

SHENZHEN CEREALS HOLDINGS CO., LTD.

SEMI-ANNUAL REPORT 2019



August 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 Semi-Annual Report 2019 is authentic, accurate and complete.

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

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

The Company has analyzed the risk factors that the Company may exist and its

countermeasures in the report, investors are advised to pay attention to read “Risks and Countermeasures” in the report of Section IV-Discussion and Analysis of the Operation. This report has been prepared in Chinese and English version respectively. In the event of difference in interpretation between the two versions, Chinese report shall prevail.

The Company plans not to distributed cash dividend, bonus and no capitalizing of common reserves either.

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Paraphrase

| Items | Refers to | Contents |
|--|-----------|---|
| SZCH/Listed Company /the Company | Refers to | Shenzhen Cereals Holdings Co., Ltd. |
| SZCG | Refers to | Shenzhen Cereals Group Co., Ltd |
| Doximi | Refers to | SZCG Doximi Business Co., Ltd. |
| Flour Company | Refers to | Shenzhen Flour Co., Ltd |
| SZCG Quality Inspection | Refers to | SZCG Quality Inspection Co., Ltd. |
| Dongguan Logistics / SZCG Dongguan Logistics | Refers to | SZCG Dongguan Logistics 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 SASAC | Refers to | Shenzhen Municipal People's Government State-owned Assets Supervision & Administration Commission |
| CSRC | Refers to | China Securities Regulation Commission |
| RMB/10 thousand Yuan | Refers to | CNY/ten thousand Yuan |

Section II. Company Profile and Main Financial Indexes

I. Company profile

| | | | |
|--|-----------------------------------|------------|----------------|
| 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 (if applicable) | 深粮控股 | | |
| English name of the Company (if applicable) | SHENZHEN CEREALS HOLDINGS CO.,LTD | | |
| Legal Representative | Zhu Junming | | |

II. Person/Way to contact

| | Secretary of the Board | Rep. of security affairs |
|--------------|--|--|
| Name | Du Jianguo | Chen Kaiyue, Liu Muya |
| 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. | 0755-83778311 | 0755-83778311 |
| E-mail | dujg@slkg1949.com | chenky@slkg1949.com, liumy@slkg1949.com |

III. Others

1. Way of contact

Whether registrations address, offices address and codes as well as website and email of the Company changed in reporting period or not

☒ Applicable ☐ Not applicable

| | |
|---|--|
| Company Registration Address | 8/F, Tower B, No.4 Building, Software Industry Base, South District, Science & Technology Park, Xuefu Rd., Yuehai Street, Nanshan District, Shenzhen |
| Postal Code of Company Registration Address | 518057 |
| Company's Office Address | 13/F, Tower A, World Trade Plaza, No.9 Fuhong Rd., Futian District, Shenzhen |
| Postal Code of the Company's Office Address | 518033 |
| Company Web Site | www.slkg1949.com |
| Company E-mail | szch@slkg1949.com |

| | |
|--|---|
| Query date of the interim notice on designated website (if applicable) | 2019-04-27 |
| Search index of the interim notice on designated website (if applicable) | Found more in the Notice of the Change of Company's Office Address and Contact Information released on Juchao Website (www.cninfo.com.cn) |

2. Information disclosure and preparation place

Whether information disclosure and preparation place changed in reporting period or not

☐ Applicable ☒ Not applicable

The newspaper appointed for information disclosure, website for semi-annual report publish appointed by CSRC and preparation place for semi-annual report have no change in reporting period, found more details in Annual Report 2018.

3. Other relevant information

Whether other relevant information changed during the reporting period

☒ Applicable ☐ Not applicable

(1) On February 18, 2019, the company completed the industrial and commercial registration procedures for the changes of company name, business scope and registered capital, and obtained the Business License renewed by the Shenzhen Market Supervision Administration. The company name was changed from "Shenzhen Shenbao Industrial Co., Ltd." to "Shenzhen Cereals Holdings Co., Ltd."; the business scope newly added grain and oil circulation and grain and oil reserve services businesses such as grain and oil reserves, grain and oil trade, grain and oil processing, etc. based on the original main business of the production, research and development and sales of food raw materials (ingredients) mainly based on deep processing of tea and natural plants; the registered capital was changed from "RMB 496,782,303" to "RMB 1,152,535,254". For details, please refer to the "Announcement of the Company on Completion of Industrial and Commercial Registration for the Changes of Company Name, Business Scope and Registered Capital" disclosed on www.cninfo.com.cn on February 20, 2019.

(2) Applied by the company and approved by the Shenzhen Stock Exchange, the company's securities short name has been changed from "Shenshenbao A, Shenshenbao B" to "SZCH, Shenliang B" since February 28, 2019. For details, please refer to the "Announcement of the Company on Changing the Securities Short Name" disclosed on www.cninfo.com.cn on February 28, 2019.

IV. Main accounting data and financial indexes

Whether information disclosure and preparation place changed in reporting period or not

☒ Yes ☐ No

Reasons for retroactive adjustment or re-statement

Enterprise combined under the same control

| | The Period | Same period of last year | Changes over last |
|--|------------|--------------------------|-------------------|
|--|------------|--------------------------|-------------------|

| | | | | year |
|--|-------------------|-------------------|------------------|-------------------------------|
| | | Before adjustment | After adjustment | After adjustment |
| Operating revenue (RMB) | 4,782,167,732.69 | 136,721,215.40 | 4,434,688,646.82 | 7.84% |
| Net profit attributable to shareholders of the listed Company (RMB) | 203,168,850.61 | -18,246,639.07 | 202,779,343.34 | 0.19% |
| Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses (RMB) | 198,195,100.05 | -18,884,920.69 | -18,884,920.69 | 1,149.49% |
| Net cash flow arising from operating activities (RMB) | -389,429,629.75 | 9,795,470.07 | 52,861,245.30 | -836.70% |
| Basic earnings per share (RMB/Share) | 0.1763 | -0.0367 | 0.1759 | 0.23% |
| Diluted earnings per share (RMB/Share) | 0.1763 | -0.0367 | 0.1759 | 0.23% |
| Weighted average ROE | 4.82% | -1.95% | 5.06% | -0.24% |
| | End of the Period | End of last year | | Changes over end of last year |
| | | Before adjustment | After adjustment | After adjustment |
| Total assets (RMB) | 6,432,513,092.25 | 1,040,484,135.20 | 6,468,951,793.87 | -0.56% |
| Net assets attributable to shareholder of listed Company (RMB) | 4,260,480,115.67 | 928,673,938.26 | 4,172,502,535.11 | 2.11% |

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) | 0.1763 |

V. 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 | Period-end | Period-begin |
| Chinese GAAP | 203,168,850.61 | 202,779,343.34 | 4,260,480,115.67 | 4,172,502,535.11 |
| Items and amount adjusted by IAS | | | | |
| Adjustment for other payable fund of stock market | | | 1,067,000.00 | 1,067,000.00 |

| | | | | |
|------------|----------------|----------------|------------------|------------------|
| regulation | | | | |
| IAS | 203,168,850.61 | 202,779,343.34 | 4,261,547,115.67 | 4,173,569,535.11 |

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

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

☒ Applicable ☐ Not applicable

In RMB

| Item | Amount | Note |
|---|---------------|------|
| Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets) | -4,184.59 | |
| 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) | 5,463,876.60 | |
| Profit and loss of assets delegation on others' investment or management | 3,627,466.27 | |
| 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 trading financial assets and liabilities and financial assets available for sale | 28,381.21 | |
| Switch-back of provision of impairment of account receivable and contract assets which are treated with separate depreciation test | 412,500.00 | |
| Other non-operating income and expenditure except for the aforementioned items | -3,619,767.49 | |
| Less: impact on income tax | 702,095.88 | |
| Impact on minority shareholders' equity (post-tax) | 232,425.56 | |
| Total | 4,973,750.56 | -- |

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 accelerated the service convergence and synergetic development, the main business includes the circulation and service business of grain and oil reserves, trade and processing, and the production, research and development and sales of food raw materials (ingredients) mainly based on deep processing of tea and natural plants.

The grain and oil trade business are 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 providing raw material distribution service to customers such as large traders, feed and flour processing enterprises in the industry ; rice, flour and edible 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 are mainly the processing and sale of flour, rice, cooking oil and other products. The company's flour brands and products 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 "Shenliang Duoxi", "Guzhixiang", "Jinjiayi", "Runxiangliangpin", "Hexiang", "Shenliang Yushuiqing", etc. Cooking oil products include brands such as "Shenliang Duoxi", "Shenliang Fuxi", "Hongli" and "Shenliang Yushuiqing", etc. Shenliang Duoxi Changxiangdao Daohuaxiang Rice was selected as the first batch of "China Good Grain and Oil" products of the National Grain Administration, and it was the only selected product in Guangdong Province. The "Shenliang fish-water friendship" has formed a series of rice, noodles, oil, miscellaneous and special military supplies and military civilian brands.

The grain and oil reserve service business mainly provide 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 assist local food security.

The company 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 Shenliang Dongguan Grain Logistics Nodes Project construction and operation has been steadily advanced, completed storehouse capacity of 320,000 tons (including 20,000 tons of gas film warehouse) and put the 10000-ton wharf berth into production, which achieved 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, processing industry, and market transaction. The subordinate Shenliang Quality Inspection has more than 100 professional equipments, has obtained the qualification certificate of quality inspection organization, and was awarded the “Guangdong Shenzhen National Grain Quality Monitoring Station”. There were more than 4,000 samples tested during the reporting period. The company also provides logistics services and cold chain delivery services to its customers. The above-mentioned integrated services of grain and oil supply chain and distribution is becoming an increasingly important business segment of the company.

The tea business mainly covers deep processing of tea, sales of fine tea, tea life experience, food and beverage, and technology research and development, etc. 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.

II. Major changes in main assets

1. Major changes in main assets

| Major assets | Note of major changes |
|--------------------------|--|
| Equity assets | No major Change |
| Fixed assets | No major Change |
| Intangible assets | No major Change |
| Construction in progress | Investment for node project engineering from Shenliang Dongguan Logistic increased |

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 extended and expanded the development of grain and tea industry chain, deepened corporate reforms and strengthened the core competitive advantages of enterprises by optimizing resource integration. The company stimulated the vitality of the enterprise through innovative implementation of EVA performance appraisal mechanism, promoted the sustainable development of the enterprise through the grain logistics node project, promoted the reform of the grain and oil reserve mechanism by adhering to the marketization direction, and improves the management efficiency by continuously leading the information construction of the domestic grain industry, prevented business risks by perfecting the management and control mode, and accumulated strengths in leapfrog development space by strengthening the corporate culture and talent management, and we have embarked on a sustainable development path of traditional enterprise self-innovation and formed the company's unique competitiveness.

1. Management Efficiency Advantage

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 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 deepened and subdivided its target markets, carried out specialized operations in different areas of the grain and oil food industry chain, embraced the Internet, and gradually built a “trinity” of multilevel product supply network of terminal grain and oil e-commerce, catering and distribution services, and bulk grain and oil trading services. In terms of e-commerce, the company vigorously developed new formats of grain, and actively promoted the development of new grain retail formats such as “Internet

+ Grain” and “Community Automatic Selling Grain Supply Centers”. It has already had the B2C Grain and Oil Network Direct Selling Platform “Doximi .com”, and has opened channels on Tmall, Jingdong Mall and other e-commerce platforms to promote the online and offline deep integration of e-commerce platforms. In terms of catering and distribution, the company has built a one-stop distribution service platform for large-scale terminal customers such as chain catering and canteens of thousands of people. Food and oil trading services, the company builds a grain bulk commodity trading platform, efficiently integrates business flow “Shenliang Cereals Trading Network”, 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 harmlessness” of warehouse management in the industry, independently develops “grain logistics information system” (Shenliang 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. More than 30 information systems have been developed and run normally. As of now, the company has 69 patents and 23 copyrights.

4. Advantages of quality control

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. Shenliang 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. Advantage of brand effect

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 “Shenliang Yushuiqing”, “Shenliang Duoxi”, “Guzhixiang”, “Clivia”, “Shenliang Fuxi” and other brands has gradually expanded, and the subordinate flour company has won the title of “Shenzhen Old Brand”, and Shenliang 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. Comprehensive basic advantages

The company has a large-scale warehouse capacity in Shenzhen, it is the main force of Shenzhen's municipal grain reserves and the “rice bag” trusted by the public. At present, its own grain storage capacity is about 400,000 tons. Over the years, on the basis of giving priority to ensuring the government's macroeconomic regulation and control of grain and guaranteeing the grain security, the company has been exploring the reform of the grain and oil reserve system and mechanism, fully utilizing the operational characteristics and advantages of “dynamic rotation” and fully participating 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. The company has established long-term, extensive and diversified cooperative relations with grain and oil traders, processors and end customers, and has built a wide business network and stable business channels. It has a high market share in the regional market and is rated as “Key Agricultural Leading Enterprise of Guangdong Province” by the Department of Agriculture of Guangdong Province.

Section IV. Discussion and Analysis of the Operation

I. Introduction

During the reporting period, according to the annual key work and strategic planning objectives, the company focused on the post-restructuring integration development and corporate strategy reshaping, and effectively exerted the leading role of party building, and implemented the reform requirements of “Double Hundred Actions” throughout the various key work. The main economic indicators in the first half of the year have been completed well, the quality of main business development has been improved, the construction of strategic projects has been steadily advanced, and the internal management and control level has been further improved.

1. Main business development

During the reporting period, the company based on its own advantages and industrial development, used information technology, innovated and opened up the grain and oil products supply channels and trading methods, created a new pattern for tea and food business industry, built a multi-group and multi-channel food supply chain and service network, expanded the effective supply of medium- and high-end grain, oil, and food, and strived to meet people's needs of "quality, diversity, nutrition, health, green, and convenience", and promoted the transformation of grain and oil products from "eat full" to "eat well".

As the “grain security” project and “rice bag” in Shenzhen, the company completed the government grain and oil reserve service with quality and quantity guaranteed during the reporting period, the monthly average grain reserve was 1.065 million tons, and the monthly average oil reserve was 12,100 tons, which guaranteed the sufficient grain and oil supply and stable price in Shenzhen through the balanced rotation of grain and oil.

During the reporting period, the company integrated and reconstructed the deep processing of tea and natural plants, and allocated the staff. Through integration, some businesses initially achieved stop loss or turnaround goals.

2. Key projects

During the reporting period, the construction and operation of the company's Dongguan grain logistics node progressed smoothly. The construction of grain logistics and terminal supporting projects, CDE warehouse project, food deep processing projects and the first phase of the wharf have been steadily advanced according to the plan and progress. The international foods wharf loaded and unloaded 128 vessels with a turnover of 180,000 tons. The subordinate Dongguan logistics company promoted the establishment of safety production standardization and achieved results, and was awarded the second-level enterprise of safety production standardization.

During the reporting period, the company's northeast grain source base project achieved “breaking ice”. In order to speed up the implementation of the “North Grain to the South, South Grain for Storage in North” strategy, the company set up the infrastructure office of the Northeast Grain Source Project to accelerate the construction of the grain source base project. In June, the main project of the first phase of the Northeast Grain Source Base Project of 150,000 tons has been started.

During the reporting period, the company focused on promoting grain and oil platform transactions. At the 2nd China

Grain Trade Conference, “www.zglsjy.com.cn” further expanded the market influence and expanded new customers to bid and list trading on the basis of serving internal customers. As of June, the “www.zglsjy.com.cn” had a trading volume of 2.2 million tons.

3. Continuous innovation and development

During the reporting period, the company improved the efficiency of its operational management by increasing the application of informatization innovation results to ensure the sustainable and healthy development of enterprise. At present, the innovative R&D system with Shenliang research institute as the core and with the far-reaching data, the product research and development center of flour company, the doximi quality inspection R&D department, the technology center of reserve branch, the tea product and technology research and development center as the key supports has been focusing on the innovation and research and development of informatization projects, guided by the operational management needs and the development of the industry's most cutting-edge technology, planned and completed 14 informatization projects such as company management and control and innovation management platform. Up to now, the company has 69 patents and 23 software copyrights.

4. Other key tasks

(1) During the reporting period, the company completed the organizational restructuring, completed the changes of company name, business scope, registered capital and securities short name, and completed the reelection of the board of directors, the board of supervisors and senior management personnel. In accordance with the new regulatory requirements and relevant regulations and procedures, the company completed the combination and revision of the internal systems to promote the improvement of corporate governance, and further enhanced the management effectiveness of the company through various effective measures.

(2) During the reporting period, the company implemented the relevant requirements of the “Double Hundred Actions” state-owned enterprise reform, further expanded the compensation system and incentive and restraint mechanism, and completed the overall market-based selection and employment of the management teams of some subordinate units, and promoted the rotation exchange of key position talents, and further optimized the company's talent echelon construction.

(3) During the reporting period, the company further strengthened fund management and control, and in accordance with the centralized management mode of “internal bank” funds, promoted the online reporting platform, and effectively supervised the expense reimbursement, capital expenditure and operating expenses of the company headquarters and subordinate units. At the same time, the company further improved the CBS fund management information system function, and fully opened the bank-corporate direct linkage of 9 banks to realize the system supervision of banks and accounts. During the reporting period, the company promoted the subordinate units to optimize the structure of the debts and achieved remarkable results.

(4) During the reporting period, the company built a new pattern of safe production, further strengthened the concept of safe development, strictly implemented the responsibility system for production safety, consolidated the foundation of safety management, investigated hidden dangers and immediately rectified them, and became the first enterprise in the municipal state-owned assets system to complete the “double” prevention mechanisms and safety standardization construction. The company closely followed the theme of “preventing risks, eliminating hidden dangers, and restraining accidents”, and has comprehensively launched the “Safe Production Month” activities.

In the first half of 2019, the company achieved a total operating income of RMB 4,782,167,700, an increase of 7.84% over the same period of the previous year (after restructuring); operating profit of RMB 235,345,700, an increase of 7.38% over the same period of the previous year (after restructuring); net profit attributable to shareholders of listed companies was RMB 203,168,900, an increase of 0.19% over the same period of the previous year (after restructuring).

II. Main business analysis

See the “I-Introduction” in “Discussion and Analysis of the Operation”

Y-o-y changes of main financial data

In RMB

| | Current period | Same period of last year | Y-o-y increase/decrease | Reasons for changes |
|--|------------------|--------------------------|-------------------------|--|
| Operation revenue | 4,782,167,732.69 | 4,434,688,646.82 | 7.84% | |
| Operation cost | 4,262,101,770.62 | 3,962,753,163.26 | 7.55% | |
| Sales expenses | 112,553,742.74 | 120,452,104.30 | -6.56% | |
| Management expenses | 101,397,947.99 | 96,324,028.90 | 5.27% | |
| Financial expenses | 8,519,731.85 | -2,173,306.27 | 492.02% | Parts of the infrastructure of the node project from Shenliang Dongguan Logistic has been put into operation, expensed interest increased in the year; the exchange losses goes up on a y-o-y basis in the year |
| Income tax expense | 15,485,294.03 | 11,869,852.06 | 30.46% | Income tax expenses arising from settlement and payment in the period increased from a year earlier. |
| R&D investment | 4,211,474.91 | 2,977,062.54 | 41.46% | Strengthen R&D in the year and more investment occurred. |
| Net cash flow arising from operation activities | -389,429,629.75 | 52,861,245.30 | -836.70% | The cash received from labor service providing in first half of the year declined, and the cash paid for good purchasing increased, account payable declined. |
| Net cash flow arising from investment activities | -140,751,694.07 | -307,367,061.47 | 54.21% | First, the first half reserve grain and oil government service income advance funds of this year has not received; Second, the increases of the grain and oil stock caused the enlargement of operating activity cash outflow. |
| Net cash flow arising from financing | 88,425,677.74 | 66,419,850.49 | 33.13% | More loans from the bank, the net cash flow from financing activities changes due to the dividend distribution |

| | | | | |
|--|-----------------|-----------------|----------|--|
| activities | | | | |
| Net increase of cash and cash equivalent | -441,723,854.29 | -184,996,984.35 | -138.77% | Net cash flow from operation activities has changes on a y-o-y basis |

Major changes on profit composition or profit resources in reporting period

☐ Applicable ☒ Not applicable

No major changes on profit composition or profit resources occurred in reporting period

Composition of main business

In RMB

| | Operating revenue | Operating cost | Gross profit ratio | Increase or decrease of operating revenue over same period of last year | Increase or decrease of operating cost over same period of last year | Increase or decrease of gross profit ratio over same period of last year |
|--------------------------------------|-------------------|------------------|--------------------|---|--|--|
| According to industries | | | | | | |
| Trading | 4,044,141,582.04 | 3,880,146,561.03 | 4.06% | 9.21% | 8.86% | 0.31% |
| According to products | | | | | | |
| Grain and oil trading and processing | 4,192,557,805.77 | 4,020,740,766.97 | 4.10% | 7.65% | 7.37% | 0.25% |
| According to region | | | | | | |
| Domestic sales | 4,770,863,075.53 | 4,252,262,350.62 | 10.87% | 7.76% | 7.45% | 0.26% |

III. Analysis of the non-main business

☒ Applicable ☐ Not applicable

In RMB

| | Amount | Ratio in total profit | Note | Whether be sustainable |
|--------------------------------------|----------------|-----------------------|--|------------------------|
| Investment income | 7,167,936.04 | 3.09% | | Unsustainable |
| Gains/losses of fair value variation | 28,381.21 | 0.01% | | Unsustainable |
| Asset impairment | -69,231,423.42 | -29.88% | Reasons including: 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 | 362,252.46 | 0.16% | | Unsustainable |

| | | | | |
|-----------------------|--------------|-------|--|---------------|
| Non-operating expense | 3,982,019.95 | 1.72% | | Unsustainable |
|-----------------------|--------------|-------|--|---------------|

IV. Assets and liability

1. Major changes of assets composition

In RMB

| | End of current period | | End of period of last year | | Ratio changes | Notes of major changes |
|-----------------------------|-----------------------|-----------------------|----------------------------|-----------------------|---------------|---|
| | Amount | Ratio in total assets | Amount | Ratio in total assets | | |
| Monetary fund | 189,914,485.39 | 2.95% | 631,638,339.68 | 9.76% | -6.81% | The cash out-flow for operation activities purpose increased on a y-o-y basis |
| Account receivable | 617,831,167.71 | 9.60% | 473,646,886.64 | 7.32% | 2.28% | The first half reserve grain and oil government service income advance funds of this year has not received. |
| Inventory | 3,053,593,314.19 | 47.47% | 2,811,802,600.19 | 43.47% | 4.00% | Increase grain and oil stock according to demand |
| Investment property | 278,173,249.83 | 4.32% | 282,622,184.92 | 4.37% | -0.05% | |
| Long-term equity investment | 73,362,651.19 | 1.14% | 70,999,666.81 | 1.10% | 0.04% | |
| Fix assets | 967,835,524.07 | 15.05% | 993,136,743.51 | 15.35% | -0.30% | |
| Construction in process | 403,629,287.82 | 6.27% | 186,586,135.06 | 2.88% | 3.39% | Investment for the node project engineering for Shenliang Dongguan Logistic increased |
| Short-term loans | 30,590,000.00 | 0.48% | 91,600,000.00 | 1.42% | -0.94% | |
| Long-term loans | 777,384,100.20 | 12.09% | 516,687,791.66 | 7.99% | 4.10% | Long-term loans from node project engineering for Shenliang Dongguan Logistic increased |

2. Assets and liability measured by fair value

√ Applicable □ Not applicable

In RMB

| Items | Amount at the beginning | Changes of fair value | Accumulative changes of fair | Devaluation of | Amount of | Amount of sale | Amount in the end of period |
|-------|-------------------------|-----------------------|------------------------------|----------------|-----------|----------------|-----------------------------|
|-------|-------------------------|-----------------------|------------------------------|----------------|-----------|----------------|-----------------------------|

| | period | gains/losses in this period | value reckoned into equity | withdrawing in the period | purchase in the period | in the period | |
|---|--------------|-----------------------------------|-------------------------------|------------------------------|------------------------------|------------------|--------------|
| Financial assets | | | | | | | |
| 1. Trading financial assets (excluding derivative financial assets) | 1,124,927.96 | 28,381.21 | | | | | 1,153,309.17 |
| Aforementioned total | 1,124,927.96 | 28,381.21 | 0.00 | 0.00 | 0.00 | 0.00 | 1,153,309.17 |
| Financial liabilities | 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

| Item | Original book value | Book value at period-end | Reasons for restriction |
|--------------------------------|------------------------|-----------------------------|---|
| Intangible assets | 92,328,788.83 | 83,859,264.48 | According to the long-term loan mortgage contract signed by the subsidiary Dongguan Logistics and Agricultural Development Bank, Dongguan Logistics mortgaged the land DFGY (2014) DT No. 6 and the future built-up grain storage and wharf supporting facilities and other buildings and structures on the ground of No. 32, Jianshe Road, Masan Village, Machong Town, Dongguan City to the Agricultural Development Bank as collaterals for the loan. In addition, according to the loan contract “44191000-2018 (Dongben) Zi No.0100” signed by Dongguan Logistics and Agricultural Development Bank, Dongguan Logistics mortgaged the land “Yue (2016) DGSBDCQ No. 0028527” to the Agricultural Development Bank as a collateral for the loan. |
| Fixed assets | 400,834,811.27 | 371,805,770.40 | |
| Constructi on in process | 76,182,755.87 | 76,182,755.87 | |
| Intangible assets | 45,580,368.97 | 35,798,712.71 | According to the loan contract Yue DG 2017 NGDZ No. 006 signed by Dongguan Food Industry Park and Bank of Communications Co., Ltd. Dongguan Branch, Dongguan Food Industry Park mortgaged two pieces of land “DFGY (2009) DT No. 190” and “DFGY (2012) DT No. 152” to Bank of Communications Co., Ltd. Dongguan Branch as collateral for the loan. |
| Total | 614,926,724.94 | 567,646,503.46 | |

V. Investment Analysis

1. Overall situation

☒ Applicable ☐ Not applicable

| Investment in reporting period (Yuan) | Investment in the same period of last year (Yuan) | Range |
|---------------------------------------|--|---------|
| 244,767,336.46 | 0.00 | 100.00% |

2. The major equity investment obtained in the reporting period

☐ Applicable ☒ Not applicable

3. The major non-equity investment carrying 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 Shenliang Logistics Co., Ltd. | Self-build | Y | Storage and wharf | 15,220,775.52 | 316,826,549.21 | Owned Funds and Bank Loans | 79.21% | 43,363,000.00 | 62,584,926.78 | - | | |
| Grain storage and wharf complementary engineering (Phase II) of Dongguan Shenliang Logistics Co., Ltd. | Self-build | Y | Storage and wharf | | 179,679,302.57 | Owned Funds and Bank Loans | 100.00% | | | - | | |
| Food logistics and wharf matching project of Dongguan Shenliang Logistics Co., Ltd. | Self-build | Y | Warehouse logistic | 14,141,959.70 | 25,213,182.62 | Owned Funds | 5.12% | | | - | | |
| Warehouse logistic | Self-build | Y | Warehouse | 146,326,592.24 | 417,764,182.46 | Owned | 43.14% | 37,108,900.00 | | - | | |

| | | | | | | | | | | | | |
|--|------------|----|------------------|----------------|------------------|----------------------|--------|---------------|---------------|----|----|----|
| distribution center of Dongguan International Food Industrial Park Development Co., Ltd. | | | logistic | | | Funds and Bank Loans | | | | | | |
| Food processing project of Dongguan Shenliang Oil & Food Trade Co., Ltd. | Self-build | Y | Flour processing | 36,906,337.84 | 76,182,755.87 | Owned Funds | 26.09% | | | - | | |
| Land use right | Self-build | N | Construction | 24,179,185.60 | 227,922,642.82 | Owned Funds | | | | - | | |
| Total | -- | -- | -- | 236,774,850.90 | 1,243,588,615.55 | -- | -- | 80,471,900.00 | 62,584,926.78 | -- | -- | -- |

4. Financial assets investment

(1) Securities investment

√ Applicable □ Not applicable

In RMB

| Variety of securities | Code of securities | Short form of securities | Initial investment cost | Accounting measurement model | Book value at the beginning of the period | Changes in fair value of the current profit and loss | Cumulative fair value changes in equity | Current purchase amount | Current sales amount | Profit and loss in the Reporting Period | Book value at the end of the period | Accounting subject | Capital Source |
|-----------------------------|--------------------|--------------------------|-------------------------|------------------------------|---|--|---|-------------------------|----------------------|---|-------------------------------------|--------------------------|--|
| Domestic and overseas stock | 000017 | CBC-A | 0.00 | Measured by fair value | 1,124,927.96 | 28,381.21 | 0.00 | 0.00 | 0.00 | 28,381.21 | 1,153,309.17 | Trading financial assets | Shares repaid from debt reorganization |
| Total | | | 0.00 | -- | 1,124,927.96 | 28,381.21 | 0.00 | 0.00 | 0.00 | 28,381.21 | 1,153,309.17 | -- | -- |

| | |
|--|----------------|
| 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

VI. Sales of major assets and equity

1. Sales of major assets

☐ Applicable ☒ Not applicable

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

2. Sales of major equity

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

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

In RMB

| Company name | Type | Main business | Register capital | Total assets | Net Assets | Operating revenue | Operating profit | Net profit |
|--------------|------|---------------|------------------|--------------|------------|-------------------|------------------|------------|
|--------------|------|---------------|------------------|--------------|------------|-------------------|------------------|------------|

| | | | | | | | | |
|--|------------|---|------------------|------------------|------------------|------------------|----------------|----------------|
| Shenzhen Cereals Group Co., Ltd | Subsidiary | Grain & oil trading processing、 Grain and oil reserve service | 1,530,000,000.00 | 5,701,507,859.86 | 3,727,498,207.39 | 4,614,789,800.67 | 245,205,307.45 | 228,906,380.61 |
| Shenzhen Flour Co., Ltd | Subsidiary | Grain & oil trading processing | 30,000,000.00 | 958,911,346.84 | 270,170,166.90 | 1,310,067,982.82 | 34,184,781.83 | 34,160,150.52 |
| Shenzhen Hualian Grain & Oil Trade Co., ltd. | Subsidiary | Grain & oil trading | 31,180,000.00 | 961,870,154.63 | 225,250,597.47 | 1,706,053,677.49 | 24,141,077.31 | 24,141,077.31 |

Particular about subsidiaries obtained or disposed in report period

☐ Applicable ☒ Not applicable

Explanation on main holding/stock-jointly enterprise

Shenzhen Cereals Group Co., Ltd., 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 5,701,507,859.86 Yuan, and net assets amounting to 3,727,498,207.39 Yuan, shareholders' equity attributable to parent Company is 3,541,962,524.81 Yuan; in the reporting period, achieved operation income, net profit and net profit attributable to shareholder of parent Company as 4,614,789,800.67 Yuan, 228,906,380.61 Yuan and 215,226,820.22 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 958,911,346.84 Yuan, and net assets amounting to 270,170,166.90 Yuan, shareholders' equity attributable to parent Company is 270,170,166.90 Yuan; in the reporting period, achieved operation income, net profit and net profit attributable to parent Company as 1,310,067,982.82 Yuan, 34,160,150.52 Yuan and 34,160,150.52 Yuan 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 RMB 31,180,000. Ended as this period, total assets amounted as RMB 961,870,154.63, and net assets amounting to RMB 225,250,597.47, shareholders' equity attributable to parent Company is RMB 225,250,597.47; in the reporting

period, achieved operation income, net profit and net profit attributable to parent Company as RMB 1,706,053,677.49, RMB 24,141,077.31 and RMB 24,141,077.31 respectively.

VIII. Structured vehicle controlled by the Company

☐ Applicable ☒ Not applicable

IX. Prediction of business performance from January – September 2019

Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

☐ Applicable ☒ Not applicable

X. Risks and countermeasures

1. Affected by a series of unfavorable factors such as Sino-US trade friction and African swine fever, the overall environment of the grain, feed, food and other domestic industries has been greatly affected, and the company's operations are facing greater pressure. In contrast to the annual work objectives and requirements, there is still a gap between the company's work and the annual mission plan requirements. In the second half of the year, the company will focus on deepening enterprise reform, firming the strategic projects construction, improving operational efficiency, concentrating on innovation-driven leading, and expanding business channels to ensure the completion of annual work goals.
2. Faced with the changing consumption trends in recent years and the increasing scale of the company's business and the more complex business structure, the company's reserves in professional talents, key talents, and comprehensive talents are relatively insufficient, so the company showed slight weakness in innovation ability and contingency ability when cultivating new business and facing new field. The company will focus on strategic and business development needs, innovate talent training, accelerate talent introduction, strengthen talent echelon construction and innovative talent reserves, open up development channels for employees, create career development opportunities, and provide kinetic energy for the company's sustainable development.

Section V. Important Events

I. Annual General Meeting and extraordinary shareholders general meeting held in this period

1. AGM in the period

| Sessions | Type | Investor participation (%) | Opening date | Disclosure date | Disclosure index |
|---|--------------------------------------|----------------------------|--------------|-----------------|---|
| The First Interim Shareholders General Meeting of 2019 | Interim Shareholders General Meeting | 63.83% | 2019-01-18 | 2019-01-19 | Resolution Notice of The First Interim Shareholders General Meeting of 2019 of Shenzhen Shenbao Industrial Co., Ltd. (Notice No.: 2019-10) released on Juchao website dated 19 Jan. 2019 |
| The Second Interim Shareholders General Meeting of 2019 | Interim Shareholders General Meeting | 63.83% | 2019-01-30 | 2019-01-31 | Resolution Notice of The Second Interim Shareholders General Meeting of 2019 of Shenzhen Shenbao Industrial Co., Ltd. (Notice No.: 2019-14) released on Juchao website dated 31 Jan. 2019 |
| The Thrid Interim Shareholders General Meeting of 2019 | Interim Shareholders General Meeting | 63.82% | 2019-02-21 | 2019-02-22 | Resolution Notice of The Third Interim Shareholders General Meeting of 2019 of Shenzhen Shenbao Industrial Co., Ltd. (Notice No.: 2019-21) released on Juchao website dated 22 Feb. 2019 |
| 2018 Annual general meeting | Annual general meeting | 63.80% | 2019-05-20 | 2019-05-21 | Resolution Notice of AGM 2018 of Shenzhen Shenbao Industrial Co., Ltd. (Notice No.: 2019-45) released on Juchao website dated 21 May 2019 |

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

The Company plans not to carried out distribution of cash dividend, bonus shares and share converted from capital reserve either for

the half year

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

☐ Applicable ☒ Not applicable

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

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

Whether the financial report has been audited or not

☐ Yes ☒ No

The financial report has not been audited

V. Explanation from Board of Directors and Supervisory Committee for “Qualified Opinion” that issued by CPA

☐ Applicable ☒ Not applicable

VI. Explanation from the BOD for “Qualified Opinion” of last year

☐ Applicable ☒ Not applicable

VII. Bankruptcy reorganization

☐ Applicable ☒ Not applicable

No bankruptcy reorganization for the Company in end of this period

VIII. Lawsuits

Significant lawsuits and arbitration

☐ Applicable ☒ Not applicable

No significant lawsuits and arbitration occurred in the reporting period

Other lawsuits

☒ Applicable ☐ Not applicable

| Lawsuits (arbitration) | Amount involved (in 10) | Resulted an accrual liability (Y/N) | Progress | Trial result and influence | Execution of judgment | Disclose date | Disclose index |
|------------------------|-------------------------|-------------------------------------|----------|----------------------------|-----------------------|---------------|----------------|
| | | | | | | | |

| | thousand Yuan) | | | | | | |
|--|-------------------|--|---|---|---------------|----------------|----------------|
| During the reporting period, the litigation matters mainly including: Disputes over sales contract, principal-agent contract disputes, infringement disputes, loan contract disputes and so on | 5,291.98 | No, the event is related to routine operation of the Company with minor amount. Judging from the progress of the case, relevant litigation do not constitute a significant impact on the Company | Relevant litigation-related matters are executed by legal dept. Of the Company and external laws firms. The matters will litigation involved are carry out the promotion according to relevant process currently. | Judging from the litigation, it does not have a significant impact on the Company | In processing | Not applicable | Not applicable |

IX. Penalty and rectification

☐ Applicable ☒ Not applicable

No penalty and rectification for the Company in reporting period.

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

☐ Applicable ☒ Not applicable

XI. 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.

XII. Major related transaction

1. Related transaction with routine operation concerned

☐ Applicable ☒ Not applicable

No related transaction occurred in the period with routine operation concerned

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

☐ Applicable ☒ Not applicable

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

3. Related transaction of foreign investment

☐ Applicable ☒ Not applicable

No related transaction of foreign investment occurred at period-end

4. Related credits and liabilities

☐ Applicable ☒ Not applicable

No related credits and liabilities occurred in period

5. Other major related transaction

☐ Applicable ☒ Not applicable

No other major related transaction in the Period

XIII. 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.

XIV. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

☐ Applicable ☒ Not applicable

No trusteeship for the Company in reporting period

(2) Contract

☐ Applicable ☒ Not applicable

No contract for the Company in reporting period

(3) Leasing

☐ Applicable ☒ Not applicable

No leasing in the Period

2. Major Guarantee

√ Applicable □ Not applicable

(1) Guarantee

In 10 thousand Yuan

| External Guarantee (not including guarantees to subsidiaries) | | | | | | | | |
|---|--------------------------------------|-----------------|--|------------------------|--------------------------|----------------|--------------------------------|-----------------------------|
| Name of the Company guaranteed | Related Announcement disclosure date | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual guarantee limit | Guarantee type | Guarantee term | Complete implementation or not | Guarantee for related party |
| Guarantee between the Company and subsidiary | | | | | | | | |
| Name of the Company guaranteed | Related Announcement disclosure date | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual guarantee limit | Guarantee type | Guarantee term | Complete implementation or not | Guarantee for related party |
| Dongguan Shenliang Logistics Co., Ltd. | | 27,300 | 2015-07-13 | 21,281 | Joint liability guaranty | 8 years | N | Y |
| Dongguan Shenliang Logistics Co., Ltd. | | 10,200 | 2016-12-21 | 5,090 | Joint liability guaranty | 5 years | N | Y |
| Dongguan International Food Industrial Park Development Co., Ltd. | | 39,168 | 2018-07-27 | 24,663 | Joint liability guaranty | 14 years | N | Y |
| Shenzhen Shenbao Huacheng Science and Technology Co., Ltd. | | 3,000 | 2018-07-26 | 3,000 | Joint liability guaranty | 1 year | N | Y |
| Dongguan Shenliang Logistics Co., Ltd. | | 21,930 | 2019-01-25 | 250 | Joint liability guaranty | 12 years | N | Y |
| Dongguan Shenliang Oil & Food Trade Co., Ltd. | | 11,883 | 2019-04-19 | 1,852 | Joint liability guaranty | 8 years | N | Y |
| Total amount of approving | | 33,813 | | Total amount of actual | | 10,680 | | |

| | | | | | | | | |
|---|---------------------------------------|-----------------|--|--|----------------|----------------|--------------------------------|-----------------------------|
| guarantee for subsidiaries in report period (B1) | | | | occurred guarantee for subsidiaries in report period (B2) | | | | |
| Total amount of approved guarantee for subsidiaries at the end of reporting period (B3) | | 113,481 | | Total balance of actual guarantee for subsidiaries at the end of reporting period (B4) | | 56,136 | | |
| Guarantee between the subsidiaries | | | | | | | | |
| Name of the Company guaranteed | Related Announce ment disclosure date | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual guarantee limit | Guarantee type | Guarantee term | Complete implementation or not | Guarantee for related party |
| Total amount of guarantee of the Company (total of three above mentioned guarantee) | | | | | | | | |
| Total amount of approving guarantee in report period (A1+B1+C1) | | 33,813 | | Total amount of actual occurred guarantee in report period (A2+B2+C3) | | 10,680 | | |
| Total amount of approved guarantee at the end of report period (A3+B3+C2) | | 113,481 | | Total balance of actual guarantee at the end of report period (A4+B4+C4) | | 56,136 | | |
| The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4) | | | | 13.18% | | | | |
| Including: | | | | | | | | |
| Amount of guarantee for shareholders, actual controller and its related parties (D) | | | | 0 | | | | |
| The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly (E) | | | | 53,136 | | | | |
| 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) | | | | 53,136 | | | | |

Explanation on compound guarantee

Nil

(2) Illegal external guarantee

☐ Applicable ☒ Not applicable

No illegal external guarantee in the period

3. Other material contracts

☐ Applicable ☒ Not applicable

No other material contracts in the period.

XV. Social responsibility

1. Major environment protection

The listed Company and its subsidiary whether belong to the key sewage units released from environmental protection department

No

The company and its subsidiaries do not belong to the key pollutant discharge units announced by the environmental protection department.

2. Execution of social responsibility of targeted poverty alleviation

(1) Plan of targeted poverty alleviation

In 2019, Shenzhen Cereals Holdings continues to use the socialism with Chinese characteristics of Xi Jinping new era of as a guide to carry out the targeted poverty alleviation work to help Guilin Village, Yidu Town, Longchuan County, Heyuan City, in accordance with spirit of the document of “Implementation Opinions on the Three-Year Plan for Poverty Alleviation in the New Period (Yuefa [2016] No. 13)” of the Guangdong Provincial Party Committee and the Provincial Government, the overall goal and task of Guilin Village's targeted poverty alleviation is to achieve the goal of making the relatively poor population be free from worry of food and clothing and be guaranteed with compulsory education, basic medical care and housing security by the end of 2019, and making the indicators of main areas of basic public services be equivalent to the provincial average, and getting 52 households and 144 people all out of poverty. In order to implement the poverty alleviation work, the residency poverty alleviation work team of Shenzhen Cereals Holdings adopted the following effective assistance measures under the correct leadership of the company's party committee: First, in the aspect of industrial assistance. By holding training courses, participating in exhibitions to help the selling of tea, providing public welfare jobs, handling small loans, encouraging migrant workers, guiding the cultivation of tea, increasing the planting area, using the “reward for compensation” financial funds and Shenliang help fund investment dividends and other various new forms and new methods to help poor households and village collectives to increase their income. The second is to continue to increase the support of medical care and education so as to solve the worries of poor households. Third, in terms of village infrastructure, the village service center project and the water purification project will be put into use by the end of 2019.

(2) Summary of semi-annual targeted poverty alleviation

In the first half of 2019, Shenzhen Cereals Holdings invested RMB 1,000,900 in poverty alleviation funds (not including consolation money and goods and materials), which is used to improve infrastructure construction, increase the collective economic income of the village, improve the rural living environment, and support medical care and education, etc.

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 buy tea from more than 20 poor households with working ability, which solved the marketing problem of poor households’ tea to a certain extent, Stimulate the production enthusiasm of poor households; 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, it is estimated that by the end of 2019, the dividends of these two investments will reach RMB 98,300, with an average income of RMB 4,914 per household; At the same time, Shenzhen Cereals Holdings appropriated RMB 500,000 to help the Guilin Village Committee invest in the Nanyuewang Company, which can bring about RMB 60,000 of dividends every year and effectively increase the collective income. Second, it organized the tea-planting farmers to participate in the Shenzhen Spring Tea Expo and a variety of other trade fairs, which not only strengthened exchange with peers but also enhanced the popularity of "Guilin Tea". Third, in the improvement of village infrastructure and public services, Shenzhen Cereals Holdings pre-invested RMB 790,000 to help Guilin Village build a village service center to effectively improve the environment of the village committee office and villagers' activities, the company has already paid RMB 390,000. The fourth is to invest RMB 77,600 in medical care and education to help the villagers living in Guilin Village to handle new rural cooperative medical insurance, strengthen medical security, and reduce villagers' burden in preventing and curing disease; applied for subsidy of RMB 33,500 from the Shenzhen Charity Federation for the children of 5 poor households, which effectively reduced the economic burden in schooling of poor households; invested RMB 10,800 to install LED display and toilet door partition, clean the campus environment, and purchase cleaning tools for Guilin Primary School. In the first half of 2019, there were 52 poor households with 144 people in Guilin Village, all of which have reached poverty alleviation conditions.

(3) Performance of targeted poverty alleviation

| Target | Measurement unit | Numbers/ implementation |
|---|------------------|-------------------------------------|
| i. Overall | —— | —— |
| Including: 1. fund | 10 thousand yuan | 100.09 |
| 2. Material discount | 10 thousand yuan | 1.08 |
| 3.number of poverty-stricken populations eliminating poverty with card for archives established | Person | 144 |
| ii. Invested by specific project | —— | —— |
| 1.Industrial development poverty | —— | —— |
| Including: 1.1Type | —— | Poverty Alleviation by Asset Income |
| 1.2 numbers of industrial development poverty | Number | 1 |
| 1.3Amount input | 10 thousand | 50 |

| | | |
|---|------------------|--|
| | yuan | |
| 1.4number of poverty-stricken population eliminating poverty with card for archives established | Person | 7 |
| 2.Transfer employment | —— | —— |
| Including: 2.1 Amount input for vocation skills training | 10 thousand yuan | 0 |
| 2.2 Number of vocation skills training | Person-time | 0 |
| 2.3 Number of poverty-stricken populations achieving employment with card for archives established | Person | 0 |
| 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 | 0 |
| 4.2Number of subsidized poor student s | Person | 0 |
| 4.3Amount input for improving the education resources in poverty-stricken areas | 10 thousand yuan | 1.08 |
| 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 | —— | Environmental Cleaning and Maintenance |
| 6.2Amount input | 10 thousand yuan | 1.51 |
| 7.Fallback protection | —— | —— |
| Including: 7.1 Amount input for Three Stay Behind persons | 10 thousand yuan | 0 |
| 7.2Number of Three Stay Behind persons help | Person | 0 |
| 7.3Amount input for poor disabled persons | 10 thousand yuan | 0 |
| 7.4Number of poor disabled persons help | Person | 0 |
| 8.Social poverty alleviation | —— | —— |
| Including: 8.1Amount of the poverty alleviation cooperation between the Eastern and Western regions | 10 thousand yuan | 0 |
| 8.2Amount for targeted poverty alleviation | 10 thousand | 0 |

| | | |
|--|------------------|---|
| | yuan | |
| 8.3 Amount for the poverty alleviation public welfare fund | 10 thousand yuan | 0 |
| 9. Other | — | — |
| Including: 9.1. number of items | Number | 3 |
| 9.2. Amount input | 10 thousand yuan | 39.74 |
| 9.3. number of poverty-stricken populations eliminating poverty with card for archives established | Person | 139 |
| iii. Awards (content and grade) | — | — |
| | | Outstanding contributions to poverty alleviation for 2016-2018 in Heyuan - Li Suiyang |

(4) Follow-up of targeted poverty alleviation

2019 is a key year for winning the three-year tack on targeted poverty alleviation, SZCG 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, promote the industry development of Guilin Village, consolidate the results of poverty alleviation, bring all poverty-stricken households out of poverty. The plan is as follows: First, continue to do a good job in precision assistance, encourage 20 poor households who have the ability to work to go out as migrant workers, continue to implement the dividend income of investing in Nanyuewang and Aodingfeng for the poor households and village collectives, and continue to explore new projects to increase the income of poor households from various aspects, fully implement the "two no-worries, three guarantees" policy, achieve the "eight have" standard, and effectively implement the measures to support medical care and education. The second is to continue to follow the village infrastructure, it plans to renovate three safe drinking water facilities for villagers and strive to complete the construction of the village service center this year. Third, further promote the Guilin Tea to go out and increase the brand awareness of the product through the participation of tea fairs so as to increase the industrial income and increase the production enthusiasm. The fourth is to combine the policies of the poverty alleviation department, develop the tea industry in Guilin according to local conditions, continue to explore the model of "planting tea + tourism", and form a long-term and comprehensive poverty alleviation mechanism. Fifth, comprehensively do a good job in the smooth docking of "precise poverty alleviation" and "rural revitalization", and further consolidate the effectiveness of poverty alleviation.

XVI. Other major events

☐ Applicable ☒ Not applicable

There are no other important events to be explained in the company's reporting period.

XVII. Significant event of subsidiary of the Company

☐ Applicable ☒ Not applicable

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Shares

1. Changes in shares

In Share

| | Before the Change | | Increase/Decrease in the Change (+, -) | | | | | After the Change | |
|---|-------------------|------------|--|--------------|----------------------------------|--------|----------|------------------|------------|
| | A mount | Proportion | New shares issued | Bonus shares | Capitalization of public reserve | Others | Subtotal | A mount | Proportion |
| I. Restricted shares | 684,821,396 | 59.42% | 0 | 0 | 0 | 0 | 0 | 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 | 669,184,735 | 58.06% | 0 | 0 | 0 | 0 | 0 | 669,184,735 | 58.06% |
| 3. Other domestic shares | 15,583,326 | 1.35% | 0 | 0 | 0 | 0 | 0 | 15,583,326 | 1.35% |
| Including: Domestic legal person's shares | 15,384,832 | 1.33% | 0 | 0 | 0 | 0 | 0 | 15,384,832 | 1.33% |
| Domestic nature person's shares | 198,494 | 0.02% | 0 | 0 | 0 | 0 | 0 | 198,494 | 0.02% |
| 4. Foreign shares | 53,335 | 0.01% | 0 | 0 | 0 | 0 | 0 | 53,335 | 0.01% |
| Including: Foreign corporate shares | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| overseas nature person's share | 53,335 | 0.01% | 0 | 0 | 0 | 0 | 0 | 53,335 | 0.01% |
| II. Un-restricted shares | 467,713,858 | 40.58% | 0 | 0 | 0 | 0 | 0 | 467,713,858 | 40.58% |
| 1. RMB common shares | 415,964,578 | 36.09% | 0 | 0 | 0 | 0 | 0 | 415,964,578 | 36.09% |
| 2. Domestically listed foreign shares | 51,749,280 | 4.49% | 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 | 1,152,535,254 | 100.00% | 0 | 0 | 0 | 0 | 0 | 1,152,535,254 | 100.00% |

Reasons for share changed

☐ Applicable ☒ Not applicable

Approval of share changed

☐ Applicable ☒ Not applicable

Ownership transfer of share changed

☐ Applicable ☒ Not applicable

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

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

II. Securities issuance and listing

☐ Applicable ☒ Not applicable

III. Amount of shareholders and particulars about shares holding

In Share

| Total common stock shareholders in reporting period-end | 1,152,535,254 | | | | Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note8) | | 0 | |
|--|--------------------------|---------------------------|--|--------------------------|--|--|--------------------------------|--------|
| Particulars about shares held above 5% by common shareholders or top ten common shareholders | | | | | | | | |
| Full name of Shareholders | Nature of shareholder | Proportion of shares held | Total common shares hold at the end of report period | Changes in report period | Amount of restricted common shares held | Amount of un-restricted common 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 | 0 | 669,184,735 | 66,052,518 | | |
| Shenzhen Agricultural Products Co., Ltd | State-owned legal person | 8.23% | 94,832,294 | 0 | 15,384,832 | 79,447,462 | | |
| Sun Huiming | Domestic nature person | 0.30% | 3,436,462 | 0 | 0 | 3,436,462 | | |
| Bohai Securities Co., Ltd. | State-owned | 0.26% | 2,980,500 | 2,980,500 | 0 | 2,980,500 | | |

| | | | | | | | | |
|---|--------------------------|--|-----------|-----------|------------------------------------|-----------|------------|--|
| | legal person | | | | | | | |
| Hu Xiangzhu | Domestic nature person | 0.24% | 2,800,000 | 170,000 | 0 | 2,800,000 | | |
| Lin Junbo | Domestic nature person | 0.17% | 2,000,000 | 542,100 | 0 | 2,000,000 | | |
| Central Huijin Asset Management Co., Ltd. | State-owned legal person | 0.13% | 1,472,625 | 0 | 0 | 1,472,625 | | |
| Li Qian | Domestic nature person | 0.11% | 1,309,661 | 30,470 | 0 | 1,309,661 | | |
| Li Yongqi | Domestic nature person | 0.10% | 1,099,205 | -9,000 | 0 | 1,099,205 | | |
| Cai Congda | Domestic nature person | 0.09% | 1,080,051 | 1,080,051 | 0 | 1,080,051 | | |
| 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 common shareholders with un-restrict shares held | | | | | | | | |
| Shareholders' name | | Amount of un-restrict common shares held at Period-end | | | Type of shares | | | |
| | | | | | Type | | Amount | |
| Shenzhen Fude State-Owned Capital Operation Co., Ltd. | | 79,447,462 | | | RMB common shares | | 79,447,462 | |
| Shenzhen Agricultural Products Co., Ltd | | 66,052,518 | | | RMB common shares | | 66,052,518 | |
| Sun Huiming | | 3,436,462 | | | Domestically listed foreign shares | | 3,436,462 | |
| Bohai Securities Co., Ltd. | | 2,980,500 | | | RMB common shares | | 2,980,500 | |
| Hu Xiangzhu | | 2,800,000 | | | RMB common | | 2,800,000 | |

| | | shares | |
|--|--|-------------------|-----------|
| Lin Junbo | 2,000,000 | RMB common shares | 2,000,000 |
| Central Huijin Asset Management Co., Ltd. | 1,472,625 | RMB common shares | 1,472,625 |
| Li Qian | 1,309,661 | RMB common shares | 1,309,661 |
| Li Yongqi | 1,099,205 | RMB common shares | 1,099,205 |
| Cai Congda | 1,080,051 | RMB common shares | 1,080,051 |
| 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. | | |
| Explanation on top 10 shareholders involving margin business (if applicable) (see note 4) | Shareholder Li Yongqi holds 1,097,205 shares of the Company under customer credit trading secured securities account through Xingye Securities Co., Ltd, common account holds 2,000 shares, and 1,099,205 shares are held by Li in total at end of the Period. During the reporting period, the credit trading secured securities account has 9,100 shares decreased, and 100 shares increased in the common account, shares held by Li are decreased 9,000 shares in total. | | |

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.

IV. Change of controlling shareholder or actual controller

Change of controlling shareholders during the reporting period

☐ Applicable ☒ Not applicable

The Company had no changes of controlling shareholders in reporting period

Changes of actual controller in reporting period

☐ Applicable ☒ Not applicable

The Company had no changes of actual controller in reporting period

Section VII. Preferred Stock

☐ Applicable ☒ Not applicable

The Company had no preferred stock in the Period.

Section VIII. Particulars about Directors, Supervisor and Senior Executives

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

☐ Applicable ☒ Not applicable

No change of shares held by directors, supervisors and senior executives, found more details in Annual Report 2018.

II. Changes of directors, supervisors and senior executives

☒ Applicable ☐ Not applicable

| Name | Position | Type | Date | Causes |
|-----------------|---|-------------|------------|---------------------------------------|
| Zhu Junming | Party Secretary, Chairman | Election | 2019-02-21 | Election of the Board of Directors |
| Hu Xianghai | Deputy party secretary, Director, GM | Election | 2019-02-21 | Election of the Board of Directors |
| Lu Qiguang | Deputy party secretary, Director | Election | 2019-02-21 | Election of the Board of Directors |
| Jin Zhenyuan | Director, CFO | Election | 2019-02-21 | Election of the Board of Directors |
| Zhao Rubing | Independent director | Election | 2019-02-21 | Election of the Board of Directors |
| Bi Weimin | Independent director | Election | 2019-02-21 | Election of the Board of Directors |
| Liu Haifeng | Independent director | Election | 2019-02-21 | Election of the Board of Directors |
| Wang Huimin | SCID, Chairman of supervisory committee | Election | 2019-02-21 | Election of the Board of Supervisors |
| Liu Ji | Supervisor | Election | 2019-02-21 | Election of the Board of Supervisors |
| Qian Wenying | Supervisor | Election | 2019-02-21 | Election of the Board of Supervisors |
| Zheng Shengqiao | Staff supervisor | Election | 2019-02-21 | Election of workers' Congress |
| Du Jianguo | Staff supervisor | Election | 2019-02-21 | Election of workers' Congress |
| Cao Xuelin | Deputy GM | Appointment | 2019-02-21 | Appointment of the Board of Directors |
| Ye Qingyun | Deputy GM | Appointment | 2019-02-21 | Appointment of the Board of Directors |
| Dai Bin | Deputy GM | Appointment | 2019-02-21 | Appointment of the Board of Directors |
| Wang Fangcheng | Secretary of the Board | Appointment | 2019-02-21 | Appointment of the Board of |

| | | | | Directors |
|----------------|---|---|------------|---|
| Zheng Yuxi | Party Secretary, Chairman | Term of office expires and leave the office | 2019-02-21 | Term of office expires and is not renewed |
| Zhang Guodong | Director | Term of office expires and leave the office | 2019-02-21 | Term of office expires and is not renewed |
| Fan Zhiqing | Independent director | Term of office expires and leave the office | 2019-02-21 | Term of office expires and is not renewed |
| Wu Shuping | Independent director | Term of office expires and leave the office | 2019-02-21 | Term of office expires and is not renewed |
| Chen Cansong | Independent director | Term of office expires and leave the office | 2019-02-21 | Term of office expires and is not renewed |
| Yan Zesong | Director, GM | Term of office expires and leave the office | 2019-02-21 | Term of office expires and is not renewed |
| Li Yiyan | Director, Deputy GM, Secretary of the Board | Term of office expires and leave the office | 2019-02-21 | Term of office expires and is not renewed |
| Lin Hong | Chairman of supervisory committee | Term of office expires and leave the office | 2019-02-21 | Term of office expires and is not renewed |
| Luo Longxin | Staff supervisor | Term of office expires and leave the office | 2019-02-21 | Term of office expires and is not renewed |
| Qian Xiaojun | Deputy GM | Term of office expires and leave the office | 2019-02-21 | Term of office expires and is not renewed |
| Yao Xiaopeng | Deputy GM | Term of office expires and leave the office | 2019-02-21 | Term of office expires and is not renewed |
| Wang Zhiping | CFO | Term of office expires and leave the office | 2019-02-21 | Term of office expires and is not renewed |
| Wang Fangcheng | Secretary of the Board | Dismiss | 2019-06-13 | Job transfer |

Section IX. Corporate Bonds

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

No

Section X. Financial Report

I. Audit reports

Whether the semi-annual report was audited or not

☐ Yes ☒ No

The financial report of this semi-annual report was unaudited

II. Financial statements

Units in Notes of Financial Statements is RMB

1. Consolidated Balance Sheet

Prepared by SHENZHEN CEREALS HOLDINGS CO., LTD.

2019-06-30

In RMB

| Item | 2019-6-30 | 2018-12-31 |
|---|----------------|----------------|
| Current assets: | | |
| Monetary funds | 189,914,485.39 | 631,638,339.68 |
| Settlement provisions | | |
| Capital lent | | |
| Tradable financial assets | 1,153,309.17 | |
| Financial assets measured by fair value and with variation reckoned into current gains/losses | | 1,124,927.96 |
| Derivative financial assets | | |
| Note receivable | 350,756.64 | 1,027,635.04 |
| Account receivable | 617,831,167.71 | 473,646,886.64 |
| Receivable financing | | |
| Accounts paid in advance | 26,189,928.10 | 83,696,870.07 |
| Insurance receivable | | |
| Reinsurance receivables | | |
| Contract reserve of reinsurance receivable | | |
| Other account receivable | 57,624,419.71 | 33,803,428.45 |

| | | |
|--|------------------|------------------|
| Including: Interest receivable | | |
| Dividend receivable | | |
| Buying back the sale of financial assets | | |
| Inventories | 3,053,593,314.19 | 2,811,802,600.19 |
| Contractual assets | | |
| Assets held for sale | | |
| Non-current asset due within one year | | |
| Other current assets | 108,098,667.05 | 254,493,764.04 |
| Total current assets | 4,054,756,047.96 | 4,291,234,452.07 |
| Non-current assets: | | |
| Loans and payments on behalf | | |
| Debt investment | | |
| Finance asset available for sales | | 57,500.00 |
| Other debt investment | | |
| Held-to-maturity investment | | |
| Long-term account receivable | | |
| Long-term equity investment | 73,362,651.19 | 70,999,666.81 |
| Investment in other equity instrument | | |
| Other non-current financial assets | 57,500.00 | |
| Investment real estate | 278,173,249.83 | 282,622,184.92 |
| Fixed assets | 967,835,524.07 | 993,136,743.51 |
| Construction in progress | 403,629,287.82 | 186,586,135.06 |
| Productive biological asset | 402,232.74 | 407,078.92 |
| Oil and gas asset | | |
| Right-of-use assets | | |
| Intangible assets | 586,543,323.51 | 569,997,392.08 |
| Expense on Research and Development | | |
| Goodwill | | |
| Long-term expenses to be apportioned | 16,742,788.37 | 21,799,899.80 |
| Deferred income tax asset | 50,155,704.51 | 50,174,590.98 |

| | | |
|--|------------------|------------------|
| Other non-current asset | 854,782.25 | 1,936,149.72 |
| Total non-current asset | 2,377,757,044.29 | 2,177,717,341.80 |
| Total assets | 6,432,513,092.25 | 6,468,951,793.87 |
| Current liabilities: | | |
| Short-term loans | 30,590,000.00 | 91,600,000.00 |
| Loan from central bank | | |
| Capital borrowed | | |
| Transactional financial liability | | |
| Financial liability measured by fair value and with variation reckoned into current gains/losses | | |
| Derivative financial liability | | |
| Note payable | | |
| Account payable | 171,201,542.03 | 472,738,283.80 |
| Accounts received in advance | 136,680,506.97 | 205,428,594.16 |
| Selling financial asset of repurchase | | |
| Absorbing deposit and interbank deposit | | |
| Security trading of agency | | |
| Security sales of agency | | |
| Wage payable | 118,823,329.33 | 135,709,423.52 |
| Taxes payable | 30,267,605.83 | 24,969,718.58 |
| Other account payable | 304,979,705.51 | 280,689,548.29 |
| Including: Interest payable | 1,020,795.27 | |
| Dividend payable | 2,909,182.74 | 2,909,182.74 |
| Commission charge and commission payable | | |
| Reinsurance payable | | |
| Contractual liability | | |
| Liability held for sale | | |
| Non-current liabilities due within one year | 60,027,362.43 | 55,090,793.79 |
| Other current liabilities | 219,151,968.63 | 219,151,968.63 |
| Total current liabilities | 1,071,722,020.73 | 1,485,378,330.77 |
| Non-current liabilities: | | |

| | | |
|---|------------------|------------------|
| Insurance contract reserve | | |
| Long-term loans | 777,384,100.20 | 516,687,791.66 |
| Bonds payable | | |
| Including: Preferred stock | | |
| Perpetual capital securities | | |
| Lease liability | | |
| Long-term account payable | 15,724,141.66 | 15,690,202.08 |
| Long-term wages payable | | |
| Accrual liability | | |
| Deferred income | 98,721,691.96 | 100,608,203.01 |
| Deferred income tax liabilities | 13,162,941.71 | 12,988,434.77 |
| Other non-current liabilities | | |
| Total non-current liabilities | 904,992,875.53 | 645,974,631.52 |
| Total liabilities | 1,976,714,896.26 | 2,131,352,962.29 |
| Owner's equity: | | |
| Share capital | 1,152,535,254.00 | 1,152,535,254.00 |
| Other equity instrument | | |
| Including: Preferred stock | | |
| Perpetual capital securities | | |
| Capital public reserve | 1,422,892,729.36 | 1,422,892,729.36 |
| Less: Inventory shares | | |
| Other comprehensive income | | |
| Reasonable reserve | 62,409.56 | 154.21 |
| Surplus public reserve | 327,140,910.28 | 327,140,910.28 |
| Provision of general risk | | |
| Retained profit | 1,357,848,812.47 | 1,269,933,487.26 |
| Total owner's equity attributable to parent company | 4,260,480,115.67 | 4,172,502,535.11 |
| Minority interests | 195,318,080.32 | 165,096,296.47 |
| Total owner's equity | 4,455,798,195.99 | 4,337,598,831.58 |
| Total liabilities and owner's equity | 6,432,513,092.25 | 6,468,951,793.87 |

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 | 2019-6-30 | 2018-12-31 |
|---|------------------|------------------|
| Current assets: | | |
| Monetary funds | 4,667,978.54 | 168,900,586.84 |
| Trading financial assets | 1,153,309.17 | |
| Financial assets measured by fair value and with variation reckoned into current gains/losses | | 1,124,927.96 |
| Derivative financial assets | | |
| Note receivable | | |
| Account receivable | 4,700,782.83 | 42,441,119.07 |
| Receivable financing | | |
| Accounts paid in advance | | |
| Other account receivable | 242,873,517.60 | 159,677,969.59 |
| Including: Interest receivable | | |
| Dividend receivable | | |
| Inventories | 2,972,019.11 | 8,806,338.26 |
| Contractual assets | | |
| Assets held for sale | | |
| Non-current assets maturing within one year | | |
| Other current assets | 30,000,000.00 | 50,068,745.74 |
| Total current assets | 286,367,607.25 | 431,019,687.46 |
| Non-current assets: | | |
| Debt investment | | |
| Available-for-sale financial assets | | |
| Other debt investment | | |
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | 4,212,419,029.48 | 4,212,554,063.36 |

| | | |
|--|------------------|------------------|
| Investment in other equity instrument | | |
| Other non-current financial assets | | |
| Investment real estate | 17,693,889.54 | 17,929,684.70 |
| Fixed assets | 30,905,606.49 | 31,417,912.54 |
| Construction in progress | | |
| Productive biological assets | 402,232.74 | 407,078.92 |
| Oil and natural gas assets | | |
| Right-of-use assets | | |
| Intangible assets | 6,363,106.12 | 6,663,692.30 |
| Research and development costs | | |
| Goodwill | | |
| Long-term deferred expenses | 302,763.72 | 409,621.50 |
| Deferred income tax assets | 5,579,344.64 | 5,630,538.80 |
| Other non-current assets | | |
| Total non-current assets | 4,273,665,972.73 | 4,275,012,592.12 |
| Total assets | 4,560,033,579.98 | 4,706,032,279.58 |
| Current liabilities | | |
| Short-term borrowings | | |
| Trading financial liability | | |
| Financial liability measured by fair value and with variation reckoned into current gains/losses | | |
| Derivative financial liability | | |
| Notes payable | | |
| Account payable | 34,354,909.69 | 73,705,646.54 |
| Accounts received in advance | 3,247.80 | 124,945.74 |
| Contractual liability | | |
| Wage payable | 9,866,658.37 | 6,448,561.16 |
| Taxes payable | 2,745,766.36 | 2,702,655.24 |
| Other accounts payable | 254,402,388.26 | 232,109,084.76 |
| Including: Interest payable | | |
| Dividend payable | | |
| Liability held for sale | | |
| Non-current liabilities due within | | |

| | | |
|---|------------------|------------------|
| one year | | |
| Other current liabilities | | |
| Total current liabilities | 301,372,970.48 | 315,090,893.44 |
| Non-current liabilities: | | |
| Long-term loans | | |
| Bonds payable | | |
| Including: preferred stock | | |
| Perpetual capital securities | | |
| Lease liability | | |
| Long-term account payable | | |
| Long term employee compensation payable | | |
| Accrued liabilities | | |
| Deferred income | 45,575.32 | 46,129.96 |
| Deferred income tax liabilities | 18,060.77 | 10,965.46 |
| Other non-current liabilities | | |
| Total non-current liabilities | 63,636.09 | 57,095.42 |
| Total liabilities | 301,436,606.57 | 315,147,988.86 |
| Owners' equity: | | |
| Share capital | 1,152,535,254.00 | 1,152,535,254.00 |
| Other equity instrument | | |
| Including: preferred stock | | |
| Perpetual capital securities | | |
| Capital public reserve | 3,018,106,568.27 | 3,018,106,568.27 |
| Less: Inventory shares | | |
| Other comprehensive income | | |
| Special reserve | | |
| Surplus reserve | 54,736,482.14 | 54,736,482.14 |
| Retained profit | 33,218,669.00 | 165,505,986.31 |
| Total owner's equity | 4,258,596,973.41 | 4,390,884,290.72 |
| Total liabilities and owner's equity | 4,560,033,579.98 | 4,706,032,279.58 |

3. Consolidated Profit Statement

In RMB

| Item | Semi-annual of 2019 | Semi-annual of 2018 |
|--|---------------------|---------------------|
| I. Total operating income | 4,782,167,732.69 | 4,434,688,646.82 |
| Including: Operating income | 4,782,167,732.69 | 4,434,688,646.82 |
| Interest income | | |
| Insurance gained | | |
| Commission charge and commission income | | |
| II. Total operating cost | 4,495,390,182.31 | 4,187,994,970.83 |
| Including: Operating cost | 4,262,101,770.62 | 3,962,753,163.26 |
| 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 | 6,605,514.20 | 7,661,918.10 |
| Sales expense | 112,553,742.74 | 120,452,104.30 |
| Administrative expense | 101,397,947.99 | 96,324,028.90 |
| R&D expense | 4,211,474.91 | 2,977,062.54 |
| Financial expense | 8,519,731.85 | -2,173,306.27 |
| Including: Interest expenses | 10,087,784.34 | 4,313,048.72 |
| Interest income | 2,185,171.96 | 3,899,478.59 |
| Add: other income | 5,463,876.60 | 4,324,296.96 |
| Investment income (Loss is listed with "-") | 7,167,936.04 | 1,343,407.46 |
| Including: Investment income on affiliated company and joint venture | 3,413,100.95 | 626,055.86 |
| The termination of income recognition for financial assets measured | | |

| | | |
|--|----------------|----------------|
| by amortized cost(Loss is listed with “-”) | | |
| Exchange income (Loss is listed with “-”) | | |
| Net exposure hedging income (Loss is listed with “-”) | | |
| Income from change of fair value (Loss is listed with “-”) | 28,381.21 | -425,718.15 |
| Loss of credit impairment (Loss is listed with “-”) | 5,143,559.77 | |
| Losses of devaluation of asset (Loss is listed with “-”) | -69,231,423.42 | -32,562,385.63 |
| Income from assets disposal (Loss is listed with “-”) | -4,184.59 | -210,840.01 |
| III. Operating profit (Loss is listed with “-”) | 235,345,695.99 | 219,162,436.62 |
| Add: Non-operating income | 362,252.46 | 980,860.83 |
| Less: Non-operating expense | 3,982,019.95 | 595,492.72 |
| IV. Total profit (Loss is listed with “-”) | 231,725,928.50 | 219,547,804.73 |
| Less: Income tax expense | 15,485,294.03 | 11,869,852.06 |
| V. Net profit (Net loss is listed with “-”) | 216,240,634.47 | 207,677,952.67 |
| (i) Classify by business continuity | | |
| 1.continuous operating net profit (net loss listed with “-”) | 216,240,634.47 | 207,677,952.67 |
| 2.termination of net profit (net loss listed with “-”) | | |
| (ii) Classify by ownership | | |
| 1.Net profit attributable to owner’s of parent company | 203,168,850.61 | 202,779,343.34 |
| 2.Minority shareholders’ gains and losses | 13,071,783.86 | 4,898,609.33 |
| VI. Net after-tax of other comprehensive income | | |
| Net after-tax of other comprehensive income attributable to owners of parent company | | |
| (I) Other comprehensive income items which will not be reclassified subsequently to profit or loss | | |

| | | |
|--|----------------|----------------|
| 1.Changes of the defined benefit plans that re-measured | | |
| 2.Other comprehensive income under equity method that cannot be transfer to gain/loss | | |
| 3.Change of fair value of investment in other equity instrument | | |
| 4.Fair value change of enterprise's credit risk | | |
| 5. Other | | |
| (ii) Other comprehensive income items which will be reclassified subsequently to profit or loss | | |
| 1.Other comprehensive income under equity method that can transfer to gain/loss | | |
| 2.Change of fair value of other debt investment | | |
| 3.gain/loss of fair value changes for available-for-sale financial assets | | |
| 4.Amount of financial assets re-classify to other comprehensive income | | |
| 5.Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset | | |
| 6.Credit impairment provision for other debt investment | | |
| 7.Cash flow hedging reserve | | |
| 8.Translation differences arising on translation of foreign currency financial statements | | |
| 9.Other | | |
| Net after-tax of other comprehensive income attributable to minority shareholders | | |
| VII. Total comprehensive income | 216,240,634.47 | 207,677,952.67 |
| Total comprehensive income | 203,168,850.61 | 202,779,343.34 |

| | | |
|--|---------------|--------------|
| attributable to owners of parent Company | | |
| Total comprehensive income attributable to minority shareholders | 13,071,783.86 | 4,898,609.33 |
| VIII. Earnings per share: | | |
| (i) Basic earnings per share | 0.1763 | 0.1759 |
| (ii) Diluted earnings per share | 0.1763 | 0.1759 |

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

Legal Representative: 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 | Semi-annual of 2019 | Semi-annual of 2018 |
|---|---------------------|---------------------|
| I. Operating income | 31,562,730.23 | 67,228,720.81 |
| Less: Operating cost | 29,829,293.00 | 63,731,294.22 |
| Taxes and surcharge | 252,634.47 | 292,769.77 |
| Sales expenses | 293,450.97 | 1,943,060.61 |
| Administration expenses | 21,614,585.82 | 14,366,353.12 |
| R&D expenses | | |
| Financial expenses | -532,360.14 | -1,565,736.21 |
| Including: interest expenses | | |
| Interest income | | |
| Add: other income | 1,253,598.63 | 554.64 |
| Investment income (Loss is listed with "-") | 1,432,614.92 | -185,480.37 |
| Including: Investment income on affiliated Company and joint venture | -135,033.88 | -185,480.37 |
| The termination of income recognition for financial assets measured by amortized cost (Loss is listed with "-") | | |
| Net exposure hedging income | | |

| | | |
|--|----------------|----------------|
| (Loss is listed with “-”) | | |
| Changing income of fair value (Loss is listed with “-”) | 28,381.21 | -425,718.15 |
| Loss of credit impairment (Loss is listed with “-”) | -204,340.76 | |
| Losses of devaluation of asset (Loss is listed with “-”) | 409,117.45 | -203,706.33 |
| Income on disposal of assets (Loss is listed with “-”) | | |
| II. Operating profit (Loss is listed with “-”) | -16,975,502.44 | -12,353,370.91 |
| Add: Non-operating income | | |
| Less: Non-operating expense | | 51.64 |
| III. Total Profit (Loss is listed with “-”) | -16,975,502.44 | -12,353,422.55 |
| Less: Income tax | 58,289.47 | -157,620.42 |
| IV. Net profit (Net loss is listed with “-”) | -17,033,791.91 | -12,195,802.13 |
| (i)continuous operating net profit (net loss listed with ‘-’) | -17,033,791.91 | -12,195,802.13 |
| (ii) termination of net profit (net loss listed with ‘-’) | | |
| V. Net after-tax of other comprehensive income | | |
| (I) Other comprehensive income items which will not be reclassified subsequently to profit of loss | | |
| 1.Changes of the defined benefit plans that re-measured | | |
| 2.Other comprehensive income under equity method that cannot be transfer to gain/loss | | |
| 3.Change of fair value of investment in other equity instrument | | |
| 4.Fair value change of enterprise's credit risk | | |
| 5. Other | | |
| (II) Other comprehensive income items which will be reclassified subsequently to profit or loss | | |

| | | |
|--|----------------|----------------|
| 1.Other comprehensive income under equity method that can transfer to gain/loss | | |
| 2.Change of fair value of other debt investment | | |
| 3.gain/loss of fair value changes for available-for-sale financial assets | | |
| 4.Amount of financial assets re-classify to other comprehensive income | | |
| 5.Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset | | |
| 6.Credit impairment provision for other debt investment | | |
| 7.Cash flow hedging reserve | | |
| 8.Translation differences arising on translation of foreign currency financial statements | | |
| 9.Other | | |
| VI. Total comprehensive income | -17,033,791.91 | -12,195,802.13 |
| VII. Earnings per share: | | |
| (i) Basic earnings per share | -0.0148 | -0.0106 |
| (ii) Diluted earnings per share | -0.0148 | -0.0106 |

5. Consolidated Cash Flow Statement

In RMB

| Item | Semi-annual of 2019 | Semi-annual of 2018 |
|---|---------------------|---------------------|
| I. Cash flows arising from operating activities: | | |
| Cash received from selling commodities and providing labor services | 4,570,303,860.45 | 4,726,406,214.58 |
| 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 | | |
| Cash received from interest, commission charge and commission | | |
| Net increase of capital borrowed | | |
| Net increase of returned business capital | | |
| Net cash received by agents in sale and purchase of securities | | |
| Write-back of tax received | 341,886.74 | 893,445.54 |
| Other cash received concerning operating activities | 187,051,727.97 | 24,547,106.70 |
| Subtotal of cash inflow arising from operating activities | 4,757,697,475.16 | 4,751,846,766.82 |
| Cash paid for purchasing commodities and receiving labor service | 4,737,315,792.15 | 4,340,946,309.76 |
| Net increase of customer loans and advances | | |
| Net increase of deposits in central bank and interbank | | |
| Cash paid for original insurance contract compensation | | |
| Net increase of financial assets held for transaction purposes | | |
| Net increase of capital lent | | |
| Cash paid for interest, commission charge and commission | | |
| Cash paid for bonus of guarantee slip | | |
| Cash paid to/for staff and workers | 117,107,205.65 | 126,373,197.96 |

| | | |
|---|------------------|------------------|
| Taxes paid | 36,670,126.83 | 27,553,349.81 |
| Other cash paid concerning operating activities | 256,033,980.28 | 204,112,663.99 |
| Subtotal of cash outflow arising from operating activities | 5,147,127,104.91 | 4,698,985,521.52 |
| Net cash flows arising from operating activities | -389,429,629.75 | 52,861,245.30 |
| II. Cash flows arising from investing activities: | | |
| Cash received from recovering investment | 376,000,000.00 | 100,000,000.00 |
| Cash received from investment income | 3,281,912.85 | 717,351.60 |
| Net cash received from disposal of fixed, intangible and other long-term assets | 5,225,078.07 | 8,600.00 |
| Net cash received from disposal of subsidiaries and other units | | |
| Other cash received concerning investing activities | | |
| Subtotal of cash inflow from investing activities | 384,506,990.92 | 100,725,951.60 |
| Cash paid for purchasing fixed, intangible and other long-term assets | 279,258,684.99 | 251,093,013.07 |
| Cash paid for investment | 246,000,000.00 | 120,000,000.00 |
| Net increase of mortgaged loans | | |
| Net cash received from subsidiaries and other units obtained | | 37,000,000.00 |
| Other cash paid concerning investing activities | | |
| Subtotal of cash outflow from investing activities | 525,258,684.99 | 408,093,013.07 |
| Net cash flows arising from investing activities | -140,751,694.07 | -307,367,061.47 |
| III. Cash flows arising from financing activities | | |
| Cash received from absorbing investment | 17,150,000.00 | |

| | | |
|---|-----------------|-----------------|
| Including: Cash received from absorbing minority shareholders' investment by subsidiaries | 17,150,000.00 | |
| Cash received from loans | 275,167,400.91 | 67,732,101.19 |
| Cash received from issuing bonds | | |
| Other cash received concerning financing activities | | 24,500,000.00 |
| Subtotal of cash inflow from financing activities | 292,317,400.91 | 92,232,101.19 |
| Cash paid for settling debts | 70,544,523.73 | 18,898,888.81 |
| Cash paid for dividend and profit distributing or interest paying | 133,274,201.72 | 6,913,361.89 |
| Including: Dividend and profit of minority shareholder paid by subsidiaries | | |
| Other cash paid concerning financing activities | 72,997.72 | |
| Subtotal of cash outflow from financing activities | 203,891,723.17 | 25,812,250.70 |
| Net cash flows arising from financing activities | 88,425,677.74 | 66,419,850.49 |
| IV. Influence on cash and cash equivalents due to fluctuation in exchange rate | 31,791.79 | 3,088,981.33 |
| V. Net increase of cash and cash equivalents | -441,723,854.29 | -184,996,984.35 |
| Add: Balance of cash and cash equivalents at the period -begin | 631,638,339.68 | 544,440,739.45 |
| VI. Balance of cash and cash equivalents at the period -end | 189,914,485.39 | 359,443,755.10 |

6. Cash Flow Statement of Parent Company

In RMB

| Item | Semi-annual of 2019 | Semi-annual of 2018 |
|--|---------------------|---------------------|
| I. Cash flows arising from operating activities: | | |
| Cash received from selling commodities and providing labor | 74,116,410.44 | 99,228,621.54 |

| | | |
|---|----------------|----------------|
| services | | |
| Write-back of tax received | 336,964.29 | 737,441.54 |
| Other cash received concerning operating activities | 138,446,106.95 | 27,633,986.64 |
| Subtotal of cash inflow arising from operating activities | 212,899,481.68 | 127,600,049.72 |
| Cash paid for purchasing commodities and receiving labor service | 67,845,729.08 | 96,230,177.23 |
| Cash paid to/for staff and workers | 14,152,467.36 | 12,384,561.21 |
| Taxes paid | 1,160,654.10 | 2,194,673.02 |
| Other cash paid concerning operating activities | 199,823,754.56 | 11,572,835.91 |
| Subtotal of cash outflow arising from operating activities | 282,982,605.10 | 122,382,247.37 |
| Net cash flows arising from operating activities | -70,083,123.42 | 5,217,802.35 |
| II. Cash flows arising from investing activities: | | |
| Cash received from recovering investment | 266,000,000.00 | |
| Cash received from investment income | 1,567,648.80 | |
| Net cash received from disposal of fixed, intangible and other long-term assets | 2,710.37 | |
| Net cash received from disposal of subsidiaries and other units | | |
| Other cash received concerning investing activities | | |
| Subtotal of cash inflow from investing activities | 267,570,359.17 | |
| Cash paid for purchasing fixed, intangible and other long-term assets | 483,680.00 | 18,200.00 |
| Cash paid for investment | 246,000,000.00 | 30,000,000.00 |
| Net cash received from subsidiaries and other units obtained | | |
| Other cash paid concerning | | |

| | | |
|--|-----------------|----------------|
| investing activities | | |
| Subtotal of cash outflow from investing activities | 246,483,680.00 | 30,018,200.00 |
| Net cash flows arising from investing activities | 21,086,679.17 | -30,018,200.00 |
| III. Cash flows arising from financing activities | | |
| Cash received from absorbing investment | | |
| Cash received from loans | | |
| Cash received from issuing bonds | | |
| Other cash received concerning financing activities | | |
| Subtotal of cash inflow from financing activities | | |
| Cash paid for settling debts | | 10,000,000.00 |
| Cash paid for dividend and profit distributing or interest paying | 115,253,525.40 | 28,710.00 |
| Other cash paid concerning financing activities | 72,997.72 | |
| Subtotal of cash outflow from financing activities | 115,326,523.12 | 10,028,710.00 |
| Net cash flows arising from financing activities | -115,326,523.12 | -10,028,710.00 |
| IV. Influence on cash and cash equivalents due to fluctuation in exchange rate | 90,359.07 | 76,401.91 |
| V. Net increase of cash and cash equivalents | -164,232,608.30 | -34,752,705.74 |
| Add: Balance of cash and cash equivalents at the period -begin | 168,900,586.84 | 239,662,344.24 |
| VI. Balance of cash and cash equivalents at the period -end | 4,667,978.54 | 204,909,638.50 |

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

Current period

In RMB

| Item | Semi-annual of 2019 | | | | | | | | | | | | |
|---|---|-------------------------|------------------------------|-------|------------------|------------------------|----------------------------|--------------------|-----------------|---------------------------|------------------|--------------------|----------------------|
| | Owners' equity attributable to the parent Company | | | | | | | | | | | Minority interests | Total owners' equity |
| | Share capital | Other equity instrument | | | Capital reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus reserve | Provision of general risk | Retained profit | Other | Subtotal |
| | | Preferred stock | Perpetual capital securities | Other | | | | | | | | | |
| I. Balance at the end of the last year | 1,152,535,254.00 | | | | 1,422,892,729.36 | | | 154.21 | 327,140,910.28 | | 1,269,933,487.26 | | 4,172,502,535.11 |
| Add: Changes of accounting policy | | | | | | | | | | | | | |
| Error correction of the last period | | | | | | | | | | | | | |
| Enterprise combine under the same control | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|------------------|--|--|--|------------------|--|--|-----------|----------------|--|------------------|--|------------------|----------------|------------------|
| Other | | | | | | | | | | | | | | | |
| II. Balance at the beginning of this year | 1,152,535,254.00 | | | | 1,422,892,729.36 | | | 154.21 | 327,140,910.28 | | 1,269,933,487.26 | | 4,172,502,535.11 | 165,096,296.47 | 4,337,598,831.58 |
| III. Increase/Decrease in this year (Decrease is listed with “-”) | | | | | | | | 62,255.35 | | | 87,915,325.21 | | 87,977,580.56 | 30,221,783.85 | 118,199,364.41 |
| (i) Total comprehensive income | | | | | | | | | | | 203,168,850.61 | | 203,168,850.61 | 13,071,783.85 | 216,240,634.46 |
| (ii) Owners’ devoted and decreased capital | | | | | | | | | | | | | | 17,150,000.00 | 17,150,000.00 |
| 1.Common shares invested by shareholders | | | | | | | | | | | | | | 17,150,000.00 | 17,150,000.00 |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | | | | |
| 3. Amount reckoned into owners equity with share-based payment | | | | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | | -115,253,525.40 | | -115,253,525.40 | | -115,253,525.40 |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | | | | |
| 2. Withdrawal of general risk provisions | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|------------|--|--|--|-----------------|--|-----------------|--|-----------------|
| 3. Distribution for owners (or shareholders) | | | | | | | | | | | -115,253,525.40 | | -115,253,525.40 | | -115,253,525.40 |
| 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. Carry-over retained earnings from the defined benefit plans | | | | | | | | | | | | | | | |
| 5. Carry-over retained earnings from other comprehensive income | | | | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | | | | |
| (V) Reasonable reserve | | | | | | | 62,255.35 | | | | | | 62,255.35 | | 62,255.35 |
| 1. Withdrawal in the report period | | | | | | | 460,394.34 | | | | | | 460,394.34 | | 460,394.34 |

| | | | | | | | | | | | | | | |
|---|------------------|--|--|--|------------------|--|------------|----------------|--|------------------|--|------------------|----------------|------------------|
| 2. Usage in the report period | | | | | | | 398,138.99 | | | | | 398,138.99 | | 398,138.99 |
| (VI)Others | | | | | | | | | | | | | | |
| IV. Balance at the end of the report period | 1,152,535,254.00 | | | | 1,422,892,729.36 | | 62,409.56 | 327,140,910.28 | | 1,357,848,812.47 | | 4,260,480,115.67 | 195,318,080.32 | 4,455,798,195.99 |

Last Period

In RMB

| Item | Semi-annual of 2018 | | | | | | | | | | | | | | |
|--|---|-------------------------|------------------------------|-------|-----------------|------------------------|----------------------------|--------------------|-----------------|---------------------------|-----------------|-------|--------------------|----------------------|----------------|
| | Owners' equity attributable to the parent Company | | | | | | | | | | | | Minority interests | Total owners' equity | |
| | Share capital | Other equity instrument | | | Capital reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus reserve | Provision of general risk | Retained profit | Other | | | Subtotal |
| | | Preferred stock | Perpetual capital securities | Other | | | | | | | | | | | |
| I. Balance at the end of the last year | 496,782,303.00 | | | | 358,999,356.28 | | | | 54,736,482.14 | | 36,402,435.91 | | 946,920,577.33 | 16,232,752.93 | 963,153,330.26 |
| Add: Changes of accounting policy | | | | | | | | | | | | | | | |
| Error correction of the | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|----------------|--|--|--|----------------|--|--|--|---------------|--|----------------|--|----------------|---------------|----------------|
| last period | | | | | | | | | | | | | | | |
| Enterprise combine under the same control | | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | | |
| II. Balance at the beginning of this year | 496,782,303.00 | | | | 358,999,356.28 | | | | 54,736,482.14 | | 36,402,435.91 | | 946,920,577.33 | 16,232,752.93 | 963,153,330.26 |
| III. Increase/Decrease in this year (Decrease is listed with "-") | | | | | | | | | | | -18,246,639.07 | | -18,246,639.07 | -979,179.58 | -19,225,818.65 |
| (i) Total comprehensive income | | | | | | | | | | | -18,246,639.07 | | -18,246,639.07 | -979,179.58 | -19,225,818.65 |
| (ii) Owners' devoted and decreased capital | | | | | | | | | | | | | | | |
| 1.Common shares invested by shareholders | | | | | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | | | | |
| 3. Amount reckoned into owners equity with share-based payment | | | | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| 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. Carry-over retained earnings from the defined benefit plans | | | | | | | | | | | | | | | |
| 5. Carry-over retained earnings from other comprehensive income | | | | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|----------------|--|--|--|----------------|--|--|---------------|--|---------------|--|----------------|---------------|----------------|--|
| (V) Reasonable reserve | | | | | | | | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | | | | | | | | |
| 2. Usage in the report period | | | | | | | | | | | | | | | |
| (VI)Others | | | | | | | | | | | | | | | |
| IV. Balance at the end of the report period | 496,782,303.00 | | | | 358,999,356.28 | | | 54,736,482.14 | | 18,155,796.84 | | 928,673,938.26 | 15,253,573.35 | 943,927,511.61 | |

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

Current period

In RMB

| Item | Semi-annual of 2019 | | | | | | | | | | | |
|---|---------------------|-------------------------|------------------------------|-------|------------------------|------------------------|----------------------------|--------------------|-----------------|-----------------|-------|----------------------|
| | Share capital | Other equity instrument | | | Capital public reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus reserve | Retained profit | Other | Total owners' equity |
| | | Preferred stock | Perpetual capital securities | Other | | | | | | | | |
| I. Balance at the end of the last year | 1,152,535,254.00 | | | | 3,018,106,568.27 | | | | 54,736,482.14 | 165,505,986.31 | | 4,390,884,290.72 |
| Add: Changes of accounting policy | | | | | | | | | | | | |
| Error correction of the last period | | | | | | | | | | | | |
| Other | | | | | | | | | | | | |
| II. Balance at the beginning of this year | 1,152,535,254.00 | | | | 3,018,106,568.27 | | | | 54,736,482.14 | 165,505,986.31 | | 4,390,884,290.72 |
| III. Increase/ Decrease | | | | | | | | | | - | | -132,287,317.31 |

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|---------------------|--|-----------------|
| in this year (Decrease is listed with “-”) | | | | | | | | | | 132,287,317.31 | | |
| (i) Total comprehensive income | | | | | | | | | | -17,033,791.91 | | -17,033,791.91 |
| (ii) Owners’ devoted and decreased capital | | | | | | | | | | | | |
| 1.Common shares invested by shareholders | | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | |
| 3. Amount reckoned into owners equity with share-based payment | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | - 115,253,525.40 | | -115,253,525.40 |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | |
| 2. Distribution for owners (or shareholders) | | | | | | | | | | - 115,253,525.40 | | -115,253,525.40 |
| 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. Carry-over retained earnings from the defined benefit plans | | | | | | | | | | | | |
| 5. Carry-over retained earnings from other comprehensive income | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | |
| (V) Reasonable reserve | | | | | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | | | | | |
| 2. Usage in the report period | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | | |
| IV. Balance at the end of the report period | 1,152,535,254.00 | | | | 3,018,106,568.27 | | | | 54,736,482.14 | 33,218,669.00 | | 4,258,596,973.41 |

Last Period

In RMB

| Item | Semi-annual of 2018 | | | | | | | | | | | |
|--|---------------------|-------------------------|------------------------------|-------|------------------------|------------------------|----------------------------|--------------------|-----------------|-----------------|-------|----------------------|
| | Share capital | Other equity instrument | | | Capital public reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus reserve | Retained profit | Other | Total owners' 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 “-”) | | | | | | | | | | -12,195,802.13 | | -12,195,802.13 |
| (i) Total comprehensive income | | | | | | | | | | -12,195,802.13 | | -12,195,802.13 |
| (ii) Owners’ devoted and decreased capital | | | | | | | | | | | | |
| 1.Common shares invested by shareholders | | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | |
| 3. Amount reckoned into owners equity with share-based payment | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | | | |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | |
| 2. Distribution for owners (or shareholders) | | | | | | | | | | | | |
| 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. Carry-over retained earnings from the defined benefit plans | | | | | | | | | | | | |
| 5. Carry-over retained earnings from other comprehensive income | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | |
| (V) Reasonable reserve | | | | | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | | | | | |
| 2. Usage in the report period | | | | | | | | | | | | |
| (VI)Others | | | | | | | | | | | | |
| IV. Balance at the end of the report period | 496,782,303.00 | | | | 382,444,482.45 | | | | 54,736,482.14 | 187,593,848.61 | | 1,121,557,116.20 |

III. Basic situation of Company

1. The history of the company

Shenzhen Cereals Holdings Co., Ltd. (formerly the 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 31st December 2013, increase 2 shares by each 10 shares transferring to all shareholders. Share capital increased to 301,080,184 shares after transferring.

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

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

On October 15, 2018, the Company received the “Reply on the Approval of Shenzhen Shenbao Industrial Co., Ltd. to Issue Shares to Shenzhen Fude State-owned Capital Operation Co., Ltd. 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 Shenzhen Fude State-owned Capital Operation Co., Ltd. (hereinafter referred to as 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 30 June 2019, the total share capital of the company was 1,152,535,254 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 23 August 2019.

Up to 30th June 2019, the subsidiaries 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 Technology Co., Ltd(hereinafter referred to as Huizhou Shenbao Technology) | Wholly-owned subsidiary | First grade | 100 | 100 |
| Shenzhen Shenbao Property Management Co., Ltd.(hereinafter referred to as Shenbao Property) | Wholly-owned subsidiary | First grade | 100 | 100 |

| | | | | |
|---|-------------------------|--------------|-----|-----|
| Shenzhen Shenbao Industrial & Trading Co., Ltd.(hereinafter referred to as Shenbao Industrial & Trading) | Wholly-owned subsidiary | First grade | 100 | 100 |
| 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. (hereinafter referred to as Hualian Grain & oil trading) | Wholly-owned subsidiary | Second grade | 100 | 100 |
| Hainan Haitian Aquatic Feed Co., Ltd(hereinafter referred to as Hainan Haitian) | Wholly-owned subsidiary | Second grade | 100 | 100 |
| Shenzhen Shenliang Quality Inspection Co., Ltd. | Wholly-owned | Second | 100 | 100 |

| | | | | |
|---|-------------------------|--------------|-----|-----|
| (hereinafter referred to as Shenliang Quality Inspection) | subsidiary | grade | | |
| Shenzhen Shenliang Doximi Business Co., Ltd.(hereinafter referred to as Shenliang Doximi) | Wholly-owned subsidiary | Second grade | 100 | 100 |
| Shenzhen Shenliang Cold-Chain Logistic Co., Ltd(hereinafter referred to as Shenliang Cold-Chain Logistic) | Wholly-owned subsidiary | Second grade | 100 | 100 |
| Shenzhen Shenliang Big Kitchen Food Supply Chain Co., Ltd(hereinafter referred to as Shenliang Big Kitchen) | Controlling subsidiary | Second grade | 70 | 70 |
| Shenzhen Shenliang Real Estate Development Co., Ltd. (hereinafter referred to as Shenliang Real Estate Development) | Wholly-owned subsidiary | Second grade | 100 | 100 |
| Shenzhen Shenliang Property Management Co., Ltd. (hereinafter referred to as Shenliang Property) | Wholly-owned subsidiary | Third grade | 100 | 100 |
| Shenliang Storage (Yingkou) Co., Ltd(hereinafter referred to as Shenliang Storage (Yingkou))) | Wholly-owned subsidiary | Third grade | 100 | 100 |
| Dongguan Shenliang Logistics Co., Ltd.(hereinafter referred to as Dongguan Shenliang 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 Shenliang Oil & Food Trade Co., Ltd. (hereinafter referred to as Dongguan Food Trade) | Controlling subsidiary | Third grade | 51 | 51 |
| Dongguan Jinying Biology Tech. Co., Ltd. (hereinafter referred to as Dongguan Jinying) | Controlling subsidiary | Third grade | 51 | 51 |
| Shuangyashan Shenliang Zhongxin Cereals Base Co., Ltd.(hereinafter referred to as Shuangyashan Shenliang 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 |

Change of the consolidate scope found more in Note VIII. Change of consolidate scope and Note IX. Equity in other entity

IV. Basis of preparation of financial statements

1. Basis of preparation

Based on going concern, and according to actual occurrence of transactions and issues, the Company prepared the financial statement in line with the Accounting Standards for Business Enterprise -Basic Standard issued by Ministry of Finance 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), combining the Information Disclosure Preparation Rules for Company Public Issuing Securities No.15-General Rules for Financial Report (amended in 2014) of the CSRC

2. Going concern

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

V. Major accounting policy, accounting estimation

Specific accounting policies and estimation attention:

(i) Implementation of the Accounting Standards for Business Enterprise No. 22- Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprise No. 23- Transfer of Financial Assets, Accounting Standards for Business Enterprise No. 24- Hedge Accounting and Accounting Standards for Business Enterprise No. 37- Presentation of Financial Instruments (2017 Revised), and in 2017, the Ministry of Finance revised the Accounting Standards for Business Enterprise No. 22- Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprise No. 23- Transfer of Financial Assets, Accounting Standards for Business Enterprise No. 24- Hedge Accounting and Accounting Standards for Business Enterprise No. 37- Presentation of Financial Instruments. The revised standards stipulate that for financial instruments that have not been derecognized on the first implementation date, if the previous recognition and measurement are inconsistent with the requirements of the revised standards, they shall be retrospectively adjusted. If the data relating to the comparative financial statements in prior period are inconsistent with the requirements of the revised standards, no adjustment is required. The Company will adjust the retained earnings and other comprehensive income at the beginning of the year due to the cumulative impact of retrospective adjustment, the main impacts of the implementation of the above standards are as follows: (1) Due to the change in the name of the report item, “the financial assets measured at fair value and whose changes are included in the current profit and loss” are reclassified

as “transactional financial assets”, financial assets measured at fair value and whose changes are included in the current profit and loss have a decrease of 1,124,927.96 yuan; and the trading financial assets have an increase of 1,124,927.96 yuan; (2) the available-for-sale equity instrument investments are reclassified as the “financial assets measured at fair value and whose changes are included in the current profit and loss”. Available-for-sale financial assets have a decrease of 57,500.00 yuan; other non-current financial assets have an increase of 57,500.00 yuan.

(ii) Implementation of the Ministry of Finance issued the Notice on Revision and Issuance of 2019 Financial Statement Format for General Corporate

On 30 April 2019, the Ministry of Finance issued the Notice on Revision and Issuance of 2019 Financial Statement Format for General Corporate (Cai Kuai [2019] No.6), format of the financial statement has been revised. Main impact for implementation of the above mentioned regulations: in balance sheet: the “Note receivable and account receivable” divided into “Note receivable” and “Account receivable”; “Note payable and account payable” divided into “Note payable” and “Account payable”; the comparison data are adjusted accordingly. “Note receivable and account receivable” divided into “Note receivable” and “Account receivable”, current amount of “Note receivable” was 350,756.64 Yuan while 1,027,635.04 Yuan at last period; the “Account receivable” has 617,831,167.71 Yuan in the period while 473,646,886.64 Yuan at last period; “Note payable and account payable” divided into “Note payable” and “Account payable”, current amount of “Account payable” was 171,201,542.03 Yuan while 472,738,283.80 Yuan at last period.

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

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

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 .

Business combination not under the same control: 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.

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 shall be deducted from equity.

6. Methods for preparation of consolidated financial statements

(i) Consolidated scope

The consolidation scope of the consolidated financial statements of the Company is fixed on the basis of control, and all subsidiaries(including the divisible part of the invested party that control by the Company) have been consolidated.

(ii) Consolidated 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. 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. 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.

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.

(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.

If the Company's shareholding ratio declines and thus loses the control power due to other investors' capital increase in the subsidiaries, accounting treatment shall be conducted in accordance with the above principles.

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:

- i. These transactions are made considering at the same time or in the case of mutual impact;
- ii. These transactions only reach a complete business results when as a whole;
- iii. A transaction occurs depending on the occurrence of at least one other transaction;
- iv. 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

Joint venture arrangements are divided into joint operations and joint ventures.

When the Company is a joint venture party of a joint venture arrangement and enjoys the relevant assets of the arrangement and bears the liabilities related to the arrangement, it is a joint operation.

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.

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

(i) Foreign currency business

The foreign currency business uses the spot exchange rate on the transaction date as the conversion rate to convert the foreign currency amount into RMB.

The balance of foreign currency monetary items on the balance sheet date is converted at the spot exchange rate on the balance sheet date. The resulting exchange differences, except that the balance of exchange generated from the foreign currency special borrowings related to the assets whose acquisition and construction are eligible for capitalization is disposed in accordance with the principle of borrowing costs capitalization, are included in the current profit and loss.

(ii) Conversion of foreign currency financial statements

Assets and liabilities in the balance sheet are converted at the spot exchange rate on the balance sheet date; except for the “undistributed profit” item, other items of the owner's equity items are converted at the spot exchange rate at the time of occurrence. Income and expense items in the income statement are converted at the spot exchange rate on the transaction date.

When disposing an overseas operation, the translation difference of the foreign currency financial statements related to the overseas operation is transferred from the owner's equity items to the disposal of the current profit and loss.

10. Financial instruments

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

(i) Categories of financial instruments

Accounting policy applicable since 1st Jan. 2019

According to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, at initial recognition, the Company classifies the financial assets into the financial assets measured at amortized cost, the financial assets(debt instrument) measured at fair value and whose changes are included in other comprehensive income, and the financial assets measured at fair value and whose changes are included in current gain or loss.

The financial assets of which the business model aims at the collection of contractual cash flow and the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal amount are classified as financial assets measured at amortized cost. The financial assets of which the business model aims not only at the collection of contractual cash flow but also at selling the financial assets and the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal amount are classified as financial assets measured at fair value and whose changes are included in other comprehensive income (debt instruments). Other financial assets other than this are classified as financial assets measured at fair value and whose changes are included in current profit and loss.

For non-trading equity instrument investment, the Company determines whether it is designated as a financial asset (equity instrument) measured at fair value and whose changes are included in other comprehensive income at the initial recognition. In the initial recognition, in order to eliminate or significantly reduce accounting mismatches, financial assets can be designated as financial assets measured at fair value and whose changes are included in current profit and loss.

In the initial recognition, financial liabilities are classified as the financial liabilities measured at fair value and whose changes are included in current profit and loss and the financial liabilities measured at amortized cost.

Financial liabilities that meet one of the following conditions can be designated as financial liabilities measured at fair value and whose changes are included in current profit and loss in the initial measurement:

- (1) The designation can eliminate or significantly reduce accounting mismatches.
- (2) According to the enterprise risk management or investment strategy specified in the official written document, manage and make performance evaluation of the financial liability portfolio or financial assets and financial liability portfolio based on fair value, and report to the key management personnel based on this.
- (3) The financial liability includes embedded derivatives that need to be separately split.

Accounting policy applicable before 1st Jan. 2019

At initial recognition, financial assets and financial liability are classified as: financial assets or liabilities measured at fair value and with its variation reckoned into current gains/losses, including the transactional financial assets or financial liabilities and financial assets or liabilities directly designated measured at fair value and with its variation reckoned into current gains/losses; held-to-maturity investment; account receivable; financial assets available-for-sale; other financial liability and so on.

(ii) Recognition and measurement for financial instrument

Accounting policy applicable since 1st Jan. 2019

(1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, and debt investment, which are initially measured at fair value, and related transaction costs are included in the initial recognition amount. The accounts receivable not including major financing components and the accounts receivable that the Company decides not to consider the financing component of not more than one year are initially measured at the contract transaction price.

Interest calculated by the effective interest method during the holding period is included in the current profit and loss.

When recovering or disposing, the difference between the price obtained and the book value of the financial asset is included in the current profit and loss.

(2) Financial assets (debt instruments) measured at fair value and whose changes are included in other comprehensive income

Financial assets (debt instruments) measured at fair value and whose changes are included in other comprehensive income, including receivables financing, other debt investment, etc., are initially measured at fair value, and related transaction expenses are included in the initial recognition amount. The financial assets are subsequently measured at fair value, the changes in fair value are included in other comprehensive income except for interest, impairment losses or gains and exchange gains and losses calculated by using the effective interest method.

When a financial asset is derecognized, the accumulated gain or loss previously included in other comprehensive income is transferred from other comprehensive income and included in current profit and loss.

(3) Financial assets (equity instruments) measured at fair value and whose changes are included in other comprehensive income

Financial assets (equity instruments) measured at fair value and whose changes are included in other comprehensive income, including other equity instruments, etc., are initially measured at fair value, and related transaction expenses are included in the initially recognised amount. The financial assets are subsequently measured at fair value, and changes in fair value are included in other comprehensive income. The dividends obtained are included in the current profits and losses.

When a financial asset is derecognized, the accumulated gain or loss previously included in other comprehensive income is transferred from other comprehensive income and included in retained earnings.

(4) Financial assets measured at fair value and whose changes are included in current profit and loss

Financial assets measured at fair value and whose changes are included in current profit and loss, including transactional financial assets, derivative financial assets and other non-current financial assets, etc., are initially measured at fair value, and related transaction expenses are included in the initial recognition amount. The financial assets are subsequently measured at fair value, and changes in fair value are recognised in current profit and loss.

When a financial asset is derecognized, the difference between its fair value and the initially recorded amount is recognized as investment income, and the gains and losses from changes in fair value are adjusted.

(5) Financial liabilities measured at fair value and whose changes are included in current profit and loss

Financial liabilities measured at fair value and whose changes are included in current profit and loss, including transaction financial liabilities, derivative financial liabilities, etc., are initially measured at fair value, and related transaction expenses are included in current profit and loss. The financial liabilities are subsequently measured at fair value, and changes in fair value are included in current profit and loss.

When a financial liability is derecognized, the difference between its fair value and the initially recorded amount is recognized as investment income, and the gains and losses from changes in fair value are adjusted.

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost, including short-term borrowings, bills payable, accounts payable,

other payables, long-term borrowings, bonds payable, and long-term payables, are initially measured at fair value, and related transaction expenses are included in the initial recognition amount.

Interest calculated by the effective interest method during the holding period is included in the current profit and loss.

When a financial liability is derecognized, the difference between the consideration paid and the book value of the financial liability is included in current profit and loss.

Accounting policy applicable before January 1, 2019

(1) Financial assets (financial liabilities) measured at fair value and whose changes are included in current profit and loss

At the time of acquisition, the fair value (deducting the cash dividends that have been declared but not yet paid or the bond interest whose interest payment has been due but not yet received) is taken as the initial recognition amount, and the related transaction expenses are included in the current profit and loss.

During the holding period, the interest or cash dividends are recognized as investment income, and the changes in fair value are included in the current profit and loss at the end of the period.

At the time of disposal, the difference between the fair value and the initial recorded amount is recognized as investment income, and the gains and losses from changes in fair value are adjusted.

(2) Held-to-maturity investments

At the time of acquisition, the sum of the fair value (deducting the bond interest whose interest payment has been due but not yet received) and the related transaction expenses is taken as the initial recognition amount.

During the holding period, the interest income is calculated and recognized based on the amortized cost and the actual interest rate, and is included in the investment income. The effective interest rate is determined at the time of acquisition and remains unchanged during the expected duration or for a shorter period of time applicable.

At the time of disposal, the difference between the purchase price and the book value of the investment is included in the investment income.

(3) Account receivable

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 account receivables, other account receivables and so on. 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.

(4) Available-for-sale financial assets

At the time of acquisition, the sum of the fair value (deducting the cash dividends that have been declared but not yet paid or the bond interest whose interest payment has been due but not yet received) and the related transaction expenses are taken as the initial recognition amount.

During the holding period, the interest or cash dividends obtained are recognized as investment income. At the end of the period, it is measured at fair value and the changes in fair value are included in other comprehensive income. However, an equity instrument investment that is not quoted in an active market and whose fair value cannot be reliably measured and the derivative financial assets that are linked to the equity instrument and that are required to be settled through the delivery of the equity instrument are measured at cost.

At the time of disposal, the difference between the price obtained and the book value of the financial asset is included in the investment gains and losses. At the same time, the amount of the accumulated amount of changes in fair value originally and directly included in other comprehensive income being corresponding to the disposal portion is transferred out and included in current profit and loss.

(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.

(iii) 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.

(iv) 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.

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

As for the financial instrument with an active market, the fair value is determined by the offer of the active market; there is no active market for a financial instrument, 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.

(vi) Testing of the financial assets (account receivable excluded) impairment and accounting treatment

Accounting policy applicable from January 1, 2019

The Company considers all reasonable and evidence-based information, including forward-looking information, and estimates the expected credit losses of the financial assets measured at amortized cost and the financial assets (debt instruments) measured at fair value and whose changes are included in other comprehensive income on a single or combination mode.

The measurement of expected credit losses depends on whether the credit risks of financial assets have increased significantly since the initial recognition.

If the credit risk of the financial instrument has increased significantly since the initial recognition, the Company measures its loss provision based on the amount equivalent to the expected credit losses for the entire duration of the financial instrument; if the credit risk of the financial instrument has not increased significantly since the initial recognition, the Company measures its loss provision based on the amount equivalent to the expected credit losses of the financial instrument in the next 12 months. The increase or reversal amount of the resulting loss provision is included in the current profit and loss as an impairment loss or gain.

Usually, if it is overdue for more than 30 days, the Company shall believe that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence that the credit risk of the financial instrument has not increased significantly since the initial recognition.

If the financial instrument's credit risk at the balance sheet date is low, the Company shall believe that the credit risk of the financial instrument has not increased significantly since the initial recognition.

Accounting policy applicable before January 1, 2019

Except for financial assets measured at fair value and whose changes are included in current profit and loss, the Company checks the book value of financial assets on the balance sheet date. If there is objective evidence that a financial asset is impaired, make impairment provision.

(1) Provision for impairment of available-for-sale financial assets:

At the end of the period, if the fair value of available-for-sale financial assets seriously declines, or after comprehensive consideration of various relevant factors, it is expected that such downward trend is non-temporary, it is deemed to have been impaired, and the accumulated losses resulting from the decline in the fair value originally and directly included in the owner's equity are transferred out and the impairment loss is recognized.

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.

The impairment loss from equity instrument investment available-for-sale should not be reversed through gains/losses.

Recognition standards for the impairment of equity instrument investment available for sale: The Company 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 one 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.

Measurement of the investment cost: 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.

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

Measurement on the impairment loss of held-to-maturity investment reference to the measurement methods and treatment of impairment losses of account receivable.

11. Note receivable

Same as account receivable

12. Account receivable

(i) Account receivable with single significant amount and withdrawal bad debt provision on single basis

Recognition criteria on account receivable with single significant amount and withdrawal bad debt provision on single basis:

(1) Account receivable: single account receivable has over 10 million Yuan in amount;

(2) Other account receivable: single other account receivable has over 5 million Yuan in amount.

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

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

(1) Recognition criteria on portfolio

Receivables with insignificant single amount are classified into several combinations according to the credit risk characteristics together with the receivables that are not individually impaired after the individual test and have significant single amount, and the provision for bad debts that should be accrued is determined according to the actual loss rate of the collection of receivables combination with credit risk characteristics similar to previous years and combined with the current situation.

Basis for determining the portfolio:

| Portfolio | Accrual method | Basis |
|--------------------------------------|------------------------------------|---|
| Related parties in consolidate scope | Bad debt provision without accrual | For receivables among related parties within the scope of consolidation, the possibility of bad debts is very small, and no bad debt provision is made for the portfolio. |
| Specific objects | Bad debt provision without accrual | For cash deposit, security deposit and receivables from government departments, the possibility of bad debts is very small, and no bad debt provision is made for the this portfolio. |
| Aging analysis | Aging analysis | Including receivables other than the above portfolios, the Company makes the best estimate on the provision proportion of receivables based on the past historical experience, and refers to the age of receivables for credit risk portfolio classification. |

(2) Accrual method recognized according to portfolio

① By aging analysis

| Account age | Accrual ratio of the account receivable (%) | Accrual ratio of the other account receivable (%) |
|-----------------|--|--|
| Within one year | 1 | 1 |
| 1—2 years | 10 | 10 |
| 2—3 years | 30 | 30 |
| 3—4 years | 50 | 50 |
| 4—5 years | 50 | 50 |
| Over 5 years | 80 | 80 |

② Account receivable with minor single amount but withdrawal bad debt provision on 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.

13. Account receivable financing

Nil

14. Other account receivable

Determining method and accounting treatment on the expected credit loss of other account receivable

As for the measurement of impairment for other account receivable except for account receivables, reference to the “(vi) Testing of the financial assets (account receivable excluded) impairment and accounting treatment” in 10.Financial instrument above mentioned.

15. Inventory

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

No

(i) Classification

Inventory includes raw materials, work in process-outsourced, goods in process, finished goods, goods in transit, revolving material and wrappage and so on.

(ii) Valuation methods for send out stocks

Stocks are valued at time of shipment by weighted average method.

(iii) Recognized standards of the net realizable value for 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.

Except that there is clear evidence indicates that the market price on the balance sheet date is abnormal, the net realizable value of the inventory item is determined based on the market price at the balance sheet date.

The net realizable value of the inventory items at the end of the period is determined based on the market price at

the balance sheet date.

(iv) Inventory system

Inventory system is the perpetual inventory system.

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

(1) Low-value consumables adopts the method of primary resale;

(2) Wrappage adopts the method of primary resale.

16. Contract assets

Nil

17. Contract cost

18. Assets held 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. As for the assets for sale should be approved by relevant authority organization or supervision department by regulations, the approval has been obtained.

19. Creditors' investment

Nil

20. Other creditors' investment

Nil

21. Long-term account receivable

Nil

22. Long-term equity investment

(i) Criteria for judgment of the common control and significant influence

Common control refers to the control that is common to an arrangement in accordance with the relevant agreement, and the relevant activities of the arrangement must be agreed upon by the participants sharing the control rights before making a decision. Where the Company and other joint venture parties jointly control the invested entity and have rights to the net assets of the invested entity, the invested entity is the joint venture of the Company.

Significant influence refers to the right to participate in making decisions relating to the financial and operational policies of an enterprise, while not able to control or jointly control (with others) establishment of these policies. If the Company has significant influence on the invested enterprises, than such invested enterprises shall be the joint venture of the Company.

(II) Determination of initial investment cost

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

Business combination under the same control: If the company pays cash, transfers non-cash assets or assumes debts, and issues equity securities as the merger consideration, the share of the book value of the acquired owner's equity of the merged party in the consolidated financial statements of the ultimate controlling party is taken as the initial investment cost of the long-term equity investment on the merger date. If it is possible to exercise control over the investee under the same control due to additional investment, etc., the initial investment cost of the long-term equity investment shall be determined according to the share of the book value of the net assets of the merged party in the consolidated financial statements of the ultimate controlling party on the merger date. The equity premium is adjusted based on the difference between the initial investment cost of the long-term equity investment on the combination date and the book value of the long-term equity investment before the merger plus the book value of the new payment consideration for stock further obtained on the merger date, if the equity premium is insufficient to be offset, offset the retained earnings.

Business combination not under the same control: The company take the merger cost determined on the purchase date as the initial investment cost of the long-term equity investment. If it is possible to control the investee under the same control due to additional investment, etc., the initial investment cost calculated by the cost method is calculated according to the sum of the book value of the original equity investment plus the new investment cost.

(2) Long-term equity investment required by other ways

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

For long-term equity investments obtained through issuance of equity securities, then the fair value of such securities shall be viewed as initial investment cost

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 investment obtained through debt restructuring, the entry value is determined by the fair value of the abandoned creditor's right and the taxes directly attributable to the asset and other cost, and the difference between the fair value of the abandoned creditor's right and the book value is included in current profit and loss.

(iii) Subsequent measurement and recognition of gains and losses

(1) Long-term equity investment measured by cost

The long-term equity investment for subsidiary shall be measured by cost. 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) Long-term equity investment measured by equity

The Company calculates long term equity investment in associates and joint ventures under equity method. 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, 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 according to the accounting policy and period of the Company, 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. During the period of holding the investment, if the investee prepares the consolidated financial statement, it shall be accounted for a based on the net profit, other comprehensive income and the amount attributable to the investee in changes in

the other owner's equity in the consolidated financial statements.

The un-realized transaction gains/losses attributable to investment enterprise, internally occurred between the Company, affiliated units and joint-ventures should be calculated by proportion of shares-holding which should be offset, than recognized investment gains/losses. If the unrealized internal transaction losses with the investee are assets impairment losses, they will be fully recognized. If a transaction of investing or selling assets occurs between the company and an associate enterprise or joint venture, and the assets constitute a business, the accounting treatment shall be handled in accordance with relevant policy policies disclosed in the Notes “5. Accounting Treatment Methods for Business Combinations Under the Same Control and Not Under the Same Control” and “6.Methods for Preparing Combined Financial Statements”.

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.

(3) 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. The owner's equity recognized as a result of changes in the owner's equity other than the net profit or loss, other comprehensive income and profit distribution of the investee is carried forward to the current profit and loss in proportion, except for other comprehensive income arising from changes in net liabilities or net assets as the investee re-measures the defined benefit plans.

If the joint control or significant influence on the investee is lost due to the disposal of part of the equity investment, etc., the remaining equity after disposal shall be accounted for according to the recognition and measurement standard of financial instruments, and the difference between the fair value and the book value of the day losing the joint control or significant impact is included in the current profit and loss. 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. The owner's equity recognized as a result of changes in the owner's equity other than the net profit or loss, other comprehensive income and profit distribution of the investee is carried forward to the current profit and loss when the equity method is terminated to be used for business accounting.

The Company loses the control over the investee due to the decrease in shareholding ratio caused by the disposal of part of the equity investment or other investors' capital increase in the subsidiary, if the remaining equity can implement joint control or significant influence on the investee, it shall be accounted for according to the equity method when preparing individual financial statements, and the remaining equity shall be adjusted as if it was accounted for according to the equity method since obtained. If the remaining equity cannot implement joint control or significant influence on the investee, it shall be accounted for according to relevant provisions of the recognition and measurement standard of financial instruments, and the difference between the fair value and the book value on the date of loss of control is included in current profit and loss.

The disposed equity is obtained through business combination for reasons such as additional investment, in the preparation of individual financial statement, if the remaining equity after disposal is accounted for by using the cost method or equity method, for the equity investment held before the purchase date, other comprehensive income and other owner's equity recognized due to being accounted for by using the equity method are carried forward on a pro-rata basis; if the remaining equity after disposal is changed to be accounted for according to the recognition and measurement standard of financial instruments, the other comprehensive income and other owners' equity shall be entirely carried forward.

23. 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 (including the buildings for rent after completion of self-construction or development activities and the buildings under construction or development for future lease).

Current investment real estate of the Company are measured by cost. As for the investment real estate-rental building measured by cost, the depreciation policy is same as the fixed assets of the Company, the land use right for rental has the same amortization policy as intangible assets.

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 (year) | Expected net salvage value | Annual amortization (depreciation) rate |
|----------------------|---------------------------------|----------------------------|--|
| Houses and buildings | 10-40 | 5% | 2.37%-9.50% |

24. Fixed asset

(1) Recognition

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) 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 | 20-35 | 5 | 2.71-4.75 |
| Temporary dormitory | Straight-line depreciation | 20-40 | 5 | 2.38-4.75 |
| 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

If any of the following conditions are stipulated in the lease agreement signed by the Company and the lessee, it shall be recognized as a financial leased assets: (1) ownership of the leased assets shall belong to the Company upon the expiration of the lease term; (2) the Company has the option to purchase assets for a purchase price much lower than the fair value of the assets when the option is exercised; (3) the lease period accounts for most of the service life of the leased assets; (4) there is no significant difference between the present value of the minimum lease payment on the lease commencement date and the fair value of the assets. On the lease start date, the company regards the lower of the fair value of the leased asset and the present value of the minimum lease payment as the book value of the leased asset and regards the minimum lease payment amount as the book value of the long-term payable, and the difference is regarded as unrecognized financing charges.

25. Construction in progress

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.

26. Borrowing expenses**(i) Recognition of the borrowing expenses capitalization**

Borrowing expenses including the amortization of interest, discount or premium on borrowing, the ancillary expenses and exchange differences arising from foreign currency borrowings and so on.

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.

(ii) 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.

(iii) 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.

(iv) Capitalization rate of the borrowing costs, measurement of the capitalized amount

As for the special loans borrowed for the purchase, construction or production of assets eligible for capitalization, the borrowing costs are capitalized by deducting the actual borrowing costs incurred in current period of special borrowing, the interest income earned by borrowing funds that have not ye been used, deposited in the bank or the investment income obtained from the temporary investment.

For the general borrowings used for the acquisition, construction or production of assets eligible for capitalization, the amount of borrowing costs that should be capitalized for general borrowings is calculated and determined according to the weighted average of the asset expenditures of accumulated asset expenditures over the special borrowings multiplying by the capitalization rate of the occupied general borrowings. The capitalization rate is

determined based on the weighted average interest rate of general borrowings.

27. Biological assets

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

28. Oil and gas assets

Nil

29. Right-of-use assets

Nil

30. Intangible assets

(1) Measurement, use of life and impairment testing

(i) Measurement

(1) Initial measurement is made at cost when the Company acquires 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.

(2) Subsequent measurement

Analyzing and judging the service life of an intangible asset when they are acquired.

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; 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 without amortization.

(ii) Estimation of the service life of intangible assets with limited service 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 |

(iii) Judgment basis on intangible assets with uncertain service life and review procedures for the service life

Disclosure requirement: for intangible assets with uncertain service life, the judgment basis for uncertain service life and the procedures for checking their service life should be disclosed.

(2) Accounting policy of the internal R&D expenditure

(i) Specific criteria for dividing research and development stages

The expenditure for internal R&D is divided into research expenditure and development expenditure.

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

Development 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.

(ii) Standards for capitalization satisfaction of expenditure in development 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.

31. Impairment of long term assets

The long-term assets as long-term equity investments, investment real estate measured at cost, fixed assets, construction in progress and intangible assets with certain service life are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill and intangible asset with an indefinite useful life are tested for impairment at least at the end of each year. When the Company conducts the goodwill impairment test, the book value of goodwill formed by business combination is apportioned to the relevant asset group according to reasonable methods from the date of purchase; if it is difficult to apportion it to the relevant asset group, apportion it to the relevant asset group portfolio. When the book value of goodwill is apportioned to the relevant asset group or asset group portfolio, it is apportioned according to the proportion of the fair value of each asset group or asset group portfolio in the total fair value of the

relevant asset group or asset group portfolio. If the fair value is difficult to be reliably measured, it is apportioned according to the proportion of the book value of each asset group or asset group portfolio in the total book value of the relevant asset group or asset group portfolio.

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. Once recognized, asset impairment loss would not be reversed in future accounting period.

32. 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.

33. Contract liability

Nil

34. Staff remuneration

(1) Short term remuneration

In the period of employee services, short-term benefits are actually recognized as liabilities and charged to profit or loss or relevant assets costs.

Regarding to the social insurance and housing funds that the Company paid for employees, the Company should recognize corresponding employees benefits payable according to the appropriation basis and proportion as stipulated by relevant requirements and recognize the corresponding liabilities.

If the employee welfare are non-monetary benefits and can be measured reliably, they shall be measured at fair value.

(2) Accounting treatment for post office benefits**(i) Defined contribution plan**

The Company pays basic endowment insurance and unemployment insurance for employees according to the relevant regulations of the local government. In the accounting period in which employees provide services for the Company, the amount to be paid is calculated according to the local payment base and proportion, and is recognized as a liability and included in current profit and loss or related asset cost.

In addition to the basic endowment insurance, employees who meet the conditions of the “Enterprise Annuity Scheme of Shenzhen Cereals Group Co., Ltd.” can apply for 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.

(ii) Defined benefit plan

The Company assigns the benefit obligation arising from the defined benefit plan to the period during which the employee provides service according to the formula determined by the expected accumulated benefit unit method, and includes it in the current profit and loss or related asset cost.

The deficit or surplus formed by the present value of the defined benefit plan obligation minus the fair value of the defined benefit plan asset is recognized as a net benefit or net asset of the defined benefit plan. If there is a surplus in the defined benefit plan, the Company measures the net assets of the defined benefit plan by the lower of the surplus and the asset limit of the defined benefit plan.

All defined benefit plan obligations, including obligations expected to be paid within twelve months of the end of the annual reporting period in which the employee provides services, are discounted based on the market return of the national debt matching with the defined benefit plan obligations deadline and currency or the high quality corporation bonds in an active market on the balance sheet date.

The service cost generated by the defined benefit plan and the net liabilities or the net interest of the net assets of the defined benefit plan are included in the current profit and loss or the related assets cost; the changes generated by the remeasurement of net liabilities or net assets of the defined benefit plan are included in other comprehensive income, and will not be transferred back to profit or loss in the subsequent accounting period, when the original defined benefit plan is terminated, the part that was originally included in other comprehensive income will be carried forward to undistributed profit within the scope of equity.

When settling the defined benefit plan, the settlement gain or loss is confirmed by the difference between the present value of the defined benefit plan obligation and the settlement price determined on the settlement date.

(3) Accounting treatment for dismissal benefit

When the Company cannot unilaterally withdraw the dismissal benefits provided by the termination of the labor relationship plan or the downsizing proposal, or when confirm the cost or expenses related to the reorganization of the dismissal benefits (the earlier one), confirm the employee compensation liabilities generated by dismissal benefits and include in the current profit and loss.

(4) Accounting treatment for 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.

35. Lease liability

Nil

36. Accrual liability

(i) Recognition standards for accrual liability

When the obligations relating to contingencies such as litigation, debt guarantee, loss contract, reorganization and etc. Satisfy the following conditions, an accrual liability shall be recognized:

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

(ii) 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

37. Share-based payment

Nil

38. Other financial instrument of preferred stocks and perpetual bond

The Company classifies it as a financial asset, a financial liability or an equity instrument at initial recognition based on the contractual terms of the preferred stock/perpetuity bonds issued and the economic substance it reflects but not only in legal form.

When a financial instrument such as perpetual bond/preferred share issued by the Company satisfies one of the following conditions, classify the financial instrument as a whole or its components as a financial liability at initial recognition:

- (1) There is a contractual obligation that the Company cannot unconditionally avoid performing by cash payment or other financial assets;
- (2) Include contractual obligations that are settled by the delivery of a variable amount of self-equity instruments;
- (3) Include derivatives (such as transfer of equity) that are settled by their own interests, and the derivative does not exchange a fixed amount of cash or other financial assets with a fixed amount of its own equity instruments;
- (4) There are contractual clauses that indirectly form contractual obligations;
- (5) The perpetual debt of the issuer is in the same liquidation order as the ordinary bonds and other debts issued by the issuer at the time of liquidation.

For financial instruments such as perpetual bonds/preferred shares that do not meet any of the above conditions, classify the financial instrument as a whole or its components as equity instrument at the initial recognition.

39. Revenue

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

No

Whether implemented the new revenue standards

☐Yes ☒No

(i) 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.

(ii) 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”.

(iii) 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.

40. Government Grants

(i) 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.

Specific criteria for government grants related to assets: the government grants obtained by the Company for the

purchase, construction or other formation of long-term assets;

Specific criteria for government grants related to revenue: the government grant other than an asset-related government grant.

(ii) Recognition point of time

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.

(iii) Accounting treatment

Government grants related to assets offset the book value of underlying assets or are recognized as deferred income. If they are recognized as deferred income, they shall be included in the current profit and loss by stages according to reasonable and systematic methods within the useful life of the relevant assets. (Those related to the daily activities of the Company are included in other income; those not related to the daily activities of the Company are included in the non-operating income);

Government grants related to the income which are used to compensate the related costs or losses of the Company in the future period are recognized as deferred income are included in the current profit and loss (Those related to the daily activities of the Company are included in other income; those not related to the daily activities of the Company are included in the non-operating income) or offset relevant costs or losses during the period of recognizing the relevant costs or losses; those used to compensate the occurred related costs or losses of the Company are directly included in the current profit and loss (Those related to the daily activities of the Company are included in other income; those not related to the daily activities of the Company are included in the non-operating income) or offset relevant costs or losses.

Policy preferential loan interest discounts obtained by the Company are separately accounted for by distinguishing the following two cases:

- (1) The government appropriates the discounted funds to the loan bank, the loan bank provides loans to the Company at a policy preferential interest rate, the Company uses the actual amount of the borrowed money as the book value of the loan, and calculates the relevant borrowing costs according to the loan principal and the policy preferential interest rate.
- (2) If the government directly appropriates the discounted funds to the Company, the Company will offset the relevant borrowing costs with the corresponding interest discounts.

41. Deferred income tax assets and deferred income tax liabilities

The deferred income tax assets recognised by deductible temporary differences are within the limit of taxable income that is probably achieved in the future to deduct the deductible temporary differences. The deductible losses and tax credits that can be carried forward in subsequent years are within the limit of the future taxable income it is probably achieved in the future to deduct the deductible losses and tax credits, and the corresponding deferred income tax assets are recognized.

For taxable temporary differences, deferred income tax liabilities are recognised except in special circumstances.

The special circumstances of not recognizing deferred income tax assets or deferred income tax liabilities include: initial recognition of goodwill; other transactions or matters other than business combinations that neither affect accounting profits nor affect taxable income (or deductible losses) when occur.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

42. Lease

(1) Accounting treatment for operating lease

(i) 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.

(ii) 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 treatment for financing lease

(i) 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.

Unrecognized financing expenses shall be reckoned in financial expenses and amortized and using effective interest method during the leasing period. The initial direct expenses incurred by the Company are included in the value of the rented assets.

(ii) 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.

43. Other important accounting policy and estimation

Safety production expenses

The safety production expenses drawn by the Company in accordance with the national regulations are included in the cost of relevant products or the current profit and loss, and are recorded in the “special reserve” account. When using the drawn safety production expenses, directly offset the special reserve if it belongs to the expense expenditure. For fixed assets, the expenses incurred through the collection of “under construction” subjects shall be recognized as fixed assets when the safety project is completed and ready for use. At the same time, the special

reserve shall be offset according to the cost of forming the fixed assets, and accumulated depreciation of the same amount shall be recognized. The fixed assets will no longer be depreciated in the future.

44. 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

(3) Adjustment the financial statements at the beginning of the first year of implementation of new financial instrument standards, new revenue standards and new leasing standards

☒ Applicable ☐ Not applicable

Consolidate balance sheet

In RMB/CNY

| Item | 2018-12-31 | 2019-01-01 | Adjustments |
|---|----------------|----------------|---------------|
| Current assets: | | | |
| Monetary funds | 631,638,339.68 | 631,638,339.68 | |
| Settlement provisions | | | |
| Capital lent | | | |
| Tradable financial assets | | 1,124,927.96 | 1,124,927.96 |
| Financial assets measured by fair value and with variation reckoned into current gains/losses | 1,124,927.96 | | -1,124,927.96 |
| Derivative financial assets | | | |
| Note receivable | 1,027,635.04 | 1,027,635.04 | |
| Account receivable | 473,646,886.64 | 473,646,886.64 | |
| Account receivable financing | | | |
| Accounts paid in advance | 83,696,870.07 | 83,696,870.07 | |
| Insurance receivable | | | |

| | | | |
|--|------------------|------------------|------------|
| Reinsurance receivables | | | |
| Contract reserve of reinsurance receivable | | | |
| Other account receivable | 33,803,428.45 | 33,803,428.45 | |
| Including: Interest receivable | | 561,500.00 | |
| Dividend receivable | | | |
| Buying back the sale of financial assets | | | |
| Inventories | 2,811,802,600.19 | 2,811,802,600.19 | |
| Contract assets | | | |
| Assets held for sale | | | |
| Non-current asset due within one year | | | |
| Other current assets | 254,493,764.04 | 254,493,764.04 | |
| Total current assets | 4,291,234,452.07 | 4,291,234,452.07 | |
| Non-current assets: | | | |
| Loans and payments on behalf | | | |
| Creditors' investment | | | |
| Available-for-sale financial assets | 57,500.00 | | -57,500.00 |
| Other creditors' investment | | | |
| Held-to-maturity investment | | | |
| Long-term account receivable | | | |
| Long-term equity investment | 70,999,666.81 | 70,999,666.81 | |
| Other equity instrument investment | | | |
| Other non-current financial assets | | 57,500.00 | 57,500.00 |
| Investment real estate | 282,622,184.92 | 282,622,184.92 | |

| | | | |
|--|------------------|------------------|--|
| Fixed assets | 993,136,743.51 | 993,136,743.51 | |
| Construction in progress | 186,586,135.06 | 186,586,135.06 | |
| Productive biological asset | 407,078.92 | 407,078.92 | |
| Oil and gas asset | | | |
| Right-of-use asset | | | |
| Intangible assets | 569,997,392.08 | 569,997,392.08 | |
| Expense on Research and Development | | | |
| Goodwill | | | |
| Long-term expenses to be apportioned | 21,799,899.80 | 21,799,899.80 | |
| Deferred income tax asset | 50,174,590.98 | 50,174,590.98 | |
| Other non-current asset | 1,936,149.72 | 1,936,149.72 | |
| Total non-current asset | 2,177,717,341.80 | 2,177,717,341.80 | |
| Total assets | 6,468,951,793.87 | 6,468,951,793.87 | |
| Current liabilities: | | | |
| Short-term loans | 91,600,000.00 | 91,600,000.00 | |
| Loan from central bank | | | |
| Capital borrowed | | | |
| Tradable financial liability | | | |
| Financial liability measured by fair value and with variation reckoned into current gains/losses | | | |
| Derivative financial liability | | | |
| Note payable | | | |
| Account payable | 472,738,283.80 | 472,738,283.80 | |
| Accounts received in advance | 205,428,594.16 | 205,428,594.16 | |
| Selling financial asset of repurchase | | | |
| Absorbing deposit and interbank deposit | | | |

| | | | |
|---|------------------|------------------|--|
| Security trading of agency | | | |
| Security sales of agency | | | |
| Wage payable | 135,709,423.52 | 135,709,423.52 | |
| Taxes payable | 24,969,718.58 | 24,969,718.58 | |
| Other account payable | 280,689,548.29 | 280,689,548.29 | |
| Including: Interest payable | | | |
| Dividend payable | 2,909,182.74 | 2,909,182.74 | |
| Commission charge and commission payable | | | |
| Reinsurance payable | | | |
| Contract liability | | | |
| Liability held for sale | | | |
| Non-current liabilities due within one year | 55,090,793.79 | 55,090,793.79 | |
| Other current liabilities | 219,151,968.63 | 219,151,968.63 | |
| Total current liabilities | 1,485,378,330.77 | 1,485,378,330.77 | |
| Non-current liabilities: | | | |
| Insurance contract reserve | | | |
| Long-term loans | 516,687,791.66 | 516,687,791.66 | |
| Bonds payable | | | |
| Including: preferred stock | | | |
| Perpetual capital securities | | | |
| Lease liability | | | |
| Long-term account payable | 15,690,202.08 | 15,690,202.08 | |
| Long-term wage payable | | | |
| Accrual liabilities | | | |
| Deferred income | 100,608,203.01 | 100,608,203.01 | |
| Deferred income tax liabilities | 12,988,434.77 | 12,988,434.77 | |

| | | | |
|---|------------------|------------------|--|
| Other non-current liabilities | | | |
| Total non-current liabilities | 645,974,631.52 | 645,974,631.52 | |
| Total liabilities | 2,131,352,962.29 | 2,131,352,962.29 | |
| Owners' equity: | | | |
| Share capital | 1,152,535,254.00 | 1,152,535,254.00 | |
| Other equity instrument | | | |
| Including: preferred stock | | | |
| Perpetual capital securities | | | |
| Capital public reserve | 1,422,892,729.36 | 1,422,892,729.36 | |
| Less: Inventory shares | | | |
| Other comprehensive income | | | |
| Reasonable reserve | 154.21 | 154.21 | |
| Surplus public reserve | 327,140,910.28 | 327,140,910.28 | |
| Provision of general risk | | | |
| Retained profit | 1,269,933,487.26 | 1,269,933,487.26 | |
| Total owner's equity attributable to parent company | 4,172,502,535.11 | 4,172,502,535.11 | |
| Minority interests | 165,096,296.47 | 165,096,296.47 | |
| Total owner's equity | 4,337,598,831.58 | 4,337,598,831.58 | |
| Total liabilities and owner's equity | 6,468,951,793.87 | 6,468,951,793.87 | |

Explanation on adjustment

Balance sheet of parent company

In RMB/CNY

| Item | 2018-12-31 | 2019-01-01 | Adjustments |
|--|----------------|----------------|---------------|
| Current assets: | | | |
| Monetary funds | 168,900,586.84 | 168,900,586.84 | |
| Tradable financial assets | | 1,124,927.96 | 1,124,927.96 |
| Financial assets measured by fair value and with variation reckoned into | 1,124,927.96 | | -1,124,927.96 |

| | | | |
|---------------------------------------|------------------|------------------|--|
| current gains/losses | | | |
| Derivative financial assets | | | |
| Note receivable | | | |
| Account receivable | 42,441,119.07 | 42,441,119.07 | |
| Account receivable financing | | | |
| Accounts paid in advance | | | |
| Other account receivable | 159,677,969.59 | 159,677,969.59 | |
| Including: Interest receivable | | | |
| Dividend receivable | | | |
| Inventories | 8,806,338.26 | | |
| Contract assets | | | |
| Assets held for sale | | | |
| Non-current asset due within one year | | | |
| Other current assets | 50,068,745.74 | 50,068,745.74 | |
| Total current assets | 431,019,687.46 | 431,019,687.46 | |
| Non-current assets: | | | |
| Creditors' investment | | | |
| Available-for-sale financial assets | | | |
| Other creditors' investment | | | |
| Held-to-maturity investment | | | |
| Long-term account receivable | | | |
| Long-term equity investment | 4,212,554,063.36 | 4,212,554,063.36 | |
| Other equity instrument investment | | | |
| Other non-current | | | |

| | | | |
|--|------------------|------------------|--|
| financial assets | | | |
| Investment real estate | 17,929,684.70 | 17,929,684.70 | |
| Fixed assets | 31,417,912.54 | 31,417,912.54 | |
| Construction in progress | | | |
| Productive biological asset | 407,078.92 | 407,078.92 | |
| Oil and gas asset | | | |
| Right-of-use asset | | | |
| Intangible assets | 6,663,692.30 | 6,663,692.30 | |
| Expense on Research and Development | | | |
| Goodwill | | | |
| Long-term expenses to be apportioned | 409,621.50 | 409,621.50 | |
| Deferred income tax asset | 5,630,538.80 | 5,630,538.80 | |
| Other non-current asset | | | |
| Total non-current asset | 4,275,012,592.12 | 4,275,012,592.12 | |
| Total assets | 4,706,032,279.58 | 4,706,032,279.58 | |
| Current liabilities: | | | |
| Short-term loans | | | |
| Tradable financial liability | | | |
| Financial liability measured by fair value and with variation reckoned into current gains/losses | | | |
| Derivative financial liability | | | |
| Note payable | | | |
| Account payable | 73,705,646.54 | 73,705,646.54 | |
| Accounts received in advance | 124,945.74 | 124,945.74 | |
| Contract liability | | | |
| Wage payable | 6,448,561.16 | 6,448,561.16 | |
| Taxes payable | 2,702,655.24 | 2,702,655.24 | |
| Other account payable | 232,109,084.76 | 232,109,084.76 | |

| | | | |
|---|------------------|------------------|--|
| Including: Interest payable | | | |
| Dividend payable | | | |
| Liability held for sale | | | |
| Non-current liabilities due within one year | | | |
| Other current liabilities | | | |
| Total current liabilities | 315,090,893.44 | 315,090,893.44 | |
| Non-current liabilities: | | | |
| Long-term loans | | | |
| Bonds payable | | | |
| Including: preferred stock | | | |
| Perpetual capital securities | | | |
| Lease liability | | | |
| Long-term account payable | | | |
| Long-term wage payable | | | |
| Accrual liabilities | | | |
| Deferred income | 46,129.96 | 46,129.96 | |
| Deferred income tax liabilities | 10,965.46 | 10,965.46 | |
| Other non-current liabilities | | | |
| Total non-current liabilities | 57,095.42 | 57,095.42 | |
| Total liabilities | 315,147,988.86 | 315,147,988.86 | |
| Owners' equity: | | | |
| Share capital | 1,152,535,254.00 | 1,152,535,254.00 | |
| Other equity instrument | | | |
| Including: preferred stock | | | |
| Perpetual capital securities | | | |
| Capital public reserve | 3,018,106,568.27 | 3,018,106,568.27 | |

| | | | |
|--------------------------------------|------------------|------------------|--|
| 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 | 165,505,986.31 | |
| Total owners' equity | 4,390,884,290.72 | 4,390,884,290.72 | |
| Total liabilities and owner's equity | 4,706,032,279.58 | 4,706,032,279.58 | |

Explanation on adjustment

(4) Retrospective adjustment of early comparison data description when initially implemented the new financial instrument standards and new leasing standards

☐ Applicable ☒ Not applicable

45. Other

VI. Taxes

1. Type of tax and rate for main applicable tax

| Taxes | Basis | Rate |
|--|--|----------------------|
| VAT | The output tax is calculated on the basis of the sales of goods and the taxable service income calculated according to the tax law. After deducting the input tax amount that is allowed to be deducted in the current period, the difference part is the value-added tax payable. | 16%, 10%, 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 enterprise income tax for different taxpaying body:

| Taxpaying body | Income tax rate |
|------------------|-----------------|
| The Company | 25% |
| Shenbao Huacheng | 15% |

| | |
|---|--|
| Including: Shantou Branch of Shenbao Huacheng | 25% |
| Wuyuan Ju Fang Yong | 15% |
| Shenbao Sanjing | 25% |
| Huizhou Shenbao Technology | 25% |
| Huizhou Shenbao Food | 25% |
| Shenbao Property | 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 |
| Shenliang Real Estate Development | 25% |
| Shenzhen Flour | Tax free |
| Shenliang Quality Inspection | 25% |
| Hualian Grain & oil trading | 25% |
| Shenliang Cold-Chain Logistic | 15% |
| Shenliang Doximi | 25% |
| Hainan Haitian | 25% |
| Dongguan Shenliang Logistics | 25% |
| Shenliang Big Kitchen | 15% |
| Shenliang Storage (Yingkou)) | 25% |
| Shenliang Property | 25% |
| Dongguan Food Industrial Park | 25% |
| Dongguan Food Trade | 25% |
| Dongguan Jinying | 25% |

| | |
|--------------------------------------|-----|
| Shuangyashan Shenliang Zhongxin | 25% |
| Hongxinglong Nongken Industrial Park | 25% |

2. Tax preferential

(i) 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 1st, 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.

(ii) 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 [2019] No. 77)”, 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, 2021.

(iii) Enterprise 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 Committee, 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, Shenliang Cold-Chain Logistic and Shenliang 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

Nil

VII. Annotation to main items of consolidated financial statements

1. Monetary funds

RMB/CNY

| Item | Ending balance | Opening balance |
|---------------------|----------------|-----------------|
| Cash on hand | 248,295.15 | 282,322.45 |
| Cash in bank | 189,525,109.14 | 631,190,032.12 |
| Other monetary fund | 141,081.10 | 165,985.11 |
| Total | 189,914,485.39 | 631,638,339.68 |

Other explanation

The Company did not has account pledge, freeze or has potential risks in collection ended as 30 June 2019

2. Tradable financial assets

RMB/CNY

| Item | Ending balance | Opening balance |
|---|----------------|-----------------|
| Financial assets measured by fair value and with variation reckoned into current gains/losses | 1,153,309.17 | 1,124,927.96 |
| Including: | | |
| Equity investment instrument | 1,153,309.17 | 1,124,927.96 |
| Including: | | |
| Total | 1,153,309.17 | 1,124,927.96 |

Other explanation:

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

3. Derivative financial assets

RMB/CNY

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

Other explanation:

4. Note receivable

(1) Category

RMB/CNY

| Item | Ending balance | Opening balance |
|----------------------|----------------|-----------------|
| Bank acceptance bill | 350,756.64 | 1,027,635.04 |
| Total | 350,756.64 | 1,027,635.04 |

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 | |
| Including: | | | | | | | | | | |
| Including: | | | | | | | | | | |

Bad debt provision accrual on single basis:

RMB/CNY

| Name | Ending balance | | | |
|------|----------------|--------------------|---------------|----------------|
| | Book balance | Bad debt provision | Accrual ratio | Accrual causes |

Bad debt provision accrual on portfolio:

RMB/CNY

| Name | Ending balance | | |
|------|----------------|--------------------|---------------|
| | Book balance | Bad debt provision | Accrual ratio |

Explanation on portfolio determines:

If the provision for bad debts of note receivable is made in accordance with the general model of expected credit losses, please refer to the disclosure of other account receivables to disclose related information about bad-debt provisions:

☐ Applicable ☒ Not applicable

(2) Bad debt provision accrual, collected or reversal in the period

Bad debt provision accrual in the period:

RMB/CNY

| Category | Opening balance | Amount changed in the period | | | Ending balance |
|----------|-----------------|------------------------------|-----------------------|-------------|----------------|
| | | Accrual | Collected or reversal | Written-off | |

Including major amount bad debt provision that collected or reversal in the period:

☐ Applicable ☒ Not applicable

(3) Note receivable that pledged at period-end

RMB/CNY

| Item | Amount pledged at period-end |
|------|------------------------------|
|------|------------------------------|

(4) Notes endorsement or discount and undue on balance sheet date

RMB/CNY

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

(5) 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

(6) Note receivable actually written-off in the period

RMB/CNY

| Item | Amount written-off |
|------|--------------------|
|------|--------------------|

Including important note receivable that written-off:

RMB/CNY

| Enterprise | Nature | Amount written-off | Written-off causes | Procedure of written-off | Resulted by related transaction (Y/N) |
|------------|--------|--------------------|--------------------|--------------------------|---------------------------------------|
|------------|--------|--------------------|--------------------|--------------------------|---------------------------------------|

Explanation on note receivable written-off

5. Account receivable

(1)Category

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 bad debt provision accrual on a single basis | 100,508,379.06 | 13.91% | 98,754,448.60 | 98.25% | 1,753,930.46 | 100,920,879.06 | 17.40% | 99,166,948.60 | 98.26% | 1,753,930.46 |
| Including: | | | | | | | | | | |

| | | | | | | | | | | |
|---|----------------|---------|----------------|---------|----------------|----------------|---------|----------------|---------|----------------|
| Account receivable with single significant amount and withdrawal bad debt provision on single basis | 10,455,627.54 | 1.45% | 10,455,627.54 | 100.00% | | 10,455,627.54 | 1.80% | 10,455,627.54 | 100.00% | |
| Account receivable with single minor amount but with bad debts provision accrued on a single basis | 90,052,751.52 | 12.46% | 88,298,821.06 | 98.05% | 1,753,930.46 | 90,465,251.52 | 15.60% | 88,711,321.06 | 98.06% | 1,753,930.46 |
| Account receivable with bad debt provision accrual on portfolio | 622,241,934.11 | 86.09% | 6,164,696.86 | 0.99% | 616,077,237.25 | 479,058,935.68 | 82.60% | 7,165,979.50 | 1.50% | 471,892,956.18 |
| Including: | | | | | | | | | | |
| Related party and petty cash | 159,082,329.20 | 22.01% | | | 159,082,329.20 | 37,904,559.66 | 6.54% | | | 37,904,559.66 |
| Age portfolio | 463,159,604.92 | 64.08% | 6,164,696.86 | 1.33% | 456,994,908.06 | 441,154,376.02 | 76.06% | 7,165,979.50 | 1.62% | 433,988,396.52 |
| Total | 722,750,313.17 | 100.00% | 104,919,145.46 | 14.52% | 617,831,167.71 | 579,979,814.74 | 100.00% | 106,332,928.10 | 18.33% | 473,646,886.64 |

Bad debt provision accrual on single basis:10,455,627.54 Yuan

RMB/CNY

| Name | Ending balance | | | |
|---|----------------|--------------------|---------------|------------------------------|
| | Book balance | Bad debt provision | Accrual ratio | Accrual causes |
| Account receivable with single significant amount and withdrawal bad debt provision on single basis | | | | |
| 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 | -- | -- |

Bad debt provision accrual on single basis: 88,298,821.06 Yuan

RMB/CNY

| Name | Ending balance | | | |
|-------------------------|----------------|--------------------|---------------|----------------|
| | Book balance | Bad debt provision | Accrual ratio | Accrual causes |
| Account receivable with | | | | |

| | | | | |
|--|---------------|---------------|---------|------------------------------|
| single minor amount but with bad debts provision accrued on a single basis at period-end | | | | |
| Shenzhen Faqun Industrial Co., Ltd. | 4,582,156.00 | 4,582,156.00 | 100.00% | Slightly possibly taken back |
| Li Shaoyu | 2,929,128.53 | 2,929,128.53 | 100.00% | Slightly possibly taken back |
| Zhuhai Doumen Huabi Feed Co., Ltd | 2,396,327.14 | 2,396,327.14 | 100.00% | Slightly possibly taken back |
| Chongqing Zhongxing Food Industry Co., Ltd. | 2,354,783.30 | 2,354,783.30 | 100.00% | Slightly possibly taken back |
| Hengyang Feed Plant | 1,907,679.95 | 1,907,679.95 | 100.00% | Slightly possibly taken back |
| Beijing Zhongwang Food Co., Ltd. | 1,873,886.58 | 1,873,886.58 | 100.00% | Slightly possibly taken back |
| Sichuan Zhongxing Food Industry Co., Ltd. | 1,698,103.22 | 1,698,103.22 | 100.00% | Slightly possibly taken back |
| Shenzhen Buji Agricultural Products Wholesale Center Market Xingmin Commercial Shop | 1,534,512.45 | 1,534,512.45 | 100.00% | Slightly possibly taken back |
| Other account receivable with over 3 years for Slightly possibly taken back | 70,776,174.35 | 69,022,243.89 | 97.52% | Slightly possibly taken back |
| Total | 90,052,751.52 | 88,298,821.06 | -- | -- |

Bad debt provision accrual on single basis:

RMB/CNY

| Name | Ending balance | | | |
|------|----------------|--------------------|---------------|----------------|
| | Book balance | Bad debt provision | Accrual ratio | Accrual causes |

Bad debt provision accrual on portfolio: 6,164,696.86Yuan

RMB/CNY

| Name | Ending balance | | |
|-----------------|----------------|--------------------|---------------|
| | Book balance | Bad debt provision | Accrual ratio |
| Within one year | 459,556,076.84 | 4,595,560.77 | 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 | 874,915.89 | 699,932.71 | 80.00% |
| Total | 463,159,604.92 | 6,164,696.86 | -- |

Explanation on portfolio determines:

Bad debt provision accrual on portfolio:

RMB/CNY

| Name | Ending balance | | |
|------|----------------|--------------------|---------------|
| | Book balance | Bad debt provision | Accrual ratio |

Explanation on portfolio determines:

If the provision for bad debts of account receivable is made in accordance with the general model of expected credit losses, please refer to the disclosure of other account receivables to disclose related information about bad-debt provisions:

☐ Applicable ☒ Not applicable

By account age

RMB/CNY

| Account age | Ending balance |
|------------------------------------|----------------|
| Within one year(one year included) | 617,070,571.01 |
| Within one year(one year included) | 617,070,571.01 |
| 1-2 years | 1,082,033.98 |
| 2-3 years | 311,445.72 |
| Over 3 years | 104,286,262.46 |
| 3-4 years | 1,057,518.76 |
| 4-5 years | 277,613.73 |
| Over 5 years | 102,951,129.97 |
| Total | 722,750,313.17 |

(2) Bad debt provision accrual, collected or reversal in the period

Bad debt provision accrual in the period:

RMB/CNY

| Category | Opening balance | Amount changed in the period | | | Ending balance |
|--|-----------------|------------------------------|-----------------------|-------------|----------------|
| | | Accrual | Collected or reversal | Written-off | |
| Bad debt provision accrual on single basis | 99,166,948.60 | | 412,500.00 | | 98,754,448.60 |

| | | | | | |
|---------------|----------------|------------|--------------|--|----------------|
| Age portfolio | 7,165,979.50 | 252,985.38 | 1,254,268.02 | | 6,164,696.86 |
| Total | 106,332,928.10 | 252,985.38 | 1,666,768.02 | | 104,919,145.46 |

Including major amount bad debt provision that collected or reversal in the period:

RMB/CNY

| Enterprise | Amount collected or reversal | Collection way |
|------------|------------------------------|----------------|
|------------|------------------------------|----------------|

(3) Account receivable actually written-off in the period

RMB/CNY

| Item | Amount written-off |
|------|--------------------|
|------|--------------------|

Including major account receivable written-off

RMB/CNY

| Enterprise | Nature | Amount written-off | Written-off causes | Procedure of written-off | Resulted by related transaction (Y/N) |
|------------|--------|--------------------|--------------------|--------------------------|---------------------------------------|
|------------|--------|--------------------|--------------------|--------------------------|---------------------------------------|

Explanation on account receivable written-off

(4) Top 5 account receivables at ending balance by arrears party

Total period-end balance of top five receivables by arrears party amounting to 447,155,799.70 Yuan, takes 61.87 percent of the total account receivable at period-end, bad debt provision accrual correspondingly at year-end amounting as 722,114.57 Yuan.

(5) Account receivable derecognition due to financial assets transfer

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

Other explanation:

6. Account receivable financing

RMB/CNY

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

Changes of account receivable financing and change of fair value in the period

☐ Applicable ☒ Not applicable

If the impairment provision of account receivable financing is made in accordance with the general model of expected credit losses, please refer to the disclosure of other account receivables to disclose related information about impairment provision:

☐ Applicable ☒ Not applicable

Other explanation:

7. Accounts paid in advance

(1) By account age

RMB/CNY

| Account age | Ending balance | | Opening balance | |
|-----------------|----------------|--------|-----------------|--------|
| | Amount | Ratio | Amount | Ratio |
| Within one year | 25,907,038.42 | 98.91% | 83,282,051.24 | 99.51% |
| 1-2 years | 22,283.22 | 0.09% | 70,556.78 | 0.08% |
| 2-3 years | | | 7,670.34 | 0.01% |
| Over 3 years | 260,606.46 | 1.00% | 336,591.71 | 0.40% |
| Total | 26,189,928.10 | -- | 83,696,870.07 | -- |

Explanation on reasons of failure to settle on important account paid in advance with age over one year

The closing balance of prepayments decreased by RMB 57,506,941.97 compared with the beginning of the period, with a decrease ratio of 69%, it was mainly because the Company's subsidiary Dongguan Shenliang Logistics signed a purchase contract with Xiamen Mingsui Grain and Oil Trading Co., Ltd. and prepaid the payment at the end of December 2018, resulting in large balance of the payment at the beginning of the period.

(2) Top 5 account paid in advance at ending balance by prepayment object

Total period-end balance of top five account paid in advance by prepayment object amounted to 21,379,819.55 Yuan, takes 81.63 percent of the total advance payment at period-end.

Other explanation:

8. Other account receivable

RMB/CNY

| Item | Ending balance | Opening balance |
|--------------------------|----------------|-----------------|
| Interest receivable | | 561,500.00 |
| Other account receivable | 57,624,419.71 | 33,241,928.45 |
| Total | 57,624,419.71 | 33,803,428.45 |

(1) Interest receivable

1) Category

RMB/CNY

| Item | Ending balance | Opening balance |
|--------------|----------------|-----------------|
| Time deposit | | 561,500.00 |

| | | |
|-------|--|------------|
| Total | | 561,500.00 |
|-------|--|------------|

2) Significant overdue interest

RMB/CNY

| Borrower | Ending balance | Overdue time | Overdue causes | Whether impairment occurs and its judgment basis |
|----------|----------------|--------------|----------------|--|
|----------|----------------|--------------|----------------|--|

Other explanation:

3) Accrual of bad debt provision

☐ Applicable ☒ Not applicable

(2) Dividend receivable

1) Category

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 | Reasons for not collection | Whether impairment occurs and its judgment basis |
|-------------------------------|----------------|-------------|----------------------------|--|
|-------------------------------|----------------|-------------|----------------------------|--|

3) Accrual of bad debt provision

☐ Applicable ☒ Not applicable

Other explanation:

(3) Other account receivable

1) By nature

RMB/CNY

| Nature | Ending book balance | Opening book balance |
|-----------------------------|---------------------|----------------------|
| Margin and deposit | 45,434,104.15 | 11,160,677.29 |
| Export tax rebate | 3,085,206.14 | 312,364.06 |
| Intercourse funds and other | 101,951,791.76 | 119,759,129.21 |
| Total | 150,471,102.05 | 131,232,170.56 |

2) Accrual of bad debt provision

RMB/CNY

| Bad debt provision | Phase I | Phase II | Phase III | Total |
|--------------------|--|---|--|-------|
| | Expected credit losses over next 12 months | Expected credit losses for the entire duration (without credit impairment occurred) | Expected credit losses for the entire duration (with credit impairment occurred) | |

| | | | | |
|---------------------------------------|------------|--------------|---------------|---------------|
| Balance on Jan. 1, 2019 | 91,037.53 | 7,300,675.36 | 90,598,529.22 | 97,990,242.11 |
| Balance of Jan. 1, 2019 in the period | — | — | — | — |
| Current accrual | 12,330.41 | | 204,763.49 | 217,093.90 |
| Current reversal | | 5,360,653.67 | | 5,360,653.67 |
| Balance on Jun. 30, 2019 | 103,367.94 | 1,940,021.69 | 90,803,292.71 | 92,846,682.34 |

Change of book balance of loss provision with amount has major changes in the period

☐ Applicable ☒ Not applicable

By account age

RMB/CNY

| Account age | Ending balance |
|------------------------------------|----------------|
| Within one year(one year included) | 50,038,334.00 |
| Within one year(one year included) | 50,038,334.00 |
| 1-2 years | 4,038,032.96 |
| 2-3 years | 947,859.87 |
| Over 3 years | 95,446,875.22 |
| 3-4 years | 112,539.37 |
| 4-5 years | 930,794.83 |
| Over 5 years | 94,403,541.02 |
| Total | 150,471,102.05 |

3) Bad debt provision accrual, collected or reversal in the period

Bad debt provision accrual in the period:

RMB/CNY

| Category | Opening balance | Amount changed in the period | | Ending balance |
|---|-----------------|------------------------------|-----------------------|----------------|
| | | Accrual | Collected or reversal | |
| Other account receivable with single minor amount but with bad debt provision accrual on single basis | 44,887,199.60 | | | 44,887,199.60 |
| Other account receivable with single major amount and with bad debt provision accrual on single basis | 45,711,329.62 | 204,763.49 | | 45,916,093.11 |
| Aging analysis portfolio | 7,391,712.89 | 12,330.41 | 5,360,653.67 | 2,043,389.63 |
| Total | 97,990,242.11 | 217,093.90 | 5,360,653.67 | 92,846,682.34 |

Including major amount with bad debt provision reverse or collected in the period:

RMB/CNY

| Enterprise | Amount reversal or collected | Collection way |
|------------------------------------|------------------------------|------------------|
| Shenzhen Yixin Investment Co., Ltd | 5,111,304.11 | Amount collected |
| Total | 5,111,304.11 | -- |

4) Other account receivable actually written-off in the period

RMB/CNY

| Item | Amount written-off |
|------|--------------------|
|------|--------------------|

Including important other account receivable written-off

RMB/CNY

| Enterprise | Nature | Amount written-off | Written-off causes | Procedure of written-off | Resulted by related transaction (Y/N) |
|------------|--------|--------------------|--------------------|--------------------------|---------------------------------------|
|------------|--------|--------------------|--------------------|--------------------------|---------------------------------------|

Explanation on other account receivable written-off

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 account receivables | Ending balance of bad debt reserve |
|--|-------------------|----------------|-------------------------------------|--|------------------------------------|
| Changzhou Shenbao Chacang E-business Co., Ltd. | Intercourse funds | 20,618,710.83 | Within one year; 1-4 year and above | 13.70% | 18,024,144.51 |
| Shenzhen Gaojian Food Joint Venture Co., Ltd | Intercourse funds | 8,326,202.63 | Over 5 years | 5.53% | 416,310.13 |
| Shenzhen Sha Tau Kok Import & Export Corporation | Intercourse funds | 8,285,803.57 | Over 5 years | 5.51% | 414,290.18 |
| Jinzhou Tianli Grain Trading Co., Ltd. | Margin | 5,743,108.32 | Within one year | 3.82% | 287,155.42 |
| Shenzhen Changjiang Development Co., Ltd. | Intercourse funds | 5,677,473.59 | Over 5 years | 3.77% | 283,873.68 |
| Total | -- | 48,651,298.94 | -- | 32.33% | 19,425,773.92 |

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:

9. Inventories

Whether implemented the new revenue standards

☐ Yes ☒ No

(1) Category

RMB/CNY

| Item | Ending balance | | | Opening balance | | |
|----------------------------|------------------|------------------------|------------------|------------------|------------------------|------------------|
| | Book balance | Falling price reserves | Book value | Book balance | Falling price reserves | Book value |
| Raw materials | 68,342,539.38 | 24,106,831.49 | 44,235,707.89 | 63,928,125.50 | 19,906,198.09 | 44,021,927.41 |
| Goods in process | 13,823,647.30 | | 13,823,647.30 | 23,840,568.24 | 68,371.10 | 23,772,197.14 |
| Finished goods | 3,079,344,347.80 | 95,464,608.75 | 2,983,879,739.05 | 2,827,653,415.87 | 101,081,767.83 | 2,726,571,648.04 |
| Revolving material | 9,752,899.65 | 1,618,111.19 | 8,134,788.46 | 10,843,165.99 | 941,939.14 | 9,901,226.85 |
| Goods in transit | 3,409,547.41 | | 3,409,547.41 | 7,410,407.72 | | 7,410,407.72 |
| Work in process-outsourced | 109,884.08 | | 109,884.08 | 5,415,695.35 | 5,290,502.32 | 125,193.03 |
| Total | 3,174,782,865.62 | 121,189,551.43 | 3,053,593,314.19 | 2,939,091,378.67 | 127,288,778.48 | 2,811,802,600.19 |

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

(2)Falling price reserves of inventories

RMB/CNY

| Item | Opening balance | Current amount increased | | Current amount decreased | | Ending balance |
|--------------------|-----------------|--------------------------|-------|--------------------------|-------|----------------|
| | | Accrual | Other | Reversal or write-off | Other | |
| Raw materials | 19,906,198.09 | 8,220,891.21 | | 4,020,257.81 | | 24,106,831.49 |
| Goods in process | 68,371.10 | | | 68,371.10 | | |
| Finished goods | 101,081,767.83 | 54,067,440.32 | | 59,684,599.40 | | 95,464,608.75 |
| Revolving material | 941,939.14 | 676,172.05 | | | | 1,618,111.19 |
| Goods in transit | | | | | | |

| | | | | | | |
|----------------------------|----------------|---------------|--|---------------|--|----------------|
| Work in process-outsourced | 5,290,502.32 | | | 5,290,502.32 | | |
| Total | 127,288,778.48 | 62,964,503.58 | | 69,063,730.63 | | 121,189,551.43 |

(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:

10. Contract assets

RMB/CNY

| Item | Ending balance | | | Opening balance | | |
|------|----------------|----------------------|------------|-----------------|----------------------|------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |

Amount and reasons for the major changes of book value of contract assets in the period

RMB/CNY

| Item | Amount changed | Cause of change |
|------|----------------|-----------------|
|------|----------------|-----------------|

If the bad debt provision of accrual contract is made in accordance with the general model of expected credit losses, please refer to the disclosure of other account receivables to disclose related information about bad debt provision:

☐ Applicable ☒ Not applicable

Impairment provision of contract assets in the period

RMB/CNY

| Item | Current accrual | Current reversal | Charge off/Written-off | Causes |
|------|-----------------|------------------|------------------------|--------|
|------|-----------------|------------------|------------------------|--------|

Other explanation:

11. Assets held for sale

RMB/CNY

| Item | Ending book balance | Impairment provision | Ending book value | Fair value | Estimated disposal cost | Estimated disposal time |
|------|---------------------|----------------------|-------------------|------------|-------------------------|-------------------------|
|------|---------------------|----------------------|-------------------|------------|-------------------------|-------------------------|

Other explanation:

12. Non-current asset due within one year

RMB/CNY

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

Important creditors' investment/Other creditors' investment

RMB/CNY

| Item | Ending balance | | | | Opening balance | | | |
|------|----------------|-------------|-------------|---------------|-----------------|-------------|-------------|---------------|
| | Face value | Coupon rate | Actual rate | Maturity date | Face value | Coupon rate | Actual rate | Maturity date |

Other explanation:

13. Other current assets

Whether implemented the new revenue standards

☐Yes ☒No

RMB/CNY

| Item | Ending balance | Opening balance |
|---|----------------|-----------------|
| Enterprise income tax paid in advance | 9,719.32 | 394,677.16 |
| VAT input tax ready for deduction | 78,086,632.70 | 88,918,809.39 |
| Financial products held to maturity within one year | 30,000,000.00 | 160,000,000.00 |
| Other | 2,315.03 | 5,180,277.49 |
| Total | 108,098,667.05 | 254,493,764.04 |

Other explanation:

14. Creditors' investment

RMB/CNY

| Item | Ending balance | | | Opening balance | | |
|------|----------------|----------------------|------------|-----------------|----------------------|------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |

Important creditors' investment

RMB/CNY

| Item | Ending balance | | | | Opening balance | | | |
|------|----------------|-------------|-------------|---------------|-----------------|-------------|-------------|---------------|
| | Face value | Coupon rate | Actual rate | Maturity date | Face value | Coupon rate | Actual rate | Maturity date |

Accrual of impairment provision

RMB/CNY

| Bad debt provision | Phase I | Phase II | Phase III | Total |
|---------------------------------------|--|---|--|-------|
| | Expected credit losses over next 12 months | Expected credit losses for the entire duration (without credit impairment occurred) | Expected credit losses for the entire duration (with credit impairment occurred) | |
| Balance of Jan. 1, 2019 in the period | _____ | _____ | _____ | _____ |

Change of book balance of loss provision with amount has major changes in the period

☐ Applicable ☒ Not applicable

Other explanation:

15. Other creditors' investment

RMB/CNY

| Item | Opening balance | Accrual interest | Change of fair value in the period | Ending balance | Cost | Accumulated change of fair value | Loss impairment accumulated recognized in other comprehensive income | Note |
|------|-----------------|------------------|------------------------------------|----------------|------|----------------------------------|--|------|
| | | | | | | | | |

Important other creditors' investment

RMB/CNY

| Other 债权 Item | Ending balance | | | | Opening balance | | | |
|---------------|----------------|-------------|-------------|---------------|-----------------|-------------|-------------|---------------|
| | Face value | Coupon rate | Actual rate | Maturity date | Face value | Coupon rate | Actual rate | Maturity date |
| | | | | | | | | |

Accrual of impairment provision

RMB/CNY

| Bad debt provision | Phase I | Phase II | Phase III | Total |
|---------------------------------------|--|---|--|-------|
| | Expected credit losses over next 12 months | Expected credit losses for the entire duration (without credit impairment occurred) | Expected credit losses for the entire duration (with credit impairment occurred) | |
| Balance of Jan. 1, 2019 in the period | _____ | _____ | _____ | _____ |

Change of book balance of loss provision with amount has major changes in the period

☐ Applicable ☒ Not applicable

Other explanation:

16. 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 | |

Impairment of bad debt provision

RMB/CNY

| Bad debt provision | Phase I | Phase II | Phase III | Total |
|---------------------------------------|--|---|--|-------|
| | Expected credit losses over next 12 months | Expected credit losses for the entire duration (without credit impairment occurred) | Expected credit losses for the entire duration (with credit impairment occurred) | |
| Balance of Jan. 1, 2019 in the period | — | — | — | — |

Change of book balance of loss provision with amount has major changes in the period

☐ Applicable ☒ Not applicable

(2) Long-term account receivable derecognition due to financial assets transfer

(3) Assets and liabilities resulted by long-term account receivable transfer and continues involvement

Other explanation

17. Long-term equity investment

RMB/CNY

| The invested entity | Opening balance | Current changes (+,-) | | | | | | | | Ending balance | Ending balance of impairment provision |
|---------------------------------|-----------------|-----------------------|-------------------|--|---------------------------------------|---------------------|---|---------------------------------|-------|----------------|--|
| | | Additional investment | Capital reduction | Investment gains recognized under equity | Other comprehensive income adjustment | Other equity change | Cash dividend or profit announced to issued | Accrual of impairment provision | Other | | |
| I. Joint venture | | | | | | | | | | | |
| II. Associated enterprise | | | | | | | | | | | |
| Shenzhen Shenbao (Xinmin) Foods | 2,870,000.00 | | | | | | | | | 2,870,000.00 | 2,870,000.00 |

| | | | | | | | | | | | |
|--|-------------------|--|------------------|---------------------|--|--|--|--|--|-------------------|-----------|
| Co., Ltd*1 | | | | | | | | | | | |
| Changzho u Shenbao Chacang E- business Co., Ltd.*2 | | | | | | | | | | | |
| Shenzhen Shenbao (Liaoyuan) Industrial Co., Ltd*1 | 57,628.53 | | | | | | | | | 57,628.53 | 57,628.53 |
| Huizhou Shenbao Manan Bio- technolog y Co., Ltd. | 1,050,116 .57 | | 1,050,116 .57 | | | | | | | | |
| Shenzhen Shichumi ngmen Restauran t Managem ent Co., Ltd.*2 | | | | | | | | | | | |
| Guangzho u Shenbao Mendao Tea Co., Ltd. | 3,825,725 .70 | | | - 135,033.8 8 | | | | | | 3,690,691 .82 | |
| Zhuhai Hengxing Feed Industrial | 29,510,77 1.11 | | | 666,203.0 1 | | | | | | 30,176,97 4.12 | |

| | | | | | | | | | | | |
|---|---------------|--|--------------|--------------|--|--|--|--|--|---------------|--------------|
| Co., Ltd. | | | | | | | | | | | |
| Shenzhen Duoxi Equity Investment Fund Management Co., Ltd. | 4,014,625.45 | | | -180,833.30 | | | | | | 3,833,792.15 | |
| Shenliang Intelligent Wulian Equity Investment Fund (Shenzhen) Partnership Enterprise (Limited) | 23,105,662.49 | | | 3,062,765.12 | | | | | | 26,168,427.61 | |
| Shenzhen Shenyuan Data Tech. Co., Ltd | 9,492,765.49 | | | | | | | | | 9,492,765.49 | |
| Subtotal | 73,927,295.34 | | 1,050,116.57 | 3,413,100.95 | | | | | | 76,290,279.72 | 2,927,628.53 |
| Total | 73,927,295.34 | | 1,050,116.57 | 3,413,100.95 | | | | | | 76,290,279.72 | 2,927,628.53 |

Other explanation

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

*2: the long-term equity investment 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

18. Other equity instrument investment

RMB/CNY

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

Itemized the non-tradable equity instrument investment in the period

RMB/CNY

| Item | Dividend income recognized | Cumulative gains | Cumulative losses | Retained earnings transfer from other comprehensive income | Causes of those that designated measured by fair value and with its variation reckoned into other comprehensive income | Cause of retained earnings transfer from other comprehensive income |
|------|----------------------------|------------------|-------------------|--|--|---|
| | | | | | | |

Other explanation:

19. Other non-current financial assets

RMB/CNY

| Item | Ending balance | Opening balance |
|------------------------------|----------------|-----------------|
| Equity instrument investment | 57,500.00 | 57,500.00 |
| Total | 57,500.00 | 57,500.00 |

Other explanation:

20. Investment real estate**(1) Measured at cost**

√ Applicable □ Not applicable

RMB/CNY

| Item | House and building | Land use right | Construction in progress | Total |
|--|--------------------|----------------|--------------------------|----------------|
| I. Original book value | | | | |
| 1. Opening balance | 567,162,333.74 | | | 567,162,333.74 |
| 2. Current amount increased | 23,277,994.41 | | | 23,277,994.41 |
| (1) Outsourcing | 506,238.00 | | | 506,238.00 |
| (2) Inventory\fixed assets\construction in process transfer-in | | | | |
| (3) Increased by combination | | | | |
| (4) Fixed assets re-classify | 22,771,756.41 | | | 22,771,756.41 |

| | | | | |
|---|----------------|--|--|----------------|
| | | | | |
| 3.Current amount decreased | | | | |
| (1) Disposal | | | | |
| (2) Other transfer-out | | | | |
| | | | | |
| 4.Ending balance | 590,440,328.15 | | | 590,440,328.15 |
| II. Accumulated depreciation and accumulated amortization | | | | |
| 1.Opening balance | 284,540,148.82 | | | 284,540,148.82 |
| 2.Current amount increased | 27,726,929.50 | | | 27,726,929.50 |
| (1) Accrual or amortization | 15,008,484.90 | | | 15,008,484.90 |
| (2) Fixed assets re-classify | 12,718,444.60 | | | 12,718,444.60 |
| 3.Current amount decreased | | | | |
| (1) Disposal | | | | |
| (2) Other transfer-out | | | | |
| | | | | |
| 4.Ending balance | 312,267,078.32 | | | 312,267,078.32 |
| III. Impairment provision | | | | |
| 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 | 278,173,249.83 | | | 278,173,249.83 |
| 2. Opening book value | 282,622,184.92 | | | 282,622,184.92 |

(2) Measure on fair value

☐ Applicable ☒ Not applicable

(3) Investment real estate without property certificate completed

RMB/CNY

| Item | Book value | Reasons |
|------|------------|---------|
|------|------------|---------|

Other explanation

21. Fixed assets

RMB/CNY

| Item | Ending balance | Opening balance |
|--------------|----------------|-----------------|
| Fixed assets | 967,835,524.07 | 993,136,743.51 |
| Total | 967,835,524.07 | 993,136,743.51 |

(1) Fixed assets

RMB/CNY

| Item | House and buildings | Machinery equipment | Transport equipment | Electronic and other equipment | Total |
|--|---------------------|---------------------|---------------------|--------------------------------|------------------|
| I. Original book value: | | | | | |
| 1. Opening balance | 915,002,141.50 | 483,988,177.15 | 19,100,984.41 | 60,021,239.23 | 1,478,112,542.29 |
| 2. Current amount increased | 7,068,163.27 | 1,948,332.70 | 388,401.72 | 1,189,068.09 | 10,593,965.78 |
| (1) Purchase | 851,658.64 | 1,948,332.70 | 388,401.72 | 1,189,068.09 | 4,377,461.15 |
| (2) Construction in progress transfer-in | | | | | |
| (3) Increased by combination | | | | | |
| (4) Long-term expenses to be apportioned transfer-in and deduct from fixed assets disposal | 6,216,504.63 | | | | 6,216,504.63 |

| | | | | | |
|--|----------------|----------------|---------------|---------------|------------------|
| 3.Current amount decreased | 22,972,570.10 | 26,000.00 | 250,083.23 | 170,679.38 | 23,419,332.71 |
| (1) Disposal or scrap | 200,813.69 | 26,000.00 | 250,083.23 | 170,679.38 | 647,576.30 |
| (2) Investment real estate re-classify | 22,771,756.41 | | | | 22,771,756.41 |
| 4.Ending balance | 899,097,734.67 | 485,910,509.85 | 19,239,302.90 | 61,039,627.94 | 1,465,287,175.36 |
| II. Accumulated depreciation | | | | | |
| 1.Opening balance | 180,969,012.00 | 243,434,618.06 | 13,913,087.94 | 36,532,801.29 | 474,849,519.29 |
| 2.Current amount increased | 11,138,187.50 | 8,714,345.81 | 584,438.71 | 5,148,706.96 | 25,585,678.98 |
| (1) Accrual | 11,138,187.50 | 8,714,345.81 | 584,438.71 | 5,148,706.96 | 25,585,678.98 |
| | | | | | |
| 3.Current amount decreased | 12,723,481.61 | 13,379.16 | 236,714.88 | 136,250.82 | 13,109,826.47 |
| (1) Disposal or scrap | 5,037.01 | 13,379.16 | 236,714.88 | 136,250.82 | 391,381.87 |
| (2) Investment real estate re-classify | 12,718,444.60 | | | | 12,718,444.60 |
| 4.Ending balance | 179,383,717.89 | 252,135,584.71 | 14,260,811.77 | 41,545,257.43 | 487,325,371.80 |
| III. Impairment provision | | | | | |
| 1.Opening balance | 1,797,706.49 | 8,207,030.23 | 93,411.42 | 28,131.35 | 10,126,279.49 |
| 2.Current amount increased | | | | | |
| (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 | 717,916,310.29 | 225,567,894.91 | 4,885,079.71 | 19,466,239.16 | 967,835,524.07 |

| | | | | | |
|-----------------------|----------------|----------------|--------------|---------------|----------------|
| 2. Opening book value | 732,235,423.01 | 232,346,528.86 | 5,094,485.05 | 23,460,306.59 | 993,136,743.51 |
|-----------------------|----------------|----------------|--------------|---------------|----------------|

(2) Temporarily idle fixed assets

RMB/CNY

| Item | Original book value | Accumulated depreciation | Impairment provision | Book value | Note |
|------|---------------------|--------------------------|----------------------|------------|------|
|------|---------------------|--------------------------|----------------------|------------|------|

(3) Fixed assets by financing leased

RMB/CNY

| Item | Original book value | Accumulated depreciation | Impairment provision | Book value |
|------|---------------------|--------------------------|----------------------|------------|
|------|---------------------|--------------------------|----------------------|------------|

(4) Fixed assets leased out by operation

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 | 322,147,486.94 | Still under processing |
| House and buildings | 106,732,318.67 | Berth of wharf has right of use, no need to handle the certificate |
| House and buildings | 15,818,640.81 | The planning acceptance and construction acceptance record can not be handle due to the loss of planning and construction historical data, the approval process for construction applications to relevant government departments has been restarted. |
| House and buildings | 16,622,783.16 | Simple and temporary buildings etc, cannot handle the property right certificate |
| Total | 461,321,229.58 | |

Other explanation

(6) Fixed assets disposal

RMB/CNY

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

Other explanation

22. Construction in progress

RMB/CNY

| Item | Ending balance | Opening balance |
|--------------------------|----------------|-----------------|
| Construction in progress | 403,629,287.82 | 186,586,135.06 |
| Total | 403,629,287.82 | 186,586,135.06 |

(1) Construction in progress

RMB/CNY

| Item | Ending balance | | | Opening balance | | |
|--|----------------|----------------------|----------------|-----------------|----------------------|---------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | 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 | 121,640,933.02 | | 121,640,933.02 | 91,924,086.19 | | 91,924,086.19 |
| Deep processing of Dongguan Industry and Trading Food | 76,182,755.87 | | 76,182,755.87 | 39,276,418.03 | | 39,276,418.03 |
| CDE storage of Dongguan Food Industrial Park and wharf mating projects | 193,189,866.13 | | 193,189,866.13 | 43,391,511.05 | | 43,391,511.05 |
| Grain storage and processing | 7,635,165.71 | | 7,635,165.71 | 6,621,284.40 | | 6,621,284.40 |
| Supporting projects related to grain supply | 1,133,400.00 | | 1,133,400.00 | | | |
| Workshop transformation of | | | | 711,487.37 | | 711,487.37 |

| | | | | | | |
|--|----------------|--------------|----------------|----------------|--------------|----------------|
| Flour Company | | | | | | |
| Other- Management and control system informatization construction project of SZCG | 408,850.00 | | 408,850.00 | | | |
| Transformation - Transformer capacity expansion project of Pinghu warehouse | 597,600.06 | | 597,600.06 | | | |
| Other | 8,489,430.15 | 5,648,713.12 | 2,840,717.03 | 5,564,537.76 | 903,189.74 | 4,661,348.02 |
| Total | 413,120,334.58 | 9,491,046.76 | 403,629,287.82 | 191,331,658.44 | 4,745,523.38 | 186,586,135.06 |

(2) Changes of major construction in progress

RMB/CNY

| Item Name | Budget | Opening balance | Current amount increased | Transfer- in fixed assets | Other decrease d in the Period | Ending balance | Proporti on of project investme nt in budget | Progress | Accumul ated capitaliz ation of interest | Includin g: amount of capitaliz ation of interest in Period | Interest capitaliz ation rate in Period | Capital resources |
|---|--------|--------------------|--------------------------------|---------------------------------|---|--------------------|---|----------|--|--|--|----------------------|
| Donggua n grain storage and wharf matching project | | 91,924,0 86.19 | 29,716,8 46.83 | | | 121,640, 933.02 | | | | | | |
| Deep processi ng of Donggua n Industry and Trading | | 39,276,4 18.03 | 36,906,3 37.84 | | | 76,182,7 55.87 | | | | | | |

| | | | | | | | | | | | | |
|--|--|----------------|----------------|--|--|----------------|----|----|--|--|--|----|
| Food | | | | | | | | | | | | |
| CDE storage of Dongguan Food Industrial Park and wharf maturing projects | | 43,391,511.05 | 149,798,355.08 | | | 193,189,866.13 | | | | | | |
| Grain storage and processing | | 6,621,284.40 | 1,013,881.31 | | | 7,635,165.71 | | | | | | |
| Total | | 181,213,299.67 | 217,435,421.06 | | | 398,648,720.73 | -- | -- | | | | -- |

(3) The provision for impairment of construction in progress

RMB/CNY

| Item | Amount accrual in the period | Reasons of accrual |
|------|------------------------------|--------------------|
|------|------------------------------|--------------------|

Other explanation

(4) Engineering material

RMB/CNY

| Item | Ending balance | | | Opening balance | | |
|------|----------------|----------------------|------------|-----------------|----------------------|------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |

Other explanation:

23. Productive biological asset

(1) Measured by cost

☒ Applicable ☐ Not applicable

RMB/CNY

| Item | Plant | Livestock | Forestry | Fisheries | Total |
|------|-------|-----------|----------|-----------|-------|
|------|-------|-----------|----------|-----------|-------|

| | | | Tea tree | | |
|------------------------------|--|--|------------|--|------------|
| I. Original book value | | | | | |
| 1.Opening balance | | | 436,156.00 | | 436,156.00 |
| 2.Current amount increased | | | | | |
| (1)Outsourcing | | | | | |
| (2)self-cultivate | | | | | |
| | | | | | |
| 3.Current amount decreased | | | | | |
| (1)Disposal | | | | | |
| (2)Other | | | | | |
| | | | | | |
| 4.Ending balance | | | | | |
| II. Accumulated depreciation | | | | | |
| 1.Opening balance | | | | | |
| 2.Current amount increased | | | | | |
| (1)Accrual | | | | | |
| | | | | | |
| 3.Current amount decreased | | | | | |
| (1)Disposal | | | | | |
| (2)Other | | | | | |
| | | | | | |
| 4.Ending balance | | | 436,156.00 | | 436,156.00 |
| III. Impairment provision | | | | | |
| 1.Opening balance | | | 29,077.08 | | 29,077.08 |
| 2.Current amount increased | | | 4,846.18 | | 4,846.18 |
| (1)Accrual | | | 4,846.18 | | 4,846.18 |
| | | | | | |
| 3.Current amount | | | | | |

| | | | | | |
|-----------------------|--|--|------------|--|------------|
| decreased | | | | | |
| (1)Disposal | | | | | |
| (2)Other | | | | | |
| | | | | | |
| 4.Ending balance | | | 33,923.26 | | 33,923.26 |
| IV. Book value | | | | | |
| 1.Ending book value | | | 402,232.74 | | 402,232.74 |
| 2. Opening book value | | | 407,078.92 | | 407,078.92 |

(2) Measured by fair value

☐ Applicable ☒ Not applicable

24. Oil and gas asset

☐ Applicable ☒ Not applicable

25. Right-of-use asset

RMB/CNY

| Item | | Total |
|------|--|-------|
|------|--|-------|

Other explanation:

26. Intangible assets

(1) Intangible assets

RMB/CNY

| Item | Land use right | Patent | Non-patent technology | Forest tree use right | Trademark use right | Shop management right | Software use right | Other | Total |
|------------------------|----------------|---------------|-----------------------|-----------------------|---------------------|-----------------------|--------------------|--------------|----------------|
| I. Original book value | | | | | | | | | |
| 1.Opening balance | 594,651,154.35 | 46,265,918.89 | | 22,871,704.98 | 277,927.77 | 3,610,487.37 | 10,028,021.72 | 5,054,036.12 | 682,759,251.20 |
| 2.Current amount | 25,676,017.14 | | | | | | | 954,566.08 | 26,630,583.22 |

| | | | | | | | | | |
|--|----------------|---------------|--|---------------|------------|--------------|---------------|--------------|----------------|
| increased | | | | | | | | | |
| (1) Purchase | 25,676,017.14 | | | | | | | 954,566.08 | 26,630,583.22 |
| (2) internal R&D | | | | | | | | | |
| (3) Increased by combination | | | | | | | | | |
| (4) Group handover | | | | | | | | | |
| 3.Current amount decreased | | 2,977,317.12 | | | 106,454.45 | | | | 3,083,771.57 |
| (1) Disposal | | 2,977,317.12 | | | 106,454.45 | | | | 3,083,771.57 |
| | | | | | | | | | |
| 4.Ending balance | 620,327,171.49 | 43,288,601.77 | | 22,871,704.98 | 171,473.32 | 3,610,487.37 | 10,028,021.72 | 6,008,602.20 | 706,306,062.85 |
| II. Accumulate d depreciation | | | | | | | | | |
| 1.Opening balance | 69,506,679.20 | 24,341,841.17 | | 4,627,352.38 | 165,797.48 | 1,197,835.86 | 3,544,168.52 | 2,656,842.35 | 106,040,516.96 |
| 2.Current amount increased | 7,707,105.72 | 566,196.28 | | 430,340.55 | 3,347.75 | 54,168.03 | 32,200.02 | 1,285,499.83 | 10,078,858.18 |
| (1) Accrual | 7,707,105.72 | 566,196.28 | | 430,340.55 | 3,347.75 | 54,168.03 | 32,200.02 | 1,285,499.83 | 10,078,858.18 |
| (2) Group handover | | | | | | | | | |
| 3.Current | | 949,832.38 | | | 68,737.71 | | | | 1,018,570.09 |

| | | | | | | | | | |
|------------------------------|----------------|---------------|--|---------------|------------|--------------|--------------|--------------|----------------|
| amount decreased | | | | | | | | | |
| (1) Disposal | | 949,832.38 | | | 68,737.71 | | | | 1,018,570.09 |
| | | | | | | | | | |
| 4. Ending balance | 77,213,784.92 | 23,958,205.07 | | 5,057,692.93 | 100,407.52 | 1,252,003.89 | 3,576,368.54 | 3,942,342.18 | 115,100,805.05 |
| III. Impairment provision | | | | | | | | | |
| 1. Opening balance | | 5,553,283.54 | | | 37,716.74 | | 1,130,341.88 | | 6,721,342.16 |
| 2. Current amount increased | | | | | | | | | |
| (1) Accrual | | | | | | | | | |
| | | | | | | | | | |
| 3. Current amount decreased | | 2,021,691.13 | | | 37,716.74 | | | | 2,059,407.87 |
| (1) Disposal | | 2,021,691.13 | | | 37,716.74 | | | | 2,059,407.87 |
| | | | | | | | | | |
| 4. Ending balance | | 3,531,592.41 | | | | | 1,130,341.88 | | 4,661,934.29 |
| IV. Book value | | | | | | | | | |
| 1. Ending book value | 543,113,386.57 | 15,798,804.29 | | 17,814,012.05 | 71,065.80 | 2,358,483.48 | 5,321,311.30 | 2,066,260.02 | 586,543,323.51 |
| 2. Opening book value | 525,144,475.15 | 16,370,794.18 | | 18,244,352.60 | 74,413.55 | 2,412,651.51 | 5,353,511.32 | 2,397,193.77 | 569,997,392.08 |

Ratio of the intangible assets from internal R&D in balance of intangible assets at period-end was 2.69%.

(2) Land use rights without certificate of ownership

RMB/CNY

| Item | Book value | Reasons for without the property certification |
|----------------|---------------|---|
| Land use right | 69,525,279.34 | Still under processing |
| Land use right | 7,849,990.00 | Collective land, cannot handle the certificate of ownership |
| Total | 77,375,269.34 | |

Other explanation:

27. Expense on Research and Development

RMB/CNY

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

Other explanation

28. Goodwill

(1) Goodwill Original book value

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 impairment provision

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 |

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

29. Long-term expenses to be apportioned

RMB/CNY

| Item | Opening balance | Current amount increased | Current amortization | Other decreased | Ending balance |
|--|-----------------|--------------------------|----------------------|-----------------|----------------|
| Decoration fee | 4,550,750.21 | 639,455.81 | 1,077,318.99 | | 4,112,887.03 |
| Improve expenditure for investment real estate | 8,706,105.90 | 386,402.36 | 1,718,294.87 | | 7,374,213.39 |
| Improve expenditure for fix assets | 2,385,091.34 | 386,402.36 | 1,077,318.99 | | 1,694,174.71 |
| Affiliated project of resident area in Wuyuan Ju Fang Yong | 36,374.47 | | 36,374.47 | | |
| Other | 6,121,577.88 | 4,509,660.72 | 7,069,725.36 | | 3,561,513.24 |
| Total | 21,799,899.80 | 5,921,921.25 | 10,979,032.68 | | 16,742,788.37 |

Other explanation

30. Deferred income tax asset /Deferred income tax liabilities

(1) Deferred income tax assets without offset

RMB/CNY

| Item | Ending balance | | Opening balance | |
|---------------------------------|----------------------------------|---------------------------|----------------------------------|---------------------------|
| | Deductible temporary differences | Deferred income tax asset | Deductible temporary differences | Deferred income tax asset |
| Impairment provision for assets | 200,374,677.59 | 49,789,641.65 | 200,997,551.38 | 49,759,336.40 |
| Unrealized profits in | 1,348,710.60 | 337,177.65 | 1,348,710.60 | 337,177.65 |

| | | | | |
|-----------------------|----------------|---------------|----------------|---------------|
| internal transactions | | | | |
| Deferred income | 115,540.85 | 28,885.21 | 312,307.72 | 78,076.93 |
| Total | 201,838,929.04 | 50,155,704.51 | 202,658,569.70 | 50,174,590.98 |

(2) Deferred income tax liability without offset

RMB/CNY

| Item | Ending balance | | Opening balance | |
|--|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
| | Taxable temporary differences | Deferred income tax liabilities | Taxable temporary differences | Deferred income tax liabilities |
| Asset evaluation increment of enterprise combine under different control | 52,450,293.02 | 13,112,573.25 | 51,909,877.24 | 12,977,469.31 |
| Change of fair value for the financial assets available for sale | | 18,060.77 | 43,861.84 | 10,965.46 |
| Other | 129,230.76 | 32,307.69 | | |
| Total | 52,579,523.78 | 13,162,941.71 | 51,953,739.08 | 12,988,434.77 |

(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 asset | | 50,155,704.51 | | 50,174,590.98 |
| Deferred income tax liabilities | | 13,162,941.71 | | 12,988,434.77 |

(4) Details of uncertain deferred income tax assets

RMB/CNY

| Item | Ending balance | Opening balance |
|---------------------------------|----------------|-----------------|
| Deductible loss | 114,488,957.68 | 112,864,728.90 |
| Impairment provision for assets | 163,267,590.71 | 172,615,170.87 |
| Deferred income | 98,606,151.11 | 10,097,899.20 |

| | | |
|-------|----------------|----------------|
| Total | 376,362,699.50 | 295,577,798.97 |
|-------|----------------|----------------|

(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:

31. Other non-current asset

Whether implemented the new revenue standards

☐Yes ☒No

RMB/CNY

| Item | Ending balance | Opening balance |
|-------------------------|----------------|-----------------|
| Prepaid for equipment | 854,782.25 | 866,378.12 |
| Prepaid for engineering | | 1,069,771.60 |
| Total | 854,782.25 | 1,936,149.72 |

Other explanation:

32. Short-term loans

(1) Category

RMB/CNY

| Item | Ending balance | Opening balance |
|----------------|----------------|-----------------|
| Secured loans | | 30,000,000.00 |
| Guarantee loan | | 30,000,000.00 |
| Loan in credit | 30,590,000.00 | 31,600,000.00 |
| Total | 30,590,000.00 | 91,600,000.00 |

Explanation on category of short-term loans

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 on 25 December 2018, 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. On 25 April 2019, return the principal of RMB 1.01 million in advance, as of 30th June 2019, balance of the above loan contract was RMB 30.59 million.

(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:

33. Tradable financial liability

RMB/CNY

| Item | Ending balance | Opening balance |
|------------|----------------|-----------------|
| Including: | | |
| Including: | | |

Other explanation:

34. Derivative financial liability

RMB/CNY

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

Other explanation:

35. Note payable

RMB/CNY

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

Notes expired at year-end without paid was Yuan.

36. Account payable

(1) Account payable

RMB/CNY

| Item | Ending balance | Opening balance |
|---------------------------------|----------------|-----------------|
| Trade accounts payable | 166,948,547.76 | 438,618,768.51 |
| Account payable for engineering | 2,740,687.88 | 31,922,123.90 |
| Other | 1,512,306.39 | 2,197,391.39 |
| Total | 171,201,542.03 | 472,738,283.80 |

(2) Major accounts payable with age over one year

RMB/CNY

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

Other explanation:

37. Accounts received in advance

Whether implemented the new revenue standards

☐Yes ☒No

(1) Accounts received in advance

RMB/CNY

| Item | Ending balance | Opening balance |
|---------------------------------------|----------------|-----------------|
| Account for goods received in advance | 136,680,171.97 | 204,866,040.96 |
| Other | 335.00 | 562,553.20 |
| Total | 136,680,506.97 | 205,428,594.16 |

(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:

38. Contract liability

RMB/CNY

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

Amount and reasons for important changes of book value in the period

RMB/CNY

| Item | Amount changed | Reasons of changes |
|------|----------------|--------------------|
|------|----------------|--------------------|

39. Wage payable**(1) Wage payable**

RMB/CNY

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|--|-----------------|-------------------|-------------------|----------------|
| I. Short-term compensation | 121,382,348.52 | 110,755,883.84 | 126,712,977.10 | 105,425,255.26 |
| II. After-service welfare-defined contribution plans | 10,264,159.59 | 7,137,532.42 | 5,709,228.04 | 11,692,463.97 |
| III. Dismissed welfare | 4,062,915.41 | 1,775,288.50 | 4,132,593.81 | 1,705,610.10 |
| Total | 135,709,423.52 | 119,668,704.76 | 136,554,798.95 | 118,823,329.33 |

(2) Short-term compensation

RMB/CNY

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|---------------------------------------|-----------------|-------------------|-------------------|----------------|
| 1. Wage, bonus, allowance and subsidy | 113,607,669.85 | 95,513,877.15 | 112,379,987.79 | 96,741,559.21 |
| 2. Employees' welfare | | 4,322,541.36 | 3,488,228.87 | 834,312.49 |
| 3. Social insurance charges | 99,598.81 | 3,179,002.40 | 3,253,503.72 | 25,097.49 |
| Including: medical insurance premium | 92,813.10 | 2,908,544.07 | 2,985,246.36 | 16,110.81 |
| Industrial injury insurance premiums | 304.92 | 98,717.46 | 98,733.53 | 288.85 |
| Maternity insurance premiums | 6,480.79 | 171,740.87 | 169,523.83 | 8,697.83 |
| 4. Housing public reserve | | 4,268,648.06 | 4,207,418.56 | 61,229.50 |
| 5. Trade union fee and education fee | 7,675,079.86 | 3,471,814.87 | 3,383,838.16 | 7,763,056.57 |
| 6. Short paid absence | | | | |
| Total | 121,382,348.52 | 110,755,883.84 | 126,712,977.10 | 105,425,255.26 |

(3) Defined contribution plans

RMB/CNY

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|---------------------------------------|-----------------|-------------------|-------------------|----------------|
| 1. Basic endowment insurance premiums | 236,975.62 | 5,425,569.74 | 5,426,694.64 | 235,850.72 |
| 2. Unemployment insurance premiums | 4,569.75 | 85,387.47 | 85,427.65 | 4,529.57 |
| 3. Enterprise annuity | 10,022,614.22 | 1,626,575.21 | 197,105.75 | 11,452,083.68 |
| Total | 10,264,159.59 | 7,137,532.42 | 5,709,228.04 | 11,692,463.97 |

Other explanation:

40. Taxes payable

RMB/CNY

| Item | Ending balance | Opening balance |
|--|----------------|-----------------|
| VAT | 7,962,236.13 | 9,493,004.93 |
| Enterprise income tax | 9,895,834.07 | 9,219,053.50 |
| Personal income tax | 4,381,282.54 | 1,927,699.20 |
| Urban maintenance and construction tax | 2,010,802.27 | 640,819.28 |
| House property tax | 3,618,554.77 | 1,725,020.41 |
| Use tax of land | 1,906,234.62 | 574,505.73 |
| Stamp tax | 139,142.66 | 246,056.29 |
| Educational surtax | 347,625.53 | 483,228.46 |
| Other | 5,893.24 | 660,330.78 |
| Total | 30,267,605.83 | 24,969,718.58 |

Other explanation:

41. Other account payable

RMB/CNY

| Item | Ending balance | Opening balance |
|-----------------------|----------------|-----------------|
| Interest payable | 1,020,795.27 | |
| Dividend payable | 2,909,182.74 | 2,909,182.74 |
| Other account payable | 301,049,727.50 | 277,780,365.55 |
| Total | 304,979,705.51 | 280,689,548.29 |

(1) Interest payable

RMB/CNY

| Item | Ending balance | Opening balance |
|--|----------------|-----------------|
| Long-term loans interest for installment | 1,020,795.27 | |

| | | |
|-------|--------------|--|
| Total | 1,020,795.27 | |
|-------|--------------|--|

Major overdue interest:

RMB/CNY

| Borrower | Overdue amount | Overdue causes |
|----------|----------------|----------------|
|----------|----------------|----------------|

Other explanation:

(2) Dividend payable

RMB/CNY

| Item | Ending balance | Opening balance |
|------------------------|----------------|-----------------|
| Common stock dividends | 2,909,182.74 | 2,909,182.74 |
| 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) By nature

RMB/CNY

| Item | Ending balance | Opening balance |
|--|----------------|-----------------|
| Engineering quality retention money and fund of tail | 34,476,867.04 | 3,191,037.22 |
| Deposit and margin | 160,981,227.12 | 151,049,170.31 |
| Intercourse funds and other | 99,081,804.21 | 100,749,160.89 |
| Drawing expenses in advance | 6,509,829.13 | 22,790,997.13 |
| Total | 301,049,727.50 | 277,780,365.55 |

2) Significant other account payable with over one year age

RMB/CNY

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

Other explanation

42. Liability held for sale

RMB/CNY

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

Other explanation:

43. Non-current liabilities due within one year

RMB/CNY

| Item | Ending balance | Opening balance |
|-------------------------------------|----------------|-----------------|
| Long-term loans due within one year | 60,027,362.43 | 55,090,793.79 |
| Total | 60,027,362.43 | 55,090,793.79 |

Other explanation:

Found more in Long-term loans

44. Other current liabilities

Whether implemented the new revenue standards

☐Yes ☒No

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:

45. Long-term loans

(1) Category

RMB/CNY

| Item | Ending balance | Opening balance |
|---|----------------|-----------------|
| Mortgage loan | 701,297,326.68 | 462,449,380.03 |
| Guarantee loan | 136,114,135.95 | 109,329,205.42 |
| Less: Long-term loans due within one year | -60,027,362.43 | -55,090,793.79 |
| Total | 777,384,100.20 | 516,687,791.66 |

Explanation on category of long-term loans:

(i) Guarantee loan

(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 RMB 200 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 30th June 2019,

Dongguan Logistics obtained the principal balance of the loan of HSBC of RMB 9,979,700, of which the non-current liabilities due within one year was RMB 20,340,300. SZCG and Dongguan Fruit Vegetable Non-staple Food Trading Market Co., Ltd. provided the maximum guarantee amount for the loan.

(2) Dongguan Industry and Trade, a subsidiary of the Company, signed a bank credit contract with credit number of CN11002181808-190305-SCOM-TML with HSBC, HSBC provided a loan credit not more than RMB233 million to Dongguan Industry and Trade. The applicable interest rate for each loan at each interest period is from 5% to 3% of the loan benchmark interest rate of central bank applicable on the fixed interest date of the interest period, the borrowing date was from May 9, 2019 to May 8, 2024. As of June 30, 2019, Dongguan Industry and Trade had obtained the principal balance of the loan of RMB 36,319,500 from HSBC. SZCG and Dongguan Fruit Vegetable Non-staple Food Trading Market Co., Ltd. provided the maximum guarantee amount for the loan.

(ii) Mortgage loan

(1) 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 RMB 768 million, 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, RMB 200 million and RMB 200 million, the loan interest rate of last two RMB 200 million were 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 loans 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 30th June 2019, the total loan balance under the above loan contract was RMB 483,583,400. 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.

(2) 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 RMB 273 million 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 30th June 2019, the balance under the above contract was RMB 212,813,900, of which the non-current liabilities due within one year were RMB 39,687,000. 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 RMB 51.21 million.

(3) Dongguan Logistics, a subsidiary of the Company, signed a loan contract with contract number of 44191000-2018 (Dongben) Zi No. 0100 with China Agricultural Development Bank, with a total loan amount of RMB 430 million and an annual interest rate of 4.9%, 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 was from January 25, 2019 to January 24, 2031. As of June 30, 2019, the balance under the above contract was RMB 4.9 million. The Company’s subsidiaries, SZCG and Dongguan Fruit Vegetable Non-staple Food Trading Market Co., Ltd., and Dongguan Houjie Xunda Industrial Co., Ltd. provided joint liability guarantee for the borrowing, and took Dongguan Logistics’ land “Yue (2016) DGSBDCQ No. 0028527” as a mortgage, of which the land assessment value is RMB 52,290,800.

Other explanation, including interest rate range:

46. 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

47. Lease liability

RMB/CNY

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

Other explanation

48. Long-term account payable

RMB/CNY

| Item | Ending balance | Opening balance |
|-------------------------|----------------|-----------------|
| Special account payable | 15,724,141.66 | 15,690,202.08 |
| Total | 15,724,141.66 | 15,690,202.08 |

(1) By nature

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 | 15,471,085.99 | 39,978.58 | | 15,511,064.57 | The finance allocated to the company as a government investment in depreciation special funds of reserve grain depot and interest. |
| Special funds for public welfare scientific research in grain industry | 219,116.09 | | 6,039.00 | 213,077.09 | |
| Total | 15,690,202.08 | 39,978.58 | 6,039.00 | 15,724,141.66 | -- |

Other explanation:

49. Long-term wage payable

(1) Long-term wage 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:

50. Accrual liabilities

Whether implemented the new revenue standards

☐Yes ☒No

RMB/CNY

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

Other explanation, including relevant important assumptions and estimation:

51. Deferred income

RMB/CNY

| Item | Opening balance | Current increased | Current decreased | Ending balance | Causes |
|-------------------|-----------------|-------------------|-------------------|----------------|-----------------------------|
| Government grants | 100,608,203.01 | 1,386.60 | 1,887,897.65 | 98,721,691.96 | See table below for details |
| Total | 100,608,203.01 | 1,386.60 | 1,887,897.65 | 98,721,691.96 | -- |

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 | 1,100,000.00 | | | 520,462.29 | | | 579,537.71 | Assets-related |
| (2) Enterprise technology center is a municipal R&D center. Subsidies for industrial technological advancement | 1,987,301.17 | | | | | | 1,987,301.17 | Assets-related |
| (3) Project | 312,307.72 | | | | | | 312,307.72 | Assets- |

| | | | | | | | | |
|--|--------------|--|--|------------|--|--|--------------|----------------|
| grants for years for agricultural district, Xihu Zone | | | | | | | | related |
| (4)Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors | 241,323.58 | | | 2,490.27 | | | 238,833.31 | Income-related |
| (5)Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors | 243,233.62 | | | 104,329.55 | | | 138,904.07 | Assets-related |
| (6) Finance Discount | 337,222.22 | | | | | | 337,222.22 | Assets-related |
| (7) Industrialization of instant tea powder | 2,084,136.67 | | | | | | 2,084,136.67 | Assets-related |
| (8) Grant for key technology research and industrialization of | 153,011.21 | | | | | | 153,011.21 | Assets-related |

| | | | | | | | | |
|---|--------------|----------|--|------------|--|--|--------------|----------------|
| instant tea powder | | | | | | | | |
| (9) Special fund for the development of strategic emerging industries in Shenzhen(plant deep processing engineering) (Shen Development & Reform No. 20131601) | 3,538,892.95 | | | | | | 3,538,892.95 | Assets-related |
| (10)Construction amount for 50 tons for clearly processing for Mingyou tea | 500,000.00 | | | 62,500.00 | | | 437,500.00 | Assets-related |
| (11) Subsidy for tea seeding of New Tea Garden in Wangkou | 46,129.96 | 1,386.60 | | 1,941.24 | | | 45,575.32 | Assets-related |
| (12) Subsidy for supply system construction of agricultural products | 750,000.00 | | | | | | 750,000.00 | Assets-related |
| (13) Grain storage project of Dongguan Shenliang Logistics Co., | 8,242,417.83 | | | 131,128.56 | | | 8,111,289.27 | Assets-related |

| | | | | | | | | |
|--|---------------|--|--|------------|--|--|---------------|----------------|
| Ltd. - Storage A | | | | | | | | |
| (14) Phase II of grain storage project of Dongguan Shenliang Logistics Co., Ltd.- Storage B | 32,968,699.52 | | | 515,650.26 | | | 32,453,049.26 | Assets-related |
| (15) Grain, oil and food headquarters and innovative public service platform of Dongguan Shenliang Logistics Co., Ltd. | 18,000,000.00 | | | | | | 18,000,000.00 | Assets-related |
| (16) Special funds for intelligent upgrading and transformation of grain warehouse for the 2017 "Grain Safety Project" | 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 | 17,491,764.71 | | | | | | 17,491,764.71 | Assets-related |

| | | | | | | | | |
|--|--------------|--|--|-----------|--|--|--------------|----------------|
| (18) Special fund for agricultural development in Shenzhen - subsidy for agricultural product quality and safety testing capacity-building project | | | | | | | | Assets-related |
| (19) Special fund for agricultural development of 2016- agricultural product safety testing project-capacity building of the third party inspection institution expansion evaluation | 492,000.00 | | | | | | 492,000.00 | Assets-related |
| (20) Agricultural product safety testing project of the special fund for agricultural development of 2016 - Central investment fund | 1,026,000.00 | | | | | | 1,026,000.00 | Assets-related |
| (21) | 1,789,411.20 | | | 19,288.02 | | | 1,770,123.18 | Assets- |

| | | | | | | | | |
|--|----------------|----------|--|--------------|--|--|---------------|----------------|
| Construction of O2O community sales service system for high quality grain and oil based on B2C E-commerce platform | | | | | | | | related |
| (22) Industrialization of Doximi E-commerce platform | 2,813,684.01 | | | 430,107.44 | | | 2,383,576.57 | Assets-related |
| (23) Commercial circulation development project funding for year of 2017 | 524,000.00 | | | | | | 524,000.00 | Assets-related |
| (24) Intelligent management of grain depot based on mobile internet | 866,666.64 | | | 100,000.02 | | | 766,666.62 | Assets-related |
| Total | 100,608,203.01 | 1,386.60 | | 1,887,897.65 | | | 98,721,691.96 | |

Other explanation:

52. Other non-current liabilities

Whether implemented the new revenue standards

☐Yes ☒No

RMB/CNY

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

Other explanation:

53. Share capital

In 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 | 1,152,535,254.00 | | | | | | 1,152,535,254.00 |

Other explanation:

54. 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:

55. Capital public reserve

RMB/CNY

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|---|------------------|-------------------|-------------------|------------------|
| Capital premium (Share capital premium) | 1,413,996,347.50 | | | 1,413,996,347.50 |
| Other capital reserve | 8,896,381.86 | | | 8,896,381.86 |
| Total | 1,422,892,729.36 | | | 1,422,892,729.36 |

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

56. Treasury stock

RMB/CNY

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

Other explanation, including changes and reasons for changes:

57. Other comprehensive income

RMB/CNY

| Item | Opening balance | Current Period | | | | | | Ending balance |
|------|-----------------|---|--|---|--------------------------|------------------------------------|---|----------------|
| | | Account before income tax in the period | Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period | Less: written in other comprehensive income in previous period and carried forward to retained earnings 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 reorganization adjustment for the arbitrated items:

58. Reasonable reserve

RMB/CNY

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|-----------------------|-----------------|-------------------|-------------------|----------------|
| Production safety fee | 154.21 | 460,394.34 | 398,138.99 | 62,409.56 |
| Total | 154.21 | 460,394.34 | 398,138.99 | 62,409.56 |

Other explanation, including changes and reasons for changes:

59. Surplus public reserve

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:

60. Retained profit

RMB/CNY

| Item | Current period | Last period |
|---|------------------|------------------|
| Retained profit at the end of the previous year before adjustment | 1,269,933,487.26 | 961,602,454.82 |
| Total retained profit at the beginning of the previous year before adjustment | 1,269,933,487.26 | 961,602,454.82 |
| Add: net profit attributable to shareholder of parent company | 203,168,850.61 | 308,331,032.44 |
| Common stock dividends payable | 115,253,525.40 | |
| Retained profit at period-end | 1,357,848,812.47 | 1,269,933,487.26 |

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

61. Operating income and operating cost

RMB/CNY

| Item | Current Period | | Last Period | |
|----------------|------------------|------------------|------------------|------------------|
| | Income | Cost | Income | Cost |
| Main business | 4,778,550,071.95 | 4,258,702,014.11 | 4,430,802,356.92 | 3,960,514,399.97 |
| Other business | 3,617,660.74 | 3,399,756.51 | 3,886,289.90 | 2,238,763.29 |
| Total | 4,782,167,732.69 | 4,262,101,770.62 | 4,434,688,646.82 | 3,962,753,163.26 |

Whether implemented the new revenue standards

☐ Yes ☒ No

Other explanation

62. Tax and surcharges

RMB/CNY

| Item | Current Period | Last Period |
|--|----------------|--------------|
| Urban maintenance and construction tax | 850,546.63 | 760,276.77 |
| Educational surtax | 647,628.82 | 531,572.95 |
| House property tax | 3,902,342.55 | 4,101,505.15 |
| Use tax of land | 856,035.80 | 1,734,334.20 |

| | | |
|-----------|--------------|--------------|
| Stamp tax | 339,910.55 | 490,071.74 |
| Other | 9,049.85 | 44,157.29 |
| Total | 6,605,514.20 | 7,661,918.10 |

Other explanation:

63. Sales expenses

RMB/CNY

| Item | Current Period | Last Period |
|---|----------------|----------------|
| Labor and social security benefits | 28,921,374.58 | 28,566,852.50 |
| Rental | 4,572,089.52 | 5,202,348.44 |
| Utilities and office expenses | 2,983,459.64 | 2,256,674.49 |
| After-sale services | 3,239,606.10 | 2,278,428.97 |
| Logistics transportation fee | 55,354,469.30 | 64,795,623.08 |
| Travel expenses | 1,356,310.96 | 1,393,737.48 |
| Equivalent loss for low value perishable goods | 1,481,592.76 | 73,335.37 |
| Depreciation and amortization of long-term assets | 5,855,616.32 | 6,325,647.19 |
| Business hospitality | 485,263.49 | 891,031.17 |
| Advertisement charge | 406,507.02 | 340,028.56 |
| Sales commission | 893.65 | 33,525.44 |
| Property insurance premium | 462,098.96 | 636,293.07 |
| Other | 7,434,460.44 | 7,658,578.54 |
| Total | 112,553,742.74 | 120,452,104.30 |

Other explanation:

64. Administration expenses

RMB/CNY

| Item | Current Period | Last Period |
|--|----------------|---------------|
| Labor and social security benefits | 64,112,522.69 | 57,480,497.61 |
| Communication fee | 698,972.98 | 469,589.19 |
| Vehicle usage fee | 678,600.30 | 629,920.42 |
| Low-value consumables | 141,751.26 | 148,541.67 |
| Repair cost | 264,513.27 | 154,127.60 |
| Depreciation and amortization of long- | 11,830,728.97 | 16,385,472.44 |

| | | |
|----------------------|----------------|---------------|
| term assets | | |
| Travel expenses | 1,286,620.67 | 1,585,963.64 |
| Business hospitality | 1,227,426.99 | 1,807,036.55 |
| Office expenses | 7,666,398.75 | 3,974,305.97 |
| Rental | 750,998.75 | 747,002.77 |
| Intermediary fees | 3,750,693.95 | 7,635,130.54 |
| Other | 8,988,719.41 | 5,306,440.50 |
| Total | 101,397,947.99 | 96,324,028.90 |

Other explanation:

65. R&D expenses

RMB/CNY

| Item | Current Period | Last Period |
|------------------------------------|----------------|--------------|
| Labor and social security benefits | 2,786,779.24 | 2,090,867.55 |
| Depreciation cost | 619,854.40 | 443,606.10 |
| Office expenses | 280,219.64 | 237,386.41 |
| Travel expenses | 180,071.96 | 39,290.22 |
| Logistics consumption | 199,042.35 | 8,028.00 |
| Intermediary fees | 43,200.00 | |
| Maintenance and inspection fee | 35,889.40 | 38,966.32 |
| Material costs | 20,436.66 | |
| Other | 45,981.26 | 118,917.94 |
| Total | 4,211,474.91 | 2,977,062.54 |

Other explanation:

66. Financial expenses

RMB/CNY

| Item | Current Period | Last Period |
|-----------------------------------|----------------|---------------|
| Interest expenses | 10,087,784.34 | 4,313,048.72 |
| Less: Interest income | 2,185,171.96 | 3,899,478.59 |
| Exchange loss | 303,008.96 | -2,999,702.59 |
| Bank commission charge and others | 314,110.51 | 412,826.19 |
| Total | 8,519,731.85 | -2,173,306.27 |

Other explanation:

67. Other income

RMB/CNY

| Sources | Current Period | Last Period |
|---|----------------|-------------|
| R&D subsidy for 2018 from Shenzhen Science & Technology Innovation Committee | 216,000.00 | |
| Other subsidy | 1,023,166.45 | |
| Received the construction subsidy for top talents project of Guangdong Provincial Grain & Material Reserve Bureau | 30,000.00 | |
| Grain talents program subsidy | 20,269.70 | |
| Amortization of deferred income | 1,402,816.24 | |
| Amortization of deferred income | 485,081.41 | |
| Received the loan discount for leading agricultural enterprises | 388,300.00 | |
| Service charges are refund by Taxation Bureau | 126,043.99 | |
| Received the intermediary fee subsidy for mergers and acquisition of the Nanshan Economic promotion Bureau | 738,700.00 | |
| Received the employee social insurance subsidy (1-9) of Wuyuan County Finance Bureau for 2018 | 470,078.93 | |
| Received the patent award for 2018 from Shangrao Intellectual Property Bureau | 50,000.00 | |
| Received the guiding funds for industrial development for 2018 from Industry and Information Technology Bureau (Fiscal Appropriation) | 170,697.00 | |
| Received the high-tech enterprise award for 2018 from Industry and Information Technology Bureau (Fiscal Appropriation) | 200,000.00 | |
| Received the provincial R&D center fund for 2018 from Industry and Information Technology Bureau (Fiscal Appropriation) | 50,000.00 | |
| Amount of the new project of 50 tons clean mingou tea processing for first half of 2019 | 62,500.00 | |

| | | |
|---|--------------|--------------|
| Government grants | | 826,872.02 |
| Special supporting funds for the development of independent innovative industry in Nanshan District (funding for modern agricultural development) | | 451,582.44 |
| Doximi's construction of O2O community sales service system for high quality grain and oil based on B2C E-commerce platform | | 19,288.02 |
| Funds for construction of the agricultural products supply system | | 100,000.00 |
| Grain modern logistics for year of 2014 | | 128,150.93 |
| Special funds for the development of E-commerce development service industry | | 1,000,000.00 |
| Industrial development funds in Futian District, the 2 nd batch of supporting enterprise for year of 2013 | | 1,100,000.00 |
| Investment subsidy for the infrastructure works of Dongguan International Food Industrial Park Development Co., Ltd from Guangdong Development & Reform Commission and Guangdong provincial Food Bureau | | 69,411.76 |
| Grain storage facilities (expansion of 150000 tons of warehouse capacity) | | 541,158.45 |
| Subsidy for internet of things project supervised by the State for Grain Storage and Transportation | | 54,500.00 |
| Independent innovation support funds of SASAC based on mobile internet project | | 33,333.34 |
| Total | 5,433,653.72 | 4,324,296.96 |

68. Investment income

RMB/CNY

| Item | Current Period | Last Period |
|--|----------------|-------------|
| Long-term equity investment income measured by equity | 3,413,100.95 | 626,055.86 |
| Investment income from disposal of long-term equity investment | 127,368.82 | |

| | | |
|--------------------------------|--------------|--------------|
| Income from financial products | 3,627,466.27 | 717,351.60 |
| Total | 7,167,936.04 | 1,343,407.46 |

Other explanation:

69. Net exposure hedge gains

RMB/CNY

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

Other explanation:

70. Income of fair value changes

RMB/CNY

| Sources | Current Period | Last Period |
|---------------------------|----------------|-------------|
| Tradable financial assets | 28,381.21 | -425,718.15 |
| Total | 28,381.21 | -425,718.15 |

Other explanation:

71. Credit impairment loss

RMB/CNY

| Item | Current Period | Last Period |
|--|----------------|-------------|
| Loss of bad debt of other account receivable | 5,143,559.77 | |
| Total | 5,143,559.77 | |

Other explanation:

72. Assets impairment loss

Whether implemented the new revenue standards

☐Yes ☒No

RMB/CNY

| Item | Current Period | Last Period |
|--|----------------|----------------|
| I. Bad debt losses | 2,063,558.29 | 116,491.30 |
| II. Provision for falling price of inventory | -71,294,981.71 | -32,678,876.93 |
| Total | -69,231,423.42 | -32,562,385.63 |

Other explanation:

73. Income from assets disposal

RMB/CNY

| Sources | Current Period | Last Period |
|--|----------------|-------------|
| Gains or losses from fixed assets disposal | -4,184.59 | -210,840.01 |

74. Non-operating income

RMB/CNY

| Item | Current Period | Last Period | Amount included in the current non-recurring profit and loss |
|-------------------|----------------|-------------|--|
| Government grants | 3,000.00 | | 3,000.00 |
| Other | 359,252.46 | 980,860.83 | 359,252.46 |
| Total | 362,252.46 | 980,860.83 | 362,252.46 |

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:

75. Non-operating expenditure

RMB/CNY

| Item | Current Period | Last Period | Amount included in the current non-recurring profit and loss |
|---------------------------------------|----------------|-------------|--|
| External donations | 2,000,000.00 | 525,810.97 | 2,000,000.00 |
| Abnormal loss | 1,962,312.38 | | 1,962,312.38 |
| Inventory loss | 4,693.69 | | 4,693.69 |
| Loss of scrap from non-current assets | 14,840.94 | 69,625.01 | 14,840.94 |
| Other | 172.94 | 56.74 | 172.94 |
| Total | 3,982,019.95 | 595,492.72 | 3,982,019.95 |

Other explanation:

76. Income tax expense**(1) Income tax expense**

RMB/CNY

| Item | Current Period | Last Period |
|------------------------------|----------------|---------------|
| Current income tax expenses | 8,075,504.29 | 13,790,990.10 |
| Deferred income tax expenses | 7,409,789.74 | -1,921,138.04 |
| Total | 15,485,294.03 | 11,869,852.06 |

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

RMB/CNY

| Item | Current Period |
|---|----------------|
| Total profit | 231,725,928.50 |
| Income tax expenses calculated by statutory tax rate | 57,931,482.13 |
| Impact from different tax rate apply with the subsidiary | -2,440,713.51 |
| Impact on cost, expenses and losses that unable to deducted | -45,351,677.76 |
| Impact of the deductible loss on deferred income tax assets not recognized in the prior period of use | -556,944.32 |
| Unrecognized impacts of deductible temporary differences or deductible losses on deferred income tax assets in the period | 2,744,541.31 |
| Impact on R&D costs deduction | 3,158,606.18 |
| Income tax expenses | 15,485,294.03 |

Other explanation

77. Other comprehensive income

Found more in annotations

78. Annotation of cash flow statement**(1) Cash received with other operating activities concerned**

RMB/CNY

| Item | Current Period | Last Period |
|-----------------------------|----------------|---------------|
| Interest income | 2,185,171.96 | 3,629,642.58 |
| Government grants | 4,448,353.51 | 6,683,802.85 |
| Intercourse funds and other | 180,418,202.50 | 14,233,661.27 |

| | | |
|-------|----------------|---------------|
| Total | 187,051,727.97 | 24,547,106.70 |
|-------|----------------|---------------|

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 |
|-----------------------------|----------------|----------------|
| Expenses | 102,412,945.42 | 105,648,051.11 |
| Intercourse funds and other | 153,621,034.86 | 98,464,612.88 |
| Total | 256,033,980.28 | 204,112,663.99 |

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 |
|------|----------------|-------------|
|------|----------------|-------------|

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 |
|---------------------------------------|----------------|---------------|
| Investment amount received in advance | | 24,500,000.00 |
| Total | | 24,500,000.00 |

Note of cash received with other financing activities concerned

Nil

(6) Other cash paid related with financing activities

RMB/CNY

| Item | Current Period | Last Period |
|----------------------------------|----------------|-------------|
| Relevant expenses for bonus paid | 72,997.72 | |
| Total | 72,997.72 | |

Note of other cash paid related with financing activities:

Nil

79. Supplementary information to statement of cash flow

(1) Supplementary information to statement of cash flow

RMB/CNY

| Supplementary information | Current period | Last period |
|--|-----------------|-----------------|
| 1. Net profit adjusted to cash flow of operation activities: | -- | -- |
| Net profit | 216,240,634.47 | 207,677,952.67 |
| Add: Impairment provision for assets | 64,087,863.65 | 32,562,605.32 |
| Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets | 25,585,678.98 | 36,676,343.25 |
| Amortization of intangible assets | 10,078,858.18 | 11,002,051.40 |
| Amortization of long-term pending expenses | 10,979,032.68 | 3,423,495.33 |
| Loss from disposal of fixed assets, intangible assets and other long-term assets (income is listed with "-") | 4,184.59 | 210,840.01 |
| Losses on scrapping of fixed assets (income is listed with "-") | 14,840.94 | 69,625.01 |
| Loss from change of fair value (income is listed with "-") | -28,381.21 | 425,718.15 |
| Financial expenses (income is listed with "-") | 10,087,784.34 | 1,914,851.35 |
| Investment loss (income is listed with "-") | -7,167,936.04 | -1,343,407.46 |
| Decrease of deferred income tax assets (increase is listed with "-") | 18,886.47 | -1,641,669.44 |
| Decrease of deferred income tax asset (increase is listed with "-") | 174,506.94 | -317,403.72 |
| Decrease of inventory (increase is listed with "-") | -235,691,486.95 | -112,655,074.54 |

| | | |
|--|-----------------|-----------------|
| Decrease of operating receivable accounts (increase is listed with “-”) | -118,497,256.23 | 104,836,662.81 |
| Increase of operating payable accounts (decrease is listed with “-”) | -365,316,840.56 | -229,981,344.84 |
| Net cash flow arising from operating activities | -389,429,629.75 | 52,861,245.30 |
| 2. Material investment and financing not involved in cash flow | -- | -- |
| 3. Net change of cash and cash equivalents: | -- | -- |
| Balance of cash at period end | 189,914,485.39 | 359,443,755.10 |
| Less: Balance of cash at year-begin | 631,638,339.68 | 544,440,739.45 |
| Net increasing of cash and cash equivalents | -441,723,854.29 | -184,996,984.35 |

(2) Net cash paid for obtaining subsidiary in the Period

RMB/CNY

| | Amount |
|------------|--------|
| Including: | -- |
| Including: | -- |
| Including: | -- |

Other explanation:

(3) Net cash received by disposing subsidiary in the Period

RMB/CNY

| | Amount |
|------------|--------|
| Including: | -- |
| Including: | -- |
| Including: | -- |

Other explanation:

(4) Constitution of cash and cash equivalent

RMB/CNY

| Item | Ending balance | Opening balance |
|---------|----------------|-----------------|
| I. Cash | 189,914,485.39 | 631,638,339.68 |

| | | |
|--|----------------|----------------|
| | | |
| Including: Cash on hand | 248,295.15 | 282,322.45 |
| Bank deposit available for payment at any time | 189,525,109.14 | 631,190,032.12 |
| Other monetary fund available for payment at any time | 141,081.10 | 165,985.11 |
| III. Balance of cash and cash equivalent at period-end | 189,914,485.39 | 631,638,339.68 |

Other explanation:

80. Notes of changes of owners' equity

Explain the name and adjusted amount in "Other" at end of last period:

Nil

81. Assets with ownership or use right restricted

RMB/CNY

| Item | Ending book value | Reasons for restriction |
|--------------------------|-------------------|---|
| Fixed assets | 371,805,770.40 | According to the long-term loan mortgage contract signed by Dongguan Shenliang 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. In addition, according to the "44191000-2018 (Dongben) Zi No. 0100" loan contract signed by Dongguan Shenliang Logistics and China Agricultural Development Bank, Dongguan Logistics mortgaged the land "Yue (2016) DGSBDCQ No. 0028527" to the China Agricultural Development Bank as borrowing collateral. |
| Intangible assets | 83,859,264.48 | According to the long-term loan mortgage contract signed by Dongguan Shenliang 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. In addition, according to the "44191000-2018 (Dongben) Zi No. 0100" loan contract signed by Dongguan Shenliang Logistics and China Agricultural Development Bank, Dongguan Logistics mortgaged the land "Yue (2016) DGSBDCQ No. 0028527" to the China Agricultural Development Bank as borrowing collateral. |
| Construction in progress | 76,182,755.87 | According to the long-term loan mortgage contract signed by Dongguan Shenliang 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. In addition, |

| | | |
|-------------------|----------------|---|
| | | according to the “44191000-2018 (Dongben) Zi No. 0100” loan contract signed by Dongguan Shenliang Logistics and China Agricultural Development Bank, Dongguan Logistics mortgaged the land “Yue (2016) DGSBDCQ No. 0028527” to the China Agricultural Development Bank as borrowing collateral. |
| Intangible assets | 35,798,712.71 | According to the loan contract of “Guangdong DG 2017 NGDZ No. 006” signed by Dongguan Food Industrial 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 | 567,646,503.46 | -- |

Other explanation:

82. Foreign currency monetary items

(1) Foreign currency monetary items

RMB/CNY

| Item | Ending foreign currency balance | Convert rate | Ending RMB balance converted |
|--------------------|---------------------------------|--------------|------------------------------|
| Monetary funds | -- | -- | 2,709,685.00 |
| Including: USD | 362,401.02 | 6.8747 | 2,491,398.31 |
| EURO | | | |
| HKD | 248,148.93 | 0.8797 | 218,286.69 |
| | | | |
| Account receivable | -- | -- | 2,013,144.22 |
| Including: USD | 278,280.34 | 6.8747 | 1,913,093.86 |
| EURO | | | |
| HKD | 113,737.53 | 0.8797 | 100,050.36 |
| | | | |
| 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

83. Hedging

Disclosed hedging items and relevant hedging instrument based on hedging's category, disclosed qualitative and quantitative information for the arbitrage risks:

84. Government grants

(1) Government grants

RMB/CNY

| Category | Amount | Item | Amount reckoned into current gains/losses |
|---|--------------|-----------------|---|
| (1) Base of further processing for tea and nature plants | 579,537.71 | Deferred income | 520,462.29 |
| (2) Enterprise technology center is a municipal R&D center. Subsidies for industrial technological advancement | 1,987,301.17 | Deferred income | 0.00 |
| (3) Project grants for years for agricultural district, Xihu Zone | 312,307.72 | Deferred income | 0.00 |
| (4)Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors | 238,833.31 | Deferred income | 2,490.27 |
| (5)Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors | 138,904.07 | Deferred income | 104,329.55 |
| (6) Finance Discount | 337,222.22 | Deferred income | 0.00 |
| (7) Industrialization of instant tea powder | 2,084,136.67 | Deferred income | 0.00 |
| (8) Grant for key technology research and industrialization of instant tea powder | 153,011.21 | Deferred income | 0.00 |
| (9) Special fund for the development of strategic emerging industries in Shenzhen(plant deep processing engineering) (Shen Development & Reform No. 20131601) | 3,538,892.95 | Deferred income | 0.00 |
| (10)Construction amount for 50 tons for clearly processing for Mingyou tea | 437,500.00 | Deferred income | 62,500.00 |
| (11) Subsidy for tea seeding of New Tea Garden in Wangkou | 45,575.32 | Deferred income | 1,941.24 |
| (12) Subsidy for supply system construction of agricultural products | 750,000.00 | Deferred income | 0.00 |

| | | | |
|---|---------------|-----------------|--------------|
| (13) Grain storage project of Dongguan Shenliang Logistics Co., Ltd. - Storage A | 8,111,289.27 | Deferred income | 131,128.56 |
| (14) Phase II of grain storage project of Dongguan Shenliang Logistics Co., Ltd.- Storage B | 32,453,049.26 | Deferred income | 515,650.26 |
| (15) Grain, oil and food headquarters and innovative public service platform of Dongguan Shenliang Logistics Co., Ltd. | 18,000,000.00 | Deferred income | 0.00 |
| (16) Special funds for intelligent upgrading and transformation of grain warehouse for the 2017 "Grain Safety Project" | 5,100,000.00 | Deferred income | 0.00 |
| (17) Construction of 450000 ton silos and 60000 ton film silos -CDE warehouse. Gas storage bin | 17,491,764.71 | Deferred income | 0.00 |
| (18) Special fund for agricultural development of 2016- agricultural product safety testing project- capacity building of the third party inspection institution expansion evaluation | 492,000.00 | Deferred income | 0.00 |
| (19) Agricultural product safety testing project of the special fund for agricultural development of 2016 - Central investment fund | 1,026,000.00 | Deferred income | 0.00 |
| (20) Construction of O2O community sales service system for high quality grain and oil based on B2C E-commerce platform | 1,770,123.18 | Deferred income | 19,288.02 |
| (21) Industrialization of Doximi E-commerce platform | 2,383,576.57 | Deferred income | 430,107.44 |
| (22) Commercial circulation development project funding for year of 2017 | 524,000.00 | Deferred income | 0.00 |
| (23) Intelligent management of grain depot based on mobile internet | 766,666.62 | Deferred income | 100,000.02 |
| (24) R&D subsidy for 2018 from Shenzhen Science & Technology Innovation Committee | 216,000.00 | Other income | 216,000.00 |
| (25) Other subsidy | 1,023,166.45 | Other income | 1,023,166.45 |
| (26) Received the construction subsidy for top talents project of Guangdong Provincial Grain & Material Reserve Bureau | 30,000.00 | Other income | 30,000.00 |
| (27) Grain talents program subsidy | 20,269.70 | Other income | 20,269.70 |
| (28) Received the loan discount for leading agricultural enterprises | 388,300.00 | Other income | 388,300.00 |
| (29) Service charges are refund by Taxation Bureau | 126,043.99 | Other income | 126,043.99 |
| (30) Received the intermediary fee subsidy for mergers and acquisition of the Nanshan Economic promotion Bureau | 738,700.00 | Other income | 738,700.00 |
| (31) Received the employee social insurance subsidy (1-9) of Wuyuan County Finance Bureau for 2018 | 470,078.93 | Other income | 470,078.93 |
| (32) Received the patent award for 2018 from Shangrao Intellectual Property Bureau | 50,000.00 | Other income | 50,000.00 |

| | | | |
|--|----------------|--------------|--------------|
| (33) Received the guiding funds for industrial development for 2018 from Industry and Information Technology Bureau (Fiscal Appropriation) | 170,697.00 | Other income | 170,697.00 |
| (34) Received the high-tech enterprise award for 2018 from Industry and Information Technology Bureau (Fiscal Appropriation) | 200,000.00 | Other income | 200,000.00 |
| (35) Received the provincial R&D center fund for 2018 from Industry and Information Technology Bureau (Fiscal Appropriation) | 50,000.00 | Other income | 50,000.00 |
| (36) Amount of the new project of 50 tons clean mingou tea processing for first half of 2019 | 62,500.00 | Other income | 62,500.00 |
| Total | 102,267,448.03 | | 5,433,653.72 |

(2) Government grants rebate

☐ Applicable ☒ Not applicable

Other explanation:

85. Other

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 |
|----------|--------------------------------------|--|------------------|--|---|---|---|---|
| | | | | | | | | |

Other explanation:

(2) Combination cost

RMB/CNY

| | |
|------------------|--|
| Combination cost | |
|------------------|--|

Explanation on contingent consideration and its changes:

Other explanation:

(3) Book value of the assets and liability of the combined party on combination date

RMB/CNY

| | On purchasing date | At end of last period |
|--|--------------------|-----------------------|

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:

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 Technology | Huizhou | Huizhou | Comprehensive | 100.00% | | Establishment |

| | | | | | | |
|------------------------------|----------|----------|--|---------|---------|--------------------------------|
| Shenbao Property | 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% | | Combine under the same control |
| Shenzhen Flour | Shenzhen | Shenzhen | Flour processing | 100.00% | | Combine under the same control |
| Hualian Grain & | Shenzhen | Shenzhen | Grain & oil | 100.00% | | Combine under |

| | | | | | | |
|--------------------------------------|--------------|--------------|---|---------|---------|--------------------------------|
| oil trading | | | trading | | | the same control |
| Hainan Haitian | Haikou | Haikou | Feed production | 51.00% | 49.00% | Combine under the same control |
| Shenliang Quality Inspection | Shenzhen | Shenzhen | Inspection | 100.00% | | Combine under the same control |
| Shenliang Doximi | Shenzhen | Shenzhen | E-commerce | 100.00% | | Combine under the same control |
| Shenliang Cold-Chain Logistic | Shenzhen | Shenzhen | Fresh food management on-line | 100.00% | | Combine under the same control |
| Shenliang Big Kitchen | Shenzhen | Shenzhen | Sales and processing of grain ,oil and products | 70.00% | | Combine under the same control |
| Shenliang Real Estate Development | Shenzhen | Shenzhen | Real estate development and property management | 100.00% | | Combine under the same control |
| Shenliang Property | Shenzhen | Shenzhen | Property management | | 100.00% | Combine under the same control |
| Shenliang Storage (Yingkou)) | Yingkou | Yingkou | Storage | 100.00% | | Combine under the same control |
| Dongguan Shenliang Logistics | Dongguan | Dongguan | Storage, logistics | 51.00% | | Combine under the same control |
| Dongguan Food Industrial Park | Dongguan | Dongguan | Port operation, food production | | 51.00% | Combine under the same control |
| Dongguan Food Trade | Dongguan | Dongguan | Food production | | 51.00% | Combine under the same control |
| Dongguan Jinying | Dongguan | Dongguan | Feed, biofertilizer | | 51.00% | Combine under the same control |
| Shuangyashan Shenliang Zhongxin | Shuangyashan | Shuangyashan | Construction of food base and development of related complementary facility | 51.00% | | Combine under the same control |
| Hongxinglong Nongken Industrial Park | Shuangyashan | Shuangyashan | Construction of food base and development of | | 51.00% | Combine under the same control |

| | | | | | | |
|--|--|--|--------------------------------------|--|--|--|
| | | | related complementary facility | | | |
|--|--|--|--------------------------------------|--|--|--|

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 consignee:

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 Shenliang Logistics | 49.00% | 5,443,741.51 | | 153,130,186.36 |

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 liabilities | Non-current liabilities | Total liabilities | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Dongguan Shenliang Logistics | 248,138,218.07 | 1,151,170,302.88 | 1,399,308,520.95 | 216,154,682.24 | 870,643,254.30 | 1,086,797,936.54 | 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 |

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 Shenliang | 1,222,449,75 | 11,109,676.5 | 11,109,676.5 | 97,553,848.2 | 905,720,767. | 12,516,721.4 | 12,516,721.4 | -19,848,597.9 |

| | | | | | | | | |
|-----------|------|---|---|---|----|---|---|---|
| Logistics | 5.98 | 6 | 6 | 8 | 08 | 1 | 1 | 7 |
|-----------|------|---|---|---|----|---|---|---|

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 |
| Shenliang Intelligent Wulian Equity Investment Fund (Shenzhen) Partnership Enterprise (Limited) | Shenzhen | Shenzhen | Equity investment; investment consultant | 49.02% | | Equity |
| Changzhou Shenbao Chacang E-business Co., ltd. | Changzhou | Changzhou | Manufacturing | 33.00% | | Equity |

| | | | | | | |
|--|-----------|-----------|---------------|--------|--------|--------|
| Huizhou Shenbao Manan Bio-technology Co., Ltd. | Huizhou | Huizhou | Manufacturing | | 51.00% | Equity |
| 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 the equity investment for associated enterprise | 73,362,651.19 | 70,999,666.81 |
| Net profit | 7,096,756.53 | 1,374,764.19 |
| Total comprehensive income | 7,096,756.53 | 1,374,764.19 |

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-business Co., Ltd. | 8,367,950.07 | 126,999.270 | 8,494,949.33 |
| Shenzhen Shichumingmen Restaurant Management Co., Ltd. | 3,491,151.31 | 426,122.69 | 3,917,274.00 |

Other explanation

(7) Unconfirmed commitment with joint venture investment concerned

(8) Intangible liability with joint venture or affiliates investment concerned

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 a financial loss caused by the counter party's failure to fulfill its contractual

obligations. The credit risk mainly arises from monetary funds, account receivable and other account receivable so on. 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.

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

1.Exchange risk

The major operation of the Company is located in the PRC, and its major operation is settled in Renminbi. However, there is also exchange risk in respect of the recognized foreign currency assets and liabilities and future foreign currency transactions which are mainly denominated in US dollar. Our finance department is responsible for monitoring scale of foreign currency assets and liabilities and foreign currency transactions, to minimize its exposure to exchange risks. In reporting period, the Company did not sign any forward exchange contract or monetary exchange contract.

2.Interest risk

Our interest risk mainly arises from bank borrowings. Financial liabilities at floating rate expose the Company to cash flow interest risk, and financial liabilities at fixed rate expose the Company to fair value interest risk. The Company determines the respective proportion of contracts at fixed rate and floating rate based on prevailing market conditions.

The financial department of the Company continuously monitors the interest rate of the Company. The rise in interest rates will increase the cost of new interest-bearing debts and the interest expense of the Company's unpaid interest-bearing debts with floating interest rates, management will make timely adjustments based on the latest market conditions.

3.Price risk

The Company purchases and sells products at market prices, therefore it is affected by fluctuation of these prices.

XI. Disclosure of fair value

1. Ending fair value of the assets and liabilities measured by fair value

RMB/CNY

| Item | Ending fair value | | | |
|---|-------------------|--------------|-------------|--------------|
| | First-order | Second-order | Third-order | Total |
| I. Sustaining measured by fair value | -- | -- | -- | -- |
| (i)Tradable financial assets | 1,153,309.17 | | | 1,153,309.17 |
| 1.Financial assets measured by fair value and with variation reckoned into current gains/losses | 1,153,309.17 | | | 1,153,309.17 |
| (2) Equity instrument investment | 1,153,309.17 | | | 1,153,309.17 |
| 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. | Shenzhen | Investing in industry, development, operation and management of the own property | 500 million Yuan | 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

Other explanation:

2. Subsidiary

Subsidiary of the Company found more in Note IX- Equity in other entity

3. Joint venture and associated enterprise

Joint Venture of the Company found more in Note IX- Equity in other entity

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, subsidiary of the actual controller, controlled by the same ultimate controlling party |
| Zhanjiang Haitian Aquatic Feed Co., Ltd | Subsidiary of the actual controller, Controlled by the same ultimate controlling party |
| Dongguan Fruit and Vegetable Non-staple Food Market Co., Ltd | Minority shareholder of controlling subsidiary |
| Taizhong Agricultural Co., Ltd | Subsidiary of the actual controller, Controlled by the same ultimate controlling party |
| Shenzhen Investment Management Co., Ltd | Former shareholder of the Company, Controlled by the same 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 Higuren 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 | Former shareholder of Shenzhen Agricultural Products Co., Ltd, Controlled by the same ultimate controlling party |

Other explanation

*1: Fujian Wuyishan Yuxing Tea Co., Ltd. was a minority shareholder of Fujian Wuyishan Shenbao Yuxing Tea Co., Ltd., a former controlling subsidiary of Hangzhou Ju Fang Yong which is a subsidiary of the Company, and the controlling subsidiary was separated in 2016.

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 (Y/N) | Last Period |
|---------------|-----------------------------|----------------|----------------------------|---|-------------|
|---------------|-----------------------------|----------------|----------------------------|---|-------------|

Goods sold/labor service providing

RMB/CNY

| Related party | Related transaction content | Current Period | Last Period |
|---|-----------------------------|----------------|-------------|
| Shenzhen Fude State-owned Capital Operation Co., Ltd. | Payment for goods | 2,510.00 | |
| Shenzhen Shenyuan Data Tech. Co., Ltd | Office space leasing | 15,358.00 | 28,293.00 |
| Shenzhen Agricultural Products Co., Ltd | Sales of tea | 219,560.00 | 65,000.00 |
| Shenzhen Higreen International Agricultural Products Logistic Management Co., Ltd | Sales of tea | 7,410.00 | |
| Shichumingmen Company | Sales of tea products | | 246.15 |
| Shenzhen Fruits and Vegetables Trading Co., Ltd | Sales of tea | 3,270.00 | |

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 | Entrusting party/Contractor | Trustee/assets contract | Trustee /start | Trustee /ends | Managed earnings /pricing of the contract earnings | Managed earnings confirmed in the period / contract earnings |
|---------------------------|-----------------------------|-------------------------|----------------|---------------|--|--|
|---------------------------|-----------------------------|-------------------------|----------------|---------------|--|--|

Related managed/contract:

Entrusted management/outsourcing:

RMB/CNY

| Client/Contract-out party | Entrusting party/Contractor | Entrust /assets outsourcing | Entrust /start | Entrust /ends | Trustee fee / pricing of the outsourcing | Entrusted earnings confirmed in the period / outsourcing costs |
|---------------------------|-----------------------------|-----------------------------|----------------|---------------|--|--|
|---------------------------|-----------------------------|-----------------------------|----------------|---------------|--|--|

Related 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 | Management site | 580,466.28 | 503,949.19 |
| Shenzhen Fude State-owned Capital Operation Co., Ltd. | Office space leasing | 84,300.00 | |

As lessee:

RMB/CNY

| Lessor | Assets type | Lease income in recognized in the Period | Lease income in recognized last the Period |
|---|-------------------|--|--|
| Shenzhen Fude State-owned Capital Operation Co., Ltd. | Warehouse leasing | 14,217,100.00 | 14,217,100.00 |
| Shenzhen Fude State-owned Capital Operation Co., Ltd. | Management site | 345,038.85 | |

Explanation on related lease

The Company's second-level subsidiary, Shenzhen Shenshenbao Tea Culture Business Management Co., Ltd. Nanshan Software Industry Base Subbranch subleased the shop located at Room 02, 2nd Floor, Tower A, Building 5, Software Industry Base, Keyuan Road, Nanshan District, Shenzhen that it rented from Shenzhen Investment Holding Co., Ltd. to the Company's associated company, Shi Chu Ming Men Company, the rental income for this year was RMB 580,466.28, and the pricing of related transactions was based on the market price.

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" with Shenzhen Cereals Group on October 17, 2018, the lease term was from October 1, 2017 to December 31, 2019, it was agreed to pay an annual total rent of RMB 28,434,200 based on market prices.

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, Shenliang Real Estate and Shenliang Property as office use, the lease period is from August 1, 2018 to July 31, 2019, , and the pricing of related transactions was based on the market price.

(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 debt performance period for each specific credit 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 | 2019-04-11 | Y |
| Dongguan Fruit and Vegetable Non-staple Food Market Co., Ltd | 53,571,310.66 | 2016-12-27 | 2021-12-26 | N |
| Dongguan Fruit and Vegetable Non-staple Food Market Co., Ltd | 138,955,864.84 | 2018-07-27 | 2032-08-29 | N |

Explanation on related guarantee

1. 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.

2. According to the working capital loans contract (Yue DG2017 nian Jie Zi No. 005) entered by the subsidiary Dongguan Shenliang Logistics and Bank of Communications Dongguan Branch, Dongguan Shenliang Logistics gains a cyclic quota of RMB 30 million with borrowing interest rate of 5.22%. Each loan drawn under this contract shall be for a period of not more than 12 months, and the maturity date for all loans shall be no later than 11th April 2019. The Company’s subsidiaries, SZCG and Dongguan Fruit and Vegetable Non-staple Food Market Co., Ltd provided joint liability guarantee for the loans. The amount guaranteed by Dongguan Fruit and Vegetable Non-staple Food Market Co., Ltd. was RMB 14.7 million, and the amount guaranteed by SZCG was RMB 15.3 million. During the guarantee period, respectively calculate according to the debt performance period of each principal debt agreed in the main contract (under opening of the bank acceptance bill/letter of credit/guarantee letter, calculate according to the creditor's advance payment date). The guarantee period under each principal debt is from the expiration of the debt performance period (or the creditor’s advance payment date) to two years after the date of the expiration of the debt performance period (or the creditor’s advance payment date) of the main debt finally due under all main contracts.

3. According to the bank credit contract of credit No. CN11002181808-160714-SCDGTML2 signed by Dongguan

Shenliang Logistics, a subsidiary of the Company, and HSBC, HSBC will provide a loan credit of not exceeding RMB 200 million 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 26, 2021. As of December 31, 2018, the balance of the loan principal achieved by Dongguan Shenliang Logistics from HSBC was RMB 109,329,205.42, and the Company's subsidiaries, SZCG and Dongguan Fruit and Vegetable Non-staple Food Market Co., Ltd provided joint liability guarantee for the loans, the amount guaranteed by Dongguan Fruit and Vegetable Non-staple Food Market Co., Ltd. was RMB 53,571,310.66, and the amount guaranteed by SZCG was RMB 55,757,894.76.

4. According to the loan contract "Yue DG 2017 NGDZ No. 006" signed by Dongguan Food Industrial 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 July 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 and Vegetable Non-staple Food Market Co., Ltd, provide joint liability guarantee for the loans, the amount guaranteed by Dongguan Fruit and Vegetable Non-staple Food Market Co., Ltd is RMB 138,955,864.84, and the amount guaranteed by SZCG is RMB 144,627,532.80.

(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

6. Receivable and payable of related party

(1) Receivable item

RMB/CNY

| Item Name | Related party | Ending balance | | Opening balance | |
|--------------------------|---|----------------|--------------------|-----------------|--------------------|
| | | Book balance | Bad debt provision | Book balance | Bad debt provision |
| Account receivable | Shenzhen Fude State-owned Capital Operation Co., Ltd. | 42,150.00 | 421.50 | | |
| Account receivable | Shenzhen Agricultural Products Co., Ltd | 55,000.00 | 89.60 | 8,960.00 | 89.60 |
| Account receivable | Shenzhen Higuren International Agricultural Products Logistic Management Co., Ltd | 7,410.00 | 74.10 | | |
| Other account receivable | Changzhou Shenbao Chacang Company | 20,618,710.83 | 18,024,144.51 | 20,413,947.34 | 17,819,381.02 |
| Other account receivable | Shenzhen Higuren International Agricultural Products Logistic Management Co., Ltd | 50,000.00 | 500.00 | 50,000.00 | 500.00 |
| Other account receivable | Shichumingmen | 1,365,179.36 | 275,978.87 | 1,429,898.28 | 275,978.87 |

(2) Payable item

RMB/CNY

| Item Name | Related party | Ending book balance | Opening book balance |
|-----------------------|--|---------------------|----------------------|
| Other account payable | Zhanjiang Changshan (Shenzhen) Ecological Aquaculture Co., Ltd | 7,972,700.83 | 7,967,662.50 |
| Other account payable | Shenzhen Duoxi Equity Investment Fund Management | 39,906.00 | 41,486.00 |

| | | | |
|-----------------------|---|---------------|---------------|
| | Co., Ltd. | | |
| Other account payable | Shenzhen Fruits and Vegetables Trading Co., Ltd | 245,714.59 | 245,714.59 |
| Other account payable | Shenzhen Investment Management Co., Ltd | 3,510,297.20 | 3,510,297.20 |
| Other account payable | Shenzhen Fude State-owned Capital Operation Co., Ltd. | 67,762,184.76 | 53,470,612.86 |
| Dividend payable | Shenzhen Investment Management Co., Ltd | 2,690,970.14 | 2,690,970.14 |

7. Related party commitment

8. Other

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

Nil

5. Other

Nil

XIV. Commitment or contingency

1. Important commitments

Important commitments on balance sheet date

The Company has no important commitments that need to disclosed up to 30th June 2019

2. Contingency

(1) Contingency on balance sheet date

1. 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. (hereinafter referred to as Agricultural Products Guarantee Company) 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 \times 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.

On April 26, 2019, the Shenzhen Intermediate People's Court made a civil judgment (Civil Judgment (2017) Yue 03 Min Zhong No. 12296), and judged Shenzhen Shenbao Industrial Co., Ltd. (now renamed as Shenzhen Cereals Holdings Co., Ltd.) to undertake a joint and several liability for the of Changzhou Shenbao Chacang E-Commerce Co., Ltd. within the scope of 3.5 million yuan. Shenzhen Shenbao Industrial Co., Ltd. (now renamed as Shenzhen Cereals Holdings Co., Ltd.) has the right to claim compensation from Changzhou Company after the payment. The judgment has taken effect, currently it's in a reconciliation

(2) Contract disputes between the Company’s subsidiaries, Mount Wuyi 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 RMB 5,212,301.40 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.

On April 18, 2019, Shenzhen International Arbitration Court heard the arbitration case in court. Since relevant matters are still to be determined and ascertained, the two parties concerned shall provide supplementary defense materials to the court. Currently, the case has not yet been arbitrated by Shenzhen International Arbitration Court.

As of 30th June 2019, the accumulated bad debt provision accrual by the Company was RMB 3,458,370.94.

(3) Disputes on mung bean business between Shenzhen Cereals Group (SZCG) 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 RMB 30 million. 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 30th June 2019, 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 RMB 9,784,485.55; 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.

On December 21, 2017, People's Court of Nanshan District of Shenzhen made the first-instance judgment of retrial which rejected all claims of Shenzhen Fujin Food Industry Co., Ltd.

On June 10, 2019, the Shenzhen Intermediate People's Court made the second-instance judgment (Civil Judgment (2018) Yue 03 Min Zhong No. 7911), and the judgment rejected the appeal of Shenzhen Fujin Food Industry Co., Ltd. and upheld the original judgment.

(5) Contract disputes among Shenzhen Cereals Group, Hualian Grain and Oil, Guangzhou Jinhe Feed Co., Ltd. and Huang Xianning 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 RMB 83,224.00; Huang Xianning 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 RMB 10,455,600 of Guangzhou Jinhe Company.

According to the “Commitment Letter of Shenzhen Fude State-owned Capital Operation Co., Ltd. on the Pending Litigation of Shenzhen Cereals Group Co., Ltd.”, If Shenzhen Cereals Group Co., Ltd. and its holding subsidiaries suffer any claims, compensation, losses or expenses due to the contract disputes with Guangzhou Jinhe Feed Co., Ltd. and Huangxianning Import Agent, Shenzhen Fude State-owned Capital Operation Co., Ltd. will assume the compensation or loss caused by the lawsuits.

(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 RMB 2,396,300, 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 30th June 2019, 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 RMB 2,958,600 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 RMB 1,638,900. As of 30th June 2019, 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

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.

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.

The Hong Kong International Arbitration Center ruled on 17 Feb. 2011 that: the demurrage of \$ 2,173,000.00 should be paid by Shenzhen Cereals Group, and the interest counted by annual interest rate of 5.00% since 4th June 2004. In July 2011, Noble Company applied to Shenzhen Intermediate People's Court for enforcement of the ruling. On 30 March 2015, a civil order ([2017] Shen Zhong Fa Min Chu Zi No. 270) was made by Shenzhen Intermediate People's Court, ruling that the demurrage charges arising from the failure of normal unloading of the goods involved shall be borne by Nobel Company as stipulated in the Supplementary Agreement of the Soybean Sales Contract signed by both parties, the disputes under the contractual agreements shall be settled by Chinese Laws and shall be under the jurisdiction of Chinese courts. The Hong Kong International Arbitration Center has no jurisdiction over this case, than the application for execution of Nobel Company was rejected.

On February 6, 2018, Noble Company applied to the Hong Kong High Court for enforcement of the Hong Kong International Arbitration Center's ruling on February 17, 2011. On February 18, 2019, the Hong Kong High Court ruled that the enforcement time limit for the application of Noble Company has been lost. 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. However, Noble Company had never applied for litigation matters such as court hearings. 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 the arbitration.

The application for arbitration of the second part of the ruling of Hong Kong International Arbitration Center made by Noble Company in the mainland has been rejected, the application for enforcement in Hong Kong was ruled that the time limit of application for arbitration has been exceeded. Related procedures of the third part of the arbitration has not been initiated in accordance with the requirements of the arbitral tribunal, therefore, it can be presumed that the case has been closed.

According to the "Commitment Letter of Shenzhen Fude State-owned Capital Operation Co., Ltd. on the Pending Litigation of Shenzhen Cereals Group Co., Ltd.", If Shenzhen Cereals Group Co., Ltd. and its holding subsidiaries suffer any claims, compensation, losses or expenses due to the contract dispute of international sale of soybean with Noble Resources Co., Ltd., Shenzhen Fude State-owned Capital Operation Co., Ltd. will assume the compensation or loss caused by the lawsuit.

(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 RMB 1,911,200.00 to Shenzhen Cereals Group. Beijing Zhongwang Food Co., Ltd. was in bankruptcy proceedings, Shenzhen Cereals Group has reported claims and interests of RMB 2,473,400 to the bankruptcy administrator, and the confirmed ordinary creditor's rights are RMB 2,128,300. It is estimated that the bankruptcy property repayment amount is about RMB 50,000 at most.

On April 22, 2018, Shenzhen Cereals Group received a bankruptcy liquidation of RMB 37,313.42, and up to 30th June 2019, the bad debt provision for residual claims are accrual by Shenzhen Cereals Group in total as RMB 1,873,886.58.

2. Contingency arising from the provision of external debt guarantee and their impacts on financial

The guarantee for related parties found more in the Note XII. Related party and related transaction

Ended as 30th June 2019, the Company has no guarantees provided for non-related parties

3. Except for the above mentioned contingency, up to 30th June 2019, the Company has no other major contingency that should be disclosed**(2) If the Company has no important contingency need to disclosed, explain reasons**

The Company has no important contingency that need to disclose.

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

Up to the date of the financial report released, the Company has no other events after balance sheet date need to released

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

According to the “Enterprise Annuity Scheme of Shenzhen Cereals Group Co., Ltd.” and the employees’ application, the Company pays the enterprise annuity for the employees who meet the conditions for participation according to the proportion agreed by the Confirmation for Enterprise Payment Ratio of the Enterprise Annuity of Shenzhen Cereals Group Co., Ltd., the payment base is based on the total salary of the previous year, and the maximum payment rate is not more than 8.33%.

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

XVII. Principle notes of financial statements of parent company

1. Account receivable

(1)Category

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 bad debt provision accrual on a single basis | 28,453.08 | 0.60% | 28,453.08 | 100.00% | 0.00 | 28,453.08 | 0.07% | 28,453.08 | 100.00% | 0.00 |
| Including: | | | | | | | | | | |
| Account receivable with single minor amount but with bad | 28,453.08 | 0.60% | 28,453.08 | 100.00% | 0.00 | 28,453.08 | 0.07% | 28,453.08 | 100.00% | 0.00 |

| | | | | | | | | | | |
|---|--------------|---------|-----------|-------|--------------|---------------|---------|------------|-------|---------------|
| debts provision accrued on a single basis | | | | | | | | | | |
| Account receivable with bad debt provision accrual on portfolio | 4,720,500.44 | 100.00% | 19,717.61 | 0.42% | 4,700,782.83 | 42,869,954.13 | 99.93% | 428,835.06 | 1.00% | 42,441,119.07 |
| Including: | | | | | | | | | | |
| Age portfolio | 4,582,528.24 | 97.08% | 19,717.61 | 0.42% | 4,562,810.63 | 42,869,954.13 | 99.93% | 428,835.06 | 1.00% | 42,441,119.07 |
| Related party and petty cash | 137,972.20 | 2.92% | | | 137,972.20 | | | | | |
| Total | 4,748,953.52 | 100.00% | 48,170.69 | 1.01% | 4,700,782.83 | 42,898,407.21 | 100.00% | 457,288.14 | 1.07% | 42,441,119.07 |

Bad debt provision accrual on single basis:

RMB/CNY

| Name | Ending balance | | | |
|------|----------------|--------------------|---------------|----------------|
| | Book balance | Bad debt provision | Accrual ratio | Accrual causes |

Bad debt provision accrual on portfolio:19717.61 Yuan

RMB/CNY

| Name | Ending balance | | |
|--|----------------|--------------------|---------------|
| | Book balance | Bad debt provision | Accrual ratio |
| Aging analysis | 4,582,528.24 | 19,717.61 | 0.43% |
| Related party and petty cash | 137,972.20 | 0.00 | 0.00% |
| Account receivable with single minor amount but with bad debts provision accrued on a single basis | 28,453.08 | 28,453.08 | 100% |
| Total | 4,748,953.52 | 48,170.69 | -- |

Explanation on portfolio determines:

Bad debt provision accrual on portfolio:

RMB/CNY

| Name | Ending balance | | |
|------|----------------|--------------------|---------------|
| | Book balance | Bad debt provision | Accrual ratio |

Explanation on portfolio determines:

If the provision for bad debts of account receivable is made in accordance with the general model of expected credit losses, please refer to the disclosure of other account receivable to disclose related information about bad-debt provisions:

☐ Applicable ☒ Not applicable

By account age

RMB/CNY

| Account age | Ending balance |
|------------------------------------|----------------|
| Within one year(one year included) | 4,712,012.82 |
| Within one year(one year included) | 4,712,012.82 |
| 1-2 years | 1,383.22 |
| 2-3 years | 3,117.40 |
| Over 3 years | 32440.08 |
| 3-4 years | 3,987.00 |
| Over 5 years | 28,453.08 |
| Total | 4,748,953.52 |

(2) Bad debt provision accrual, collected or reversal in the period

Bad debt provision accrual in the period:

RMB/CNY

| Category | Opening balance | Amount changed in the period | | | Ending balance |
|---|-----------------|------------------------------|-----------------------|-------------|----------------|
| | | Accrual | Collected or reversal | Written-off | |
| Age portfolio | 428,835.06 | | 409,117.45 | | 19,717.61 |
| Other account receivable with single minor amount but with bad debt provision accrual on single basis | 28,453.08 | | | | 28,453.08 |
| | | | | | |
| Total | 457,288.14 | | 409,117.45 | | 48,170.69 |

Including major amount bad debt provision that collected or reversal in the period:

RMB/CNY

| Enterprise | Amount collected or reversal | Collection way |
|------------|------------------------------|----------------|
|------------|------------------------------|----------------|

(3) Account receivable actually written-off in the period

RMB/CNY

| Item | Amount written-off |
|------|--------------------|
|------|--------------------|

Including major account receivable written-off

RMB/CNY

| Enterprise | Nature | Amount written-off | Written-off causes | Procedure of written-off | Resulted by related transaction (Y/N) |
|------------|--------|--------------------|--------------------|--------------------------|---------------------------------------|
|------------|--------|--------------------|--------------------|--------------------------|---------------------------------------|

Explanation on account receivable written-off

(4) Top 5 account receivables at ending balance by arrears party

Total period-end balance of top five receivables by arrears party amounting to 4,542,912.44 Yuan, takes 95.66 percent of the total account receivable at period-end, bad debt provision accrual correspondingly at year-end amounting as 45,951.02 Yuan.

(5) Account receivable derecognition due to financial assets transfer

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

Other explanation:

2. Other account receivable

RMB/CNY

| Item | Ending balance | Opening balance |
|--------------------------|----------------|-----------------|
| Other account receivable | 242,873,517.60 | 159,677,969.59 |
| Total | 242,873,517.60 | 159,677,969.59 |

(1) Interest receivable

1)Category

RMB/CNY

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

2) Important overdue interest

| Borrower | Ending balance | Overdue time | Overdue causes | Whether impairment occurs and its judgment basis |
|----------|----------------|--------------|----------------|--|
|----------|----------------|--------------|----------------|--|

Other explanation:

3) Accrual of bad debt provision

☐ Applicable ☒ Not applicable

(2) Dividend receivable

1) Category

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 | Reasons for not collection | Whether impairment occurs and its judgment basis |
|-------------------------------|----------------|-------------|----------------------------|--|
|-------------------------------|----------------|-------------|----------------------------|--|

3) Accrual of bad debt provision

☐ Applicable ☒ Not applicable

Other explanation:

(3) Other account receivable

1) By nature

RMB/CNY

| Nature | Ending book balance | Opening book balance |
|-----------------------------|---------------------|----------------------|
| Margin and deposit | 1,235,229.39 | 119,089.00 |
| Export tax rebate | 171,917.78 | 312,364.06 |
| Intercourse funds and other | 264,704,763.86 | 182,280,569.20 |
| Total | 266,111,911.03 | 182,712,022.26 |

2) Accrual of bad debt provision

RMB/CNY

| Bad debt provision | Phase I | Phase II | Phase III | Total |
|---------------------------------------|--|---|--|---------------|
| | Expected credit losses over next 12 months | Expected credit losses for the entire duration (without credit impairment occurred) | Expected credit losses for the entire duration (with credit impairment occurred) | |
| Balance on Jan. 1, 2019 | 1,922.73 | 75,499.40 | 22,956,630.54 | 23,034,052.67 |
| Balance of Jan. 1, 2019 in the period | — | — | — | — |
| Current accrual | | | 204,763.49 | 204,763.49 |
| Current reversal | 422.73 | | | 422.73 |
| Balance on Jun. 30, 2019 | 1,500.00 | 75,499.40 | 23,161,394.03 | 23,238,393.43 |

Change of book balance of loss provision with amount has major changes in the period

☐ Applicable ☒ Not applicable

By account age

RMB/CNY

| Account age | Ending balance |
|------------------------------------|----------------|
| Within one year(one year included) | 209,256,830.79 |
| Within one year(one year included) | 209,256,830.79 |
| 1-2 years | 7,483,918.42 |
| 2-3 years | 18,812,851.47 |
| Over 3 years | 30,558,310.35 |
| 3-4 years | 6,875,000.00 |
| 4-5 years | 6,218,962.15 |
| Over 5 years | 17,464,348.20 |
| Total | 266,111,911.03 |

3) Bad debt provision accrual, collected or reversal in the period

Bad debt provision accrual in the period:

RMB/CNY

| Category | Opening balance | Amount changed in the period | | Ending balance |
|---|-----------------|------------------------------|-----------------------|----------------|
| | | Accrual | Collected or reversal | |
| Age portfolio | 77,422.13 | | 422.73 | 76,999.40 |
| Other account receivable with single minor amount but with bad debt provision accrual on single basis | 5,641,249.52 | | | 5,641,249.52 |
| Other account receivable with single major amount and with bad debt provision accrual on single basis | 17,315,381.02 | 204,763.49 | | 17,520,144.51 |
| Total | 23,034,052.67 | 204,763.49 | 422.73 | 23,238,393.43 |

Including major amount with bad debt provision reverse or collected in the period:

RMB/CNY

| Enterprise | Amount reversal or collected | Collection way |
|------------|------------------------------|----------------|
|------------|------------------------------|----------------|

4) Other account receivable actually written-off in the period

RMB/CNY

| Item | Amount written-off |
|------|--------------------|
|------|--------------------|

Including important other account receivable written-off

RMB/CNY

| Enterprise | Nature | Amount written-off | Written-off causes | Procedure of written- | Resulted by related |
|------------|--------|--------------------|--------------------|-----------------------|---------------------|
|------------|--------|--------------------|--------------------|-----------------------|---------------------|

| | | | | | |
|--|--|--|--|-----|-------------------|
| | | | | off | transaction (Y/N) |
|--|--|--|--|-----|-------------------|

Explanation on other account receivable written-off

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 account receivables | Ending balance of bad debt reserve |
|---|-------------------|----------------|-----------------|--|------------------------------------|
| Huizhou Shenbao Technology Co., Ltd | Intercourse funds | 112,351,493.44 | Within one year | 42.22% | |
| Shenzhen Cereals Group Co., Ltd | Intercourse funds | 83,019,048.50 | Within one year | 31.20% | |
| Shenzhen Shenbao Sanjing Food & Beverage Development Co., Ltd | Intercourse funds | 26,205,575.88 | Over 5 years | 9.85% | |
| Changzhou Shenbao Chacang Company | Intercourse funds | 19,988,710.83 | 1-3 years | 7.51% | 17,520,144.50 |
| Shenzhen Shenbao Technology Center Co., Ltd | Intercourse funds | 12,628,225.82 | Over 5 years | 4.75% | |
| Total | -- | 254,193,054.47 | -- | 95.52% | 17,520,144.50 |

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:

3. Long-term equity investment

RMB/CNY

| Item | Ending balance | | | Opening balance | | |
|---------------------------|------------------|----------------------|------------------|------------------|----------------------|------------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Investment for subsidiary | 4,208,728,337.66 | | 4,208,728,337.66 | 4,208,728,337.66 | | 4,208,728,337.66 |
| Investment for | 6,618,320.35 | 2,927,628.53 | 3,690,691.82 | 6,753,354.23 | 2,927,628.53 | 3,825,725.70 |

| | | | | | | |
|------------------------------|------------------|--------------|------------------|------------------|--------------|------------------|
| associates and joint venture | | | | | | |
| Total | 4,215,346,658.01 | 2,927,628.53 | 4,212,419,029.48 | 4,215,481,691.89 | 2,927,628.53 | 4,212,554,063.36 |

(1) Investment for subsidiary

RMB/CNY

| The invested entity | Opening balance | Current increased | Current decreased | Ending balance | Current accrual Impairment provision | Ending balance of impairment provision |
|------------------------------|------------------|-------------------|-------------------|------------------|--------------------------------------|--|
| Shenbao Property | 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 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 | | |
| Total | 4,208,728,337.66 | | | 4,208,728,337.66 | | |

(2) Investment for associates and joint venture

RMB/CNY

| investment company | Opening balance | Current changes (+,-) | | | | | | | | Ending balance | Ending balance of |
|--------------------|-----------------|-----------------------|-------------------|-------------------|----------------|--------------|---------------|------------|-------|----------------|-------------------|
| | | Additiona l | Capital reduction | Investme nt gains | Other comprehe | Other equity | Cash dividend | Accrual of | Other | | |

| | | investmen t | | recognize d under equity | nsive income adjustmen t | change | or profit announce d to issued | impairme nt provision | | | impairme nt provision |
|--|------------------|----------------|--|--------------------------------|-----------------------------------|--------|---|-----------------------------|--|------------------|-----------------------------|
| I. Joint venture | | | | | | | | | | | |
| II. Associated enterprise | | | | | | | | | | | |
| Shenzhen Shenbao (Liaoyuan) Industrial Company | 0.00 | | | | | | | | | 0.00 | 57,628.53 |
| Shenzhen Shenbao (Xinmin) Foods Co., Ltd | 0.00 | | | | | | | | | 0.00 | 2,870,000 .00 |
| Changzho u Shenbao Chacang | | | | | | | | | | | |
| Guangzho u Shenbao Mendao Tea Co., Ltd. | 3,825,725 .70 | | | - 135,033.8 8 | | | | | | 3,690,691 .82 | 0.00 |
| Subtotal | 3,825,725 .70 | | | - 135,033.8 8 | | | | | | 3,690,691 .82 | 2,927,628 .53 |
| Total | 3,825,725 .70 | | | - 135,033.8 8 | | | | | | 3,690,691 .82 | 2,927,628 .53 |

(3) Other explanation

4. Operating income and operating cost

RMB/CNY

| Item | Current Period | | Last Period | |
|------|----------------|------|-------------|------|
| | Income | Cost | Income | Cost |

| | | | | |
|---------------|---------------|---------------|---------------|---------------|
| Main business | 31,562,730.23 | 29,829,293.00 | 67,228,720.81 | 63,731,294.22 |
| Total | 31,562,730.23 | 29,829,293.00 | 67,228,720.81 | 63,731,294.22 |

Whether implemented the new revenue standards

☐Yes ☒No

Other explanation:

5. Investment income

RMB/CNY

| Item | Current Period | Last Period |
|---|----------------|-------------|
| Long-term equity investment income measured by equity | -135,033.88 | -185,480.37 |
| Income from financial products | 1,567,648.80 | |
| Total | 1,432,614.92 | -185,480.37 |

6. Other

XVIII. Supplementary information

1. Current non-recurring gains/losses

☒Applicable ☐Not applicable

RMB/CNY

| Item | Amount | Note |
|--|--------------|------|
| Gains/losses from the disposal of non-current asset | -4,184.59 | |
| Governmental grants calculated into current gains and losses(while closely related with the normal business of the Company, excluding the fixed-amount or fixed-proportion governmental subsidy according to the unified national standard) | 5,463,876.60 | |
| Profit and loss of assets delegation on others' investment or management | 3,627,466.27 | |
| Except for the effective hedging business related to the normal business of the Company, the fair value changes from holding the tradable financial assets, derivative financial assets, tradable financial liability and derivative financial liability; and investment income from | 28,381.21 | |

| | | |
|---|---------------|----|
| disposal of tradable financial assets, derivative financial assets, tradable financial liability and other creditors investment | | |
| Switch back of the impairment provision for account receivable with impairment test on single basis and contract assets | 412,500.00 | |
| Other non-operating income and expense other than the above mentioned ones | -3,619,767.49 | |
| Less: Impact on income tax | 702,095.88 | |
| Impact on minority interests | 232,425.56 | |
| Total | 4,973,750.56 | -- |

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 (Yuan/share) | Diluted EPS (Yuan/share) |
| Net profits belong to common stock stockholders of the Company | 4.82% | 0.1763 | 0.1763 |
| Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses | 4.70% | 0.1720 | 0.1720 |

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 | 203,168,850.61 | 202,779,343.34 | 4,260,480,115.67 | 4,172,502,535.11 |
| Items and amount adjusted by IAS: | | | | |

| | | | | |
|--|----------------|----------------|------------------|------------------|
| Adjustment for other payable fund of stock market regulation | | | 1,067,000.00 | 1,067,000.00 |
| IAS | 203,168,850.61 | 202,779,343.34 | 4,261,547,115.67 | 4,173,569,535.11 |

(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 XI. 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 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;
3. Original copies of 2019 Semi-Annual Report with signature of the Chairman.

SHENZHEN CEREALS HOLDINGS CO.,LTD

Chairman: Zhu Junming

23rd August 2019