bidding fair in February 2018, and a total of 133 bidding fairs were held throughout the year. In addition, [www.zglsjy.com.cn](http://www.zglsjy.com.cn) and Ping An Bank jointly launched the “Spot Trading Link” three-party depository, realizing all transactions through margin trading online.

## 3. Continue to innovate and develop

During the reporting period, Shenzhen Cereals Holdings established the SZCG Research Institute to ensure the sustainable and healthy development of innovation. At present, the innovative R&D system with SZCG Research Institute as the core and with Shenyuan Data and Product Research and Development Center of Flour Company, duoximi Quality Test R&D Department and SZCG Storage Branch Technology Center as the key supports has been formed, and the traction business continued to develop. Continued to promote informatization construction, accelerated the construction and improvement of decision support systems, and upgraded the core business system of the constituent companies, including: the completion of Dongguan Intelligent Logistics Park Informationization Phase I, Flour Storage Informationization Phase II, and SZCG Digitalization Lab Phase I; the Grain Supply Chain Management Information System (referred to as “Grain SCM System”) was applied in 6 units as planned; undertook the “Grain Safety Project” of the Grain Depot directly under Dongguan Development and Reform Bureau, and expanded the external informationization projects such as Guangdong Guanxiang, Tailiang Rice and Huizhou military supply “grain safety project”; the Shenyuan Data Company undertook projects worth more than 10 million yuan in 2018.

In addition, the company continued to master key intellectual property rights in the core areas of industry information construction. During the report period, it obtained 1 new computer software copyright, and 5 other applications are in the process. Up to now, the company has 62 patents and 20 copyrights.

## 4. Safe production

During the reporting period, Shenzhen Cereals Holdings adhered to the concept of “management-oriented, safety-oriented” safety development, and implemented the responsibility system for production safety to ensure zero accidents in safety production throughout the year. Including: the company completed various safety production

control indicators; took the lead in comprehensively carrying out the construction of safety standardization system and the establishment of dual prevention mechanisms among the municipal state-owned enterprises in the whole city in the company's overall form; fully completed the safety education and training for all types of personnel required by the "Responsibility Regulations on Safe Production Entities of Production and Operation Units in Shenzhen.

In 2018, the Company achieved total operating income of 10,758,780,000 Yuan, an increase of 3,307.27% over the same period of last year(before reorganization); operating profit of 341,230,000 Yuan, an increase of 696.76% over the same period of last year(before reorganization); net profit attributable to shareholders of the listed Company of 308340000 Yuan, an increase of 670% over the same period of last year(before reorganization). The changes in net profit attributable to shareholders of the listed Company mainly because the Company completed material assets reorganization in the period, the performance of SZCG are including in the Company for in the consolidate statement scope as a wholly-owned subsidiary.

## II. Main business analysis

### 1. Introduction

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

### 2. Income and cost

#### (1) Constitute of operating income

In RMB

|                                          | 2018              |                           | 2017              |                           | Increase/decrease y-o-y (+,-) |
|------------------------------------------|-------------------|---------------------------|-------------------|---------------------------|-------------------------------|
|                                          | Amount            | Ratio in operation income | Amount            | Ratio in operation income |                               |
| Total operating income                   | 10,758,782,838.14 | 100%                      | 10,793,693,156.79 | 100%                      | -0.32%                        |
| According to industries                  |                   |                           |                   |                           |                               |
| Industry                                 | 695,553,870.44    | 6.46%                     | 725,888,522.28    | 6.73%                     | -4.18%                        |
| Trading                                  | 9,195,475,394.07  | 85.47%                    | 9,251,910,218.70  | 85.72%                    | -0.61%                        |
| Reserve and warehousing logistic service | 750,725,543.50    | 6.98%                     | 689,991,273.21    | 6.39%                     | 8.80%                         |
| Leasing business and other               | 117,028,030.13    | 1.09%                     | 125,903,142.60    | 1.17%                     | -7.05%                        |
| According to products                    |                   |                           |                   |                           |                               |
| Tea and seasoning                        | 279,394,901.18    | 2.60%                     | 307,578,675.27    | 2.85%                     | -9.16%                        |
| Grain and oil reserve                    | 691,544,621.62    | 6.43%                     | 639,830,385.04    | 5.93%                     | 8.08%                         |

|                                      |                   |        |                   |        |        |
|--------------------------------------|-------------------|--------|-------------------|--------|--------|
| service                              |                   |        |                   |        |        |
| Grain and oil trading and processing | 9,611,634,363.33  | 89.34% | 9,670,220,065.71  | 89.59% | -0.61% |
| Warehousing logistics service        | 59,180,921.88     | 0.55%  | 50,160,888.17     | 0.46%  | 17.98% |
| Other                                | 117,028,030.13    | 1.09%  | 125,903,142.60    | 1.17%  | -7.05% |
| According to region                  |                   |        |                   |        |        |
| Domestic market                      | 10,717,552,556.45 | 99.62% | 10,756,701,331.93 | 99.66% | -0.36% |
| Exportation                          | 41,230,281.69     | 0.38%  | 36,991,824.86     | 0.34%  | 11.46% |

**(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?

No

In RMB

|                                      | Operating income  | Operating cost   | Gross profit ratio | Increase/decrease of operating income y-o-y | Increase/decrease of operating cost y-o-y | Increase/decrease of gross profit ratio y-o-y |
|--------------------------------------|-------------------|------------------|--------------------|---------------------------------------------|-------------------------------------------|-----------------------------------------------|
| According to industries              |                   |                  |                    |                                             |                                           |                                               |
| Trading                              | 9,195,475,394.07  | 8,827,089,691.12 | 4.01%              | -0.61%                                      | -1.45%                                    | 0.82%                                         |
| According to products                |                   |                  |                    |                                             |                                           |                                               |
| Grain and oil trading and processing | 9,611,634,363.33  | 9,210,878,430.16 | 4.17%              | -0.61%                                      | -1.48%                                    | 0.85%                                         |
| According to region                  |                   |                  |                    |                                             |                                           |                                               |
| Domestic market                      | 10,717,552,556.45 | 9,661,039,061.95 | 9.86%              | -0.36%                                      | -1.61%                                    | 1.15%                                         |

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 | 2018         | 2017         | Increase/decrease y-o-y (+,-) |
|------------|--------------|------|--------------|--------------|-------------------------------|
| Trading    | Sales volume | Ton  | 4,100,188.31 | 4,361,341.54 | -5.99%                        |
|            | Output       | Ton  | 0            | 0            | 0                             |
|            | Storage      | Ton  | 1,004,124.93 | 1,104,062.8  | -9.05%                        |

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



Applicable  Not applicable

**(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          | 2018             |                         | 2017             |                         | Increase/decrease y-o-y (+,-) |
|------------|---------------|------------------|-------------------------|------------------|-------------------------|-------------------------------|
|            |               | Amount           | Ratio in operation cost | Amount           | Ratio in operation cost |                               |
| Trading    | Raw materials | 8,827,089,691.12 | 91.06%                  | 8,957,020,243.19 | 90.96%                  | -1.45%                        |

In RMB

| Products                             | Item               | 2018             |                         | 2017             |                         | Increase/decrease y-o-y (+,-) |
|--------------------------------------|--------------------|------------------|-------------------------|------------------|-------------------------|-------------------------------|
|                                      |                    | Amount           | Ratio in operation cost | Amount           | Ratio in operation cost |                               |
| Grain and oil trading and processing | Raw materials      | 9,185,461,514.60 | 94.76%                  | 9,326,537,456.25 | 94.71%                  | -1.51%                        |
| Grain and oil trading and processing | Labor wage         | 2,659,530.58     | 0.03%                   | 1,709,723.80     | 0.02%                   | 55.55%                        |
| Grain and oil trading and processing | Cost of production | 22,757,384.98    | 0.23%                   | 21,037,961.83    | 0.21%                   | 8.17%                         |

Explanation

Nil

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

Yes  No

Change of the consolidate scope due to the material assets reorganization in the period, that is, acquired 100 percent shares of Shenzhen Cereals Group Co., Ltd held by Fude Capital Group in way of shares offering; the subordinate enterprises of Shenzhen Cereals Group Co., Ltd as Shenzhen Flour Co., Ltd. are included in the scope for consolidate statement.

According to the relevant agreement signed between SZCG and Fude Capital on the transfer of stripped assets for free arising from material assets reorganization, Zhanjiang Haitian Aquatic Feed Co., Ltd does not belong to the scope of material assets reorganization. The equity of Zhanjiang Haitian Aquatic Feed held SZCG are transfer to Fude Capital for free, which is not included in the consolidate scope.

| Enterprise                      | Reasons for changes                        |
|---------------------------------|--------------------------------------------|
| Shenzhen Cereals Group Co., Ltd | Enterprise combined under the same control |
| Shenzhen Flour Co., Ltd         | Enterprise combined under the same control |

|                                                                             |                                                       |
|-----------------------------------------------------------------------------|-------------------------------------------------------|
| Shenzhen Hualian Grain & Oil Trade Co., Ltd.                                | Enterprise combined under the same control            |
| Hainan Haitian Aquatic Feed Co., Ltd                                        | Enterprise combined under the same control            |
| SZCG Quality Inspection Co., Ltd.                                           | Enterprise combined under the same control            |
| SZCG Doximi Business Co., Ltd.                                              | Enterprise combined under the same control            |
| SZCG Cold-Chain Logistic Co., Ltd.                                          | Enterprise combined under the same control            |
| SZCG Big Kitchen Food Supply Chain Co., Ltd.                                | Enterprise combined under the same control            |
| SZCG Real Estate Development Co., Ltd.                                      | Enterprise combined under the same control            |
| SZCG Property Management Co., Ltd.                                          | Enterprise combined under the same control            |
| SZCG Storage (Yingkou) Co., Ltd.                                            | Enterprise combined under the same control            |
| Dongguan SZCG Logistics Co., Ltd.                                           | Enterprise combined under the same control            |
| Dongguan International Food Industrial Park Development Co., Ltd.           | Enterprise combined under the same control            |
| Dongguan SZCG Oil & Food Trade Co., Ltd.                                    | Enterprise combined under the same control            |
| Dongguan Golden Biology Tech. Co., Ltd.                                     | Enterprise combined under the same control            |
| Shuangyashan SZCG Zhongxin Cereals Base Co., Ltd.                           | Enterprise combined under the same control            |
| Heilongjiang Hongxinglong Nongken Shenxin Cereals Industrial Park Co., Ltd. | Enterprise combined under the same control            |
| Zhanjiang Haitian Aquatic Feed Co., Ltd                                     | Stripped without compensation from state-owned shares |

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

√ Applicable □ Not applicable

【参考派出翻译】报告期内，公司完成了重大资产重组，公司主营业务在茶及天然植物精深加工为主的食品原料（配料）生产、研发和销售的基础上增加粮油储备、Grain & oil trading、粮油加工等粮油流通及Grain and oil reserve service业务。粮食Trading业务主要为大米、小麦、稻谷、玉米、高粱、食用油等储备粮油品种。粮油加Industry务主要为加工并销售面粉、大米、食用油等产品，品牌包括“深粮多喜”“向日葵”“红荔”等。【参考派出翻译】

### (8) Major sales and main suppliers

#### Major sales of the Company

|                                                                                  |                  |
|----------------------------------------------------------------------------------|------------------|
| Total top five clients in sales (RMB)                                            | 3,959,163,581.30 |
| Proportion in total annual sales volume for top five clients                     | 36.79%           |
| 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   | 1,484,981,070.58 | 13.80%                           |
| 2      | Client II  | 1,135,231,059.13 | 10.55%                           |
| 3      | Client III | 675,421,881.58   | 6.28%                            |
| 4      | Client IV  | 337,224,099.51   | 3.13%                            |
| 5      | Client V   | 326,305,470.50   | 3.03%                            |
| Total  | --         | 3,959,163,581.30 | 36.79%                           |

Other explanation on main clients

Applicable√Not applicable

#### Main suppliers of the Company

|                                                                                           |                  |
|-------------------------------------------------------------------------------------------|------------------|
| Total purchase amount from top five suppliers (RMB)                                       | 3,910,469,944.38 |
| Proportion in total annual purchase amount for top five suppliers                         | 40.53%           |
| 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   | 936,211,349.86        | 9.70%                                      |
| 2      | Supplier II  | 911,945,686.63        | 9.45%                                      |
| 3      | Supplier III | 898,884,092.95        | 9.32%                                      |
| 4      | Supplier IV  | 621,211,483.87        | 6.44%                                      |
| 5      | Supplier V   | 542,217,331.07        | 5.62%                                      |
| Total  | --           | 3,910,469,944.38      | 40.53%                                     |

#### Other explanation on main suppliers

Applicable√Not applicable

### 3. Expenses

In RMB

|                         | 2018           | 2017           | Increase/decrease<br>y-o-y (+,-) | Note of major changes                                                                                      |
|-------------------------|----------------|----------------|----------------------------------|------------------------------------------------------------------------------------------------------------|
| Sales expenses          | 255,021,072.54 | 275,025,028.88 | -7.27%                           | Warehouse rental fee, port terminal fee and logistic transportation fee declined                           |
| Administration expenses | 246,543,836.47 | 193,136,022.27 | 27.65%                           | Long-term assets depreciation & amortization fee, intermediary fees and office expenses & salary increased |
| Financial expenses      | 10,131,313.25  | -3,335,527.31  | 403.74%                          | More loans for engineering needs from subsidiary Dongguan Logistic                                         |
| R&D expenses            | 10,979,464.64  | 9,827,707.76   | 11.72%                           |                                                                                                            |

### 4. R&D investment

√ Applicable□Not applicable

During the reporting period, 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 67 customer projects, and successfully

developed more than 60 new products and for sales, including tea raw materials, tea powder, tea concentrated juice, plant extracts, and food and beverage products. In reporting period, three national invention patents were applied for, two papers were published, one patent certificate was obtained and two authorized patents were in the process of certification.

During the reporting period, Shenzhen Flour adhered to the philosophy of “Quality First, Customer First”, and provided comprehensive technical services for more than 60 customers in 2018 to help customers solve problems in the process of using powder; united customers to hold exhibitions and promotion conference to improve the information coverage of enterprise and brand and word-of-mouth, successfully helped develop 13 new customers, increased sales of products; carried out a series of monitoring from raw grain to finished products (baking test, quality analysis, fine-tuning of recipe, etc.), stabilized the company’s product quality, guaranteed the balance of the company’s products, and continuously improved and upgraded the products according to market feedback and quality analysis of similar products. Actively developed new products to meet the needs of customers, broadened the company’s product line, and successfully developed 3 new products in 2018, including top low-gluten flour, burger flour, and pressed bread flour.

During the reporting period, the company developed and implemented a total of 9 information system projects, including: grain SCM system; internal control of the group; Dongguan Intelligent Grain Logistics Park Phase I; SZCG Storage Branch digital quality inspection system; flour informationization phase II; duoximi ERP and Group EAS docking; military mobile phone intelligent sales system; cold chain mobile phone reservation system; Big Kitchen network was developed and upgraded. Among them, the grain SCM system is a supply chain management system tailored by SZCG for the grain industry. In 2018, the grain SCM system was fully launched and applied in the subordinate Purchase and Sales Branch, Storage Branch and Big Kitchen Company, and realized the grain source base selection, procurement planning, contract approval, logistics arrangement, grading management, storage location management, sales and distribution, and other aspects of the entire process control, so that information flow became more intelligent, process became clearer, and authority management became more detailed.

#### R&D investment of the Company

|                                                            | 2018          | 2017         | Change ratio |
|------------------------------------------------------------|---------------|--------------|--------------|
| Number of R&D (people)                                     | 67            | 47           | 42.55%       |
| Ratio of number of R&D                                     | 6.11%         | 3.47%        | 2.64%        |
| R&D investment (Yuan)                                      | 10,979,464.64 | 9,827,707.76 | 11.72%       |
| investment accounted for operation income                  | 0.10%         | 0.09%        | 0.01%        |
| R&D investment capitalization (Yuan)                       | 0.00          | 0.00         | 0.00         |
| Capitalization R&D investment accounted for R&D investment | 0.00%         | 0.00%        | 0.00%        |

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

## 5. Cash flow

In RMB

| Item                                               | 2018              | 2017              | Increase/decrease y-o-y (+,-) |
|----------------------------------------------------|-------------------|-------------------|-------------------------------|
| Subtotal of cash in-flow from operation activity   | 11,015,888,418.12 | 11,471,067,597.46 | -3.97%                        |
| Subtotal of cash out-flow from operation activity  | 10,716,784,782.54 | 11,454,008,905.58 | -6.44%                        |
| Net cash flow arising from operating activities    | 299,103,635.58    | 17,058,691.88     | 1,653.38%                     |
| Subtotal of cash in-flow from investment activity  | 195,610,693.45    | 346,202,583.23    | -43.50%                       |
| Subtotal of cash out-flow from investment activity | 669,839,107.07    | 639,452,266.94    | 4.75%                         |
| Net cash flow from investment activity             | -474,228,413.62   | -293,249,683.71   | -61.71%                       |
| Subtotal of cash in-flow from financing activity   | 562,240,181.56    | 339,096,993.25    | 65.81%                        |
| Subtotal of cash out-flow from financing activity  | 302,433,961.14    | 282,762,015.63    | 6.96%                         |
| Net cash flow from financing activity              | 259,806,220.42    | 56,334,977.62     | 361.18%                       |
| Net increased amount of cash and cash equivalent   | 87,197,600.23     | -215,136,841.07   | 140.53%                       |

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

Applicable  Not applicable

Change of cash in-flow from operation activity: sales in the period declined over that of last year.

Change of cash out-flow from operation activity: expenses for purchasing inventory declined over that of last year.

Change of cash flow from investment activity: Investment for construction of progress of joint project engineering from Dongguan Logistic increased; and land transfer fee and reimbursement of land price for parts of the property.

Change of cash in-flow from financing activity: Investment for construction of progress of joint project engineering from Dongguan Logistic, the bank loans increased;

Change of cash out-flow from financing activity: loans as well as the loans interest paid in the period increased

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

|  | Amount | Ratio in total profit | Note | Whether be sustainable |
|--|--------|-----------------------|------|------------------------|
|--|--------|-----------------------|------|------------------------|

|                                      |                |        |                                                                                                                                                                                                                                                                      |               |
|--------------------------------------|----------------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Investment income                    | 1,724,353.15   | 0.51%  |                                                                                                                                                                                                                                                                      | Unsustainable |
| Gains/losses of fair value variation | -474,740.24    | -0.14% |                                                                                                                                                                                                                                                                      | Unsustainable |
| Asset impairment                     | 199,636,023.51 | 58.83% | Reasons including: inventory falling price reserves increased; If the reserve for depreciation of inventory has been calculated for the sold inventory, the reserve for depreciation of inventory has been carried forward to reduce the current main business cost. | Unsustainable |
| Non-operating income                 | 1,390,434.84   | 0.41%  |                                                                                                                                                                                                                                                                      | Unsustainable |
| Non-operating expense                | 3,266,448.43   | 0.96%  |                                                                                                                                                                                                                                                                      | Unsustainable |

#### IV. Assets and liability

##### 1. Major changes of assets composition

In RMB

|                             | End of 2018      |                       | End of 2017      |                       | Ratio changes | Notes of major changes                                             |
|-----------------------------|------------------|-----------------------|------------------|-----------------------|---------------|--------------------------------------------------------------------|
|                             | Amount           | Ratio in total assets | Amount           | Ratio in total assets |               |                                                                    |
| Monetary fund               | 631,638,339.68   | 9.76%                 | 544,440,739.45   | 9.21%                 | 0.55%         |                                                                    |
| Account receivable          | 473,646,886.64   | 7.32%                 | 193,727,800.13   | 3.28%                 | 4.04%         |                                                                    |
| Inventory                   | 2,811,802,600.19 | 43.47%                | 2,938,467,812.31 | 49.71%                | -6.24%        | The Company reduce grain stocks according to the market conditions |
| Investment real estate      | 282,622,184.92   | 4.37%                 | 319,023,095.62   | 5.40%                 | -1.03%        |                                                                    |
| Long-term equity investment | 70,999,666.81    | 1.10%                 | 35,755,171.55    | 0.60%                 | 0.50%         |                                                                    |
| Fix assets                  | 993,136,743.51   | 15.35%                | 1,052,866,458.21 | 17.81%                | -2.46%        |                                                                    |
| Construction in progress    | 186,586,135.06   | 2.88%                 | 70,735,978.49    | 1.20%                 | 1.68%         |                                                                    |

|                  |                |       |                |       |        |  |
|------------------|----------------|-------|----------------|-------|--------|--|
| Short-term loans | 91,600,000.00  | 1.42% | 169,800,000.00 | 2.87% | -1.45% |  |
| Long-term loans  | 516,687,791.66 | 7.99% | 195,647,403.88 | 3.31% | 4.68%  |  |

## 2. Assets and liability measured by fair value

√ Applicable   □ Not applicable

In RMB

| Item                                                                                                                                        | Amount at the beginning period | Changes of fair value gains/losses in this period | Accumulative changes of fair value reckoned into equity | Devaluation of withdrawal in the period | Amount of purchase in the period | Amount of sale in the period | Amount in the end of period |
|---------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------------------------------|---------------------------------------------------------|-----------------------------------------|----------------------------------|------------------------------|-----------------------------|
| Financial assets                                                                                                                            |                                |                                                   |                                                         |                                         |                                  |                              |                             |
| 1. Financial assets measured by fair value and whose change is recorded in current gains and losses (excluding derivative financial assets) | 1,599,668.20                   | -474,740.24                                       | 43,861.87                                               |                                         |                                  |                              | 1,124,927.96                |
| Aforementioned total                                                                                                                        | 1,599,668.20                   | -474,740.24                                       | 43,861.87                                               |                                         |                                  |                              | 1,124,927.96                |
| Financial liabilities                                                                                                                       | 0.00                           | 0.00                                              | 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

In RMB

| Item                     | Original book value | Book value     | Reasons for restriction                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------|---------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Intangible assets        | 52,777,696.83       | 47,406,749.48  | According to the long-term loan mortgage contract signed by Dongguan Logistics, a subsidiary of the Company, and Agricultural Development Bank, Dongguan Logistics mortgaged the land (DFGY (2014) DT No. 6) of No. 32, Jianshe Road, Masan Village, Machong Town, Dongguan City and the grain storage and terminal facilities to be built and other buildings and structures on the ground to Agricultural Development Bank as collateral for the loan. |
| Fixed assets             | 400,834,811.27      | 377,777,105.09 |                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Construction in progress | 39,276,418.03       | 39,276,418.03  |                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Intangible assets        | 45,580,368.97       | 36,339,192.71  | According to the loan contract of “Guangdong DG 2017 NGDZ No. 006” signed by Dongguan Food Industry Park, a subsidiary of the Company, and Bank of Communications Guangdong Branch, Dongguan Food Industry Park mortgaged its two pieces of lands (DFGY (2009) DT No. 190) and (DFGY (2012) DT No. 152) to Bank of Communications Guangdong Branch as collateral for the borrowing.                                                                      |
| Total                    | 538,469,295.10      | 500,799,465.31 |                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

| Item                     | Original book value | Book value | Reasons for restriction                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------|---------------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Item                     | Original book value |            | Reasons for restriction                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Intangible assets        | 52,777,696.83       |            | According to the long-term loan mortgage contract signed by Dongguan Logistics, a subsidiary of the Company, and Agricultural Development Bank, Dongguan Logistics mortgaged the land (DFGY (2014) DT No. 6) of No. 32, Jianshe Road, Masan Village, Machong Town, Dongguan City and the grain storage and terminal facilities to be built and other buildings and structures on the ground to Agricultural Development Bank as collateral for the loan. |
| Fixed assets             | 400,834,811.27      |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Construction in progress | 39,276,418.03       |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Intangible assets        | 45,580,368.97       |            | According to the loan contract of “Guangdong DG 2017 NGDZ No. 006” signed by Dongguan Food Industry Park, a subsidiary of the Company, and Bank of Communications Guangdong Branch, Dongguan Food Industry Park mortgaged its two pieces of lands (DFGY (2009) DT No. 190) and (DFGY (2012) DT No. 152) to Bank of Communications Guangdong Branch as collateral for the borrowing.                                                                      |
| Total                    | 538,469,295.10      |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

## V. Investment analysis

### 1. Overall situation

√ Applicable □ Not applicable

| Investment in reporting period (Yuan) | Investment in the same period of last year (Yuan) | Range  |
|---------------------------------------|---------------------------------------------------|--------|
| 294,171,532.43                        | 6,400,000                                         | 4,496% |

### 2. The major equity investment obtained in the reporting period

√ Applicable □ Not applicable

In RMB

| Invested enterprise    | Main business         | Investment ways | Investment amount | Shareholding ratio | Capital resources | Partners     | Term of investment | Product type   | Progress as at balance sheet date | Estimated revenue | Investment loss in the period | Whether has litigation involved (Y/N) | Disclosure date (if applicable) | Disclosure index (if applicable)                       |
|------------------------|-----------------------|-----------------|-------------------|--------------------|-------------------|--------------|--------------------|----------------|-----------------------------------|-------------------|-------------------------------|---------------------------------------|---------------------------------|--------------------------------------------------------|
| Shenzhen Cereals Group | Grain and oil trading | Acquisition     | --                | 100%               | Issued shares     | Fude Capital | Not applicable     | Not applicable | Completed                         | 390,000.00        | 401,987,820.86                | N                                     | 2018-6-11                       | Found more in Notice of the Company released on Juchao |



|                  |                                                                                |    |    |    |    |    |     |         |    |            |                |    |    |                                |
|------------------|--------------------------------------------------------------------------------|----|----|----|----|----|-----|---------|----|------------|----------------|----|----|--------------------------------|
| p<br>Co.,<br>Ltd | proc<br>essi<br>ng,<br>War<br>eho<br>usin<br>g<br>logi<br>stics<br>serv<br>ice |    |    |    |    |    | ble | bl<br>e |    |            |                |    |    | website<br>(www.cninfo.com.cn) |
| Total            | --                                                                             | -- | -- | -- | -- | -- | --  | --      | -- | 390,000.00 | 401,987,820.86 | -- | -- | --                             |

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

√ Applicable □ Not applicable

In RMB

| Item                                                                                   | Investment ways | Whether it is the investment for fixed assets (Y/N) | Industry with the investment involved | Amount input in the period | Accumulated actual input as of the end of reporting period | Capital resources          | Progress | Estimated revenue | Income accumulated at end of the reporting period | Reasons for failure to achieve planned progress and expected benefits | Disclosure date (if applicable) | Disclosure index (if applicable) |
|----------------------------------------------------------------------------------------|-----------------|-----------------------------------------------------|---------------------------------------|----------------------------|------------------------------------------------------------|----------------------------|----------|-------------------|---------------------------------------------------|-----------------------------------------------------------------------|---------------------------------|----------------------------------|
| Grain storage and wharf complementary engineering of Dongguan SZCG Logistics Co., Ltd. | Self-build      | Y                                                   | Storage and wharf                     | 55,159,418.07              | 301,605,773.69                                             | Owned funds and bank loans | 75.40%   | 38,483,400.00     | 41,199,404.09                                     | Start-up of the wharf project later than expected                     |                                 |                                  |
| Grain storage and wharf complementary engineering                                      | Self-build      | Y                                                   | Storage and wharf                     | 55,738,511.77              | 179,679,302.57                                             | Owned funds and bank loans | 100.00%  | 17,068,400.00     | -                                                 | -                                                                     |                                 |                                  |

|                                                                                                             |            |    |                    |                |                  |                            |        |               |               |                                   |    |    |
|-------------------------------------------------------------------------------------------------------------|------------|----|--------------------|----------------|------------------|----------------------------|--------|---------------|---------------|-----------------------------------|----|----|
| (Phase II) of Dongguan SZCG Logistics Co., Ltd.                                                             |            |    |                    |                |                  |                            |        |               |               |                                   |    |    |
| Food logistics and wharf matching project of Dongguan SZCG Logistics Co., Ltd.                              | Self-build | Y  | Warehouse logistic | 5,938,738.07   | 11,071,222.92    | Owned funds                | 2.25%  |               |               | -                                 |    |    |
| Warehouse logistic distribution center of Dongguan International Food Industrial Park Development Co., Ltd. | Self-build | Y  | Warehouse logistic | 41,834,440.79  | 271,437,590.22   | Owned funds and bank loans | 30.55% | 37,108,900.00 |               | Adjustment of construction scheme |    |    |
| Food processing project of Dongguan SZCG Oil & Food Trade Co., Ltd.                                         | Self-build | Y  | Flour processing   | 33,109,558.34  | 39,276,418.03    | Owned funds                | 13.45% |               |               | -                                 |    |    |
| Land use right                                                                                              | Self-build | N  | Construction       | 39,890,865.39  | 203,743,457.22   | Owned funds                |        |               |               | -                                 |    |    |
| Total                                                                                                       | --         | -- | --                 | 231,671,532.43 | 1,006,813,764.65 | --                         | --     | 92,660,700.00 | 41,199,404.09 | --                                | -- | -- |

#### 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 | Cumulative fair value changes in | Current purchase amount | Current sales amount | Profit and loss in the Reporting | Book value at the end of the period | Accounting subject | Capital Source |
|-----------------------|--------------------|--------------------------|-------------------------|------------------------------|-------------------------------------------|--------------------------------------|----------------------------------|-------------------------|----------------------|----------------------------------|-------------------------------------|--------------------|----------------|
|                       |                    |                          |                         |                              |                                           |                                      |                                  |                         |                      |                                  |                                     |                    |                |

|                                                                                              |                |       |    |                         |              | profit<br>and loss | equity    |      |      | Period      |              |                                     |                                      |
|----------------------------------------------------------------------------------------------|----------------|-------|----|-------------------------|--------------|--------------------|-----------|------|------|-------------|--------------|-------------------------------------|--------------------------------------|
| Domestic and overseas stock                                                                  | 000017         | CBC-A | -- | Fair value measurements | 1,599,668.20 | -474,740.24        | 43,861.87 | 0.00 | 0.00 | -474,740.24 | 1,124,927.96 | Financial assets available for sale | Paid shares from debt reorganization |
| Total                                                                                        |                |       | -- | --                      | 1,599,668.20 | -474,740.24        | 43,861.87 | 0.00 | 0.00 | -474,740.24 | 1,124,927.96 | --                                  | --                                   |
| 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 income  | Operating profit | Net profit     |
|----------------------------------------------|------------|---------------------------------------------------------------|------------------|------------------|------------------|-------------------|------------------|----------------|
| Shenzhen Cereals Group Co., Ltd              | Subsidiary | Grain & oil trading processing, Grain and oil reserve service | 1,530,000,000.00 | 5,530,296,554.50 | 3,481,379,571.43 | 10,468,857,056.92 | 449,696,262.10   | 427,835,409.08 |
| Shenzhen Hualian Grain & Oil Trade Co., Ltd. | Subsidiary | Grain & oil trading                                           | 31,180,000.00    | 1,076,989,175.15 | 194,154,007.83   | 4,153,366,944.73  | 75,706,224.41    | 73,910,678.33  |
| Shenzhen Flour Co., Ltd                      | Subsidiary | Grain & oil trading processing                                | 30,000,000.00    | 945,013,952.04   | 236,010,016.38   | 2,847,662,565.99  | 67,899,300.91    | 68,055,926.98  |
| Hangzhou Ju Fang Yong Holding Co., Ltd.      | Subsidiary | Production & sales of tea product                             | 175,000,000.00   | 182,616,725.75   | 123,286,165.59   | 27,181,171.90     | -39,757,437.82   | -38,641,080.66 |

Particular about subsidiaries obtained or disposed in report period

√ Applicable □ Not applicable

| Company name                                 | The way of getting and treating subsidiary in the reporting | Influence on overall product and performance             |
|----------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------|
| Shenzhen Cereals Group Co., Ltd              | Acquisition of assets reorganization                        | Impact on net profit of the Company: 427.84 million yuan |
| Shenzhen Flour Co., Ltd                      | Acquisition of assets reorganization                        | Impact on net profit of the Company: 68.06 million yuan  |
| Shenzhen Hualian Grain & Oil Trade Co., Ltd. | Acquisition of assets reorganization                        | Impact on net profit of the Company: 73.91 million yuan  |
| Hainan Haitian Aquatic Feed Co., Ltd         | Acquisition of assets reorganization                        | Impact on net profit of the Company: 1.21 million yuan   |
| SZCG Quality Inspection Co., Ltd.            | Acquisition of assets reorganization                        | Impact on net profit of the Company: 480000 yuan         |

|                                                                             |                                      |                                                                           |
|-----------------------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------------------|
| SZCG Doximi Business Co., Ltd.                                              | Acquisition of assets reorganization | Impact on net profit of the Company: 2.31 million yuan                    |
| SZCG Cold-Chain Logistic Co., Ltd.                                          | Acquisition of assets reorganization | Impact on net profit of the Company: 6.11 million yuan                    |
| SZCG Big Kitchen Food Supply Chain Co., Ltd.                                | Acquisition of assets reorganization | Impact on net profit of the Company: 1.87 million yuan                    |
| SZCG Real Estate Development Co., Ltd.                                      | Acquisition of assets reorganization | Impact on net profit of the Company: 8.58 million yuan                    |
| SZCG Property Management Co., Ltd.                                          | Acquisition of assets reorganization | Impact on net profit of the Company: 780000 yuan                          |
| SZCG Storage (Yingkou) Co., Ltd.                                            | Acquisition of assets reorganization | Impact on net profit of the Company: 5.63 million yuan                    |
| Dongguan SZCG Logistics Co., Ltd.                                           | Acquisition of assets reorganization | Impact on net profit of the Company: 29.97 million yuan                   |
| Dongguan International Food Industrial Park Development Co., Ltd.           | Acquisition of assets reorganization | Impact on net profit of the Company: 330000 yuan                          |
| Dongguan SZCG Oil & Food Trade Co., Ltd.                                    | Acquisition of assets reorganization | Impact on net profit of the Company: -940000 yuan                         |
| Dongguan Golden Biology Tech. Co., Ltd.                                     | Acquisition of assets reorganization | Not yet open, and has no impact on the Company's production and operation |
| Shuangyashan SZCG Zhongxin Cereals Base Co., Ltd.                           | Acquisition of assets reorganization | Impact on net profit of the Company: -800000 yuan                         |
| Heilongjiang Hongxinglong Nongken Shenxin Cereals Industrial Park Co., Ltd. | Acquisition of assets reorganization | Impact on net profit of the Company: -640000 yuan                         |
| Zhanjiang Haitian Feed Industrial Co., Ltd.                                 | Peeling from assets reorganization   | Impact on net profit of the Company: 350000 yuan                          |

Explanation on main holding/stock-jointly enterprise:

Shenzhen Cereals Group Co., Ltd. is a wholly-owned subsidiary of the company, its business scope includes grain and oil purchase and sales, grain and oil storage and supply of military grain; grain and oil and products management and processing (operated by branches); operation and processing of feed (operated by outsourcing); investment in grain and oil, feed logistics projects; establishing grain and oil and feed trading market (including e-commerce market) (market license is also available); information service business (internet information service business only) (operating with value-added telecommunications service business license Guangdong B2-20100081, with a limited period to February 11, 2015); storage (operated by branches); ordinary freight, professional transportation (refrigerated fresh storage) (operated by road transport license No. 440300155916, valid until June 30, 2014); development, operation and management of free property; providing management services for hotels; investing and setting up industries (specific projects are separately declared); domestic trade (excluding franchise, exclusive control, and monopoly commodities); engaging in import and export business (except for projects prohibited by laws, administrative regulations, and decision of the State Council, restricted projects can be operated only after

obtaining permission). Register capital was 1,530,000,000 Yuan. Ended as this period, total assets amounted as 5,530,296,554.50Yuan, and net assets amounting to 3,481,379,571.43Yuan, shareholders' equity attributable to parent Company is 3,330,154,413.59 Yuan; in the reporting period, achieved operation income, net profit and net profit attributable to shareholder of parent Company as 10,468,857,056.92 Yuan, 427,835,409.08Yuan and 412,949,102.83Yuan respectively.

Shenzhen Hualian Grain and Oil Trade Co., Ltd., business scope: general operational projects include domestic trade (except for projects that laws, administrative regulations, and decisions of the State Council require approval before registration); engaging in import and export business (except for projects prohibited by laws, administrative regulations, and decision of the State Council, restricted projects can be operated only after obtaining permission); online feed sales; information consultation, self-owned housing leasing (excluding talent agency services and other restricted items); international freight forwarding, domestic freight forwarding (can only be operated after being approved by the transport department if laws, administrative regulations, State Council decision require the approval of transport department); license business projects include purchase and sale of grain and oil, online sales of grain and oil; information service business (internet information service business only). Register capital was 31,180,000 Yuan. Ended as this period, total assets amounted as 1,076,989,175.15 Yuan, and net assets amounting to 194,154,007.83 Yuan, shareholders' equity attributable to parent Company is 194,154,007.83 Yuan; in the reporting period, achieved operation income, net profit and net profit attributable to parent Company as 4,153,366,944.73 Yuan, 73,910,678.33 Yuan and 73,910,678.33 Yuan respectively.

Shenzhen Flour Co., Ltd., business scope: hardware and electrical equipment, chemical products (excluding hazardous chemicals and restricted items), auto parts, purchase and sales of construction materials; self-operated import and export business (carry out according to the provisions of the registration certificate SMGDZZ No. 76); domestic trade (excluding franchise, exclusive control, monopoly commodities); wheat wholesale and retail; flour processing and production. Register capital was 30,000,000 Yuan. Ended as this period, total assets amounted as 945,013,952.04 Yuan, and net assets amounting to 236,010,016.38 Yuan, shareholders' equity attributable to parent Company is 236,010,016.38 Yuan; in the reporting period, achieved operation income, net profit and net profit attributable to parent Company as 2,847,662,565.99 Yuan, 68,055,926.98 Yuan and 68,055,926.98 Yuan respectively.

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 175,000,000 Yuan. Ended as this period, total assets amounted as 182,616,725.75 Yuan, and net assets amounting to 123,286,165.59 Yuan, shareholders' equity attributable to parent Company is 124,023,180.99 Yuan; in the reporting period, achieved operation income, net profit and net profit attributable to parent Company as 27,181,171.90 Yuan, -38,641,080.66

Yuan and -38,210,926.83 Yuan respectively.

## 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 industry

In 2018, the overall trend of the grain and oil market was weak, and the market prices of specific varieties were quite different. Wheat and rice in the husk were strongly influenced by policy orientation, and prices went down throughout the year with the lowering of minimum purchase price; the marketization of corn was high, and the overall price throughout the year was fluctuating increasingly due to the imbalance of supply and demand; the soybean market was affected by the Sino-US trade war, and the annual price trend was in a downturn; the cooking oil market was affected by the excess supply and high inventory, and the overall price declined sharply.

At present, China has 22,000 enterprises included in the economic statistics of the grain industry, with an annual sales income of 2.9 trillion yuan, which has formed a certain scale. However, due to the lack of innovation capability, the problems of unreasonable industrial structure, short chain, and low-end overcapacity are still outstanding, which is difficult to adapt to the needs of upgrading consumer demand. With the continuous development of the grain industry economy, the grain industry now has strong demand for engineering personnel in grain storage, processing, logistics, etc., while there is a great shortage of high-grade talents in technology, warehousing, logistics, management, international trade, and futures, etc., which cannot meet the needs of high quality development in the grain industry. The grain industry is in a critical period of deepening reform, transformation and development, and is more eager for high-quality and professional talents than ever before. It is necessary to vigorously create a group of management talents, science and technology innovation talents, high-skilled talents and storage talents for grain industry so as to provide talent supports for the development of grain industry economy and the protection of national food security.

According to the statistic data released by China Tea Marketing Association and other institutions, the production and consumption of the tea industry in the country continued to maintain an overall growth trend. In 2018, the area of tea gardens in 18 major tea-producing provinces (autonomous regions and municipalities) throughout the country was 43,956,000 mu, with a year-on-year increase of 1.23 million mu, the growth rate was 2.9%. The national dry raw tea output was 2.616 million tons, an increase of 120,000 tons over the previous year, the growth rate was 4.8%. The total output value of dry raw tea in China exceeded 200 billion yuan for the first time, reaching 215.73 billion yuan, with a year-on-year increase of 20.77 billion yuan, the growth rate was 10.65%. In 2018, the domestic sales volume of Chinese tea was 1.91 million tons, an increase of 93,000 tons compared with the previous year, the growth rate was 5.1%; domestic sales reached 266.1 billion yuan; the average selling price was 139.3 yuan / kg, an increase of 5.2% on a year-on-year basis. However, due to the impact of the macroeconomic environment and weak consumption, the problem of overproduction of tea in the country has become increasingly prominent. Safe, reasonably priced, diversified, younger products and diversified marketing are still the development trend of the tea

industry.

The rapid development of the new tea industry promotes the transformation of the food and beverage consumer market and accelerates the transformation and upgrading of beverage products. Social media has changed the dietary mode in society, consumers expect every dish or drink to be shared, and social sharing becomes one of the core innovations in food, beverage and catering service. While the new tea industry maintains rapid development, the traditional beverage industry is also constantly innovating business models and expanding sales channels; product category structure will be further optimized, and water drinks, tea drinks, and plant-based milk drinks have good development prospects, the functional beverages, low-calorie beverages and healthy nutritious beverages will develop rapidly. As a food and beverage ingredient, tea and natural plant deep processing products have natural and healthy essential characteristics, of which the application in the food and beverage field continues to innovate and develop, and the huge development space of tea drinks and plant beverages lays a good foundation for the development of tea and natural plant deep processing products.

## 2. The competitive landscape of the industry

China is not only a big agricultural producer but also a major grain consumer. China's grain output has achieved bumper harvests in successive years, but it also faces many challenges. Problems such as the transformation of grain production methods, the adjustment of crop planting structure, the import volume of grain remaining high, the increase in marginal cost of production, the intensification of environmental factors, and the contradiction between supply and demand have become increasingly prominent. At the same time, China's grain storage still has weaknesses such as large stocks of grain, low level of inventory facilities, and incomplete storage methods.

The company's tea and natural plant deep processing products are a segment of the tea industry, and have evolved into a market with a relatively concentrated market share. The company's main competitors are the certified suppliers for large-scale food and beverage customers at home and abroad, the price competition in the industry is fierce. At the same time, the increase in raw material prices and labor costs has also led to a significant increase in the production cost of tea deep processing. However, the company has comparative advantages in technological innovation and product innovation, as well as many patented technologies with independent research and development. Moreover, the company is one of the few tea industry chain conglomerates in the industry that have obtained the qualifications of global suppliers.

The competition in various brands and categories of the domestic tea consumption market is becoming increasingly fierce, the marketing promotion methods are constantly innovating, and cross-border cooperation is deepening. With the upgrade of consumption, consumers pay more attention to quality and brand in addition to price issues. Some well-known and brand-name tea companies have gradually expanded their market share and achieved greater development. The safety of tea products still challenges the healthy development of tea industry.

China's economic development has been generally stable with good momentum, the structural reforms of supply side have been continuously deepened, a series of policies and measures to stabilize consumption and adjust structure have continued to play a role, and people's living standards have continued to improve. The expansion of consumer demand and the upgrading of level of the whole society have created a good external environment for the sustainable and healthy development of the tea industry.

## (II) The company's development strategy



Shenzhen Cereals Holdings will focus on the grain and tea business, keep a foothold in Guangdong-Hong Kong-Macao Greater Bay Area, face domestic and international important supply and marketing channels, drive by technology innovation and model innovation, make full use of the capital market, and utilize market-based means to strengthen external mergers and acquisitions and internal reorganization and integration, accelerate the replication and expansion of “SZCG model” such as intelligent grain logistics park and grain informationization, continuously expand the development strength and scale of enterprises, further enhance the market’s comprehensive competitiveness, sustained profitability and anti-risk ability, assume the social responsibility of state-owned enterprises, and commit to building a first-class “grain supply chain high quality service provider” and “safe and high quality food supplier”.

### (III) The company’s 2019 business plan

In 2019, the company will further leverage the capital and brand advantages of listed companies to complete the annual business management objectives. The main work plans are as follows:

First, steadily take the first step after the reorganization, accelerate the reorganization integration work, strengthen the development of the grain and oil industry on the basis of the tea industry, two main businesses develop in parallel, and strengthen the core competitiveness of the enterprise;

Second, accomplish the people’s livelihood security services, ensure to complete the municipal government’s storage tasks, truly achieve “sufficient quantity and good quality”, and play an emergency role when needed;

Third, according to the company’s “13th Five-Year Strategic Planning Objectives”, focus on promoting the construction of Dongguan logistics nodes project, strive for the completion of the foundation project of the 510,000 tons silo project and the completion of the construction of two 10,000-ton berths in the terminal phase I, and put them into trial operation, and the flour processing plant project goes into operation;

Fourth, adhere to the two-wheel drive of technological innovation and model innovation, strengthen the combination of grain and oil business and informationization, and accelerate the pace of the company’s external export technology and services;

Fifth, improve the assessment and incentive mechanism, establish and improve the total compensation and flexible adjustment mechanism of the economic benefits and labor productivity of connected enterprises, and strengthen the endogenous development momentum of enterprises;

Sixth, improve internal management, improve work efficiency, prevent internal risks, and ensure safety production and no liability accidents.

## **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 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

The equity distribution plan for 2018: Based on share capital of 1,152,535,254 on 31 Dec 2018, distributed 1 Yuan (tax included) for every 10-share to all shareholders with zero share bonus (tax included), and 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 | Ratio of the cash bonus in net profit attributable to common stock | Proportion for cash bonus by other ways(i.e. share buy-backs) | Ratio of the cash bonus by other ways in net profit attributable to | Total cash bonus (including other ways) | Ratio of the total cash bonus (other ways included) in net profit |
|-----------------------|--------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------------|
|                       |                                      |                                                                        |                                                                    |                                                               |                                                                     |                                         |                                                                   |

|      |                | in consolidation statement for bonus year | shareholders of listed company contained in consolidation statement |      | common stock shareholders of listed company contained in consolidation statement |                | attributable to common stock shareholders of listed company contained in consolidation statement |
|------|----------------|-------------------------------------------|---------------------------------------------------------------------|------|----------------------------------------------------------------------------------|----------------|--------------------------------------------------------------------------------------------------|
| 2018 | 115,253,525.40 | 308,331,032.44                            | 37.38%                                                              | 0.00 | 0.00%                                                                            | 115,253,525.40 | 37.38%                                                                                           |
| 2017 | 0.00           | 359,174,263.44                            | 0.00%                                                               | 0.00 | 0.00%                                                                            | 0.00           | 0.00%                                                                                            |
| 2016 | 22,581,013.80  | 364,384,734.36                            | 6.20%                                                               | 0.00 | 0.00%                                                                            | 22,581,013.80  | 6.20%                                                                                            |

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

|                                                                                 |                |
|---------------------------------------------------------------------------------|----------------|
| Bonus shares for every 10-share (Share)                                         | 0              |
| Dividends for every 10-share (RMB) (Tax included)                               | 1.00           |
| Shares transferred from every 10 shares (Share)                                 | 0              |
| Equity base of distribution plan (Share)                                        | 1,152,535,254  |
| Cash bonus distribution (RMB) (Tax included)                                    | 115,253,525.40 |
| Cash bonus distribution in other ways (i.e. share buy-backs) (RMB)              | 0.00           |
| Total cash bonus (including other ways) (RMB)                                   | 115,253,525.40 |
| Distributable profits (RMB)                                                     | 165,505,986.31 |
| Ratio of total cash dividend (other ways included) in total profit distribution | 100%           |

### Cash dividend

The Company is in a development stage and has the arrangement of major capital expenses, ratio of cash dividend in profit distribution should reach a minimum of 20% while the profit distributed.

### Detailed explanation on profit distribution or capital accumulation fund conversion plan

After audited by Dahua CPA, in consolidate statement, the net profit attributable to shareholders of parent company amounted as 308,331,032.44 yuan in 2018, net profit of parent company was -34,283,664.43 yuan; ended as 31<sup>st</sup> December 2018, the profit of parent company that can be distributed for shareholders was 165,505,986.31 yuan, balance of consolidate capital public reserves was 1,422,892,729.36 yuan. In line with relevant regulations and Article of Association, and consider the interest of shareholders, BOD plans to submit the equity distribution plan for year of 2018 to shareholders general meeting: based on total share capital 1,152,535,254 shares of the Company on 31<sup>st</sup> December 2018, distributed 1 Yuan (tax included) for every 10-share to all shareholders with zero share bonus (tax included), and no share converted from capital reserve

### III. Implementation of commitment

#### 1. Commitments that the actual controller, shareholders, related party, buyer and the Company have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

√ Applicable □ Not applicable

| Commitments                                           | Commitment party                                      | Type of commitments | Content of commitments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Commitment date | Commitment term       | Implementation     |
|-------------------------------------------------------|-------------------------------------------------------|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------|--------------------|
| Commitments for share merger reform                   |                                                       |                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                 |                       |                    |
| Commitments in report of acquisition or equity change |                                                       |                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                 |                       |                    |
| Commitments in assets reorganization                  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments   | Commitment to non-normal business enterprises: For non-normal business enterprises under Shenzhen Cereals Group (including but not limited to enterprises that have been revoked business licenses, discontinued operation, etc.), the committed person will fully assist, urge and promote Shenzhen Cereals Group to implement the corresponding write-off procedures. After the completion of this reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses due to the abnormal operation of the non-normal business enterprises or the failure to handle write-off procedures in time, the committed person will bear the relevant legal liability, and fully compensate the listed company and the target company within 30 working days after the actual loss occurs. | 2018-03-23      | Implement as promised | Normal performance |
|                                                       | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments   | Relevant Commitments Regarding the Existence of Flaws in Leased Property: The leased house property of Shenzhen Cereals Group and its holding subsidiaries has the following conditions: (1) The lessor has not provided the ownership documentary evidence of the property and/or the documentary evidence proving the lessor has the right to rent out the house property. (2) The lease term of part of the leased house                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2018-03-23      | Implement as promised | Normal performance |

|  |                                                       |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |            |                       |                    |
|--|-------------------------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------------------|--------------------|
|  |                                                       |                   | property is more than 20 years; (3) Shenzhen Cereals Group and its subsidiaries sublet part of the leased house property to a third party without the consent of the lessor; (4) The leased house property of Shenzhen Cereals Group and its holding subsidiary has not been registered for the housing lease. If Shenzhen Cereals Group and its holding subsidiaries are imposed any form of punishment by the relevant government departments or assume any form of legal responsibility, or occur any losses or expenses because their leased place and / or house property do not comply with relevant laws and regulations, the committed person will be willing to bear any losses, damages, claims, costs and expenses incurred, suffered and assumed by Shenzhen Cereals Group and its holding subsidiaries, and protect Shenzhen Cereals Group and its holding subsidiaries from damages. In addition, the committed person will support Shenzhen Cereals Group and its holding subsidiaries to actively advocate their rights to the corresponding parties to maximumly maintain and guarantee the interests of Shenzhen Cereals Group and the listed companies.                                                                                                                                                                                      |            |                       |                    |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments | Commitment Letter on Flaws in House Property and Land: In the case that some of the house properties held by Shenzhen Cereals Group fail to rename the obligee of the property ownership certificate, the committed person will fully assist, urge and promote Shenzhen Cereals Group or its subsidiaries to go through the formalities. After the completion of this reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses due to the failure to rename the obligee of the property ownership certificate, the committed person will bear the relevant legal liability, and fully compensate the listed company and Shenzhen Cereals Group within 30 working days after the actual loss occurs. In view of the fact that some house properties held by Shenzhen Cereals Group fail to complete the registration procedures for ownership transfer, the committed person will fully assist, urge and promote Shenzhen Cereals Group to complete the relevant transfer procedures. After the completion of this reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses due to the failure to rename the obligee of above-mentioned property, the committed person will bear the | 2018-03-23 | Implement as promised | Normal performance |

|  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |  |  |
|--|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|
|  |  | <p>relevant legal liability, and fully compensate the listed company and Shenzhen Cereals Group within 30 working days after the actual loss occurs. In response to the conversion of non-market commercial housing held by Shenzhen Cereals Group into market commercial housing, the committed person will fully assist, urge and promote Shenzhen Cereals Group to go through the formalities. After the completion of this reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses due to the failure to complete the conversion of non-market commercial housing into market commercial housing, the committed person will bear the relevant legal liability, and fully compensate the listed company and Shenzhen Cereals Group within 30 working days after the actual loss occurs. In view of the fact that some house properties of Shenzhen Cereals Group have not been renewed for the land use period, the committed person will fully assist, urge and promote Shenzhen Cereals Group to renew the corresponding land use right period. After the completion of this reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses due to the failure to renew the land use right period, the committed person will bear the relevant legal liability, and fully compensate the listed company and Shenzhen Cereals Group within 30 working days after the actual loss occurs. In view of the fact that some house properties of Shenzhen Cereals Group have not been registered for ownership transfer or renewed the land use period, the committed person will fully assist, urge and promote Shenzhen Cereals Group to handle the corresponding land use rights renewal and ownership transfer registration procedures. After the completion of the reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses due to the failure to complete the above-mentioned land use right renewal and ownership transfer registration procedures, the committed person will bear the relevant legal liability, and fully compensate the listed company and Shenzhen Cereals Group within 30 working days after the actual loss occurs. In view of the fact that the property of SZCG Sungang Warehouse has not completed the registration for converting non</p> |  |  |  |
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|  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |  |  |  |
|--|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|
|  |  | <p>commercial housing into commercial housing, after the completion of the reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses as the property of Sungang Warehouse is not registered for converting non commercial housing into commercial housing in time, the committed person will bear the relevant legal liability, and fully compensate the listed company and Shenzhen Cereals Group within 30 working days after the actual loss occurs. In view of the fact that the land and property of SZCG Shuguang Grain Depot have not passed the completion acceptance nor completed the registration of commercial housing, after the completion of the reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses as the land and property of Shuguang Grain Depot have not timely passed the completion in time nor completed the registration of commercial housing, the committed person will bear the relevant legal liability, and fully compensate the listed company and Shenzhen Cereals Group within 30 working days after the actual loss occurs. In view of the fact that the property of SZCG Flour Factory has not completed the conversion of non-commercial housing into commercial housing and the relocation, after the completion of the reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses as Flour Factory doesn't complete the conversion of non-commercial housing into commercial housing and the relocation, the committed person will bear the relevant legal liability, and fully compensate the listed company and Shenzhen Cereals Group within 30 working days after the actual loss occurs. In view of the fact that the land of Heilongjiang Hongxinglong Nongken Shenxin Grain Industry Park Co., Ltd., a subsidiary of Shenzhen Cereals Group, has not applied for land use right certificates, the committed person will fully assist, urge and promote the subsidiary of Shenzhen Cereals Group to manage the application procedures of the corresponding land use right certificates. After the completion of the reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses because the land use right certificate cannot be issued due to</p> |  |  |  |
|--|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|

|  |                                                       |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |            |                         |                    |
|--|-------------------------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------------------|--------------------|
|  |                                                       |                   | any ownership disputes in the above-mentioned land use right, the committed person will bear the relevant legal liability, and fully compensate the listed company and Shenzhen Cereals Group within 30 working days after the actual loss occurs. If Shenzhen Cereals Group and its holding subsidiaries are required to take back the sites and/or properties or imposed any form of punishment by the relevant government departments or assume any legal liability, or suffer any losses or expenses arising from the modification for flaws in sites and/or properties as the above-mentioned and other self-owned or leased sites and/or properties fail to comply with the relevant laws and regulations, the committed person will assume any losses, damages, claims, costs and expenses incurred, suffered and assumed by Shenzhen Cereals Group and its holding subsidiaries, and protect the list companies and Shenzhen Cereals Group from damages. In addition, the committed person will support the company and its holding subsidiaries to actively advocate rights to the corresponding parties to maximumly maintain and guarantee the interests of the company and its holding subsidiaries. |            |                         |                    |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments | Commitment Letter on the Company's System Reform and System Evaluation of Shenzhen Cereals Group in 1998: After the completion of this restructuring, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses as the system reform is not evaluated or other reasons related to this reform, the committed person will bear the relevant legal liability, and fully compensate the listed company and Shenzhen Cereals Group within 30 working days after the actual loss occurs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 2018-03-23 | Implemented as promised | Normal performance |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments | Commitment on the Adjustment of the Main Business: Within 24 months after the completion of the transaction, the Company has no plan, intention or arrangement to divest the main assets related to the existing business of the listed company through the shareholders' meeting and the board of directors of the listed company. The listed company will strive to improve the management level based on the asset structure and business development after the completion of the transaction, and do its best to complete the business integration and coordination after the completion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 2018-03-23 | Implemented as promised | Normal performance |



|                                                       |                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                   |                         |                    |  |
|-------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------|--------------------|--|
|                                                       |                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | of the reorganization, and create greater value for shareholders. |                         |                    |  |
| Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments                                     | Commitment to Maintain the Position of Controlling Shareholders of Listed Companies: Within 60 months from the date of completion of this transaction, the Company promises not to voluntarily give up the controlling shareholder status in the listed company, and guarantees that the controlling shareholder status of the listed company will not be changed due to reasons of the Company during this period, nor assists any other party to seek the controlling shareholder status of the listed company. Within 60 months from the date of completion of this transaction, the Company will not take the initiative to change the status of the controlling shareholder of the listed company through any actions including reducing the share holding in the listed company. | 2018-03-23                                                        | Implemented as promised | Normal performance |  |
| Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments                                     | Commitment on the public shares: After the completion of the transaction, the committed person will cautiously nominate directors and supervisors, and will not nominate candidates for directors, supervisors and senior management to the listed company that will cause the proportion of public shares of the listed company not meet the requirements of the Listing Rules of Shenzhen Stock Exchange.; nor will vote for the relevant shareholders' meeting and/or board resolutions for selecting directors, supervisors and senior executives of listed companies that will make the proportion of public shares of listed companies not meet the requirements of the Listing Rules of Shenzhen Stock Exchange .                                                               | 2018-03-23                                                        | Implemented as promised | Normal performance |  |
| Shenzhen Fude State-owned Capital Operation Co., Ltd. | Performance commitments and compensation arrangements | Commitment on performance compensation: Fude Capital promises that after the completion of the audit and evaluation of Shenzhen Cereals Group, the Company will make a commitment to the performance of Shenzhen Cereals Group within three years after the completion of the restructuring, and sign a clear and feasible compensation agreement on the achievement of performance promised by the target company with the listed company so as to protect the interests of small and medium investors. On June 8, 2018, Fude Capital and Shenshenbao signed the "Performance Compensation Agreement" and agreed to make a commitment to the net profit of                                                                                                                            | 2018-03-23                                                        | Implemented as promised | Normal performance |  |

|  |                                                       |                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |            |            |           |
|--|-------------------------------------------------------|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|-----------|
|  |                                                       |                            | Shenzhen Cereals Group from 2018 to 2020 (hereinafter referred to as the “commitment period”, if it is not completed before December 31, 2018, the commitment period will correspondingly postpone), and after the completion of the acquisition, compensate Shenshenbao in accordance with the provisions of this agreement as the actual net profit of the object company is less than the promised net profit. The performance compensation period of this transaction is 2018, 2019 and 2020, if the transaction is not completed in 2018, the first year of the performance commitment period of this transaction is the year when the target company of the transaction is delivered. Fude Capital promises Shenzhen Cereals Group to achieve net profit (net profit is subject to the net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses in the audited consolidated statement, the same below) of not less than 390 million yuan in 2018, and net profit of not less than 400 million yuan in 2019, and net profit of not less than 420 million yuan in 2020. |            |            |           |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Share reduction commitment | Principled Opinions on this Restructuring and Commitment on No Plan for Reducing Shareholding: The Company believes that this restructuring is conducive to enhancing Shenshenbao’s sustainable operation ability and enhancing Shenshenbao’s profitability, and is beneficial to protect the interests of Shenshenbao’s shareholders, especially the interests of small and medium shareholders. The Company has no objection to this restructuring. The Company promises that from the signing date of the commitment letter to the completion of the restructuring, the Company and the Company’s concerted action person will not reduce the shareholdings of Shenshenbao, nor will reduce the shareholding of the listed company.                                                                                                                                                                                                                                                                                                                                                                                          | 2018-03-23 | 2018-11-12 | Completed |
|  | Shenzhen Agricultural Products Co., Ltd.              | Share reduction commitment | Principal Opinions and Commitments and Statements on No Plan for Reducing Shareholding: The Company believes that this restructuring is conducive to enhancing Shenshenbao’s sustainable operation ability and enhancing Shenshenbao’s profitability. The Company agrees in principle on this restructuring. The Company promises that the Company will not reduce its shareholdings of                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 2018-03-23 | 2018-11-12 | Completed |

|  |                                          |                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |            |            |                    |
|--|------------------------------------------|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|--------------------|
|  |                                          |                                    | Shenshenbao from the date of restructuring and resumption of trading to the completion of the restructuring, nor will plan to reduce the shareholding of Shenshenbao.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |            |            |                    |
|  | Shenzhen Agricultural Products Co., Ltd. | Shares limited for sale commitment | Commitment on the Lock-up Period of the Shares: 1. The shares of the listed company obtained by the committed person before the transaction shall not be transferred within 12 months from the date of completion of the transaction. 2. During the lock-up period of shares, the part that the committed person has increased due to the bonus issue of dividends, transfer of share capital or share allotment of the listed company and other ex dividend and ex right matters should also abide by the above-mentioned share lock-up arrangement. 3. If the above lock-up period does not comply with the latest regulatory requirements of the securities regulatory authority, the committed person will agree to make corresponding adjustments according to the latest regulatory opinions of the regulatory authorities, and implement in accordance with the relevant provisions of the China Securities Regulatory Commission and the Shenzhen Stock Exchange after the lock-up period expires.                                                                                                                                                                  | 2018-03-23 | 2019-11-12 | Normal performance |
|  | Wanho Securities Co., Ltd.               | Other commitments                  | Commitment Letter of Independent Financial Adviser About Shenzhen Shenbao Industrial Co., Ltd. Issuing Shares for Asset Purchase: Wanho Securities Co., Ltd. (hereinafter referred to as “Wanho Securities” or “this independent financial adviser”), as an independent financial adviser for the issuance of shares for asset purchase and the related transactions (hereinafter referred to as “this transaction”) of Shenzhen Shenbao Industrial Co., Ltd. Co., Ltd. (hereinafter referred to as “Shenshenbao” or “Listed Company”), makes the following statements and commitments based on full due diligence and internal verification. 1. This independent financial adviser has no other interest relationship with the parties involved in this transaction, and the relevant opinions expressed in this transaction plan are completely independent. 2. The documents and materials on which this independent financial adviser’s verification opinions are based are provided by the parties to this transaction, and the parties to the transaction have promised that the information provided is true, accurate and complete, and there are no false records, | 2018-03-23 | 2018-11-12 | Completed          |

|  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |  |  |  |
|--|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|
|  |  | <p>misleading statements or major omissions. 3. This independent financial adviser has fulfilled its due diligence obligations in accordance with laws, administrative regulations and the provisions of the China Securities Regulatory Commission, there are substantial grounds for believing that the professional opinions issued are not materially different from the contents of the documents disclosed by the Listed Company and the counter party. 4. This independent financial adviser has fully verified the documents disclosed by the Listed Company and the counter party, and is sure that the content and format of the disclosure documents meet the requirements. 5. This independent financial adviser has sufficient reasons to make sure that the Listed Company’s issuance of share for assets purchase and related transactions plan are in compliance with laws, regulations and the relevant provisions of the China Securities Regulatory Commission and the Shenzhen Stock Exchange, and the information disclosed is true, accurate and complete, there are no false records, misleading statements or major omissions. 6. The professional opinions on this restructuring have been submitted to the internal auditing agency of this independent financial adviser for review and agreed to issue this professional opinion. 7. During the period of contact with the Listed Company and as an independent financial adviser, this independent financial adviser has adopted strict confidentiality measures to implement risk control and internal segregation systems, and there is no insider trading, market manipulation and securities fraud. 8. This independent financial adviser has not entrusted and authorized any other institution or individual to provide information not being listed in the verification opinions issued by this independent financial adviser and to provide any explanation for the verification opinions. 9. This independent financial adviser requests all shareholders and investors of Shenshenbao to carefully read the full text of the “Plan for the Issuance of Shares for Purchasing Asset and Related Transactions of Shenzhen Shenbao Industrial Co., Ltd.” issued by the board of directors of Shenshenbao. 10. The relevant verification opinions issued by this independent financial adviser do not constitute any investment advice or opinions on Shenshenbao, and this independent financial adviser shall not bear any responsibility for the risks arising</p> |  |  |  |
|--|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|

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|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------------------|--------------------|
|  |                                                                                                                                                                                                      |                                    | from the investment decisions made by investors according to the relevant verification opinions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |            |                         |                    |
|  | Chen Chansong; Fan Zhiqing; Huang Yu; Li Fang; Li Xinjian; Li Yiyan; Lin Hong; Liu Zhengyu; Luo Longxin; Qian Xiaojun; Wang Zhiping; Wu Shuping; Yan Zesong; yao Xiaopeng; Zhang Guodong; Zheng Yuxi | Other commitments                  | Commitment on No Plan for Reducing Shareholding: The Company promises that from the signing date of the commitment letter to the completion of the restructuring, the Company and the Company's concerted action person will not reduce the shareholding of Shenshenbao, nor has the plan to reduce the shareholding of the listed company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 2018-03-23 | 2018-11-12              | Completed          |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd.                                                                                                                                                | Shares limited for sale commitment | Commitment on the Lock-up Period of the Shares: Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as "Shenshenbao" and "Listed Company") intends to purchase the 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as "SZCG", "target company") held by the shareholders of SZCG through issuance of shares. Shenzhen Fude State-owned Capital Operation Co., Ltd. (hereinafter referred to as "the committed person"), the controlling shareholder of SZCG, has made the following commitments: 1. The committed person should not transfer the shares of the listed company obtained from this transaction within 36 months from the date of listing of the shares. If the closing price of the listed company's stock is lower than the issue price for 20 consecutive trading days within 6 months after the completion of this transaction, or the closing price is lower than the issue price at the term end of 6 months after the completion of the transaction, the lock-up period for the committed person to hold the company's stock | 2018-04-02 | Implemented as promised | Normal performance |

|  |                                                       |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |            |                       |                    |
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|  |                                                       |                   | <p>automatically prolongs for at least 6 months. 2. At the expiration of the above-mentioned lock-up period, if the committed person doesn't fully fulfill the performance compensation obligation stipulated in the Performance Compensation Agreement, the lock-up period of the shares issued to the committed person will be prolonged to the date when the performance compensation obligation is fulfilled. 3. Before this transaction, the shares of the Listed Company held by the committed person and the companies controlled by the promise shall not be transferred within 12 months after the completion of this transaction. 4. During the lock-up period of shares, the part that the committed person has increased due to the bonus issue of dividends, transfer of share capital or share allotment of the Listed Company and other ex dividend and ex right matters should also abide by the above-mentioned share lock-up arrangement. 3. If the above lock-up period does not comply with the latest regulatory requirements of the securities regulatory authority, the committed person will agree to make corresponding adjustments according to the latest regulatory opinions of the regulatory authorities, and implement in accordance with the relevant provisions of the China Securities Regulatory Commission and the Shenzhen Stock Exchange after the lock-up period expires.</p> |            |                       |                    |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments | <p>Commitment letter of Shenzhen Fude State-owned Capital Operation Co., Ltd. on pending litigation of Shenzhen Cereals Group Co., Ltd.: Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as "Shenshenbao", "Listed Company") intends to purchase the 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as "SZCG", "target company") held by the shareholders of SZCG through issuance of shares. In view of the two unfinished major lawsuits/arbitration of SZCG, Shenzhen Fude State-owned Capital Operation Co., Ltd. (hereinafter referred to as "the committed person"), the controlling shareholder of SZCG, has made the following commitments: If SZCG and its controlling subsidiaries suffer any claims, compensation, losses or expenses due to the unsettled major lawsuits/arbitration about the contract dispute of international sale of soybean with Noble Resources Co., Ltd. and the contract dispute with Guangzhou Jinhe Feed</p>                                                                                                                                                                                                                                                                                                                                                                                                                          | 2018-04-02 | Implement as promised | Normal performance |

|  |                                                       |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |            |                       |                    |
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|  |                                                       |                   | Co., Ltd. and Huangxianning Import Agent, the committed person will assume the compensation or loss caused by the above two outstanding major lawsuits/arbitration.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |            |                       |                    |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments | Commitment letter of Shenzhen Fude State-owned Capital Operation Co., Ltd. on risks of making a supplementary payment for the rent at earlier stage of Pinghu Grain Depot: Shenzhen Shenbao Industrial Co., Ltd. intends to purchase the 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as “SZCG”) held by the shareholders of SZCG through issuance of shares. Shenzhen Fude State-owned Capital Operation Co., Ltd. (hereinafter referred to as “the committed person”), the controlling shareholder of SZCG, has made the following commitments: If SZCG needs to make a supplementary payment for the rent before assessment basis date to the property right unit of Pinghu Grain Depot (or its authorized unit), the total amount of the rent and other related charges and expenses shall be borne by the committed person.                                                                                                          | 2018-04-02 | Implement as promised | Normal performance |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments | Commitment letter on the house properties of Shenzhen Cereals Group and its subsidiaries that have not obtained the housing ownership certificate: Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “Shenshenbao” and “listed company”) intends to purchase the 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as “SZCG”, “target company”) held by the shareholders of SZCG through issuance of shares. Shenzhen Fude State-owned Capital Operation Co., Ltd. (hereinafter referred to as “the committed person”), the controlling shareholder of SZCG, has made the following commitments: If SZCG and its subsidiaries suffer any administrative punishment or losses due to their house properties without the housing ownership certificate, the committed person will bear the relevant legal responsibilities and fully compensate the listed company and SZCG within 30 working days after the actual loss occurs. | 2018-04-02 | Implement as promised | Normal performance |
|  | Shenzhen Fude State-                                  | Shares            | Commitment on Shenzhen Fude State-owned Capital Operation Co. Ltd. to accept                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 2018-04-04 | Implement             | Normal             |

|  |                                                                                                                                                                 |                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                   |                       |                     |
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|  | <p>owned Capital Operation Co., Ltd.</p>                                                                                                                        | <p>limited for sale commitment</p> | <p>the restricted shares of non-tradable shares reform of Shenzhen Shenbao Industrial Co., Ltd. held by Shenzhen Investment Holdings Co., Ltd.: Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as “Fude Capital”) accepts 79,484,302 shares of A shares of Shenshenbao A (000019) (including 66,052,518 shares of unrestricted A shares and 13,431,784 shares of restricted A shares ) held by Shenzhen Investment Holdings Co., Ltd. (hereinafter referred to as “Shenzhen Investment Holdings”) by the free transfer, totally accounting for 16% of the total share capital of Shenshenbao. Shenzhen Investment Holdings made the following commitments in the reform of non-tradable shares of Shenshenbao in 2006: “To make effective and long-term incentives for the management, after the completion of the share reform, Shenzhen Agricultural Products Co., Ltd. (hereinafter referred to as “Agricultural Products”) and Shenzhen Investment Holdings, the company’s non-tradable shareholders, will sell their shareholdings after consideration which account for 6%-8% of the company’s total share capital to the management of the company in three years based on the shareholding ratio of Agricultural Products and Shenzhen Investment Holdings after the share reform (i.e. accounting for 6%-8% of the company’s total share capital of 181,923,088 shares after the share reform).” Fude Capital made a commitment that after the completion of the free transfer of the state-owned shares, Fude Capital would continue to perform the above commitments it made when Shenzhen Investment Holdings makes the non-tradable shares reform to Shenshenbao, which is effective in the long run.</p> |                   | <p>nt as promised</p> | <p>performa nce</p> |
|  | <p>Cao Xuelin; Dai Bin; Du Jianguo; Hu Xianghai; Huang Ming; Jin Zhenyuan; Liu Ji; Lu Qiguang; Ni Yue; Qian Wenyi; Wang Fangcheng; Wang Huimin; Wang Li; Ye</p> | <p>Other commitments</p>           | <p>Commitment and Statement on No Major Violations and Integrity: Shenzhen Shenbao Industrial Co., Ltd. intends to purchase the 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as “SZCG”) held by Shenzhen Fude State-owned Capital Operation Co. Ltd. through issuance of shares. In response to the above transactions, as the Director/Supervisor/Senior Management of SZCG(hereinafter referred to as the “Declarant”), I have made the following commitments: 1. The Declarant has not been subject to administrative penalties and criminal penalties from the securities market or involved in major civil litigation or arbitration related to economic disputes in the past 5 years, and there are currently</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>2018-06-08</p> | <p>2018-11-12</p>     | <p>Completed</p>    |



|  |                                                                                                                                                                                                                          |                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                   |                   |                  |
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|  | <p>Qingyun; Yin Yong;<br/>Zhang Yong; Zhao<br/>Rubing; Zheng<br/>Shengqiao; Zhu<br/>Junming; Zhu<br/>Junming</p>                                                                                                         |                              | <p>no outstanding or foreseeable major litigation, arbitration and administrative punishment cases, nor suspected crime being investigated by the judicial authorities or suspected of violating laws and regulations and being investigated by the China Securities Regulatory Commission; there is no failure to repay large debts on time, no failure to fulfill commitments, nor administrative supervision measures taken by the China Securities Regulatory Commission, nor disciplinary action made by the stock exchange. 2. The Declarant does not have suspected crime being investigated by the judicial authorities or suspected of violating laws and regulations and being investigated by the China Securities Regulatory Commission, nor behavior of suspected crime or violation of the laws and rules has been terminated for 36 months. 3. The Declarant has not been publicly condemned by the stock exchange in the last 36 months, and there are no other major dishonest acts. 4. There is no such case that the Declarant is not allowed to participate in any major assets restructuring of listed companies in accordance with Article 13 of the Interim Provisions on Strengthening the Supervision of Abnormal Transaction of Stocks Related to Major Assets Restructuring of Listed Companies, that is, “being investigated on suspicion of insider trading related to the major assets restructuring of listed companies or suffering administrative penalties by CSRC or being investigated for criminal responsibility by judicial authorities”.</p> |                   |                   |                  |
|  | <p>Cao Xuelin; Dai<br/>Bin; Du Jianguo; Hu<br/>Xianghai; Huang<br/>Ming; Jin Zhenyuan;<br/>Liu Ji; Lu Qiguang;<br/>Ni Yue; Qian<br/>Wenyong; Wang<br/>Fangcheng; Wang<br/>Huimin; Wang Li; Ye<br/>Qingyun; Yin Yong;</p> | <p>Other<br/>commitments</p> | <p>Commitment Letter on the Authenticity, Accuracy and Integrity of the Provided Information: 1. The information and materials provided by the committed person for this major asset restructuring are true, accurate and complete, and there are no false records, misleading statements or major omissions. 2. The information provided by the committed person to the intermediaries participating in this major asset reorganization is the true, accurate and complete source written materials or copy materials, the copy or copies of the materials are consistent with their source materials or original copies; the signatures and the seals of all documents are true and there are no false records, misleading statements or major omissions. 3. The explanations and confirmations issued by the committed person for this major asset</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>2018-06-08</p> | <p>2018-11-12</p> | <p>Completed</p> |

|  |                                                                                   |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |            |            |           |
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|  | Zhang Yong; Zhao Rubing; Zheng Shengqiao; Zhu Junming                             |                   | restructuring are true, accurate and complete, and there are no false records, misleading statements or major omissions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |            |            |           |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd.;Cao Yu; Ni Yue; Zhu Junming | Other commitments | Commitment and Statement on No Major Violations and Integrity: Shenzhen Shenbao Industrial Co., Ltd. intends to purchase the 100% equity of Shenzhen Cereals Group Co., Ltd. held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as “Fude Capital”) through issuance of shares. In response to the above transactions, Fude Capital and its directors, supervisors, and senior management (hereinafter referred to as the “Declarant”) have made the following commitments: 1. The Declarant has not been subject to administrative penalties and criminal penalties from the securities market or involved in major civil litigation or arbitration related to economic disputes in the past 5 years, and there are currently no outstanding or foreseeable major litigation, arbitration and administrative punishment cases, nor suspected crime being investigated by the judicial authorities or suspected of violating laws and regulations and being investigated by the China Securities Regulatory Commission; there is no failure to repay large debts on time, no failure to fulfill commitments, nor administrative supervision measures taken by the China Securities Regulatory Commission in the past 5 years; 2. The Declarant has not received administrative penalties unrelated to the securities market in the past 5 years; 3. The Declarant does not have suspected crime being investigated by the judicial authorities or suspected of violating laws and regulations and being investigated by the China Securities Regulatory Commission, nor behavior of suspected crime or violation of the laws and rules has been terminated for 36 months. 4. There is no such case that the Declarant is not allowed to participate in any major assets restructuring of listed companies in accordance with Article 13 of the Interim Provisions on Strengthening the Supervision of Abnormal Transaction of Stocks Related to Major Assets Restructuring of Listed Companies, that is, “being investigated on suspicion of insider trading related to the major assets restructuring of listed companies or | 2018-06-08 | 2018-11-12 | Completed |

|  |                             |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |            |            |           |
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|  |                             |                   | suffering administrative penalties by CSRC or being investigated for criminal responsibility by judicial authorities”.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |            |            |           |
|  | Cao Yu; Ni Yue; Zhu Junming | Other commitments | Commitment Letter on the Authenticity, Accuracy and Integrity of the Information Provided: Shenzhen Shenbao Industrial Co., Ltd. intends to purchase the 100% equity of Shenzhen Cereals Group Co., Ltd. held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as “Fude Capital”) through issuance of shares. In response to the above transactions, as the Director/Supervisor/Senior Management of Fude Capital (hereinafter referred to as the “committed person”), I have made the following commitments: 1. The information and materials provided by the committed person for this major asset restructuring are true, accurate and complete, and there are no false records, misleading statements or major omissions. 2. The information provided by the committed person to the intermediaries participating in this major asset reorganization is the true, accurate and complete source written materials or copy materials, the copy or copies of the materials are consistent with their source materials or original copies; the signatures and the seals of all documents are true and there are no false records, misleading statements or major omissions. 3. The explanations and confirmations issued by the committed person for this major asset restructuring are true, accurate and complete, and there are no false records, misleading statements or major omissions. 4. If the information provided or disclosed by the committed person for this transaction is suspected of false records, misleading statements or major omissions or is investigated by the judicial authorities or investigated by the China Securities Regulatory Commission, before the conclusion of the investigation, the shares that own rights and interests in the listed company will not be transferred, and the written application for suspicion of transfer and the stock account should be submitted to the board of directors of listed company within two trading days of receipt of the notice of filing the investigation, and the board of directors shall apply for lock-up to the stock exchange and the registration and settlement company on its behalf; If the application for lock-up is | 2018-06-08 | 2018-11-12 | Completed |

|  |                                                                                                                                                                                                                                       |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |            |            |           |
|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|-----------|
|  |                                                                                                                                                                                                                                       |                   | not submitted within two trading days, the board of directors is authorized to verify and directly submit the identity information and account information of the committed person directly to the stock exchange and the registration and settlement company and apply for lock-up; if the board of directors fails to submit the identity information of the committed person to the stock exchange and the registration and settlement company, authorize the stock exchange and the registration and settlement company directly lock the relevant shares. If the investigation concludes that there is a violation of the laws and rules, the committed person will promise to lock up the shares and voluntarily use for the compensation arrangements for relevant investors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |            |            |           |
|  | Chen Chansong; Fan Zhiqing; Huang Yu; Li Fang; Li Xinjian; Li Yiyan; Lin Hong; Liu Zhengyu; Luo Longxin; Ni Yue; Qian Xiaojun; Wang Huimin; Wang Li; Wang Zhiping; Wu Shuping; Yan Zesong; Yao Xiaopeng; Zhang Guodong and Zheng Yuxi | Other commitments | Commitment and Statement on No Major Violations and Integrity: Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as "Listed Company") intends to purchase the 100% equity of Shenzhen Cereals Group Co., Ltd. held by the shareholders of Shenzhen Cereals Group Co., Ltd. through issuance of shares. In response to the above transactions, I have made the following commitments as director/supervisor/senior management of Listed Company (hereinafter referred to as the "Declarant"): 1. The Declarant has not received administrative penalties from the China Securities Regulatory Commission in the last 36 months, or has been publicly condemned by the stock exchange in the past 12 months. 2. The Declarant does not have suspected crime being investigated by the judicial authorities or suspected of violating laws and regulations and being investigated by the China Securities Regulatory Commission; 3. There is no such case that the Declarant is not allowed to participate in any major assets restructuring of listed companies in accordance with Article 13 of the Interim Provisions on Strengthening the Supervision of Abnormal Transaction of Stocks Related to Major Assets Restructuring of Listed Companies, that is, "being investigated on suspicion of insider trading related to the major assets restructuring of listed companies or suffering administrative penalties by CSRC or being investigated for criminal responsibility by judicial authorities". 4. The Declarant does not use insider information to buy or sell related securities before the transaction information is | 2018-06-08 | 2018-11-12 | Completed |

|  |                                                                                                                                                                                                                                        |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |            |            |           |
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|  |                                                                                                                                                                                                                                        |                   | disclosed, nor disclose inside information or use inside information to advise others to buy and sell related securities and other insider transaction behavior. If I violate the above commitments, I will bear all the losses caused to Shenshenbao.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |            |            |           |
|  | Chen Chansong; Fan Zhiqing; Huang Yu; Li Fang; Li Xinjian; Li Yiyang; Lin Hong; Liu Zhengyu; Luo Longxin; Ni Yue; Qian Xiaojun; Wang Huimin; Wang Li; Wang Zhiping; Wu Shuping; Yan Zesong; Yao Xiaopeng; Zhang Guodong and Zheng Yuxi | Other commitments | Commitment Letter on the Authenticity, Accuracy and Integrity of the Information Provided: Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “Listed Company”) intends to purchase the 100% equity of Shenzhen Cereals Group Co., Ltd. held by the shareholders of Shenzhen Cereals Group Co., Ltd. through issuance of shares. In response to the above transactions, as the Director/Supervisor/Senior Management of the Listed Company (hereinafter referred to as the “committed person”), I have made the following commitments: 1. The Declarant has not received administrative penalties from the China Securities Regulatory Commission in the last 36 months, or has been publicly condemned by the stock exchange in the past 12 months. 2. The Declarant does not have suspected crime being investigated by the judicial authorities or suspected of violating laws and regulations and being investigated by the China Securities Regulatory Commission. 3. There is no such case that the Declarant is not allowed to participate in any major assets restructuring of listed companies in accordance with Article 13 of the Interim Provisions on Strengthening the Supervision of Abnormal Transaction of Stocks Related to Major Assets Restructuring of Listed Companies, that is, “being investigated on suspicion of insider trading related to the major assets restructuring of listed companies or suffering administrative penalties by CSRC or being investigated for criminal responsibility by judicial authorities”. 4. The Declarant does not use insider information to buy or sell related securities before the transaction information is disclosed, nor disclose inside information or use inside information to advise others to buy and sell related securities and other insider transaction behavior. If I violate the above commitments, I will bear all the losses caused to Shenshenbao. | 2018-06-08 | 2018-11-12 | Completed |
|  | Ni Yue; Wang                                                                                                                                                                                                                           | Other             | Commitment on No Reducing Shareholding and plan of share reduction: I hereby                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 2018-06-08 | 2018-11-   | Complete  |

|  |                                                       |                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |            |            |           |
|--|-------------------------------------------------------|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|-----------|
|  | Huimin; Wang Li                                       | commitments               | promises that from the signing date of the commitment letter to the completion of the restructuring, I will not reduce the shareholding of Shenshenbao, nor has the plan to reduce the shareholding of the listed company. Hereby notify                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |            | 12         | d         |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Share increase commitment | Commitment Letter on the Subscription of Non-Public Issuance of Shares of Shenzhen Shenbao Industrial Co., Ltd.: In view of the fact that Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “Shenshenbao”) intends to acquire 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as the “target company”) held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as “the Company”) by issuing shares to purchase assets, the Company has made the following commitments: 1. The Company does not have the following situations stipulated in Article 6 of Administrative Measures On Acquisition Of Listed Companies: (1) using the acquisition of the listed company to damage the legitimate rights and interests of the acquired company and its shareholders; (2) having a relatively large amount of debts, failing to pay due, and being in a continuous state; (3) having major illegal acts or suspected of being involved in major illegal acts in the past three years; (4) having serious dishonest behavior at securities market in the past three years; (5) other situations that are not allowed to acquire the listed company by the laws, administrative laws and regulations, and the China Securities Regulatory Commission. 2. The Company and its key management personnel have not received administrative penalties (except for those clearly irrelevant to the securities market) or criminal penalties, nor involved in major civil litigation or arbitration related to economic disputes in the past five years. | 2018-06-08 | 2018-11-12 | Completed |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments         | Commitment Letter on Inside Information: In view of the fact that Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “Shenshenbao”) intends to acquire 100% equity of Shenzhen Cereals Group Co., Ltd. held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as “the Company”) by issuing shares to purchase assets, the Company has made the following commitments: The company does not disclose relevant inside information of the                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 2018-06-08 | 2018-11-12 | Completed |

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|  |                                                       |                   | restructuring nor use the inside information for insider trading. If the Company violates the above commitments, it will bear all the losses caused to Shenshenbao.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |            |            |           |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments | Confirmation Letter on the Ownership of Underlying Assets of the Restructuring Transaction: In view of the fact that Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “Shenshenbao”) intends to acquire 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as the “target company”) held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as “the Company”) by issuing shares to purchase assets, the Company has made the following commitments: 1. The Company is an enterprise registered in the People’s Republic of China and has full capacity for civil conduct, and it has the legal subject qualification to participate in this restructuring and sign an agreement with Shenshenbao, and fulfill its rights and obligations under the agreement. 2. The Company has fulfilled its capital contribution obligations to the target company in accordance with the law, and there is no feigned capital contribution, deferred capital contribution, withdrawal of capital contribution, or other behavior which violates its obligations and responsibilities as a shareholder, nor any situation that may affect the legal existence of the target company. 3. There is no ownership dispute or potential ownership disputes in the equity of the target company, nor any situation that may affect the legal existence of the target company. 4. The equity of the target company held by the Company is actually legally owned, there is no dispute over ownership or potential ownership disputes, there is no trust, entrusted shareholding or similar arrangement, and there is no promise or arrangement prohibiting the transfer or restricting the transfer. There is also no pledge, blocking, seizure, property preservation or other rights restrictions, nor litigation, arbitration or other forms of disputes that affect the restructuring. At the same time, the Company guarantees that the equity of the target company will remain in the states until it is registered to Shenshenbao. 5. The equity of the target company held by the Company is the asset with clear ownership, and it is promised that there will be no legal obstacles to the stock transfer after the approval of the China Securities Regulatory Commission, | 2018-06-08 | 2018-11-12 | Completed |

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|  |                                                       |                   | <p>and there is no dispute over rights and obligations, it is also promised that the transfer of ownership of the shares will be completed within the agreed time limit. 6. Before registering the change of the shareholding of the target company to be under the name of Shenshenbao, the Company will guarantee the normal, orderly and legal operation of the target company, and ensure that the target company does not carry out asset disposal and external guarantees unrelated to normal production and operation, nor increase the behavior of major debts, and ensure that the target company does not illegally transfer, hide assets and business. If there is a need to conduct actions related to the foregoing matters, it must be implemented with the written consent of Shenshenbao under the premise of not violating national laws, regulations and regulatory documents. 7. The Company guarantees that there is no litigation, arbitration or dispute that affects or potentially affects the Company's transfer of the target company's equity held by the Company, and guarantees that there are no restrictions in all agreements or contracts signed by the Company which hinder the Company from transferring the equity of the target company it holds. There are no restrictive clauses in the articles of association, internal control system documents and the signed contracts or agreements of the target company that prevent the Company from transferring the equity of the target company it holds.</p> |            |            |           |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments | <p>Commitment Letter on the Authenticity, Accuracy and Integrity of the Provided Information: in viewing of Shenzhen Shenbao Industrial Co., Ltd purchase 100 percent equity of Shenzhen Cereals Group Co., Ltd held by Shenzhen Fude State-owned Capital Operation Co., Ltd. (hereinafter referred to as the company) in way of share issuing, the company made commitments as: 1. The information and materials provided by the committed person for this major asset restructuring are true, accurate and complete, and there are no false records, misleading statements or major omissions. 2. The information provided by the committed person to the intermediaries participating in this major asset reorganization is the true, accurate and complete source written materials or copy materials, the copy or copies of the materials are consistent with their source materials or original copies; the signatures</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 2018-06-08 | 2018-11-12 | Completed |



|  |                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                      |            |            |           |
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|  |                                 | <p>and the seals of all documents are true and there are no false records, misleading statements or major omissions. 3. The explanations and confirmations issued by the committed person for this major asset restructuring are true, accurate and complete, and there are no false records, misleading statements or major omissions. 4. The promisor will provide information about the reorganization to listed company timely, if the listed company or an investor suffers losses due to the existence of false records, misleading statements or major omissions in the information provided, the promisor shall be liable for compensation according to law. 5. If the information provided or disclosed by the committed person for this transaction is suspected of false records, misleading statements or major omissions or is investigated by the judicial authorities or investigated by the China Securities Regulatory Commission, before the conclusion of the investigation, the shares that own rights and interests in the listed company will not be transferred, and the written application for suspicion of transfer and the stock account should be submitted to the board of directors of listed company within two trading days of receipt of the notice of filing the investigation, and the board of directors shall apply for lock-up to the stock exchange and the registration and settlement company on its behalf; If the application for lock-up is not submitted within two trading days, the board of directors is authorized to verify and directly submit the identity information and account information of the committed person directly to the stock exchange and the registration and settlement company and apply for lock-up; if the board of directors fails to submit the identity information of the committed person to the stock exchange and the registration and settlement company, authorize the stock exchange and the registration and settlement company directly lock the relevant shares. If the investigation concludes that there is a violation of the laws and rules, the committed person will promise to lock up the shares and voluntarily use for the compensation arrangements for relevant investors. 6. The committed person agrees to bear individual and joint legal liability for the authenticity, accuracy and completeness of the information provided</p> |                                                                                                                                                      |            |            |           |
|  | Shenzhen Cereals Group Co., Ltd | Other commitme                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Commitment and Statement on No Major Violations and Integrity: Shenzhen Shenbao Industrial Co., Ltd. intends to purchase the 100% equity of Shenzhen | 2018-06-08 | 2018-11-12 | Completed |

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|  |  | nts | <p>Cereals Group Co., Ltd (hereinafter referred to as the company) held by Shenzhen Fude State-owned Capital Operation Co. Ltd.through issuance of shares. In response to the above transactions, the company made the following commitments: 1. The company has not been subject to administrative penalties and criminal penalties from the securities market or involved in major civil litigation or arbitration related to economic disputes in the past 5 years, and there are currently no outstanding or foreseeable major litigation, arbitration and administrative punishment cases, nor suspected crime being investigated by the judicial authorities or suspected of violating laws and regulations and being investigated by the China Securities Regulatory Commission; there are no cases of failure to repay large debts on time or failure to fulfill commitments, nor administrative supervision taken by the China Securities Regulatory Commission, or disciplinary action taken by the stock exchange. 2. The Company does not have the case that the suspected crime is being investigated by the judicial authorities or suspected of violating the law and being investigated by the China Securities Regulatory Commission, or the alleged crime or illegality has been terminated for 36 months. 3. The Company has not been publicly condemned by the stock exchange in the last 36 months, and there are no other major dishonest acts. 4. There is no such case that the Company is not allowed to participate in any major assets restructuring of listed companies in accordance with Article 13 of the Interim Provisions on Strengthening the Supervision of Abnormal Transaction of Stocks Related to Major Assets Restructuring of Listed Companies, that is, “being investigated on suspicion of insider trading related to the major assets restructuring of listed companies or suffering administrative penalties by CSRC or being investigated for criminal responsibility by judicial authorities”. 5. Except for major lawsuits and arbitration disclosed in the Restructuring Report, the Company and its branches, wholly-owned and holding subsidiaries do not currently have other outstanding or foreseeable major lawsuits and arbitration cases involving more than 10 million yuan. 6. Except for the administrative penalties disclosed in the Restructuring Report, the Company and its branches, wholly-owned and holding subsidiaries have no act which violates the</p> |  |  |  |
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|  |                                          |                   | industrial and commercial, taxation, land, food safety, construction, planning, environmental protection, fire protection, quality supervision or other laws and administrative regulations, received administrative punishment, and have serious circumstances since January 1, 2015. 7. The Company and its branches, wholly-owned and holding subsidiaries have no food safety incidents since January 1, 2015. 8. The Company does not have any illegal guarantee for the controlling shareholder, the actual controller and other enterprises controlled by it.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |            |            |           |
|  | Shenzhen Cereals Group Co., Ltd          | Other commitments | Commitment Letter on the Authenticity, Accuracy and Integrity of the Provided Information: in viewing of Shenzhen Shenbao Industrial Co., Ltd purchase 100 percent equity of Shenzhen Cereals Group Co., Ltd (hereinafter referred to as the company) in way of share issuing, the company made commitments as: 1. The information and materials provided by the company for this major asset restructuring are true, accurate and complete, and there are no false records, misleading statements or major omissions. 2. The information provided by the company to the intermediaries participating in this major asset reorganization is the true, accurate and complete source written materials or copy materials, the copy or copies of the materials are consistent with their source materials or original copies; the signatures and the seals of all documents are true and there are no false records, misleading statements or major omissions. 3. The explanations and confirmations issued by the company for this major asset restructuring are true, accurate and complete, and there are no false records, misleading statements or major omissions. | 2018-06-08 | 2018-11-12 | Completed |
|  | Shenzhen Agricultural Products Co., Ltd. | Other commitments | Commitment and Statement on No Major Violations and Integrity: in viewing of Shenzhen Shenbao Industrial Co., Ltd purchase 100 percent equity of Shenzhen Cereals Group Co., Ltd in way of share issuing, as the person acting in concert with the acquirer, Shenzhen Agricultural Products Co., Ltd. (hereinafter referred to as the company) made commitments as: 1. The company has not been subject to administrative penalties and criminal penalties from the securities market or involved in major civil litigation or arbitration related to economic disputes in the past 5 years, and there are currently no outstanding or foreseeable major litigation,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 2018-06-08 | 2018-11-12 | Completed |

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|  |                                          |                   | <p>arbitration and administrative punishment cases, nor suspected crime being investigated by the judicial authorities or suspected of violating laws and regulations and being investigated by the China Securities Regulatory Commission; there are no cases of failure to repay large debts on time or failure to fulfill commitments, nor administrative supervision taken by the China Securities Regulatory Commission, or disciplinary action taken by the stock exchange. 2. The company does not have the case that the suspected crime is being investigated by the judicial authorities or suspected of violating the law and being investigated by the China Securities Regulatory Commission, or the alleged crime or illegality has been terminated for 36 months. 3. The company has not been publicly condemned by the stock exchange in the last 36 months, and there are no other major dishonest acts. 4. There is no such case that the Company is not allowed to participate in any major assets restructuring of listed companies in accordance with Article 13 of the Interim Provisions on Strengthening the Supervision of Abnormal Transaction of Stocks Related to Major Assets Restructuring of Listed Companies, that is, “being investigated on suspicion of insider trading related to the major assets restructuring of listed companies or suffering administrative penalties by CSRC or being investigated for criminal responsibility by judicial authorities”. 5. Before the disclosure of this transaction information, the Company does not use insider information to buy or sell related securities or to disclose inside information, or use inside information to advise others to buy and sell related securities and other insider transaction behavior. 6. There is no such case that the Company is not allowed to have non-public offering of shares due to the violation of the provisions of Article 39 of the Administration Measures for the Securities Issuance of Listed Companies.</p> |            |            |           |
|  | Shenzhen Agricultural Products Co., Ltd. | Other commitments | <p>Commitment Letter on the Authenticity, Accuracy and Integrity of the Provided Information: Shenzhen Shenbao Industrial Co., Ltd (hereinafter referred to as Shenshenbao or the listed company) purchase 100 percent equity of SZCG form shareholder of Shenzhen Cereals Group Co., Ltd (hereinafter referred to as SZCG or the target company) in way of share issuing. As the person acting in concert with the acquirer, Shenzhen Agricultural Products Co., Ltd. (hereinafter referred to as</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 2018-06-08 | 2018-11-12 | Completed |

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|  |  | <p>committed person) made commitments as: 1. The information and materials provided by the committed person for this major asset restructuring are true, accurate and complete, and there are no false records, misleading statements or major omissions. 2. The information provided by the committed person to the intermediaries participating in this major asset reorganization is the true, accurate and complete source written materials or copy materials, the copy or copies of the materials are consistent with their source materials or original copies; the signatures and the seals of all documents are true and there are no false records, misleading statements or major omissions. 3. The explanations and confirmations issued by the committed person for this major asset restructuring are true, accurate and complete, and there are no false records, misleading statements or major omissions. 4. If the information provided or disclosed by the committed person for this transaction is suspected of false records, misleading statements or major omissions or is investigated by the judicial authorities or investigated by the China Securities Regulatory Commission, before the conclusion of the investigation, the shares that own rights and interests in the listed company will not be transferred, and the written application for suspicion of transfer and the stock account should be submitted to the board of directors of listed company within two trading days of receipt of the notice of filing the investigation, and the board of directors shall apply for lock-up to the stock exchange and the registration and settlement company on its behalf; If the application for lock-up is not submitted within two trading days, the board of directors is authorized to verify and directly submit the identity information and account information of the committed person directly to the stock exchange and the registration and settlement company and apply for lock-up; if the board of directors fails to submit the identity information of the committed person to the stock exchange and the registration and settlement company, authorize the stock exchange and the registration and settlement company directly lock the relevant shares. If the investigation concludes that there is a violation of the laws and rules, the committed person will promise to lock up the shares and voluntarily use for the compensation arrangements for relevant investors. 5. The committed person agrees to bear</p> |  |  |  |
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|  |                                       |                   | individual and joint legal liability for the authenticity, accuracy and completeness of the information provided                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |            |            |           |
|  | Shenzhen Shenbao Industrial Co., Ltd. | Other commitments | Commitment and Statement on No Major Violations and Integrity: in viewing of Shenzhen Shenbao Industrial Co., Ltd (hereinafter referred to as the company) purchase 100 percent equity of Shenzhen Cereals Group Co., Ltd in way of share issuing, the company made commitments as: 1. The company has not been subject to administrative penalties and criminal penalties from the securities market or involved in major civil litigation or arbitration related to economic disputes in the past 5 years, and there are currently no outstanding or foreseeable major litigation, arbitration and administrative punishment cases, nor suspected crime being investigated by the judicial authorities or suspected of violating laws and regulations and being investigated by the China Securities Regulatory Commission; there is no failure to repay large debts on time, no failure to fulfill commitments, nor administrative supervision measures taken by the China Securities Regulatory Commission, nor disciplinary action made by the stock exchange. 2. The company does not have suspected crime being investigated by the judicial authorities or suspected of violating laws and regulations and being investigated by the China Securities Regulatory Commission, nor behavior of suspected crime or violation of the laws and rules has been terminated for 36 months. 3. The company has not been publicly condemned by the stock exchange in the last 36 months, and there are no other major dishonest acts. 4. There is no such case that the company is not allowed to participate in any major assets restructuring of listed companies in accordance with Article 13 of the Interim Provisions on Strengthening the Supervision of Abnormal Transaction of Stocks Related to Major Assets Restructuring of Listed Companies, that is, “being investigated on suspicion of insider trading related to the major assets restructuring of listed companies or suffering administrative penalties by CSRC or being investigated for criminal responsibility by judicial authorities”. 5. The company does not use insider information to buy or sell related securities before the transaction information is disclosed, nor disclose inside information or use inside information to advise others to buy and sell related securities and other insider | 2018-06-08 | 2018-11-12 | Completed |

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|  |                                                       |                                                                                       | transaction behavior.6. There is no such case that the Company is not allowed to have non-public offering of shares due to the violation of the provisions of Article 39 of the Administration Measures for the Securities Issuance of Listed Companies.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |            |                         |                    |
|  | Shenzhen Shenbao Industrial Co., Ltd.                 | Other commitments                                                                     | Commitment Letter on the Authenticity, Accuracy and Integrity of the Provided Information: in viewing of Shenzhen Shenbao Industrial Co., Ltd (hereinafter referred to as the company) purchase 100 percent equity of Shenzhen Cereals Group Co., Ltd in way of share issuing, the company made commitments as: 1. The information and materials provided by the company for this major asset restructuring are true, accurate and complete, and there are no false records, misleading statements or major omissions. 2. The information provided by the company to the intermediaries participating in this major asset reorganization is the true, accurate and complete source written materials or copy materials, the copy or copies of the materials are consistent with their source materials or original copies; the signatures and the seals of all documents are true and there are no false records, misleading statements or major omissions.3. The explanations and confirmations issued by the company for this major asset restructuring are true, accurate and complete, and there are no false records, misleading statements or major omissions.4. The company agrees to bear individual and joint legal liability for the authenticity, accuracy and completeness of the information provided | 2018-06-08 | 2018-11-12              | Completed          |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Commitments on inter-industry competition, related transactions and capital occupancy | Commitment Letter on Avoiding Horizontal Competition: In view of the fact that Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “Listed Company”) intends to acquire 100% equity of Shenzhen Cereals Group Co., Ltd. held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as “the Company”) by issuing shares to purchase assets, the Company has made the following commitments: 1. As of the issue date of this Commitment Letter, the Company and other enterprises controlled by the Company have not engaged in any business or activity that directly or indirectly constitute horizontal competition to the Listed Company and its subsidiaries in the business, and guarantees that it will not engage or induce any enterprise controlled by the Company to engage in any business or activity that directly or indirectly constitute horizontal competition to the                                                                                                                                                                                                                                                                                                                                                                                     | 2018-06-08 | Implemented as promised | Normal performance |

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|  |                                                       |                                                                     | <p>Listed Company and its subsidiaries in the future. 2. If the business opportunity obtained by the Company and other enterprises controlled by the Company constitutes horizontal competition or may constitute horizontal competition to the main business of the Listed Company and its subsidiaries, the Company will immediately notify the Listed Company and try its best to give the business opportunity to the Listed Company to avoid horizontal competition or potential horizontal competition with the Listed Company and its subsidiaries and ensure the interests of Listed Company and other shareholders of Listed Company are not impaired. 3. If the main business of the Listed Company and its subsidiaries constitutes horizontal competition or may constitute horizontal competition to the Company and other enterprises controlled by the Company due to business development or extension, the Company and other enterprises controlled by the Company shall take the following feasible measures based on specific circumstance to avoid competition with the Listed Company: (1) Stop business that constitutes competition or may constitute competition to the Listed Company; (2) Transfer the competitive businesses and assets to the Listed Company at fair prices; (3) Transfer the competitive business to an unrelated third party; (4) Other ways to protect the interests of the Listed Company; 4. If the Company violates the above commitments and causes losses to the Listed Company, the Company will compensate the Listed Company for the incurred losses after the losses are determined. 5. The above commitments continue to be valid during the period when the Company is the controlling shareholder of the Listed Company.</p> |            |                         |                    |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Commitments on inter-industry competition, related transactions and | <p>Commitment Letter on Reducing and Regulating Related Transactions: In view of the fact that Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as "Listed Company") intends to acquire 100% equity of Shenzhen Cereals Group Co., Ltd. held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as "the Company") by issuing shares to purchase assets, the Company has made the following commitments: 1. The enterprises directly or indirectly controlled or affected by the Company and the restructured company and its holding companies will regulate and minimize the related transactions. For related transactions that</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 2018-06-08 | Implemented as promised | Normal performance |



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|  |                                                       | capital occupancy | cannot be avoided or have reasonable reasons to occur, the Company promises to follow the market-oriented principle of justice, fairness and openness, and sign agreements in accordance with relevant laws and regulations, regulatory documents and articles of association, perform legal procedures, fulfill information disclosure obligations and handle relevant approval procedures in accordance with the law, and ensure not to damage the legitimate rights and interests of the company and other shareholders through related transactions. 2. The enterprises directly or indirectly controlled or affected by the Company will strictly avoid borrowing from the company and its holding and shareholding companies, occupying the funds of the company and its holding and shareholding companies, or embezzling the company's funds by taking advance payments and compensatory debts from the company and its holding and shareholding companies. 3. After the completion of this transaction, the Company will continue to exercise its shareholder rights in strict accordance with the relevant laws and regulations, regulatory documents and the relevant provisions of the Articles of Association; and fulfill its obligation of avoiding voting when the company's general meeting of shareholders is voting on related transactions involving the Company. 4. The Company guarantees not to obtain any improper interests through the related transactions or cause the company and its holding and shareholding companies to bear any wrongful obligations. If the company or its holding and shareholding companies suffer losses or the interests of the company or its holding and shareholding companies are embezzled by related transactions, the Company will the losses of the company and its holding and shareholding companies. |            |                       |                    |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments | Commitment on the Standardized Operation of Listed Company: Shenzhen Shenbao Industrial Co., Ltd. intends to purchase 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as "SZCG") held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as "the Company") through issuance of shares. In response to the above transactions, the Company has made the following commitments: After the completion of this transaction, the committed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 2018-06-08 | Implement as promised | Normal performance |

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|  |  | <p>person promises to ensure that the listed company will strictly follow the requirements of laws and regulations such as the “Guidelines for the Governance of Listed Companies” and the changes in internal management and external operation and development of listed company to revise the “Articles of Association” and related rules of procedure so as to adapt to the business operations and corporate governance requirements after the reorganization, continue to improve the governance structure of listed company, continuously strengthen the system construction to form a corporate governance structure that each performs their own duties, effectively checks and balances, makes scientific decisions and coordinates the operation so as to more effectively and feasibly protect the interests of the listed company and all its shareholders. The committed person will urge the listed company to perform the functions of the shareholders’ meeting in strict accordance with the “Articles of Association” and the “Rules of Procedures of the Shareholders Meeting”, ensure that all shareholders, especially small and medium shareholders, enjoy equal rights as stipulated by laws, administrative regulations and the Articles of Association, and ensure that all shareholders legally exercise their rights and interests. The committed person will also urge the listed company to further improve the institutional requirements of the board of directors, ensure that the board of directors fairly, scientifically and efficiently makes decisions, ensure that independent directors can perform their duties in accordance with laws and regulations during their employment, actively understand the various operations of the listed company, consciously perform responsibilities, play a positive role in the scientific decision-making of the board of directors and the development of the listed company, promote the sound development of the listed company, and effectively safeguard the overall interests of the listed company and the interests of small and medium-sized shareholders. In addition, the Company will urge the listed company to give full play to the positive role of independent directors in regulating the operation of the company, strictly abide by relevant national laws, regulations, rules and relevant provisions of the Articles of Association to select independent directors, and further enhance corporate governance.</p> |  |  |  |
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|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments | <p>Commitment Letter on the Legal Compliance of the Underlying Asset Operation: Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “Shenshenbao”, “Listed Company”) intends to purchase 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as “SZCG”, “Target Company”) held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as “the Company”) through issuance of shares. The Company has made the following commitments: 1. The Target Company is a limited liability company established according to law and is validly existing, possesses statutory business qualifications, and the Target Company has obtained all the approvals, consents, authorizations and licenses required for its establishment and operation, and all approvals, consents and authorizations and licenses are valid and there is no reason or case that may result in the invalidation of the above approvals, consents, authorizations and licenses. 2. The Target Company has no major violations of laws and regulations in the production and operation in the last three years, there is no case that the Target Company should be terminated according to relevant laws, regulations, normative documents and the company’s articles of association. Except for litigations, arbitrations and administrative penalties disclosed in the Restructuring Report, the Target Company does not have any unsettled or foreseeable major litigation, arbitration and administrative penalty that adversely affect its operations or the amount is more than 10 million yuan. 3. The Target Company will perform the labor contracts with its employees independently and completely. 4. If the Target Company is subject to the fees or penalties of the relevant competent authorities in terms of industry and commerce, taxation, employee salaries, social security, housing provident fund, business qualifications or industry supervisors due to the facts already existing before the reorganization, the Company will fully compensates all the outstanding fees of the Target Company and bear all the losses suffered by Shenshenbao and the Target Company. 5. The Target Company legally owns the ownership and/or use rights of the offices, office equipment, trademarks and other assets required for normal production and operation, has independent and complete assets and business</p> | 2018-06-08 | Implemented as promised | Normal performance |
|--|-------------------------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------------------|--------------------|

|  |                                                       |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |            |                         |                    |
|--|-------------------------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------------------|--------------------|
|  |                                                       |                   | structure, and has legal ownership of its main assets, and the ownership of assets is clear. 6. There is no case that the Target Company impedes the transfer of ownership of the company, such as litigation, arbitration, judicial enforcement, etc., and there is no external guarantee that violates the law or the articles of association. After this reorganization, if the Company violates the above commitments and causes losses to Shenshenbao and the Target Company, the Company agrees to bear the aforementioned compensation/ liability for damage to Shenshenbao/ Target Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |            |                         |                    |
|  | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments | Commitment on the Independence of Listed Company: In view of the fact that Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “Shenshenbao”) intends to acquire 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as “Target Company”) held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as “the Company”) by issuing shares to purchase assets, the Company has made the following commitments: 1. Guarantee the independence of the personnel of Shenshenbao and the Target Company (1) Guarantee that the labor, personnel and compensation management of Shenshenbao and Target Company are completely independent of the Company and other companies and enterprises controlled by the Company or other economic organizations and related parties after the completion of this restructuring. (2) Guarantee that the senior management personnel of Shenshenbao and Target Company are fully employed in Shenshenbao and Target Company and receive remuneration after the completion of this restructuring, and do not hold any post except for directors and supervisors in the Company and other companies, enterprises controlled by the Company or other economic organizations and related parties. (3) Ensure not to intervene into the shareholders’ meeting and the board of directors of Shenshenbao and Target Company to exercise their powers to determine the appointment and dismissal of personnel after the completion of this restructuring. 2. Guarantee the institutional independence of Shenshenbao and Target Company (1) After the completion of this restructuring, Shenshenbao and Target Company will | 2018-06-08 | Implemented as promised | Normal performance |

|  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |  |  |  |
|--|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|
|  |  | <p>establish a sound corporate governance structure and have an independent and complete organization. (2) After the completion of this restructuring, the shareholders meeting, the board of directors and the board of supervisors of Shenshenbao and Target Company shall independently exercise their functions and powers in accordance with the laws, regulations and the articles of association of Shenshenbao and Target Company. 3. Ensure that the assets of Shenshenbao and Target Company are independent and complete. (1) After the completion of this restructuring, Shenshenbao and Target Company shall have independent and complete assets related to production and operation. (2) Ensure that the site for business operation of Shenshenbao and Target Company are independent of the Company and other companies and enterprises controlled by the Company or other economic organizations and related parties after the completion of this restructuring. (3) In addition to normal business transactions, after the completion of this restructuring, Shenshenbao and Target Company do not have funds and assets which are occupied by the Company and other companies and enterprises controlled by the Company or other economic organizations and related parties. 4. Guarantee the business independence of Shenshenbao and Target Company (1) After the completion of this restructuring, Shenshenbao and Target Company shall have the relevant qualifications for independent business activities, and have the market-oriented independent, autonomous and sustainable operation capabilities. (2) After the completion of this restructuring, the Company and other companies and enterprises controlled by the Company or other economic organizations and related parties shall reduce the related transactions with Shenshenbao and Target Company and other companies and enterprises controlled by them or other economic organizations; for the necessary and unavoidable related transactions, guarantee the fair operation according to market principles and fair prices, and perform relevant approval procedures and information disclosure obligations in accordance with relevant laws, regulations and regulatory documents. 5. Guarantee the financial independence of Shenshenbao and Target Company (1) Ensure that Shenshenbao and Target Company will establish an independent financial department and an</p> |  |  |  |
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|--|--------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------|---------------------------|
|  |                                                                                                        |                                                                                              | <p>independent financial accounting system, and a standardized and independent financial accounting system after the completion of this restructuring. (2) Ensure that Shenshenbao and Target Company will open an independent bank account after the completion of this restructuring, and will not share bank accounts with the Company and other companies and enterprises controlled by the Company or other economic organizations and other related parties. (3) After the completion of this restructuring, the financial personnel of Shenshenbao and Target Company shall not take part-time jobs in the Company and other companies and enterprises controlled by the Company or other economic organizations and related parties. (4) After the completion of this restructuring, Shenshenbao and Target Company shall be able to make financial decisions independently, the Company shall not interfere with the use of funds of Shenshenbao and Target Company. (5) After the completion of this restructuring, Shenshenbao and Target Company shall pay taxes independently according to law. If the Company violates the above commitments, it will bear all the losses caused to Shenshenbao and Target Company.</p> |                   |                                |                           |
|  | <p>Shenzhen Fude State-owned Capital Operation Co., Ltd., Shenzhen Agricultural Products Co., Ltd.</p> | <p>Commitments on inter-industry competition, related transactions and capital occupancy</p> | <p>Commitment to Avoid Occupation of Non-operating Capital: Shenzhen Shenbao Industrial Co., Ltd. intends to acquire 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as “SZCG”) held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as “the Company”) through issuance of shares. In response to the above transactions, the Company has made the following commitments: 1. As of the issue date of this commitment letter, the committed person and its related person do not have any illegal use of funds and assets of the listed company and SZCG, and there is no case that the listed company and SZCG provide illegal guarantee for the committed person and its related person. 2. After the completion of the transaction, the committed person guarantees that the committed person and its related person shall not illegally occupy the funds and assets of the listed company in any way, nor require the listed company to provide illegal guarantee for the committed person and its related person under any circumstances, nor engage in any act to damage the legitimate rights and interests of</p>                                                    | <p>2018-06-08</p> | <p>Implemented as promised</p> | <p>Normal performance</p> |

|  |                                       |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |            |                       |                    |
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|  |                                       |                   | the listed company and other shareholders. If the committed person violates the above commitments, it will bear all losses caused to the listed company and the target company and other companies and enterprises controlled by them or other economic organizations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |            |                       |                    |
|  | Shenzhen Shenbao Industrial Co., Ltd. | Other commitments | Commitment related to the transactions: In view of the fact that Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “the Company”) intends to acquire 100% equity of Shenzhen Cereals Group Co., Ltd. held by Shenzhen Fude State-owned Capital Operation Co. Ltd. by issuing shares to purchase assets, the Company has made the following commitments: 1. The Company is a limited liability company legally established and is validly existing, there is no bankruptcy, dissolution, liquidation and other cases that it needs to be terminated in accordance with the current effective laws, regulations, normative documents and articles of association, the Company has publicly issued shares and listed in accordance with the law. As a listed company, the Company has the subject qualifications of the issuer of non-public issuance of shares and the purchaser of assets as stipulated in Chinese laws, regulations and normative documents. 2. The Company has complied with the laws and regulations concerning industrial and commercial administration in the past three years. There are no records of suffering administrative penalties with a gross violation for violating relevant industrial and commercial administrative laws and regulations. There is no case that the Company needs to be terminated in accordance with the current effective laws, regulations, normative documents and articles of association. The Company does not have legal impediments to continuous operation. 3. The convening of the shareholders’ meeting, the board meeting, and the board of supervisors meeting of the Company, the contents of the resolution and their signings in the past three years are in compliance with the relevant laws, regulations, normative documents and the articles of association, the convening of the shareholders’ meeting, the board meeting, and the board of supervisors meeting of the Company, the contents of the resolution and their signings for the last three years are legal and valid; the authorization of the stockholders’ meeting of the Company | 2018-06-08 | Implement as promised | Normal performance |

|  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  |  |  |
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|  |  | <p>to the board of directors for the last three years is in compliance with relevant laws, regulations, regulatory documents and articles of association, and is legal, compliant, true and effective; the major decisions of the Company since listed have been legal, compliant, true and effective. 4. There is no case that the Company's rights and interests are seriously damaged by the controlling shareholder or actual controller and have not been eliminated. 5. The Company and its subsidiaries have no illegal external guarantees and have not been released yet. 6. Prior to this restructuring, the related transactions conducted by the Company have performed the necessary fair and just decision-making procedures and were legal and valid. 7. The Company does not have serious damages to the legitimate rights and interests of investors and the public interest. 8. The implementation of this restructuring of the Company conforms to substantive conditions of the restructuring of listed companies in accordance with the relevant laws, regulations and normative documents, including but not limited to: (1) conforming to the national industrial policies and related laws and administrative laws and regulations on environmental protection, land management, and anti-monopoly; (2) incapable of causing the Company to fail to meet the conditions for listing shares; (3) the assets pricing involved in the major asset restructuring is fair, and there is no damage to the legitimate rights and interests of the Company and shareholders; (4) helping the Company enhance its sustainable operation ability, there is no case that the prime assets of the Company after restructuring are all cash or the Company has no specific business operations; (5) it is beneficial to the Company to remain independent of the actual controllers and their related persons in terms of business, assets, finance, personnel, institutions and others, and comply with the relevant provisions of the China Securities Regulatory Commission on the independence of listed companies; (6) it is beneficial to the Company to maintain a sound and effective corporate governance structure; (7) this restructuring has followed the principle of in favour of improving the assets quality of the Company, improving the financial position of the Company and enhancing its sustainable profitability; (8) this restructuring has followed the principle of in favour of reducing the related transactions of the Company and the principle of avoiding</p> |  |  |  |
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|  |  | <p>horizontal competition. 9. In the past 36 months, the Company has no illegal occupation of funds or illegal external guarantees, etc., there is no major violation of laws and regulations. 10. After the completion of the restructuring, the Company promises to continue to maintain independence from the controlling shareholders and the controlled related parties in terms of business, assets, finance, personnel and institutions so as to comply with the relevant provisions of the China Securities Regulatory Commission on the independence of listed companies. 11. This restructuring will not involve adjustments in the rules and procedures of major operating decision, information disclosure systems, etc. After the completion of this restructuring, the Company will continue to operate in strict accordance with the requirements of the Company Law, the Securities Law, the Governance Guidelines for Listed Companies and other laws, regulations and the articles of association, and continuously improve the corporate governance structure. 12. The relevant agreement signed between the Company and Shenzhen Fude State-owned Capital Operation Co., Ltd. on this restructuring is reached by the two parties in this restructuring with consensus by following the principles of fairness and reasonableness on the basis of equality; the contents of the agreement don't violate relevant laws, regulations, and provisions of regulatory documents, and are legal and effective. 13. The Company promises and guarantees that the convening, convening procedures and voting procedures of the board meeting and the shareholders' meeting held in this restructuring are in compliance with the relevant laws, regulations and normative documents and the articles of association. The contents of the resolution are legal and effective. 14. The final price of this restructuring is negotiated and determined on the basis of the pricing principles jointly determined by the two parties and based on the evaluation results issued by the evaluation agency with the qualification of securities business, and is the true declaration of will of the parties to the transaction. 15. The Company's information disclosure on this restructuring is in compliance with relevant laws, regulations, rules and regulatory documents, and there are no contracts, agreements or arrangements that should be disclosed but not disclosed. 16. The current directors, supervisors, senior</p> |  |  |  |
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|--|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|
|  |  | <p>management personnel, shareholders holding more than 5% shares and other insiders of the Company have self-checked the oneself and the immediate family members' buying and selling of the shares of Shenshenbao from six months (February 21, 2017) before the date of suspension of the Company's restructuring to the disclosure date of the restructuring report, and have issued self-checking reports. Except for Li Jie and Zhu Junzhong who have been disclosed to buy and sell the shares of the Company, none of the above-mentioned personnel has bought and sold the shares of Shenshenbao. No related personnel has taken advantage of the inside information of the restructuring to buy and sell the shares of the company during the self-checking period. 17. After the completion of this restructuring, the Company will continue to perform the necessary deliberation procedures for related transaction in accordance with laws, regulations and regulatory documents and the articles of association, without prejudice to the legitimate rights and interests of Shenshenbao and all shareholders. 18. After the completion of the restructuring, the controlling shareholder of the Company is still Shenzhen Fude State-owned Capital Operation Co., Ltd., and the actual controller is still the State-owned Assets Supervision and Administration Commission of the Shenzhen Municipal People's Government. This restructuring will not result in changes in the controlling shareholder and actual controller of the Company. 19. The Company has not violated securities laws, administrative regulations or rules in the past three years, or has been subject to administrative punishment by the China Securities Regulatory Commission or subject to criminal punishment. There is also no violation of industry and commerce, taxation, land, environmental protection, customs laws, and administrative regulations or rules, nor cases of administrative punishments with gross violations or criminal penalties. 20. The Company isn't involved in any outstanding or foreseeable litigation, arbitration or administrative punishment cases. None of the directors, supervisors and senior management personnel of the Company is involved in any outstanding or foreseeable litigation, arbitration or administrative punishment cases. 21. The current directors and senior executives of the Company have not received administrative penalties from the China Securities Regulatory Commission</p> |  |  |  |
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|-------------------------------------------------------------|-------------------------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----------|-----------|
|                                                             |                                                       |                   | in the past 36 months, or have been publicly condemned by the stock exchange in the last 12 months. 22. There is no case that the Company and its current directors and senior management personnel are suspected of committing a crime and being investigated by the judicial authorities or suspected of violating the regulations and being investigated by the China Securities Regulatory Commission.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |            |          |           |
|                                                             | Shenzhen Fude State-owned Capital Operation Co., Ltd. | Other commitments | Commitment to return the arrears to SZCG for Zhanjiang Haitian and Taizhong Agriculture: As of March 31, 2018, the current balance of other receivables of related party of SZCG was 44,605,900 yuan, of which the receivables of related party of Zhanjiang Haitian Aquatic Feed Co., Ltd. (hereinafter referred to as Zhanjiang Haitian) was 40,898,011.31 yuan, and Taizhong Agriculture Co., Ltd. (hereinafter referred to as Taizhong Agriculture) was 3,707,930.42 yuan. The above-mentioned related parties were originally subsidiaries of SZCG. Due to this restructuring, the subsidiary companies whose main businesses discontinued operation were divested to Fude Capital, resulting in the formation of a related relationship between Zhanjiang Haitian and Taizhong Agriculture and the passive formation of accounts receivable from related parties, which didn't have the subjective intention that the related parties initiatively occupied the funds of SZCG. As a controlling shareholder of SZCG, Zhanjiang Haitian and Taizhong Agriculture, Fude Capital has supervised and urged Zhanjiang Haitian and Taizhong Agriculture to return the above arrears to SZCG as soon as possible, and promised that if Zhanjiang Haitian and Taizhong Agriculture still didn't return the above all or part of arrears before the equity of SZCG was transferred to Shenshenbao in this restructuring, Fude Capital would assume the obligations for Zhanjiang Haitian and Taizhong Agriculture, and return the arrears to SZCG for Zhanjiang Haitian and Taizhong Agriculture. | 2018-06-19 | 2018-9-6 | Completed |
| Commitments make in initial public offering or re-financing |                                                       |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |            |          |           |
| Equity incentive commitment                                 |                                                       |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |            |          |           |

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|-----------------------------------------------------|---|--|--|--|--|--|
| Other commitments for medium and small shareholders |   |  |  |  |  |  |
| Completed on time(Y/N)                              | Y |  |  |  |  |  |

## 2. Concerning assets 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

| Assets with earnings forecast or items | Predict start time | Predict termination time | Current forecast performance (10 thousand yuan) | Current actual performance (10 thousand yuan) | Reasons for not reaching predictions (if applicable) | Predicted disclosure date | Predictive disclosure index                                                            |
|----------------------------------------|--------------------|--------------------------|-------------------------------------------------|-----------------------------------------------|------------------------------------------------------|---------------------------|----------------------------------------------------------------------------------------|
| Shenzhen Cereals Group Co., Ltd        | 2018-01-01         | 2020-12-31               | 39,000                                          | 40,199                                        | Not applicable                                       | 2018-03-24                | Found more in the Notice of the Company released on Juchao Website (www.cninfo.com.cn) |

Commitments made by the shareholders and counter party on annual operation performance

Applicable  Not applicable

Commitment on performance compensation: on 23 March 2018, the Company entered into an Agreement on Share Issuance and Purchase of Assets with Fude Capital, Fude Capital promises that after the completion of the audit and evaluation of Shenzhen Cereals Group, the Company will make a commitment to the performance of Shenzhen Cereals Group within three years after the completion of the restructuring, and sign a clear and feasible compensation agreement on the achievement of performance promised by the target company with the listed company so as to protect the interests of small and medium investors. On June 8, 2018, Fude Capital and Shenshenbao signed the "Performance Compensation Agreement" and agreed to make a commitment to the net profit of Shenzhen Cereals Group from 2018 to 2020 (hereinafter referred to as the "commitment period"), and after the completion of the acquisition, compensate Shenshenbao in accordance with the provisions of this agreement as the actual net profit of the object company is less than the promised net profit. Fude Capital promises Shenzhen Cereals Group to achieve net profit (net profit is subject to the net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses in the audited consolidated statement, the same below) of not less than 390 million yuan in 2018, and net profit of not less than 400 million yuan in 2019, and net profit of not less than 420 million yuan in 2020.

Completion of performance commitment and influence on impairment test of goodwill

In the reporting period, the net profit attributable to parent company after deducting non-recurring gain/loss achieved by SZCG amounted as 401.99 million yuan, which achieving the performance commitment without effect on goodwill impairment test

## 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

| Content & reasons                                                                                                                                                                                                                                                                                                                                                                                         | Approval procedure                                                                                                                             | Note |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|------|
| The “Notice on Revising and issuing the Format of General Enterprise Financial Statement for 2018” (CK[2018] No.15) issued by Ministry of Finance on 15 June 2018, the format of financial statement for general enterprise are being revised, and the Company adjusted item presentation of the financial statement and comparative data of comparable accounting period should be adjusted accordingly. | The policy change has deliberated on 23 <sup>rd</sup> session of 9 <sup>th</sup> BOD and no need to deliberated in shareholder general meeting |      |
| The " 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 according to the accounting policy changes.                          | The policy change has deliberated on 16 <sup>th</sup> session of 9 <sup>th</sup> BOD and no need to deliberated in shareholder general meeting |      |

Explanation:

1. On June 15, 2018, the Ministry of Finance issued the Notice on Amending the 2018 Annual Financial Statement Format of General Enterprises (CK [2018] No. 15), and revised the financial statement format of general enterprises. The company has adjusted the presentation of the financial statements according to above requirements, and also adjusted the comparative data for comparable accounting periods. The changes in accounting policy only affect the listing of relevant subjects in the company’s financial statements, and shall not have any impact on the company’s total assets, total liabilities, net assets and net profit in the current period and before this accounting policy alternative.

2. The " 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 according to the accounting policy changes. The above mentioned policy change will not affect the Company’s business, shareholder’s equity and net profit for 2017. furthermore, the policy change will not result in the retrospective adjustment to the financial reports that disclosed in last two years, and will not lead to a change in gain/loss for the annual report that disclosed

| Content & reasons | Approval procedure | The time when changes in accounting estimate begin to apply | Note |
|-------------------|--------------------|-------------------------------------------------------------|------|
|                   |                    |                                                             |      |

|                                                                                                                                                                                              |                                                                                                                                         |            |  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|------------|--|
| Identification standards for account receivable with significant single amount, classification of credit risk portfolio and change of percentage of provision for bad debts in age portfolio | The change has deliberated on 24 <sup>th</sup> session of 9 <sup>th</sup> BOD and no need to deliberated in shareholder general meeting | 2018-12-28 |  |
| Depreciable life of investment real estate and unification of residual value rate                                                                                                            |                                                                                                                                         |            |  |
| Depreciable life of fixed assets and unification of residual value rate                                                                                                                      |                                                                                                                                         |            |  |
| Unification of amortization period for intangible assets                                                                                                                                     |                                                                                                                                         |            |  |

**Explanation:**

The Company purchase 100 percent equity of Shenzhen Cereals Group Co., Ltd held by Fude Capital through issuing shares, SZCG comes to wholly-owned subsidiary of the Company. Main business of the Company has increased grain and oil reserves, grain and oil trading and processing etc. on the basis of the original tea and tea products business. In order to reflect the Company’s financial status and operation results objectively, truthfully and fairly, the Company, according to the business scale and industry characteristics after reorganization, and reference to relevant accounting estimates of comparable listed companies in the same industry, organizing and change part of the original accounting estimate of the Company.

In line with the regulation of “Accounting Standards for Business Enterprise No. 28- Change of Accounting policy, accounting estimate and errors correction”, the change in accounting estimates is treated by the future applicable method without retrospective adjustment of the disclosed financial reports, and it will not affect the previous financial status and operation results. Main impact on the financial statement for year of 2018 including: make changes and reduction of Account receivable to 6,514,050.72 yuan, and other receivable as 5,223,567.07 yuan; make changes and increase the assets impairment loss to 11,159,476.67yuan.

**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

Change of the consolidate scope means that material assets reorganization carried out in the period, purchased 100 percent equity of SZCG through issuing shares to Fude Capital, the subordinate subsidiaries of SZCG as Shenzhen Flour Co., Ltd etc. are included in the consolidate scope of the Company.

|                                                                                                                                                                                                                                                                                                                                                                                                                                |                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| According to the relevant agreement of transfer of stripped assets for free from material assets reorganization signed between the SZCG and Fude Capital, Zhanjiang Haitian Aquatic Feed Co., Ltd does not belong to the scope of material assets reorganization, thus, the equity of Zhanjiang Haitian Aquatic Feed held by SZCG are transfer to Fude Capital for free, which is out of the consolidate scope of the Company. | Reasons for changes                        |
| Shenzhen Cereals Group Co., Ltd                                                                                                                                                                                                                                                                                                                                                                                                | Enterprise combined under the same control |
| Shenzhen Flour Co., Ltd                                                                                                                                                                                                                                                                                                                                                                                                        | Enterprise combined under the same control |

|                                                                             |                                                       |
|-----------------------------------------------------------------------------|-------------------------------------------------------|
| Shenzhen Hualian Grain & Oil Trade Co., Ltd.                                | Enterprise combined under the same control            |
| Hainan Haitian Aquatic Feed Co., Ltd                                        | Enterprise combined under the same control            |
| SZCG Quality Inspection Co., Ltd.                                           | Enterprise combined under the same control            |
| SZCG Doximi Business Co., Ltd.                                              | Enterprise combined under the same control            |
| SZCG Cold-Chain Logistic Co., Ltd.                                          | Enterprise combined under the same control            |
| SZCG Big Kitchen Food Supply Chain Co., Ltd.                                | Enterprise combined under the same control            |
| SZCG Real Estate Development Co., Ltd.                                      | Enterprise combined under the same control            |
| SZCG Property Management Co., Ltd.                                          | Enterprise combined under the same control            |
| SZCG Storage (Yingkou) Co., Ltd.                                            | Enterprise combined under the same control            |
| Dongguan SZCG Logistics Co., Ltd.                                           | Enterprise combined under the same control            |
| Dongguan International Food Industrial Park Development Co., Ltd.           | Enterprise combined under the same control            |
| Dongguan SZCG Oil & Food Trade Co., Ltd.                                    | Enterprise combined under the same control            |
| Dongguan Golden Biology Tech. Co., Ltd.                                     | Enterprise combined under the same control            |
| Shuangyashan SZCG Zhongxin Cereals Base Co., Ltd.                           | Enterprise combined under the same control            |
| Heilongjiang Hongxinglong Nongken Shenxin Cereals Industrial Park Co., Ltd. | Enterprise combined under the same control            |
| Zhanjiang Haitian Aquatic Feed Co., Ltd                                     | Stripped without compensation from state-owned shares |

## 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)  | 90                                                               |
| Continuous life of auditing service for domestic accounting firm | 11- year                                                         |
| Name of domestic CPA                                             | Chen Baohua, Zhou Lingzhi                                        |
| Continuous life of auditing service for domestic CPA             | 3- 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, 90,000 Yuan for internal control audit fee.

In the year, Wanho Securities Co., Ltd. are appointed as independent financial adviser of the Company for material assets reorganization, financial adviser fee of 4.5 million Yuan and continuous supervision fee of 150,000 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

## XII. Significant lawsuits and arbitration of the Company

Applicable  Not applicable

## XIII. Penalty and rectification

Applicable  Not applicable

## 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

| Related transaction parties                           | Related relationship    | Related transaction type | Related transaction content | Pricing principle    | Dealing price | Trading amount (in 10 thousand Yuan) | Proportion in the amount of the same transaction | Approved transaction amount (in 10 thousand Yuan) | Whether to exceed the approved amount | Means of payments | Market price of similar transaction available | Date of disclosure | Index of disclosure |
|-------------------------------------------------------|-------------------------|--------------------------|-----------------------------|----------------------|---------------|--------------------------------------|--------------------------------------------------|---------------------------------------------------|---------------------------------------|-------------------|-----------------------------------------------|--------------------|---------------------|
| Shenzhen Fude State-owned Capital Operation Co., Ltd. | Controlling shareholder | Related leasing          | Related leasing             | Fair value in market | 2,843.42      | 2,843.42                             |                                                  | 2,843.42                                          | N                                     | Cash              | Not applicable                                | Not applicable     | Not applicable      |

|                                                                                                                                                           |                         |                 |                 |                      |       |         |    |          |    |      |                |                |                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------|-----------------|----------------------|-------|---------|----|----------|----|------|----------------|----------------|----------------|
| Shenzhen Fude State-owned Capital Operation Co., Ltd.                                                                                                     | Controlling shareholder | Related leasing | Related leasing | Fair value in market | 34.52 | 34.52   | -  | -        |    | Cash | Not applicable | Not applicable | Not applicable |
| Total                                                                                                                                                     |                         |                 |                 | --                   | --    | 2877.94 | -- | 2,843.42 | -- | --   | --             | --             | --             |
| Details of major sold-out order sent back                                                                                                                 |                         |                 |                 | Not applicable       |       |         |    |          |    |      |                |                |                |
| The actual implementation of routine related transactions that is about to occurred in the Period with total amount estimated by category (if applicable) |                         |                 |                 | Not applicable       |       |         |    |          |    |      |                |                |                |
| Reason for the great difference between trade price and market reference price (if any)                                                                   |                         |                 |                 | Not applicable       |       |         |    |          |    |      |                |                |                |

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

√ Applicable □ Not applicable

| Related transaction parties                           | Related relationship    | Related transaction type       | Related transaction content                            | Pricing principle | Book value of the assets transferred (in 10 thousand Yuan) | Valuation value of the assets transferred (in 10 thousand Yuan) | Transfer price (in 10 thousand Yuan) | Means of payments                                      | Transaction gain/loss (in 10 thousand Yuan) | Date of disclosure | Index of disclosure                                                                  |
|-------------------------------------------------------|-------------------------|--------------------------------|--------------------------------------------------------|-------------------|------------------------------------------------------------|-----------------------------------------------------------------|--------------------------------------|--------------------------------------------------------|---------------------------------------------|--------------------|--------------------------------------------------------------------------------------|
| Shenzhen Fude State-owned Capital Operation Co., Ltd. | Controlling shareholder | Material assets reorganization | Purchased 100 percent equity of SZCG by issuing shares | Valuation value   | 287,960.44                                                 | 587,554.64                                                      | 587,554.64                           | Purchased 100 percent equity of SZCG by issuing shares | 0                                           | 22018-10-15        | Found more in the Notice of the Company released on Juchao Website (www.cninfo.com.c |

|                                                                                                                      |  |  |  |                                                                                                                                                                                        |  |  |  |  |  |    |
|----------------------------------------------------------------------------------------------------------------------|--|--|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|--|----|
|                                                                                                                      |  |  |  |                                                                                                                                                                                        |  |  |  |  |  | n) |
| Reasons for the great difference between transfer price and book value or valuation value (if applicable)            |  |  |  | N/A                                                                                                                                                                                    |  |  |  |  |  |    |
| Impact on operation results and financial status of the Company                                                      |  |  |  | Affected the current consolidated net profit of parent company 412.95million yuan                                                                                                      |  |  |  |  |  |    |
| For those related transaction with performance commitment involved, the achievement of performance during the period |  |  |  | In reporting period, SZCG has a net profit attributable to parent company after deducting non-recurring gains/losses of 401.99 million yuan, which achieved the performance commitment |  |  |  |  |  |    |

### 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

Whether has a non-operational related debtor-creditor contact 是否存在非经营性关联债权债务往来

Yes  No

Claims of related party receivable

| Related party                                                                      | Relationship                                     | Causes              | Whether has a non-operational fund occupancy (Y/N) | Opening balance (in 10 thousand Yuan) | Amount increased in the period (in 10 thousand Yuan) | Amount collected in the period (in 10 thousand Yuan) | Interest rate | Current interest (in 10 thousand Yuan) | Ending balance (in 10 thousand Yuan) |
|------------------------------------------------------------------------------------|--------------------------------------------------|---------------------|----------------------------------------------------|---------------------------------------|------------------------------------------------------|------------------------------------------------------|---------------|----------------------------------------|--------------------------------------|
| Zhanjiang Haitian Aquatic Feed Co., Ltd                                            | Affiliated enterprise of controlling shareholder | Divestiture profits | N                                                  | 4,058.92                              | 179.93                                               | 4,238.85                                             | 0.00%         | 0                                      | 0                                    |
| Impact on operation result and financial status of the Company from related claims |                                                  |                     | N/A                                                |                                       |                                                      |                                                      |               |                                        |                                      |

Debts payable to related party

| Related party | Relationship | Causes | Opening balance (in | Amount increased in | Amount paid in the period | Interest rate | Current interest (in | Ending balance (in |
|---------------|--------------|--------|---------------------|---------------------|---------------------------|---------------|----------------------|--------------------|
|---------------|--------------|--------|---------------------|---------------------|---------------------------|---------------|----------------------|--------------------|

|                                                                                   |                         |                     | 10 thousand<br>Yuan) | the period (in<br>10 thousand<br>Yuan) | (in 10<br>thousand<br>Yuan) |       | 10 thousand<br>Yuan) | 10 thousand<br>Yuan) |
|-----------------------------------------------------------------------------------|-------------------------|---------------------|----------------------|----------------------------------------|-----------------------------|-------|----------------------|----------------------|
| Shenzhen Fude State-owned Capital Operation Co., Ltd.                             | Controlling shareholder | Divestiture profits | 601.49               | 1,191.30                               | 0                           | 0.00% | 0                    | 1792.79              |
| Shenzhen Fude State-owned Capital Operation Co., Ltd.                             | Controlling shareholder | Related leasing     | 710.86               | 2,843.42                               | 0                           | 0.00% | 0                    | 3,554.28             |
| Impact on operation result and financial status of the Company from related debts |                         | N/A                 |                      |                                        |                             |       |                      |                      |

## 5. Other major related transaction

Applicable  Not applicable

根据公司发行股份购买粮食集团 100%股权的重大资产重组协议、2018 年 6 月 6 日深粮集团与福德资本签订的《关于深圳市粮食集团有限公司之重大资产重组总体协议》以及《关于深圳市粮食集团有限公司房地产类资产及权益之无偿划拨协议》，深粮集团将部分资产无偿划拨给福德资本，该类资产在 2017 年 10 月 1 日-剥离日之间发生的损 17,927,862.86 元，公司根据协议约定需将该部分权益支付给福德资本

According to the major asset restructuring agreement of the company issuing shares to purchase 100% equity of the grain group, the General Agreement on the Major Asset Restructuring of Shenzhen Cereals Group Co., Ltd. signed by Shenzhen Cereals Group Co., Ltd. and Shenzhen Fude State-owned Capital Operation Co., Ltd. on June 6, 2018, and the Agreement on the Free Allocation of Real Estate Assets and Interests of Shenzhen Cereals Group Co., Ltd., Shenzhen Cereals Group Co., Ltd, Shenzhen Cereals Group Co., Ltd will transfer Ford Capital, which incurred losses of 17,927,862.86 yuan between Oct. 1, 2017 and the stripping date. The company is required to pay Shenzhen Fude State-owned Capital Operation Co., Ltd. in accordance with the agreement.

## 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 | 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 | Actual guarantee limit | Guarantee type          | Guarantee term | Complete implementation or not | Guarantee for related party |
| Dongguan SZCG Logistics Co., Ltd.                             |                                      | 27,300          | 2015-07-13               | 17,887                 | Joint liability guarant | 8 years        | N                              | N                           |

|                                                                                         |                                      |                 |                          |                                                                                        | y                        |                |                                |                             |
|-----------------------------------------------------------------------------------------|--------------------------------------|-----------------|--------------------------|----------------------------------------------------------------------------------------|--------------------------|----------------|--------------------------------|-----------------------------|
| Dongguan SZCG Logistics Co., Ltd.                                                       |                                      | 10,200          | 2016-12-21               | 5,576                                                                                  | Joint liability guaranty | 5 years        | N                              | N                           |
| Dongguan SZCG Logistics Co., Ltd.                                                       |                                      | 1,530           | 2017-05-19               | 1,530                                                                                  | Joint liability guaranty | 2 years        | N                              | N                           |
| Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd                                |                                      | 3,000           | 2018-07-26               | 3,000                                                                                  | Joint liability guaranty | 1 year         | N                              | N                           |
| Dongguan International Food Industrial Park Development Co., Ltd.                       |                                      | 39,168          | 2018-07-27               | 14,463                                                                                 | Joint liability guaranty | 14 years       | N                              | N                           |
| Dongguan SZCG Logistics Co., Ltd.                                                       |                                      | 15,000          | 2018-10-17               | 3,000                                                                                  | Joint liability guaranty | 1 year         | N                              | N                           |
| Total amount of approving guarantee for subsidiaries in report period (B1)              |                                      | 57,168          |                          | Total amount of actual occurred guarantee for subsidiaries in report period (B2)       |                          | 20,463         |                                |                             |
| Total amount of approved guarantee for subsidiaries at the end of reporting period (B3) |                                      | 96,198          |                          | Total balance of actual guarantee for subsidiaries at the end of reporting period (B4) |                          | 45,456         |                                |                             |
| Guarantee of the subsidiaries for the subsidiaries                                      |                                      |                 |                          |                                                                                        |                          |                |                                |                             |
| Name of the Company guaranteed                                                          | Related Announcement disclosure date | Guarantee limit | Actual date of happening | Actual guarantee limit                                                                 | Guarantee type           | Guarantee term | Complete implementation or not | Guarantee for related party |
| Total amount of guarantee of the Company( total of three above mentioned guarantee)     |                                      |                 |                          |                                                                                        |                          |                |                                |                             |
| Total amount of approving guarantee in report period (A1+B1+C1)                         |                                      | 57,168          |                          | Total amount of actual occurred guarantee in report period (A2+B2+C3)                  |                          | 20,463         |                                |                             |
| Total amount of approved guarantee at the end of report period (A3+B3+C2)               |                                      | 96,198          |                          | Total balance of actual guarantee at the end of report period (A4+B4+C4)               |                          | 45,456         |                                |                             |
| The proportion of the total amount of actually guarantee in the net assets of           |                                      |                 |                          | 10.89%                                                                                 |                          |                |                                |                             |

|                                                                                                                                  |        |
|----------------------------------------------------------------------------------------------------------------------------------|--------|
| the Company(that is A4+ B4+C4)                                                                                                   |        |
| Including:                                                                                                                       |        |
| Balance of the guarantee provided for shareholder, actual controller and their related parties (D)                               | 0      |
| The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(E) | 42,456 |
| Proportion of total amount of guarantee in net assets of the Company exceed 50%(F)                                               | 0      |
| Total amount of the aforesaid three guarantees(D+E+F)                                                                            | 42,456 |

Explanation on guarantee with composite way

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 | Undue balance | Overdue amount |
|-------------------------|--------------|-----------------|---------------|----------------|
| Bank financial products | Owned fund   | 5,000           | 0             | 0              |
| Bank financial products | Owned fund   | 4,000           | 0             | 0              |
| Bank financial products | Owned fund   | 2,000           | 0             | 0              |
| Bank financial products | Owned fund   | 2,000           | 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   | 2,000           | 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   | 5,000           | 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   | 100             | 0             | 0              |

|                         |            |        |        |   |
|-------------------------|------------|--------|--------|---|
| Bank financial products | Owned fund | 3,000  | 0      | 0 |
| Bank financial products | Owned fund | 7,900  | 0      | 0 |
| Bank financial products | Owned fund | 2,000  | 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 | 3,000  | 0      | 0 |
| Bank financial products | Owned fund | 3,000  | 3,000  | 0 |
| Bank financial products | Owned fund | 3,000  | 3,000  | 0 |
| Bank financial products | Owned fund | 5,000  | 5,000  | 0 |
| Bank financial products | Owned fund | 2,000  | 2,000  | 0 |
| Bank financial products | Owned fund | 3,000  | 3,000  | 0 |
| Total                   |            | 78,000 | 16,000 | 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

| Contracting enterprise                | Contracting counter party                             | Contract object                                       | Date of contract | Book value of the assets involved in contract (in 10 thousand Yuan)(if applicable) | Evaluation value of the assets involved in contract (in 10 thousand Yuan)(if applicable) | Evaluation institution (if applicable) | Base date of evaluation (if applicable) | Pricing principle                                                                                                                                    | Trading price (in 10 thousand Yuan) | Whether it is a related transaction (Y/N) | Relationship                                                                                                                         | Implementation as at end of the period                                                                                                                                                                                 | Date of disclosure | Index of disclosure                                                                                                                                                                                  |
|---------------------------------------|-------------------------------------------------------|-------------------------------------------------------|------------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|----------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Shenzhen Shenbao Industrial Co., Ltd. | Shenzhen Fude State-owned Capital Operation Co., Ltd. | 100 percent equity of Shenzhen Cereals Group Co., Ltd | 2018-06-08       | 287,960.44                                                                         | 587,554.64                                                                               | Beijing China CEA                      | 2017-09-30                              | Found more in Report on Purchase of Assets by Issuing Shares and Related Transaction (Draft) (Revised) released on Juchao Website dated 23 June 2018 | 587,554.64                          | Y                                         | The counter party is the controlling shareholder of the Company-Fude Capital, thus, the transaction consist of a related transaction | Ended as the reporting period, the transaction has approved by the CSRC, and the underlying assets of 100 percent equity of SZCG have completed the ownership transfer procedures and relevant industrial & commercial | 2018-06-11         | Agreement of the Assets Acquisition by Issuing Shares between Shenzhen Shenbao Industrial Co., Ltd. And Shenzhen Fude State-owned Capital Operation Co., Ltd and supplementary agreement released on |

|  |  |  |  |  |  |  |  |  |  |  |  |         |                                                                                 |
|--|--|--|--|--|--|--|--|--|--|--|--|---------|---------------------------------------------------------------------------------|
|  |  |  |  |  |  |  |  |  |  |  |  | changes | Juchao<br>website dated<br>24 March<br>2018, 4 April,<br>11 June and 8<br>Sept. |
|--|--|--|--|--|--|--|--|--|--|--|--|---------|---------------------------------------------------------------------------------|

## **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 regulated 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**

#### **(1) Plan of targeted poverty alleviation**

In 2018, the company continued to carry out the targeted poverty alleviation work at Guilin Village, Yidu Town, Longchuan County, Heyuan City through SZCG, its wholly-owned subsidiary. According to the documents of the Guangdong Provincial Party Committee and the Provincial Government “Opinions on Implementation of the Three-year Tack on Targeted Poverty Alleviation in the New Era” (YF [2016] No. 13), the task of Guilin Village’s poverty alleviation was to achieve the goals of “Two No-worries Three-Guarantees One-Equal” in 2018, realizing no worries for food and clothing for impoverished people, guarantees for compulsory education, basic medical care and housing security, and index of main fields of basic public services equal to the provincial average, and strive to bring 10 low income families with 44 persons get ready for getting out of poverty in 2018 (totally bring 52 families with 145 persons out of poverty in three year ). In order to ensure that the poverty alleviation work achieve substantive results and implement the various objectives and tasks of targeted poverty alleviation, the work team adopted the following effective assistance measures: help poor households increase their income by organizing training courses, helping sell tea, providing public welfare positions, assisting in handling small loans, encouraging to work outside, leading to increase tea planting, increasing the planting area, and using the investment dividends of “substituting and complementing the financial funds with rewards”, and other means.

#### **(2) Summary of annual targeted poverty alleviation**

In 2018, the Company has input 1684500 yuan in total for poverty alleviation (consolation money and material allowance excluded), and used to improve the infrastructure construction, implement industrial assistance plan with

tea as the main component, and provided medical insurance for poor households.

#### Performance and effect

First, in the aspect of industrial assistance, carried out poverty alleviation work in the mode of “company + cooperative + farmer + base”, guided the large tea farmers to actively help more than 20 tea farmers to purchase tea, which solved the marketing problem of villagers’ tea to a certain extent; utilized the “substituting and complementing the financial funds with rewards” to guide the 20 poor households with labor capacity to invest in the Nanyuewang Company and the Aodingfeng Tea Cooperative, at the end of 2018, the two investment dividends amounted to 64,300 yuan, with an average income of 3,215 yuan per household. After three years, the principal of 10,000 yuan/person will be returned, which will provide financial guarantees for the poor households to develop their industries in the future. Organized the tea training courses for four times and 200 person-time of poor households participated in the training, which enhanced the production skills of poor households. Organized large tea farmers to participate in the first tea garden trade fair of poverty alleviation town village of Heyuan City, achievement exhibition of Shenzhen - Heyuan City targeted poverty alleviation, and Shenzhen Tea Fair, which greatly enhanced the popularity of “Guilin Tea”.

Second, in the improvement of village infrastructure and public services, invested 625,000 yuan to build the Chashan Road of more than 30 kilometers, which has effectively improved the tea picking efficiency of the villagers, and invested 570,000 yuan to complete the hardening project for 2.1 km village road to ensure the safe travel of the villagers. Started the construction of a new village service center to improve the environment of the villagers’ arena, invested 200,000 yuan to install solar street lamps, make hygiene billboard, buy electric cleaning vehicles and garbage cans, hire poor households as cleaners, beautify the village appearance, and change the backward situation of “dirty, chaotic and poor”. By the end of 2018, 14 dangerous houses had been reconstructed, and 52 poverty-stricken households in the village had achieved safe housing and reached the “eight-have” requirement.

Third, in the medical education assistance, invested 77,600 yuan to help the villagers in Guilin Village to handle the new rural cooperative medical insurance so as to reduce the burden of disease prevention and treatment of the villagers; applied for the allowance of 33,000 yuan to Shenzhen Charity Federation for the children from 5 poor households, which effectively reduced the economic burden of schooling for the children of poor households. In 2018, 8 households with 37 persons were released from poverty.

### (3) Performance of targeted poverty alleviation

| Target                                                                                         | Measurement unit | Numbers/ implementation |
|------------------------------------------------------------------------------------------------|------------------|-------------------------|
| i. Overall                                                                                     | ——               | ——                      |
| Including: 1. fund                                                                             | 10 thousand yuan | 173.27                  |
| 2. Material discount                                                                           | 10 thousand yuan | 2.08                    |
| 3.number of poverty-stricken population eliminating poverty with card for archives established | Person           | 145                     |

|                                                                                                   |                  |                                                          |
|---------------------------------------------------------------------------------------------------|------------------|----------------------------------------------------------|
| ii. Invested by specific project                                                                  | ——               | ——                                                       |
| 1.Industrial development poverty                                                                  | ——               | ——                                                       |
| Including: 1.1Type                                                                                | ——               | Poverty alleviation in agriculture and forestry industry |
| 1.2 numbers of industrial development poverty                                                     | Number           | 1                                                        |
| 1.3Amount input                                                                                   | 10 thousand yuan | 62.5                                                     |
| 1.4number of poverty-stricken population eliminating poverty with card for archives established   | Person           | 37                                                       |
| 2.Transfer employment                                                                             | ——               | ——                                                       |
| Including: 2.1 Amount input for vocation skills training                                          | 10 thousand yuan | 0.8                                                      |
| 2.2 Number of vocation skills training                                                            | Person-time      | 200                                                      |
| 2.3 Number of poverty-stricken population achieving employment with card for archives established | Person           | 15                                                       |
| 3.Relocation the poor                                                                             | ——               | ——                                                       |
| Including: 3.1 Number of employed persons from relocated households                               | Person           | 0                                                        |
| 4.Education poverty                                                                               | ——               | ——                                                       |
| Including: 4.1 Amount input for subsidizing the impoverished students                             | 10 thousand yuan | 3.75                                                     |
| 4.2Number of subsidized poor student s                                                            | Person           | 6                                                        |
| 4.3Amount input for improving the education resources in poverty-stricken areas                   | 10 thousand yuan | 0.4                                                      |
| 5.Health poverty alleviation                                                                      | ——               | ——                                                       |
| Including: 5.1 Amount input for medical and health resources in poverty-stricken areas            | 10 thousand yuan | 7.76                                                     |
| 6.Ecological protection and poverty alleviation                                                   | ——               | ——                                                       |
| Including: 6.1 Type                                                                               | ——               | Carry out ecological protection and construction         |
| 6.2Amount input                                                                                   | 10 thousand yuan | 8.8                                                      |
| 7.Fallback protection                                                                             | ——               | ——                                                       |
| Including: 7.1 Amount input for Three Stay Behind persons                                         | 10 thousand yuan | 5.12                                                     |

|                                                                                                   |                  |      |
|---------------------------------------------------------------------------------------------------|------------------|------|
| 7.2 Number of Three Stay Behind persons help                                                      | Person           | 47   |
| 7.3 Amount input for poor disabled persons                                                        | 10 thousand yuan | 0.96 |
| 7.4 Number of poor disabled persons help                                                          | Person           | 6    |
| 8. Social poverty alleviation                                                                     | —                | —    |
| 9. Other                                                                                          | —                | —    |
| Including: 9.1. number of items                                                                   | Number           | 7    |
| 9.2. Amount input                                                                                 | 10 thousand yuan | 81.1 |
| 9.3. number of poverty-stricken population eliminating poverty with card for archives established | Person           | 138  |
| iii. Awards (content and grade)                                                                   | —                | —    |

#### (4) Follow-up of targeted poverty alleviation

2019 is a key year for targeted poverty alleviation and winning the three-year tack on targeted poverty alleviation, the company will continue to take Xi Jinping's socialism with Chinese characteristics as a guide and take related poverty alleviation policies of governments at all levels as a gist, concentrate efforts, strengthen measures, promote poverty alleviation work in an orderly manner, consolidate the results of poverty alleviation, bring all poverty-stricken households out of poverty, and promote the industry development of Guilin Village:

1. Continue to do a good job in precision assistance. Help 32 poverty-stricken households supported by the government to consolidate the poverty alleviation results, and encourage 20 poverty-stricken households with labor capacity to work outside, and assist them to obtain dividends of "substituting subsidies with rewards", and increase income from various aspects. Fully implement the "Two No-worries Three-Guarantee" policy, reach the "Eight - Have" standards, and effectively implement the measures to help and educate, and continue to consolidate the results of poverty alleviation. Hold tea exhibitions in Longchuan County, or organize rural walking activities to promote tea industry in Guilin Village and develop rural tourism.
2. Continue to follow the village foundation project and complete the construction of the new village service center.
3. Promote the Agricultural Products Testing Center project to change to invest in Nanyuewang Ecological Agriculture Development Co., Ltd.
4. Combine the policies of the poverty alleviation department, develop the tea industry in Guilin village according to local conditions, explore the model of "planting tea + tourism", and form a long-term and comprehensive industry.
5. Comprehensively carry out the smooth docking of "targeted poverty alleviation" and "rural revitalization" work, and further consolidate the results of poverty alleviation.

### 3. Environmental protection

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

Yes

| Name                                                     | Name of Major Pollutants and Particular Pollutants | Emission Method                                    | Quantity of Discharge Outlet | Distribution of Discharge Outlet | Emission Concentration | Executed Pollutant Discharge Standards | Total Emissions | Approved Total Emissions | Excessive Discharge |
|----------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|------------------------------|----------------------------------|------------------------|----------------------------------------|-----------------|--------------------------|---------------------|
| Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd | Chemical oxygen demand                             | Emission after the qualified biochemical treatment | 1                            | Concentrated emission            | 10                     | 90                                     | 0.22 tons       | 15.44 tons /Year         | N/A                 |
| Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd | Suspended matter                                   | Emission after the qualified biochemical treatment | 1                            | Concentrated emission            | 5                      | 60                                     | 0.11 tons       | 10.293 tons /Year        | N/A                 |
| Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd | Five-day biochemical oxygen demand                 | Emission after the qualified biochemical treatment | 1                            | Concentrated emission            | 1.8                    | 20                                     | 0.04 tons       | 3.431 tons /Year         | N/A                 |
| Shenzhen Shenbao Huacheng Science and                    | Ammonia nitrogen                                   | Emission after the qualified                       | 1                            | Concentrated emissi              | 0.146                  | 10                                     | 0.003 tons      | 1.716 tons /Year         | N/A                 |

|                                                          |          |                                                        |   |                          |      |     |            |                  |     |
|----------------------------------------------------------|----------|--------------------------------------------------------|---|--------------------------|------|-----|------------|------------------|-----|
| Technology Co.,Ltd                                       |          | d bioche mical treatme nt                              |   | on                       |      |     |            |                  |     |
| Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd | Chroma   | Emissio n after the qualifie d bioche mical treatme nt | 1 | Conce ntrate d emissi on | 2    | 40  | 0.044 tons | 6.862 tons /Year | N/A |
| Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd | PH value | Emissio n after the qualifie d bioche mical treatme nt | 1 | Conce ntrate d emissi on | 7.43 | 6~9 | —          | —                | N/A |

Construction and operation of pollution prevention and control facilities

1. In the initial stage of production, the first phase of sewage treatment capacity was 230T/day. However, due to the increase in production capacity and management needs, the second phase of the treatment capacity of 240T/day was rebuilt in 2007, and the total sewage treatment design capacity reached 470T/day.
2. In the past three years, the Company’s sewage treatment facilities have performed well and there has been no excessive discharge.

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

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

1. The Company obtained the latest environmental protection approval in 2009: Shenzhen Longgang District Environmental Protection Bureau Construction Project Environmental Impact Review and Approval No. SLHP[2009]703873; the Company’s industrial waste water discharge is not allowed to exceed 470 tons/day, the waste water discharge performs the first-level standard for the second period of DB44/26-2001.
2. The Company obtained the latest “Guangdong Province Pollutant Discharge Permit” in 2016, which is valid until 2021.

Emergency response plan for environmental emergencies

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



Environmental self-monitoring scheme

1. The Company installed COD, PH value, and flowmeter pollution source online monitor for all-weather on-line monitoring in 2010.
2. Engage a third-party professional organization to test the industrial discharge of waste water for every half year.

Other environmental information that should be disclosed

1. Oil-to-gas project: In 2011, the Company transformed its two boilers from diesel boilers into natural gas boilers that burn clean energy, which greatly reduced the greenhouse gas emissions.
2. Clean production audit: The Company passed the voluntary clean production audit of Shenzhen in 2016.

Note: If the company discloses environmental information content in the form of an interim report during the reporting period, it ought to explain the follow-up progress or changes. If the relevant matters have been disclosed in the interim report and there is no progress or change in subsequent implementation, only the summary of the matter should be disclosed and the relevant query index of the interim report disclosure website should be provided.

Other environment protection

Nil

## **XIX. Explanation on other significant events**

Applicable  Not applicable

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

On March 23, 2018, the Company convened the 15<sup>th</sup> session of the 9<sup>th</sup> Board of Directors which discussed and approved the "Proposal on Preplanning of Shenzhen Shenbao Industrial Co., Ltd. Issuing Shares to Purchase Assets and Related Transactions", and the proposals related to this major asset restructuring.

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

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

On June 8, 2018, the Company held the 17<sup>th</sup> session of the 9<sup>th</sup> board of directors which deliberated and approved the "Proposal on 'the Company's Share Issuance for Purchasing Assets and Related Transactions Report (Draft)' and its Summary" and other proposals

related to major asset restructuring.

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

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

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

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

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

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

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

On August 23, 2018, the company received the “Written Decision on Not Implementing Further Review to the Anti-monopoly Investigation of Operators” issued by the Anti-Monopoly Bureau of the State Administration of Market Regulation (FLDCSH [2018] No. 153), which agreed not to implement further review to the equity case about the company’s acquisition of Shenzhen Cereals Group, and the company can implement concentration from now on.

On August 24, 2018, the company received the “Notice of Resuming the Review to Administrative Licensing Application of China Securities Regulatory Commission” (No. 181013), and the China Securities Regulatory Commission reviewed the “Approval of Resuming the Review to the Issuance of Shares for Asset Purchase by Listed Companies” submitted by the company according to law, and considered that the application was in compliance with the conditions for resuming review. According to the relevant provisions of Article 23 of the Regulations on the Implementation Procedures of Administrative Licensing of the China Securities Regulatory Commission, the CSRC decided to resume the review of the application for the administrative licensing.

On August 31, 2018, the company received the “Notice of Feedback on Administrative Licensing Project Review from the China Securities Regulatory Commission” issued by the China Securities Regulatory Commission (No. 181013). The China Securities Regulatory Commission investigated the application materials for administrative licensing of “Approval of Issuance of Shares for Asset Purchase by Listed Companies” submitted by the company in accordance with the law, requiring the company to provide written explanations on relevant issues and submit a written response to the administrative licensing acceptance department of China Securities Regulatory Commission within 30 working days..

On September 6, 2018, the company held the 22<sup>nd</sup> meeting of the Ninth Board of Directors which reviewed and approved the Proposal on Amending the Issue Price Adjustment Plan, the Proposal on Adjusting the Issue Price of Issuance of Shares for Asset Purchase by the Company, and other proposals related to the major asset restructuring.

On September 10, 2018, the company replied to a feedback from the China Securities Regulatory Commission and revised the restructuring report according to the feedback.

On September 12, 2018, the company received a notice from the China Securities Regulatory Commission, the Listed Company Merger and Acquisition and Reorganization Audit Committee of China Securities Regulatory Commission (hereinafter referred to as the “M&A and Reorganization Committee”) will hold a working meeting in the near future to review the company’s issuance of shares for asset purchase and related transactions. After applying to the Shenzhen Stock Exchange, the company’s stocks (stock abbreviation: Shenshenbao A, Shenshenbao B, stock codes: 000019, 200019) have been suspended since the opening on September 13, 2018 (Thursday).

On September 21, 2018, the company received a notice from the China Securities Regulatory Commission, after reviewed by the 44<sup>th</sup> working conference of the M&A and Reorganization Committee in 2018 held by the Listed Company Merger and Acquisition and Reorganization Audit Committee of China Securities Regulatory Commission, the company’s issuance of shares for asset purchase and related transactions obtained a pass unconditionally. After applying to the Shenzhen Stock Exchange, the company’s stocks (stock short name: Shenshenbao A, Shenshenbao B, stock codes: 000019, 200019) resumed trading on September 25, 2018 (Tuesday).

On October 13, 2018, the company disclosed the reorganization assessment report additional announcement, and revised the restructuring report according to the additional situation.

On October 15, 2018, the company received the Reply on the Approval of the Company to Issue Shares to Fude Capital to Purchase Assets (ZJXK [2018] No. 1610) approved and issued by the China Securities Regulatory Commission, according to which the company revised the restructuring report.

On October 18, 2018, the company obtained the “Change (Record) Notice” (21802220859) issued by the Shenzhen Market Supervision Administration, and the transfer of the underlying assets of the company regarding the issuance of shares to purchase assets and the related transactions was completed. After the completion of this change, the company holds 100% equity of Shenzhen Cereals Group.

On November 12, 2018, the issuance of shares for this major asset restructuring was listed on the Shenzhen Stock Exchange.

## **XX. Significant event of subsidiary of the Company**

√ Applicable  Not applicable

1. On July 24, 2018, the company held the 18<sup>th</sup> meeting of the Ninth Session of Board of Directors and the 10<sup>th</sup> meeting of the Ninth Session of Board of Supervisors, and reviewed and approved the Proposal on the Relocation of the Shenzhen Factory of the Company's Subsidiary - Shenzhen Shenbao Huacheng Tech Co., Ltd.", and agreed to relocate the Shenzhen Factory of Shenzhen Shenbao Huacheng Tech Co., Ltd., its wholly-owned subsidiary, to its wholly-owned subsidiary, Wuyuan County Jufangyong Tea Industry Limited Company. Found more in the Notice of the Company released on Juchao website (www.cninfo.com.cn) dated 26 July 2018
2. On December 28, 2018, the company held the 24<sup>th</sup> meeting of the Ninth Session of Board of Directors and the 13<sup>th</sup> meeting of the Ninth Session of Board of Supervisors, and reviewed and approved the "Proposal on the Revocation of the Company's Subsidiary - Shenzhen Shenbao Huacheng Tech Co., Ltd. Shantou Branch", agreed to revoke the company's wholly-owned subsidiary Shenzhen Shenbao Huacheng Tech Co., Ltd. Shantou Branch. Found more in the Notice of the Company released on Juchao website (www.cninfo.com.cn) dated 29 Dec. 2018

## Section VI. Changes in Shares and Particulars about Shareholders

### I. Changes in Shares

#### 1. Changes in shares

In Share

|                                           | Before the Change |             | Increase/Decrease in the Change (+, -) |              |                                   |        |             | After the Change |             |
|-------------------------------------------|-------------------|-------------|----------------------------------------|--------------|-----------------------------------|--------|-------------|------------------|-------------|
|                                           | A mount           | Proportio n | New shares issued                      | Bonus shares | Capitaliza tion of public reserve | Others | Subtotal    | A mount          | Proportio n |
| I. Restricted shares                      | 29,068,445        | 5.85%       | 655,752,951                            | 0            | 0                                 | 0      | 655,752,951 | 684,821,396      | 59.42%      |
| 1. State-owned shares                     | 0                 | 0.00%       | 0                                      | 0            | 0                                 | 0      | 0           | 0                | 0.00%       |
| 2. State-owned corporate shares           | 13,431,784        | 2.70%       | 655,752,951                            | 0            | 0                                 | 0      | 655,752,951 | 669,184,735      | 58.06%      |
| 3. Other domestic shares                  | 15,583,325        | 3.14%       | 0                                      | 0            | 0                                 | 1      | 1           | 15,583,326       | 1.35%       |
| Including: Domestic legal person's shares | 15,384,832        | 3.10%       | 0                                      | 0            | 0                                 | 0      | 0           | 15,384,832       | 1.33%       |
| Domestic nature person's shares           | 198,493           | 0.04%       | 0                                      | 0            | 0                                 | 1      | 1           | 198,494          | 0.02%       |
| 4. Foreign shares                         | 53,336            | 0.01%       | 0                                      | 0            | 0                                 | -1     | -1          | 53,335           | 0.01%       |
| Including: Foreign corporate shares       | 0                 | 0.00%       | 0                                      | 0            | 0                                 | 0      | 0           | 0                | 0.00%       |
| overseas nature person's share            | 53,336            | 0.01%       | 0                                      | 0            | 0                                 | -1     | -1          | 53,335           | 0.01%       |
| II. Un-restricted shares                  | 467,713,858       | 94.15%      | 0                                      | 0            | 0                                 | 0      | 0           | 467,713,858      | 40.58%      |
| 1. RMB common shares                      | 415,964,578       | 83.73%      | 0                                      | 0            | 0                                 | 0      | 0           | 415,964,578      | 36.09%      |
| 2. Domestically listed foreign shares     | 51,749,280        | 10.42%      | 0                                      | 0            | 0                                 | 0      | 0           | 51,749,280       | 4.49%       |
| 3. Foreign listed foreign shares          | 0                 | 0.00%       | 0                                      | 0            | 0                                 | 0      | 0           | 0                | 0.00%       |
| 4. Other                                  | 0                 | 0.00%       | 0                                      | 0            | 0                                 | 0      | 0           | 0                | 0.00%       |

|                   |             |         |             |   |   |   |             |               |         |
|-------------------|-------------|---------|-------------|---|---|---|-------------|---------------|---------|
| III. Total shares | 496,782,303 | 100.00% | 655,752,951 | 0 | 0 | 0 | 655,752,951 | 1,152,535,254 | 100.00% |
|-------------------|-------------|---------|-------------|---|---|---|-------------|---------------|---------|

#### Reasons for share changed

Applicable  Not applicable

During the reporting period, the Company carried out a material assets reorganization, and purchased 100 percent equity of Shenzhen Cereals Group Co., Ltd through issuing 655,752,951 A-share to Shenzhen Fude State-owned Capital Operation Co., Ltd with price of 8.96 yuan per share. The above mentioned share increase from issuing refers to the tradable shares with limited conditions and listed on Shenzhen Stock Exchange on 12 November 2018. After the issuing, total share capital of the Company up to 1,152,535,254 shares from 496,782,303 shares.

Due to the rounding off in the annual recalculation of shares locked by senior executive, the Company's senior executive of 9<sup>th</sup> BOD, Mr. Yan Zesong, of whom one share of the Company was lifted restriction on January 2, 2018; the Company's senior management 9<sup>th</sup> BOD, Mr. Yao Xiaopeng, of whom one share of the Company was restricted on January 2, 2018.

#### Approval of share changed

Applicable  Not applicable

On 10 October 2018, the "Approval of Shenzhen Shenbao Industrial Co., Ltd Purchased Assets through Issuing Shares to Shenzhen Fude State-owned Capital Operation Co., Ltd." ZJXK [2018] No.1610 issued by CSRC. Found more in the "Notice on Accepting the Approval of Shenzhen Shenbao Industrial Co., Ltd Purchased Assets through Issuing Shares" released on juchao website on 17 October 2018.

#### Ownership transfer of share changed

Applicable  Not applicable

According to the "Confirmation of Acceptance of Share Registration Application" issued by China Securities Depository and Clearing Co., Ltd. Shenzhen Branch on October 30, 2018, the newly increased shares shall be officially listed in the register of shareholders of the listed company after the share registration, the above newly increased shares have been listed on the Shenzhen Stock Exchange on November 12, 2018. For details, please refer to the "Report on the Issuance of Shares to Purchase Assets and the Implementation of Related Transactions and the Listing of New Shares of Shenzhen Shenbao Industrial Co., Ltd." disclosed by the company on November 9, 2018 at [www.cninfo.com.cn](http://www.cninfo.com.cn).

#### Progress of shares buy-back

Applicable  Not applicable

#### Implementation progress of the reduction of repurchases shares by centralized bidding

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

After the implementation of material assets reorganization, total share capital of the Company up to 1,152,535,254 shares from 496,782,303 shares. Based on the new share capital of 1,152,535,254 shares, the basic EPS for year of 2017 and 2018 amounted as 0.3116 yuan/share and 0.2726 yuan/share respectively; net assets per share amounted as 3.34 yuan/share and 3.62 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 Fude State-owned Capital Operation Co., Ltd. | 0                                           | 0                                     | 655,752,951                                 | 655,752,951                               | Additional limited shares for material assets reorganization | 2022-5-12                                                        |
| Shenzhen Fude State-owned Capital Operation Co., Ltd. | 0                                           | 0                                     | 13,431,784                                  | 13,431,784                                | Restricted shares before IPO                                 | Restrict shares of Shenzhen Investment Holding transfer for free |
| Shenzhen Investment Holding Co., Ltd                  | 13,431,784                                  | 13,431,784                            | 0                                           | 0                                         | Restricted shares before IPO                                 | 2018-4-3                                                         |
| Yan Zesong                                            | 53,336                                      | 1                                     | 0                                           | 53,335                                    | Senior executives locked-up shares                           | Shares unlock every year takes 25% of the total shares holding   |
| Yao Xiaopeng                                          | 33,288                                      | 0                                     | 1                                           | 33,289                                    | Senior executives locked-up shares                           | Shares unlock every year takes 25% of the total shares holding   |
| Total                                                 | 13,518,408                                  | 13,431,785                            | 669,184,736                                 | 669,271,359                               | --                                                           | --                                                               |

## II. Securities issuance and listing

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

Applicable  Not applicable

| Stock and its | Issuing date | Issuing price (or | Issuing amount | Listing date | Numbers | Date for deal closure |
|---------------|--------------|-------------------|----------------|--------------|---------|-----------------------|
|---------------|--------------|-------------------|----------------|--------------|---------|-----------------------|

|                                                                                              |            |                 |             |            |                      |  |
|----------------------------------------------------------------------------------------------|------------|-----------------|-------------|------------|----------------------|--|
| derivative securities                                                                        |            | interest rate)  |             |            | approved for listing |  |
| Stock                                                                                        |            |                 |             |            |                      |  |
| SZCH                                                                                         | 2018-11-12 | 8.96 yuan/share | 655,752,951 | 2018-11-12 | 655,752,951          |  |
| Convertible corporate bond, Convertible corporate bonds traded separately and corporate bond |            |                 |             |            |                      |  |
| Other derivative securities                                                                  |            |                 |             |            |                      |  |

## Explanation

During the reporting period, the company issued shares to Fude Capital to purchase 100% of its stake in Shenzhen Cereals Group. According to the Asset Evaluation Report ZQHPBZ (2018) No. 3558 issued by CEA, the assessed value of the underlying assets on the base date of assets evaluation (September 30, 2017) was 5,875,546,400 yuan. After negotiation by the parties to the transaction, the total transaction value of the underlying assets was 5,875,546,400 yuan, and the company paid the consideration by way of issuing shares, that is, the company issued 655,752,951 share of A shares to Fude Capital at the price of 8.96 yuan per share to purchase 100% of its stake in Shenzhen Cereals Group, the above shares were listed on the Shenzhen Stock Exchange on November 12, 2018. Found more in the Notice of the Company released on Juchao website (www.cninfo.com.cn) on 9 Nov. 2018

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

Applicable  Not applicable

During the reporting period, the Company carried out a material assets reorganization, and purchased 100 percent equity of Shenzhen Cereals Group Co., Ltd through issuing 655,752,951 shares to Fude Capital. After the issuing, total share capital of the Company up to 1,152,535,254 shares from 496,782,303 shares. Total shares and changes in shareholder structure are as:

| Shareholder                                           | Before transaction               |                              | After transaction                |                              |
|-------------------------------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|
|                                                       | Number of shares holding (Share) | Proportion of shares holding | Number of shares holding (Share) | Proportion of shares holding |
| Shenzhen Agricultural Products Co., Ltd.              | 94,832,294                       | 19.09%                       | 94,832,294                       | 8.23%                        |
| Shenzhen Fude State-owned Capital Operation Co., Ltd. | 79,484,302                       | 16.00%                       | 735,237,253                      | 63.79%                       |
| Other circulating shareholders                        | 322,465,707                      | 64.91%                       | 322,465,707                      | 27.98%                       |
| Total                                                 | 496,782,303                      | 100.00%                      | 1,152,535,254                    | 100.00%                      |

After the above mentioned material assets reorganization, SZCG included in the consolidate scope as the subsidiary of the Company. Performance of SZCG included in the listed company correspondingly, thus, the assets and liability of the Company has major growth from a year earlier, the year before reorganization.

Ended as reporting period, total assets of the Company amounted as 6468.95 million yuan, increased 9.44 percent by comparing with 5911.03 million yuan at same period last year; total liability of the Company amounted as 2131.35 million yuan, increased 10.45 percent by comparing with 1938.2 million yuan at same period last year

## 3. Existing internal staff shares

Applicable  Not applicable



### III. Particulars about shareholder and actual controller of the Company

#### 1. Number of shareholders and particulars about shares holding

In Share

| Total common stock shareholders in reporting period-end                        | 63,160                   | Total common stock shareholders at end of last month before annual report disclosed | 57,385                                        | Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note 8) | 0                                | Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note 8) | 0                              |        |
|--------------------------------------------------------------------------------|--------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------|
| Particulars about shares held above 5% by shareholders or top ten shareholders |                          |                                                                                     |                                               |                                                                                                                         |                                  |                                                                                                                                                  |                                |        |
| 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 Fude State-owned Capital Operation Co., Ltd.                          | State-owned legal person | 63.79%                                                                              | 735,237,253                                   | 735,237,253                                                                                                             | 669,184,735                      | 66,052,518                                                                                                                                       |                                |        |
| Shenzhen Agricultural Products Co., Ltd.                                       | Other                    | 8.23%                                                                               | 94,832,294                                    | 0                                                                                                                       | 15,384,832                       | 79,447,462                                                                                                                                       |                                |        |
| Sun Huiming                                                                    | Domestic nature person   | 0.30%                                                                               | 3,403,262                                     | 0                                                                                                                       | 0                                | 3,403,262                                                                                                                                        |                                |        |
| Hu Xiangzhu                                                                    | Domestic nature person   | 0.23%                                                                               | 2,630,000                                     | 720000                                                                                                                  | 0                                | 2,630,000                                                                                                                                        |                                |        |
| Zhonghai Trust Co., Ltd. - Zhonghai - Pujiang Star 353 Collective Fund Trust   | Other                    | 0.18%                                                                               | 2,108,025                                     | 2,108,025                                                                                                               | 0                                | 2,108,025                                                                                                                                        |                                |        |
| China resources Trust - CR Trust - Yun sheng 9 Collective Fund Trust Plan      | Other                    | 0.18%                                                                               | 2,091,200                                     | 2,091,200                                                                                                               | 0                                | 2,091,200                                                                                                                                        |                                |        |
| Cai Yunsheng                                                                   | Domestic nature person   | 0.14%                                                                               | 1,611,590                                     | 1,611,590                                                                                                               | 0                                | 1,611,590                                                                                                                                        |                                |        |
| Central Huijin Asset                                                           | State-owned              | 0.13%                                                                               | 1,472,625                                     | 0                                                                                                                       | 0                                | 1,472,625                                                                                                                                        |                                |        |

| Management Co., Ltd.                                                                                                        | legal person                                    |                                                                                                                                                                                                                                                                                                                                                      |            |           |   |           |  |  |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|---|-----------|--|--|
| Lin Junbo                                                                                                                   | Domestic nature person                          | 0.13%                                                                                                                                                                                                                                                                                                                                                | 1,457,900  | 1,457,900 | 0 | 1,457,900 |  |  |
| Li Qian                                                                                                                     | Domestic nature person                          | 0.11%                                                                                                                                                                                                                                                                                                                                                | 1,279,191  | -3487     | 0 | 1,279,191 |  |  |
| Strategy investors or general corporation comes top 10 common shareholders due to rights issue (if applicable) (see note 3) |                                                 | N/A                                                                                                                                                                                                                                                                                                                                                  |            |           |   |           |  |  |
| Explanation on associated relationship among the aforesaid shareholders                                                     |                                                 | Shenzhen SASAC directly holds 100% equity of Fude Capital, and holds 34% of Agricultural Products indirectly through Fude Capital; the Company was not aware of any related relationship between other shareholders above, and whether they belonged to parties acting in concert as defined by the Acquisition Management Method of Listed Company. |            |           |   |           |  |  |
| Particular about top ten 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 Fude State-owned Capital Operation Co., Ltd.                                                                       | 66,052,518                                      | RMB common shares                                                                                                                                                                                                                                                                                                                                    | 66,052,518 |           |   |           |  |  |
| Sun Huiming                                                                                                                 | 3,403,262                                       | Domestically listed foreign shares                                                                                                                                                                                                                                                                                                                   | 3,403,262  |           |   |           |  |  |
| Hu Xiangzhu                                                                                                                 | 2,630,000                                       | RMB common shares                                                                                                                                                                                                                                                                                                                                    | 2,630,000  |           |   |           |  |  |
| Zhonghai Trust Co., Ltd. - Zhonghai - Pujiang Star 353 Collective Fund Trust                                                | 2,108,025                                       | RMB common shares                                                                                                                                                                                                                                                                                                                                    | 2,108,025  |           |   |           |  |  |
| China resources Trust - CR Trust - Yun sheng 9 Collective Fund Trust Plan                                                   | 2,091,200                                       | RMB common shares                                                                                                                                                                                                                                                                                                                                    | 2,091,200  |           |   |           |  |  |
| Cai Yunsheng                                                                                                                | 1,611,590                                       | RMB                                                                                                                                                                                                                                                                                                                                                  | 1,611,590  |           |   |           |  |  |

|                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                      |                   |           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-----------|
|                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                      | common shares     |           |
| Central Huijin Asset Management Co., Ltd.                                                                                                                                | 1,472,625                                                                                                                                                                                                                                                                                                                                            | RMB common shares | 1,472,625 |
| Lin Junbo                                                                                                                                                                | 1,457,900                                                                                                                                                                                                                                                                                                                                            | RMB common shares | 1,457,900 |
| Li Qian                                                                                                                                                                  | 1,279,191                                                                                                                                                                                                                                                                                                                                            | RMB common shares | 1,279,191 |
| Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders | Shenzhen SASAC directly holds 100% equity of Fude Capital, and holds 34% of Agricultural Products indirectly through Fude Capital; the Company was not aware of any related relationship between other shareholders above, and whether they belonged to parties acting in concert as defined by the Acquisition Management Method of Listed Company. |                   |           |

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 Fude State-owned Capital Operation Co., Ltd. | Zhu Junming                               | 2017-12-14         | 91440300MA5EWWPXX2 | Investing in the establishment of industries (Specific projects are declared separately); development, operation and management of self-owned properties. (Projects subject to approval according to law should be approved by relevant departments before carrying out business activities) (Except for projects prohibited by laws, administrative regulations and the decisions of the State Council, and the restricted projects must be licensed before operating) |

|                                                                                                                            |                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Equity of other domestic/oversea listed Company control by controlling shareholder as well as stock-joint in report period | Except for holding 63.79 percent equity of the Company, 34.04 percent equity of Shenzhen Agricultural Products Co., Ltd was held by Shenzhen Fude State-owned Capital Operation Co., Ltd. |
|----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Changes of controlling shareholders in reporting period

√ Applicable □ Not applicable

|                                     |                                                       |
|-------------------------------------|-------------------------------------------------------|
| New controlling shareholder         | Shenzhen Fude State-owned Capital Operation Co., Ltd. |
| Date for change                     | 2018-4-3                                              |
| Query index on specify web site     | Juchao website (www.cninfo.com.cn)                    |
| Disclosure date on specify web site | 2018-4-4                                              |

**3. Actual controller and persons acting in concert**

Nature of actual controller: local state-owned assets management

Type of actual controller: legal person

| Actual controller                                                                                 | Legal person/person in charge of the unit | Date of foundation | Organization code  | Main operation business                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Shenzhen Municipal People's Government State-owned Assets Supervision & Administration Commission | Yu Gang                                   | 2004-04-02         | 11440300K317280672 | According to the authorization of the Shenzhen Municipal Government, perform the investor's duties in accordance with laws and regulations, safeguard the rights and interests of the investor of state-owned assets in accordance with the law; assume the responsibility of supervising the state-owned assets of municipal enterprises; assume the responsibility of supervising the hedging and investor of state-owned assets of the supervised enterprises; guide and advance the supervised enterprises to improve the corporate governance structure, strengthen the construction of the board of directors and the board of supervisors of the supervised enterprises; take responsible for appointing or recommending directors, supervisors and financial controllers to the supervised enterprises, take responsible for the audit of the economic responsibility of the responsible |

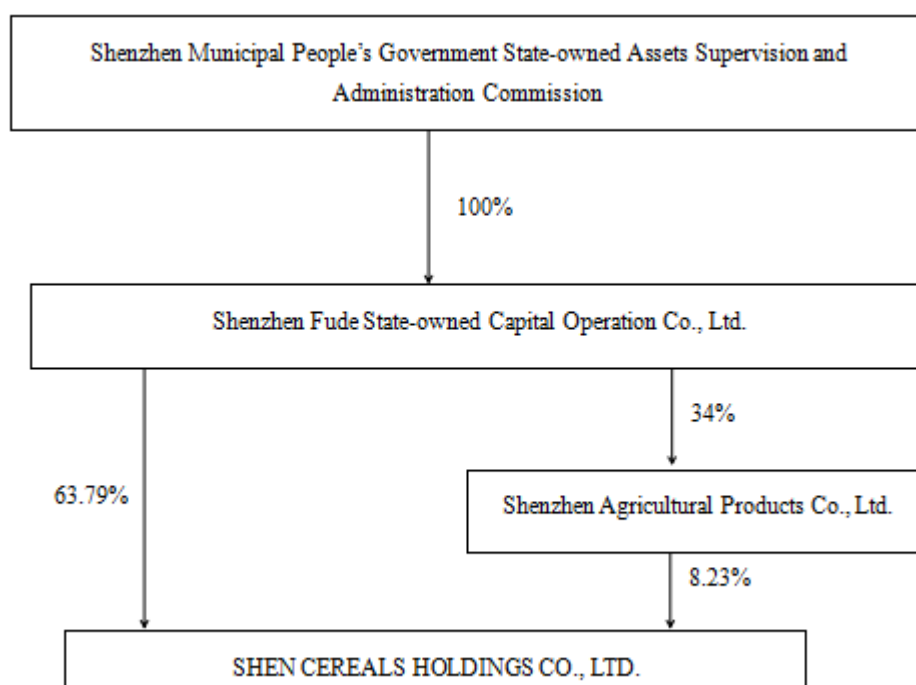
|                                                                                                     |   |  |  |                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------|---|--|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                     |   |  |  | persons of the supervised enterprises in accordance with the provisions on the administration authority of the persons in charge of the enterprise; take responsible for preparing the budget and final account draft of the annual state-owned capital operation of the supervised enterprises, including the government budget system, etc. |
| 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

**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

## 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 (F/M) | 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         | 57  | 2015-09-10                 | 2018-09-10              | 66,000                              | 0                                             | 0                                             | 0                     | 66,000                           |
| Zhang Guodong | Director                                    | Currently in office | M         | 57  | 2017-09-13                 | 2018-09-10              | 0                                   | 0                                             | 0                                             | 0                     | 0                                |
| Wang Li       | Director                                    | Currently in office | M         | 58  | 2018-05-15                 | 2018-09-10              | 0                                   | 0                                             | 0                                             | 0                     | 0                                |
| Ni Yue        | Director                                    | Currently in office | F         | 45  | 2018-05-15                 | 2018-09-10              | 0                                   | 0                                             | 0                                             | 0                     | 0                                |
| Fan Zhiqing   | Independent director                        | Currently in office | M         | 70  | 2015-09-10                 | 2018-09-10              | 3,960                               | 0                                             | 0                                             | 0                     | 3,960                            |
| Wu Shuping    | Independent director                        | Currently in office | M         | 66  | 2015-09-10                 | 2018-09-10              | 0                                   | 0                                             | 0                                             | 0                     | 0                                |
| Chen Cansong  | Independent director                        | Currently in office | M         | 47  | 2015-09-10                 | 2018-09-10              | 0                                   | 0                                             | 0                                             | 0                     | 0                                |
| Yan Zesong    | Director, GM                                | Currently in office | M         | 49  | 2015-09-10                 | 2018-09-10              | 71,114                              | 0                                             | 0                                             | 0                     | 71,114                           |
| Li Yiyao      | Director, Deputy GM, Secretary of the Board | Currently in office | F         | 53  | 2015-09-10                 | 2018-09-10              | 41,250                              | 0                                             | 0                                             | 0                     | 41,250                           |
| Lin Hong      | Chairman of supervisory committee           | Currently in office | F         | 54  | 2015-09-10                 | 2018-09-10              | 41,250                              | 0                                             | 0                                             | 0                     | 41,250                           |
| Wang          | Supervisor                                  | Currently           | F         | 52  | 2018-05-                   | 2018-09-                | 0                                   | 0                                             | 0                                             | 0                     | 0                                |



|              |                                         |                     |    |    |            |            |         |   |   |   |         |
|--------------|-----------------------------------------|---------------------|----|----|------------|------------|---------|---|---|---|---------|
| Huimin       |                                         | in office           |    |    | 15         | 10         |         |   |   |   |         |
| Luo Longxin  | Staff supervisor                        | Currently in office | M  | 58 | 2015-09-10 | 2018-09-10 | 0       | 0 | 0 | 0 | 0       |
| 钱晓军          | Deputy GM                               | Currently in office | M  | 47 | 2015-09-10 | 2018-09-10 | 0       | 0 | 0 | 0 | 0       |
| Yao Xiaopeng | Deputy GM                               | Currently in office | M  | 51 | 2015-09-10 | 2018-09-10 | 44,385  | 0 | 0 | 0 | 44,385  |
| Wang Zhiping | CFO                                     | Currently in office | F  | 48 | 2015-09-10 | 2018-09-10 | 28,050  | 0 | 0 | 0 | 28,050  |
| Liu Zhengyu  | Director                                | Office-leaving      | M  | 49 | 2015-09-10 | 2018-04-13 | 0       | 0 | 0 | 0 | 0       |
| Huang Yu     | Director                                | Office-leaving      | M  | 45 | 2015-09-10 | 2018-04-13 | 0       | 0 | 0 | 0 | 0       |
| Li Xinjian   | Supervisor                              | Office-leaving      | M  | 47 | 2015-09-10 | 2018-05-15 | 0       | 0 | 0 | 0 | 0       |
| Li Fang      | Deputy party secretary, SCID, Deputy GM | Office-leaving      | F  | 45 | 2015-09-10 | 2018-05-31 | 39,766  | 0 | 0 | 0 | 39,766  |
| Total        | --                                      | --                  | -- | -- | --         | --         | 335,775 | 0 | 0 | 0 | 335,775 |

## II. Changes of directors, supervisors and senior executives

√ Applicable □ Not applicable

| Name        | Title                                   | Type              | Date       | Reasons                  |
|-------------|-----------------------------------------|-------------------|------------|--------------------------|
| Liu Zhengyu | Director                                | Office-leaving    | 2018-04-13 | Reasons for job transfer |
| Huang Yu    | Director                                | Office-leaving    | 2018-04-13 | Reasons for job transfer |
| Li Xinjian  | Supervisor                              | Office-leaving    | 2018-05-15 | Reasons for job transfer |
| Li Fang     | Deputy party secretary, SCID, Deputy GM | Non-reappointment | 2018-05-31 | Reasons for job transfer |

## 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 7<sup>th</sup> and 8<sup>th</sup> BOD; and now serves as Party Secretary of the Company and chairman of the 9<sup>th</sup> BOD

Mr. Zhang Guodong: master's degree, 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 9<sup>th</sup> BOD of the Company

Mr. Wang Li: master's degree and an accountant, was born in 1961. He successively served as assistant workers in Chengdu Locomotive Factory; assistant workers in Xi'an Railway Branch; business manager, vice director of the financial department, director of capital division, deputy chief accountant, deputy GM, Director, deputy party secretary and GM of Shenzhen SEG Group Co., Ltd.; now he serves as full-time external director of Shenzhen SASAC, Director of Shenzhen Cereals Group Co., Ltd and Shenzhen Agricultural Products Co., Ltd, the Director of 9<sup>th</sup> BOD of the Company.

Ms. Ni Yue: a master's degree and a senior accountant, was born in 1974. She successively served as general ledger accountant in Shanghai Jingan Commercial & Trade Corporation; chief accounting in Shanghai Tailong Real Estate Co., Ltd.; finance officer in Shanghai Baodi Property Co., Ltd; chief accountant in Shanghai Ruian Real Estate Co., Ltd and full-time supervisor in the enterprise directly under SASAC of Shanghai Pudong New District. Now she serves as full-time external director of Shenzhen SASAC, Director of Shenzhen Bus Group and Shenzhen Cereals Group Co., Ltd; chief financial officer of Shenzhen Fude State-owned Capital Operation Co., Ltd. and Director of 9<sup>th</sup> BOD of the Company.

Mr. Fan Zhiqing, was born in 1949, a master's 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 5<sup>th</sup>, 6<sup>th</sup> and 8<sup>th</sup> 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 9<sup>th</sup> 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 9<sup>th</sup> 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 9<sup>th</sup> 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 6<sup>th</sup> Supervisory Committee of the Company and Director of 7<sup>th</sup> and 8<sup>th</sup> BOD of the Company. He now serves as Director and GM of 9<sup>th</sup> BOD of the Company

Ms. Li Yiyan, was born in 1966, a master's degree, a senior human resources manager. She has served successively as deputy director and director of the HR department of the Company, supervisor of 5<sup>th</sup> and 6<sup>th</sup> supervisory committee of the Company, the Director and Secretary of 7<sup>th</sup> BOD and Secretary of the 8<sup>th</sup> BOD. Now she serves as Director of 9<sup>th</sup> BOD, Secretary of the Board and Deputy GM 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 7<sup>th</sup> and 8<sup>th</sup> supervisory committee of the Company. Now she serves as chairman of 9<sup>th</sup> supervisory committee of the Company.

Ms. Wang Huimin: master's degree and a intermediate economist, senior HR manager and has a lawyer's qualification, was born in 1967. She successively served as a legal adviser for Shenzhen Construction Group Co., Ltd, an economist, chairman of the committee of female employees, manager of HR department in Shenzhen Construction Investment Holding Co., Ltd; director of HR department of Shenzhen Investment Holding Co., Ltd; Deputy GM of SZPRD; Director, Deputy party secretary and SCID of Shenzhen Cereals Group Co., Ltd. Now she serves as SCID and Chairman of supervisory committee of Shenzhen Cereals Group Co., Ltd, the supervisor of 9<sup>th</sup> supervisory committee of the Company.

Mr. Luo Longxin, was born in 1970, a university background and a tea researcher, was born in 1961. He successively worked in Tea Research Institute, Chinese Academy of Agricultural Sciences, mainly engaged in research and

technology development in tea making, tea beverage, concentrated tea juice and other tea deep processing, served as deputy director of the tea making office, member of the academic committee, and in 2018, he was hired by National Science & Technology Award Office as an *expert in evaluation of the National Science & Technology Award*. Worked as the director of production and quality department in Shenzhen Shenbao Huacheng Food Co., Ltd., the supervisor of 8<sup>th</sup> supervisory committee of the Company. Now he serves as the chief technical office and head of R&D center of the Company, supervisor of 9<sup>th</sup> supervisory committee of the Company and Chairman of the Shenzhen Shenbao Technology Center Co., Ltd., subordinate enterprise of the Company.

**(iii) Senior executive**

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                                                       |
| 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 | Whether receiving remuneration from other units |
|-------------------------------------------|------------------------------------------------------------|----------------------|----------------------------|-------------------------|-------------------------------------------------|
| 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                                               |
| Chen Cansong                              | Shenzhen State-owned Duty Free Commodities (Group) Co.,Ltd | Outside 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 5,917,900 Yuan before tax for the year. The resigned directors, supervisors and senior executives obtained 509,900 Yuan from the Company for the year during office term, totally 6,427,800 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   | 57  | Currently in office | 96.20                                        | N                                                               |
| Zhang Guodong | Director                                  | M   | 57  | Currently in office | 0                                            | Y                                                               |
| Wang Li       | Director                                  | M   | 58  | Currently in office | 0                                            | Y                                                               |
| Ni Yue        | Director                                  | F   | 45  | Currently in office | 0                                            | Y                                                               |
| Fan Zhiqing   | Independent director                      | M   | 70  | Currently in office | 10                                           | N                                                               |
| Wu Shuping    | Independent director                      | M   | 66  | Currently in office | 10                                           | N                                                               |
| Chen Cansong  | Independent director                      | M   | 47  | Currently in office | 10                                           | N                                                               |
| Yan Zesong    | Director、GM                               | M   | 49  | Currently in office | 74.49                                        | N                                                               |
| Li Yiyang     | Director、Deputy GM、Secretary of the Board | F   | 53  | Currently in office | 103.67                                       | N                                                               |
| Lin Hong      | Chairman of supervisory committee         | F   | 54  | Currently in office | 56.84                                        | N                                                               |
| Wang Huimin   | Supervisor                                | F   | 52  | Currently in office | 0                                            | Y                                                               |
| Luo Longxin   | Staff supervisor                          | M   | 58  | Currently in office | 46.29                                        | N                                                               |
| Qian Xiaojun  | Deputy GM                                 | M   | 47  | Currently in office | 47.65                                        | N                                                               |
| Yao Xiaopeng  | Deputy GM                                 | M   | 51  | Currently in office | 63.32                                        | N                                                               |
| Wang Zhiping  | CFO                                       | F   | 48  | Currently in office | 73.33                                        | N                                                               |

|             |            |    |    |                |        |    |
|-------------|------------|----|----|----------------|--------|----|
| Liu Zhengyu | Director   | M  | 49 | Office-leaving | 0      | Y  |
| Huang Yu    | Director   | M  | 45 | Office-leaving | 0      | Y  |
| Li Xinjian  | Supervisor | M  | 47 | Office-leaving | 0      | Y  |
| Li Fang     | Deputy GM  | F  | 45 | Office-leaving | 50.99  | N  |
| Total       | --         | -- | -- | --             | 642.78 | -- |

Note: 1. The total amount of pre-tax remuneration received by the above directors, supervisors and senior executives from the company refers to the basic wages, performance pay, bonuses, allowances, subsidies, employee benefits fee and other forms of total pre-tax remuneration received from the company.

2. The above total amount of remuneration includes part of the delayed performance pay of 2017.

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)                                         | 154                                          |
| Employee in-post of main Subsidiaries (people)                                         | 942                                          |
| The total number of current employees(people)                                          | 1,096                                        |
| The total number of current employees to receive pay (people)                          | 1,096                                        |
| Retired employee' s expenses borne by the parent Company and main Subsidiaries(people) | 1                                            |
| Professional composition                                                               |                                              |
| Category of professional composition                                                   | Numbers of professional composition (people) |
| Production personnel                                                                   | 429                                          |
| Salesperson                                                                            | 134                                          |
| Technicians                                                                            | 86                                           |
| Financial personnel                                                                    | 99                                           |
| Administrative personnel                                                               | 348                                          |
| Total                                                                                  | 1,096                                        |
| Education background                                                                   |                                              |
| Education                                                                              | Numbers (people)                             |
| Postgraduate or above                                                                  | 95                                           |
| Undergraduate                                                                          | 337                                          |
| 3-years regular college graduate                                                       | 250                                          |
| Polytechnic school graduate                                                            | 87                                           |

|                                        |       |
|----------------------------------------|-------|
| Senior middle school graduate or below | 327   |
| Total                                  | 1,096 |

## 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, remuneration and benefit are connected as a whole.

## 3. Training Plan

According to the company's overall strategic deployment and business planning, combined with the company's actual business situation, in order to strengthen the construction of learning organizations, promote the organizational performance improvement, and continue to promote the enterprise technology innovation and model innovation, the company explored internal and external training resources in 2018, enriched training forms, cultivate employees' innovative thinking and problem-solving skills and improve the comprehensive quality and abilities of employees through the organic combination of special training, personalized training, "menu-style" training, individual guidance, internal communication and other forms of training so as to reserve talent resources for the company's development.

In 2019, the company will strengthen the rule of law education, further improve the legal knowledge of employees, and hold the "Legal Knowledge Enhancement Class" around the National Constitutional Amendment, Supervision Law, Information Disclosure of Listed Companies, and Enterprise Contract Law. At the same time, according to the needs of staff training, through the close integration of training and actual business, organize and participate in high-quality special courses, and promote employees to continuously improve their work ability so as to support the effective implementation of the company's strategies.

## 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 2017 held on 15 May 2018, found more in the Article of Association (May 2018) released on Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) dated 16 May 2018.

The *Management System of Corporate Entrusted Finance* has deliberated and approved in 17<sup>th</sup> session of 9<sup>th</sup> BOD held on 8 June 2018, found more in the *Management System of Corporate Entrusted Finance* released on Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) dated 11 June 2018.

The Special Proposal of *Article of Association Revision, Rules of Procedure of the Board Revision and Rules of Procedure of Supervisory Committee Revision* have deliberated and approved in Third Extraordinary shareholders meeting of 2018 held on 15 Nov. 2018, found more in the *Article of Association* (November 2018), *Rules of Procedure of the Board* (November 2018) and *Rules of Procedure of Supervisory Committee* (November 2018) released on Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) dated 6 November 2018.

The Special Proposal of *Article of Association Revision* has deliberated and approved in 24<sup>th</sup> session of 9<sup>th</sup> BOD held on 28 December 2018, found more in the *Article of Association* (December 2018) released on Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) dated 29 December 2018.

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, Fude Capital is the actual controller of the Company with 63.79 percent shares held. 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 Grain & oil trading processing, Warehousing logistics service, production and sale of tea products, food and beverage products. 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 Meeting of 2017               | AGM                           | 0.19%                           | 2018-05-15 | 2018-05-16         | Disclosed at www.cninfo.com.cn on No. 2018-44 " resolutions Announcement to 2017 Annual General Meeting of Shenzhen Shenbao Industrial Co., Ltd. " on 16 May 2018 |
| First extraordinary general meeting of 2018  | extraordinary general meeting | 4.78%                           | 2018-06-27 | 2018-06-28         | Disclosed at www.cninfo.com.cn on No. 2018-57 " resolutions Announcement to First extraordinary general meeting of 2018 " on 28 June 2018                         |
| Second extraordinary general meeting of 2018 | extraordinary general meeting | 0.00%                           | 2018-09-13 | 2018-09-14         | Disclosed at www.cninfo.com.cn on No. 2018-81 " resolutions Announcement to Second extraordinary general meeting of 2018 " on 14 September 2018                   |
| Third extraordinary general meeting of 2018  | extraordinary general meeting | 0.06%                           | 2018-11-15 | 2018-11-16         | Disclosed at www.cninfo.com.cn on No. 2018-97 " resolutions Announcement to Third extraordinary general meeting of 2018 " on 16 November 2018                     |

## 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                            | 10                                                             | 10                | 0                                   | 0                           | 0                | N                                                     | 0                                        |
| Wu Shuping                             | 10                                                             | 4                 | 6                                   | 0                           | 0                | N                                                     | 1                                        |
| Chen Cansong                           | 10                                                             | 10                | 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 "2018 Annual Work Report of Independent

Directors” detailed in [www.cninfo.com.cn](http://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 2017, First Quarterly Report of 2018, semi-annual report 2018, the financial report of 3<sup>rd</sup> quarterly report 2018 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 2017 annual performance factor according to the regulation of performance management measures for the headquarters, and inspected the 2017 annual salary for the Company's directors, supervisors and senior managers, at the same time, made confirmation for the operating performance indicators in 2018.

### **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 Mr. Wang Li and Ms. Ni Yue as the director of the Company and conducted examination on their 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 Strategy Committee**

During the reporting period, the strategy committee of the Board held four meetings and deliberated and approved the follow proposals as Shenzhen Shenbao Industrial Co., Ltd Issuing Shares to Purchase Assets and Plan of Related Transaction, The conditional Agreement on Share Issuance and Purchase of Assets signed by Fude Capital, Shenzhen Shenbao Industrial Co., Ltd Issuing Shares to Purchase Assets and Pre-Plan of Related Transaction and Revoke the Shantou Branch of Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd etc.

### **5. 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 2017 and the first quarter of 2018, the semi-annual of 2018 and the third quarter of 2018 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

## 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                                                                                                            | 2019-04-27                                                                          |                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| 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         | 50.31%                                                                              |                                                                              |
| 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 | 4.69%                                                                               |                                                                              |
| Defects Evaluation Standards                                                                                                                                          |                                                                                     |                                                                              |
| Category                                                                                                                                                              | Financial Reports                                                                   | Non-financial Reports                                                        |
| Qualitative criteria                                                                                                                                                  | Major defects: Defect alone or together with other defects in a timely manner cause | Qualitative evaluation criteria for Identified internal control deficiencies |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>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>②Enterprise 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>④Oversight 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>⑥The 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>If the defect found meet any of the following, it should be identified as an important defect in the internal control of financial reports: ① The current financial report has important misstatement based on the above identification, the control activity fails to identify the misstatement; ② Although the misstatement hasn't reached and exceeded the importance level, but in terms of nature, it should still cause the board of directors and management to pay attention to. General Defects: other internal defects do not pose a significant or important defect control deficiencies.</p> | <p>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>①The 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>②Decision-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>⑤Negative media news are frequent.</p> <p>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:<br/>reported wrongly &lt;0.5% of total capital or reported wrongly&lt;0.5% of operating income;<br/>Important flaw: 0.5% of total assets ≤ reported wrongly &lt;1% of total assets or 0.5% of operating income ≤ misstatements &lt;1% of revenue;<br/>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> <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.</p> |
| 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 2018 |            |
| Disclosure details of audit report of internal control                                                                                                                                                                                                                                          | Disclosed  |
| Disclosure date of audit report of internal control (full-text)                                                                                                                                                                                                                                 | 2019-04-27 |



|                                                       |                                                |
|-------------------------------------------------------|------------------------------------------------|
| 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    | 2019-04-25                                                       |
| Name of audit institute         | Dahua Certified Public Accountants (Special General Partnership) |
| Document serial of audit report | [2019]No.: 005107                                                |
| Name of the CPA                 | Chen Baohua, Zhou Lingzhi                                        |

Text of auditing report

### Auditor's Report

**Da Hua Shen Zi [2019] No.005107**

**To all shareholders of SHENZHEN CEREALS HOLDINGS CO., LTD.:**

#### I. Auditing opinions

We have audited the financial statement under the name of SHENZHEN CEREALS HOLDINGS CO., LTD (original named Shenzhen Shenbao Industrial Co., Ltd., hereinafter referred to as SZCH Company), including the consolidated and parent Company's balance sheet of 31 December 2018 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 2018 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.

We identified the following key audit issues that need to be communicated in the audit report.

Inventory and inventory falling price reserves; and  
Revenue confirmation.

(i) Inventory and inventory falling price reserves

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, 2018, the inventory book balance presented on the consolidated financial statements of SZCH Company was 2,926,908,330.62 yuan, and the amount of inventory falling price reserves was 127,288,778.48 yuan. The book value of inventory is 2,811,802,600.19 yuan, accounting for 43.47% of total assets. 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, including the consideration of government reserve as grain & oil, food and vegetable oil included, that affected by futures market, these important judgments have a significant impact on the valuation of inventory and provision for inventory depreciation at period-end; 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 SZCH Company include:

- (1) Understood, evaluated and tested the internal control design and implementation related to inventory falling price reserves of SZCH 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, the validity period of products quality of the inventory at end of the period etc.;
- (3) 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.
- (4) We obtained the year-end inventory age list of SZCH Company's inventory, conducted an analytical review of

the inventory with long inventory age combine with the validity of products, and analyzed the need for separate provision for inventory depreciation for long-term stocks.

(5) Review whether the estimated selling price of the inventory in the inventory depreciation reserve calculation table of Shenzhen Cereals Holdings Co., Ltd. is reasonable through the implementation of on-site visits and online public inquiry of the market transaction price, etc.: For the tea products, we take some samples to visit and inquire; For grain and oil products, we publicly inquire the about the trading prices of grain and oil products by getting to know the trend of grain and oil products futures market and through authoritative websites in the industries such as “China Grains Network”, “www.cofeed.com” and “JCI”;

(6) Understand and inquire about the main production technology process and cost accounting methods of the product, and check whether the cost accounting method matches the production technology process flow;

(7) We assessed the accounting treatment and disclosure of the management to inventory falling price reserves on December 31, 2018.

Based on the executed audit procedures, we hold the opinion that the relevant judgments and estimates made by SZCH Company’s management on the inventory falling price reserves were reasonable.

## (ii) Revenue confirmation

### 1. Matter description

Please refer to Note IV. (xxv) and Note VI. Annotation 35 to the consolidated financial statements for the accounting policies and carrying amounts of the inventory and inventory falling price reserves.

SZCH Company achieved operating income of 10,758,782,838.14 yuan in 2018, of which the income grain and oil business amounted to 10,303,178,984.95 Yuan, accounting for 95.77 percent of operating income. The income from grain and oil business has a significant impact on the financial statement, and it is one of the key index of performance of SZCH, which has a special risks in manipulation for achieving the predicted target, therefore, the identify of operating income will be listed as the key auditing event.

### 2. Audit response

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

- (1) Understood, evaluated and tested the internal control design and implementation related to revenue recognition of SZCH 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 SZCH Company’s revenue recognition policies met the requirements of relevant accounting standards;
- (3) Implemented analytical procedures on operating income 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 SZCH Company:

① For the sales of domestic customers, select the important customers and check sales contracts, shipping documents, receipt/shipment transfer documents, accounting vouchers, current return fund flow receipts, reconciliation letters, etc., and combine with the implementation confirmation procedures of accounts receivable;

② For the export sales, check sales contracts, customs declaration, bill of lading, accounting vouchers, current return funds flow receipts, etc., at the same time, personally log in the customs declaration system and foreign exchange management system to obtain the import and export customs declaration data of Shenzhen Cereals Holdings Co., Ltd. in two systems and check with the accounting information, and combine with the implementation confirmation procedures of accounts receivable;

③ Analyzed and selected important customer samples, and affirmed whether there was related relationship between customers and SZCH Company through verification procedures such as network and business information and management interviews;

④ For the income from grain and oil storage services, we review the accuracy of the income from the grain and oil storage services of Shenzhen Cereals Holdings Co., Ltd. based on various storage fee calculation standards stipulated by the “Operational Procedures for Government Grain Storage All-in Cost of Shenzhen” and “Operational Procedures for Edible Vegetable Oil Government Reserve All-in Cost of Shenzhen”, and the grain and oil reserves of Shenzhen Cereals Holdings Co., Ltd., the number of rotations, and other actual business data.

⑤ Performed cut-off tests to check the delivery notes, receipt forms/transfer of goods right, 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) Select some customers to implement the on-site visit procedure, understand the specific mode and authenticity of the business, and evaluate whether the income recognition policy of Shenzhen Cereals Holdings Co., Ltd. meets the requirements of relevant accounting standards;

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

Based on the executed audit procedures, we hold the opinion that the reporting and disclosure made by SZCH Company’s management on the operating revenue were appropriate.

#### **IV. Other information**

The management of SZCH Company is responsible for other information which includes the information covered in the Company’s 2018 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 SZCH 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:

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.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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.

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.

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 relevant countermeasures (if 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

25 April 2019

## II. Financial Statement

Statement in Financial Notes are carried in RMB/CNY

### 1. Consolidated balance sheet

Prepared by SHENZHEN CEREALS HOLDINGS CO., LTD.

In RMB

| Item                                                                                          | Balance at period-end | Balance at period-begin |
|-----------------------------------------------------------------------------------------------|-----------------------|-------------------------|
| Current assets:                                                                               |                       |                         |
| Monetary funds                                                                                | 631,638,339.68        | 544,440,739.45          |
| Settlement provisions                                                                         |                       |                         |
| Capital lent                                                                                  |                       |                         |
| Financial assets measured by fair value and with variation reckoned into current gains/losses | 1,124,927.96          | 1,599,668.20            |
| Derivative financial assets                                                                   |                       |                         |
| Note receivable and account receivable                                                        | 474,674,521.68        | 194,386,742.63          |
| Including: Note receivable                                                                    | 1,027,635.04          | 658,942.50              |
| Account receivable                                                                            | 473,646,886.64        | 193,727,800.13          |
| Accounts paid in advance                                                                      | 83,696,870.07         | 45,027,535.78           |
| Insurance receivable                                                                          |                       |                         |
| Reinsurance receivables                                                                       |                       |                         |
| Contract reserve of reinsurance receivable                                                    |                       |                         |
| Other account receivable                                                                      | 33,803,428.45         | 45,626,470.91           |
| Including: Interest receivable                                                                | 561,500.00            |                         |
| Dividend receivable                                                                           |                       |                         |

|                                          |                  |                  |
|------------------------------------------|------------------|------------------|
| Buying back the sale of financial assets |                  |                  |
| Inventories                              | 2,811,802,600.19 | 2,938,467,812.31 |
| Assets held for sale                     |                  |                  |
| Non-current asset due within one year    |                  |                  |
| Other current assets                     | 254,493,764.04   | 173,092,549.64   |
| Total current assets                     | 4,291,234,452.07 | 3,942,641,518.92 |
| Non-current assets:                      |                  |                  |
| Loans and payments on behalf             |                  |                  |
| Finance asset available for sales        | 57,500.00        | 57,500.00        |
| Held-to-maturity investment              |                  |                  |
| Long-term account receivable             |                  |                  |
| Long-term equity investment              | 70,999,666.81    | 35,755,171.55    |
| Investment real estate                   | 282,622,184.92   | 319,023,095.62   |
| Fixed assets                             | 993,136,743.51   | 1,052,866,458.21 |
| Construction in progress                 | 186,586,135.06   | 70,735,978.49    |
| Productive biological asset              | 407,078.92       | 416,771.28       |
| Oil and gas asset                        |                  |                  |
| Intangible assets                        | 569,997,392.08   | 406,996,071.53   |
| Expense on Research and Development      |                  |                  |
| Goodwill                                 |                  |                  |
| Long-term expenses to be apportioned     | 21,799,899.80    | 27,816,292.79    |
| Deferred income tax asset                | 50,174,590.98    | 53,734,757.40    |
| Other non-current asset                  | 1,936,149.72     | 984,108.52       |
| Total non-current asset                  | 2,177,717,341.80 | 1,968,386,205.39 |
| Total assets                             | 6,468,951,793.87 | 5,911,027,724.31 |
| Current liabilities:                     |                  |                  |
| Short-term loans                         | 91,600,000.00    | 169,800,000.00   |
| 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                                                                   |                  |                  |
| Note payable and account payable                                                                 | 472,738,283.80   | 558,480,197.44   |
| Accounts received in advance                                                                     | 205,428,594.16   | 178,385,275.20   |
| Selling financial asset of repurchase                                                            |                  |                  |
| Commission charge and commission payable                                                         |                  |                  |
| Wage payable                                                                                     | 135,709,423.52   | 118,146,310.62   |
| Taxes payable                                                                                    | 24,969,718.58    | 19,396,227.75    |
| Other account payable                                                                            | 280,689,548.29   | 307,932,958.30   |
| Including: Interest payable                                                                      |                  | 1,571,297.90     |
| Dividend payable                                                                                 | 2,909,182.74     | 2,909,182.74     |
| Reinsurance payable                                                                              |                  |                  |
| Insurance contract reserve                                                                       |                  |                  |
| Security trading of agency                                                                       |                  |                  |
| Security sales of agency                                                                         |                  |                  |
| Liability held for sale                                                                          |                  |                  |
| Non-current liabilities due within one year                                                      | 55,090,793.79    | 40,642,777.63    |
| Other current liabilities                                                                        | 219,151,968.63   | 219,151,968.63   |
| Total current liabilities                                                                        | 1,485,378,330.77 | 1,611,935,715.57 |
| Non-current liabilities:                                                                         |                  |                  |
| Long-term loans                                                                                  | 516,687,791.66   | 195,647,403.88   |
| Bonds payable                                                                                    |                  |                  |
| Including: preferred stock                                                                       |                  |                  |
| Perpetual capital securities                                                                     |                  |                  |
| Long-term account payable                                                                        | 15,690,202.08    | 15,626,357.76    |
| Long-term wages payable                                                                          |                  |                  |
| Accrual liability                                                                                |                  |                  |
| Deferred income                                                                                  | 100,608,203.01   | 101,474,523.26   |
| Deferred income tax liabilities                                                                  | 12,988,434.77    | 13,520,836.95    |
| Other non-current liabilities                                                                    |                  |                  |

|                                                     |                  |                  |
|-----------------------------------------------------|------------------|------------------|
| Total non-current liabilities                       | 645,974,631.52   | 326,269,121.85   |
| Total liabilities                                   | 2,131,352,962.29 | 1,938,204,837.42 |
| Owner's equity:                                     |                  |                  |
| Share capital                                       | 1,152,535,254.00 | 496,782,303.00   |
| Other equity instrument                             |                  |                  |
| Including: preferred stock                          |                  |                  |
| Perpetual capital securities                        |                  |                  |
| Capital public reserve                              | 1,422,892,729.36 | 2,063,164,702.12 |
| Less: Inventory shares                              |                  |                  |
| Other comprehensive income                          |                  |                  |
| Reasonable reserve                                  | 154.21           | 70,395.63        |
| Surplus public reserve                              | 327,140,910.28   | 327,140,910.28   |
| Provision of general risk                           |                  |                  |
| Retained profit                                     | 1,269,933,487.26 | 961,602,454.82   |
| Total owner's equity attributable to parent company | 4,172,502,535.11 | 3,848,760,765.85 |
| Minority interests                                  | 165,096,296.47   | 124,062,121.04   |
| Total owner's equity                                | 4,337,598,831.58 | 3,972,822,886.89 |
| Total liabilities and owner's equity                | 6,468,951,793.87 | 5,911,027,724.31 |

Legal Representative: Zhu Junming

Person in charge of accounting works: Ye Qingyun

Person in charge of accounting institute: Wen Jieyu

## 2. Balance Sheet of Parent Company

In RMB

| Item                                                                                          | Balance at period-end | Balance at period-begin |
|-----------------------------------------------------------------------------------------------|-----------------------|-------------------------|
| Current assets:                                                                               |                       |                         |
| Monetary funds                                                                                | 168,900,586.84        | 239,662,344.24          |
| Financial assets measured by fair value and with variation reckoned into current gains/losses | 1,124,927.96          | 1,599,668.20            |
| Derivative financial assets                                                                   |                       |                         |

|                                        |                  |                  |
|----------------------------------------|------------------|------------------|
| Note receivable and account receivable | 42,441,119.07    | 53,950,930.37    |
| Including: Note receivable             |                  |                  |
| Account receivable                     | 42,441,119.07    | 53,950,930.37    |
| Accounts paid in advance               |                  | 2,000.00         |
| Other account receivable               | 159,677,969.59   | 163,404,561.75   |
| Including: Interest receivable         |                  |                  |
| Dividend receivable                    |                  |                  |
| Inventories                            | 8,806,338.26     | 4,963,517.93     |
| Assets held for sale                   |                  |                  |
| Non-current asset due within one year  |                  |                  |
| Other current assets                   | 50,068,745.74    |                  |
| Total current assets                   | 431,019,687.46   | 463,583,022.49   |
| Non-current assets:                    |                  |                  |
| Finance asset available for sales      |                  |                  |
| Held-to-maturity investment            |                  |                  |
| Long-term account receivable           |                  |                  |
| Long-term equity investment            | 4,212,554,063.36 | 921,506,982.37   |
| Investment real estate                 | 17,929,684.70    | 18,401,275.03    |
| Fixed assets                           | 31,417,912.54    | 32,560,534.94    |
| Construction in progress               |                  |                  |
| Productive biological asset            | 407,078.92       | 416,771.28       |
| Oil and gas asset                      |                  |                  |
| Intangible assets                      | 6,663,692.30     | 7,264,135.59     |
| Expense on Research and Development    |                  |                  |
| Goodwill                               |                  |                  |
| Long-term expenses to be apportioned   | 409,621.50       | 623,337.06       |
| Deferred income tax asset              | 5,630,538.80     | 3,395,295.39     |
| Other non-current asset                |                  |                  |
| Total non-current asset                | 4,275,012,592.12 | 984,168,331.66   |
| Total assets                           | 4,706,032,279.58 | 1,447,751,354.15 |
| Current liabilities:                   |                  |                  |

|                                                                                                  |                  |                |
|--------------------------------------------------------------------------------------------------|------------------|----------------|
| Short-term loans                                                                                 |                  | 10,000,000.00  |
| Financial liability measured by fair value and with variation reckoned into current gains/losses |                  |                |
| Derivative financial liability                                                                   |                  |                |
| Note payable and account payable                                                                 | 73,705,646.54    | 65,683,781.46  |
| Accounts received in advance                                                                     | 124,945.74       | 194,269.96     |
| Wage payable                                                                                     | 6,448,561.16     | 6,577,772.01   |
| Taxes payable                                                                                    | 2,702,655.24     | 2,832,009.17   |
| Other account payable                                                                            | 232,109,084.76   | 228,533,713.45 |
| Including: Interest payable                                                                      |                  |                |
| Dividend payable                                                                                 |                  |                |
| Liability held for sale                                                                          |                  |                |
| Non-current liabilities due within 1 year                                                        |                  |                |
| Other current liabilities                                                                        |                  |                |
| Total current liabilities                                                                        | 315,090,893.44   | 313,821,546.05 |
| Non-current liabilities:                                                                         |                  |                |
| Long-term loans                                                                                  |                  |                |
| Bonds payable                                                                                    |                  |                |
| Including: preferred stock                                                                       |                  |                |
| Perpetual capital securities                                                                     |                  |                |
| Long-term account payable                                                                        |                  |                |
| Long-term wages payable                                                                          |                  |                |
| Accrual liability                                                                                |                  |                |
| Deferred income                                                                                  | 46,129.96        | 47,239.24      |
| Deferred income tax liabilities                                                                  | 10,965.46        | 129,650.53     |
| Other non-current liabilities                                                                    |                  |                |
| Total non-current liabilities                                                                    | 57,095.42        | 176,889.77     |
| Total liabilities                                                                                | 315,147,988.86   | 313,998,435.82 |
| Owner's equity:                                                                                  |                  |                |
| Share capital                                                                                    | 1,152,535,254.00 | 496,782,303.00 |
| Other equity instrument                                                                          |                  |                |
| Including: preferred stock                                                                       |                  |                |
| Perpetual capital securities                                                                     |                  |                |

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Capital public reserve               | 3,018,106,568.27 | 382,444,482.45   |
| Less: Inventory shares               |                  |                  |
| Other comprehensive income           |                  |                  |
| Reasonable reserve                   |                  |                  |
| Surplus public reserve               | 54,736,482.14    | 54,736,482.14    |
| Retained profit                      | 165,505,986.31   | 199,789,650.74   |
| Total owner's equity                 | 4,390,884,290.72 | 1,133,752,918.33 |
| Total liabilities and owner's equity | 4,706,032,279.58 | 1,447,751,354.15 |

### 3. Consolidated Profit Statement

In RMB

| Item                                                   | Current period    | Last period       |
|--------------------------------------------------------|-------------------|-------------------|
| I. Total operating income                              | 10,758,782,838.14 | 10,793,693,156.79 |
| Including: Operating income                            | 10,758,782,838.14 | 10,793,693,156.79 |
| Interest income                                        |                   |                   |
| Insurance gained                                       |                   |                   |
| Commission charge and commission income                |                   |                   |
| II. Total operating cost                               | 10,431,315,508.14 | 10,442,404,669.95 |
| Including: Operating cost                              | 9,693,634,274.21  | 9,847,347,198.65  |
| 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                                    |                   |                   |
| Tax and extras                                         | 15,369,523.52     | 15,044,134.96     |
| Sales expense                                          | 255,021,072.54    | 275,025,028.88    |
| Administrative expense                                 | 246,543,836.47    | 193,136,022.27    |
| R&D expense                                            | 10,979,464.64     | 9,827,707.76      |
| Financial expense                                      | 10,131,313.25     | -3,335,527.31     |

|                                                                           |                |                |
|---------------------------------------------------------------------------|----------------|----------------|
| Including: Interest expenses                                              | 20,410,885.62  | 8,569,062.23   |
| Interest income                                                           | 8,364,388.05   | 9,080,593.99   |
| Losses of devaluation of asset                                            | 199,636,023.51 | 105,360,104.74 |
| Add: other income                                                         | 10,901,858.13  | 5,371,651.13   |
| Investment income (Loss is listed with “-”)                               | 1,724,353.15   | 3,015,274.81   |
| Including: Investment income on affiliated company and joint venture      | -1,755,504.74  | -490,760.14    |
| Income from change of fair value (Loss is listed with “-”)                | -474,740.24    | -1,651,270.40  |
| Exchange income (Loss is listed with “-”)                                 |                |                |
| Income from assets disposal (Loss is listed with “-”)                     | 1,601,802.27   | -22,935.33     |
| III. Operating profit (Loss is listed with “-”)                           | 341,220,603.31 | 358,001,207.05 |
| Add: Non-operating income                                                 | 1,390,434.84   | 11,382,742.99  |
| Less: Non-operating expense                                               | 3,266,448.43   | 7,681,898.18   |
| IV. Total Profit (Loss is listed with “-”)                                | 339,344,589.72 | 361,702,051.86 |
| Less: Income tax expense                                                  | 18,488,865.34  | 10,826,403.68  |
| V. Net profit (Net loss is listed with “-”)                               | 320,855,724.38 | 350,875,648.18 |
| (i) net profit from continuous operation (Net loss is listed with “-”)    | 320,855,724.38 | 350,875,648.18 |
| (ii) net profit from discontinued operation (Net loss is listed with “-”) |                |                |
| Net profit attributable to owner’s of parent company                      | 308,331,032.44 | 359,174,263.44 |
| Minority shareholders’ gains and losses                                   | 12,524,691.94  | -8,298,615.26  |
| 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 gain/loss                         |                |                |
| 1.Re-measurement of the change of defined benefit plan                                                                |                |                |
| 2.Other comprehensive income unable transfer to gain/loss under equity method                                         |                |                |
| (II) Other comprehensive income items which will be reclassified subsequently to profit or loss                       |                |                |
| 1.Other comprehensive income able to transfer to gain/loss under equity method                                        |                |                |
| 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                                                                                       | 320,855,724.38 | 350,875,648.18 |
| Total comprehensive income attributable to owners of parent Company                                                   | 308,331,032.44 | 359,174,263.44 |
| Total comprehensive income attributable to minority shareholders                                                      | 12,524,691.94  | -8,298,615.26  |
| VIII. Earnings per share:                                                                                             |                |                |

|                                 |        |        |
|---------------------------------|--------|--------|
| (i) Basic earnings per share    | 0.2675 | 0.3116 |
| (ii) Diluted earnings per share | 0.2675 | 0.3116 |

As for the enterprise combined under the same control, net profit of 374,880,023.05 Yuan achieved by the merged party before combination while 412,128,576.37 Yuan achieved last period.

Legal Representative: Zhu Junming

Person in charge of accounting works: Ye Qingyun

Person in charge of accounting institute: Wen Jieyu

#### 4. Profit Statement of Parent Company

In RMB

| Item                                                                 | Current period | Last period    |
|----------------------------------------------------------------------|----------------|----------------|
| I. Operation income                                                  | 165,407,623.24 | 163,863,447.98 |
| Less: Operating cost                                                 | 156,886,817.06 | 154,883,304.80 |
| Tax and extras                                                       | 602,255.26     | 458,784.42     |
| Sales expense                                                        | 4,021,042.93   | 4,003,107.93   |
| Administrative expense                                               | 35,236,050.22  | 24,115,186.64  |
| R&D expense                                                          |                |                |
| Financial expense                                                    | -2,863,136.69  | -2,224,430.38  |
| Including: Interest expenses                                         | -490,845.99    | 222,398.34     |
| Interest income                                                      | 2,208,205.46   | 2,622,809.23   |
| Losses of devaluation of asset                                       | 8,940,973.64   | 425,880.76     |
| Add: other income                                                    | 201,109.28     | 201,109.28     |
| Investment income (Loss is listed with "-")                          | 1,035,169.17   | 2,399,716.48   |
| Including: Investment income on affiliated company and joint venture | -367,955.83    | -306,318.47    |
| Income from change of fair value (Loss is listed with "-")           | -474,740.24    | -1,651,270.40  |
| Income from assets disposal (Loss is listed with "-")                | -4,685.34      | 12,532.09      |
| II. Operating profit (Loss is listed with "-")                       | -36,659,526.31 | -16,836,298.74 |

|                                                                                                                       |                |                |
|-----------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Add: Non-operating income                                                                                             | 21,985.04      | 113,065.05     |
| Less: Non-operating expense                                                                                           | 51.64          | 10,261.85      |
| III. Total Profit (Loss is listed with “-”)                                                                           | -36,637,592.91 | -16,733,495.54 |
| Less: Income tax expense                                                                                              | -2,353,928.48  | -519,662.78    |
| IV. Net profit (Net loss is listed with “-”)                                                                          | -34,283,664.43 | -16,213,832.76 |
| (i) net profit from continuous operation (Net loss is listed with “-”)                                                | -34,283,664.43 | -16,213,832.76 |
| (ii) net profit from discontinued operation (Net loss is listed with “-”)                                             |                |                |
| V. Net after-tax of other comprehensive income                                                                        |                |                |
| (i) Other comprehensive income items which will not be reclassified subsequently to gain/loss                         |                |                |
| 1.Re-measurement of the change of defined benefit plan                                                                |                |                |
| 2.Other comprehensive income unable transfer to gain/loss under equity method                                         |                |                |
| (iii) Other comprehensive income items which will be reclassified subsequently to profit or loss                      |                |                |
| 1.Other comprehensive income able to transfer to gain/loss under equity method                                        |                |                |
| 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                                  | -34,283,664.43 | -16,213,832.76 |
| VII. Earnings per share:                                        |                |                |
| (i) Basic earnings per share                                    |                |                |
| (ii) Diluted earnings per share                                 |                |                |

## 5. Consolidated Cash Flow Statement

In RMB

| Item                                                                                                                                    | Current period    | Last period       |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| I. Cash flows arising from operating activities:                                                                                        |                   |                   |
| Cash received from selling commodities and providing labor services                                                                     | 10,864,668,383.48 | 11,281,130,280.47 |
| 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                                                      | 2,149,482.32      | 653,832.01        |
| Other cash received concerning operating activities                             | 149,070,552.32    | 189,283,484.98    |
| Subtotal of cash inflow arising from operating activities                       | 11,015,888,418.12 | 11,471,067,597.46 |
| Cash paid for purchasing commodities and receiving labor service                | 10,062,803,459.79 | 10,821,296,678.67 |
| 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                                              | 266,944,869.84    | 234,102,630.87    |
| Taxes paid                                                                      | 76,069,566.39     | 98,489,346.34     |
| Other cash paid concerning operating activities                                 | 310,966,886.52    | 300,120,249.70    |
| Subtotal of cash outflow arising from operating activities                      | 10,716,784,782.54 | 11,454,008,905.58 |
| Net cash flows arising from operating activities                                | 299,103,635.58    | 17,058,691.88     |
| II. Cash flows arising from investing activities:                               |                   |                   |
| Cash received from recovering investment                                        | 190,000,000.00    | 339,350,000.00    |
| Cash received from investment income                                            | 3,029,857.89      | 3,014,946.35      |
| Net cash received from disposal of fixed, intangible and other long-term assets | 2,130,835.56      | 3,037,636.88      |
| Net cash received from disposal of subsidiaries and other units                 |                   | 800,000.00        |

|                                                                                           |                 |                 |
|-------------------------------------------------------------------------------------------|-----------------|-----------------|
| Other cash received concerning investing activities                                       | 450,000.00      |                 |
| Subtotal of cash inflow from investing activities                                         | 195,610,693.45  | 346,202,583.23  |
| Cash paid for purchasing fixed, intangible and other long-term assets                     | 382,839,107.07  | 202,207,266.94  |
| Cash paid for investment                                                                  | 287,000,000.00  | 437,245,000.00  |
| Net increase of mortgaged loans                                                           |                 |                 |
| Net cash received from subsidiaries and other units obtained                              |                 |                 |
| Other cash paid concerning investing activities                                           |                 |                 |
| Subtotal of cash outflow from investing activities                                        | 669,839,107.07  | 639,452,266.94  |
| Net cash flows arising from investing activities                                          | -474,228,413.62 | -293,249,683.71 |
| III. Cash flows arising from financing activities                                         |                 |                 |
| Cash received from absorbing investment                                                   | 24,500,000.00   | 49,640,000.00   |
| Including: Cash received from absorbing minority shareholders' investment by subsidiaries | 24,500,000.00   | 49,640,000.00   |
| Cash received from loans                                                                  | 537,740,181.56  | 279,456,993.25  |
| Cash received from issuing bonds                                                          |                 |                 |
| Other cash received concerning financing activities                                       |                 | 10,000,000.00   |
| Subtotal of cash inflow from financing activities                                         | 562,240,181.56  | 339,096,993.25  |
| Cash paid for settling debts                                                              | 280,451,777.62  | 177,321,004.68  |
| Cash paid for dividend and profit distributing or interest paying                         | 21,982,183.52   | 101,543,094.66  |
| Including: Dividend and profit of minority shareholder paid by subsidiaries               |                 |                 |
| Other cash paid concerning                                                                |                 | 3,897,916.29    |

|                                                                                |                |                 |
|--------------------------------------------------------------------------------|----------------|-----------------|
| financing activities                                                           |                |                 |
| Subtotal of cash outflow from financing activities                             | 302,433,961.14 | 282,762,015.63  |
| Net cash flows arising from financing activities                               | 259,806,220.42 | 56,334,977.62   |
| IV. Influence on cash and cash equivalents due to fluctuation in exchange rate | 2,516,157.85   | 4,719,173.14    |
| V. Net increase of cash and cash equivalents                                   | 87,197,600.23  | -215,136,841.07 |
| Add: Balance of cash and cash equivalents at the period -begin                 | 544,440,739.45 | 759,577,580.52  |
| VI. Balance of cash and cash equivalents at the period -end                    | 631,638,339.68 | 544,440,739.45  |

## 6. Cash Flow Statement of Parent Company

In RMB

| Item                                                                | Current period | Last period    |
|---------------------------------------------------------------------|----------------|----------------|
| I. Cash flows arising from operating activities:                    |                |                |
| Cash received from selling commodities and providing labor services | 203,489,969.79 | 178,586,945.42 |
| Write-back of tax received                                          | 1,607,071.98   | 433,663.93     |
| Other cash received concerning operating activities                 | 25,144,907.85  | 46,894,665.69  |
| Subtotal of cash inflow arising from operating activities           | 230,241,949.62 | 225,915,275.04 |
| Cash paid for purchasing commodities and receiving labor service    | 179,055,497.17 | 158,845,824.76 |
| Cash paid to/for staff and workers                                  | 20,901,002.07  | 21,540,904.44  |
| Taxes paid                                                          | 1,852,958.66   | 16,886,190.92  |
| Other cash paid concerning operating activities                     | 40,674,668.54  | 82,836,968.40  |
| Subtotal of cash outflow arising from operating activities          | 242,484,126.44 | 280,109,888.52 |

|                                                                                 |                |                |
|---------------------------------------------------------------------------------|----------------|----------------|
| Net cash flows arising from operating activities                                | -12,242,176.82 | -54,194,613.48 |
| II. Cash flows arising from investing activities:                               |                |                |
| Cash received from recovering investment                                        |                | 339,350,000.00 |
| Cash received from investment income                                            | 953,125.00     | 3,014,946.35   |
| Net cash received from disposal of fixed, intangible and other long-term assets | 3,026.17       | 31,000.00      |
| Net cash received from disposal of subsidiaries and other units                 |                |                |
| Other cash received concerning investing activities                             | 90,450,000.00  |                |
| Subtotal of cash inflow from investing activities                               | 91,406,151.17  | 342,395,946.35 |
| Cash paid for purchasing fixed, intangible and other long-term assets           | 18,200.00      | 260,849.80     |
| Cash paid for investment                                                        |                | 335,500,000.00 |
| Net cash received from subsidiaries and other units obtained                    |                |                |
| Other cash paid concerning investing activities                                 | 140,000,000.00 |                |
| Subtotal of cash outflow from investing activities                              | 140,018,200.00 | 335,760,849.80 |
| Net cash flows arising from investing activities                                | -48,612,048.83 | 6,635,096.55   |
| III. Cash flows arising from financing activities                               |                |                |
| Cash received from absorbing investment                                         |                |                |
| Cash received from loans                                                        |                | 10,000,000.00  |
| Cash received from issuing bonds                                                |                |                |
| Other cash received concerning financing activities                             |                |                |
| Subtotal of cash inflow from                                                    |                | 10,000,000.00  |



|                                                                                |                |                |
|--------------------------------------------------------------------------------|----------------|----------------|
| financing activities                                                           |                |                |
| Cash paid for settling debts                                                   | 10,000,000.00  | 5,000,000.00   |
| Cash paid for dividend and profit distributing or interest paying              | 28,710.00      | 23,045,545.47  |
| Other cash paid concerning financing activities                                |                | 97,916.29      |
| Subtotal of cash outflow from financing activities                             | 10,028,710.00  | 28,143,461.76  |
| Net cash flows arising from financing activities                               | -10,028,710.00 | -18,143,461.76 |
| IV. Influence on cash and cash equivalents due to fluctuation in exchange rate | 121,178.25     | -112,531.04    |
| V. Net increase of cash and cash equivalents                                   | -70,761,757.40 | -65,815,509.73 |
| Add: Balance of cash and cash equivalents at the period -begin                 | 239,662,344.24 | 305,477,853.97 |
| VI. Balance of cash and cash equivalents at the period -end                    | 168,900,586.84 | 239,662,344.24 |

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

Current period

In RMB

| Item                                   | Current period                                |                         |                              |       |                        |                        |                            |                    |                        |                           |                 |                    | Total owners' equity |
|----------------------------------------|-----------------------------------------------|-------------------------|------------------------------|-------|------------------------|------------------------|----------------------------|--------------------|------------------------|---------------------------|-----------------|--------------------|----------------------|
|                                        | Owners' equity attributable to parent company |                         |                              |       |                        |                        |                            |                    |                        |                           |                 | Minority interests |                      |
|                                        | Share capital                                 | Other equity instrument |                              |       | Capital public reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus public reserve | Provision of general risk | Retained profit |                    |                      |
|                                        |                                               | Preferrred stock        | Perpetual capital securities | Other |                        |                        |                            |                    |                        |                           |                 |                    |                      |
| I. Balance at the end of the last year | 496,782,303.00                                |                         |                              |       | 2,063,164,702.12       |                        |                            | 70,395.63          | 327,140,910.28         |                           | 961,602,454.82  | 124,621.04         | 3,972,822,886.89     |

|                                                                   |                |  |  |  |                  |  |  |            |                |  |                |                |                  |
|-------------------------------------------------------------------|----------------|--|--|--|------------------|--|--|------------|----------------|--|----------------|----------------|------------------|
| Add:                                                              |                |  |  |  |                  |  |  |            |                |  |                |                |                  |
| Changes of accounting policy                                      |                |  |  |  |                  |  |  |            |                |  |                |                |                  |
| Error correction of the last period                               |                |  |  |  |                  |  |  |            |                |  |                |                |                  |
| Enterprise combined under the same control                        |                |  |  |  |                  |  |  |            |                |  |                |                |                  |
| Other                                                             |                |  |  |  |                  |  |  |            |                |  |                |                |                  |
| II. Balance at the beginning of this year                         | 496,782,303.00 |  |  |  | 2,063,164,702.12 |  |  | 70,395.63  | 327,140,910.28 |  | 961,602,454.82 | 124,062,121.04 | 3,972,822,886.89 |
| III. Increase/Decrease in this year (Decrease is listed with “-”) | 655,752,951.00 |  |  |  | -640,271,972.76  |  |  | -70,241.42 |                |  | 308,331,032.44 | 41,034,175.43  | 364,775,944.69   |
| (i) Total comprehensive income                                    |                |  |  |  |                  |  |  |            |                |  | 308,331,032.44 | 12,524,691.94  | 320,855,724.38   |
| (ii) Owners’ devoted and decreased capital                        | 655,752,951.00 |  |  |  | -640,271,972.76  |  |  |            |                |  |                | 28,509,483.49  | 43,990,461.73    |
| 1. Common shares invested by owners                               | 655,752,951.00 |  |  |  | 5,219,793,489.96 |  |  |            |                |  |                | 24,500,000.00  | 5,900,046,440.96 |
| 2. Capital invested by holders of other equity instruments        |                |  |  |  |                  |  |  |            |                |  |                |                |                  |
| 3. Amount reckoned into owners equity with share-based            |                |  |  |  |                  |  |  |            |                |  |                |                |                  |

|                                                                                |  |  |  |  |                                   |  |  |  |  |  |  |                      |                                   |
|--------------------------------------------------------------------------------|--|--|--|--|-----------------------------------|--|--|--|--|--|--|----------------------|-----------------------------------|
| payment                                                                        |  |  |  |  |                                   |  |  |  |  |  |  |                      |                                   |
| 4. Other                                                                       |  |  |  |  | -<br>5,860<br>,065,<br>462.7<br>2 |  |  |  |  |  |  | 4,009<br>,483.<br>49 | -<br>5,856<br>,055,<br>979.2<br>3 |
| (III) Profit distribution                                                      |  |  |  |  |                                   |  |  |  |  |  |  |                      |                                   |
| 1. Withdrawal of surplus reserves                                              |  |  |  |  |                                   |  |  |  |  |  |  |                      |                                   |
| 2. Withdrawal of general risk provisions                                       |  |  |  |  |                                   |  |  |  |  |  |  |                      |                                   |
| 3. Distribution for owners (or shareholders)                                   |  |  |  |  |                                   |  |  |  |  |  |  |                      |                                   |
| 4. Other                                                                       |  |  |  |  |                                   |  |  |  |  |  |  |                      |                                   |
| (IV) Carrying forward internal owners' equity                                  |  |  |  |  |                                   |  |  |  |  |  |  |                      |                                   |
| 1. Capital reserves converted to capital (share capital)                       |  |  |  |  |                                   |  |  |  |  |  |  |                      |                                   |
| 2. Surplus reserves converted to capital (share capital)                       |  |  |  |  |                                   |  |  |  |  |  |  |                      |                                   |
| 3. Remedying loss with surplus reserve                                         |  |  |  |  |                                   |  |  |  |  |  |  |                      |                                   |
| 4. Change amount of defined benefit plans that carry forward retained earnings |  |  |  |  |                                   |  |  |  |  |  |  |                      |                                   |
| 5. Other                                                                       |  |  |  |  |                                   |  |  |  |  |  |  |                      |                                   |

|                                             |      |  |  |  |       |  |  |       |       |  |       |       |       |
|---------------------------------------------|------|--|--|--|-------|--|--|-------|-------|--|-------|-------|-------|
| (v) Reasonable reserve                      |      |  |  |  |       |  |  | -     |       |  |       |       | -     |
|                                             |      |  |  |  |       |  |  | 70,24 |       |  |       |       | 70,24 |
|                                             |      |  |  |  |       |  |  | 1.42  |       |  |       |       | 1.42  |
| 1. Withdrawal in the report period          |      |  |  |  |       |  |  | 846,7 |       |  |       |       | 846,7 |
|                                             |      |  |  |  |       |  |  | 41.24 |       |  |       |       | 41.24 |
| 2. Usage in the report period               |      |  |  |  |       |  |  | -     |       |  |       |       | -     |
|                                             |      |  |  |  |       |  |  | 916,9 |       |  |       |       | 916,9 |
|                                             |      |  |  |  |       |  |  | 82.66 |       |  |       |       | 82.66 |
| (vi) Other                                  |      |  |  |  |       |  |  |       |       |  |       |       |       |
| IV. Balance at the end of the report period | 1,15 |  |  |  | 1,422 |  |  | 154.2 | 327,1 |  | 1,269 | 165,0 | 4,337 |
|                                             | 2,53 |  |  |  | ,892, |  |  | 1     | 40,91 |  | ,933, | 96,29 | ,598, |
|                                             | 5,25 |  |  |  | 729.3 |  |  |       | 0.28  |  | 487.2 | 6.47  | 831.5 |
|                                             | 4.00 |  |  |  | 6     |  |  |       |       |  | 6     |       | 8     |

Last period

In RMB

| Item                                   | Last period                                   |                         |                              |       |                        |                        |                            |                    |                        |                           |                 |                    |                      |
|----------------------------------------|-----------------------------------------------|-------------------------|------------------------------|-------|------------------------|------------------------|----------------------------|--------------------|------------------------|---------------------------|-----------------|--------------------|----------------------|
|                                        | Owners' equity attributable to parent company |                         |                              |       |                        |                        |                            |                    |                        |                           |                 | Minority interests | Total owner's equity |
|                                        | Share capital                                 | Other equity instrument |                              |       | Capital public reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus public reserve | Provision of general risk | Retained profit |                    |                      |
|                                        |                                               | Preferrred 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                             |                                               |                         |                              |       | 1,983,538,             |                        |                            | 70,395.63          | 220,182,03             |                           | 345,637,80      | 56,969,191         | 2,606,397,           |

|                                                                   |                |  |  |  |                  |  |  |           |                |  |                 |               |                  |
|-------------------------------------------------------------------|----------------|--|--|--|------------------|--|--|-----------|----------------|--|-----------------|---------------|------------------|
| combined under the same control                                   |                |  |  |  | 117.0<br>1       |  |  |           | 3.38           |  | 6.25<br>.41     | 543.6<br>8    |                  |
| Other                                                             |                |  |  |  |                  |  |  |           |                |  |                 |               |                  |
| II. Balance at the beginning of this year                         | 451,620,276.00 |  |  |  | 2,350,710,134.80 |  |  | 70,395.63 | 274,918,515.52 |  | 503,877,419.19  | 74,939,365.40 | 3,656,136,106.54 |
| III. Increase/Decrease in this year (Decrease is listed with “-”) | 45,162,027.00  |  |  |  | -287,545,432.68  |  |  |           | 52,222,394.76  |  | 457,725,035.63  | 49,122,755.64 | 316,686,780.35   |
| (i) Total comprehensive income                                    |                |  |  |  |                  |  |  |           |                |  | 359,174,263.44  | -8,298,615.26 | 350,875,648.18   |
| (ii) Owners’ devoted and decreased capital                        |                |  |  |  | -287,545,432.68  |  |  |           | 52,222,394.76  |  | 227,150,376.41  | 57,421,370.90 | 49,248,709.39    |
| 1. Common shares invested by owners                               |                |  |  |  |                  |  |  |           |                |  |                 | 49,640,000.00 | 49,640,000.00    |
| 2. Capital invested by holders of other equity instruments        |                |  |  |  |                  |  |  |           |                |  |                 |               |                  |
| 3. Amount reckoned into owners equity with share-based payment    |                |  |  |  |                  |  |  |           |                |  |                 |               |                  |
| 4. Other                                                          |                |  |  |  | -287,545,432.68  |  |  |           | 52,222,394.76  |  | 227,150,376.41  | 7,781,370.90  | -                |
| (III) Profit distribution                                         | 45,162,027.00  |  |  |  |                  |  |  |           |                |  | -128,599,604.22 |               | -83,437,577.22   |

|                                                                                |               |  |  |  |  |  |  |  |  |  |                 |  |                |
|--------------------------------------------------------------------------------|---------------|--|--|--|--|--|--|--|--|--|-----------------|--|----------------|
| 1. Withdrawal of surplus reserves                                              |               |  |  |  |  |  |  |  |  |  |                 |  |                |
| 2. Withdrawal of general risk provisions                                       |               |  |  |  |  |  |  |  |  |  |                 |  |                |
| 3. Distribution for owners (or shareholders)                                   | 45,162,027.00 |  |  |  |  |  |  |  |  |  | -128,599,604.22 |  | -83,437,577.22 |
| 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. Change amount of defined benefit plans that carry forward retained earnings |               |  |  |  |  |  |  |  |  |  |                 |  |                |
| 5. Other                                                                       |               |  |  |  |  |  |  |  |  |  |                 |  |                |
| (v) Reasonable reserve                                                         |               |  |  |  |  |  |  |  |  |  |                 |  |                |
| 1. Withdrawal in the report period                                             |               |  |  |  |  |  |  |  |  |  |                 |  |                |
| 2. Usage in the report period                                                  |               |  |  |  |  |  |  |  |  |  |                 |  |                |

|                                             |                |  |  |  |                  |  |  |           |                |  |                |                |                  |
|---------------------------------------------|----------------|--|--|--|------------------|--|--|-----------|----------------|--|----------------|----------------|------------------|
| (vi)Other                                   |                |  |  |  |                  |  |  |           |                |  |                |                |                  |
| IV. Balance at the end of the report period | 496,782,303.00 |  |  |  | 2,063,164,702.12 |  |  | 70,395.63 | 327,140,910.28 |  | 961,602,454.82 | 124,062,121.04 | 3,972,822,886.89 |

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

Current period

In RMB

| Item                                                              | Current period |                         |                              |       |                        |                        |                            |                    |                        |                 |                      |  |
|-------------------------------------------------------------------|----------------|-------------------------|------------------------------|-------|------------------------|------------------------|----------------------------|--------------------|------------------------|-----------------|----------------------|--|
|                                                                   | Share capital  | Other equity instrument |                              |       | Capital public reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus public reserve | Retained profit | Total owner's equity |  |
|                                                                   |                | Preferred stock         | Perpetual capital securities | Other |                        |                        |                            |                    |                        |                 |                      |  |
| I. Balance at the end of the last year                            | 496,782,303.00 |                         |                              |       | 382,444,482.45         |                        |                            |                    | 54,736,482.14          | 199,789,650.74  | 1,133,752,918.33     |  |
| Add: Changes of accounting policy                                 |                |                         |                              |       |                        |                        |                            |                    |                        |                 |                      |  |
| Error correction of the last period                               |                |                         |                              |       |                        |                        |                            |                    |                        |                 |                      |  |
| Other                                                             |                |                         |                              |       |                        |                        |                            |                    |                        |                 |                      |  |
| II. Balance at the beginning of this year                         | 496,782,303.00 |                         |                              |       | 382,444,482.45         |                        |                            |                    | 54,736,482.14          | 199,789,650.74  | 1,133,752,918.33     |  |
| III. Increase/Decrease in this year (Decrease is listed with "-") | 655,752,951.00 |                         |                              |       | 2,635,662,085.82       |                        |                            |                    |                        | -34,283,664.43  | 3,257,131,372.39     |  |
| (i)Total comprehensive income                                     |                |                         |                              |       |                        |                        |                            |                    |                        | -34,283,664.43  | -34,283,664.43       |  |

|                                                                |                |  |  |  |                   |  |  |  |  |  |                   |
|----------------------------------------------------------------|----------------|--|--|--|-------------------|--|--|--|--|--|-------------------|
| (ii) Owners' devoted and decreased capital                     | 655,752,951.00 |  |  |  | 2,635,662,085.82  |  |  |  |  |  | 3,291,415,036.82  |
| 1. Common shares invested by owners                            | 655,752,951.00 |  |  |  | 5,219,793,489.96  |  |  |  |  |  | 5,875,546,440.96  |
| 2. Capital invested by holders of other equity instruments     |                |  |  |  |                   |  |  |  |  |  |                   |
| 3. Amount reckoned into owners equity with share-based payment |                |  |  |  |                   |  |  |  |  |  |                   |
| 4. Other                                                       |                |  |  |  | -2,584,131,404.14 |  |  |  |  |  | -2,584,131,404.14 |
| (III) Profit distribution                                      |                |  |  |  |                   |  |  |  |  |  |                   |
| 1. Withdrawal of surplus reserves                              |                |  |  |  |                   |  |  |  |  |  |                   |
| 2. Distribution for owners (or shareholders)                   |                |  |  |  |                   |  |  |  |  |  |                   |
| 3. Other                                                       |                |  |  |  |                   |  |  |  |  |  |                   |
| (IV) Carrying forward internal owners' equity                  |                |  |  |  |                   |  |  |  |  |  |                   |
| 1. Capital reserves conversed to capital (share capital)       |                |  |  |  |                   |  |  |  |  |  |                   |
| 2. Surplus reserves conversed to                               |                |  |  |  |                   |  |  |  |  |  |                   |



|                                                                                |                  |  |  |  |                  |  |  |  |               |                |                  |
|--------------------------------------------------------------------------------|------------------|--|--|--|------------------|--|--|--|---------------|----------------|------------------|
| capital (share capital)                                                        |                  |  |  |  |                  |  |  |  |               |                |                  |
| 3. Remedying loss with surplus reserve                                         |                  |  |  |  |                  |  |  |  |               |                |                  |
| 4. Change amount of defined benefit plans that carry forward retained earnings |                  |  |  |  |                  |  |  |  |               |                |                  |
| 5. Other                                                                       |                  |  |  |  |                  |  |  |  |               |                |                  |
| (v)Reasonable reserve                                                          |                  |  |  |  |                  |  |  |  |               |                |                  |
| 1. Withdrawal in the report period                                             |                  |  |  |  |                  |  |  |  |               |                |                  |
| 2. Usage in the report period                                                  |                  |  |  |  |                  |  |  |  |               |                |                  |
| (vi)Other                                                                      |                  |  |  |  |                  |  |  |  |               |                |                  |
| IV. Balance at the end of the report period                                    | 1,152,535,254.00 |  |  |  | 3,018,106,568.27 |  |  |  | 54,736,482.14 | 165,505,986.31 | 4,390,884,290.72 |

Last period

In RMB

| Item                                   | Last period    |                         |                              |       |                        |                        |                            |                    |                        |                 |                      |
|----------------------------------------|----------------|-------------------------|------------------------------|-------|------------------------|------------------------|----------------------------|--------------------|------------------------|-----------------|----------------------|
|                                        | Share capital  | Other equity instrument |                              |       | Capital public reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus public reserve | Retained profit | Total owner's equity |
|                                        |                | Preferred stock         | Perpetual capital securities | Other |                        |                        |                            |                    |                        |                 |                      |
| I. Balance at the end of the last year | 451,620,276.00 |                         |                              |       | 382,444,482.45         |                        |                            |                    | 54,736,482.14          | 283,746,524.30  | 1,172,547,764.89     |
| Add: Changes of accounting policy      |                |                         |                              |       |                        |                        |                            |                    |                        |                 |                      |
| Error                                  |                |                         |                              |       |                        |                        |                            |                    |                        |                 |                      |

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

|                                                                                |                |  |  |  |                |  |  |  |               |                |                  |
|--------------------------------------------------------------------------------|----------------|--|--|--|----------------|--|--|--|---------------|----------------|------------------|
| for owners (or shareholders)                                                   | 2,027.00       |  |  |  |                |  |  |  | 67,743,040.80 | 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. Change amount of defined benefit plans that carry forward retained earnings |                |  |  |  |                |  |  |  |               |                |                  |
| 5. Other                                                                       |                |  |  |  |                |  |  |  |               |                |                  |
| (v) Reasonable reserve                                                         |                |  |  |  |                |  |  |  |               |                |                  |
| 1. Withdrawal in the report period                                             |                |  |  |  |                |  |  |  |               |                |                  |
| 2. Usage in the report period                                                  |                |  |  |  |                |  |  |  |               |                |                  |
| (vi) Other                                                                     |                |  |  |  |                |  |  |  |               |                |                  |
| IV. Balance at the end of the report period                                    | 496,782,303.00 |  |  |  | 382,444,482.45 |  |  |  | 54,736,482.14 | 199,789,650.74 | 1,133,752,918.33 |

### III. Basic situation of Company

#### 1. The history of the company

Shenzhen Cereals Holdings Co., Ltd. (original name Shenzhen Shenbao Industrial Co., Ltd., hereinafter referred to as “Company” or “the Company”), formerly named Shenzhen Shenbao Canned Food Company, obtained approval (Document (1991) No.978) from Shenzhen Municipal People’s Government to change to the present name as 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 181, 923,088 yuan.

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 8.70 yuan each while book value of 1.00 yuan. Total monetary capital 600,100,474.20 yuan was raised. Change procedures of industrial and commerce has completed on 12 July 2011. Register capital of the Company changed as 250,900,154.00 yuan.

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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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.

On October 15, 2018, the Company received the “Reply on the Approval of Shenzhen Cereals Holdings Co., Ltd. to Issue Shares to Shenzhen Fude State-owned Capital Operation Co., Ltd. (hereinafter referred to as Fude Capital) to Purchase Assets” (ZJXK [2018] No. 1610) from the China Securities Regulatory Commission, agreed the Company to issue 655,752,951 shares of restricted ordinary shares to Fude Capital to acquire 100.00% equity of

Shenzhen Cereals Group Co., Ltd. held by Fude Capital.

On October 18, 2018, 100.00% equity of Shenzhen Cereals Group Co., Ltd. completed the transfer procedures and related industrial and commercial change registration. After the completion of this major asset reorganization, the Company's share capital increased to 1,152,535,254 shares. This share capital change was examined by Jonten Certified Public Accountant (Limited Liability Partnership) who issued the capital verification report Jonten [2018] YZ No. 90066 on October 22, 2018.

End as December 31, 2018, the total share capital of the company was 1,152,535,254.00 shares, registered capital amounted to 1,152,535,254.00 yuan.

Register address of the Company: 8/F, Tower B, No.4 Building, Software Industry Base, South District, Science & Technology Park, Xuefu Rd., Yuehai Street, Nanshan District, Shenzhen

On 30 January 2019, the Company hold a Second Extraordinary Shareholders Meeting of 2019 to deliberated and approved the proposal of "Change the Name and Stock Short Name of the Company", agreed to change the name of the Company from "Shenzhen Shenbao Industrial Co., Ltd." to "Shenzhen Cereals Holdings Co., Ltd.", stock short name change from "Shen Shenbao A, Shen Shenbao B" to "SZCH, Shenliang B". On 18 February 2019, registration procedures on industrial and commercial has completed and obtained the new Business License from Shenzhen Market Supervision and Administration.

## **(ii) Business nature and main operation activities**

The Company belongs to the grain, oil food and beverage industry.

Main products of the Company including grain and oil trading and processing, grain and oil reserve service, military food supplies, food beverage of tea and tea products.

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).

In the reporting period, under the way of issuing shares to Fude Capital for purchasing 100 percent equity of Shenzhen Cereals Group Co., Ltd, on basis of production, research and development and sales of food raw materials (ingredients) centered on intensive processing of tea and natural plants, main business of the Company increased grain and oil reserve, grain & oil trading, circulation of grain and oil such as grain and oil processing, and grain and oil reserve service. Therefore, on 18 February 2019, relevant business scope of the Company was changed as: general operation items: acquisition and sales of grain & oil, grain and oil reserves; management and processing of

grain & oil and their products; 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); management and processing of feed (outsourcing); grain and oil logistics, feed logistics, investment, operation and development for the projects of tea garden; sales of feed and tea; storage service; grain distribution services; modern grain supply chain service; technical development and services of grain and oil, tea, plant products, soft drinks and food; E-business and information construction, IT development and supporting services; investment in industrial projects (apply separately for detail projects); domestic trading; import and export business; engaged in real estate development and operation in the land legally obtained; development, operation, leasing and management of the owned property; property management; providing management services for hotels. (as for projects mentioned above that are required to be submitted for examination and approval by the laws, administrative regulations and decision of the state council, approval and examination shall be required before operated). Business in license: wholesale of prepackaged food (excluding reheating prepackaged food) (in non-physical way); information services business (internet information services business only); general freight transportation and professional transportation (refrigeration and fresh-keeping)

### (iii) Report approval for the financial statement

The statement has been approved by BOD of the company for reporting on 25 April 2019.

## II. Consolidated financial statement scope

Totally 36 subsidiaries are included in consolidate financial statement, mainly including:

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

|                                                                                                             |                         |              |     |     |
|-------------------------------------------------------------------------------------------------------------|-------------------------|--------------|-----|-----|
| Industrial & Trading)                                                                                       |                         |              |     |     |
| Hangzhou Ju Fang Yong Holding Co., Ltd.(hereinafter referred to as Hangzhou Ju Fang Yong)                   | Wholly-owned subsidiary | First grade  | 100 | 100 |
| Shenzhen Shenbao Technology Center Co., Ltd.(hereinafter referred to as Shenbao Technology Center )         | Wholly-owned subsidiary | First grade  | 100 | 100 |
| Shenzhen Shenshenbao Investment Co., Ltd.(hereinafter referred to as Shenshenbao Investment)                | Wholly-owned subsidiary | First grade  | 100 | 100 |
| Yunnan Shenbao Pu'er Tea Supply Chain Management Co., Ltd.(hereinafter referred to as Yunnan Supply Chain ) | Wholly-owned subsidiary | First grade  | 100 | 100 |
| Huizhou Shenbao Food Co., Ltd.(hereinafter referred to as Huizhou Shenbao Food )                            | Wholly-owned subsidiary | First grade  | 100 | 100 |
| Yunnan Pu'er Tea Trading Center Co., Ltd.(hereinafter referred to as Pu'er Tea Trading Center )             | Controlling subsidiary  | First grade  | 55  | 55  |
| Mount Wuyi Shenbao Rock Tea Co., Ltd.(hereinafter referred to as Shenbao Rock Tea )                         | Wholly-owned subsidiary | Second grade | 100 | 100 |
| Hangzhou Fuhaitang Tea Ecological Technology Co., Ltd.(hereinafter referred to as Fuhaitang Ecological )    | Wholly-owned subsidiary | Second grade | 100 | 100 |
| Hangzhou Chunshi Network Technology Co.,Ltd. (hereinafter referred to as Chunshi Network)                   | Wholly-owned subsidiary | Second grade | 100 | 100 |
| Shenzhen Shenshenbao Tea Culture Management Co., Ltd. (hereinafter referred to as Shenshenbao Tea Culture)  | Wholly-owned subsidiary | Second grade | 100 | 100 |
| Hangzhou Ju Fang Yong Trading Co., Ltd.(hereinafter referred to as Ju Fang Yong Trading)                    | Controlling subsidiary  | Second grade | 60  | 60  |
| Shenzhen Shenbao Tea-Shop Co., Ltd.(hereinafter referred to as Shenbao Tea-Shop )                           | Wholly-owned subsidiary | Second grade | 100 | 100 |
| Hangzhou Fuhaitang Catering Management chain Co., Ltd.(hereinafter referred to as Fuhaitang Catering )      | Wholly-owned subsidiary | Second grade | 100 | 100 |
| Shenzhen Cereals Group Co., Ltd(hereinafter referred to as SZCG )                                           | Wholly-owned subsidiary | First grade  | 100 | 100 |
| Shenzhen Flour Co., Ltd(hereinafter referred to as Shenzhen Flour)                                          | Wholly-owned subsidiary | Second grade | 100 | 100 |
| Shenzhen Hualian Grain & Oil Trade Co., Ltd.                                                                | Wholly-owned            | Second       | 100 | 100 |

|                                                                                                                                                |                         |              |     |     |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|--------------|-----|-----|
| (hereinafter referred to as Hualian Grain & oil trading )                                                                                      | subsidiary              | grade        |     |     |
| Hainan Haitian Aquatic Feed Co., Ltd.(hereinafter referred to as Hainan Haitian)                                                               | Wholly-owned subsidiary | Second grade | 100 | 100 |
| SZCG Quality Inspection Co., Ltd. (hereinafter referred to as SZCG Quality Inspection)                                                         | Wholly-owned subsidiary | Second grade | 100 | 100 |
| SZCG Doximi Business Co., Ltd. (hereinafter referred to as SZCG Doximi)                                                                        | Wholly-owned subsidiary | Second grade | 100 | 100 |
| SZCG Cold-Chain Logistic Co., Ltd.(hereinafter referred to as SZCG Cold-Chain Logistic)                                                        | Wholly-owned subsidiary | Second grade | 100 | 100 |
| SZCG Big Kitchen Food Supply Chain Co., Ltd.(hereinafter referred to as SZCG Big Kitchen)                                                      | Controlling subsidiary  | Second grade | 70  | 70  |
| SZCG Real Estate Development Co., Ltd. (hereinafter referred to as SZCG Real Estate Development)                                               | Wholly-owned subsidiary | Second grade | 100 | 100 |
| SZCG Property Management Co., Ltd. (hereinafter referred to as SZCG Property)                                                                  | Wholly-owned subsidiary | Third grade  | 100 | 100 |
| SZCG Storage (Yingkou) Co., Ltd.(hereinafter referred to as SZCG Storage (Yingkou) )                                                           | Wholly-owned subsidiary | Second grade | 100 | 100 |
| Dongguan SZCG Logistics Co., Ltd.(hereinafter referred to as Dongguan Logistics)                                                               | Controlling subsidiary  | Second grade | 51  | 51  |
| Dongguan International Food Industrial Park Development Co., Ltd.(hereinafter referred to as Dongguan Food Industrial Park)                    | Controlling subsidiary  | Third grade  | 51  | 51  |
| Dongguan SZCG Oil & Food Trade Co., Ltd. (hereinafter referred to as Dongguan Food Trade)                                                      | Controlling subsidiary  | Third grade  | 51  | 51  |
| Dongguan Golden Biology Tech. Co., Ltd. (hereinafter referred to as Dongguan Golden)                                                           | Controlling subsidiary  | Third grade  | 51  | 51  |
| Shuangyashan SZCG Zhongxin Cereals Base Co., Ltd. (hereinafter referred to as Shuangyashan SZCG Zhongxin)                                      | Controlling subsidiary  | Second grade | 51  | 51  |
| Heilongjiang Hongxinglong Nongken Shenxin Cereals Industrial Park Co., ltd. (hereinafter referred to as Hongxinglong Nongken Industrial Park ) | Controlling subsidiary  | Third grade  | 51  | 51  |

**Body included in consolidated financial statement in the period has 7 increased and one declined by compare with same period of last year, including:**



**Subsidiary newly included in consolidate scope**

| Name                                                                                 | Reasons for change                         |
|--------------------------------------------------------------------------------------|--------------------------------------------|
| Shenzhen Cereals Group Co., Ltd                                                      | Enterprise combined under the same control |
| Shenzhen Flour Co., Ltd(Note 1)                                                      | Enterprise combined under the same control |
| Shenzhen Hualian Grain & Oil Trade Co., Ltd. (Note 1)                                | Enterprise combined under the same control |
| Hainan Haitian Aquatic Feed Co., Ltd(Note 1)                                         | Enterprise combined under the same control |
| SZCG Quality Inspection Co., Ltd. (Note 1)                                           | Enterprise combined under the same control |
| SZCG Doximi Business Co., Ltd. (Note 1)                                              | Enterprise combined under the same control |
| SZCG Cold-Chain Logistic Co., Ltd.(Note 1)                                           | Enterprise combined under the same control |
| SZCG Big Kitchen Food Supply Chain Co., Ltd.(Note 1)                                 | Enterprise combined under the same control |
| SZCG Real Estate Development Co., Ltd. (Note 1)                                      | Enterprise combined under the same control |
| SZCG Property Management Co., Ltd. (Note 1)                                          | Enterprise combined under the same control |
| SZCG Storage (Yingkou) Co., Ltd.(Note 1)                                             | Enterprise combined under the same control |
| Dongguan SZCG Logistics Co., Ltd.(Note 1)                                            | Enterprise combined under the same control |
| Dongguan International Food Industrial Park Development Co., Ltd.(Note 1)            | Enterprise combined under the same control |
| Dongguan SZCG Oil & Food Trade Co., Ltd. (Note 1)                                    | Enterprise combined under the same control |
| Dongguan Golden Biology Tech. Co., Ltd. (Note 1)                                     | Enterprise combined under the same control |
| Shuangyashan SZCG Zhongxin Cereals Base Co., Ltd. (Note 1)                           | Enterprise combined under the same control |
| Heilongjiang Hongxinglong Nongken Shenxin Cereals Industrial Park Co., Ltd. (Note 1) | Enterprise combined under the same control |

Note 1: Change of the consolidate scope means that material assets reorganization carried out in the period, purchased 100 percent equity of Shenzhen Cereals Group Co., Ltd through issuing shares to Fude Capital, the 16 subordinate subsidiaries of Shenzhen Cereals Group Co., Ltd as Shenzhen Flour Co., Ltd etc. are included in the consolidate scope of the Company.

**2. Subsidiary not included in the scope any more**

| Name                                    | Reasons for change                                                                     |
|-----------------------------------------|----------------------------------------------------------------------------------------|
| Zhanjiang Haitian Aquatic Feed Co., Ltd | Stripped without compensation from state-owned shares. (fond more in (ii) of Note VII) |

Note 1: According to the “Agreement on the Issuance of Shares to Purchase Assets” signed by the Company and Fude Capital in March 2018, the Company’s subsidiary, SZCG signed the “Master Agreement on Major Asset Restructuring of State-owned Assets and Related Equity of Shenzhen Cereals Group Co., Ltd.” and the “Agreement on the Free Transfer of State-owned Assets of Zhanjiang Haitian Aquatic Feed Co., Ltd.” with Fude Capital in June 2018, the company did not belong to the scope of restructured assets. In the current period, the Company’s wholly-owned subsidiary, SZCG, transferred its 90% equity of Zhanjiang Haitian Aquatic Feed Co., Ltd. to Fude Capital free of charge according to the above agreements.

Change of the consolidate scope found more in Note VII. Change of consolidate scope

### 3. 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 Shenbao Manan Biotechnology Co., Ltd. Change its name as Huizhou Shenbao Manan Biotechnology Co., Ltd on 21 May 2018, it 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. 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

#### (i) basis of preparation of financial statement

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

#### (ii) 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**

Does the Company need to comply with disclosure requirements of the special 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 combing financial statements. If it is not the same when you stand Enterprise Group and the angle of the Company or its subsidiaries as the accounting entity identified on the same transaction, the business point of view shall be adjusted to the Group's transactions.

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

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

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

### **(1) Increase of subsidiary or business**

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

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

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

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

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

## (2) Disposal of subsidiaries or business

### 1) The general approach

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

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

or net liabilities redefined by investee.

## 2) Step disposal of subsidiaries

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

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

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

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

## (3) Purchase of a minority stake in the subsidiary

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

## (4) Disposal of equity in subsidiary without losing control

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

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

### 1. Classification of joint venture arrangement

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

Joint venture arrangement not concluded through separate entity is classified as joint operation; and those concluded



through separate entity are generally classified as joint ventures. However, joint venture arrangement which meets any of the following conditions as proven by obvious evidence and satisfies relevant laws and rules is grouped as joint operation:

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

## **2. Accounting for joint operations**

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

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

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

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

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

## 8. Recognition standards for cash and cash equivalents

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

## 9. Foreign currency business and conversion of foreign currency statement

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

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

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

## 10. Financial instruments

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

### 1. Categories of financial instruments

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

### 2. Recognition and measurement for financial instrument

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

Financial assets or liabilities at fair value through profit or loss include transactional financial assets or financial

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

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

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

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

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

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

## (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. Note receivable and account receivable

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

|                                                                                               |                                 |
|-----------------------------------------------------------------------------------------------|---------------------------------|
| Account with single significant amount                                                        | Amount of 10 million yuan above |
| Withdrawal method for bad debt provision of account receivable with single significant amount | Amount of 5 million yuan above  |



**(2) Accounts receivable whose bad debts provision was accrued by combination based on credit risk characteristics portfolio**

| Portfolio           | Bad debt provision accrual |
|---------------------|----------------------------|
| Age analysis method | Age analysis method        |

Accrual bad debt provision by age analysis method in portfolio

Applicable Not applicable

| Account age                         | Accrual ratio for account receivable | Accrual ratio for other account receivable |
|-------------------------------------|--------------------------------------|--------------------------------------------|
| Within one year (one year included) | 1.00%                                | 1.00%                                      |
| 1—2 years                           | 10.00%                               | 10.00%                                     |
| 2—3 years                           | 30.00%                               | 30.00%                                     |
| 3—4 years                           | 50.00%                               | 50.00%                                     |
| 4—5 years                           | 50.00%                               | 50.00%                                     |
| Over 5 years                        | 80.00%                               | 80.00%                                     |

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. Inventory**

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

No

**1. Classification**

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

**2. Valuation method**

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

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

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

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

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

### **4. Inventory system**

Inventory system is the perpetual inventory system.

### **5. Amortization of low-value consumables and packaging materials**

- (1) Low-value consumables adopts the method of primary resale;
- (2) Packaging materials adopts the method of primary resale;
- (3) Other turnover materials adopts the method of primary resale.

## **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 real estate. Depreciation or amortization of the buildings and land use rights according to their expected service life and net salvage value. Expected service life for the investment real estate, an rate of the net salvage value and annual amortization (depreciation) are as:

| Category             | Expected service life<br>(year) | Expected net salvage<br>value | Annual amortization<br>(depreciation) rate |
|----------------------|---------------------------------|-------------------------------|--------------------------------------------|
| Houses and buildings | 10-40                           | 5%                            | 2.37%-9.50%                                |

When use of investment real estate changes to be used by the company itself, the company shall transfer the investment real estate 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 real estate 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 real estate less its carrying value and related taxes is recorded in current gains and losses.

## 16. Fixed asset

### (1) Recognition

#### 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 assets can be measured reliably.

#### 2. Initial measurement of fixed assets

Fixed assets of the Company are measured initially by cost.

- (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.

### (2) Depreciation methods

| Category                              | Method                     | Years of depreciation | Scrap value rate | Yearly depreciation rate |
|---------------------------------------|----------------------------|-----------------------|------------------|--------------------------|
| Production buildings                  | Straight-line depreciation | 20-35                 | 5                | 2.71-4.75                |
| Non-production buildings              | Straight-line depreciation | 20-40                 | 5                | 2.38-4.75                |
| Temporary dormitory, simple room etc. | Straight-line depreciation | 5-15                  | 5                | 6.33-19                  |
| Gas storage bin                       | Straight-line depreciation | 20                    | 5                | 4.75                     |
| Silo                                  | Straight-line depreciation | 50                    | 5                | 1.9                      |
| Wharf and supporting facilities       | Straight-line depreciation | 50                    | 5                | 1.9                      |

|                                  |                            |       |   |           |
|----------------------------------|----------------------------|-------|---|-----------|
| Other machinery equipment        | Straight-line depreciation | 10-20 | 5 | 4.75-9.5  |
| Warehouse transmission equipment | Straight-line depreciation | 20    | 5 | 4.75      |
| Electronic equipment             | Straight-line depreciation | 2-5   | 5 | 19-47.5   |
| Transport equipment              | Straight-line depreciation | 3-10  | 5 | 9.5-31.67 |
| Other equipment                  | Straight-line depreciation | 3-10  | 5 | 9.5-31.67 |

### (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 progress

Does the Company need to comply with disclosure requirements of the special 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 progress carrying forward to fixed assets

Fixed asset is booked with the entire expenditures occurred in the Construction in progress 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**

### **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.

#### **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.

#### **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.

#### **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. Oil and gas assets**

## **21. 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, software use right and shop management right etc.

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

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

## 2. Subsequent measurement

Analysis and determined the service life for intangible assets while obtained. 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 usable 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 |
| Trademark use right    | 10-year                                                                        | Actual situation of the Company |
| software use right     | 5-8 years                                                                      | Protocol agreement              |
| forest tree use right  | Service life arranged                                                          | Protocol agreement              |
| Shop management right  | Service life arranged                                                          | 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 with uncertain 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 with uncertain 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.

## **22. 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.

### **23. 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.

### **24. 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. In addition to social basic pension insurance and unemployment insurance, employees who meet the requirements of the Enterprise Annuity Scheme of Shenzhen Cereal Group Co., Ltd. can apply to participate in the annuity plan established by the company. 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.

The Company provides early retirement benefits to employees who accept early retirement arrangements. Early retirement benefits refer to the wages paid to employees who have not reached the retirement age specified by the state but voluntarily quit from the operating posts after approved by the management of the Company, and the social insurance premiums paid for them. The Company pays early retirement benefits to early retired employees from the date of the early retirement arrangement until the employees reaches the normal retirement age. For the early retirement benefits, the Company will perform accounting treatment in accordance with the termination benefits, and will recognize the wages to be paid to the early retired employees and the social insurance premiums to be paid during the period from the date ceasing service to the normal retirement date as liabilities and include in the current profit and loss in one lump sum. Changes in actuarial assumptions of early retirement benefits and the difference caused by adjustment of welfare standards are included in profit or loss when incur.

#### **(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.

### **25. 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

## 26. Share-based payment

## 27. Other financial instrument of preferred stocks and perpetual bond

## 28. Revenue

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

No

### 1. Sales of goods

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. Provide labor services

If the results of the labor service transaction on the balance sheet date can be reliably estimated, the labor service income will be recognized by the percentage of completion method. The completion schedule of the labor service transaction is determined based on the measurement of the completed work.

The results of the labor service transaction can be reliably estimated, which means it can meet the following conditions:

- (1) The amount of income can be reliably measured;
- (2) The relevant economic benefits are likely to flow into the enterprise;
- (3) The completion schedule of the transaction can be reliably determined;
- (4) The costs incurred and to be incurred in the transaction can be reliably measured.

The total amount of labor service income is determined by the received or receivable contract or agreement price, except that the contract or agreement price received or receivable is not fair. On the balance sheet date, the current labor service income is determined by the amount that the total labor service income multiplies by the completion schedule and deducts the accumulated labor income from the previous accounting period. At the same time, the current labor cost is carried forward by the amount that the total labor service cost multiplies by the completion schedule and deducts the accumulated labor cost from the previous accounting period.

If the results of the labor service transaction on the balance sheet date cannot be reliably estimated, they shall be disposed as follows:

(1) If the labor costs incurred is estimated to be compensated, the labor service income shall be determined according to the amount of labor costs incurred, and the labor costs shall be carried forward at the same amount.

(2) If the labor costs incurred is estimated not to be compensated, the labor costs incurred shall be included in the current profit and loss, and the labor service income shall not be recognized.

When the contract or agreement signed by the Company with other enterprises includes the sale of goods and the rendering of labor services, if the parts of the sales of goods and the parts of the rendering of labor service can be distinguished and can be separately measured, treat the part of the sales of goods as the sales of goods, and treat the part of the rendering of labor services as rendering of labor services. If the parts of the sales of goods and the parts of the rendering of labor service cannot be distinguished, or can be distinguished but cannot be separately measured, treat the part of the sales of goods and the parts of the rendering of labor service both as the sales of goods.

Recognize revenue for the grain and oil dynamic storage and rotation services provided by the Company for the Shenzhen Municipal Government when the relevant labor service activities occur. Specifically, monthly calculate and recognize the government service income based on the actual storage grain and oil quantity and the storage price stipulated by “Operational Procedures for Government Grain Storage All-in Cost of Shenzhen” and “Operational Procedures for Edible Vegetable Oil Government Reserve All-in Cost of Shenzhen”.

### **3. Recognition of the right to use the transferred assets**

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

(1) Amount of interest income: determined by the time and effective interest rate of the currency capital used by other people.

(2) Amount of income from use: determined by the charge time and calculation method agreed in the relevant contract or agreement.

(3) For the income from real estate, dock warehouse and other property leasing and terminal docking business, calculate and determine the rental income and warehousing logistics income according to the chargeable time and method as stipulated in the contract or agreement.

## **29. Government Grants**

### **1. Types**

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

### **2. Recognition of government grants**

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 grants. After that, government grants shall recognize while actually received.

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

### 3. Accounting treatment

Based on the nature of economic business, the Company determines whether a certain type of government subsidy business should be accounted for by using the total amount method or the net amount method. In general, the Company only chooses one method for similar or similar government subsidy services, and this method is consistently applied to the business.

| Item                  | Calculation content               |
|-----------------------|-----------------------------------|
| Based on gross method | All business of government grants |

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

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

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

The government grants 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.

### 30. 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.



### 31. 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.

### 32. Other important accounting policy and estimation

#### Production Safety Fee

The production safety fees drawn by the company in accordance with the provisions of the State shall be included in the cost of related products or current profits and losses, and also in the subject of "special reserve". If the use of the extracted safety production costs time and belongs to expenditure, the special reserve shall be directly reduced. If a fixed asset is formed, the expenditure incurred by the project under construction shall be collected and recognized as a fixed asset when the safety project is completed to its intended usable state; meanwhile, the special reserve shall be deducted according to the cost of forming the fixed asset, and the accumulated depreciation of the same amount shall be confirmed. The fixed assets are no longer depreciated in the later period.

### 33. Changes of important accounting policy and estimation

#### (1) Changes of major accounting policies

Applicable Not applicable

#### (2) Changes of important accounting estimate

Applicable Not applicable

| Content & reasons                                                                                                                                                                                                                                                                 | Approval procedure                                                                                                                      | The time when changes in accounting estimate begin to apply | Note |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|------|
| Identification standards for account receivable with significant single amount, classification of credit risk portfolio and change of percentage of provision for bad debts in age portfolio; Depreciable life of investment real estate and unification of residual value rate ; | The change has deliberated on 24 <sup>th</sup> session of 9 <sup>th</sup> BOD and no need to deliberated in shareholder general meeting | 2018-12-29                                                  |      |

|                                                                                                                                       |  |  |  |
|---------------------------------------------------------------------------------------------------------------------------------------|--|--|--|
| Depreciable life of fixed assets and unification of residual value rate ;<br>Unification of amortization period for intangible assets |  |  |  |
|---------------------------------------------------------------------------------------------------------------------------------------|--|--|--|

**Explanation:**

The Company purchase 100 percent equity of Shenzhen Cereals Group Co., Ltd held by Fude Capital through issuing shares, SZCG comes to wholly-owned subsidiary of the Company. Main business of the Company has increased grain and oil reserves, grain and oil trading and processing etc. on the basis of the original tea and tea products business. In order to reflect the Company’s financial status and operation results objectively, truthfully and fairly, the Company, according to the business scale and industry characteristics after reorganization, and reference to relevant accounting estimates of comparable listed companies in the same industry, organizing and change part of the original accounting estimate of the Company.

In line with the regulation of “Accounting Standards for Business Enterprise No. 28- Change of Accounting policy, accounting estimate and errors correction”, the change in accounting estimates is treated by the future applicable method without retrospective adjustment of the disclosed financial reports, and it will not affect the previous financial status and operation results. Main impact on the financial statement for year of 2018 including: make changes and reduction of Account receivable to 6,514,050.72 yuan, and other receivable as4,645,425.95 yuan; make changes and increase the assets impairment loss to 11,159,476.67 yuan.

**34. Other**

**VI. Taxes**

**1. Type of tax and rate for main applicable tax**

| Taxes                                  | Basis                                             | Rate                                                       |
|----------------------------------------|---------------------------------------------------|------------------------------------------------------------|
| VAT                                    | Service income from goods sales and taxable sales | 16%( original was 17%), 10%(original was 11%) , 6%, 5%, 3% |
| Urban maintenance and construction tax | Turnover tax payable                              | 7%, 5%                                                     |
| Enterprise income tax                  | Taxable income                                    | 25%, 15%, 0%                                               |
| 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                          | 15%                |
| Shenbao Sanjing                              | 25%                |
| Huizhou Shenbao Science & Technology         | 25%                |
| Huizhou Shenbao Food                         | 25%                |

|                                      |                                        |
|--------------------------------------|----------------------------------------|
| Shenbao Propertie                    | 25%                                    |
| Shenbao Industrial & Trading         | 25%                                    |
| Hangzhou Ju Fang Yong                | 25%                                    |
| Shenbao Technology Center            | 25%                                    |
| Fuhaitang Ecological                 | 25%                                    |
| Chunshi Network                      | 25%                                    |
| Shenshenbao Investment               | 25%                                    |
| Shenshenbao Tea Culture              | 25%                                    |
| Yunnan Supply Chain                  | 25%                                    |
| Ju Fang Yong Trading                 | 25%                                    |
| Shenbao Rock Tea                     | 25%                                    |
| Pu'er Tea Trading Center             | 25%                                    |
| Shenbao Tea-Shop                     | 25%                                    |
| Fuhaitang Catering                   | 25%                                    |
| SZCG                                 | 25%, tax exemption for some businesses |
| SZCG Real Estate Development         | 25%                                    |
| Shenzhen Flour                       | Tax free                               |
| SZCG Quality Inspection              | 25%                                    |
| Hualian Grain & oil trading          | 25%                                    |
| SZCG Cold-Chain Logistic             | 15%                                    |
| SZCG Doximi                          | 25%                                    |
| Hainan Haitian                       | 25%                                    |
| Dongguan Logistics                   | 25%                                    |
| SZCG Big Kitchen                     | 15%                                    |
| SZCG Storage (Yingkou)               | 25%                                    |
| SZCG Property                        | 25%                                    |
| Dongguan Food Industrial Park        | 25%                                    |
| Dongguan Food Trade                  | 25%                                    |
| Dongguan Golden                      | 25%                                    |
| Shuangyashan SZCG Zhongxin           | 25%                                    |
| Hongxinglong Nongken Industrial Park | 25%                                    |

## 2. Tax preferential

### 1. VAT discounts and approval

According to the “Notice of the Ministry of Finance and the State Administration of Taxation on the Issues Concerning the VAT Collection and Exemption of Grain Enterprises (CSZ [1999] No. 198)” and “Shenzhen Tax Service, State Taxation Administration and Shenzhen Finance Bureau SGSF (SCF [1999] No.428)”, confirming that SZCG, the Company’s subsidiary, and its subsidiaries, are state-owned grain purchase and sale enterprises that undertake grain collection and storage tasks for Shenzhen, the grain sold is subject to tax-free declaration by rule and enjoys the exemption from VAT. In addition, according to the stipulation of the “Announcement of State Administration of Taxation on Relevant Management Matters After Clarifying the Cancellation of the Approval of Some VAT Preferential Policies” (SAT Announcement 2015 No. 38), the approval for exemption from VAT and the involved tax review and approval procedures for the state-owned grain enterprises that undertake grain collection and storage tasks, other grain enterprises that operate tax-free projects and enterprises that have edible vegetable oil sales business for government reserves are cancelled and changed to record management. The taxpayer does not change the content of the record materials during the period of tax exemption can be put on a one-time record. In December 2013, SZCG obtained the notice of the VAT preferential record (SGSFJBM [2013] No.2956) from Shenzhen Futian State Administration of Taxation. In the case of no change in policy, this limited filing period started on January 1<sup>st</sup>, 2014.

The VAT input tax amount of the preferential item was separately accounted for, and the input VAT calculation method cannot be changed within 36 months after the selection. As of December 31, 2018, the tax exemption policy has been in effect since its filing in 2014, and the company’s VAT input tax has not changed since it was accounted for separately in 2014, so the company continues to enjoy the tax preference.

## 2. Stamp duty, house property tax, and urban land use tax preferences

According to the stipulations of “Notice of the Ministry of Finance and the State Administration of Taxation on the Relevant Tax Policies Concerning Some National Reserved Commodities (CS [2013] No. 59)”, the “Notice of the Ministry of Finance and the State Administration of Taxation on the Relevant Tax Policies Concerning Some National Reserved Commodities (CS [2016] No. 28)”, and “Notice of Shenzhen Financial Committee and Shenzhen Local Taxation Bureau on Issuing the List of Shenzhen Reserve Commodity Management Companies and Reserve Enterprises (SCF [2016] No. 26)”, confirming that the fund account book of SZCG, the Company’s subsidiary, and its direct depots is exempt from stamp duty, confirming that the written purchase and sale contracts of SZCG in the process of undertaking the commodity reserve business are exempt from stamp duty, and confirming that SZCG’s house property and land used for the commodity reserve business are exempt from house property tax and urban land use tax. The execution time limit for this tax preference policy is up to December 31, 2018.

## 3. Corporate income tax

(1) Shenbao Huacheng, a subsidiary of the Company, obtained the “High-tech Enterprise Certificate” (Certificate number is GR201744203462) jointly issued by Shenzhen Science and Technology Innovation Committee, Shenzhen Financial Bureau, Shenzhen Tax Service, State Taxation Administration and Shenzhen Local Taxation Bureau on October 31, 2017, which is valid for three years. According to the relevant preferential policies of the state for high-tech enterprises, the qualified high-tech enterprises shall pay the corporate income tax at a reduced income tax rate of 15% within three years from the year of the determination, and Shenbao Huacheng enjoys the tax preferential policy from 2017 to 2019.

(2) The Company's subsidiary, Wuyuan Jufangyong, obtained the "High-tech Enterprise Certificate" (Certificate number is GR201836000703) jointly issued by the Science and Technology Department of Jiangxi Province, the Finance Department of Jiangxi Province, and Jiangxi Provincial Tax Service, State Taxation Administration on August 13, 2018, which is valid for three years. According to the relevant preferential policies of the state for high-tech enterprises, the qualified high-tech enterprises shall pay the corporate income tax at a reduced income tax rate of 15% within three years from the year of the determination, and Wuyuan Jufangyong enjoys the tax preferential policy from 2018 to 2020.

(3) According to the "Notice on the Issues Concerning the Treatment of Corporate Income Taxes for Fiscal Funds of Special Purposes of the Ministry of Finance and the State Administration of Taxation (CS [2009] No. 87), the government service income obtained by SZCG, the Company's subsidiary, and its subsidiaries from the government's grain reserve business is a special-purpose fiscal fund, which can be used as non-taxable income if eligible and is deducted from the total income when calculating the taxable income. The expenses arising from the above-mentioned non-taxable income for expenditure shall not be deducted when calculating the taxable income; the calculated depreciation and amortization of the assets formed by non-taxable income for expenditure shall not be deducted when calculating the taxable income.

(4) Shenzhen Flour, a subsidiary of the Company, is a flour primary processing enterprise, according to the stipulations of the "Notice on Issuing the Scope (Trial) of Primary Processing of Agricultural Products Applicable to the Corporate Income Tax Preferential Policy (CS [2008] No. 149)" and the "Supplementary Notice on the Scope of Primary Processing of Agricultural Products Applicable to the Corporate Income Tax Preferential Policy of the Ministry of Finance and the State Administration of Taxation" (CS [2011] No. 26), the wheat primary processing is exempt from income tax.

(5) According to the Article one of the "Notice of the Ministry of Finance and the State Administration of Taxation on the Corporate Income Tax Preferential Policies and Preferential Catalogue for Guangdong Hengqin New District, Fujian Pingtan Comprehensive Experimental Zone, and Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone" (CS [2014] No.26), levy the corporate income tax at a reduced income tax rate of 15% for the encouraged industrial enterprises located in Hengqin New District, Pingtan Comprehensive Experimental Zone and Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone. The Company's subsidiaries, SZCG Cold Chain Logistics and SZCG Big Kitchen, are registered in Shenzhen Qianhai Cooperation Zone and meet the preferential tax conditions, according to the relevant policies in the Cooperation Zone, their income tax enjoys a tax preference of 15%, and this preferential tax policy shall be up to 2020.

### 3. Other

## VII. Annotation to main items of consolidated financial statements

### 1. Monetary fund

RMB/CNY

| Item                | Ending balance | Opening balance |
|---------------------|----------------|-----------------|
| Cash on hand        | 282,322.45     | 555,961.15      |
| Cash in bank        | 631,190,032.12 | 543,565,898.62  |
| Other monetary fund | 165,985.11     | 318,879.68      |
| Total               | 631,638,339.68 | 544,440,739.45  |

Other explanation

The Company did not has account pledge, freeze or has potential risks in collection ended as 31 December 2018

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

RMB/CNY

| Item                      | Ending balance | Opening balance |
|---------------------------|----------------|-----------------|
| Tradable financial assets | 1,124,927.96   | 1,599,668.20    |
| Equity investment         | 1,124,927.96   | 1,599,668.20    |
| Total                     | 1,124,927.96   | 1,599,668.20    |

Other explanation

Ending balance refers to the 258,011 shares of A-stock under the name of “CBC-A”

## 3. Derivative financial assets

Applicable Not applicable

## 4. Note receivable and account receivable

RMB/CNY

| Item               | Ending balance | Opening balance |
|--------------------|----------------|-----------------|
| Note receivable    | 1,027,635.04   | 658,942.50      |
| Account receivable | 473,646,886.64 | 193,727,800.13  |
| Total              | 474,674,521.68 | 194,386,742.63  |

### (1) Note receivable

1)Classification of notes receivable

RMB/CNY

| Item                 | Ending balance | Opening balance |
|----------------------|----------------|-----------------|
| Bank acceptance bill | 1,027,635.04   | 658,942.50      |
| Total                | 1,027,635.04   | 658,942.50      |

2)Notes receivable already pledged by the Company at the end of the period

RMB/CNY

| Item | Amount pledge at period-end |
|------|-----------------------------|
|------|-----------------------------|

3) Notes endorsement or discount and undue on balance sheet date

RMB/CNY

| Item | Amount derecognition at period-end | Amount not derecognition at period-end |
|------|------------------------------------|----------------------------------------|
|------|------------------------------------|----------------------------------------|

4)Notes transfer to account receivable due for failure implementation by drawer at period-end

RMB/CNY

| Item | Amount transfer to account receivable at period-end |
|------|-----------------------------------------------------|
|------|-----------------------------------------------------|

Other explanation

## (2) Account receivable

1)Classification of account receivable

RMB/CNY

| Category                                                                                       | Ending 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 with single significant amount and withdrawal bad debt provision separately | 10,455,627.54  | 1.80%   | 10,455,627.54      | 100.00%       |                | 10,455,627.54   | 2.95%   | 10,455,627.54      | 100.00%       |                |
| Account receivable withdrawal bad debt provision by group of credit risk characteristics       | 479,058,935.68 | 82.60%  | 7,165,979.50       | 1.50%         | 471,892,956.18 | 196,674,001.52  | 55.42%  | 2,946,201.39       | 1.50%         | 193,727,800.13 |
| Account receivable with single minor amount but withdrawal bad debt provision for single item  | 90,465,251.52  | 15.60%  | 88,711,321.06      | 98.06%        | 1,753,930.46   | 147,764,754.39  | 41.64%  | 147,764,754.39     | 100.00%       |                |
| Total                                                                                          | 579,979,814.74 | 100.00% | 106,332,928.10     | 18.33%        | 473,646,886.64 | 354,894,383.45  | 100.00% | 161,166,583.32     | 45.41%        | 193,727,800.13 |



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

Applicable Not applicable

RMB/CNY

| Account receivable (by enterprise) | Ending balance     |                    |               |                              |
|------------------------------------|--------------------|--------------------|---------------|------------------------------|
|                                    | Account receivable | Bad debt provision | Accrual Ratio | Accrual causes               |
| Guangzhou Jinhe Feed Co., Ltd      | 10,455,627.54      | 10,455,627.54      | 100.00%       | Slightly possibly taken back |
| Total                              | 10,455,627.54      | 10,455,627.54      | --            | --                           |

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

Applicable Not applicable

RMB/CNY

| Account age                 | Ending balance     |                    |               |
|-----------------------------|--------------------|--------------------|---------------|
|                             | Account receivable | Bad debt provision | Accrual Ratio |
| Subitem of within one year  |                    |                    |               |
| Subtotal of within one year | 435,983,012.92     | 4,342,575.39       | 1.00%         |
| 1-2 years                   | 1,082,033.98       | 108,203.40         | 10.00%        |
| 2-3 years                   | 311,445.72         | 93,433.72          | 30.00%        |
| 3-4 years                   | 1,057,518.76       | 528,759.39         | 50.00%        |
| 4-5 years                   | 277,613.73         | 138,806.87         | 50.00%        |
| Over 5 years                | 2,442,750.91       | 1,954,200.73       | 80.00%        |
| Total                       | 441,154,376.02     | 7,165,979.50       | 1.62%         |

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 was 7,919,578.77 Yuan; the amount collected or switches back amounting to 1,432,515.04 Yuan.

Important bad debt provision collected or switch back:

RMB/CNY

| Enterprise | Amount collected or switch back | Collection way |
|------------|---------------------------------|----------------|
|            |                                 |                |

3)Account receivable actual charge off in the Period

RMB/CNY

| Item | Amount charge off |
|------|-------------------|
|      |                   |

Major charge-off for the major receivable:

RMB/CNY

| Enterprise | Nature of account receivable | Amount charge off | Cause of charge-off | Charge-off procedures | Resulted by related transaction (Y/N) |
|------------|------------------------------|-------------------|---------------------|-----------------------|---------------------------------------|
|------------|------------------------------|-------------------|---------------------|-----------------------|---------------------------------------|

Charge-off for account receivable:

4)Top 5 receivables at ending balance by arrears party

| Enterprise | Ending balance | Proportion in total receivables at ending balance(%) | Bad debt provision accrual |
|------------|----------------|------------------------------------------------------|----------------------------|
| Customer 1 | 81,183,967.20  | 14.00                                                | 811,839.67                 |
| Customer 2 | 43,481,868.90  | 7.50                                                 | 434,818.69                 |
| Customer 3 | 41,762,119.25  | 7.20                                                 | 417,621.19                 |
| Customer 4 | 16,163,634.14  | 2.79                                                 | 161,636.34                 |
| Customer 5 | 15,745,925.73  | 2.71                                                 | 157,459.26                 |
| Total      | 198,337,515.22 | 34.20                                                | 1,983,375.15               |

5)Account receivable derecognition due to financial assets transfer

6)Assets and liabilities resulted by account receivable transfer and continues involvement

Other explanation

The balance of accounts receivable at the end of this period increased by 225,085,431.29 yuan (63.42%) compared with that at the beginning of the period, mainly due to the relaxation of customer credit policy in the reporting period of Hualian Grain and Oil Trade, a subsidiary of the company.

Bad debt provision accrual of 7,919,578.77 yuan in the period; switch back for bad debt provision of 1,432,515.04 yuan, bad debt provision of 61,320,718.95 yuan charge off in the period

According to the “Agreement on the Issuance of Shares to Purchase Assets” signed by the Company and Fude Capital in March 2018, the “General Agreement on Major Asset Restructuring of State-owned Assets and Related Equity of Shenzhen Cereals Group Co., Ltd.” and the “Agreement on Free Transfer of State-owned Assets of Zhanjiang Haitian Aquatic Feed Co., Ltd.” signed by SZCG, the Company’s subsidiary, and Fude Capital in June 2018, in the current period, the Company transferred the stock equity of Zhanjiang Haitian Aquatic Feed Co., Ltd. to Fude Capital free of charge, the corresponding account of Zhanjiang Haitian Aquatic Feed Co., Ltd. has fully accrued the bad debts provision for receivables and the provision for bad debts was stripped off at the same time, so the corresponding bad debt provision for accounts receivable of RMB 61,253,852.37 on the stripping date of its assets was written off.

## 5. Account paid in advance

### (1) Account age of account paid in advance

RMB/CNY

| Account age | Ending balance |       | Opening balance |       |
|-------------|----------------|-------|-----------------|-------|
|             | Amount         | Ratio | Amount          | Ratio |

|                 |               |        |               |        |
|-----------------|---------------|--------|---------------|--------|
| Within one year | 83,282,051.24 | 99.50% | 44,409,114.54 | 98.63% |
| 1-2 years       | 70,556.78     | 0.09%  | 128,246.97    | 0.28%  |
| 2-3 years       | 7,670.34      | 0.01%  | 369,435.97    | 0.82%  |
| Over 3 years    | 336,591.71    | 0.40%  | 120,738.30    | 0.27%  |
| Total           | 83,696,870.07 | --     | 45,027,535.78 | --     |

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

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

| Enterprise | Ending amount | Ratio in total account paid in advance(%) | Time            | Unsettled reasons                 |
|------------|---------------|-------------------------------------------|-----------------|-----------------------------------|
| Supplier 1 | 46,447,200.02 | 55.49                                     | Within one year | The contract is being carried out |
| Supplier 2 | 14,134,554.06 | 16.89                                     | Within one year | The contract is being carried out |
| Supplier 3 | 9,558,800.00  | 11.42                                     | Within one year | The contract is being carried out |
| Supplier 4 | 3,351,363.64  | 4.00                                      | Within one year | The contract is being carried out |
| Supplier 5 | 2,060,220.80  | 2.46                                      | Within one year | The contract is being carried out |
| Total      | 75,552,138.52 | 90.26                                     |                 |                                   |

Other explanation

Ending balance of account paid in advance increased 39,116,834.29 Yuan over that of period-beginning with - 87.75 percent up, mainly because at end of December 2018, subsidiary of the Company Dongguan Logistics entered into a Procurement Contract with Xiamen Minsui Grain & oil trading Co., Ltd, and with the amount of goods paid in advance

**6. Other account receivable**

RMB/CNY

| Item                     | Ending balance | Opening balance |
|--------------------------|----------------|-----------------|
| Interest receivable      | 561,500.00     |                 |
| Other account receivable | 33,241,928.45  | 45,626,470.91   |
| Total                    | 33,803,428.45  | 45,626,470.91   |

### (1) Interest receivable

1)Category of interest receivable

RMB/CNY

| Item           | Ending balance | Opening balance |
|----------------|----------------|-----------------|
| Fixed deposits | 561,500.00     |                 |
| Total          | 561,500.00     |                 |

2)Significant overdue interest

RMB/CNY

| Borrower | Ending balance | Overdue time | Overdue reason | Whether has impairment occurred and judgment basis |
|----------|----------------|--------------|----------------|----------------------------------------------------|
|          |                |              |                |                                                    |

Other explanation

### (2) Dividend receivable

1)Dividend receivable

RMB/CNY

| Item(or invested enterprise) | Ending balance | Opening balance |
|------------------------------|----------------|-----------------|
|                              |                |                 |

2))Important dividend receivable with account age over one year

RMB/CNY

| Item(or invested enterprise) | Ending balance | Account age | Cause of uncollectible | Whether has impairment occurred and judgment basis |
|------------------------------|----------------|-------------|------------------------|----------------------------------------------------|
|                              |                |             |                        |                                                    |

Other explanation

### (3) Other account receivable

1)Category of other account receivable

RMB/CNY

| Category                                              | Ending 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 | 48,305,895.94  | 36.81 % | 45,711,329.62      | 94.63 %       | 2,594,566.32 | 47,869,231.61   | 36.14 % | 36,963,097.32      | 77.22%        | 10,906,134.29 |

|                                                                                                     |                |          |               |          |               |                |          |               |         |               |
|-----------------------------------------------------------------------------------------------------|----------------|----------|---------------|----------|---------------|----------------|----------|---------------|---------|---------------|
| withdrawal bad debt provision for single item                                                       |                |          |               |          |               |                |          |               |         |               |
| Other account receivable withdrawal bad debt provision by group of credit risk characteristics      | 38,039,075.02  | 28.99 %  | 7,391,712.89  | 19.43 %  | 30,647,362.13 | 35,958,405.37  | 27.15 %  | 1,238,068.75  | 3.44%   | 34,720,336.62 |
| Other account receivable with single minor amount but withdrawal bad debt provision for single item | 44,887,199.60  | 34.20 %  | 44,887,199.60 | 100.00 % |               | 48,616,556.19  | 36.71 %  | 48,616,556.19 | 100.00% |               |
| Total                                                                                               | 131,232,170.56 | 100.00 % | 97,990,242.11 | 74.67 %  | 33,241,928.45 | 132,444,193.17 | 100.00 % | 86,817,722.26 | 65.55%  | 45,626,470.91 |

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

√Applicable □Not applicable

RMB/CNY

| Other account receivable (by enterprise)                                                                     | Ending balance           |                    |               |                                                                                                                                 |
|--------------------------------------------------------------------------------------------------------------|--------------------------|--------------------|---------------|---------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                              | Other account receivable | Bad debt provision | Accrual Ratio | Accrual causes                                                                                                                  |
| Changzhou Shenbao Chacang E-commerce Co., Ltd. (hereinafter referred to as "Changzhou Shenbao Chacang Co.,") | 20,413,947.34            | 17,819,381.02      | 87.29%        | Allowance for bad debt provision based on the difference between present value of estimated future cash flow and its book value |
| Shenzhen Gaojian Food Joint Venture Co., Ltd                                                                 | 8,326,202.63             | 8,326,202.63       | 100.00%       | Slightly possibly taken back                                                                                                    |
| Shenzhen Sha Tau Kok Import & Export Corporation                                                             | 8,285,803.57             | 8,285,803.57       | 100.00%       | Slightly possibly taken back                                                                                                    |
| Shenzhen Changjiang Development Company                                                                      | 5,677,473.59             | 5,677,473.59       | 100.00%       | Slightly possibly taken back                                                                                                    |

|                                             |               |               |         |                              |
|---------------------------------------------|---------------|---------------|---------|------------------------------|
| Tongyu Shengda Grain & oil trading Co., Ltd | 5,602,468.81  | 5,602,468.81  | 100.00% | Slightly possibly taken back |
| Total                                       | 48,305,895.94 | 45,711,329.62 | --      | --                           |

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

Applicable Not applicable

RMB/CNY

| Account age                 | Ending balance           |                    |               |
|-----------------------------|--------------------------|--------------------|---------------|
|                             | Other account receivable | Bad debt provision | Accrual Ratio |
| Subitem of within one year  |                          |                    |               |
| Subtotal of within one year | 9,103,752.94             | 91,037.53          | 1.00%         |
| 1-2 years                   | 4,038,032.96             | 414,959.80         | 10.28%        |
| 2-3 years                   | 947,859.87               | 284,387.96         | 30.00%        |
| 3-4 years                   | 112,539.37               | 56,269.69          | 50.00%        |
| 4-5 years                   | 11,153,403.05            | 5,576,701.53       | 50.00%        |
| Over 5 years                | 1,210,445.48             | 968,356.38         | 80.00%        |
| Total                       | 26,566,033.67            | 7,391,712.89       | 27.82%        |

Explanation on combination determines:

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 15,176,680.06 Yuan; the amount collected or switches back amounting to 3,730,121.41 Yuan

Including the important bad debt provision switch back or collected in the period:

RMB/CNY

| Enterprise                     | Amount switch back or collected | Collection way   |
|--------------------------------|---------------------------------|------------------|
| Taizhong Agricultural Co., Ltd | 3,707,930.42                    | Amount collected |
| Total                          | 3,707,930.42                    | --               |

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

RMB/CNY

| Item | Amount charge off |
|------|-------------------|
|      |                   |

Note of important other receivables of written-off:

RMB/CNY

| Enterprise | Nature of other account receivable | Amount charge off | Cause of charge-off | Charge-off procedures | Resulted by related transaction (Y/N) |
|------------|------------------------------------|-------------------|---------------------|-----------------------|---------------------------------------|
|            |                                    |                   |                     |                       |                                       |

Note of other receivables of written-off:

Bad debt provision accrual of 15,176,680.06 yuan in the period; switch back for bad debt provision of 3,730,121.41 yuan, bad debt provision of 274,038.80 yuan charge off in the period

4) Nature of other receivables

RMB/CNY

| Nature                      | Ending book balance   | Opening book balance  |
|-----------------------------|-----------------------|-----------------------|
| Margin and deposit          | 11,160,677.29         | 8,987,464.69          |
| Export tax rebate           | 312,364.06            | 733,709.16            |
| Intercourse funds and other | 119,759,129.21        | 122,723,019.32        |
| <b>Total</b>                | <b>131,232,170.56</b> | <b>132,444,193.17</b> |

5) Top 5 other receivables at ending balance by arrears party

RMB/CNY

| Enterprise                                       | Nature            | Ending balance       | Account age           | Ratio in total ending balance of other receivables | Ending balance of bad debt reserve |
|--------------------------------------------------|-------------------|----------------------|-----------------------|----------------------------------------------------|------------------------------------|
| Changzhou Shenbao Chacang Co.,                   | Intercourse funds | 20,413,947.34        | *1、 1-4 years or more | 15.56%                                             | 17,819,381.02                      |
| Shenzhen Yixin Investment Co., Ltd               | Intercourse funds | 10,431,232.87        | 4-5 years             | 7.95%                                              | 5,215,616.44                       |
| Shenzhen Gaojian Food Joint Venture Co., Ltd     | Intercourse funds | 8,326,202.63         | Over 5 years          | 6.34%                                              | 8,326,202.63                       |
| Shenzhen Sha Tau Kok Import & Export Corporation | Intercourse funds | 8,285,803.57         | Over 5 years          | 6.31%                                              | 8,285,803.57                       |
| Ying Kou Port Group Corp.                        | Intercourse funds | 5,769,342.85         | Within one year       | 4.40%                                              | 57,693.43                          |
| <b>Total</b>                                     | --                | <b>53,226,529.26</b> | --                    | <b>40.56%</b>                                      | <b>39,704,697.09</b>               |

6) Other account receivables related to government grants

RMB/CNY

| Enterprise | Government grants | Ending balance | Ending account age | Time, amount and basis for collection predicted |
|------------|-------------------|----------------|--------------------|-------------------------------------------------|
|            |                   |                |                    |                                                 |

7) Other receivable for termination of confirmation due to the transfer of financial assets

8) The amount of assets and liabilities that are transferred other receivable and continued to be involved

Other explanation

The amount of provision for bad debts, is 15,176,680.06 yuan in the current period, the amount of provision for return of bad debts is 3,730,121.41 yuan in the current period, and the amount of provision for write-off of bad debts is 274,038.80 yuan in the current period

## 7. Inventory

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

No

### (1) Category of inventory

RMB/CNY

| Item                              | Ending balance   |                        |                  | Opening balance  |                        |                  |
|-----------------------------------|------------------|------------------------|------------------|------------------|------------------------|------------------|
|                                   | Book balance     | Falling price reserves | Book value       | Book balance     | Falling price reserves | Book value       |
| Raw materials                     | 63,928,125.50    | 19,906,198.09          | 44,021,927.41    | 77,403,549.46    | 4,385,924.31           | 73,017,625.15    |
| Goods in process                  | 23,840,568.24    | 68,371.10              | 23,772,197.14    | 28,703,483.15    | 264,169.09             | 28,439,314.06    |
| Finished goods                    | 2,827,653,415.87 | 101,081,767.83         | 2,726,571,648.04 | 2,919,447,932.76 | 98,944,435.66          | 2,820,503,497.10 |
| Revolving materials               | 7,368,801.19     | 941,939.14             | 6,426,862.05     | 6,294,851.99     |                        | 6,294,851.99     |
| Goods in transit                  | 7,410,407.72     |                        | 7,410,407.72     | 5,475,723.52     |                        | 5,475,723.52     |
| Materials processed on commission | 5,415,695.35     | 5,290,502.32           | 125,193.03       | 6,404,294.66     | 5,290,502.32           | 1,113,792.34     |
| Wrappage                          | 3,474,364.80     |                        | 3,474,364.80     | 3,623,008.15     |                        | 3,623,008.15     |
| Total                             | 2,939,091,378.67 | 127,288,778.48         | 2,811,802,600.19 | 3,047,352,843.69 | 108,885,031.38         | 2,938,467,812.31 |

Whether the Company needs to comply with the disclosure requirement of *Industry Information Disclosure Guidelines of Shenzhen Stock Exchange No.4 -Listed Companies Engaged in Seed Planting Business*

No

Whether the Company needs to comply with the disclosure requirement of *Industry Information Disclosure Guidelines of Shenzhen Stock Exchange No.11 -Listed Companies Engaged in Jewelry Related Business*

No

### (2) Inventory Falling price reserves

RMB/CNY

| Item | Opening | Current amount increased | Current amount decreased | Ending balance |
|------|---------|--------------------------|--------------------------|----------------|
|------|---------|--------------------------|--------------------------|----------------|



|                                   | balance        | Accrual        | Other | Switch back/<br>Written off | Other          |                |
|-----------------------------------|----------------|----------------|-------|-----------------------------|----------------|----------------|
| Raw materials                     | 4,385,924.31   | 15,653,641.26  |       |                             | 133,367.48     | 19,906,198.09  |
| Goods in process                  | 264,169.09     | 36,565.15      |       |                             | 232,363.14     | 68,371.10      |
| Finished goods                    | 98,944,435.66  | 165,230,977.79 |       | 8,364,258.42                | 154,729,387.20 | 101,081,767.83 |
| Revolving materials               |                | 941,939.14     |       |                             |                | 941,939.14     |
| Materials processed on commission | 5,290,502.32   |                |       |                             |                | 5,290,502.32   |
| Total                             | 108,885,031.38 | 181,863,123.34 |       | 8,364,258.42                | 155,095,117.82 | 127,288,778.48 |

**(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**

RMB/CNY

| Item | Amount |
|------|--------|
|------|--------|

Other explanation

Nil

**8. Assets held for sale**

RMB/CNY

| Item | Ending book value | Fair value | Expected disposal costs | Estimated disposal time |
|------|-------------------|------------|-------------------------|-------------------------|
|------|-------------------|------------|-------------------------|-------------------------|

Other explanation

**9. Non-current assets due within one year**

RMB/CNY

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
|------|----------------|-----------------|

Other explanation

**10. Other current assets**

RMB/CNY

| Item                                                | Ending balance        | Opening balance       |
|-----------------------------------------------------|-----------------------|-----------------------|
| Enterprise income tax paid in advance               | 394,677.16            | 2,862.87              |
| VAT input tax ready for deduction                   | 88,918,809.39         | 73,043,492.31         |
| Financial products held to maturity within one year | 160,000,000.00        | 100,000,000.00        |
| Other                                               | 5,180,277.49          | 46,194.46             |
| <b>Total</b>                                        | <b>254,493,764.04</b> | <b>173,092,549.64</b> |

Other explanation

Ending balance of other current assets increased 81,401,214.4 yuan over that of period-begin with 47.03 percent declined, mainly because financial products increased at end of the period

## 11. Financial assets available for sale

### (1) Financial assets available for sale

RMB/CNY

| Item                                  | Ending balance       |                       |                  | Opening balance      |                       |                  |
|---------------------------------------|----------------------|-----------------------|------------------|----------------------|-----------------------|------------------|
|                                       | Book balance         | Depreciation reserves | Book value       | Book balance         | Depreciation reserves | Book value       |
| Equity instrument 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        |
| <b>Total</b>                          | <b>17,537,500.00</b> | <b>17,480,000.00</b>  | <b>57,500.00</b> | <b>17,537,500.00</b> | <b>17,480,000.00</b>  | <b>57,500.00</b> |

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

RMB/CNY

| Category of available-for-sale financial assets | Equity instrument available for sale | Debt instrument available for sale |  | Total |
|-------------------------------------------------|--------------------------------------|------------------------------------|--|-------|
|                                                 |                                      |                                    |  |       |

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

RMB/CNY

| The invested entity | Book balance    |                  |                  |            | Depreciation reserves |                  |                  |            | Ratio of share-holding in | Current cash dividend |
|---------------------|-----------------|------------------|------------------|------------|-----------------------|------------------|------------------|------------|---------------------------|-----------------------|
|                     | Period-beginnin | Current increase | Current decrease | Period-end | Period-beginnin       | Current increase | Current decrease | Period-end |                           |                       |
|                     |                 |                  |                  |            |                       |                  |                  |            |                           |                       |

|                                                                                                                                    | g                    | d | d |                      | g                    | d | d |                      | invested<br>entity |  |
|------------------------------------------------------------------------------------------------------------------------------------|----------------------|---|---|----------------------|----------------------|---|---|----------------------|--------------------|--|
| Shenzhen Sanjiu Weitai Capsules Co., Ltd.                                                                                          | 2,480,000.00         |   |   | 2,480,000.00         | 2,480,000.00         |   |   | 2,480,000.00         | 0.95%              |  |
| Shenzhen Tianji Photoelectric Industrial Co., Ltd.(original named "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            |                      |   |   |                      |                    |  |
| <b>Total</b>                                                                                                                       | <b>17,537,500.00</b> |   |   | <b>17,537,500.00</b> | <b>17,480,000.00</b> |   |   | <b>17,480,000.00</b> | <b>--</b>          |  |

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

RMB/CNY

| Category of available-for-sale financial assets | Equity instrument available for sale | Debt instrument available for sale |  | Total |
|-------------------------------------------------|--------------------------------------|------------------------------------|--|-------|
|                                                 |                                      |                                    |  |       |

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

RMB/CNY

| Equity instrument 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 |
|--------------------------------------|-----------------|-------------------|---------------------------------------------------|-------------------------------------|-------------------------------|------------------------|
|--------------------------------------|-----------------|-------------------|---------------------------------------------------|-------------------------------------|-------------------------------|------------------------|

Other explanation

The stock is a legal person stock purchased from the original STAQ trading system, formerly known as Beijing Shuanghesheng Five-Star Beer Sanhuan Co., Ltd. with an initial investment of 55,000 shares. After that, the company changed its name to 33,333 shares.

## 12. Investment held to maturity

### (1) Investment held to maturity

RMB/CNY

| Item | Ending balance |                       |            | Opening balance |                       |            |
|------|----------------|-----------------------|------------|-----------------|-----------------------|------------|
|      | Book balance   | Depreciation reserves | Book value | Book balance    | Depreciation reserves | Book value |

### (2) Important investment held to maturity at period-end

RMB/CNY

| Bond | Face value | Coupon rate | Actual rate | Maturity date |
|------|------------|-------------|-------------|---------------|
|------|------------|-------------|-------------|---------------|

### (3) Re-classified to investment held to maturity in the period

Other explanation

## 13. Long-term account receivable

### (1) Long-term account receivable

RMB/CNY

| Item | Ending balance |                    |            | Opening balance |                    |            | Discount rate interval |
|------|----------------|--------------------|------------|-----------------|--------------------|------------|------------------------|
|      | Book balance   | Bad debt provision | Book value | Book balance    | Bad debt provision | Book value |                        |

### (2) Long-term account receivable that are terminated due to the transfer of financial assets

### (3) Assets and liability resulted by transferring long-term account receivable and continuing to be involved

Other explanation

14. Long-term equity investment

RMB/CNY

| The investe d entity                                  | Openin g balance | Current changes (+,-)   |                    |                                            |                                         |                     |                                               |                     |       | Ending balance | Ending balance of depreci ation reserve s |
|-------------------------------------------------------|------------------|-------------------------|--------------------|--------------------------------------------|-----------------------------------------|---------------------|-----------------------------------------------|---------------------|-------|----------------|-------------------------------------------|
|                                                       |                  | Additio nal investm ent | Capital reducti on | Investm ent gains recogni zed under equity | Other compre hensive income adjustm ent | Other equity change | Cash dividen d or profit announ ced to issued | Impair ment accrual | Other |                |                                           |
| I. Joint venture                                      |                  |                         |                    |                                            |                                         |                     |                                               |                     |       |                |                                           |
| II. Associated enterprise                             |                  |                         |                    |                                            |                                         |                     |                                               |                     |       |                |                                           |
| Shenzh en Shenba o (Xinmi n) Foods Co., Ltd*1         | 2,870,000.00     |                         |                    |                                            |                                         |                     |                                               |                     |       | 2,870,000.00   | 2,870,000.00                              |
| Changz hou Shenba o Chacan g E-comme nce Co., Ltd. *2 |                  |                         |                    |                                            |                                         |                     |                                               |                     |       |                |                                           |
| Shenzh en Shenba o (Liaoyu an) Industri al Co., Ltd*1 | 57,628.53        |                         |                    |                                            |                                         |                     |                                               |                     |       | 57,628.53      | 57,628.53                                 |
| Shenzh                                                | 1,054,9          |                         |                    | -                                          |                                         |                     |                                               |                     |       | 1,050,1        |                                           |

|                                                                                             |                   |  |                  |                     |  |  |  |  |                   |  |
|---------------------------------------------------------------------------------------------|-------------------|--|------------------|---------------------|--|--|--|--|-------------------|--|
| en<br>Shenba<br>o<br>Manan<br>Bio-<br>technol<br>ogy<br>Co.,<br>Ltd.                        | 48.13             |  |                  | 4,831.5<br>6        |  |  |  |  | 16.57             |  |
| Shenzh<br>en<br>Shichu<br>mingm<br>en<br>Restaur<br>ant<br>Manage<br>ment<br>Co.,<br>Ltd.*2 |                   |  |                  |                     |  |  |  |  |                   |  |
| Guangz<br>hou<br>Shenba<br>o<br>Menda<br>o Tea<br>Co.,<br>Ltd.                              | 4,193,6<br>81.53  |  |                  | -<br>367,95<br>5.83 |  |  |  |  | 3,825,7<br>25.70  |  |
| Zhuhai<br>Hengxi<br>ng Feed<br>Industri<br>al Co.,<br>Ltd.                                  | 27,079,<br>470.80 |  |                  | 2,431,3<br>00.31    |  |  |  |  | 29,510,<br>771.11 |  |
| Zijin<br>Jinzh<br>en<br>Rice<br>Industr<br>y Co.,<br>Ltd. *3                                | 1,750,0<br>00.00  |  | 1,750,0<br>00.00 |                     |  |  |  |  |                   |  |
| Shenzh<br>en<br>Duoxi                                                                       | 3,427,0<br>71.09  |  |                  | 587,55<br>4.36      |  |  |  |  | 4,014,6<br>25.45  |  |

|                                                                                            |               |               |              |               |  |  |  |  |  |               |              |
|--------------------------------------------------------------------------------------------|---------------|---------------|--------------|---------------|--|--|--|--|--|---------------|--------------|
| Equity Investment Fund Management Co., Ltd.                                                |               |               |              |               |  |  |  |  |  |               |              |
| SZCG Intelligent Wulian Equity Investment Fund (Shenzhen) Partnership Enterprise (Limited) |               | 25,000,000.00 |              | -1,894,337.51 |  |  |  |  |  | 23,105,662.49 |              |
| Shenzhen Shenyuan Data Tech. Co., Ltd                                                      |               | 12,000,000.00 |              | -2,507,234.51 |  |  |  |  |  | 9,492,765.49  |              |
| Subtotal                                                                                   | 40,432,800.08 | 37,000,000.00 | 1,750,000.00 | -1,755,504.74 |  |  |  |  |  | 73,927,295.34 | 2,927,628.53 |
| Total                                                                                      | 40,432,800.08 | 37,000,000.00 | 1,750,000.00 | -1,755,504.74 |  |  |  |  |  | 73,927,295.34 | 2,927,628.53 |

Other explanation

| The invested entity | Opening balance | Opening balance of depreciation reserves | Current changes (+,-)     |                      |                                          |                            |                           |                                            |                   |           | Ending balance | Ending balance of |
|---------------------|-----------------|------------------------------------------|---------------------------|----------------------|------------------------------------------|----------------------------|---------------------------|--------------------------------------------|-------------------|-----------|----------------|-------------------|
|                     |                 |                                          | Additio<br>nalin<br>inves | Capital<br>reduction | Investment<br>gains/losses<br>recognized | Other<br>comprehe<br>nsive | Other<br>equity<br>change | Cash dividend<br>or profit<br>announced to | Pro<br>visi<br>on | Ot<br>her |                |                   |
|                     |                 |                                          |                           |                      |                                          |                            |                           |                                            |                   |           |                |                   |

|                                         |                   |                   | ment |                   | by equity | income<br>adjustmen<br>t |     | issued | for<br>imp<br>airm<br>ent |     | depre<br>ciatio<br>n<br>reser<br>ves |
|-----------------------------------------|-------------------|-------------------|------|-------------------|-----------|--------------------------|-----|--------|---------------------------|-----|--------------------------------------|
| Other<br>enterprise                     |                   |                   |      |                   |           |                          |     |        |                           |     |                                      |
| Taizhong<br>Agricultura<br>l Co., Ltd*3 | 21,136,950.0<br>0 | 21,136,950.0<br>0 | ---  | 21,136,950.0<br>0 | ---       | ---                      | --- | ---    | ---                       | --- | ---                                  |
| Buji<br>Processing<br>factory 区<br>*3   | 250,000.00        | 250,000.00        | ---  | 250,000.00        | ---       | ---                      | --- | ---    | ---                       | --- | ---                                  |
| Daya Bay<br>Office*3                    | 4,866,700.00      | 4,866,700.00      | ---  | 4,866,700.00      | ---       | ---                      | --- | ---    | ---                       | --- | ---                                  |
| Huapeng<br>Feed Co.,<br>Ltd*3           | 340,000.00        | 340,000.00        | ---  | 340,000.00        | ---       | ---                      | --- | ---    | ---                       | --- | ---                                  |
| Subtotal                                | 26,593,650.0<br>0 | 26,593,650.0<br>0 | ---  | 26,593,650.0<br>0 | ---       | ---                      | --- | ---    | ---                       | --- | ---                                  |

\*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 for Changzhou Shenbao Chacang E-commerce Co., Ltd and Shenzhen Shichumingmen Restaurant Management Co., Ltd. which are measured by equity; the book balance counted as Zero for losses in the two above mentioned enterprises

\*3: According to the “Agreement on the Issuance of Shares to Purchase Assets” signed by the Company and Fude Capital in March 2018, and the “General Agreement on Major Asset Restructuring of State-owned Assets and Related Equity of Shenzhen Cereals Group Co., Ltd.”, the “Agreement on Free Transfer of State-owned Assets of Zijin County Jinzhen Rice Industry Co., Ltd.”, the “Agreement on Free Transfer of State-owned Assets of Taizhong Agriculture Co., Ltd.” and other free transfer agreements of subsidiaries signed by SZCG, the Company’s subsidiary, and Fude Capital in June 2018, in the current period, the Company transferred the stock equity of Zijin County Jinzhen Rice Industry Co., Ltd., Taizhong Agriculture Co., Ltd., Buji Processing Zone, Daya Bay Office, and Huapeng Feed Co., Ltd. to Fude Capital free of charge.

## 15. Investment real estate

### (1) Investment real estate measured at cost

√Applicable □Not applicable

RMB/CNY

| Item | House and building | Land use right | Construction in | Total |
|------|--------------------|----------------|-----------------|-------|
|------|--------------------|----------------|-----------------|-------|



|                                                                |                |  | progress |                |
|----------------------------------------------------------------|----------------|--|----------|----------------|
| I. Original book value                                         |                |  |          |                |
| 1. Opening balance                                             | 628,385,235.60 |  |          | 628,385,235.60 |
| 2. Current amount increased                                    | 224,440.16     |  |          | 224,440.16     |
| (1) Outsourcing                                                | 224,440.16     |  |          | 224,440.16     |
| (2) Inventory \Fix assets\Construction in progress transfer-in |                |  |          |                |
| (3) Increased by combination                                   |                |  |          |                |
|                                                                |                |  |          |                |
| 3. Current amount decreased                                    | 61,447,342.02  |  |          | 61,447,342.02  |
| (1) Disposal                                                   | 61,447,342.02  |  |          | 61,447,342.02  |
| (2) Other transfer-out                                         |                |  |          |                |
|                                                                |                |  |          |                |
| 4. Ending balance                                              | 567,162,333.74 |  |          | 567,162,333.74 |
| II. accumulated depreciation and accumulated amortization      |                |  |          |                |
| 1. Opening balance                                             | 309,362,139.98 |  |          | 309,362,139.98 |
| 2. Current amount increased                                    | 23,194,573.04  |  |          | 23,194,573.04  |
| (1) Accrual or amortization                                    | 23,194,573.04  |  |          | 23,194,573.04  |
|                                                                |                |  |          |                |
| 3. Current amount decreased                                    | 48,016,564.20  |  |          | 48,016,564.20  |
| (1) Disposal                                                   | 48,016,564.20  |  |          | 48,016,564.20  |
| (2) Other transfer-out                                         |                |  |          |                |
|                                                                |                |  |          |                |
| 4. Ending balance                                              | 284,540,148.82 |  |          | 284,540,148.82 |

|                             |                |  |  |                |
|-----------------------------|----------------|--|--|----------------|
| III. Depreciation reserves  |                |  |  |                |
| 1. Opening balance          |                |  |  |                |
| 2. Current amount increased |                |  |  |                |
| (1) Accrual                 |                |  |  |                |
|                             |                |  |  |                |
| 3. Current amount decreased |                |  |  |                |
| (1) Disposal                |                |  |  |                |
| (2) Other transfer-out      |                |  |  |                |
|                             |                |  |  |                |
| 4. Ending balance           |                |  |  |                |
| IV. Book value              |                |  |  |                |
| 1. Ending book value        | 282,622,184.92 |  |  | 282,622,184.92 |
| 2. Opening book value       | 319,023,095.62 |  |  | 319,023,095.62 |

**(2) Investment real estate measured by fair value**

Applicable Not applicable

**(3) Investment real estate without property certification held**

RMB/CNY

| Item                | Book value   | Reasons for without the property certification |
|---------------------|--------------|------------------------------------------------|
| House and buildings | 8,766,123.97 | In progress                                    |

Other explanation

Disposal of investment real estate in the period due mainly because according to the material assets reorganization agreement and assets stripping agreement related with the 100 percent of Cereal Group purchased by the Company in way of share issuing, some of the assets with defective in property rights are transfer to Fude Capital for free. There is no case that the recoverable amount of investment real estate at the end of the period is lower than its book value, so no provision for impairment of assets is included.

16. Fix assets

RMB/CNY

| Item       | Ending balance | Opening balance  |
|------------|----------------|------------------|
| Fix assets | 993,136,743.51 | 1,052,866,458.21 |
| Total      | 993,136,743.51 | 1,052,866,458.21 |

(1) Fix assets

RMB/CNY

| Item                                     | House and buildings | Machinery equipment | Transport equipment | Electronic and other equipment | Total            |
|------------------------------------------|---------------------|---------------------|---------------------|--------------------------------|------------------|
| I. Original book value                   |                     |                     |                     |                                |                  |
| 1. Opening balance                       | 930,123,138.37      | 491,462,875.75      | 20,103,647.93       | 60,816,228.49                  | 1,502,505,890.54 |
| 2. Current amount increased              | 10,227,405.27       | 1,803,562.83        | 809,851.72          | 2,763,729.18                   | 15,604,549.00    |
| (1) Purchase                             | 6,710,137.48        | 1,803,562.83        | 809,851.72          | 1,560,162.13                   | 10,883,714.16    |
| (2) Construction in progress transfer-in | 3,517,267.79        |                     |                     | 1,203,567.05                   | 4,720,834.84     |
| (3) Increased by combination             |                     |                     |                     |                                |                  |
| 3. Current amount decreased              | 25,348,402.14       | 9,278,261.43        | 1,812,515.24        | 3,558,718.44                   | 39,997,897.25    |
| (1) Disposal or scrap                    | 25,348,402.14       | 9,278,261.43        | 1,812,515.24        | 3,558,718.44                   | 39,997,897.25    |
| 4. Ending balance                        | 915,002,141.50      | 483,988,177.15      | 19,100,984.41       | 60,021,239.23                  | 1,478,112,542.29 |
| II. accumulated depreciation             |                     |                     |                     |                                |                  |
| 1. Opening balance                       | 167,205,153.02      | 231,062,533.02      | 13,784,230.73       | 31,943,274.01                  | 443,995,190.78   |
| 2. Current amount increased              | 26,158,511.81       | 21,367,151.33       | 1,554,716.53        | 7,335,203.97                   | 56,415,583.64    |

|                            |                |                |               |               |                  |
|----------------------------|----------------|----------------|---------------|---------------|------------------|
| (1) Accrual                | 26,158,511.81  | 21,367,151.33  | 1,554,716.53  | 7,335,203.97  | 56,415,583.64    |
|                            |                |                |               |               |                  |
| 3.Current amount decreased | 12,394,652.83  | 8,995,066.29   | 1,425,859.32  | 2,745,676.69  | 25,561,255.13    |
| (1) Disposal or scrap      | 12,394,652.83  | 8,995,066.29   | 1,425,859.32  | 2,745,676.69  | 25,561,255.13    |
|                            |                |                |               |               |                  |
| 4.Ending balance           | 180,969,012.00 | 243,434,618.06 | 13,913,087.94 | 36,532,801.29 | 474,849,519.29   |
| III. Depreciation reserves |                |                |               |               |                  |
| 1.Opening balance          | 1,355,290.18   | 4,288,951.37   |               |               | 5,644,241.55     |
| 2.Current amount increased | 442,416.31     | 3,918,078.86   | 93,411.42     | 28,131.35     | 4,482,037.94     |
| (1) Accrual                |                |                |               |               |                  |
|                            |                |                |               |               |                  |
| 3.Current amount decreased |                |                |               |               |                  |
| (1) Disposal or scrap      |                |                |               |               |                  |
|                            |                |                |               |               |                  |
| 4.Ending balance           | 1,797,706.49   | 8,207,030.23   | 93,411.42     | 28,131.35     | 10,126,279.49    |
| IV. Book value             |                |                |               |               |                  |
| 1.Ending book value        | 732,235,423.01 | 232,346,528.86 | 5,094,485.05  | 23,460,306.59 | 993,136,743.51   |
| 2.Opening book value       | 761,562,695.17 | 256,111,391.36 | 6,319,417.20  | 28,872,954.48 | 1,052,866,458.21 |

**(2) Temporarily idle fixed assets**

RMB/CNY

| Item | Original book value | Accumulated depreciation | Depreciation reserves | Book value | Note |
|------|---------------------|--------------------------|-----------------------|------------|------|
|      |                     |                          |                       |            |      |

**(3) Fixed assets acquired by financing lease**

RMB/CNY

| Item | Original book value | Accumulated depreciation | Depreciation reserves | Book value |
|------|---------------------|--------------------------|-----------------------|------------|
|------|---------------------|--------------------------|-----------------------|------------|

**(4) Fixed assets acquired by operating lease**

RMB/CNY

| Item | Ending book value |
|------|-------------------|
|------|-------------------|

**(5) Fix assets without property certification held**

RMB/CNY

| Item                | Book value     | Reasons for without the property certification                |
|---------------------|----------------|---------------------------------------------------------------|
| House and buildings | 327,066,214.37 | In progress                                                   |
| House and buildings | 107,813,704.91 |                                                               |
| House and buildings | 15,977,151.09  |                                                               |
| House and buildings | 16,350,394.59  | Simple buildings etc, unable to handle property certification |
| Total               | 467,207,464.96 |                                                               |

Other explanation

**(6) Disposal of fixed assets**

RMB/CNY

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
|------|----------------|-----------------|

Other explanation

**17. Construction in progress**

RMB/CNY

| Item                     | Ending balance | Opening balance |
|--------------------------|----------------|-----------------|
| Construction in progress | 186,586,135.06 | 70,735,978.49   |
| Total                    | 186,586,135.06 | 70,735,978.49   |

**(1) Construction in progress**

RMB/CNY

| Item | Ending 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          |                      |
| Dongguan grain storage and wharf matching project                      | 91,924,086.19         |                       | 91,924,086.19         | 46,965,389.14        |                       | 46,965,389.14        |
| Deep processing of Dongguan Industry and Trading Food                  | 39,276,418.03         |                       | 39,276,418.03         | 6,271,930.17         |                       | 6,271,930.17         |
| CDE storage of Dongguan Food Industrial Park and wharf mating projects | 43,391,511.05         |                       | 43,391,511.05         | 6,031,872.49         |                       | 6,031,872.49         |
| Storage and processing project of SZCG                                 | 6,621,284.40          |                       | 6,621,284.40          | 6,298,750.44         |                       | 6,298,750.44         |
| Grain Supply Related Supporting Engineering Projects                   |                       |                       |                       | 2,020,328.00         |                       | 2,020,328.00         |
| Workshop transformation of Flour Company                               | 711,487.37            |                       | 711,487.37            | 982,180.17           |                       | 982,180.17           |
| Other                                                                  | 5,564,537.76          | 903,189.74            | 4,661,348.02          | 3,068,717.82         | 903,189.74            | 2,165,528.08         |
| <b>Total</b>                                                           | <b>191,331,658.44</b> | <b>4,745,523.38</b>   | <b>186,586,135.06</b> | <b>75,481,501.87</b> | <b>4,745,523.38</b>   | <b>70,735,978.49</b> |

**(2) Changes of major construction in progress**

RMB/CNY

| Project<br>s                                                                                                      | Budget | Openi<br>ng<br>balanc<br>e | Curren<br>t<br>amoun<br>t<br>increas<br>ed | Transf<br>er-in<br>fixed<br>assets | Other<br>decrea<br>sed in<br>the<br>Period | Ending<br>balanc<br>e | Propor<br>tion of<br>project<br>invest<br>ment<br>in<br>budget | Progre<br>ss | Accum<br>ulated<br>capital<br>ization<br>of<br>interes<br>t | Includi<br>ng:<br>amoun<br>t of<br>capital<br>ization<br>of<br>interes<br>t in<br>Period | Interes<br>t<br>capital<br>ization<br>rate in<br>Period | Capital<br>resour<br>ces |
|-------------------------------------------------------------------------------------------------------------------|--------|----------------------------|--------------------------------------------|------------------------------------|--------------------------------------------|-----------------------|----------------------------------------------------------------|--------------|-------------------------------------------------------------|------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------|
| Dongg<br>uan<br>grain<br>storag<br>e and<br>wharf<br>matchi<br>ng<br>project                                      |        | 46,965<br>,389.1<br>4      | 48,475<br>,964.8<br>4                      | 3,517,<br>267.79                   |                                            | 91,924<br>,086.1<br>9 |                                                                |              |                                                             |                                                                                          |                                                         |                          |
| Deep<br>proces<br>sing of<br>Dongg<br>uan<br>Industr<br>y and<br>Tradin<br>g Food                                 |        | 6,271,<br>930.17           | 33,004<br>,487.8<br>6                      |                                    |                                            | 39,276<br>,418.0<br>3 |                                                                |              |                                                             |                                                                                          |                                                         |                          |
| CDE<br>storag<br>e of<br>Dongg<br>uan<br>Food<br>Industr<br>ial<br>Park<br>and<br>wharf<br>mating<br>project<br>s |        | 6,031,<br>872.49           | 37,359<br>,638.5<br>6                      |                                    |                                            | 43,391<br>,511.0<br>5 |                                                                |              |                                                             |                                                                                          |                                                         |                          |
| Total                                                                                                             |        | 59,269                     | 118,84                                     | 3,517,                             |                                            | 174,59                | --                                                             | --           |                                                             |                                                                                          |                                                         | --                       |

|  |  |        |        |        |  |        |  |  |  |  |  |
|--|--|--------|--------|--------|--|--------|--|--|--|--|--|
|  |  | ,191.8 | 0,091. | 267.79 |  | 2,015. |  |  |  |  |  |
|  |  | 0      | 26     |        |  | 27     |  |  |  |  |  |

**(3) The provision for impairment of construction projects**

RMB/CNY

| Item | Provision amount | Reasons of accrual |
|------|------------------|--------------------|
|------|------------------|--------------------|

Other explanation

**(4) Engineering material**

RMB/CNY

| Item | Ending balance |                       |            | Opening balance |                       |            |
|------|----------------|-----------------------|------------|-----------------|-----------------------|------------|
|      | Book balance   | Depreciation reserves | Book value | Book balance    | Depreciation reserves | Book value |

Other explanation

**18. Productive biological assets**

**(1) Productive biological assets measured by cost**

√Applicable □Not applicable

RMB/CNY

| Item                       | Plant | Livestock | Forestry   | Fisheries | Total      |
|----------------------------|-------|-----------|------------|-----------|------------|
|                            |       |           | Tea tree   |           |            |
| I.Original book value      |       |           |            |           |            |
| 1.Opening balance          |       |           | 416,771.28 |           | 416,771.28 |
| 2.Current amount increased |       |           |            |           |            |
| (1)Outsourcing             |       |           |            |           |            |
| (2)self-cultivate          |       |           |            |           |            |
|                            |       |           |            |           |            |
| 3.Current amount decreased |       |           |            |           |            |
| (1)Disposal                |       |           |            |           |            |



|                              |  |  |            |  |            |
|------------------------------|--|--|------------|--|------------|
| (2)Other                     |  |  | 9,692.36   |  | 9,692.36   |
|                              |  |  |            |  |            |
| 4.Ending balance             |  |  | 407,078.92 |  | 407,078.92 |
| II. accumulated depreciation |  |  |            |  |            |
| 1.Opening balance            |  |  |            |  |            |
| 2.Current amount increased   |  |  |            |  |            |
| (1) Accrual                  |  |  |            |  |            |
|                              |  |  |            |  |            |
| 3.Current amount decreased   |  |  |            |  |            |
| (1)Disposal                  |  |  |            |  |            |
| (2)Other                     |  |  |            |  |            |
|                              |  |  |            |  |            |
| 4.Ending balance             |  |  |            |  |            |
| III. Depreciation reserves   |  |  |            |  |            |
| 1.Opening balance            |  |  |            |  |            |
| 2.Current amount increased   |  |  |            |  |            |
| (1) Accrual                  |  |  |            |  |            |
|                              |  |  |            |  |            |
| 3.Current amount decreased   |  |  |            |  |            |
| (1)Disposal                  |  |  |            |  |            |
| (2)Other                     |  |  |            |  |            |
|                              |  |  |            |  |            |
| 4.Ending balance             |  |  |            |  |            |
| IV. Book value               |  |  |            |  |            |
| 1.Ending book value          |  |  |            |  |            |

|                      |  |  |  |  |  |
|----------------------|--|--|--|--|--|
| 2.Opening book value |  |  |  |  |  |
|----------------------|--|--|--|--|--|

**(2) Productive biological assets measured by fair value**

Applicable Not applicable

**19. Oil and gas assets**

Applicable Not applicable

**20. Intangible assets**

**(1) Intangible assets**

RMB/CNY

| Item                         | Land use right | Patent        | Un-patent tech | Other         | Total          |
|------------------------------|----------------|---------------|----------------|---------------|----------------|
| I.Original book value        |                |               |                |               |                |
| 1.Opening balance            | 417,581,033.74 | 46,264,718.89 | 8,370,977.87   | 29,500,867.72 | 501,717,598.22 |
| 2.Current amount increased   | 184,916,393.77 | 1,200.00      | 1,934,971.62   | 2035360.75    | 188,887,926.14 |
| (1) Purchase                 | 184,916,393.77 | 1,200.00      | 1,934,971.62   | 2,035,360.75  | 188,887,926.14 |
| (2) internal R&D             |                | 0.00          | 0.00           | 0.00          | 0.00           |
| (3) Increased by combination |                | 0.00          | 0.00           | 0.00          | 0.00           |
|                              |                | 0.00          | 0.00           | 0.00          | 0.00           |
| 3.Current amount decreased   | 7,846,273.16   | 0.00          |                |               | 7,846,273.16   |
| (1) Disposal                 | 7,846,273.16   | 0.00          |                |               | 7,846,273.16   |
|                              |                | 0.00          | 0.00           | 0.00          | 0.00           |
| 4.Ending balance             | 594,651,154.35 | 46,265,918.89 | 10,305,949.49  | 31,536,228.47 | 682,759,251.20 |
| II. accumulated depreciation |                | 0.00          | 0.00           | 0.00          | 0.00           |

|                             |                |               |              |               |                |
|-----------------------------|----------------|---------------|--------------|---------------|----------------|
| 1. Opening balance          | 59,933,429.04  | 22,367,888.26 | 2,475,996.62 | 6,944,368.88  | 91,721,682.80  |
| 2. Current amount increased | 13,261,998.56  | 1,973,952.91  | 1,233,969.38 | 1,537,661.71  | 18,007,582.56  |
| (1) Accrual                 | 13,261,998.56  | 1,973,952.91  | 1,233,969.38 | 1,537,661.71  | 18,007,582.56  |
|                             |                | 0.00          | 0.00         | 0.00          | 0.00           |
| 3. Current amount decreased | 3,688,748.40   | 0.00          | 0.00         | 0.00          | 3,688,748.40   |
| (1) Disposal                | 3,688,748.40   | 0.00          | 0.00         | 0.00          | 3,688,748.40   |
|                             |                | 0.00          | 0.00         | 0.00          | 0.00           |
| 4. Ending balance           | 69,506,679.20  | 24,341,841.17 | 3,709,966.00 | 8,482,030.59  | 106,040,516.96 |
| III. Depreciation reserves  |                | 0.00          | 0.00         | 0.00          | 0.00           |
| 1. Opening balance          |                | 1,869,502.01  | 1,130,341.88 | 0.00          | 2,999,843.89   |
| 2. Current amount increased |                | 3,683,781.53  | 37,716.74    | 0.00          | 3,721,498.27   |
| (1) Accrual                 |                | 3,683,781.53  | 37,716.74    | 0.00          | 3,721,498.27   |
|                             |                | 0.00          | 0.00         | 0.00          | 0.00           |
| 3. Current amount decreased |                | 0.00          | 0.00         | 0.00          | 0.00           |
| (1) Disposal                |                | 0.00          | 0.00         | 0.00          | 0.00           |
|                             |                | 0.00          | 0.00         | 0.00          | 0.00           |
| 4. Ending balance           |                | 5,553,283.54  | 1,168,058.62 | 0.00          | 6,721,342.16   |
| IV. Book value              |                | 0.00          | 0.00         | 0.00          | 0.00           |
| 1. Ending book value        | 525,144,475.15 | 16,370,794.18 | 5,427,924.87 | 23,054,197.88 | 569,997,392.08 |
| 2. Opening book value       | 357,647,604.70 | 22,027,328.62 | 4,764,639.37 | 22,556,498.84 | 406,996,071.53 |

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

RMB/CNY

| Item           | Book value    | Reasons for without the property certification                   |
|----------------|---------------|------------------------------------------------------------------|
| Land use right | 43,229,515.30 | In progress                                                      |
| Land use right | 7,849,990.00  | Collective land, no property rights certificate can be processed |
| Total          | 51,079,505.30 |                                                                  |

Other explanation

- (1) Disposal of intangible assets in the period due mainly because according to the material assets reorganization agreement and assets stripping agreement related with the 100 percent of Cereal Group purchased by the Company in way of share issuing, some of the assets with defective in property rights are transfer to Fude Capital for free.
- (2) Ending balance of intangible assets increased 181,041,652.98 yuan over that of period-beginning with 36.08 percent up, mainly because making up the land price for some of the properties.
- (3) The intangible assets mortgage or guarantee at end of the period found more in the (51) of Note VI in the auditing report

## 21. Development expenses

RMB/CNY

| Item | Opening balance | Current amount increased | Current amount decreased | Ending balance |
|------|-----------------|--------------------------|--------------------------|----------------|
|      |                 |                          |                          |                |

Other explanation

## 22. Goodwill

### (1) Original book value of goodwill

RMB/CNY

| The invested entity or matters forming goodwill | Opening balance | Current increased | Current decreased | Ending balance |
|-------------------------------------------------|-----------------|-------------------|-------------------|----------------|
| Pu'er Tea Trading Center                        | 673,940.32      |                   |                   | 673,940.32     |
| Total                                           | 673,940.32      |                   |                   | 673,940.32     |

### (2) Goodwill depreciation reserves

RMB/CNY

| The invested entity or | Opening balance | Current increased | Current decreased | Ending balance |
|------------------------|-----------------|-------------------|-------------------|----------------|
|                        |                 |                   |                   |                |

|                          |            |  |  |  |            |
|--------------------------|------------|--|--|--|------------|
| matters forming goodwill |            |  |  |  |            |
| Pu'er Tea Trading Center | 673,940.32 |  |  |  | 673,940.32 |
| Total                    | 673,940.32 |  |  |  | 673,940.32 |

Relevant information about the assets group or portfolio goodwill included

Hangzhou Ju Fang Yong, a subsidiary of the Company, funded and purchased 15.00% stake of Yunnan Pu'er Tea Trading Center 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 Trading Center. The balance between the combined cost and the fair value of net assets on the combining date formed goodwill of RMB 673,940.32.

Instructions for goodwill impairments test process and key parameters (such as the forecast period growth rate, stable period growth rate, profit rate, discount rate, and forecast period when estimating the present value of the future cash flow), and the method of confirming the impairment loss of goodwill:

Impact of goodwill impairment test

Other explanation

### 23. Long-term deferred expense

RMB/CNY

| Item                                                       | Opening balance | Current amount increased | Current amortization | Other decreased | Ending balance |
|------------------------------------------------------------|-----------------|--------------------------|----------------------|-----------------|----------------|
| Decoration fee                                             | 10,601,610.34   | 410,036.30               | 3,895,891.33         | 2,565,005.10    | 4,550,750.21   |
| Improve expenditure for investment real estate             | 9,292,485.82    |                          | 586,379.92           |                 | 8,706,105.90   |
| Improve expenditure for fix assets                         | 2,692,209.58    | 739,526.46               | 1,039,820.39         | 6,824.31        | 2,385,091.34   |
| Affiliated project of resident area in Wuyuan Ju Fang Yong | 389,956.00      |                          | 353,581.53           |                 | 36,374.47      |
| Other                                                      | 4,840,031.05    | 2,637,922.71             | 866,744.68           | 489,631.20      | 6,121,577.88   |
| Total                                                      | 27,816,292.79   | 3,787,485.47             | 6,742,417.85         | 3,061,460.61    | 21,799,899.80  |

Other explanation

## 24. Deferred income tax assets and deferred income tax liability

### (1) Deferred income tax assets without offset

RMB/CNY

| Item                                        | Ending balance                   |                            | Opening balance                  |                            |
|---------------------------------------------|----------------------------------|----------------------------|----------------------------------|----------------------------|
|                                             | Deductible temporary differences | Deferred income tax assets | Deductible temporary differences | Deferred income tax assets |
| Impairment provision for assets             | 200,997,551.38                   | 49,759,336.40              | 214,181,782.83                   | 52,720,473.30              |
| Unrealized profits in internal transactions | 1,348,710.60                     | 337,177.65                 | 2,518,115.64                     | 629,528.91                 |
| Deductible loss                             |                                  |                            | 1,097,482.28                     | 274,370.57                 |
| Deferred income                             | 312,307.72                       | 78,076.93                  | 441,538.48                       | 110,384.62                 |
| Total                                       | 202,658,569.70                   | 50,174,590.98              | 218,238,919.23                   | 53,734,757.40              |

### (2) Deferred income tax liability without offset

RMB/CNY

| Item                                                                     | Ending 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 | 51,909,877.24                 | 12,977,469.31                 | 53,564,745.68                 | 13,391,186.42                 |
| Change of fair value                                                     | 43,861.84                     | 10,965.46                     | 518,602.12                    | 129,650.53                    |
| Total                                                                    | 51,953,739.08                 | 12,988,434.77                 | 54,083,347.80                 | 13,520,836.95                 |

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

RMB/CNY

| 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    |                                                                  | 50,174,590.98                                                             |                                                                                  | 53,734,757.40                                                              |
| Deferred income tax liability |                                                                  | 12,988,434.77                                                             |                                                                                  | 13,520,836.95                                                              |

**(4) Details of uncertain deferred income tax assets**

RMB/CNY

| Item                            | Ending balance | Opening balance |
|---------------------------------|----------------|-----------------|
| Deductible loss                 | 112,864,728.90 | 130,083,839.90  |
| Impairment provision for assets | 172,615,170.87 | 204,828,441.48  |
| Deferred income                 | 10,097,899.20  |                 |
| Total                           | 295,577,798.97 | 334,912,281.38  |

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

RMB/CNY

| Year              | Ending amount | Opening amount | Note |
|-------------------|---------------|----------------|------|
| Other explanation |               |                |      |

Other explanation

**25. Other non-current assets**

RMB/CNY

| Item                    | Ending balance | Opening balance |
|-------------------------|----------------|-----------------|
| Prepaid for equipment   | 866,378.12     | 484,108.52      |
| Prepaid for engineering | 1,069,771.60   | 500,000.00      |
| Total                   | 1,936,149.72   | 984,108.52      |

Other explanation

**26. Short-term loans****(1) Category of short-term loans**

RMB/CNY

| Item           | Ending balance | Opening balance |
|----------------|----------------|-----------------|
| Secured loans  | 30,000,000.00  | 100,000,000.00  |
| Guarantee loan | 30,000,000.00  | 40,000,000.00   |
| Loan in credit | 31,600,000.00  | 29,800,000.00   |
| Total          | 91,600,000.00  | 169,800,000.00  |

Explanation on category of short-term loans

(1) Dongguan Logistics, a subsidiary of the Company, signed the "Liquidity Loan Contract" No. 44191000-2018 (Dongben) Zi No. 0124 with Agricultural Development Bank of China Dongguan Branch, and obtained a loan of RMB 31.60 million by credit loan, the life of the loan is 11 months, which expires on October 31, 2019, the lending rate is 4.35%, and the interest accrual is segmented and shall be adjusted with the adjustment of the benchmark interest rate for loan of the People's Bank of China. As of December 31, 2018,

the balance of the above loan contract was RMB 31.60 million.

(2) Dongguan Logistics, a subsidiary of the Company, signed a liquidity loan contract “Yue DG 2017NJZ No.5” with Bank of Communications Co., Ltd., Dongguan Branch. According to the contract, the Bank of Communications Dongguan Branch provided a circulating loan amount of RMB 30 million to Dongguan Logistics, and the borrowing rate is 5.22%, the length of maturity for each loan under the contract is no longer than 12 months, and the maturity date of all loans is no later than April 11, 2019. As of December 31, 2018, the balance of the above loan contract was RMB 30 million. Shenzhen Cereals Group and Dongguan Fruit Vegetable Non-staple Food Trading Market Co., Ltd. provide the guarantee with maximum amount for the loan, the maximum amount of claims guaranteed by the guarantors was respectively RMB 15.30 million and RMB 14.70 million.

(3) The Company’s subsidiaries, Shenzhen Flour, Dongguan Logistics, Hualian Grain and Oil Trade, SZCG Duoximi, SZCG Big Kitchen, and SZCG Cold Chain signed the bank credit contract of credit number CN11002181808/160714, and the credit review and modification contract CN11002181808-170727 with HSBC, Dongguan Logistics has obtained HSBC’s multi-currency circulating loan with maximum credit limit of not more than RMB 100 million, and the interest rate is 100% of the benchmark interest rate for loan of the central bank or other rates that is determined on the credit use date or before the renewal date of the loan and has been written on the service application and renewal notice of the loan. As of December 31, 2018, Dongguan Logistics had obtained a loan balance of RMB 30 million from HSBC Huizhou Zhongkai Sub-branch. The above loans were guaranteed by Shenzhen Cereals Group, and all accounts receivable of seven approved customers of Dongguan Logistics (1. Dongguan Yihai Kerry Grain and Oil Food Industry Co., Ltd.; 2. Shenzhen Shekou Lamsoun Flour Mills Co., Ltd.; 3. Guangdong Guangliang Group; 4. Shenzhen Kingsino Feed Co., Ltd.; 5. Shenzhen Kondarl (Group) Co., Ltd.; 6. Hong Kong Maxim’s Caterers Limited; 7. Beingmate Group Co., Ltd.) were taken as pledges, the pledge period was from July 9, 2015 to July 9, 2020. As of December 31, 2018, there was no balance in the accounts receivable of Dongguan Logistics and the seven customers above.

## (2) Overdue short-term loans without payment

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

RMB/CNY

| Borrower | Ending balance | Loan rate | Overdue time | Overdue interest |
|----------|----------------|-----------|--------------|------------------|
|----------|----------------|-----------|--------------|------------------|

Other explanation

## 27. Financial liability measured by fair value and with the variation recorded into current gains/losses

RMB/CNY

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
|------|----------------|-----------------|

Other explanation

## 28. Derivative financial liability

Applicable Not applicable

## 29. Note payable and account payable

RMB/CNY

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
|------|----------------|-----------------|



|                 |                |                |
|-----------------|----------------|----------------|
| Account payable | 472,738,283.80 | 558,480,197.44 |
| Total           | 472,738,283.80 | 558,480,197.44 |

**(1) Category of note payable**

RMB/CNY

| Category | Ending balance | Opening balance |
|----------|----------------|-----------------|
|----------|----------------|-----------------|

Notes expired at year-end without paid was Yuan.

**(2) Account payable**

RMB/CNY

| Item                            | Ending balance | Opening balance |
|---------------------------------|----------------|-----------------|
| Trade accounts payable          | 438,618,768.51 | 461,677,059.15  |
| Account payable for engineering | 31,922,123.90  | 95,399,963.57   |
| Other                           | 2,197,391.39   | 1,403,174.72    |
| Total                           | 472,738,283.80 | 558,480,197.44  |

**(3) Major accounts payable with age over 1 year**

RMB/CNY

| Item | Ending balance | Reasons of outstanding or carry-over |
|------|----------------|--------------------------------------|
|------|----------------|--------------------------------------|

Other explanation

**30. Account received in advance**

**(1) Account received in advance**

RMB/CNY

| Item                                  | Ending balance | Opening balance |
|---------------------------------------|----------------|-----------------|
| Account for goods received in advance | 204,866,040.96 | 174,812,618.27  |
| Other                                 | 562,553.20     | 3,572,656.93    |
| Total                                 | 205,428,594.16 | 178,385,275.20  |

**(2) Important account received in advance with account age over one year**

RMB/CNY

| Item | Ending balance | Reasons of outstanding or carry-over |
|------|----------------|--------------------------------------|
|------|----------------|--------------------------------------|

**(3) Projects that settle without completed from construction contract at period-end**

RMB/CNY

| Item | Amount |
|------|--------|
|------|--------|

Other explanation

**31. Wages payable**

**(1)Wages payable**

RMB/CNY

| Item                                                 | Opening balance | Current increased | Current decreased | Ending balance |
|------------------------------------------------------|-----------------|-------------------|-------------------|----------------|
| I. Short-term compensation                           | 107,603,918.95  | 249,557,323.70    | 235,778,894.13    | 121,382,348.52 |
| II. After-service welfare-defined contribution plans | 9,882,391.67    | 21,171,621.19     | 20,789,853.27     | 10,264,159.59  |
| III. Dismissed welfare                               | 660,000.00      | 13,779,037.85     | 10,376,122.44     | 4,062,915.41   |
| Total                                                | 118,146,310.62  | 284,507,982.74    | 266,944,869.84    | 135,709,423.52 |

**(2)Short-term compensation**

RMB/CNY

| Item                                  | Opening balance | Current increased | Current decreased | Ending balance |
|---------------------------------------|-----------------|-------------------|-------------------|----------------|
| 1. Wage, bonus, allowance and subsidy | 101,078,818.33  | 218,102,208.89    | 205,573,357.37    | 113,607,669.85 |
| 2. Employees' welfare                 |                 | 10,704,530.40     | 10,704,530.40     |                |
| 3. Social insurance charges           | 45,896.14       | 6,137,166.84      | 6,083,464.17      | 99,598.81      |
| Including:medical insurance premium   | 40,399.73       | 5,399,740.97      | 5,347,327.60      | 92,813.10      |
| Industrial injury insurance premiums  | 748.17          | 312,873.46        | 313,316.71        | 304.92         |
| Maternity insurance premiums          | 4,748.24        | 424,552.41        | 422,819.86        | 6,480.79       |
| 4. Housing public reserve             | 23,823.11       | 8,476,422.98      | 8,500,246.09      |                |
| 5. Trade union fee and education fee  | 6,455,381.37    | 6,136,994.59      | 4,917,296.10      | 7,675,079.86   |
| Total                                 | 107,603,918.95  | 249,557,323.70    | 235,778,894.13    | 121,382,348.52 |

**(3) Defined contribution plans**

RMB/CNY

| Item                                  | Opening balance | Current increased | Current decreased | Ending balance |
|---------------------------------------|-----------------|-------------------|-------------------|----------------|
| 1. Basic endowment insurance premiums | 291,876.52      | 12,502,212.35     | 12,557,113.25     | 236,975.62     |
| 2. Unemployment insurance premiums    | 4,130.14        | 300,217.11        | 299,777.50        | 4,569.75       |
| 3. Enterprise annuity                 | 9,586,385.01    | 8,369,191.73      | 7,932,962.52      | 10,022,614.22  |
| Total                                 | 9,882,391.67    | 21,171,621.19     | 20,789,853.27     | 10,264,159.59  |

## Other explanation

According to the “Enterprise Annuity Plan of Shenzhen Cereals Group Co., Ltd.” and the employee’s application, the Company calculates and pays the enterprise annuity to the employee who meets the conditions for participation by taking their total salary of the previous year as the payment base, and the payment ratio of the enterprise annuity is based on the proportion agreed in the “Confirmation on the Payment Ratio of the Enterprise Annuity of Shenzhen Cereals Group Co., Ltd.”, and the maximum payment ratio is not more than 8.33%.

**32. Tax payable**

RMB/CNY

| Item                                   | Ending balance | Opening balance |
|----------------------------------------|----------------|-----------------|
| VAT                                    | 9,493,004.93   | 3,796,564.24    |
| Enterprise income tax                  | 9,219,053.50   | 9,372,029.64    |
| Personal income tax                    | 1,927,699.20   | 1,634,001.67    |
| Urban maintenance and construction tax | 640,819.28     | 137,679.29      |
| House property tax                     | 1,725,020.41   | 2,103,322.08    |
| Use tax of land                        | 574,505.73     | 973,641.12      |
| Stamp tax                              | 246,056.29     | 226,636.89      |
| Educational surtax                     | 483,228.46     | 105,464.48      |
| Other                                  | 660,330.78     | 1,046,888.34    |
| Total                                  | 24,969,718.58  | 19,396,227.75   |

## Other explanation

**33. Other account payable**

RMB/CNY

| Item             | Ending balance | Opening balance |
|------------------|----------------|-----------------|
| Interest payable |                | 1,571,297.90    |
| Dividend payable | 2,909,182.74   | 2,909,182.74    |

|                       |                |                |
|-----------------------|----------------|----------------|
| Other account payable | 277,780,365.55 | 303,452,477.66 |
| Total                 | 280,689,548.29 | 307,932,958.30 |

### (1) Interest payable

RMB/CNY

| Item                                         | Ending balance | Opening balance |
|----------------------------------------------|----------------|-----------------|
| Long-term borrowing interest for installment |                | 932,028.11      |
| Interest payable for short-term loans        |                | 639,269.79      |
| Total                                        |                | 1,571,297.90    |

Major overdue interest:

RMB/CNY

| Borrower | Overdue amount | Overdue reason |
|----------|----------------|----------------|
|          |                |                |

Other explanation

### (2) Dividend payable

RMB/CNY

| Item                                    | Ending balance | Opening balance |
|-----------------------------------------|----------------|-----------------|
| Unmanaged shares                        | 218,212.60     | 218,212.60      |
| Shenzhen Investment Management Co., Ltd | 2,690,970.14   | 2,690,970.14    |
| Total                                   | 2,909,182.74   | 2,909,182.74    |

Other explanation, including important dividend payable over one year without payment, disclose reasons for un-paid:

### (3) Other account payable

1) Classification of other accounts payable according to nature of account

RMB/CNY

| Item                                                 | Ending balance | Opening balance |
|------------------------------------------------------|----------------|-----------------|
| Engineering quality retention money and fund of tail | 3,191,037.22   | 1,847,714.46    |
| Deposit and margin                                   | 151,049,170.31 | 198,233,816.14  |
| Intercourse funds and other                          | 100,749,160.89 | 75,815,708.43   |
| Drawing expenses in advance                          | 22,790,997.13  | 27,555,238.63   |
| Total                                                | 277,780,365.55 | 303,452,477.66  |

2) Significant other payable with over one year age

RMB/CNY

| Item                                                           | Ending balance | Reasons of outstanding or carry-over |
|----------------------------------------------------------------|----------------|--------------------------------------|
| Zhanjiang Changshan (Shenzhen) Ecological Aquaculture Co., Ltd | 7,967,662.50   | Intercourse funds not yet mature     |
| Shenzhen Yulunfa Investment Development Co., Ltd               | 4,936,804.06   | Intercourse funds not yet mature     |
| Total                                                          | 12,904,466.56  | --                                   |

Other explanation

### 34. Liability held for sale

RMB/CNY

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
|------|----------------|-----------------|

Other explanation

### 35. Non-current liabilities due within one year

RMB/CNY

| Item                                | Ending balance | Opening balance |
|-------------------------------------|----------------|-----------------|
| Long-term loans due within one year | 55,090,793.79  | 40,642,777.63   |
| Total                               | 55,090,793.79  | 40,642,777.63   |

Other explanation

Found more in Long-term loans

### 36. Other current liabilities

RMB/CNY

| Item                                 | Ending balance | Opening balance |
|--------------------------------------|----------------|-----------------|
| Subsidies for grain reserve services | 219,151,968.63 | 219,151,968.63  |
| Total                                | 219,151,968.63 | 219,151,968.63  |

Change of short-term bonds payable:

RMB/CNY

| Bonds | Face value | Issuance date | Bonds term | Amount issued | Opening balance | Issued in the period | Accrual interest by face value | Premium and discount amortization | Paid in the period |  | Ending balance |
|-------|------------|---------------|------------|---------------|-----------------|----------------------|--------------------------------|-----------------------------------|--------------------|--|----------------|
|-------|------------|---------------|------------|---------------|-----------------|----------------------|--------------------------------|-----------------------------------|--------------------|--|----------------|

Other explanation

The grain storage service subsidy is the part of the advance payment of grain and oil reserve services received from Shenzhen Financial

Committee in the previous year of which the income is unrecognized. Due to the government-related audit and its settlement procedures, the Company has not cleared and settled the accumulated grain and oil reserve service payments. According to the agreement on major asset restructuring of the Company's issuance of shares to purchase 100 equity of SZCG, the Company no longer recognizes the income for the balance, which is settled by Fude Capital and relevant government units.

### 37. Long-term loans

#### (1) Category of long-term loans

RMB/CNY

| Item                                      | Ending balance | Opening balance |
|-------------------------------------------|----------------|-----------------|
| Mortgage loan                             | 462,449,380.03 | 143,905,785.42  |
| Guarantee loan                            | 109,329,205.42 | 92,384,396.09   |
| Less: Long-term loans due within one year | -55,090,793.79 | -40,642,777.63  |
| Total                                     | 516,687,791.66 | 195,647,403.88  |

Explanation on category of long-term loans:

#### 1. Explanation on long-term loans

(1) Dongguan Logistics, a subsidiary of the Company, signed a bank credit contract with credit number of CN11002181808-160714-SCDGTML2 with HSBC. HSBC has provided a loan credit not more than RMB200 million to Dongguan Logistics. The applicable interest rate for each loan at each interest period is 90% of the loan benchmark interest rate of central bank applicable on the fixed interest date of the interest period, the borrowing date is from December 27, 2016 to December 27, 2021. As of December 31, 2018, Dongguan Logistics obtained the principal balance of the loan of HSBC of RMB 109,329,200, of which the non-current liabilities due within one year was RMB 19,069,000. SZCG and Dongguan Fruit Vegetable Non-staple Food Trading Market Co., Ltd. provided the maximum guarantee amount for the loan.

(2) Dongguan Food Industry Park, a subsidiary of the Company, signed the loan contract of "Yue DG 2017 NGDZ No. 006" with Bank of Communications Guangdong Branch, the loan amount is 768 million yuan, and the loan term is from September 22, 2017 to August 29, 2032. The loan under this contract is only used for the construction of the warehousing and logistics distribution center project of Dongguan Food Industry Park. The principal of the current loan was RMB 49.8 million, RMB 3,783,400, RMB 30 million and RMB 200 million, the loan interest rate of RMB 200 million was calculated by the benchmark interest rate for loan of the People's Bank of China on the loan entry date, which was 4.90%; the other three were calculated by the benchmark interest rate of the People's Bank of China on the loan entry date after rising by 15%, which is 5.635%. As of December 31, 2018, the total loan balance under the above loan contract was RMB 285,538,400. Dongguan Food Industry Park mortgaged its two pieces of lands (DFGY (2009) DT No. 190) and (DFGY (2012) DT No. 152) for the borrowing. At the same time, the Company's subsidiaries, SZCG and Dongguan Fruit Vegetable Non-staple Food Trading Market Co., Ltd., provide joint liability guarantee.

(3) Dongguan Logistics, a subsidiary of the Company, signed a loan contract with contract number of 44031000-

2015 (Shen) Zi No. 0023 with China Agricultural Development Bank, with a total loan amount of 273 million yuan and an annual interest rate of 5.4%, the interest rate is adjusted year by year from the actual withdrawal date based on the adjustment of benchmark interest rate for loan of the People's Bank of China, and the loan period is from July 31, 2015 to July 12, 2023. As of December 31, 2018, the balance under the above contract was RMB 178,866,000., of which the non-current liabilities due within one year were RMB 36,021,700. Shenzhen Cereals Group has provided guarantee for the loan, and taken Dongguan Logistics' land "DFGY(2014) DT No. 6" at No. 32, Jianshe Road, Masan Village, Machong Town, Dongguan City and the above-ground buildings and structures to be built in the future as mortgages, of which the land assessment value is 51.21 million yuan.

2. Ending balance of long-term loans increased 321,040,387.78 yuan over that of period-beginning with 164.09 percent up, mainly because subsidiary Dongguan Logistics increased the loans for engineering requirement in the period

Other explanation, including interest rate range:

### 38. Bonds payable

#### (1) Bonds payable

RMB/CNY

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
|------|----------------|-----------------|

#### (2) Changes of bonds payable (not including the other financial instrument of preferred stock and perpetual capital securities that classify as financial liability)

RMB/CNY

#### (3) Convertible conditions and time for shares transfer for the convertible bonds

#### (4) Other financial instruments classify as financial liability

Basic information of the outstanding preferred stock and perpetual capital securities at period-end

Changes of outstanding preferred stock and perpetual capital securities at period-end

RMB/CNY

| Outstanding financial instrument | Period-beginning |            | Current increased |            | Current decreased |            | Period-end |            |
|----------------------------------|------------------|------------|-------------------|------------|-------------------|------------|------------|------------|
|                                  | Amount           | Book value | Amount            | Book value | Amount            | Book value | Amount     | Book value |

Basis for financial liability classification for other financial instrument

Other explanation

### 39. Long-term account payable

RMB/CNY

| Item                    | Ending balance | Opening balance |
|-------------------------|----------------|-----------------|
| Special account payable | 15,690,202.08  | 15,626,357.76   |
| Total                   | 15,690,202.08  | 15,626,357.76   |

**(1) Nature of long-term account payable**

RMB/CNY

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
|------|----------------|-----------------|

Other explanation

**(2) Special account payable**

RMB/CNY

| Item                                 | Opening balance | Current increased | Current decreased | Ending balance | Causes |
|--------------------------------------|-----------------|-------------------|-------------------|----------------|--------|
| Depreciation fund for grain deposits | 15,626,357.76   | 63,844.32         |                   | 15,690,202.08  | Note1  |
| Total                                | 15,626,357.76   | 63,844.32         |                   | 15,690,202.08  | --     |

Other explanation

Note 1: The depreciation fund for grain deposits and interest from government investment

**40. Long-term wages payable**

**(1) Long-term wages payable**

RMB/CNY

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
|------|----------------|-----------------|

**(2) Changes of defined benefit plans**

Present value of the defined benefit plans:

RMB/CNY

| Item | Current Period | Last Period |
|------|----------------|-------------|
|------|----------------|-------------|

Scheme assets:

RMB/CNY

| Item | Current Period | Last Period |
|------|----------------|-------------|
|------|----------------|-------------|

Net liability (assets) of the defined benefit plans

RMB/CNY

| Item | Current Period | Last Period |
|------|----------------|-------------|
|------|----------------|-------------|

Content of defined benefit plans and relevant risks, impact on future cash flow of the Company as well as times and uncertainty:



Major actuarial assumption and sensitivity analysis:

Other explanation

#### 41. Accrual liability

RMB/CNY

| Item | Ending balance | Opening balance | Causes |
|------|----------------|-----------------|--------|
|------|----------------|-----------------|--------|

Other explanation, including relevant important assumptions and estimation:

#### 42. Deferred income

RMB/CNY

| Item                                   | Opening balance | Current increased | Current decreased | Ending balance | Causes                      |
|----------------------------------------|-----------------|-------------------|-------------------|----------------|-----------------------------|
| Government grant with assets concerned | 99,879,427.55   | 5,100,000.00      | 4,949,770.34      | 100,029,657.21 | See table below for details |
| Government grant with income concerned | 1,595,095.71    |                   | 1,016,549.91      | 578,545.80     | See table below for details |
| Total                                  | 101,474,523.26  | 5,100,000.00      | 5,966,320.25      | 100,608,203.01 | --                          |

Item with government grants involved:

RMB/CNY

| Liability                                                             | Opening balance | New grants in the Period | Amount reckoned in non-operation revenue | Amount reckoned in other income | Cost reduction in the period | Other changes | Ending balance | Assets-related/income related |
|-----------------------------------------------------------------------|-----------------|--------------------------|------------------------------------------|---------------------------------|------------------------------|---------------|----------------|-------------------------------|
| (1) Base of further processing for tea and nature plants              | 1,375,000.00    |                          |                                          | 275,000.00                      |                              |               | 1,100,000.00   | Assets-related                |
| (2) Enterprise technology center is a municipal R&D center. Subsidies | 2,191,325.64    |                          |                                          | 204,024.47                      |                              |               | 1,987,301.17   | Assets-related                |

|                                                                                                                                         |            |  |  |            |  |            |            |                |
|-----------------------------------------------------------------------------------------------------------------------------------------|------------|--|--|------------|--|------------|------------|----------------|
| for industrial technological advancement                                                                                                |            |  |  |            |  |            |            |                |
| (3) Project grants for years for agricultural district, Xihu Zone                                                                       | 441,538.48 |  |  | 129,230.76 |  |            | 312,307.72 | Assets-related |
| (4) Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors | 524,800.00 |  |  | 283,476.42 |  |            | 241,323.58 | Income related |
| (5) Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors | 250,000.00 |  |  | 6,766.38   |  |            | 243,233.62 | Assets-related |
| (6)                                                                                                                                     | 1,070,295. |  |  |            |  | 733,073.49 | 337,222.22 | Income         |

|                                                                                                                                                        |              |  |  |            |  |  |              |                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--|--|------------|--|--|--------------|----------------|
| Finance Discount                                                                                                                                       | 71           |  |  |            |  |  |              | related        |
| (7) Industrialization of direct preparation of instant tea powder                                                                                      | 2,280,582.54 |  |  | 196,445.87 |  |  | 2,084,136.67 | Assets-related |
| (8) Subsidy for research and industrialization of key technology of instant tea powder                                                                 | 167,256.22   |  |  | 14,245.01  |  |  | 153,011.21   | Assets-related |
| (9) Fund for Development of Strategic Emerging Industries in Shenzhen of plant deep processing technology engineering in Shenzhen (SFG [2013] No.1601) | 3,890,101.98 |  |  | 351,209.03 |  |  | 3,538,892.95 | Assets-related |
| (10) Construction amount for 50 tons for clearly                                                                                                       | 625,000.00   |  |  | 125,000.00 |  |  | 500,000.00   | Assets-related |

|                                                                                        |               |  |  |              |  |  |               |                |
|----------------------------------------------------------------------------------------|---------------|--|--|--------------|--|--|---------------|----------------|
| processing for Mingyou tea                                                             |               |  |  |              |  |  |               |                |
| (11)Subsidy for tea seeding of New Tea Garden in Wangkou                               | 47,239.24     |  |  | 1,109.28     |  |  | 46,129.96     | Assets-related |
| (12) Subsidy for supply system construction of agricultural products                   | 950,000.00    |  |  | 200,000.00   |  |  | 750,000.00    | Assets-related |
| (13) Grain storage project of Dongguan SZCG Logistics Co., Ltd. - Storage A            | 8,501,697.32  |  |  | 259,279.49   |  |  | 8,242,417.83  | Assets-related |
| (14) Phase II of grain storage project of Dongguan SZCG Logistics Co., Ltd.- Storage B | 34,000,000.00 |  |  | 1,031,300.48 |  |  | 32,968,699.52 | Assets-related |
| (15) Grain, oil and food headquarters and innovative public                            | 18,000,000.00 |  |  |              |  |  | 18,000,000.00 | Assets-related |

|                                                                                                                                    |               |              |  |            |  |  |               |                |
|------------------------------------------------------------------------------------------------------------------------------------|---------------|--------------|--|------------|--|--|---------------|----------------|
| service platform of Dongguan SZCG Logistics Co., Ltd.                                                                              |               |              |  |            |  |  |               |                |
| (16) Fund for intelligent Upgrading and Renovation of Grain Depots in "Grain Safety Project" in 2017                               |               | 5,100,000.00 |  |            |  |  | 5,100,000.00  | Assets-related |
| (17) Construction of 450000 ton silos and 60000 ton film silos - CDE warehouse. Gas storage bin                                    | 17,700,000.00 |              |  | 208,235.29 |  |  | 17,491,764.71 | Assets-related |
| (18) Special fund for agricultural development in Shenzhen - subsidy for agricultural product quality and safety testing capacity- | 240,000.00    |              |  | 240,000.00 |  |  |               | Assets-related |

|                                                                                                                                                                                        |              |  |  |            |  |  |              |                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--|--|------------|--|--|--------------|----------------|
| building project                                                                                                                                                                       |              |  |  |            |  |  |              |                |
| (19)<br>Special fund for agricultural development of 2016-agricultural product safety testing project-capacity building of the third party inspection institution expansion evaluation | 656,000.00   |  |  | 164,000.00 |  |  | 492,000.00   | Assets-related |
| (20)<br>Agricultural product safety testing project of the special fund for agricultural development of 2016 - Central investment fund                                                 | 1,368,000.00 |  |  | 342,000.00 |  |  | 1,026,000.00 | Assets-related |
| (21)<br>Construction of O2O community sales service system for high                                                                                                                    | 1,827,987.24 |  |  | 38,576.04  |  |  | 1,789,411.20 | Assets-related |

|                                                                          |                |              |  |              |  |            |                |                |
|--------------------------------------------------------------------------|----------------|--------------|--|--------------|--|------------|----------------|----------------|
| quality grain and oil based on B2C E-commerce platform                   |                |              |  |              |  |            |                |                |
| (22) Industrialization of Doximi E-commerce platform                     | 3,712,698.89   |              |  | 899,014.88   |  |            | 2,813,684.01   | Assets-related |
| (23) Commercial circulation development project funding for year of 2017 | 655,000.00     |              |  | 131,000.00   |  |            | 524,000.00     | Assets-related |
| (24) Intelligent management of grain depot based on mobile internet      | 1,000,000.00   |              |  | 133,333.36   |  |            | 866,666.64     | Assets-related |
|                                                                          |                |              |  |              |  |            |                |                |
|                                                                          | 101,474,523.26 | 5,100,000.00 |  | 5,233,246.76 |  | 733,073.49 | 100,608,203.01 |                |

Other explanation

The amount in the current profit and loss of the current period included other income of 5,233,246.76 yuan, offsetting the financial charge - interest expense of 733,073.49 yuan.

Subsidiary of the Company Dongguan Logistics received a special funds plan for intelligent upgrading and renovation of grain depot of “grain safety project” in 2017 and performance goal subsidy amounted to 5.1 million yuan. The amount are not amortized due to the system are not yet completed in the period

#### 43. Other non-current liability

RMB/CNY

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
|------|----------------|-----------------|

Other explanation

#### 44. Share capital

RMB/CNY

|              | Opening balance | Increased (decreased) in this year +,- |              |                                      |       |                | Ending balance   |
|--------------|-----------------|----------------------------------------|--------------|--------------------------------------|-------|----------------|------------------|
|              |                 | New shares issued                      | Bonus shares | Shares converted from public reserve | Other | Subtotal       |                  |
| Total shares | 496,782,303.00  | 655,752,951.00                         |              |                                      |       | 655,752,951.00 | 1,152,535,254.00 |

Other explanation

According to the resolution of the 15<sup>th</sup> meeting of the Ninth Session of Board of Directors of the Company on March 23, 2018, the resolution of the 17<sup>th</sup> meeting of the Ninth Session of Board of Directors on June 8, 2018, and the resolution of the first extraordinary general meeting of the Company in 2018 on June 27, 2018, and the resolution of the 22<sup>nd</sup> meeting of the Ninth Session of Board of Directors on September 6, 2018, and approved by the Reply to the Approval for Shenzhen Shenbao Industrial Co., Ltd. to Issue Shares to Shenzhen Fude State-owned Capital Operation Co., Ltd. to Purchase Assets CJXK [2018] No. 1610 from China Securities Regulatory Commission, the Company issued 655,752,951 shares of the restricted common stock to Fude Capital so as to acquire its 100% equity of SZCG, and the nominal value of the newly issued shares was RMB 1.00 per share, the issue price per share was RMB 8.96. After the issuance, the share capital of the Company was changed to RMB 1,152,535,254.00.

#### 45. Other equity instrument

##### (1) Basic information of the outstanding preferred stock and perpetual capital securities at period-end

##### (2) Changes of outstanding preferred stock and perpetual capital securities at period-end

RMB/CNY

| Outstanding financial instrument | Period-beginning |            | Current increased |            | Current decreased |            | Period-end |            |
|----------------------------------|------------------|------------|-------------------|------------|-------------------|------------|------------|------------|
|                                  | Amount           | Book value | Amount            | Book value | Amount            | Book value | Amount     | Book value |

Changes of other equity instrument, change reasons and relevant accounting treatment basis:

Other explanation



#### 46. Capital reserves

RMB/CNY

| Item                                       | Opening balance  | Current increased | Current decreased | Ending balance   |
|--------------------------------------------|------------------|-------------------|-------------------|------------------|
| Capital premium<br>(Share capital premium) | 2,054,313,934.84 | 5,219,793,489.96  | 5,860,111,077.30  | 1,413,996,347.50 |
| Other capital reserve                      | 8,850,767.28     | 45,614.58         |                   | 8,896,381.86     |
| Total                                      | 2,063,164,702.12 | 5,219,839,104.54  | 5,860,111,077.30  | 1,422,892,729.36 |

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

1. Capital premium (share premium) The increase in the current period was the

655,752,951 shares of the restricted common stock issued to Shenzhen Fude State-owned Capital Operation Co., Ltd. to acquire its 100% equity of SZCG, the nominal value of the newly issued shares was RMB 1.00 per share, the issue price per share was RMB 8.96. The difference between the issue price per share and the face value was included in the share premium; the decrease in the current period was because the enterprise under the same control merged the wholly-owned subsidiary SZCG.

2. The increase in other capital reserves in the current period was mainly because Shenzhen Nongdimei Investment Management Co., Ltd. exempted all interest and penalty interest under the 5,250,000.00 yuan claim of Shenshenbao Tea Culture, a subsidiary of the Company, involving an exemption amount of RMB 45,614.58.

#### 47. Treasury stock

RMB/CNY

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|------|-----------------|-------------------|-------------------|----------------|
|      |                 |                   |                   |                |

Other explanation, including changes and reasons for changes:

#### 48. Other comprehensive income

RMB/CNY

| Item | Opening balance | Current Period                        |                                                                                                                          |                          |                                    |                                           | Ending balance |
|------|-----------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------------|-------------------------------------------|----------------|
|      |                 | Account before income tax in the year | Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period | Less: income tax expense | Belong to parent company after tax | Belong to minority shareholders after tax |                |
|      |                 |                                       |                                                                                                                          |                          |                                    |                                           |                |

Other explanation, including the active part of the hedging gains/losses of cash flow transfer to initial recognition adjustment for the arbitrated items:

**49. Reasonable reserve**

RMB/CNY

| Item                  | Opening balance | Current increased | Current decreased | Ending balance |
|-----------------------|-----------------|-------------------|-------------------|----------------|
| Production safety fee | 70,395.63       | 846,741.24        | 916,982.66        | 154.21         |
| Total                 | 70,395.63       | 846,741.24        | 916,982.66        | 154.21         |

Other explanation, including changes and reasons for changes:

**50. Surplus reserves**

RMB/CNY

| Item                       | Opening balance | Current increased | Current decreased | Ending balance |
|----------------------------|-----------------|-------------------|-------------------|----------------|
| Statutory surplus reserves | 327,140,910.28  |                   |                   | 327,140,910.28 |
| Total                      | 327,140,910.28  |                   |                   | 327,140,910.28 |

Other explanation, including changes and reasons for changes:

Nil

**51. Retained profit**

RMB/CNY

| Item                                                                          | Current period   | Last period      |
|-------------------------------------------------------------------------------|------------------|------------------|
| Retained profit at the end of the previous year before adjustment             | 961,602,454.82   | 503,877,419.19   |
| Total retained profit at the beginning of the previous year before adjustment | 961,602,454.82   | 503,877,419.19   |
| Add: net profit attributable to shareholder of parent company                 | 308,331,032.44   | 359,174,263.44   |
| Common Stock dividends payable                                                |                  | (128,599,604.22) |
| Add: Others                                                                   |                  | 227,150,376.41   |
| Retained profit at period-end                                                 | 1,269,933,487.26 | 961,602,454.82   |

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

**52. Operating income and operating cost**

RMB/CNY

| Item           | Current Period    |                  | Last Period       |                  |
|----------------|-------------------|------------------|-------------------|------------------|
|                | Income            | Cost             | Income            | Cost             |
| Main business  | 10,747,576,698.29 | 9,686,779,830.78 | 10,787,535,959.58 | 9,842,943,493.15 |
| Other business | 11,206,139.85     | 6,854,443.43     | 6,157,197.21      | 4,403,705.50     |
| Total          | 10,758,782,838.14 | 9,693,634,274.21 | 10,793,693,156.79 | 9,847,347,198.65 |

**53. Tax and surcharges**

RMB/CNY

| Item                                   | Current Period | Last Period   |
|----------------------------------------|----------------|---------------|
| Urban maintenance and construction tax | 2,165,312.82   | 1,683,109.99  |
| Educational surtax                     | 1,629,329.96   | 1,256,505.73  |
| Property tax                           | 8,050,618.18   | 7,921,136.10  |
| Land use tax                           | 2,524,108.37   | 2,825,504.21  |
| Stamp tax                              | 959,970.44     | 1,230,617.22  |
| Other                                  | 40,183.75      | 127,261.71    |
| Total                                  | 15,369,523.52  | 15,044,134.96 |

Other explanation

Nil

**54. Sales expenses**

RMB/CNY

| Item                                              | Current Period | Last Period   |
|---------------------------------------------------|----------------|---------------|
| Labor and social security benefits                | 64,382,900.10  | 63,469,840.24 |
| Rental                                            | 8,600,847.41   | 14,320,121.12 |
| Utilities and office expenses                     | 4,423,846.48   | 5,756,170.62  |
| After-sale services                               | 5,381,877.15   | 7,324,378.18  |
| Logistics transportation fee                      | 60,230,906.69  | 64,964,942.16 |
| Travel expenses                                   | 3,385,483.21   | 2,683,069.45  |
| Equivalent loss for low value perishable goods    | 7,201,541.87   | 7,887,133.24  |
| Depreciation and amortization of long-term assets | 11,154,844.42  | 11,094,475.80 |

|                            |                       |                       |
|----------------------------|-----------------------|-----------------------|
| Business hospitality       | 1,575,490.94          | 2,174,720.93          |
| Advertisement charge       | 547,154.17            | 1,342,122.12          |
| Sales commission           | 3,323,497.22          | 143,530.31            |
| Port terminal charges      | 69,833,224.80         | 75,823,886.10         |
| Property insurance premium | 1,070,556.38          | 571,307.80            |
| Other                      | 13,908,901.70         | 17,469,330.81         |
| <b>Total</b>               | <b>255,021,072.54</b> | <b>275,025,028.88</b> |

Other explanation

Nil

## 55. Administration expenses

RMB/CNY

| Item                                              | Current Period        | Last Period           |
|---------------------------------------------------|-----------------------|-----------------------|
| Labor and social security benefits                | 150,406,024.19        | 123,481,675.10        |
| Communication fee                                 | 1,570,816.01          | 1,812,464.25          |
| Vehicle usage fee                                 | 2,306,678.91          | 2,943,286.58          |
| Low-value consumables                             | 481,089.89            | 233,764.48            |
| Repair cost                                       | 823,967.71            | 888,476.18            |
| Depreciation and amortization of long-term assets | 32,279,753.91         | 25,916,762.95         |
| Travel expenses                                   | 3,200,086.74          | 2,926,642.86          |
| Business hospitality                              | 3,338,547.23          | 3,504,046.80          |
| Office expenses                                   | 7,879,468.54          | 4,365,615.28          |
| Rental                                            | 2,142,501.24          | 2,457,513.00          |
| Intermediary fees                                 | 14,370,730.10         | 9,633,452.02          |
| Relocation and shutdown costs                     | 4,908,709.05          |                       |
| Other                                             | 22,835,462.95         | 14,972,322.77         |
| <b>Total</b>                                      | <b>246,543,836.47</b> | <b>193,136,022.27</b> |

Other explanation

Nil

## 56. R&D expenses

RMB/CNY

| Item                               | Current Period | Last Period  |
|------------------------------------|----------------|--------------|
| Labor and social security benefits | 8,050,749.76   | 5,984,184.93 |

|                                |                      |                     |
|--------------------------------|----------------------|---------------------|
| Depreciation cost              | 1,369,522.27         | 1,612,761.29        |
| Office expenses                | 778,680.36           | 55,978.70           |
| Travel expenses                | 212,282.20           | 178,096.03          |
| Logistics consumption          | 95,614.49            | 67,205.66           |
| Intermediary fees              |                      | 527,105.99          |
| Maintenance and inspection fee | 92,759.15            | 219,619.34          |
| Other                          | 379,856.41           | 1,182,755.82        |
| <b>Total</b>                   | <b>10,979,464.64</b> | <b>9,827,707.76</b> |

Other explanation

Nil

## 57. Financial expenses

RMB/CNY

| Item                   | Current Period       | Last Period          |
|------------------------|----------------------|----------------------|
| Interest expenditure   | 20,410,885.62        | 8,569,062.23         |
| Less: Interest income  | 8,364,388.05         | 9,080,593.99         |
| Exchange loss          | -2,516,157.85        | -4,151,068.77        |
| Bank commission charge | 600,973.53           | 1,327,073.22         |
| Other                  |                      |                      |
| <b>Total</b>           | <b>10,131,313.25</b> | <b>-3,335,527.31</b> |

Other explanation

Financial expenses in the period increased 13,466,840.56 yuan over that of lasts period with 403.74 percent up, mainly because subsidiary Dongguan Logistics increase the loans for engineering requirement.

## 58. Asset impairment loss

RMB/CNY

| Item                                      | Current Period        | Last Period           |
|-------------------------------------------|-----------------------|-----------------------|
| I. Bad debt losses                        | 17,933,622.38         | 8,361,980.13          |
| II. Inventory falling price loss          | 173,498,864.92        | 93,324,340.40         |
| VII. Impairment loss of fixed assets      | 4,482,037.94          |                       |
| XII. Impairment loss of intangible assets | 3,721,498.27          | 2,999,843.89          |
| XIII. Impairment loss of goodwill         |                       | 673,940.32            |
| <b>Total</b>                              | <b>199,636,023.51</b> | <b>105,360,104.74</b> |

Other explanation

Asset impairment loss in the period increased 94,275,918.77 yuan over that of lasts period with 89.48 percent up, mainly because the inventory Falling price reserves accrual in the period increased.

## 59. Other income

RMB/CNY

| Income sources                                                                                                                                                                                              | Current Period | Last Period  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------|
| Amortization of deferred income                                                                                                                                                                             | 4,949,770.34   | 3,436,655.59 |
| Amortization of deferred income                                                                                                                                                                             | 283,476.42     | 25,200.00    |
| Special funds supporting project for the independent innovation industry development in Nanshan District (funding for modern agricultural development)                                                      | 200,000.00     | 200,000.00   |
| Industrial development subsidy for Xihu Longjing Tea                                                                                                                                                        | 80,000.00      | 150,000.00   |
| Subsidy for Zhejiang Tea Industry Technology Project (demonstration and promotion of green prevention and control of longjing tea in Xihu and production technology of weight reduction and drug reduction) | 150,000.00     |              |
| Leading funds for industrial development                                                                                                                                                                    | 425,763.00     |              |
| Employment subsidy                                                                                                                                                                                          | 201,886.98     |              |
| Projects to support leading agricultural enterprise in capacity improvement                                                                                                                                 | 300,000.00     | 5,133.68     |
| Special fund for industrial development in Futian District (annual quarterly growth supporting- headquarters recognition and operation supporting - E-commerce sales operation supporting)                  | 2,749,600.00   |              |
| Incentive plan for the scale of E-commerce trading platform for year of 2017                                                                                                                                | 1,000,000.00   |              |
| Steady post subsidy                                                                                                                                                                                         | 96,450.23      | 131,661.86   |
| Supporting funds for energy saving and emission reduction for voluntary cleaner production projects                                                                                                         |                | 150,000.00   |
| Certification award of the provincial                                                                                                                                                                       |                | 100,000.00   |

|                                                                                                                                              |               |              |
|----------------------------------------------------------------------------------------------------------------------------------------------|---------------|--------------|
| enterprise technology center of 2016 from Wuyuan ICC                                                                                         |               |              |
| Special funds for the development of service industry in E-commerce                                                                          |               | 717,000.00   |
| Special funds supporting project for the independent innovation industry development in Nanshan District- funds for the economic development |               | 200,000.00   |
| Special fund for maintenance of the construction of food emergency system (capacity construction of grain quality inspection) from CEIT      |               | 100,000.00   |
| Other                                                                                                                                        | 464,911.16    | 156,000.00   |
| Total                                                                                                                                        | 10,901,858.13 | 5,371,651.13 |

## 60. Investment income

RMB/CNY

| Item                                                             | Current Period | Last Period  |
|------------------------------------------------------------------|----------------|--------------|
| Long-term equity investment gains recognized under equity method | -1,755,504.74  | -490,760.14  |
| Investment income from disposal of long-term equity investment   |                | 800,000.00   |
| Earnings from financing products                                 | 3,029,857.89   | 2,706,034.95 |
| Other                                                            | 450,000.00     |              |
| Total                                                            | 1,724,353.15   | 3,015,274.81 |

Other explanation

Note: Other investment income refers to the performance compensation of 450,000.00 yuan paid by minority shareholders of affiliated enterprise Guangzhou Shenbao Mendao Tea Co., Ltd.

## 61. Changing income of fair value

RMB/CNY

| Income resources                                                                               | Current Period | Last Period   |
|------------------------------------------------------------------------------------------------|----------------|---------------|
| Financial assets measured by fair value and with its variation reckoned into current gain/loss | -474,740.24    | -1,651,270.40 |
| Total                                                                                          | -474,740.24    | -1,651,270.40 |

Other explanation

Nil

**62. Asset disposal income**

RMB/CNY

| Source of asset disposal income                 | Current Period | Last Period |
|-------------------------------------------------|----------------|-------------|
| Profit or loss for the disposal of fixed assets | 1,601,802.27   | -22,935.33  |

**63. Non-operating income**

RMB/CNY

| Item                                               | Current Period | Last Period   | Amount included in the current non-recurring profit and loss |
|----------------------------------------------------|----------------|---------------|--------------------------------------------------------------|
| Donation accepted                                  |                | 1,240,000.00  |                                                              |
| Government grants without daily activity concerned | 5,000.00       | 105,133.68    | 5,000.00                                                     |
| Compensation fro breach of contract                | 431,861.50     | 120,300.00    | 431,861.50                                                   |
| Other                                              | 953,573.34     | 9,917,309.31  | 953,573.34                                                   |
| Total                                              | 1,390,434.84   | 11,382,742.99 | 1,390,434.84                                                 |

Government grants reckoned into current gains/losses:

RMB/CNY

| Grants | 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 |
|--------|-----------------|---------------|---------------|----------------------------------------------------------------|---------------------------|-----------------------|-----------------------|-------------------------------|
|--------|-----------------|---------------|---------------|----------------------------------------------------------------|---------------------------|-----------------------|-----------------------|-------------------------------|

Other explanation

Non-operating income has 9,992,308.15 yuan declined over that of last period with 87.78 percent down, mainly because claims of 8,200,000.00 yuan received last period for subsidiary closed for liquidation

**64. Non-operating expenditure**

RMB/CNY

| Item | Current Period | Last Period | Amount included in the current non-recurring profit |
|------|----------------|-------------|-----------------------------------------------------|
|------|----------------|-------------|-----------------------------------------------------|



|                                           |                     |                     | and loss            |
|-------------------------------------------|---------------------|---------------------|---------------------|
| External donations                        | 99,485.68           | 2,580,210.27        | 99,485.68           |
| Loss of scrap from non-current assets     | 393,959.39          | 139,848.40          | 393,959.39          |
| Fine expenditure (and liquidated damages) | 1,071.89            | 3,850.00            | 1,071.89            |
| Tax delay charge                          | 23,243.76           | 140,138.96          | 23,243.76           |
| Compensation                              | 2,257,706.50        | 4,186,199.54        | 2,257,706.50        |
| Other                                     | 490,981.21          | 631,651.01          | 490,981.21          |
| <b>Total</b>                              | <b>3,266,448.43</b> | <b>7,681,898.18</b> | <b>3,266,448.43</b> |

Other explanation

Non-operating expenditure has 4,415,449.75 yuan declined over that of last period with 57.48 percent down, mainly because compensation paid in the period declined.

## 65. Income tax expense

### (1) Statement of income tax expenses

RMB/CNY

| Item                         | Current Period       | Last Period          |
|------------------------------|----------------------|----------------------|
| Current income tax expenses  | 15,461,101.10        | 17,979,927.26        |
| Deferred income tax expenses | 3,027,764.24         | -7,153,523.58        |
| <b>Total</b>                 | <b>18,488,865.34</b> | <b>10,826,403.68</b> |

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

RMB/CNY

| Item                                                              | Current Period  |
|-------------------------------------------------------------------|-----------------|
| Total profit                                                      | 339,344,589.72  |
| Income tax expenses calculated by statutory tax rate              | 84,836,147.43   |
| Impact from different tax rate apply with the subsidiary          | -1,891,579.89   |
| Impact from previous income tax adjusted                          | 1,660,845.67    |
| Impact of non-taxable income                                      | -137,966,143.31 |
| Impact on cost, expenses and losses that unable to deducted       | 35,960,373.72   |
| Effect of deductible losses of deferred tax assets unconfirmed at | -1,289,340.25   |

|                                                                                                                       |               |
|-----------------------------------------------------------------------------------------------------------------------|---------------|
| the earlier stage of use                                                                                              |               |
| Impact on deductible temporary differences or losses deductible which was un-recognized as deferred income tax assets | 37,178,561.97 |
| income tax expenses                                                                                                   | 18,488,865.34 |

Other explanation

Nil

## 66. Other comprehensive income

Found more in annotations

## 67. Annotation of cash flow statement

### (1) Cash received with other operating activities concerned

RMB/CNY

| Item                          | Current Period | Last Period    |
|-------------------------------|----------------|----------------|
| Intercourse funds and deposit | 129,048,838.74 | 171,613,144.84 |
| Government grants             | 10,773,611.37  | 7,514,980.36   |
| Interest income               | 7,802,888.05   | 8,736,862.48   |
| Other                         | 1,445,214.16   | 1,418,497.30   |
| Total                         | 149,070,552.32 | 189,283,484.98 |

Note of cash received with other operating activities concerned:

Nil

### (2) Cash paid with other operating activities concerned

RMB/CNY

| Item                          | Current Period | Last Period    |
|-------------------------------|----------------|----------------|
| Intercourse funds and deposit | 94,186,178.56  | 38,539,679.43  |
| Operational daily expenses    | 213,908,218.92 | 259,271,280.27 |
| Other                         | 2,872,489.04   | 2,309,290.00   |
| Total                         | 310,966,886.52 | 300,120,249.70 |

Note of cash paid with other operating activities concerned:

Nil

### (3) Cash received with other investment activities concerned

RMB/CNY

| Item                     | Current Period | Last Period |
|--------------------------|----------------|-------------|
| Performance compensation | 450,000.00     |             |
| Total                    | 450,000.00     |             |

Note of cash received with other investment activities concerned

Nil

#### (4) Cash paid related with investment activities

RMB/CNY

| Item | Current Period | Last Period |
|------|----------------|-------------|
|      |                |             |

Note of cash paid related with investment activities

Nil

#### (5) Cash received with other financing activities concerned

RMB/CNY

| Item  | Current Period | Last Period   |
|-------|----------------|---------------|
| Loans |                | 10,000,000.00 |
| Total |                | 10,000,000.00 |

Note of cash received with other financing activities concerned

Nil

#### (6) Cash paid related with financing activities

RMB/CNY

| Item                              | Current 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

### 68. Supplementary information to statement of cash flow

#### (1) Supplementary information to statement of cash flow

RMB/CNY

| Item                                   | Current period | Last period |
|----------------------------------------|----------------|-------------|
| 1. Net profit adjusted to cash flow of | --             | --          |

|                                                                                                              |                 |                 |
|--------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| operation activities:                                                                                        |                 |                 |
| Net profit                                                                                                   | 320,855,724.38  | 350,875,648.18  |
| Add: Impairment provision for assets                                                                         | 199,636,023.51  | 105,360,104.74  |
| Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets        | 79,619,849.04   | 72,225,381.71   |
| Amortization of intangible assets                                                                            | 18,007,582.56   | 13,765,799.33   |
| Amortization of long-term pending expenses                                                                   | 6,742,417.85    | 8,524,320.63    |
| Loss from disposal of fixed assets, intangible assets and other long-term assets (income is listed with “-”) | -1,601,802.27   | 22,935.33       |
| Losses on scrapping of fixed assets (income is listed with “-“)                                              | 393,959.39      | 139,848.40      |
| Loss from change of fair value (income is listed with “-“)                                                   | 474,740.24      | 1,651,270.40    |
| Financial expenses (income is listed with “-“)                                                               | 18,627,801.26   | 3,849,889.09    |
| Investment loss (income is listed with “-“)                                                                  | -1,724,353.15   | -3,015,274.81   |
| Decrease of deferred income tax assets (increase is listed with “-“)                                         | 3,560,166.42    | -6,453,503.83   |
| Decrease of deferred income tax asset( (increase is listed with “-“)                                         | -532,402.18     | -700,019.75     |
| Decrease of inventory (increase is listed with “-“)                                                          | -46,833,652.80  | -464,147,408.66 |
| Decrease of operating receivable accounts (increase is listed with “-“)                                      | -308,973,425.11 | -90,591,903.90  |
| Increase of operating payable accounts (decrease is listed with “-“)                                         | 10,851,006.44   | 25,551,605.02   |
| Net cash flow arising from operating activities                                                              | 299,103,635.58  | 17,058,691.88   |
| 2. Material investment and financing not involved in cash flow                                               | --              | --              |
| 3. Net change of cash and cash equivalents:                                                                  | --              | --              |
| Balance of cash at period end                                                                                | 631,638,339.68  | 544,440,739.45  |
| Less: Balance of cash at year-begin                                                                          | 544,440,739.45  | 759,577,580.52  |
| Net increasing of cash and cash                                                                              | 87,197,600.23   | -215,136,841.07 |

|             |  |  |
|-------------|--|--|
| equivalents |  |  |
|-------------|--|--|

**(2) Net cash paid for obtaining subsidiary in the Period**

RMB/CNY

|            | Amount |
|------------|--------|
| Including: | --     |
| Including: | --     |
| Including: | --     |

Other explanation

Nil

**(3) Net cash received by disposing subsidiary in the Period**

RMB/CNY

|            | Amount |
|------------|--------|
| Including: | --     |
| Including: | --     |
| Including: | --     |

Other explanation

Nil

**(4) Constitution of cash and cash equivalent**

RMB/CNY

| Item                                                   | Ending balance | Opening balance |
|--------------------------------------------------------|----------------|-----------------|
| I. Cash                                                | 631,638,339.68 | 544,440,739.45  |
| Including:Cash on hand                                 | 282,322.45     | 555,961.15      |
| Bank deposit available for payment at any time         | 631,190,032.12 | 543,565,898.62  |
| Other monetary fund available for payment at any time  | 165,985.11     | 318,879.68      |
| III. Balance of cash and cash equivalent at period-end | 631,638,339.68 | 544,440,739.45  |

Other explanation

Nil

## 69. Notes of changes of owners' equity

Explain the name and adjusted amount in "Other" at end of last period:

Nil

## 70. Assets with ownership or use right restricted

RMB/CNY

| Item                     | Ending book value | Reasons for restriction                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Intangible assets        | 47,406,749.48     | According to the long-term loan mortgage contract signed by Dongguan Logistics, a subsidiary of the Company, and Agricultural Development Bank, Dongguan Logistics mortgaged the land (DFGY (2014) DT No. 6) of No. 32, Jianshe Road, Masan Village, Machong Town, Dongguan City and the grain storage and terminal facilities to be built and other buildings and structures on the ground to Agricultural Development Bank as collateral for the loan. |
| Fix assets               | 377,777,105.09    | According to the long-term loan mortgage contract signed by Dongguan Logistics, a subsidiary of the Company, and Agricultural Development Bank, Dongguan Logistics mortgaged the land (DFGY (2014) DT No. 6) of No. 32, Jianshe Road, Masan Village, Machong Town, Dongguan City and the grain storage and terminal facilities to be built and other buildings and structures on the ground to Agricultural Development Bank as collateral for the loan. |
| Construction in progress | 39,276,418.03     | According to the long-term loan mortgage contract signed by Dongguan Logistics, a subsidiary of the Company, and Agricultural Development Bank, Dongguan Logistics mortgaged the land (DFGY (2014) DT No. 6) of No. 32, Jianshe Road, Masan Village, Machong Town, Dongguan City and the grain storage and terminal facilities to be built and other buildings and structures on the                                                                     |

|                   |                |                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                   |                | ground to Agricultural Development Bank as collateral for the loan.                                                                                                                                                                                                                                                                                                                  |
| Intangible assets | 36,339,192.71  | According to the loan contract of “Guangdong DG 2017 NGDZ No. 006” signed by Dongguan Food Industry Park, a subsidiary of the Company, and Bank of Communications Guangdong Branch, Dongguan Food Industry Park mortgaged its two pieces of lands (DFGY (2009) DT No. 190) and (DFGY (2012) DT No. 152) to Bank of Communications Guangdong Branch as collaterals for the borrowing. |
| Total             | 500,799,465.31 | --                                                                                                                                                                                                                                                                                                                                                                                   |

Other explanation

Nil

## 71. Foreign currency monetary items

### (1) Foreign currency monetary items

RMB/CNY

| Item               | Ending foreign currency balance | Convert rate | Ending RMB balance converted |
|--------------------|---------------------------------|--------------|------------------------------|
| Monetary fund      | --                              | --           |                              |
| Including:USD      | 1,457,449.54                    | 6.8632       | 10,002,767.68                |
| EURO               |                                 |              |                              |
| HKD                | 248,629.03                      | 0.8762       | 217,848.76                   |
| Account receivable | --                              | --           |                              |
| Including:USD      | 213,994.44                      | 6.8632       | 1,468,686.64                 |
| EURO               |                                 |              |                              |
| HKD                | 1,502,845.97                    | 0.8762       | 1,316,793.64                 |
| Long-term loans    | --                              | --           |                              |
| Including:USD      |                                 |              |                              |
| EURO               |                                 |              |                              |
| HKD                |                                 |              |                              |

Other explanation

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

## 72. Hedging

Disclosed hedging items and relevant hedging instrument based on hedging's category, disclosed qualitative and quantitative information for the arbitrage risks:

Nil

## 73. Government grants

### (1) Government grants

RMB/CNY

| Category                                                                                                                            | Amount       | Item            | Amount booked in current gain/loss |
|-------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------------|------------------------------------|
| Base of further processing for tea and nature plants                                                                                | 1,375,000.00 | Deferred income | 275,000.00                         |
| Enterprise technology center is a municipal R&D center. Subsidies for industrial technological advancement                          | 2,191,325.64 | Deferred income | 204,024.47                         |
| Project grants for years for agricultural district, Xihu Zone                                                                       | 441,538.48   | Deferred income | 129,230.76                         |
| Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors | 524,800.00   | Deferred income | 283,476.42                         |
| Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors | 250,000.00   | Deferred income | 6,766.38                           |
| Finance Discount                                                                                                                    | 1,070,295.71 | Deferred income |                                    |



|                                                                                                                                                    |               |                 |              |
|----------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-----------------|--------------|
| Industrialization of direct preparation of instant tea powder                                                                                      | 2,280,582.54  | Deferred income | 196,445.87   |
| Subsidy for research and industrialization of key technology of instant tea powder                                                                 | 167,256.22    | Deferred income | 14,245.01    |
| Fund for Development of Strategic Emerging Industries in Shenzhen of plant deep processing technology engineering in Shenzhen (SFG [2013] No.1601) | 3,890,101.98  | Deferred income | 351,209.03   |
| Construction amount for 50 tons for clearly processing for Mingyou tea                                                                             | 625,000.00    | Deferred income | 125,000.00   |
| Subsidy for tea seeding of New Tea Garden in Wangkou                                                                                               | 47,239.24     | Deferred income | 1,109.28     |
| (12) Subsidy for supply system construction of agricultural products                                                                               | 950,000.00    | Deferred income | 200,000.00   |
| Grain storage project of Dongguan SZCG Logistics Co., Ltd. - Storage A                                                                             | 8,501,697.32  | Deferred income | 259,279.49   |
| Phase II of grain storage project of Dongguan SZCG Logistics Co., Ltd.- Storage B                                                                  | 34,000,000.00 | Deferred income | 1,031,300.48 |
| Grain, oil and food headquarters and innovative public service platform of Dongguan SZCG Logistics Co., Ltd.                                       | 18,000,000.00 | Deferred income |              |
| Fund for intelligent Upgrading and Renovation of Grain Depots in "Grain Safety Project" in 2017                                                    | 5,100,000.00  | Deferred income |              |
| Construction of 450000 ton silos and 60000 ton film silos -CDE warehouse. Gas storage bin                                                          | 17,700,000.00 | Deferred income | 208,235.29   |
| Special fund for agricultural                                                                                                                      | 240,000.00    | Deferred income | 240,000.00   |

|                                                                                                                                                                                  |              |                 |            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------------|------------|
| development in Shenzhen - subsidy for agricultural product quality and safety testing capacity-building project                                                                  |              |                 |            |
| Special fund for agricultural development of 2016- agricultural product safety testing project- capacity building of the third party inspection institution expansion evaluation | 656,000.00   | Deferred income | 164,000.00 |
| Agricultural product safety testing project of the special fund for agricultural development of 2016 - Central investment fund                                                   | 1,368,000.00 | Deferred income | 342,000.00 |
| Construction of O2O community sales service system for high quality grain and oil based on B2C E-commerce platform                                                               | 1,827,987.24 | Deferred income | 38,576.04  |
| Industrialization of Doximi E-commerce platform                                                                                                                                  | 3,712,698.89 | Deferred income | 899,014.88 |
| Commercial circulation development project funding for year of 2017                                                                                                              | 655,000.00   | Deferred income | 131,000.00 |
| Intelligent management of grain depot based on mobile internet                                                                                                                   | 1,000,000.00 | Deferred income | 133,333.36 |
| Special funds supporting project for the independent innovation industry development in Nanshan District (funding for modern agricultural development)                           | 200,000.00   | Other income    | 200,000.00 |
| Industrial development subsidy for Xihu Longjing Tea                                                                                                                             | 80,000.00    | Other income    | 80,000.00  |
| Subsidy for Zhejiang Tea Industry Technology Project (demonstration and                                                                                                          | 150,000.00   | Other income    | 150,000.00 |

|                                                                                                                                                                                           |                |                      |               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------------|---------------|
| promotion of green prevention and control of longjing tea in Xihu and production technology of weight reduction and drug reduction)                                                       |                |                      |               |
| Leading funds for industrial development                                                                                                                                                  | 425,763.00     | Other income         | 425,763.00    |
| Employment subsidy                                                                                                                                                                        | 201,886.98     | Other income         | 201,886.98    |
| Projects to support leading agricultural enterprise in capacity improvement                                                                                                               | 300,000.00     | Other income         | 300,000.00    |
| Special fund for industrial development in Futian District (annual quarterly growth supporting-headquarters recognition and operation supporting - E-commerce sales operation supporting) | 2,749,600.00   | Other income         | 2,749,600.00  |
| Incentive plan for the scale of E-commerce trading platform for year of 2017                                                                                                              | 1,000,000.00   | Other income         | 1,000,000.00  |
| Steady post subsidy                                                                                                                                                                       | 96,450.23      | Other income         | 96,450.23     |
| Other                                                                                                                                                                                     | 464,911.16     | Other income         | 464,911.16    |
| Granary Zero Distance Activity Subsidy Income                                                                                                                                             | 5000.00        | Non-operating income | 5000.00       |
| Total                                                                                                                                                                                     | 112,248,134.63 |                      | 10,906,858.13 |

## (2) Government subsidy rebate

Applicable Not applicable

Other explanation

Nil

## 74. Other

Nil

## VIII. Changes of consolidation range

### 1. Enterprise merger not under the same control

#### (1) Enterprise merger not under the same control

RMB/CNY

| Acquiree | Time point for equity obtained | Cost of equity obtained | Ratio of equity obtained | Acquired way Equity obtained way | Purchasing date | Standard to determine the purchasing date | Income of acquiree from purchasing date to period-end | Net profit of acquiree from purchasing date to period-end |
|----------|--------------------------------|-------------------------|--------------------------|----------------------------------|-----------------|-------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------|
|          |                                |                         |                          |                                  |                 |                                           |                                                       |                                                           |

Other explanation

#### (2) Combination cost and goodwill

RMB/CNY

|                  |  |
|------------------|--|
| Combination cost |  |
|------------------|--|

Determination method for fair value of the combination cost and contingent consideration and changes:

Main reasons for large goodwill resulted:

Other explanation

#### (3) Identifiable assets and liability on purchasing date under the acquiree

RMB/CNY

|  |                               |                               |
|--|-------------------------------|-------------------------------|
|  |                               |                               |
|  | Fair value on purchasing date | Book value on purchasing date |

Determination method for fair value of the identifiable assets and liabilities:

Contingent liability of the acquiree bear during combination:

Other explanation

#### (4) Gains or losses arising from re-measured by fair value for the equity held before purchasing date

Whether it is a business combination realized by two or more transactions of exchange and a transaction of obtained control rights in the Period or not

Yes No

(5) On purchasing date or period-end of the combination, combination consideration or fair value of identifiable assets and liability for the acquiree are un-able to confirm rationally

(6) Other explanation

## 2. Enterprise combined under the same control

### (1) Enterprise combined under the same control in the Period

RMB/CNY

| Acquiree | Equity ratio obtained in combination | Basis of combined under the same control | Combination date | Standard to determine the combination date | Income of the combined party from period-begin of combination to the combination date | Net profit of the combined party from period-begin of combination to the combination date | Income of the combined party during the comparison period | Net profit of the combined party during the comparison period |
|----------|--------------------------------------|------------------------------------------|------------------|--------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------------|
| SZCG     | 100.00%                              | Controlled by the same controller        | 2018-10-31       | See other instructions below.              | 7,746,037,670.53                                                                      | 374,880,023.05                                                                            | 10,477,930,448.44                                         | 413,268,399.67                                                |

Other explanation

(1) The gist that the transaction constitutes the business combination under the same control and the basis for the determination of the date of combination

According to the resolutions of the fifteenth meeting of the ninth session of the board of directors, the seventeenth meeting of the ninth board of directors, the twenty-second meeting of the ninth board of directors of the Company and the resolution of the first extraordinary general meeting of 2018, the Company purchased 100% equity of SZCG held by Fude Capital by issuing shares to it (the number of shares issued was 655,752,951 shares and the issue price was RMB 8.96 per share). Prior to this transaction, Fude Capital was the controlling shareholder of the Company and SZCG, and the actual controller of the Company and SZCG was the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government (hereinafter referred to as "Shenzhen SASAC"). Therefore, this transaction constituted a business combination under the same control.

On June 14, 2018, Shenzhen State-owned Assets Supervision and Administration Commission approved and agreed the Company's issuance of shares to purchase 100% equity of SZCG. On October 15, 2018, the Company received the Reply to the Approval for Shenzhen Shenbao Industrial Co., Ltd. to Issue Shares to Shenzhen Fude State-owned Capital Operation Co., Ltd. to Purchase Assets CJXX [2018] No. 1610 from China Securities Regulatory Commission, agreed the Company to acquire 100.00% equity of SZCG held by Fude Capital. On October 18, 2018, 100% equity of SZCG completed the transfer procedures and related industrial and commercial change registration, at the same time, according to the transition period defined in the "Agreement on the Issuance of Shares to Purchase Assets" signed by the Company and Fude Capital, if the asset settlement day was after the 15<sup>th</sup> day of the calendar day (excluding the 15<sup>th</sup> day), the base date of the transition period would be the last day of the month in which the settlement day is located,

so the date of combination was determined to be October 31, 2018.

## (2)Combination cost

RMB/CNY

| Combination cost                             |                |
|----------------------------------------------|----------------|
| --Face value of the equity securities issued | 655,752,951.00 |

Explanation on contingent consideration and its changes:

### (1) Other explanation

According to the evaluation report of CEAPBZ (2018) No. 3558 issued by Beijing China Enterprise Appraisals Co., Ltd., the evaluation base date of 100% equity of SZCG was September 30, 2017, and the assessed value of net assets of SZCG as of the evaluation base date was RMB 5,875,546,441.66, as agreed by both parties, the transaction price of the underlying assets was RMB 5,875,546,440.96. The Company issued 655,752,951.00 shares, and the issue price per share was RMB 8.96. Premium of Equity Securities Issued was RMB 5,219,793,489.96.

Other explanation

## (3) Assets and liability of the combined party on combination date

RMB/CNY

|                                      | On purchasing date | At end of last period |
|--------------------------------------|--------------------|-----------------------|
| Assets:                              | 5,310,332,674.24   | 4,840,641,503.76      |
| Monetary fund                        | 600,553,591.10     | 288,479,089.04        |
| Account receivable                   | 206,050,714.46     | 117,193,674.60        |
| Inventory                            | 2,683,227,764.79   | 2,783,161,703.37      |
| Fix assets                           | 711,961,434.07     | 732,143,993.78        |
| Intangible assets                    | 370,256,397.21     | 219,674,825.10        |
| Accounts paid in advance             | 40,012,538.83      | 33,240,102.96         |
| Other account receivable             | 49,419,662.13      | 22,314,871.24         |
| Other current assets                 | 93,208,387.32      | 170,334,054.65        |
| Long-term equity investment          | 67,666,579.60      | 30,506,541.89         |
| Investment real estate               | 268,241,078.37     | 300,621,820.59        |
| Construction in progress             | 162,969,025.13     | 70,601,059.58         |
| Long-term expenses to be apportioned | 13,077,987.49      | 16,679,524.99         |
| Deferred income tax asset            | 42,720,013.74      | 48,210,182.26         |
| Other non-current asset              | 967,500.00         | 500,000.00            |
| Liability:                           | 1,872,640,365.65   | 1,830,971,947.13      |

|                                             |                  |                  |
|---------------------------------------------|------------------|------------------|
| Loan                                        | 159,800,000.00   | 159,800,000.00   |
| Account payable                             | 332,603,307.36   | 534,934,123.29   |
| Accounts received in advance                | 285,807,551.08   | 175,518,986.59   |
| Wage payable                                | 77,107,216.24    | 103,760,977.72   |
| Taxes payable                               | 37,208,501.33    | 12,791,041.31    |
| Other account payable                       | 276,459,853.57   | 272,210,836.95   |
| Non-current liabilities due within one year | 49,783,468.21    | 40,642,777.63    |
| Other current liabilities                   | 219,151,968.63   | 219,151,968.63   |
| Long-term loans                             | 320,730,897.34   | 195,647,403.88   |
| Deferred income                             | 86,542,499.92    | 88,821,434.54    |
| Long-term account payable                   | 15,457,410.48    | 15,416,306.67    |
| Deferred income tax liabilities             | 11,987,691.49    | 12,276,089.92    |
| Net assets                                  | 3,437,692,308.59 | 3,009,669,556.63 |
| Less: minority's equity                     | 146,277,271.77   | 107,829,368.11   |
| Net assets obtained                         | 3,291,415,036.82 | 2,901,840,188.52 |

Contingent liability of the combined party bear during combination:

Other explanation

### 3. Reverse purchase

Basic transaction information, basis of counter purchase, whether making up business due to the assets and liability reserved by listed company and basis, determination of combination cost, amount and calculation on adjusted equity by equity transaction

### 4. Disposal Subsidiary

Whether there is a subsidiary disposal on one time, which is loss control of rights

Yes No

Whether there is a subsidiary disposal by steps through multiple trading and loss control of rights in the period

Yes No

### 5. Other reasons for consolidation range changed

Consolidation scope changes caused by other reasons (eg, newly establish subsidiaries, liquidate subsidiaries, etc.) and the related circumstances:

According to the Company's wholly-owned subsidiary SZCG signed the "Master Agreement on Major Asset Restructuring of State-owned Assets and Related Equity of Shenzhen Cereals Group Co., Ltd." and the "Agreement on the Free Transfer of State-owned Assets of Zhanjiang Haitian Aquatic Feed Co., Ltd." with Fude Capital, in the current period, the Company transferred its 90% equity of Zhanjiang Haitian Aquatic Feed Co., Ltd. to Fude Capital free of charge. After transfer, Zhanjiang Haitian Aquatic Feed Co., Ltd will not included in consolidate scope any more.

## 6. Other

## 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         | Wholesale business                                 | 100.00%             |            | Establishment |
| Hangzhou Ju Fang Yong                | Hangzhou             | Hangzhou         | Comprehensive                                      | 100.00%             |            | Establishment |
| Shenbao Technology Center            | Shenzhen             | Shenzhen         | Development, consultant and transfer of technology | 100.00%             |            | Establishment |
| Fuhaitang Ecological                 | Hangzhou             | Hangzhou         | Tea planting, production and sales                 |                     | 100.00%    | Acquisition   |
| Chunshi Network                      | Hangzhou             | Hangzhou         | Wholesale business                                 |                     | 100.00%    | Establishment |
| Shenshenbao Investment               | Shenzhen             | Shenzhen         | Investment management                              | 100.00%             |            | Establishment |
| Shenshenbao Tea Culture              | Shenzhen             | Shenzhen         | Commerce                                           |                     | 100.00%    | Establishment |



|                              |          |          |                                                 |         |         |               |
|------------------------------|----------|----------|-------------------------------------------------|---------|---------|---------------|
| Ju Fang Yong Trading         | Hangzhou | Hangzhou | Wholesale business                              |         | 60.00%  | Establishment |
| Yunnan Supply Chain          | Pu'er    | Pu'er    | Wholesale business                              | 100.00% |         | Establishment |
| Huizhou Shenbao Food         | Shenzhen | Shenzhen | Wholesale business                              | 100.00% |         | Establishment |
| Shenbao Rock Tea             | Wuyishan | Wuyishan | Manufacturing                                   | 100.00% |         | Establishment |
| Pu'er Tea Trading Center     | Pu'er    | Pu'er    | Service industry                                | 55.00%  |         | Establishment |
| Shenbao Tea-Shop             | Shenzhen | Shenzhen | Commerce                                        |         | 100.00% | Establishment |
| Fuhaitang Catering           | Hangzhou | Hangzhou | Catering                                        |         | 100.00% | Establishment |
| SZCG                         | Shenzhen | Shenzhen | Grain & oil trading                             | 100.00% |         | Control       |
| Shenzhen Flour               | Shenzhen | Shenzhen | Flour processing                                | 100.00% |         | Control       |
| Hualian Grain & oil trading  | Shenzhen | Shenzhen | Grain & oil trading                             | 100.00% |         | Control       |
| Hainan Haitian               | Haikou   | Haikou   | Feed production                                 | 51.00%  | 49.00%  | Control       |
| SZCG Quality Inspection      | Shenzhen | Shenzhen | Inspection                                      | 100.00% |         | Control       |
| SZCG Doximi                  | Shenzhen | Shenzhen | E-commerce                                      | 100.00% |         | Control       |
| SZCG Cold-Chain Logistic     | Shenzhen | Shenzhen | Fresh food management on-line                   | 100.00% |         | Control       |
| SZCG Big Kitchen             | Shenzhen | Shenzhen | Sales and processing of grain ,oil and products | 70.00%  |         | Control       |
| SZCG Real Estate Development | Shenzhen | Shenzhen | Real estate development and property management | 100.00% |         | Control       |
| SZCG Property                | Shenzhen | Shenzhen | Property management                             |         | 100.00% | Control       |

|                                      |              |              |                                                                             |         |        |         |
|--------------------------------------|--------------|--------------|-----------------------------------------------------------------------------|---------|--------|---------|
| SZCG Storage (Yingkou)               | Yingkou      | Yingkou      | Storage                                                                     | 100.00% |        | Control |
| Dongguan Logistics                   | Dongguan     | Dongguan     | Storage, logistics                                                          | 51.00%  |        | Control |
| Dongguan Food Industrial Park        | Dongguan     | Dongguan     | Port operation, food production                                             |         | 51.00% | Control |
| Dongguan Food Trade                  | Dongguan     | Dongguan     | Food production                                                             |         | 51.00% | Control |
| Dongguan Golden                      | Dongguan     | Dongguan     | Feed, biofertilizer                                                         |         | 51.00% | Control |
| Shuangyashan SZCG Zhongxin           | Shuangyashan | Shuangyashan | Construction of food base and development of related complementary facility | 51.00%  |        | Control |
| Hongxinglong Nongken Industrial Park | Shuangyashan | Shuangyashan | Construction of food base and development of related complementary facility |         | 51.00% | Control |

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

Basis for controlling the invested entity with half or below voting rights held and without controlling invested entity but with over half and over voting rights:

Major structured entity included in consolidate statement:

Basis of termination of agent or consignior:

Other explanation

## (2) Important non-wholly-owned subsidiary

RMB/CNY

| Subsidiary         | Share-holding ratio of minority | Gains/losses attributable to minority in the Period | Dividend announced to distribute for minority in the Period | Ending equity of minority |
|--------------------|---------------------------------|-----------------------------------------------------|-------------------------------------------------------------|---------------------------|
| Dongguan Logistics | 49.00%                          | 14,683,652.64                                       |                                                             | 130,536,444.85            |

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

Other explanation

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

RMB/CNY

| Subsidiary         | Ending balance |                    |                  |                   |                       |                  | Opening balance |                    |                  |                   |                       |                  |
|--------------------|----------------|--------------------|------------------|-------------------|-----------------------|------------------|-----------------|--------------------|------------------|-------------------|-----------------------|------------------|
|                    | Current assets | Non-current assets | Total assets     | Current liability | Non-current liability | Total liability  | Current assets  | Non-current assets | Total assets     | Current liability | Non-current liability | Total liability  |
| Dongguan Logistics | 634,938,480.46 | 920,908,724.11     | 1,555,847,204.57 | 679,025,611.19    | 610,420,685.53        | 1,289,446,296.72 | 536,661,737.83  | 791,383,307.99     | 1,328,045,045.82 | 855,485,584.89    | 286,125,191.12        | 1,141,610,776.01 |

RMB/CNY

| Subsidiary         | Current Period   |               |                            |                                   | Last Period      |               |                            |                                   |
|--------------------|------------------|---------------|----------------------------|-----------------------------------|------------------|---------------|----------------------------|-----------------------------------|
|                    | Operating income | Net profit    | Total comprehensive income | Cash flow from operation activity | Operating income | Net profit    | Total comprehensive income | Cash flow from operation activity |
| Dongguan Logistics | 2,067,066,711.86 | 29,966,638.04 | 29,966,638.04              | 225,829,600.00                    | 2,102,238,819.75 | 11,063,614.89 | 11,063,614.89              | -287,996,900.00                   |

Other explanation

**(4) Significant restrictions on the use of enterprise group assets and pay off debts of the enterprise group**

**(5) Financial or other supporting offers to the structured entity included in consolidated financial statement range**

Other explanation

**2. Transaction that has owners equity shares changed in subsidiary but still with controlling rights**

**(1) Owners equity shares changed in subsidiary**

**(2) Impact on minority's interest and owners' equity attributable to parent company**

RMB/CNY

|  |  |
|--|--|
|  |  |
|--|--|

Other explanation

### 3. Equity in joint venture and associated enterprise

#### (1) Important joint venture or associated enterprise

| Joint venture or Associated enterprise                                                     | Main operation place | Registered place | Business nature                                     | Share-holding ratio |            | Accounting treatment on investment for joint venture and associated enterprise |
|--------------------------------------------------------------------------------------------|----------------------|------------------|-----------------------------------------------------|---------------------|------------|--------------------------------------------------------------------------------|
|                                                                                            |                      |                  |                                                     | Directly            | Indirectly |                                                                                |
| Zhuhai Hengxing Feed Industrial Co., Ltd.                                                  | Zhuhai               | Zhuhai           | Aquatic fee and animal fee                          | 40.00%              |            | Equity                                                                         |
| Shenzhen Duoxi Equity Investment Fund Management Co., Ltd.                                 | Shenzhen             | Shenzhen         | Trusted equity investment fund                      | 35.00%              |            | Equity                                                                         |
| Shenzhen Shenyuan Data Tech. Co., Ltd                                                      | Shenzhen             | Shenzhen         | Design for information system, software development |                     | 40.00%     | Equity                                                                         |
| SZCG Intelligent Wulian Equity Investment Fund (Shenzhen) Partnership Enterprise (Limited) | Shenzhen             | Shenzhen         | Equity investment; investment consultant            | 49.02%              |            | Equity                                                                         |
| Changzhou Shenbao Chacang E-commerce Co., Ltd.                                             | Changzhou            | Changzhou        | Manufacturing                                       | 33.00%              |            | Equity                                                                         |
| Huizhou Shenbao Manan                                                                      | Huizhou              | Huizhou          | Manufacturing                                       |                     | 51.00%     | Equity                                                                         |

|                                                        |           |           |          |  |        |        |
|--------------------------------------------------------|-----------|-----------|----------|--|--------|--------|
| Biotechnology Co., Ltd                                 |           |           |          |  |        |        |
| Shenzhen Shichumingmen Restaurant Management Co., Ltd. | Shenzhen  | Shenzhen  | Catering |  | 51.00% | Equity |
| Guangzhou Shenbao Mendao Tea Co., Ltd                  | Guangzhou | Guangzhou | Retail   |  | 45.00% | Equity |

Holding shares ratio different from the voting right ratio:

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

## (2) Main financial information of the important joint venture

RMB/CNY

|  | Ending balance/Current Period | Opening balance/Last Period |
|--|-------------------------------|-----------------------------|
|  |                               |                             |

Other explanation

## (3) Main financial information of the important associated enterprise

RMB/CNY

|                                                   | Ending balance/Current Period | Opening balance/Last Period |
|---------------------------------------------------|-------------------------------|-----------------------------|
|                                                   |                               |                             |
| Book value of equity investment in joint ventures | 70,999,666.81                 | 35,755,171.55               |
| Net profit                                        | -5,048,075.35                 | -3,327,706.12               |
| Total comprehensive income                        | -5,048,075.35                 | -3,327,706.12               |

Other explanation

## (4) Financial summary for non-important Joint venture and associated enterprise

RMB/CNY

|                                     | Ending balance/Current Period | Opening balance/Last Period |
|-------------------------------------|-------------------------------|-----------------------------|
| Joint venture                       | --                            | --                          |
| Amount based on share-holding ratio | --                            | --                          |
| Associated enterprise               | --                            | --                          |

|                                     |    |    |
|-------------------------------------|----|----|
| Amount based on share-holding ratio | -- | -- |
|-------------------------------------|----|----|

Other explanation

**(5) Major limitation on capital transfer ability to the Company from joint venture or associated enterprise**

**(6) Excess loss occurred in joint venture or associated enterprise**

RMB/CNY

| Joint venture/Associated enterprise                    | Cumulative un-recognized losses | Un-recognized losses not recognized in the Period (or net profit enjoyed in the Period) | Cumulative un-recognized losses at period-end |
|--------------------------------------------------------|---------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------|
| Changzhou Shenbao Chacang E-commerce Co., Ltd.         | 8,115,908.90                    | 252,041.17                                                                              | 8,367,950.07                                  |
| Shenzhen Shichumingmen Restaurant Management Co., Ltd. | 2,939,544.23                    | 551,607.08                                                                              | 3,491,151.31                                  |

Other explanation

**(7) Unconfirmed commitment with joint venture investment concerned**

No commitment that need to disclosed

**(8) Intangible liability with joint venture or affiliates investment concerned**

No contingency that need to disclosed

**4. Major conduct joint operation**

| Name | Main place of operation | Registration place | Business nature | Shareholding ratio/ shares enjoyed |             |
|------|-------------------------|--------------------|-----------------|------------------------------------|-------------|
|      |                         |                    |                 | Directly                           | In-directly |

Share-holding ratio or shares enjoyed different from voting right ratio:

If the co-runs entity is the separate entity, basis of the co-runs classification

Other explanation

**5. Structured body excluding in consolidate financial statement**

Explanation:

## 6. Other

### 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.

#### (i) Credit risk

Credit risk refers to the risk of financial loss caused by the failure of the counterparty to perform its contractual obligations. 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 31<sup>st</sup> December 2018, the top five client's account receivable takes 34.20% in total account receivable of the Company

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 except for the guarantee for financial carried in Note XI.

#### (ii) 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.

**(iii) Market risk****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 reporting period, the Company did not sign any forward exchange contract or monetary exchange contract.

**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.

**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**

RMB/CNY

| Item                                                                                              | Ending fair value |              |             |              |
|---------------------------------------------------------------------------------------------------|-------------------|--------------|-------------|--------------|
|                                                                                                   | First-order       | Second-order | Third-order | Total        |
| I. Sustaining measured by fair value                                                              | --                | --           | --          | --           |
| (1) Financial assets measured by fair value and with variation reckoned into current gains/losses | 1,124,927.96      |              |             | 1,124,927.96 |
| (2) Equity investment                                                                             | 1,124,927.96      |              |             | 1,124,927.96 |
| II. Non-persistent                                                                                | --                | --           | --          | --           |



|         |  |  |  |  |
|---------|--|--|--|--|
| measure |  |  |  |  |
|---------|--|--|--|--|

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

**3. Valuation technique and qualitative and quantitative information on major parameters for the fair value measure sustaining and non-persistent on second-order**

**4. Valuation technique and qualitative and quantitative information on major parameters for the fair value measure sustaining and non-persistent on third-order**

**5. Adjustment information and sensitivity analysis of unobservable parameters for the fair value measure sustaining and non-persistent on third-order**

**6. Sustaining items measured by fair value, as for the conversion between at all levels, reasons for conversion and policy for conversion time point**

**7. Changes of valuation technique in the Period**

**8. Financial assets and liability not measured by fair value**

**9. Other**

**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 Fude State-owned Capital Operation Co., Ltd. | 深圳市                | Investing in industry, development, operation and management of the own property | 500 million        | 63.79%                               | 63.79%                               |

Explanation on parent company of the enterprise

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

Approved by the resolution of the 15<sup>th</sup> meeting of the Ninth Board of Directors of the Company on March 23, 2018, the resolution of the 17<sup>th</sup> meeting of the Ninth Board of Directors on June 8, 2018, the resolution of the first extraordinary shareholders meeting of the company in 2018 on June 27, 2018, and the resolution of the 22<sup>nd</sup> meeting of the Ninth Board of Directors on September 6, 2018, and approved by the Reply to the Approval for Shenzhen Shenbao Industrial Co., Ltd. to Issue Shares to Shenzhen Fude State-owned Capital Operation Co., Ltd. to Purchase Assets CJXK [2018] No. 1610 issued by China Securities Regulatory Commission on October 10, 2018, the Company issued 655,752,951 shares of restricted common stock to Fude Capital, and Fude Capital subscribed the issued shares by its 100% stake in SZCG, the newly issued shares had a par value of RMB 1 per share, and the issue price per share was RMB 8.96, after the issuance, the share capital of the Company was changed to RMB 1,152,535,254.00. The change of share capital was

verified by Jonten Certified Public Accountants (limited liability partnership) who issued the capital verification report Jonten [2018] YZ No. 90066 on October 22, 2018.

Other explanation

## 2. Subsidiary

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

## 3. Joint venture and associated enterprise

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

| Joint venture/Associated enterprise | Relationship |
|-------------------------------------|--------------|
|-------------------------------------|--------------|

Other explanation

## 4. Other related party

| Other related party                                                               | Relationship with the Enterprise                                                |
|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Shenzhen Agricultural Products Co., Ltd                                           | Shareholder of the Company, Controlled by the ultimate controlling party        |
| Zhanjiang Haitian Aquatic Feed Co., Ltd                                           | Controlled by the ultimate controlling party                                    |
| Dongguan Fruit and Vegetable Non-staple Food Market Co., Ltd                      | Minority shareholder of controlling subsidiary                                  |
| Taizhong Agricultural Co., Ltd                                                    | Controlled by the ultimate controlling party                                    |
| Shenzhen Investment Management Co., Ltd                                           | Former shareholder of the Company, Controlled by the ultimate controlling party |
| Shenzhen Investment Holding Co., Ltd                                              | Former shareholder of the Company, Controlled by the ultimate controlling party |
| Fujian Wuyishan Yuxing Tea Co., Ltd*1                                             | Minority shareholder of former controlling subsidiary                           |
| Shenzhen Fruits and Vegetables Trading Co., Ltd                                   | Wholly-owned subsidiary of Shenzhen Agricultural Products Co., Ltd              |
| Shenzhen Higreen International Agricultural Products Logistic Management Co., Ltd | Controlling subsidiary of Shenzhen Agricultural Products Co., Ltd               |
| Zhanjiang Changshan (Shenzhen) Ecological Aquaculture Co., Ltd                    | Has the same parent company                                                     |
| Shenzhen Yixin Investment Co., Ltd                                                | Controlled by the ultimate controlling party                                    |

Other explanation

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.

## 5. Related transaction

### (1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

RMB/CNY

| Related party         | Related transaction content | Current Period | Approved transaction limit | Whether more than the transaction limit | Last period |
|-----------------------|-----------------------------|----------------|----------------------------|-----------------------------------------|-------------|
| Shichumingmen Company | Purchase of tea products    |                |                            |                                         | 927.50      |

Goods sold/labor service providing

RMB/CNY

| Related party                                                                     | Related transaction content  | Current Period | Last Period |
|-----------------------------------------------------------------------------------|------------------------------|----------------|-------------|
| Shenzhen Agricultural Products Co., Ltd                                           | Sales of tea                 |                | 48,028.38   |
| Shichumingmen Company                                                             | Income from activity service |                | 39,105.00   |
| Shichumingmen Company                                                             | Sales of tea products        | 246.15         | 11,222.23   |
| Shenzhen Fruits and Vegetables Trading Co., Ltd                                   | Sales of tea                 |                | 2,794.87    |
| Shenzhen Higreen International Agricultural Products Logistic Management Co., Ltd | Sales of tea                 |                | 13,974.36   |

Explanation on goods purchasing, labor service providing and receiving

### (2) Related trusteeship management/contract & entrust management/ outsourcing

Trusteeship management/contract:

RMB/CNY

| Client/Contract-out party | Commissioned party/Contractor | Type of assets | Starting date | Maturity date | Pricing principle for earnings | Earnings recognized in the period |
|---------------------------|-------------------------------|----------------|---------------|---------------|--------------------------------|-----------------------------------|
|---------------------------|-------------------------------|----------------|---------------|---------------|--------------------------------|-----------------------------------|

Explanation on related trusteeship management/contract

Entrust management/outsourcing

RMB/CNY

| Client/Contract-out party | Commissioned party/Contractor | Type of assets | Starting date | Maturity date | Pricing principle for earnings | Earnings recognized in the period |
|---------------------------|-------------------------------|----------------|---------------|---------------|--------------------------------|-----------------------------------|
|---------------------------|-------------------------------|----------------|---------------|---------------|--------------------------------|-----------------------------------|

Explanation on related entrust management/outsourcing

### (3) Related lease

As a lessor for the Company:

RMB/CNY

| Lessee                | Assets type     | Lease income in recognized in the Period | Lease income in recognized last the Period |
|-----------------------|-----------------|------------------------------------------|--------------------------------------------|
| Shichumingmen Company | Management site | 1,006,451.61                             | 819,000.00                                 |

As lessee:

RMB/CNY

| Lesser                                                | Assets type       | Lease income in recognized in the Period | Lease income in recognized last the Period |
|-------------------------------------------------------|-------------------|------------------------------------------|--------------------------------------------|
| Shenzhen Investment Holding Co., Ltd                  | Management site   | 2,311,760.06                             | 1,880,242.71                               |
| Shenzhen Fude State-owned Capital Operation Co., Ltd. | Warehouse leasing | 28,434,200.00                            | 7,108,550.00                               |
| Shenzhen Fude State-owned Capital Operation Co., Ltd. | Venue of working  | 345,210.00                               | 0.00                                       |

Explanation on related lease

Shenzhen Shenbao Tea Culture Business Management Co., Ltd., a subsidiary of the company, subleased 5 A-Block, 02-Floor and 02-Room shops in the Software Industry Base of Keyuan Road, Nanshan District, Shenzhen City, which it rented to Shenzhen Investment Holding Co., Ltd. to the company's joint venture Eating-out Company. This year's rental income is 1,006,451.61 yuan, and the pricing of related transactions. Based on the market price.

① Shenzhen Investment Holding Co., Ltd. rented out some of its shops locate at the first and second floors, Tower A, Building 5, Software Industry Base, Keyuan Road, Nanshan District, Shenzhen to the Company's second-tier subsidiary, Shenzhen Shenbao Tea Culture Business Management Co., Ltd., the annual rental fee of 2018 was 2,311,760.06 yuan, and the pricing of related transactions was based on the market price.

② For details of the warehouse leases between the Company and Fude Capital, please refer to Note XIV (i).

③ Fude Capital rented out Room 3001-3065 of third floor and 5008-5009 of fifth floor of the main building and three storeys of darkrooms of Grain Building located at Nanfang No. 656, Hubei Road, Luohu District, Shenzhen and Room 2303 located at Building C, World Trade Plaza, No. 9, Fuhong Road, Futian Street to the Company's second-tier subsidiaries, SZCG Real Estate and SZCG Property as office use, the lease period is from August 1, 2018 to July 31, 2019, the rents are 56,394.00 yuan/month and 12,648.00 yuan/month respectively.

**(4) Related guarantee**

As guarantor

RMB/CNY

| Secured party    | Guarantee amount | Guarantee start date | Guarantee expiry date                                                                                                  | Whether the guarantee has been fulfilled |
|------------------|------------------|----------------------|------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| Shenbao Huacheng | 30,000,000.00    | 2018-07-26           | Two years after the expiration of the term of performance of each specific credited obligation under the main contract | N                                        |

As secured party

RMB/CNY

| Guarantor                                                    | Guarantee amount | Guarantee start date | Guarantee expiry date   | Whether the guarantee has been fulfilled |
|--------------------------------------------------------------|------------------|----------------------|-------------------------|------------------------------------------|
| Dongguan Fruit and Vegetable Non-staple Food Market Co., Ltd | 14,700,000.00    | 2017-06-08           | No later than 2019-4-11 | N                                        |
| Dongguan Fruit and Vegetable Non-staple Food Market Co., Ltd | 53,571,310.66    | 2016-12-27           | 2021-12-27              | N                                        |
| Dongguan Fruit and Vegetable Non-staple Food Market Co., Ltd | 138,955,864.84   | 2018-7-27            | 2032-08-29              | N                                        |

Related guarantee note

According to the “Comprehensive Credit Line Contract” numbered as PY (SZ) ZZ No. A237201707130001 signed by Shenbao Huacheng, a subsidiary of the Company, with Ping An Bank, Shenzhen Branch on July 27, 2017, Ping An Bank, Shenzhen Branch provided a comprehensive credit line of RMB 30 million to the subsidiary of the Company, Shenbao Huacheng, the time limit of the comprehensive credit limit was within 12 months from the effective date of the contract. In order to ensure that all claims under this comprehensive credit limit can be repaid, the Company has provided a maximum guarantee with guarantee amount of RMB 30,000,000.00. Except for the guarantee amount, other interests, interest and interest penalty, and other claims charges are also guaranteed, and the guarantee period is from July 26, 2018 to the end of the two-year period from the expiration date for debt performance of each specific credit line under the master contract.

Dongguan Logistics, a subsidiary of the Company, signed a liquidity loan contract “Yue DG 2017NJZ No.5” with Bank of Communications Co., Ltd., Dongguan Branch. According to the contract, the Bank of Communications Dongguan Branch provided a circulating loan amount of RMB 30 million to Dongguan Logistics, and the borrowing

rate is 5.22%, the length of maturity for each loan under the contract is no longer than 12 months, and the maturity date of all loans is no later than April 11, 2019. Shenzhen Cereals Group and Dongguan Fruit Vegetable Non-staple Food Market Co., Ltd. provide the guarantee with maximum amount for the loan, the maximum amount of claims guaranteed by the guarantors was respectively RMB 15.30 million and RMB 14.70 million. The guarantee period shall be calculated according to the maturity period of each principal obligation stipulated in the principal contract (under the bank acceptance draft/letter of credit/letter of guarantee, according to the date of advance payment by creditors). The guarantee period under each principal obligation shall be two years after the expiration date of the performance period of the obligation (or the date of advance payment by the creditor) and the expiration date (or the date of advance payment by the creditor) of the final maturity of the principal obligation under all the principal contracts.

3. According to the bank credit contract of credit No. CN11002181808-160714-SCDGTML2 signed by Dongguan Logistics, a subsidiary of the Company, and HSBC, HSBC will provide a loan credit of not exceeding 200 million yuan to Dongguan Logistics, the applicable interest rate for each loan at each interest period is 90% of the central bank loan benchmark interest rate applicable on the fixed interest date of the interest period, the borrowing date is from December 27, 2016 to December 27, 2021. As of December 31, 2018, the balance of the loan principal achieved by Dongguan Logistics from HSBC was 109,329,205.42 yuan, and the Company's subsidiaries, SZCG and Dongguan Fruit Vegetable Non-staple Food Trading Market Co., Ltd., provided joint liability guarantee for the loans, the amount guaranteed by Dongguan Fruit Vegetable Non-staple Food Trading Market Co., Ltd. was 53,571,310.66 yuan, and the amount guaranteed by SZCG was 55,757,894.76 yuan.

4. According to the loan contract "Yue DG 2017 NGDZ No. 006" signed by Dongguan Food Industry Park, a subsidiary of the Company, and Bank of Communications Dongguan Branch, the current loan principal is respectively RMB 49.80 million, RMB 3,783,400, RMB 30 million and RMB 200 million, the loan period is from September 27, 2018 to August 29, 2032. The loan interest rate of RMB 200 million is calculated by the benchmark interest rate for loan of the People's Bank of China on the loan entry date, which is 4.90%; the other three are calculated by the benchmark interest rate of the People's Bank of China on the loan entry date after rising by 15%, which is 5.635%. The Company's subsidiaries, SZCG and Dongguan Fruit Vegetable Non-staple Food Trading Market Co., Ltd., provide joint liability guarantee for the loans, the amount guaranteed by Dongguan Fruit Vegetable Non-staple Food Trading Market Co., Ltd. is 138,955,864.84 yuan, and the amount guaranteed by SZCG is 144,627,532.80 yuan.

(1) Guarantees between subsidiaries of the Company

RMB

| Guarantor        | Name of the Company guaranteed | Guarantee amount | Guarantee start date | Guarantee expiry date   | Whether the guarantee has been fulfilled | Note   |
|------------------|--------------------------------|------------------|----------------------|-------------------------|------------------------------------------|--------|
| Shenzhen Cereals | Dongguan SZCG                  | 15,300,000.00    | 2017-6-8             | No later than 2019-4-11 | N                                        | Note 1 |

| Guarantor                       | Name of the Company guaranteed                                    | Guarantee amount | Guarantee start date | Guarantee expiry date | Whether the guarantee has been fulfilled | Note   |
|---------------------------------|-------------------------------------------------------------------|------------------|----------------------|-----------------------|------------------------------------------|--------|
| Group Co., Ltd                  | Logistics Co., Ltd.                                               |                  |                      |                       |                                          |        |
| Shenzhen Cereals Group Co., Ltd | Dongguan SZCG Logistics Co., Ltd.                                 | 30,000,000.00    | 2018-6-8             | 2019-6-7              | N                                        | Note 2 |
| Shenzhen Cereals Group Co., Ltd | Dongguan SZCG Logistics Co., Ltd.                                 | 55,757,894.76    | 2016-12-27           | 2021-12-26            | N                                        | Note 3 |
| Shenzhen Cereals Group Co., Ltd | Dongguan SZCG Logistics Co., Ltd.                                 | 178,865,982.39   | 2015-7-31            | 2023-7-12             | N                                        | Note 4 |
| Shenzhen Cereals Group Co., Ltd | Dongguan International Food Industrial Park Development Co., Ltd. | 144,627,532.80   | 2018-7-27            | 2032-8-29             | N                                        | Note 5 |
| Total                           |                                                                   | 424,551,409.95   |                      |                       |                                          |        |

Note 1: Details are given in Notes 11 (5) and 5 (2) of the audit report. Note 2: According to the letter number CN11002181808/160714 signed by Shenzhen Cereals Group Co., Ltd, Shenzhen Flour Co., Ltd, Dongguan SZCG Logistics Co., Ltd, Shenzhen Hualian Grain & Oil Trade Co., Ltd., SZCG Doximi Business Co., Ltd., SZCG Big Kitchen Food Supply Chain Co., Ltd and HSBC Bank, as well as the letter granting review and amendment contract CN11002181808-170727, Dongguan SZCG Logistics Co., Ltd has obtained a loan balance of 30million yuan from HSBC Bank. It is guaranteed by Shenzhen Cereals Group Co., Ltd., a subsidiary of our company.

Note 3: Detailed explanations can be found in Notes 11 (5) and 5 (2) of the audit report.

Note 4: According to the contract No. 440300-2015 (Shenzhen) 0023 signed by Dongguan SZCG Logistics Co., Ltd, a subsidiary of the company, and the Agricultural Development Bank of China, the total amount of loans under the contract is 273 million yuan, with an annual interest rate of 5.4%. When the benchmark interest rate of loans of the People's Bank of China is adjusted, the loan date is adjusted annually from July 13, 2015 to July 12, 2023. The loan is guaranteed by Shenzhen Cereals Group Co., Ltd, a subsidiary of the company. The guarantee period shall be two years from the date of the expiration of the debt performance period agreed upon in the main contract.

Note 5: Detailed explanations can be found in Notes 11 (5) and 5 (2) of the audit report, note 3.

## (5) Related party's borrowed funds

RMB/CNY

| Related party | Borrowing amount | Starting date | Maturity date | Note |
|---------------|------------------|---------------|---------------|------|
| Borrowing     |                  |               |               |      |
| Lending       |                  |               |               |      |

**(6) Related party's assets transfer and debt reorganization**

RMB/CNY

| Related party | Related transaction content | Current Period | Last Period |
|---------------|-----------------------------|----------------|-------------|
|---------------|-----------------------------|----------------|-------------|

**(7) Remuneration of key manager**

RMB/CNY

| Item | Current Period | Last Period |
|------|----------------|-------------|
|------|----------------|-------------|

**(8) Other related transaction****1.Related party's borrowed funds****(1) Lending funds to related party**

As a shareholder of Shi Chu Ming Men Company, the Company and the other shareholder of Shi Chu Ming Men Company, Shenzhen Gongfu Baiwei Investment Co., Ltd., jointly borrowed capital of RMB 2,316,274.51 from Shi Chu Ming Men Company in accordance with their respective shareholding ratios. The Company has deducted the principal amount of RMB 1,180,000.00. As of December 31, 2018, the principal balance of the Company was RMB 1,180,000.00, and the accumulated interest on the loan was RMB 138,373.80.

**2.Other related transaction****(1) Equity transfer**

According to the resolutions of the fifteenth meeting of the ninth session of the board of directors, the seventeenth meeting of the ninth board of directors, the twenty-second meeting of the ninth board of directors of the Company and the resolution of the first extraordinary general meeting of 2018, the Company purchased 100% equity of SZCG held by Fude Capital by issuing shares to it (the number of shares issued was 655,752,951 shares and the issue price was RMB 8.96 per share). Prior to this transaction, Fude Capital was the controlling shareholder of the Company and SZCG, and the actual controller of the Company and SZCG was the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government. Therefore, this transaction constituted a related transactions.

**(2) Other**

| Type                 | Related party | Current Period | Last Period  | Note |
|----------------------|---------------|----------------|--------------|------|
| Diverstiture profits | Fude Capital  | 11,912,956.78  | 6,014,906.08 |      |
| Total                |               | 11,912,956.78  | 6,014,906.08 |      |



According to the major asset restructuring agreement on the Company's issuance of shares to purchase 100% equity of SZCG, the "General Agreement on Major Asset Restructuring of Shenzhen Cereals Group Co., Ltd." and the "Agreement on Free Transfer of Real Estate Assets and Equity of Shenzhen Cereals Group Co., Ltd." signed by SZCG and Fude Capital on June 6, 2018, SZCG would transfer part of the assets with flaws in property rights to Fude Capital free of charge, the profits and losses of these assets (from October 1, 2017 to Stripping Day) were 17,927,862.86 yuan, the Company was required to pay the equity of this part to Fude Capital according to the agreement.

## 6. Receivable and payable of related party

### (1) receivable item

RMB/CNY

| Projects                 | Related party                           | Ending balance |                    | Opening balance |                    |
|--------------------------|-----------------------------------------|----------------|--------------------|-----------------|--------------------|
|                          |                                         | Book balance   | Bad debt provision | Book balance    | Bad debt provision |
| Other account receivable | Shenzhen Yixin Investment Co., Ltd      | 10,431,232.87  | 5,215,616.44       | 10,431,232.87   |                    |
| Other account receivable | Changzhou Shenbao Chacang Co.,          | 20,413,947.34  | 17,819,381.02      | 19,977,283.01   | 9,071,148.72       |
| Other account receivable | Shichumingmen Company                   | 1,429,898.28   | 275,978.87         | 1,870,811.75    | 53,585.30          |
| Other account receivable | Shenzhen Agricultural Products Co., Ltd |                |                    | 1,060.00        | 159.00             |
| Other account receivable | Shenzhen Investment Holding Co., Ltd    | 433,469.10     |                    | 319,129.94      | 31,743.34          |

### (2) payable item

RMB/CNY

| Projects              | Related party                                         | Ending book balance | Opening book balance |
|-----------------------|-------------------------------------------------------|---------------------|----------------------|
| Dividend payable      | Shenzhen Investment Management Co., Ltd               | 2,690,970.14        | 2,690,970.14         |
| Other account payable | Huizhou Shenbao Manan Biotechnology Co., Ltd          | 1,131,864.44        |                      |
| Other account payable | Shenzhen Fruits and Vegetables Trading Co., Ltd       | 245,714.59          |                      |
| Other account payable | Shenzhen Fude State-owned Capital Operation Co., Ltd. | 53,470,612.86       | 13,123,456.08        |

|                       |                                                                |              |              |
|-----------------------|----------------------------------------------------------------|--------------|--------------|
| Other account payable | Shenzhen Duoxi Equity Investment Fund Management Co., Ltd.     | 41,486.00    |              |
| Other account payable | Zhanjiang Changshan (Shenzhen) Ecological Aquaculture Co., Ltd | 7,967,662.50 | 7,946,370.83 |
| Other account payable | Shichumingmen Company                                          | 184,275.00   |              |
| Other account payable | Shenzhen Nongdimei Investment Management Co., Ltd              |              | 1,478,800.00 |
| Other account payable | Shenzhen Investment Management Co., Ltd                        | 3,510,297.20 | 3,510,297.20 |

## 7. Related party commitment

### 8. Other

As the shareholder of Changzhou Shenbao Chacang Company with 33 percent shares held, the advance money for Changzhou Shenbao Chacang Company in previous years, ended as 31<sup>st</sup> December 2018, balance of other account receivable amounted as 20,413,947.34 yuan, bad debt provision accrual independently amounted as 17,819,381.02 yuan, book value of other account receivable amounted as 2,594,566.32 yuan.

## XIII. Share-based payment

### 1. Overall situation of share-based payment

Applicable Not applicable

### 2. Share-based payment settled by equity

Applicable Not applicable

### 3. Share-based payment settled by cash

Applicable Not applicable

#### 4. Modification and termination of share-based payment

#### 5. Other

### XIV. Commitment or contingency

#### 1. Important commitments

##### (i) Important commitments

The Company has no important commitments that need to be disclosed up to 31<sup>st</sup> December 2018

#### 2. Contingency

##### (1) Contingency on balance sheet date

##### (ii) Contingency on balance sheet date

##### Contingencies arising from pending litigation or arbitration and its financial impact

(1) Disputes over the loan contracts between Changzhou Shenbao Chacang E-commerce Co., Ltd., the Company and Shenzhen Agricultural Products Financing Guarantee Co., Ltd.

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 the second instance 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) Contract disputes between the Company’s subsidiaries, Wuyishan Shenbao Rock Tea Co., Ltd. (hereinafter referred to as Wuyishan Rock Tea Company) and Hangzhou Jufangyong Holdings Co., Ltd. (hereinafter referred to as Jufangyong Company), and Wuyishan Jiuxing Tea Co., Ltd. (hereinafter referred to as Jiuxing Company), Fujian Wuyishan Yuxing Tea Co., Ltd. (hereinafter referred to as Yuxing Company), Xingjiu Tea Co., Ltd., Chen Yuxing, Chen Guopeng

On September 22, 2017, Jufangyong Company, Xingjiu Tea Co., Ltd., Yuxing Company, Chen Yuxing and Chen Guopeng signed an “Formal Agreement on the Separation of Fujian Wuyishan Shenbao Yuxing Tea Co., Ltd.”, according to the separation agreement: the original Shenbao Yuxing Company was separated, after the separation, Jufangyong Company held 100% equity of the newly established company (i.e. Shenbao Rock Tea Company), and Yuxing Company and Xingjiu Tea Company jointly held 100% equity of the surviving company (Jiuxing Company); Shenbao Rock Tea Company got receivables of RMB 7,273,774.01, which was guaranteed by Jiuxing Company to achieve RMB 2 million within one year after separation and the remaining amount would be returned within 2 years. Chen Yuxing and Chen Guopeng, as the actual controllers of Jiuxing Company, Yuxing Company and Xingjiu Tea Company, assumed joint responsibility for the joint guarantee to Shenbao Rock Tea Company and Jufangyong Company for all the obligations and responsibilities stipulated in the “Separation Agreement”.

As of September 22, 2018, the time limit stipulated in the “Separation Agreement” for the realization of four receivables had expired, and Shenbao Rock Tea Company still had 5,212,301.40 yuan unrecovered. On December 6, 2018, Shenbao Rock Tea Company and Hangzhou Jufangyong Company applied for arbitration to Shenzhen Court of International Arbitration (Shenzhen Arbitration Commission) for the above matters, and requested Jiuxing Company to pay RMB 5,272,934.01 to Shenbao Rock Tea Company, and requested Yuxing Company, Xingjiu Tea Company, Chen Yuxing and Chen Guopeng to assume joint liability. As of the date of approval of the financial statement, Shenzhen Arbitration Commission has not yet determined the arbitrator and the date of the trial. As of December 31, 2018, the Company accumulatively accrued 3,458,370.94 yuan of bad debts provision.

#### (3) Disputes on mung bean business between Shenzhen Cereals Group and Jilin Tongyu County Shengda Company

In August 2007, Shenzhen Cereals Group and Tongyu County Shengda Grain and Oil Trading Co., Ltd. (hereinafter referred to as Shengda Company) signed the “Mung Bean Entrusted Acquisition, Processing and Storage Contract”, from October 2007 to May 2008, totally 4,918.00 tons of mung beans were acquired, the Company paid payment for goods of 30 million yuan. According to the contract, after the completion of the entrusted acquisition, Shengda Company has the obligations to assist in the sale of goods and buy-back. Shengda Company did not fully fulfill its obligations, and Shenzhen Cereals Group also carried out various forms of collection. In September 2010, Shenzhen Cereals Group sued Shengda Company for repayment of its arrears and interest. The two parties reached an accommodation during the court trial, and Futian District People’s Court of Shenzhen issued a “Paper of Civil Mediation”, but Shengda Company did not fully fulfill the repayment obligation, Shenzhen Cereals Group has applied to the court for enforcement. As of December 31, 2018, the book receivables amounted to RMB 5,602,468.81, and the execution of remaining funds has large uncertainties. The Company has fully made provision for bad debts of RMB 5,602,468.81.

#### (4) Contract disputes between Flour Company and Shenzhen Fujin Food Industry Co., Ltd.

On May 31, 2013, Shenzhen Fujin Food Industry Co., Ltd. (hereinafter referred to as Fujin Company) signed a “Purchases and Sales Contract” with Flour Company, agreed that Flour Company would supply the moon cake tailored flour and the tailored wheatmeal for cakes and pastries to Fujin Company. Later, Fujin Company sued Flour Company, it said that the lipase (a processing aid) in the flour supplied by Flour Company to Fujin Company was active, causing the “acid value” of the moon cakes and fillings made from it exceed the food safety standards, which

caused huge losses to Fujin Company, so it advocated that Flour Company should bear the corresponding liability for compensation, and compensate for the property loss of Fujin Company of 9,784,485.55 yuan; the litigation costs should be borne by Flour Company.

On November 29, 2014, the Nanshan District People's Court of Shenzhen made the first-instance judgment ([2014] SNFMYCZ No.45), and considered that Fujin Company failed to prove that its so-called problem product with too high "acid value" was caused by the lipase activity of the flour supplied by Flour Company, it has not been proven that the raw materials of the problem food were supplied by Flour Company; secondly, the relevant standards of the Ministry of Health allow the addition of active lipase to the flour raw material, therefore, the court ruled that all claims of Shenzhen Fujin Food Industry Co., Ltd. were rejected.

On June 5, 2015, the Shenzhen Intermediate People's Court made a ruling ([2015] SZFMZZ No. 563), considering that the court of first instance could not find out what standards should be applied to the quality of the flour products involved in the case, nor could it found that the obligation to remove processing aids in flour should be attributed to the flour supplier or the food producer. Therefore, the civil judgment [2014] SNFMYCZ No.45 was revoked and sent back to the Nanshan District People's Court for retrial.

As of December 31, 2018, the case was still in the first instance stage of retrial, and the court has not yet made a retrial judgment.

(5) Contract disputes among Shenzhen Cereals Group, Hualian Grain and Oil, Guangzhou Jinhe Feed Co., Ltd. and Huangxianning Import Agent

From October 2005 to January 2007, Shenzhen Cereals Group, Hualian Grain and Oil, and Guangzhou Jinhe Feed Co., Ltd. (hereinafter referred to as Guangzhou Jinhe Company) signed 20 "Import Agent Contracts", agreed that Shenzhen Cereals Group and Hualian Grain and Oil agent Guangzhou Jinhe Company to import Peruvian fishmeal. In August 2007, Hualian Grain and Oil, Guangzhou Jinhe Company and Huangxianning signed the "Guarantee Contract", agreed that Huangxianning would guarantee that all payables of Guangzhou Jinhe Company under the trade contracts signed by Hualian Grain and Oil and Guangzhou Jinhe Company would be paid on time. Later, due to Guangzhou Jinhe Company's insufficient payment of goods and import agency fees, Shenzhen Cereals Group and Hualian Grain and Oil filed a lawsuit to Futian District People's Court of Shenzhen.

On February 16, 2015, the Futian District People's Court of Shenzhen made the first-instance judgment ([2014] SFFMECZ No. 786), and sentenced Guangzhou Jinhe Company to pay RMB 10,237,385.74 to Shenzhen Cereals Group and Hualian Grain and Oil, and bear the case acceptance fee of 83,224.00 yuan; Huangxianning does not need to bear the joint and several liability.

As Guangzhou Jinhe Company refused to accept the above first-instance judgment, it lodged an appeal to the Shenzhen Intermediate People's Court, claiming that the prosecution of Shenzhen Cereals Group and Hualian Grain and Oil had exceeded the time limit for litigation. On March 30, 2017, the Shenzhen Intermediate People's Court made the second-instance judgment (Civil Judgment [2015] SZFSZZ No.1767), and the judgment rejected Guangzhou Jinhe Company's appeal and upheld the original judgment.

The case is still in enforcement, and the other party has not paid any money, Shenzhen Cereals Group has made

provision for bad debts in proportion to 100% of the accounts receivable of 10,455,600 yuan of Guangzhou Jinhe Company.

According to the Letter of Commitment of Shenzhen Fude State-owned Capital Operation Co., Ltd.. concerning the pending lawsuit of Shenzhen Cereals Group Co., Ltd., Shenzhen Fude State-owned Capital Operation Co., Ltd.. will make any claim, compensation, loss or expenditure to Shenzhen Fude State-owned Capital Operation Co., Ltd. for the dispute between Shenzhen Cereals Group Co., Ltd. and its holding subsidiaries over the contract for international sale of soybeans with Guangzhou Jinhe Co., Ltd. and Huangxianning Import Agent, Shenzhen Fude State-owned Capital Operation Co., Ltd will undertake the compensation or loss caused by the lawsuit on behalf of Shenzhen Fude State-owned Capital Operation Co., Ltd.

#### (6) Contract disputes between Hualian Grain and Oil Company and Zhuhai Doumen Huabi Feed Factory

On December 9, 2004, Hualian Grain and Oil Company signed a purchases and sales contract with Zhuhai Doumen Huabi Feed Factory to sell 2,000.00 tons of corn, with payment for goods of 2,396,300 yuan, but the payment has not been taken back. In April 2005, Hualian Grain and Oil Company discovered that Zhuhai Doumen Huabi Feed Factory had basically stopped production and the goods were transferred, the legal representative, Liang Dongxing, had fled. On July 2, 2005, the public security organ arrested Liang Dongxing. Hualian Company has prosecuted him and won in the lawsuit, and the lawsuit has been settled and in enforcement.

As of December 31, 2018, Hualian Grain and Oil Company had received RMB 2,396,300 from Zhuhai Doumen Huabi Feed Factory, Hualian Grain and Oil Company had made 100% of bad debt provision for this amount.

#### (7) Contract disputes between Hualian Grain and Oil Company and Foshan Huaxing Feed Factory

In August and October 2007, Hualian Grain and Oil Company sold goods to Foshan City Shunde District Huaxing Feed Factory, and received a total of 2,958,600 yuan of commercial acceptance bills. Due to the company's overdue payment, Hualian Grain and Oil Company filed a lawsuit with the People's Court of Shunde District, Foshan City on October 29, 2007, requesting Foshan City Shunde District Huaxing Feed Factory to repay the payment for goods and pay the corresponding interests. From June to July 2011, totally took back the company's bankruptcy property settlement of 1,638,900 yuan. As of December 31, 2018, Hualian Grain and Oil Company had receivables of RMB 1,319,700 from Foshan City Shunde District Huaxing Feed Factory, and it had made 100% of bad debt provision for this amount.

#### (8) Contract disputes on the international sales transactions of soybeans between Shenzhen Cereals Group and Noble Resources Pte. Ltd,

##### 1. Main facts of the case

On March 3, 2004, Shenzhen Cereals Group and Noble Resources Pte. Ltd. (hereinafter referred to as Noble Company) signed a contract stipulating that Shenzhen Cereals Group Co., Ltd. would purchase 55,000 tons of Argentine or Brazilian soybeans from Noble Company under CFR conditions. .

On May 10, 2004, the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) issued a notice that a shipload of Brazilian soybeans exported to Xiamen, China by Noble Company in April 2004 was found to be mixed with seed-coating soybeans, thus Noble Company was suspended to export Brazilian soybeans to China.

On June 25, 2004, after the cargo ship arrived in Qingdao Port, the cargo was inspected by Qingdao Commodity Inspection and Quarantine Bureau who found the cargo contained seed-coating soybeans, and the cargo was sealed up according to law.

On July 22, 2004, the two parties signed a supplementary agreement on the above-mentioned soybean sales contract, stipulating that the demurrage incurred as the cargo could not be unloaded due to seed-coating soybeans shall be borne by Noble Company, and agreed that the disputes under the contract shall be governed by Chinese courts according to Chinese law.

### ② Arbitration application of Noble Company

In July 2004, Noble Company submitted the case to the Hong Kong International Arbitration Center for arbitration, requesting Shenzhen Cereals Group Co., Ltd. to undertake cargo ship detainment, Hong Kong demurrage, loss contingencies, and so on, totaling seven claims. Shenzhen Cereals Group Co., Ltd. filed a jurisdictional objection, the Hong Kong International Arbitration Center ruled on December 14, 2006 that two claims have the right of jurisdiction, i.e. demurrage of Noble ship in Hong Kong and loss contingencies, other claims were rejected.

In July 2011, Noble Company applied to Shenzhen Intermediate People's Court for enforcement of extraterritorial effective ruling. On March 30, 2015, Shenzhen Intermediate People's Court made a civil ruling ([2011] SZFMSCZ No. 270), ruling that as the soybean sales contract supplemental agreement signed by the two parties agreed that the demurrage incurred as the cargo could not be unloaded due to seed-coating soybeans shall be borne by Noble Company and agreed that the disputes under the contract shall be governed by Chinese courts according to Chinese law, Hong Kong International Arbitration Center has no jurisdiction over the case, therefore the application for enforcement of Noble Company was rejected.

On September 3, 2014, Noble Company submitted the "Application for Further Claims Arbitration" to the Hong Kong International Arbitration Center, requesting Shenzhen Cereals Group Co., Ltd. to pay Noble Company US\$7.45 million in compensation for the freighter's lessor - Bunge Limited, and the corresponding litigation and arbitration fee.

On November 1, 2016, the arbitrator of Hong Kong International Arbitration Center wrote to Noble Company, requesting it to initiate the arbitration at the end of 2016, otherwise, the arbitral tribunal will take measures to close the case, but so far, Noble Company has not initiated arbitration.

### ③ Case progress

At present, the arbitration of the "Request for Further Claims Arbitration" submitted by Noble Company to the Hong Kong International Arbitration Center due to the above-mentioned soybean sales contract is suspended.

According to the Letter of Commitment of Shenzhen Fude State-owned Capital Operation Co., Ltd. concerning the

pending lawsuit of Shenzhen Cereals Group Co., Ltd., Shenzhen Fude State-owned Capital Operation Co., Ltd. will make any claim, compensation, loss or expenditure to Shenzhen Fude State-owned Capital Operation Co., Ltd. for the dispute between Shenzhen Cereals Group Co., Ltd. and its holding subsidiaries over the contract for international sale of soybeans with Noble Resources Pte. Ltd, Shenzhen Fude State-owned Capital Operation Co., Ltd will undertake the compensation or loss caused by the lawsuit on behalf of Shenzhen Fude State-owned Capital Operation Co., Ltd.

(9) Contract disputes between Shenzhen Cereals Group and Beijing Zhongwang Food Co., Ltd.

On August 22, 2007, Beijing Zhongwang Food Co., Ltd. defaulted on the payment for goods of 1,911,200.00 yuan to Shenzhen Cereals Group. Beijing Zhongwang Food Co., Ltd. was in bankruptcy proceedings, Shenzhen Cereals Group has reported claims and interests of 2,473,400 yuan to the bankruptcy administrator, and the confirmed ordinary creditor's rights are 2,128,300 yuan. It is estimated that the bankruptcy property repayment amount is about 50,000 yuan, as the specific amount of losses still cannot be estimated, Shenzhen Cereals Group has made provision for bad debts of 1,873,886.58 yuan at a 100% ratio.

## 2. Contingency arising from the provision of external debt guarantee and their impacts on financial

The guarantee for related parties found more in the (v) of Note XI

Ended as 31<sup>st</sup> December 2018, the Company has no guarantees provided for non-related parties

**3. Except for the above mentioned contingency, up to 31<sup>st</sup> December 2018, the Company has no other major contingency that should be disclosed**

**(2) If the Company has no important contingency need to disclosed, explain reasons**

**3. Other**

## XV. Events after balance sheet date

### 1. Important non adjustment matters

RMB/CNY

| Item | Content | Impact on financial status and operation results | Reasons of fails to estimate the impact |
|------|---------|--------------------------------------------------|-----------------------------------------|
|      |         |                                                  |                                         |

### 2. Profit distribution

RMB/CNY



**3. Sales return**

**4. Other events after balance sheet date**

**XVI. Other important events**

**1. Previous accounting errors collection**

**(1) Retrospective restatement**

RMB/CNY

| Content | Treatment procedure | Items impact during vary comparative period | Accumulated impact |
|---------|---------------------|---------------------------------------------|--------------------|
|---------|---------------------|---------------------------------------------|--------------------|

**(2) Prospective application**

| Content | Approval procedure | Reasons |
|---------|--------------------|---------|
|---------|--------------------|---------|

**2. Debt restructuring**

**3. Assets exchange**

**(1) Exchange of non-monetary assets**

**(2) Other assets exchange**

**4. Pension plan**

**5. Discontinuing operation**

RMB/CNY

| Item | Revenue | Expenses | Total profit | Income tax expenses | Net profit | Profit of discontinuing operation attributable to owners of parent company |
|------|---------|----------|--------------|---------------------|------------|----------------------------------------------------------------------------|
|------|---------|----------|--------------|---------------------|------------|----------------------------------------------------------------------------|

Other explanation

## 6. Segment

### (1) Recognition basis and accounting policy for reportable segment

### (2) Financial information for reportable segment

RMB/CNY

| Item |  | Offset between segment | Total |
|------|--|------------------------|-------|
|------|--|------------------------|-------|

**(3)The Company has no segment, or unable to disclose total assets and liability of the segment, explain reasons**

### (4) Other explanation

## 7.Other major transaction and events makes influence on investor’s decision

## 8. Other

### (1) Leasing matters of Pinghu Grain Depot

Pinghu Grain Depot was invested and established by the Shenzhen Municipal People’s Government, the Shenzhen Municipal People’s Government entrusted SZCG, the Company’s wholly-owned subsidiary, as the construction unit and user unit, its property rights belong to the Shenzhen Municipal People’s Government and are handed over to the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People’s Government (hereinafter referred to as Shenzhen SASAC). Pinghu Grain Depot was put into construction in 2007 and completed in 2009 with a construction area of 95,476.77 square meters, of which the construction area of storage facilities is 90,671.13 square meters, the construction area of ancillary facilities is 1,582.06 square meters, and the construction area of storage management buildings is 3,223.58 square meters. The Company’s wholly-owned subsidiary, Shenzhen Cereals Group, has been using Pinghu Grain Depot for free. On January 18, 2018, the General Office of the Shenzhen Municipal People’s Government and the relevant departments held a meeting on the land disposal of Shenzhen Cereals Group, the meeting agreed that Pinghu Grain Depot was invested and established by the Shenzhen Municipal People’s Government and is the main platform for the government storage grain. According to the “Notice on Relevant Issues Concerning the Construction of Urban Grain Reserve Depots” (SFB [2005] No. 155), its property rights are held by Shenzhen SASAC on behalf of Shenzhen Municipal People’s Government. According to the resolutions of the relevant meeting of the General Office of the Shenzhen Municipal People’s Government, Pinghu Grain Depot was not included in the assets of the Company’s major asset restructuring, but after the completion of the final settlement of the Pinghu Grain Depot, Shenzhen Cereals Group and the owner of Pinghu Grain Depot(or its authorized unit) should sign a long-term rental agreement at the market fair and just rental price, and Shenzhen Cereals Group continued to use the house property.

Controlling shareholder Fude Capital has made the commitment to the Company as: If SZCG needs to make a supplementary payment for the rent before assessment basis date (30<sup>th</sup> September 2017) to the property right unit of Pinghu Grain Depot (or its authorized unit), the total amount of the rent and other related charges and expenses

shall be borne by the Fude Capital. therefore, SZCG did not recognized relevant rental on 30 September 2017 and before

As an asset management unit entrusted by State-owned Assets Supervision and Administration Commission of Shenzhen, Fude Capital signed the “Overall Rental Agreement of Shenzhen Grain Reserve Depot (i.e. “Pinghu Grain Depot”)” with Shenzhen Cereals Group on October 17, 2018, the lease term is from October 1, 2017 to December 31, 2019, it was agreed to pay an annual total rent of RMB 28,434,000 based on market prices. Since October 1, 2017, the Company has accrued the rental costs of Pinghu Grain Depot for September-December 2017 and 2018 in accordance with the agreed rental price. At the same time, the Company has confirmed the income from grain and oil storage services between October 1, 2017 and December 31, 2018 according to the storage service fee standard for externally rented warehouses, which increased the company’s 2017 annual grain and oil storage service income of RMB 6,774,030.00, and increased the company’s 2018 annual grain and oil storage service income of RMB 26,445,279.00.

**(ii) Pension plan**

Main content of pension plan and major changes can be found in relevant explanation of Wages payable- Defined contribution plans in 21 of Note VI

**XVII. Principle notes of financial statements of parent company**

**1. Note receivable and account receivable**

RMB/CNY

| Item               | Ending balance | Opening balance |
|--------------------|----------------|-----------------|
| Account receivable | 42,441,119.07  | 53,950,930.37   |
| Total              | 42,441,119.07  | 53,950,930.37   |

**(1) Note receivable**

1)Category of note receivable

RMB/CNY

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
|      |                |                 |

2)Note receivable pledge at end of the Period

RMB/CNY

| Item | Amount pledge at period-end |
|------|-----------------------------|
|      |                             |

3)Note receivable which has endorsed or discounted at period-end without due on balance sheet date yet

RMB/CNY

| Item | Amount derecognition at period-end | Amount not derecognition at period-end |
|------|------------------------------------|----------------------------------------|
|      |                                    |                                        |

**4)The notes transferred to account receivable because the drawer has failed to perform the contract at period-end**

RMB/CNY

| Item | Amount transfer to account receivable at period-end |
|------|-----------------------------------------------------|
|------|-----------------------------------------------------|

Other explanation

**(2) Account receivable**

1)Category of account receivable

RMB/CNY

| Category                                                                                      | Ending balance |         |                    |               |               | Opening balance |         |                    |               |               |
|-----------------------------------------------------------------------------------------------|----------------|---------|--------------------|---------------|---------------|-----------------|---------|--------------------|---------------|---------------|
|                                                                                               | Book balance   |         | Bad debt provision |               | Book value    | Book balance    |         | Bad debt provision |               | Book value    |
|                                                                                               | Amount         | Ratio   | Amount             | Accrual Ratio |               | Amount          | Ratio   | Amount             | Accrual Ratio |               |
| Account receivable withdrawal bad debt provision by group of credit risk characteristics      | 42,869,954.13  | 99.93%  | 428,835.06         | 1.00%         | 42,441,119.07 | 53,950,930.37   | 99.95%  |                    |               | 53,950,930.37 |
| Account receivable with single minor amount but withdrawal bad debt provision for single item | 28,453.08      | 0.07%   | 28,453.08          | 100.00%       |               | 28,453.08       | 0.05%   | 28,453.08          | 100.00%       |               |
| Total                                                                                         | 42,898,407.21  | 100.00% | 457,288.14         | 1.07%         | 42,441,119.07 | 53,979,383.45   | 100.00% | 28,453.08          | 0.05%         | 53,950,930.37 |

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

Applicable Not applicable

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

Applicable Not applicable

RMB/CNY

| Account age                 | Ending balance     |                    |               |
|-----------------------------|--------------------|--------------------|---------------|
|                             | Account receivable | Bad debt provision | Accrual Ratio |
| Subitem of within one year  |                    |                    |               |
| Subtotal of within one year | 42,869,954.13      | 428,835.06         | 1.00%         |

|       |               |            |       |
|-------|---------------|------------|-------|
| Total | 42,869,954.13 | 428,835.06 | 1.00% |
|-------|---------------|------------|-------|

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 reversed

Accrual bad debt provision 428,835.06 Yuan; collected or reversed Yuan.

Including major amount collected or reversed in the period:

RMB/CNY

| Enterprise | Amount collected or switch back | Collection way |
|------------|---------------------------------|----------------|
|------------|---------------------------------|----------------|

3)Receivables actually charge off during the reporting period

RMB/CNY

| Item | Amount charge off |
|------|-------------------|
|------|-------------------|

Important receivables charge-off

RMB/CNY

| Enterprise | Nature of account receivable | Amount charge off | Cause of charge-off | Charge-off procedures | Resulted by related transaction (Y/N) |
|------------|------------------------------|-------------------|---------------------|-----------------------|---------------------------------------|
|------------|------------------------------|-------------------|---------------------|-----------------------|---------------------------------------|

Explanation:

4)Top 5 receivables at ending balance by arrears party

| Enterprise                              | Ending balance | Proportion in total receivables at ending balance(%) | Bad debt provision accrual |
|-----------------------------------------|----------------|------------------------------------------------------|----------------------------|
| Shanghai Yihe Food Technology Co., Ltd. | 12,589,370.00  | 29.35                                                | 125,893.70                 |
| Xiangpiao Food Co., Ltd.                | 5,271,399.00   | 12.29                                                | 52,713.99                  |
| Hohhot Yihe Xingye Trading Co., Ltd.    | 4,439,226.61   | 10.35                                                | 44,392.27                  |
| Unilever (China) Co., Ltd.              | 3,884,634.00   | 9.06                                                 | 38,846.34                  |
| Shenzhen Yichong Trading Co., Ltd.      | 2,301,665.00   | 5.37                                                 | 23,016.65                  |
| Total                                   | 28,486,294.61  | 66.42                                                | 284,862.95                 |

5)Account receivable derecognition due to financial assets transfer

6)The amount of assets/liabilities that is transferred and continues to be involved

Other explanation

## 2. Other account receivable

RMB/CNY

| Item                     | Ending balance | Opening balance |
|--------------------------|----------------|-----------------|
| Other account receivable | 159,677,969.59 | 163,404,561.75  |
| Total                    | 159,677,969.59 | 163,404,561.75  |

### (1) Interest receivable

#### 1) Category of interest receivable

RMB/CNY

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
|------|----------------|-----------------|

#### 2) Major overdue interest

RMB/CNY

| Borrower | Ending balance | Overdue time | Overdue reason | Whether has impairment occurred and judgment basis |
|----------|----------------|--------------|----------------|----------------------------------------------------|
|----------|----------------|--------------|----------------|----------------------------------------------------|

Other explanation

### (2) Dividend receivable

#### 1) Dividend receivable

RMB/CNY

| Item(or invested enterprise) | Ending balance | Opening balance |
|------------------------------|----------------|-----------------|
|------------------------------|----------------|-----------------|

#### 2) Major dividend receivable with over one year in account age

RMB/CNY

| Item(or invested enterprise) | Ending balance | Account age | Cause of un-collectible | Whether has impairment occurred and judgment basis |
|------------------------------|----------------|-------------|-------------------------|----------------------------------------------------|
|------------------------------|----------------|-------------|-------------------------|----------------------------------------------------|

Other explanation

### (3) Other account receivable

#### 1) Category of other account receivable

RMB/CNY

| Category                      | Ending 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 | 19,783,947.34  | 10.83% | 17,315,381.02      | 87.52%        | 2,468,566.32 | 19,347,283      | 10.87% | 9,008,148.72       | 46.56%        | 10,339,134.29 |

|                                                                                                     |                |         |               |         |                |                |         |               |         |                |
|-----------------------------------------------------------------------------------------------------|----------------|---------|---------------|---------|----------------|----------------|---------|---------------|---------|----------------|
| single major amount and withdrawal bad debt provision for single item                               |                |         |               |         |                | .01            |         |               |         |                |
| Other account receivable withdrawal bad debt provision by group of credit risk characteristics      | 157,286,825.40 | 86.08%  | 77,422.13     | 0.05%   | 157,209,403.27 | 153,106,793.92 | 86.05%  | 41,366.46     | 0.03%   | 153,065,427.46 |
| Other account receivable with single minor amount but withdrawal bad debt provision for single item | 5,641,249.52   | 3.09%   | 5,641,249.52  | 100.00% |                | 5,472,398.91   | 3.08%   | 5,472,398.91  | 100.00% |                |
| Total                                                                                               | 182,712,022.26 | 100.00% | 23,034,052.67 | 12.61%  | 159,677,969.59 | 177,926,475.84 | 100.00% | 14,521,914.09 | 8.16%   | 163,404,561.75 |

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

√Applicable □Not applicable

RMB/CNY

| Other account receivable (by enterprise)                                                                     | Ending balance           |                    |               |                                                                                                                           |
|--------------------------------------------------------------------------------------------------------------|--------------------------|--------------------|---------------|---------------------------------------------------------------------------------------------------------------------------|
|                                                                                                              | Other account receivable | Bad debt provision | Accrual Ratio | Accrual causes                                                                                                            |
| Changzhou Shenbao Chacang E-commerce Co., Ltd. (hereinafter referred to as "Changzhou Shenbao Chacang Co.,") | 19,783,947.34            | 17,315,381.02      | 87.52%        | Allowance for bad debt provision based on the difference between the current value of future cash flow and its book value |
| Total                                                                                                        | 19,783,947.34            | 17,315,381.02      | --            | --                                                                                                                        |

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

√Applicable □Not applicable

RMB/CNY

| Account age                | Ending balance           |                    |               |
|----------------------------|--------------------------|--------------------|---------------|
|                            | Other account receivable | Bad debt provision | Accrual Ratio |
| Subitem of within one year |                          |                    |               |

|                             |            |           |        |
|-----------------------------|------------|-----------|--------|
| Subtotal of within one year | 192,272.87 | 1,922.73  | 1.00%  |
| 1-2 years                   | 69,491.56  | 7,068.20  | 10.17% |
| Over 5 years                | 85,539.00  | 68,431.20 | 80.00% |
| Total                       | 347,303.43 | 77,422.13 | 22.00% |

Explanation on combination determines:

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 8,513,195.75 Yuan; collected or reversed 1,057.17 Yuan.

Including major amount collected or reversed in the period:

RMB/CNY

| Enterprise | Amount switch back or collected | Collection way |
|------------|---------------------------------|----------------|
|------------|---------------------------------|----------------|

3)Other receivables actually charge-off during the reporting period

RMB/CNY

| Item | Amount charge off |
|------|-------------------|
|------|-------------------|

Major other receivables charge-off

RMB/CNY

| Enterprise | Nature of other account receivable | Amount charge off | Cause of charge-off | Charge-off procedures | Resulted by related transaction (Y/N) |
|------------|------------------------------------|-------------------|---------------------|-----------------------|---------------------------------------|
|------------|------------------------------------|-------------------|---------------------|-----------------------|---------------------------------------|

Notes on verification of other receivables:

4) Other receivables by nature

RMB/CNY

| Nature                      | Ending book balance | Opening book balance |
|-----------------------------|---------------------|----------------------|
| Margin and deposit          | 119,089.00          | 265,665.63           |
| Export tax rebate           | 312,364.06          | 733,709.16           |
| Intercourse funds and other | 182,280,569.20      | 176,927,101.05       |
| Total                       | 182,712,022.26      | 177,926,475.84       |

5)Top 5 other receivables at ending balance by arrears party

RMB/CNY

| Enterprise | Nature | Ending balance | Account age | Ratio in total ending balance of other receivables | Ending balance of bad debt reserve |
|------------|--------|----------------|-------------|----------------------------------------------------|------------------------------------|
|------------|--------|----------------|-------------|----------------------------------------------------|------------------------------------|



|                                                                |                   |                |                 |        |               |
|----------------------------------------------------------------|-------------------|----------------|-----------------|--------|---------------|
| Huizhou Shenbao Science & Technology Co., Ltd.                 | Intercourse funds | 118,400,009.26 | Within one year | 64.80% |               |
| Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd. | Intercourse funds | 26,190,645.20  | Within one year | 14.33% |               |
| Shenzhen Shenbao Labor Service Company                         | Intercourse funds | 2,107,109.09   | Over 3 years    | 1.15%  | 2,107,109.09  |
| Changzhou Shenbao Chacang Co.,                                 | Intercourse funds | 19,783,947.34  | Over 3 years    | 10.83% | 17,315,381.02 |
| Shenzhen Shenbao Technology Center Co., Ltd.                   | Intercourse funds | 10,987,963.15  | Within one year | 5.60%  |               |
| <b>Total</b>                                                   | --                | 177,469,674.04 | --              | 96.71% | 19,422,490.11 |

6)Account receivable with government subsidy involved

RMB/CNY

| Enterprise | Government grants | Ending balance | Ending account age | Time, amount and basis for collection predicted |
|------------|-------------------|----------------|--------------------|-------------------------------------------------|
|------------|-------------------|----------------|--------------------|-------------------------------------------------|

7)Other receivable for termination of confirmation due to the transfer of financial assets

8)The amount of assets and liabilities that are transferred other receivable and continued to be involved

Other explanation

### 3. Long-term equity investment

RMB/CNY

| Item                                        | Ending balance   |                       |                  | Opening balance |                       |                |
|---------------------------------------------|------------------|-----------------------|------------------|-----------------|-----------------------|----------------|
|                                             | Book balance     | Depreciation reserves | Book value       | Book balance    | Depreciation reserves | Book value     |
| Investment for subsidiary                   | 4,208,728,337.66 |                       | 4,208,728,337.66 | 917,313,300.84  |                       | 917,313,300.84 |
| Investment for associates and joint venture | 6,753,354.23     | 2,927,628.53          | 3,825,725.70     | 7,121,310.06    | 2,927,628.53          | 4,193,681.53   |
| <b>Total</b>                                | 4,215,481,691.89 | 2,927,628.53          | 4,212,554,063.36 | 924,434,610.90  | 2,927,628.53          | 921,506,982.37 |

**(1) Investment for subsidiary**

RMB/CNY

| The invested entity                  | Opening balance       | Current increased       | Current decreased | Ending balance          | Current impairment accrual | Ending balance of depreciation reserves |
|--------------------------------------|-----------------------|-------------------------|-------------------|-------------------------|----------------------------|-----------------------------------------|
| Shenbao Properties                   | 2,550,000.00          |                         |                   | 2,550,000.00            |                            |                                         |
| Shenbao Industrial & Trading         | 5,500,000.00          |                         |                   | 5,500,000.00            |                            |                                         |
| Shenbao Sanjing                      | 80,520,842.36         |                         |                   | 80,520,842.36           |                            |                                         |
| Shenbao Huacheng                     | 168,551,781.80        |                         |                   | 168,551,781.80          |                            |                                         |
| Huizhou Shenbao Science & Technology | 60,000,000.00         |                         |                   | 60,000,000.00           |                            |                                         |
| Wuyuan Ju Fang Yong                  | 280,404,134.35        |                         |                   | 280,404,134.35          |                            |                                         |
| Hangzhou Ju Fang Yong                | 176,906,952.42        |                         |                   | 176,906,952.42          |                            |                                         |
| Shenbao Technology Center            | 54,676,764.11         |                         |                   | 54,676,764.11           |                            |                                         |
| Shenshenbao Investment               | 50,000,000.00         |                         |                   | 50,000,000.00           |                            |                                         |
| Yunnan Supply Chain                  | 20,000,000.00         |                         |                   | 20,000,000.00           |                            |                                         |
| Pu'er Tea Trading Center             | 18,202,825.80         |                         |                   | 18,202,825.80           |                            |                                         |
| SZCG                                 |                       | 3,291,415,036.82        |                   | 3,291,415,036.82        |                            |                                         |
| <b>Total</b>                         | <b>917,313,300.84</b> | <b>3,291,415,036.82</b> |                   | <b>4,208,728,337.66</b> |                            |                                         |

**(2) Investment for associates and joint venture**

RMB/CNY

| investm | Openin | Current changes (+,-) | Ending | Ending |
|---------|--------|-----------------------|--------|--------|
|---------|--------|-----------------------|--------|--------|

| ent<br>compan<br>y                                                             | g<br>balance     | Additio<br>nal<br>investm<br>ent | Capital<br>reducti<br>on | Investm<br>ent<br>gains<br>recogni<br>zed<br>under<br>equity | Other<br>compre<br>hensive<br>income<br>adjustm<br>ent | Other<br>equity<br>change | Cash<br>dividen<br>d or<br>profit<br>announ<br>ced to<br>issued | Impair<br>ment<br>accrual | Other | balance          | balance<br>of<br>depreci<br>ation<br>reserve<br>s |
|--------------------------------------------------------------------------------|------------------|----------------------------------|--------------------------|--------------------------------------------------------------|--------------------------------------------------------|---------------------------|-----------------------------------------------------------------|---------------------------|-------|------------------|---------------------------------------------------|
| I. Joint venture                                                               |                  |                                  |                          |                                                              |                                                        |                           |                                                                 |                           |       |                  |                                                   |
| II. Associated enterprise                                                      |                  |                                  |                          |                                                              |                                                        |                           |                                                                 |                           |       |                  |                                                   |
| Shenzh<br>en<br>Shenba<br>o<br>(Liaoyu<br>an)<br>Industri<br>al<br>Compa<br>ny | 57,628.<br>53    |                                  |                          |                                                              |                                                        |                           |                                                                 |                           |       | 57,628.<br>53    | 57,628.<br>53                                     |
| Shenzh<br>en<br>Shenba<br>o<br>(Xinmi<br>n)<br>Foods<br>Co.,<br>Ltd            | 2,870,0<br>00.00 |                                  |                          |                                                              |                                                        |                           |                                                                 |                           |       | 2,870,0<br>00.00 | 2,870,0<br>00.00                                  |
| Changz<br>hou<br>Shenba<br>o<br>Chacan<br>g                                    |                  |                                  |                          |                                                              |                                                        |                           |                                                                 |                           |       |                  |                                                   |
| Guangz<br>hou<br>Shenba<br>o<br>Menda<br>o Tea<br>Co.,<br>Ltd.                 | 4,193,6<br>81.53 |                                  |                          | -<br>367,95<br>5.83                                          |                                                        |                           |                                                                 |                           |       | 3,825,7<br>25.70 |                                                   |

|          |         |  |  |        |  |  |  |  |  |         |         |
|----------|---------|--|--|--------|--|--|--|--|--|---------|---------|
| Subtotal | 7,121,3 |  |  | -      |  |  |  |  |  | 6,753,3 | 2,927,6 |
| 1        | 10.06   |  |  | 367,95 |  |  |  |  |  | 54.23   | 28.53   |
|          |         |  |  | 5.83   |  |  |  |  |  |         |         |
| Total    | 7,121,3 |  |  | -      |  |  |  |  |  | 6,753,3 | 2,927,6 |
|          | 10.06   |  |  | 367,95 |  |  |  |  |  | 54.23   | 28.53   |
|          |         |  |  | 5.83   |  |  |  |  |  |         |         |

### (3) Other explanation

## 4. Operating income and operating cost

RMB/CNY

| Item          | Current Period |                | Last Period    |                |
|---------------|----------------|----------------|----------------|----------------|
|               | Income         | Cost           | Income         | Cost           |
| Main business | 165,407,623.24 | 156,886,817.06 | 163,863,447.98 | 154,883,304.80 |
| Total         | 165,407,623.24 | 156,886,817.06 | 163,863,447.98 | 154,883,304.80 |

Other explanation

## 5. Investment earnings

RMB/CNY

| Item                                                  | Current Period | Last Period  |
|-------------------------------------------------------|----------------|--------------|
| Investment income of long-term equity based on equity | -367,955.83    | -306,318.47  |
| Financial products revenue                            | 953,125.00     | 2,706,034.95 |
| Other                                                 | 450,000.00     |              |
| Total                                                 | 1,035,169.17   | 2,399,716.48 |

## 6. Other

## XVIII. Supplementary information

### 1. Current non-recurring gains/losses

√Applicable □Not applicable

RMB/CNY

| Item                                                | Amount       | Statement |
|-----------------------------------------------------|--------------|-----------|
| Gains/losses from the disposal of non-current asset | 1,207,842.88 |           |
| Governmental subsidy calculated into                | 8,311,158.51 |           |

|                                                                                                                                                                                                                                                                                                                                                      |                |    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----|
| 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                                                                                                                                                                                                                                         | 490,289.86     |    |
| Profit and loss of assets delegation on others' investment or management                                                                                                                                                                                                                                                                             | 1,984,446.92   |    |
| Current net gains and losses occurred from period-begin to combination day by subsidiaries resulting from business combination under common control                                                                                                                                                                                                  | 374,880,023.05 |    |
| Held transaction financial asset, gains/losses of changes of fair values from transaction financial liabilities, and investment gains from disposal of transaction financial asset, transaction financial liabilities and financial asset available for sales, exclude the effective hedging business relevant with normal operations of the Company | -474,740.24    |    |
| Other non-operating income and expense other than the above mentioned ones                                                                                                                                                                                                                                                                           | -4,434,126.83  |    |
| Gains/losses satisfied definition of the non-recurring gains/losses                                                                                                                                                                                                                                                                                  | 450,000.00     |    |
| Less: Impact on income tax                                                                                                                                                                                                                                                                                                                           | 3,210,576.33   |    |
| Affect on minority equity                                                                                                                                                                                                                                                                                                                            | 48,116.44      |    |
| Total                                                                                                                                                                                                                                                                                                                                                | 379,156,201.38 | -- |

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. ROE and earnings per share

| Profits during report period | Weighted average ROE | Earnings per share        |                             |
|------------------------------|----------------------|---------------------------|-----------------------------|
|                              |                      | Basic EPS<br>(Yuan/share) | Diluted EPS<br>(Yuan/share) |
|                              |                      |                           |                             |

|                                                                                                              |        |         |         |
|--------------------------------------------------------------------------------------------------------------|--------|---------|---------|
| Net profits belong to common stock stockholders of the Company                                               | 7.70%  | 0.2675  | 0.2675  |
| Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses | -1.77% | -0.0615 | -0.0615 |

### 3. 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

RMB/CNY

|                                                              | Net profit     |                | Net assets       |                  |
|--------------------------------------------------------------|----------------|----------------|------------------|------------------|
|                                                              | Current Period | Last Period    | Ending balance   | Opening balance  |
| Chinese GAAP                                                 | 308,331,032.44 | 359,174,263.44 | 4,172,502,535.11 | 3,848,760,765.85 |
| Items and amount adjusted by IAS                             |                |                |                  |                  |
| Adjustment for other payable fund of stock market regulation |                |                | 1,067,000.00     | 1,067,000.00     |
| IAS                                                          | 308,331,032.44 | 359,174,263.44 | 4,173,569,535.11 | 3,849,827,765.85 |

#### (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

#### (3) Explanation on data differences under the accounting standards in and out of China; as for the differences adjustment audited by foreign auditing institute, listed name of the institute

### 4. Other

## Section XII. Documents available for Reference

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 2018 Annual Report with signature of the Chairman.