

深圳市深粮控股股份有限公司  
**SHENZHEN CEREALS HOLDINGS CO.,LTD.**  
**ANNUAL REPORT 2019**



**April 2020**

## Section I. Important Notice, Contents and Interpretation

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 Jin Zhenyuan and Head of Accounting Institution (Accounting Supervisors) Wen Jieyu hereby confirm that the Financial Report of Annual Report 2019 is authentic, accurate and complete.

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

Director not attending in person	Position of the director not attending in person	Reasons on absent	Trustee
Liu Haifeng	Independent director	Business trip	Zhao Rubing

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

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

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

**The profit distribution plan deliberated and approved by the Board Meeting was: distributed cash bonus of 2 yuan (tax included) for every 10 shares held by whole shareholders based on the 1,152,535,254, zero share(tax included) for bonus and no transfer of public reserves into share capital either.**

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## Interpretation

Items	Refers to	Contents
SZCH/Listed Company /the Company/	Refers to	Shenzhen Cereals Holdings Co., Ltd.
Shenshenbao/Shenbao Company	Refers to	Shenzhen Shenbao Industrial Co., Ltd.
SZCG	Refers to	Shenzhen Cereals Group Co., Ltd
Doximi	Refers to	Shenliang Doximi Business Co., Ltd.
Flour Company, Flour Factory	Refers to	Shenzhen Flour Co., Ltd
Shenliang Quality Inspection	Refers to	Shenliang Quality Inspection Co., Ltd.
Dongguan Logistics	Refers to	Dongguan Shenliang Logistics Co., Ltd.
Dongguan Food Industrial Park	Refers to	Dongguan International Food Industrial Park Development Co., Ltd.
Wuyuan Ju Fang Yong	Refers to	Wuyuan Ju Fang Yong Tea Industry Co., Ltd.
Shenbao Technology Center	Refers to	Shenzhen Shenbao Technology Center Co., Ltd.
Food Group	Refers to	Shenzhen Food Group Co., Ltd.
Fude Capital	Refers to	Shenzhen Fude State Capital Operation Co., Ltd.
Agricultural Products	Refers to	Shenzhen Agricultural Products Group Co., Ltd
SIHC	Refers to	Shenzhen Investment Holdings Co., Ltd.
Shenzhen SASAC	Refers to	Shenzhen Municipal People's Government State-owned Assets Supervision & Administration Commission
CSRC	Refers to	China Securities Regulation Commission
SSE	Refers to	Shenzhen Stock Exchange
BDO CPAs	Refers to	BDO China Shu Lun Pan Certified Public Accountant LLP
Article of Association	Refers to	Article of Association of Shenzhen Cereals Holdings Co., Ltd.
RMB/10 thousand Yuan	Refers to	CNY/ten thousand Yuan

## Section II Company Profile and Main Financial Indexes

### I. Company information

Short form for share	SZCH, Shenliang B	Stock code	000019, 200019
Listing stock exchange	Shenzhen Stock Exchange		
Chinese name of the Company	深圳市深粮控股股份有限公司		
Abbr. of Chinese name of the Company	深粮控股		
English name of the Company(if applicable)	SHENZHEN CEREALS HOLDINGS CO.,LTD		
Legal Representative	Zhu Junming		
Registrations add.	8/F, Tower B, No.4 Building, Software Industry Base, South District, Science & Technology Park, Xuefu Rd., Yuehai Street, Nanshan District, Shenzhen		
Code for registrations add	518057		
Offices add.	13/F, Tower A, World Trade Plaza, No.9 Fuhong Rd., Futian District, Shenzhen		
Codes for office add.	518033		
Company's Internet Web Site	www.slkg1949.com		
E-mail	szch@slkg1949.com		

### II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	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.	0755-83778690	0755-83778690
Fax.	0755-83778311	0755-83778311
E-mail	dujg@slkg1949.com	chenky@slkg1949.com、liumy@slkg1949.com

### III. Information disclosure and preparation place

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

#### IV. Registration changes of the Company

Organization code	91440300192180754J
Changes of main business since listing (if applicable)	On February 18, 2019, the company completed the registration procedures of changes in industry and commerce for business scope and other matters. The main business has newly increased grain and oil reserves, grain and oil trade, grain and oil processing, and service business for grain and oil circulation and grain and oil reserves based on the production, research and development and sales of food raw materials (ingredients) mainly based on tea and natural plant deep processing.
Previous changes for controlling shareholders (if applicable)	On 10 September 1999, Shenzhen Investment Management Co., Ltd. entered into the "Equity Transfer Agreement of Shenzhen Shenbao Industrial Co., Ltd." with Agricultural Products for 58,347,695 shares of the Company (35% in total shares of the Company) transfer to Agricultural Products with price of RMB 1.95 per share. Agricultural Products comes to the first majority shareholder of the Company after transfer and procedures for the above equity transfer has completed in June of 2003. On April 3, 2018, SIHC completed the transfer of all of its 79,484,302 shares of A shares in the company to Food Group (former named as Fude Capital). After the completion of the equity transfer, SIHC no longer holds shares in the company, while Food Group directly holds 79,484,302 shares of A shares in the company (accounting for 16% of the company's original total share capital) and controls 19.09% shares of the company through Agricultural Products, becoming the controlling shareholder of the company.

#### V. Other relevant information

CPA engaged by the Company

Name of CPA	BDO China Shu Lun Pan Certified Public Accountant LLP
Offices add. for CPA	BDO CPAs, 5/F, No.11 Building, Phase II q-plex, No. 4080, Qiaoxiang Rd., Nanshan District, Shenzhen
Signing Accountants	Qi Tao, Zhang Wanbin

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

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

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

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

☒ Yes ☐ No

Reasons for retroactive adjustment or re-statement

Enterprise combined under the same control

	2019	2018		Changes over last year	2017	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Operating revenue (RMB)	11,059,984,335.92	10,758,782,838.14	10,758,782,838.14	2.80%	315,762,708.35	10,793,693,156.79
Net profit attributable to shareholders of the listed Company(RMB)	363,501,809.52	308,331,032.44	308,331,032.44	17.89%	-54,094,136.23	359,174,263.44
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses(RMB)	350,898,272.66	-70,825,168.94	-70,825,168.94	595.44%	-56,114,386.31	-56,114,386.31
Net cash flow arising from operating activities(RMB)	190,053,823.97	299,103,635.58	299,103,635.58	-36.46%	-94,914,594.15	17,058,691.88
Basic earnings per share (RMB/Share)	0.3154	0.2675	0.2675	17.91%	-0.1089	0.3116
Diluted earnings per share (RMB/Share)	0.3154	0.2675	0.2675	17.91%	-0.1089	0.3116
Weighted average ROE	8.46%	7.70%	7.70%	0.76%	-5.46%	9.55%
	Year-end of 2019	Year-end of 2018		Changes over end of last year	Year-end of 2017	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets (RMB)	6,775,067,275.86	6,468,951,793.87	6,468,951,793.87	4.73%	1,070,386,220.55	5,911,027,724.31
Net assets attributable to shareholder of listed Company(RMB)	4,420,751,187.57	4,172,502,535.11	4,172,502,535.11	5.95%	946,920,577.33	3,848,760,765.85



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

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

√ Applicable □ Not applicable

In RMB

	Net profit attributable to shareholders of listed Company		Net assets attributable to shareholders of listed Company	
	Current period	Last period	Ending amount	Opening amount
Chinese GAAP	363,501,809.52	308,331,032.44	4,420,751,187.57	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	363,501,809.52	308,331,032.44	4,421,818,187.57	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

## VIII. Main financial index disclosed by quarter

In RMB

	Q 1	Q 2	Q 3	Q 4
Operating income	2,570,626,148.23	2,211,541,584.46	2,698,691,403.40	3,579,125,199.83
Net profit attributable to shareholders of listed Company	121,325,678.48	81,843,172.13	126,218,773.60	34,114,185.31
Net profit attributable to shareholders of listed Company after deducted non-recurring gain/loss	119,123,269.62	79,071,830.43	123,362,000.33	29,341,172.28

Net cash flow arising from operating activities	-220,345,085.86	-169,084,543.89	450,361,780.45	129,121,673.27
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Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the Company's quarterly report and semi-annual report

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

In RMB

Item	2019	2018	2017	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-43,069.03	1,207,842.88	-50,200.13	
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)	12,297,924.24	8,311,158.51	2,990,059.15	
Fund possession cost reckoned in current gain/loss charged from non-financial enterprise	436,664.31	490,289.86	488,839.56	
Profit and loss of assets delegation on others' investment or management	6,299,093.96	1,984,446.92	2,706,034.95	
Net gains/losses of the current period from beginning of the period to date of consolidation for those subsidiary arising from enterprise combined under the same control		374,880,023.05	413,268,399.67	
Gains and losses from change of fair values of held-for-transaction financial assets, derivative financial assets, held-for-transaction financial liability and derivative financial liability except for the effective hedge business related to normal business of the Company, and investment income from disposal of tradable financial assets, derivative financial assets, tradable financial liability, derivative financial liability and other debt investment.	41,281.76	-474,740.24	-1,651,270.40	
Switch-back of provision of impairment of account receivable and contract assets which are treated with separate depreciation test	1,035,149.32			
Other non-operating income and expenditure except for the aforementioned items	-4,544,601.53	-4,434,126.83	-4,097,739.37	
Other gains/losses items that conform to the definition of non-recurring gains/losses		450,000.00		
Less: impact on income tax	2,149,564.84	3,210,576.33	51,797.61	

Impact on minority shareholders' equity (post-tax)	769,341.33	48,116.44	-1,686,323.93	
Total	12,603,536.86	379,156,201.38	415,288,649.75	--

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

During the reporting period, the company further promoted the business integration and coordinated development, the main business includes the wholesale and retail business, food processing and manufacturing business, leasing and commerce service business.

The wholesale and retail business are mainly rice, wheat, rice in the husk, corn, sorghum, cooking oil and other varieties of grain and oil as well as the sales of fine tea, beverage and condiment. 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 providing raw material supplying service to customers such as large traders, feed and flour processing enterprises in the industry; the rice, flour, edible oil, fine tea and beverage etc. are mainly supply to the enterprises and institutions, food enterprises and community residents etc.

Food processing and manufacturing business are mainly the processing the technology research in aspect of flour, rice, cooking oil, tea and natural plants, beverage and condiments etc. 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, its production and processing process conforms to the requirements for the evaluation of Shenzhen-supplied food, and it is allowed to use the Shenzhen Standard ·SZ Product logo. "Shenliang Yushuiqing" has formed a serial of special grade military grain supply, military demand and civil brands in rice, flour, oil and coarse cereals. Tea products of the Company including "Golden Eagle" instant tea powder, tea concentrate and other series of tea products; "Jufangyong", "Gutan", "Fuhaitang" series of tea products; condiment including the "Tri-Well" oyster sauce, chicken essence and seafood sauce; beverage includes "Shenbao" chrysanthemum tea, lemon tea, herbal tea and other series of drinks.

The leasing and business service refers to providing the professional import & export trade, warehousing & storage, logistic & distribution, quality inspection & information technology services for all kinds of clients in the upstream and downstream of the industrial chain, by using the advantage of brand, reputation, experience, management, services, facilities and information systems that accumulated in field of grain and oil market, as well

as the property leasing & management, commerce operation management services. the construction and operation for the node in Shenliang Dongguan Grain Logistics are promoted steady. 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 obtained the qualification certificate of quality inspection organization, and was awarded the “Guangdong Shenzhen National Grain Quality Monitoring Station”. The subordinate Shenliang Cold-Chain providing a cold chain storage and distribution services for customers, and the Shenliang property Development Company is the professional assets management platform enterprise.

## 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 and construction in progress of Shuangyashan grain-source base project increased

### 2. Main overseas assets

☐ Applicable ☒ Not applicable

## III. Core Competitiveness Analysis

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 89 patents (among them, 67 certificates were obtained and 22 cases were accepted for practical examination ) and 23 software 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”, “Key Agricultural Leading Enterprises in Guangdong Province” and “Shenzhen Quality Benchmark”, 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. Its production and processing process conforms to the requirements for the evaluation of Shenzhen-supplied food, and it is allowed to use the

Shenzhen Standard ·SZ Product logo

#### 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, in accordance with the annual key work and strategic planning objectives, SZCH Foods adhered to the goal of progress and stability, took subsequent integration after restructuring, and remodeling of the company's strategy as the starting point and end point of business management, synchronously deployed, planned and implemented the work of party building and the central work, completed the annual target tasks, achieved good results, improved the development quality of the main business, steadily advanced the construction of strategic projects, and further improved the level of internal control.

#### 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 strive 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".

During the reporting period, the company continued to focus on food circulation services, actively build a supply chain, continuously extend the industrial chain, innovated business model, upgrade the industrial value chain, and completed grain and oil supply services with quality and quantity guaranteed, and the main grain and oil industry continued to develop well.

The company realized an overall loss reduction through integration and reconstruction of the tea and natural plant intensive processed, the beverage drinks and fine tea business during the reporting period.

#### 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 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, and won the title of "National Food Security Publicity and Education Base" and "National Key Leading Enterprise of Agricultural Industrialization"

During the reporting period, the company's northeast grain source base project star to operate. 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; at the end of October, the intelligent grain depot of SZCG Heilongjiang Grain Industrial Park began to received grain.

### 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 of SZCG, 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, planed and completed 14 informatization projects such as company management and control and innovation management platform. Up to now, the company has applied for and obtained a total of 89 patents and has 23 software copyrights.

### 4. Other key tasks

(1) During the reporting period, continue to improve the corporate governance. 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, after reorganization, the Company achieved a comprehensive integration in terms of system, business, personnel and culture etc. Open a new chapter of the development of tea+rice, former business of Shenshenbao achieved an overall loss reduction through the integration of assets and business.

(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, funds are being effectively supervised. The company further improved the CBS fund management information system function, and fully opened the bank-corporate direct linkage of 9 banks, to set up bank account information database to realize the system supervision of banks and accounts.

(4) During the reporting period, the company further strengthened the risks, internal control and compliance management. Built a standardized contracts library and formulated standard contract templates to cover various

business types; carried out internal control evaluation to promote construction and promote the company's internal control system to a higher level; extended the risk control chain to the client end and conducted credit investigations on new customers, escorted the company's operation and development; realized the public release of procurement information of the company and its subsidiaries on the Sunshine Procurement Service Platform, and organized training on the Sunshine Procurement Platform.

(5) During the reporting period, the company created a new pattern of safe production work, further firmly established the concept of safe development, strictly implemented the safe production responsibility system, consolidated the safety management foundation, checked hidden dangers, immediately reformed, and became the first enterprise in the municipal state-owned assets system to complete the "double" prevention mechanism and safety standardization enterprises. The company closely followed the theme of "preventing risks, removing hidden dangers, and curbing accidents", and solidly carried out safety inspections at the end of the year and at the beginning of the year, safety inspections for "safe production month", "special protection period of the National Day", and "119" fire promotion week, and other special security activities.

In 2019, the company achieved a total operating income of 11,059,984,300 yuan, an increase of 2.80% over the same period of the previous year; operating profit of 433,574,000 yuan, an increase of 27.07% over the same period of the previous year; net profit attributable to shareholders of listed companies was 363,501,800 yuan, an increase of 17.89% from a year earlier.

## II. Main business analysis

### 1. Introduction

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

### 2. Income and cost

#### (1) Constitute of operating income

In RMB

	2019		2018		Increase/decrease y-o-y (+,-)
	Amount	Ratio in operation income	Amount	Ratio in operation income	
Total operating income	11,059,984,335.92	100%	10,758,782,838.14	100%	2.80%
According to industries					
Manufacturing	627,951,990.26	5.68%	695,553,870.44	6.46%	-9.72%
Wholesale and retail	9,581,032,153.83	86.63%	9,195,475,394.07	85.47%	4.19%
Leasing business and Business services	851,000,191.83	7.69%	867,753,573.63	8.07%	-1.93%

According to products					
Food, beverage and tea processing	277,107,818.38	2.51%	279,394,901.18	2.59%	-0.82%
Grain and oil trading and processing	9,931,876,325.71	89.80%	9,611,634,363.33	89.34%	3.33%
Grain and oil warehousing logistics service	735,929,556.24	6.65%	750,725,543.50	6.98%	-1.97%
Leasing and others	115,070,635.59	1.04%	117,028,030.13	1.09%	-1.67%
According to region					
Domestic market	11,018,875,088.16	99.63%	10,717,552,556.45	99.62%	2.81%
Exportation	41,109,247.76	0.37%	41,230,281.69	0.38%	-0.29%

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

√ Applicable □ Not applicable

In RMB

	Operating income	Operating cost	Gross profit ratio	Increase/decrease of operating income y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Wholesale and retail	9,581,032,153.83	9,132,112,092.13	4.69%	4.19%	3.46%	0.68%
According to products						
Grain and oil trading and processing	9,931,876,325.71	9,507,302,003.27	4.27%	3.33%	3.22%	0.10%
According to region						
Domestic market	11,018,875,088.16	9,919,240,953.96	9.98%	2.81%	2.67%	0.12%

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

□ Applicable √ Not applicable

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

√ Yes □ No

Industries	Item	Unit	2019	2018	Increase/decrease y-o-y (+,-)
Wholesale and retail	Sales volume	Ton	3,989,774.55	4,100,188.31	-2.69%
	Output	Ton			
	Storage	Ton	1,164,854.73	1,004,124.93	16.01%

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

#### (5) Constitute of operation cost

Classification of industries and products

In RMB

Industries	Item	2019		2018		Increase/decrease y-o-y (+,-)
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Wholesale and retail	Raw materials	9,132,112,092.13	91.73%	8,827,089,691.12	91.06%	3.46%

In RMB

Products	Item	2019		2018		Increase/decrease y-o-y (+,-)
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Grain and oil trading and processing	Raw materials	9,483,295,218.23	95.26%	9,185,461,514.60	94.76%	3.24%
Grain and oil trading and processing	Labor wage	2,962,957.54	0.03%	2,659,530.58	0.03%	11.41%
Grain and oil trading and processing	Cost of production	21,043,827.50	0.21%	22,757,384.98	0.23%	-7.53%

Explanation

N/A

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

☐ Yes ☒ No

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

☐ Applicable ☒ Not applicable

## (8) Major sales and main suppliers

Major sales of the Company

Total top five clients in sales (RMB)	3,486,356,216.10
Proportion in total annual sales volume for top five clients	34.10%
Proportion in total annual sales volume for related sales among top five clients	0.00%

Top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	Client I	1,664,016,328.38	16.28%
2	Client II	499,257,250.38	4.88%
3	Client III	495,867,402.95	4.85%
4	Client IV	440,490,166.71	4.31%
5	Client V	386,725,067.68	3.78%
Total	--	3,486,356,216.10	34.10%

Other explanation on main clients

☐ Applicable ☒ Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	3,043,413,902.67
Proportion in total annual purchase amount for top five suppliers	29.93%
Proportion in total annual purchase amount from related purchase among top five suppliers	0.00%

Top five suppliers of the Company

Serial	Name	Sum of purchase (RMB)	Proportion in total annual sum of purchase
1	Supplier I	798,984,486.20	7.86%
2	Supplier II	685,117,211.88	6.74%
3	Supplier III	630,657,505.22	6.20%
4	Supplier IV	517,710,431.56	5.09%
5	Supplier V	410,944,267.81	4.04%
Total	--	3,043,413,902.67	29.93%

Other explanation on main suppliers

☐ Applicable ☒ Not applicable

## 3. Expenses

In RMB

	2019	2018	Increase/decrease y-o-y (+,-)	Note of major changes
Sales expenses	250,657,691.24	255,021,072.54	-1.71%	No major changes
Administration expenses	260,693,015.60	246,543,836.47	5.74%	Office expenses and staff remuneration growth
Financial expenses	-636,614.92	10,131,313.25	-106.28%	The interest expenses declined from a year earlier in the period, and interest income increased on a y-o-y basis which makes the reduction in financial expenses
R&D expenses	13,599,526.83	10,979,464.64	23.86%	Expenses on R&D for tea products increased

#### 4.R &D investment

√Applicable    □Not applicable

During the reporting period, the company developed and implemented a total of 14 information system projects, including “Grain Security Project” grain depot intelligent upgrade and reconstruction, official website upgrade and revision, shenliang cloud mobile intelligent management platform, innovation management platform, safety production management system, expenses reporting management system, standard contract and standard customer management system, quality inspection digital laboratory (phase II); Berg Kitchen supply chain system (phase III), flour informatization phase III, Doximi warehouse management platform upgrade and reconstruction, cold chain supply chain system (phase I), Hualian warehouse receipt management platform docking with EAS, Hualian warehouse receipt management platform report development (phase I). Among them, the “Grain Security Project” grain depot intelligent upgrade and reconstruction project vigorously improved the grain depot intelligence level by building comprehensive cabling business, intelligent in and out of warehouse system, intelligent warehouse management system, intelligent security system and related system integration in Pinghu Grain Depot, Shuguang Grain Depot and Sungang Grain Depot. SZCH’s account management system helped to achieve accurate traceability; shenliang cloud mobile intelligent platform provided strong technical supports for enterprises to establish standardized and efficient management and control systems.

#### R&D investment of the Company

	2019	2018	Change ratio(+,-)
Number of R&D (people)	88	67	31.34%
Ratio of number of R&D	7.45%	6.11%	1.34%
R&D investment (Yuan)	38,855,259.05	10,979,464.64	253.89%

investment accounted for operation income	0.35%	0.10%	0.25%
R&D investment capitalization (Yuan)	0.00	0.00	0.00%
Capitalization R&D investment accounted for R&D investment	0.00%	0.00%	0.00%

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

## 5. Cash flow

In RMB

Item	2019	2018	Increase/decrease y-o-y (+,-)
Subtotal of cash in-flow from operation activity	11,472,769,827.75	11,015,888,418.12	4.15%
Subtotal of cash out-flow from operation activity	11,282,716,003.78	10,716,784,782.54	5.28%
Net cash flow arising from operating activities	190,053,823.97	299,103,635.58	-36.46%
Subtotal of cash in-flow from investment activity	526,554,118.48	195,610,693.45	169.18%
Subtotal of cash out-flow from investment activity	1,318,138,870.97	669,839,107.07	96.78%
Net cash flow from investment activity	-791,584,752.49	-474,228,413.62	-66.92%
Subtotal of cash in-flow from financing activity	437,425,075.72	562,240,181.56	-22.20%
Subtotal of cash out-flow from financing activity	312,922,187.97	302,433,961.14	3.47%
Net cash flow from financing activity	124,502,887.75	259,806,220.42	-52.08%
Net increased amount of cash and cash equivalent	-476,683,581.83	87,197,600.23	-646.67%

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

☒ Applicable ☐ Not applicable

Net cash flow arising from operating activities: decreased on a y-o-y basis, mainly because the Company increased its grain and oil inventories, and the net cash in-flow between sales and purchases decline from a year earlier; the net cash out-flow between payments to other operating activities and receipt of other operating activities increased on a y-o-y basis.



Net cash flow arising from investment activities: decreased on a y-o-y basis, mainly because the investment for Shenliang Dongguan Grain Logistics Nodes Project construction increased; and net cash out-flow from investment of bank financial products increased;

Net cash flow arising from financing activities: decreased on a y-o-y basis, mainly due to the distribution of cash dividend to all shareholders for 2019.

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

☐ Applicable ☒ Not applicable

### III. Analysis of the non-main business

☒ Applicable ☐ Not applicable

In RMB

	Amount	Ratio in total profit	Description of formation	Whether be sustainable
Investment income	9,838,224.64	2.29%		Unsustainable
Gains/losses of fair value variation	41,281.76	0.01%		Unsustainable
Asset impairment	-158,272,990.37	-36.89%	Mainly resulted by the provision for falling prices of inventory goods. When selling the goods for which provision has been made for inventory depreciation, the current cost will be offset against the provision for inventory depreciation which has been actually carried forward.	Unsustainable
Non-operating income	1,256,705.25	0.29%		Unsustainable
Non-operating expense	5,801,306.78	1.35%		Unsustainable
Credit impairment	3,496,756.37	0.82%		Unsustainable

### IV. Assets and liability

#### 1. Major changes of assets composition

Implement the new financial instrument standards, new revenue standards or new leasing standards for the first time since 2020 and adjust the relevant items of the financial statement at the beginning of the implementation year

☒ Applicable ☐ Not applicable

In RMB

	Year-end of 2019		Year-begin of 2019		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	154,954,757.85	2.29%	631,638,339.68	9.76%	-7.47%	The cash expenditures for investment activities such as infrastructure construction increased from a year earlier, and cash paid for purchasing short-term financial products increased, than the amount of money and funds held at end of the period has a big decrease from the beginning of the period
Account receivable	338,687,766.68	5.00%	473,646,886.64	7.32%	-2.32%	
Inventory	3,064,701,212.14	45.23%	2,811,802,600.19	43.47%	1.76%	The Company increased grain stocks according to the market condition judgement
Investment real estate	269,704,937.17	3.98%	282,622,184.92	4.37%	-0.39%	
Long-term equity investment	73,361,312.10	1.08%	70,999,666.81	1.10%	-0.02%	
Fix assets	945,042,032.69	13.95%	993,136,743.51	15.35%	-1.40%	
Construction in progress	771,971,469.43	11.39%	186,586,135.06	2.88%	8.51%	Investment for node project engineering from Shenliang Dongguan Logistic and construction in progress of Shuangyashan grain-source base project increased
Short-term loans	23,595,000.00	0.35%	91,600,000.00	1.42%	-1.07%	
Long-term loans	835,912,556.41	12.34%	516,687,791.66	7.99%	4.35%	The bank long-term loans use for node project engineering from Shenliang Dongguan Logistic increased.

## 2. Assets and liability measured by fair value

√ Applicable    □ Not applicable

In RMB

Item	Amount at the beginning period	Changes of fair value gains/losses in this period	Accumulative changes of fair value reckoned into equity	Devaluation of withdrawing in the period	Amount of purchase in the period	Amount of sale in the period	Other changes	Amount in the end of period
Financial assets								
1.Tradable financial assets (excluding derivative financial assets)	1,124,927.96	41,281.76						1,166,209.72
Other non-current financial assets	57,500.00							57,500.00
Aforementioned total	1,182,427.96	41,281.76	0.00	0.00	0.00	0.00	0.00	1,223,709.72
Financial liabilities	0.00							0.00

Other change

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	Book value at period-end	Reasons for restriction
Construction in progress	120,065,528.37	According to the long-term loan mortgage contract signed by Dongguan Logistics, a subsidiary of the Company, and Agricultural Development Bank, Dongguan Logistics mortgaged the land (DFGY (2014) DT No. 6) of No. 32, Jianshe Road, Masan Village, Machong Town, Dongguan City and the grain storage and terminal facilities to be built and other buildings and structures on the ground to Agricultural Development Bank as collateral for the loan.
Fixed assets	366,455,515.01	
Intangible assets	86,892,299.35	According to the loan contract of “Guangdong DG 2017 NGDZ No. 006” signed by Dongguan Food Industry Park, a subsidiary of the Company, and Bank of Communications Guangdong Branch, Dongguan Food Industry Park mortgaged its two pieces of lands (DFGY (2009) DT No. 190) and (DFGY (2012) DT No. 152) to Bank of Communications Guangdong Branch as collateral for the borrowing.
Intangible assets	36,584,762.87	According to the long-term loan mortgage contract signed by Dongguan Logistics, a subsidiary of the Company, and Dongguan branch of Agricultural Development Bank,

		Dongguan Logistics mortgaged the land “Yue (2016) Dongguan Real Estate Property No. 0028527” of Jingang (S) Road, Zhangpeng Village, Machong Town, Dongguan City to Dongguan branch of Agricultural Development Bank as collateral for the loan.
Total	609,998,105.60	

## V. Investment analysis

### 1. Overall situation

√ Applicable □ Not applicable

Investment in reporting period (Yuan)	Investment in the same period of last year (Yuan)	Change scope
624,359,305.05	294,171,532.43	112.24%

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

□ Applicable √ Not applicable

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

√ Applicable □ Not applicable

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 Shenlian Logistics Co., Ltd.	Self-built	Y	Storage and wharf	66,525,877.51	368,131,651.20	Owned funds and bank loans	92.03%			Start-up of the wharf project later than expected		

Grain storage and wharf complementary engineering of Dongguan Shenliang Logistics Co., Ltd.(Phase II)	Self-built	Y	Warehouse logistic	0.00	179,679,302.57	Owned funds and bank loans	100.00%	43,363,000.00	56,571,352.91	-		
Food logistics and wharf matching project of Dongguan Shenliang Logistics Co., Ltd.	Self-built	Y	Warehouse logistic	36,079,011.99	47,150,234.91	Owned funds and bank loans	9.58%			Adjustment of construction scheme		

Warehouse logistic distribution center of Dongguan International Food Industrial Park Development Co., Ltd.	Self-built	Y	Warehouse logistic	358,276,257.39	629,713,847.61	Owned funds and bank loans	64.99%	37,108,900.00		Adjustment of construction scheme		
Food processing project of Dongguan SZCG Oil & Food Trade Co., Ltd.	Self-built	Y	Flour processing	80,792,090.56	120,065,528.37	Owned funds and bank loans	41.12%			-		
Land use right	Self-built	N	Construction	26,706,067.60	243,997,060.82	Owned funds				-		
Total	--	--	--	568,379,305.05	1,588,737,625.48	--	--	80,471,900.00	56,571,352.91	--	--	--

#### 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	Zhonghua-A	0.00	Fair value measurement	1,124,927.96	41,281.76	0.00	0.00	0.00	41,281.76	1,166,209.72	Tradable financial assets	Debt rescheduled shares
Total			0.00	--	1,124,927.96	41,281.76	0.00	0.00	0.00	41,281.76	1,166,209.72	--	--
Disclosure date of securities investment approval of the Board			Not applicable										
Disclosure date of securities investment approval of the Shareholder Meeting (if applicable)			Not applicable										

## (2) Derivative investment

☐ Applicable ☒ Not applicable

The Company has no derivatives investment in the Period

## 5. Application of raised proceeds

☐ Applicable ☒ Not applicable

The Company has no application of raised proceeds in the Period

## VI. Sales of major assets and equity

### 1. Sales of major assets

☐ Applicable ☒ Not applicable

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

### 2. Sales of major equity

☐ Applicable ☒ Not applicable

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

√ Applicable □ Not applicable

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

In RMB

Company name	Type	Main business	Register capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Shenzhen Cereals Group Co., Ltd	Subsidiary	Grain & oil trading processing, Grain and oil reserve service	1,530,000,000.00	6,115,541,913.04	3,702,927,700.51	10,773,890,140.64	501,846,436.55	464,971,760.74
Shenzhen Hualian Grain & Oil Trade Co., Ltd.	Subsidiary	Grain & oil trading	31,180,000.00	972,286,819.64	195,145,899.14	4,140,987,197.94	75,478,030.41	74,291,004.42
Shenzhen Flour Co., Ltd	Subsidiary	Grain & oil trading processing	30,000,000.00	943,704,824.79	202,466,265.35	3,118,961,381.26	70,926,189.82	70,662,790.02

Particular about subsidiaries obtained or disposed in report period

√ Applicable □ Not applicable

Company name	The way of getting and treating subsidiary in the reporting	Influence on overall product and performance
Hangzhou Chunshi Network Technology Co., Ltd.	Cancellation	Impact on net profit of the Company for the current year was -58000 yuan.

Explanation on main holding/stock-jointly enterprise:

Shenzhen Cereals Group Co., Ltd.: business scope: general business items: 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); storage (operated by branches); development, operation and management of free property; providing management services for hotels; investing and setting up industries (specific projects are separately declared); domestic trade; engaging in import and export business; E-commerce and information construction; and grain circulation service. Licensed business items: the following projects shall be operated only with the relevant examination and approval documents if they are involved in obtaining approval: information services (internet information service only); general freight, professional transport (refrigerated preservation). Register capital was 1,530,000,000.00 Yuan. Ended as this period, total assets amounted as 6,115,541,913.04 Yuan, and net assets amounting to 3,702,927,700.51 Yuan, shareholders' equity attributable to parent Company is 3,513,005,719.58 Yuan; in the reporting period, achieved operation income, net profit and net profit attributable to shareholder of parent Company as 10,773,890,140.64 Yuan, 464,971,760.74 Yuan and 442,850,937.65 Yuan respectively.



Shenzhen Hualian Grain and Oil Trade Co., Ltd.: Business scope: general business items: 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); Licensed business items: following items shall be operated only with the relevant examination and approval documents if they are involved in obtaining approval: purchase and sale of grain and oil, online sales of grain and oil; information service business (internet information service business only). Register capital was 31,180,000.00 Yuan. Ended as this period, total assets amounted as 972,286,819.64Yuan, and net assets amounting to 195,145,899.14 Yuan, shareholders' equity attributable to parent Company is 195,145,899.14 Yuan. In the reporting period, achieved operation income is 4,140,987,197.94Yuan, net profit is 74,291,004.42 Yuan and net profit attributable to parent Company as 74,291,004.42, Yuan respectively.

Shenzhen Flour Co., Ltd.: business scope: general business items: 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. Licensed business items: following items shall be operated only with the relevant examination and approval documents if they are involved in obtaining approval: flour processing and production. Register capital was 30,000,000.00 Yuan. Ended as this period, total assets amounted as 943,704,824.79 Yuan, and net assets amounting to 202,466,265.35 Yuan, shareholders' equity attributable to parent Company is 202,466,265.35 Yuan; in the reporting period, achieved operation income, net profit and net profit attributable to parent Company as 3,118,961,381.26 Yuan, 70,662,790.02 Yuan and 70,662,790.02 Yuan respectively.

## VIII. Structured vehicle controlled by the Company

☐ Applicable ☒ Not applicable

## IX. Prospects on future development

### (i) Development trend and competition layout of the industry

#### 1. The development trend of industry

In 2019, the domestic wheat planting structure, regional layout and variety structure were further optimized, and the wheat yields and quality improved. According to data released by the National Bureau of Statistics, domestic wheat yield in 2019 was 133.6 million tons, an increase of 1.6% over 2018. And the Company has increased its wheat imports in countries along the One Belt and One Road in 2019. According to the spirit of the 10<sup>th</sup> session of the Central Committee for comprehensively deepening reform in September 2019, in the future, the domestic policies will promote the integration of the three chains of the food industry chain, value chain and supplying chain. Building a high-quality wheat and flour industry chain system to better meet the domestic consumer demand.

The domestic rice yield in 2019 was 209.6 million tons, pattern of supply and demand is loose, the market price

center of gravity has moved down obviously, and the sales pressure of rice market in some regions is greater. In 2019, domestic rice imports decreased significantly on a year-on-year basis, but exports increased significantly on a year-on-year basis; our country changed from a rice net importer to a net exporter. The national standard of rice (GB/T1354-2018) was officially implemented since 1 May 2019, to promote and optimized the adjustment of rice planting structure and accelerate the transformation and upgrading of the industry.

In 2019, the overall supply of domestic corn was loose, however, affected by the African swine fever and the slow development of corn deep processing industry, the demand plummets, and the corn industry may enter the stage of oversupply in a short term. Reasonably guiding market expectation will be the top priority of corn industry in recent years.

The domestic grain total output in 2019 was 663.84 million tons, an increase of 5.94 million tons or 0.9% from 2018, reached at all-time highs. China's production of grain has shifted from increasing production to improving quality, and the building of a modern grain industry system has been put on the agenda. The grain industrial economy has become a new economic growth point. However, there is still a problem of insufficient innovation ability in grain industry, and there is still room for optimization of industrial structure.

The production and consumption of the tea industry in the country continued to maintain an overall growth trend in 2019. However, due to the impact of the macroeconomic environment and weak consumption, the problem of overproduction of tea in the country has become increasingly prominent. Younger products and diversified marketing are still the development trend of the tea industry.

## 2. The competitive landscape of the industry

At present, the domestic grain and oil trade processing logistics industry is a full circulation field, with a high degree of marketization, many enterprises participating in the competition. The central enterprises and large local grain enterprises have relatively complete storage and logistics facilities, enjoys a number of national policy support; in recent year, a large number of excellent national and regional private grain enterprise stand out; with the development of grain marketization in China, foreign-funded grain enterprises are emerging in China's grain market. Relying on a rich resources, abundant financial strength and mature management experience, the competition in grain and oil industry is further intensified.

According to the national food security medium and long term program outline (2008-2020), the annual food consumption of Shenzhen is about 4.65 million tons. The food industry in Shenzhen is booming, and there are many grain and oil processing enterprises with certain scale and many small and medium-sized enterprises in the region. With the development of double-zone construction, the urban population in pearl river delta is increasing, people's living standard is improving and the food market competition is orderly and unprecedented fierce.

### (ii) The company's development strategy

SZCH will focus on the grain and tea business, in the process of integration and development, conform to the country's new development requirements for the grain industry, i.e. "agriculture head and industry tail", "grain head and food tail", "three chains integration", etc., seize the major historical opportunities of current significant historical opportunities such as the construction of the Guangdong - Hong Kong - Macao Greater Bay Area and the construction of the Shenzhen Pilot Demonstration Area, focus on the succession of the company's "13<sup>th</sup> Five-Year Plan" and "14<sup>th</sup> Five-Year Plan", and innovate the development strategy of "one chain, two parks and N platforms", and focus on creating the "smart grain, oil and food supply chain quality service providers" with the "high-quality grain source base + regional comprehensive park + urban distribution center".

(iii) Operation plan for year of 2020

Looking forward to 2020, adhere to the central government's general tone of "agriculture head and industry tail", "grain head and food tail", "three chains integration", firm the strategic goals of "creating the smart grain, oil and food supply chain quality service providers" unswervingly, accelerate the implementation of the "one chain, two parks and N platforms" strategy, take "technology prospering grain" and "talent prospering grain" as supports, keep a foothold on the characteristics of Shenzhen's pure sales area and port city, combine with the "One Belt and One Road" to focus on expanding international grain sources, and take advantage of the port-surrounding location to build the "eastern and southern grain coastal channel". At the same time, there are the following seven work plans:

Firstly, in term of strategic implementation: work out the strategic plan for the "14<sup>th</sup> five-year" plan and formulate a precise and feasible strategic blueprint and strategic measures for transformation and development; focusing on the strategic target of "creating a high-quality service provider of smart grain, oil and food supply chain", accelerate the formulation and refinement of the implementation path of the "N platform of One Chain and Two Parks"; actively push forward the extension of the grain and oil industry chain to the food end, strive to upgrade the value chain, and built a smart supply chain.

Secondly, in term of major projects: accelerate the construction of grain logistics nodes in Shengliang Dongguan, further improve the terminal operation level and overall service ability; promoting the construction of supporting projects of the northeast grain source base; continue to promote and expand the influence of the grain trading network market; actively promote the construction of military-civilian integration projects; vigorously expand the micro-complex market of tea and rice phase; speed up the construction of a "digital laboratory" for quality inspection of deep grain.

Thirdly, in term of innovation-driven: Keep up with the policy guidance, and actively organize the application of innovation projects; start the construction of research centers, and continue to do a good job in innovation project management; strengthen the company's innovation system, deepen the promotion of brand construction and comprehensively strengthen intellectual property protection; do multi-pronged measures at the same time, and

expand innovation cooperation and external channels.

Fourthly, in term of basic management: With “culture + strategy” as the driving force, deepen culture prospering development and culture strengthening enterprise; further improve the company’s organizational structure and job settings, establish a sound mechanism; with the help of information technology, continuously improve the funds management level; continue to promote contract standardization projects and further expand and improve the standard contract library; relay the internal control self-evaluation, and comprehensively improve the company’s internal control system.

Fifthly, in term of production safety: Improve the safety system organization structure, grasp the implementation of the safety responsibility system; focus on promoting the construction of safety production informatization; continue to carry out safety production standardization and double prevention mechanism construction.

Sixth, in term of strengthen party building: Deeply study and implement the spirit of the Fourth Plenary Session of the 19<sup>th</sup> Central Committee of the Party, and gather strength for the high-quality development of enterprises; continue to deepen the educational achievements of “not forgetting the original intention and remembering the mission well”, promote comprehensively and strictly strengthening party self-discipline to developing in depth and breadth; improve the political stance and the standard system of party building at the grassroots level; broaden publicity channels and strengthen theoretical armaments; strengthen efficiency monitoring and prevent corruption risks; improve the ability to perform duties and consolidate joint supervision.

Seventh, in term of social responsibility: “Ensure national food security and firmly hold Chinese people’s rice bowls in their own hands!” Keep food security, promote development, and take proactive actions to highlight the role of state-owned enterprises; better serve people’s livelihood needs and enhance urban value.

#### (iv) Possible risks

In 2020, the outbreak of COVID-19 epidemic has spread around the world and had an impact on the global economy. The international trade industry supply chain and other aspects have been affected. In view of the possible market and business risks, on the one hand, the company has formulated the procurement plan for the year, actively expanded the procurement channels, and ensured adequate and orderly supply of grain; on the other hand, continue to strengthen the communication with the upstream and downstream customers of the industrial chain, and vigorously expand the sales channels, focusing on the needs of customers, we will deeply cultivate the brand and services, enhance the brand value and competitiveness of the company, minimized the impact of the epidemic on the company as much as possible.

## **X. Research reception, communication and interview activities**

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

☐ Applicable    ☒ Not applicable

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

## Section V. Important Events

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

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

√ Applicable □ Not applicable

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

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

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

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

The equity distribution plan for 2018: Based on share capital of 1,152,535,254 on 31 Dec 2018, distributed 1 Yuan (tax included) for every 10-share to all shareholders with zero share bonus (tax included), and no share converted from capital reserve.

The equity distribution plan for 2019: Based on share capital of 1,152,535,254 on 31 Dec 2019, distributed 2 Yuan (tax included) for every 10-share to all shareholders with zero share bonus (tax included), and no share converted from capital reserve.

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

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio of the cash bonus in net profit attributable to common stock shareholders of listed company contained in consolidation	Proportion for cash bonus by other ways(i.e. share buy-backs)	Ratio of the cash bonus by other ways in net profit attributable to common stock shareholders of listed company contained in consolidation	Total cash bonus (including other ways)	Ratio of the total cash bonus (other ways included) in net profit attributable to common stock shareholders of listed company contained in
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			statement		statement		consolidation statement
2019	230,507,050.80	363,501,809.52	63.41%	0.00	0.00%	230,507,050.80	63.41%
2018	115,253,525.40	308,331,032.44	37.38%	0.00	0.00%	115,253,525.40	37.38%
2017	0.00	359,174,263.44	0.00%	0.00	0.00%	0.00	0.00%

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

Bonus shares for every 10-share (Share)	0
Dividends for every 10-share (RMB) (Tax included)	2
Shares transferred from every 10 shares (Share)	0
Equity base of distribution plan (Share)	1,152,535,254
Cash bonus distribution (RMB) (Tax included)	230,507,050.80
Cash bonus distribution in other ways (i.e. share buy-backs) (RMB)	0.00
Total cash bonus (including other ways) (RMB)	230,507,050.80
Distributable profits (RMB)	257,672,677.94
Ratio of total cash dividend (other ways included) in total profit distribution	100%
Cash dividend	
The Company is in a development stage and has the arrangement of major capital expenses, ratio of cash dividend in profit distribution should reach a minimum of 20% while the profit distributed.	
Detailed explanation on profit distribution or capital accumulation fund conversion plan	
After audited by BDO China Shu Lun Pan Certified Public Accountant LLP, in consolidate statement, the net profit attributable to shareholders of parent company amounted as 363,501,809.52 yuan in 2019, net profit of parent company was 230,466,907.81 yuan; Ended as 31 <sup>st</sup> December 2019, the profit of parent company that can be distributed for shareholders was 257,672,677.94 yuan, balance of consolidate capital public reserves was 1,422,892,729.36 yuan.	
In line with relevant regulations and Article of Association, and consider the interest of shareholders, BOD plans to submit the equity distribution plan for year of 2019 to shareholders general meeting: based on total share capital 1,152,535,254 shares of the Company on 31 <sup>st</sup> December 2019, distributed 2 Yuan (tax included) for every 10-share to all shareholders with zero share bonus (tax included), and no share converted from capital reserve	

### III. Implementation of commitment

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

√ Applicable □ Not applicable

Commitments	Commitment party	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for share merger reform						
Commitments in report of acquisition or equity change						
Commitments in assets reorganization	Shenzhen Fude State Capital Operation Co., Ltd.	Other commitments	Commitment to non-normal business enterprises: For non-normal business enterprises under Shenzhen Cereals Group (including but not limited to enterprises that have been revoked business licenses, discontinued operation, etc.), the committed person will fully assist, urge and promote Shenzhen Cereals Group to implement the corresponding write-off procedures. After the completion of this reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses due to the abnormal operation of the non-normal business enterprises or the failure to handle write-off procedures in time, the committed person will bear the relevant legal liability, and fully compensate the listed company and the target company within 30 working days after the actual loss occurs.	2018-03-23	Implementation as promised	Normal performance



	Shenzhen Fude State Capital Operation Co., Ltd.	Other commitments	Relevant Commitments Regarding the Existence of Flaws in Leased Property: The leased house property of Shenzhen Cereals Group and its holding subsidiaries has the following conditions: (1) The lessor has not provided the ownership documentary evidence of the property and/or the documentary evidence proving the lessor has the right to rent out the house property. (2) The lease term of part of the leased house property is more than 20 years; (3) Shenzhen Cereals Group and its subsidiaries sublet part of the leased house property to a third party without the consent of the lessor; (4) The leased house property of Shenzhen Cereals Group and its holding subsidiary has not been registered for the housing lease. If Shenzhen Cereals Group and its holding subsidiaries are imposed any form of punishment by the relevant government departments or assume any form of legal responsibility, or occur any losses or expenses because their leased place and / or house property do not comply with relevant laws and regulations, the committed person will be willing to bear any losses, damages, claims, costs and expenses incurred, suffered and assumed by Shenzhen Cereals Group and its holding subsidiaries, and protect Shenzhen Cereals Group and its holding subsidiaries from damages. In addition, the committed person will support Shenzhen Cereals Group and its holding subsidiaries to actively advocate their rights to the corresponding parties to maximumly maintain and guarantee the interests of Shenzhen Cereals Group and the listed companies.	2018-03-23	Implemented as promised	Normal performance
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	Shenzhen Fude State Capital Operation Co., Ltd.	Other commitments	Commitment Letter on Flaws in House Property and Land: In the case that some of the house properties held by Shenzhen Cereals Group fail to rename the obligee of the property ownership certificate, the committed person will fully assist, urge and promote Shenzhen Cereals Group or its subsidiaries to go through the formalities. After the completion of this reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses due to the failure to rename the obligee of the property ownership certificate, the committed person will bear the relevant legal liability, and fully compensate the listed company and Shenzhen Cereals Group within 30 working days after the actual loss occurs. In view of the fact that some house properties held by Shenzhen Cereals Group fail to complete the registration procedures for ownership transfer, the committed person will fully assist, urge and promote Shenzhen Cereals Group to complete the relevant transfer procedures. After the completion of this reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses due to the failure to rename the obligee of above-mentioned property, the committed person will bear the relevant legal liability, and fully compensate the listed company and Shenzhen Cereals Group within 30 working days after the actual loss occurs. In response to the conversion of non-market commercial housing held by Shenzhen Cereals Group into market commercial housing, the committed person will fully assist, urge and promote Shenzhen Cereals Group to go through the formalities. After the completion of this reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses due to the failure to complete the conversion of non-market commercial housing into market commercial housing, the committed person will bear the relevant legal liability, and fully compensate the listed company and Shenzhen Cereals Group within 30 working days after the actual loss occurs. In view of the fact that some house properties of Shenzhen Cereals Group have not been renewed for the land use period, the committed person will fully assist, urge and promote Shenzhen Cereals Group to renew the corresponding land use right period. After the completion of this reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses due to the failure to renew the land use right period, the committed person will bear the relevant legal liability, and fully compensate the listed company and Shenzhen Cereals Group within 30 working days after the actual loss occurs. In view of the fact that some house properties of Shenzhen Cereals Group have not been registered for ownership transfer or renewed the land use period, the committed person will fully assist, urge and promote Shenzhen Cereals Group to handle the corresponding land use rights renewal and ownership transfer registration procedures. After the completion of the reorganization, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses due to the failure to complete the above-mentioned land use right renewal and ownership transfer	2018-03-23	Implemented as promised	Normal performance
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	Shenzhen Fude State Capital Operation Co., Ltd.	Other commitments	Commitment Letter on the Company's System Reform and System Evaluation of Shenzhen Cereals Group in 1998: After the completion of this restructuring, if Shenzhen Cereals Group or the listed company is called to account, receives administrative punishment or suffers any losses as the system reform is not evaluated or other reasons related to this reform, the committed person will bear the relevant legal liability, and fully compensate the listed company and Shenzhen Cereals Group within 30 working days after the actual loss occurs.	2018-03-23	Implemented as promised	Normal performance
	Shenzhen Fude State Capital Operation Co., Ltd.	Other commitments	Commitment on the Adjustment of the Main Business: Within 24 months after the completion of the transaction, the Company has no plan, intention or arrangement to divest the main assets related to the existing business of the listed company through the shareholders' meeting and the board of directors of the listed company. The listed company will strive to improve the management level based on the asset structure and business development after the completion of the transaction, and do its best to complete the business integration and coordination after the completion of the reorganization, and create greater value for shareholders.	2018-03-23	Implemented as promised	Normal performance
	Shenzhen Fude State Capital Operation Co., Ltd.	Other commitments	Commitment to Maintain the Position of Controlling Shareholders of Listed Companies: Within 60 months from the date of completion of this transaction, the Company promises not to voluntarily give up the controlling shareholder status in the listed company, and guarantees that the controlling shareholder status of the listed company will not be changed due to reasons of the Company during this period, nor assists any other party to seek the controlling shareholder status of the listed company. Within 60 months from the date of completion of this transaction, the Company will not take the initiative to change the status of the controlling shareholder of the listed company through any actions including reducing the share holding in the listed company.	2018-03-23	Implemented as promised	Normal performance
	Shenzhen Fude State Capital Operation Co., Ltd.	Other commitments	Commitment on the public shares: After the completion of the transaction, the committed person will cautiously nominate directors and supervisors, and will not nominate candidates for directors, supervisors and senior management to the listed company that will cause the proportion of public shares of the listed company not meet the requirements of the Listing Rules of Shenzhen Stock Exchange.; nor will vote for the relevant shareholders' meeting and/or board resolutions for selecting directors, supervisors and senior executives of listed companies that will make the proportion of public shares of listed companies not meet the requirements of the Listing Rules of Shenzhen Stock Exchange .	2018-03-23	Implemented as promised	Normal performance

	Shenzhen Fude State Capital Operation Co., Ltd.	Performance commitments and compensation arrangements	Commitment on performance compensation: Fude Capital promises that after the completion of the audit and evaluation of Shenzhen Cereals Group, the Company will make a commitment to the performance of Shenzhen Cereals Group within three years after the completion of the restructuring, and sign a clear and feasible compensation agreement on the achievement of performance promised by the target company with the listed company so as to protect the interests of small and medium investors. On June 8, 2018, Fude Capital and Shenshenbao signed the “Performance Compensation Agreement” and agreed to make a commitment to the net profit of Shenzhen Cereals Group from 2018 to 2020 (hereinafter referred to as the “commitment period”, if it is not completed before December 31, 2018, the commitment period will correspondingly postpone), and after the completion of the acquisition, compensate Shenshenbao in accordance with the provisions of this agreement as the actual net profit of the object company is less than the promised net profit. The performance compensation period of this transaction is 2018, 2019 and 2020, if the transaction is not completed in 2018, the first year of the performance commitment period of this transaction is the year when the target company of the transaction is delivered. Fude Capital promises Shenzhen Cereals Group to achieve net profit (net profit is subject to the net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses in the audited consolidated statement, the same below) of not less than 390 million yuan in 2018, and net profit of not less than 400 million yuan in 2019, and net profit of not less than 420 million yuan in 2020.	2018-03-23	Implemented as promised	Normal performance
	Shenzhen Agricultural Products Co., Ltd.	Shares limited for sale commitment	Commitment on the Lock-up Period of the Shares: 1. The shares of the listed company obtained by the committed person before the transaction shall not be transferred within 12 months from the date of completion of the transaction. 2. During the lock-up period of shares, the part that the committed person has increased due to the bonus issue of dividends, transfer of share capital or share allotment of the listed company and other ex dividend and ex right matters should also abide by the above-mentioned share lock-up arrangement. 3. If the above lock-up period does not comply with the latest regulatory requirements of the securities regulatory authority, the committed person will agree to make corresponding adjustments according to the latest regulatory opinions of the regulatory authorities, and implement in accordance with the relevant provisions of the China Securities Regulatory Commission and the Shenzhen Stock Exchange after the lock-up period expires.	2018-03-23	2019-11-12	Normal performance

	Shenzhen Fude State Capital Operation Co., Ltd.	Shares limited for sale commitment	<p>Commitment on the Lock-up Period of the Shares: Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “Shenshenbao” and “Listed Company”) intends to purchase the 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as “SZCG”, “target company”) held by the shareholders of SZCG through issuance of shares. Shenzhen Fude State Capital Operation Co., Ltd. (hereinafter referred to as “the committed person”), the controlling shareholder of SZCG, has made the following commitments: 1. The committed person should not transfer the shares of the listed company obtained from this transaction within 36 months from the date of listing of the shares. If the closing price of the listed company’s stock is lower than the issue price for 20 consecutive trading days within 6 months after the completion of this transaction, or the closing price is lower than the issue price at the term end of 6 months after the completion of the transaction, the lock-up period for the committed person to hold the company’s stock automatically prolongs for at least 6 months. 2. At the expiration of the above-mentioned lock-up period, if the committed person doesn’t fully fulfill the performance compensation obligation stipulated in the Performance Compensation Agreement, the lock-up period of the shares issued to the committed person will be prolonged to the date when the performance compensation obligation is fulfilled. 3. Before this transaction, the shares of the Listed Company held by the committed person and the companies controlled by the promise shall not be transferred within 12 months after the completion of this transaction. 4. During the lock-up period of shares, the part that the committed person has increased due to the bonus issue of dividends, transfer of share capital or share allotment of the Listed Company and other ex dividend and ex right matters should also abide by the above-mentioned share lock-up arrangement. 3. If the above lock-up period does not comply with the latest regulatory requirements of the securities regulatory authority, the committed person will agree to make corresponding adjustments according to the latest regulatory opinions of the regulatory authorities, and implement in accordance with the relevant provisions of the China Securities Regulatory Commission and the Shenzhen Stock Exchange after the lock-up period expires.</p>	2018-04-02	2020-5-12	Normal performance
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	Shenzhen Fude State Capital Operation Co., Ltd.	Other commitments	Commitment letter of Shenzhen Fude State Capital Operation Co., Ltd. on pending litigation of Shenzhen Cereals Group Co., Ltd.: Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “Shenshenbao”, “Listed Company”) intends to purchase the 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as “SZCG”, “target company”) held by the shareholders of SZCG through issuance of shares. In view of the two unfinished major lawsuits/arbitration of SZCG, Shenzhen Fude State Capital Operation Co., Ltd. (hereinafter referred to as “the committed person”), the controlling shareholder of SZCG, has made the following commitments: If SZCG and its controlling subsidiaries suffer any claims, compensation, losses or expenses due to the unsettled major lawsuits/arbitration about the contract dispute of international sale of soybean with Noble Resources Co., Ltd. and the contract dispute with Guangzhou Jinhe Feed Co., Ltd. and Huangxianning Import Agent, the committed person will assume the compensation or loss caused by the above two outstanding major lawsuits/arbitration.	2018-04-02	Implemented as promised	Normal performance
	Shenzhen Fude State Capital Operation Co., Ltd.	Other commitments	Commitment letter of Shenzhen Fude State Capital Operation Co., Ltd. on risks of making a supplementary payment for the rent at earlier stage of Pinghu Grain Depot: Shenzhen Shenbao Industrial Co., Ltd. intends to purchase the 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as “SZCG”) held by the shareholders of SZCG through issuance of shares. Shenzhen Fude State Capital Operation Co., Ltd. (hereinafter referred to as “the committed person”), the controlling shareholder of SZCG, has made the following commitments: If SZCG needs to make a supplementary payment for the rent before assessment basis date to the property right unit of Pinghu Grain Depot (or its authorized unit), the total amount of the rent and other related charges and expenses shall be borne by the committed person.	2018-04-02	Implemented as promised	Normal performance
	Shenzhen Fude State Capital Operation Co., Ltd.	Other commitments	Commitment letter on the house properties of Shenzhen Cereals Group and its subsidiaries that have not obtained the housing ownership certificate: Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “Shenshenbao” and “listed company”) intends to purchase the 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as “SZCG”, “target company”) held by the shareholders of SZCG through issuance of shares. Shenzhen Fude State Capital Operation Co., Ltd. (hereinafter referred to as “the committed person”), the controlling shareholder of SZCG, has made the following commitments: If SZCG and its subsidiaries suffer any administrative punishment or losses due to their house properties without the housing ownership certificate, the committed person will bear the relevant legal responsibilities and fully compensate the listed company and SZCG within 30 working days after the actual loss occurs.	2018-04-02	Implemented as promised	Normal performance

	Shenzhen Fude State Capital Operation Co., Ltd.	Shares limited for sale commitment	Commitment on Shenzhen Fude State-owned Capital Operation Co. Ltd. to accept the restricted shares of non-tradable shares reform of Shenzhen Shenbao Industrial Co., Ltd. held by Shenzhen Investment Holdings Co., Ltd.: Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as "Fude Capital") accepts 79,484,302 shares of A shares of Shenshenbao A (000019) (including 66,052,518 shares of unrestricted A shares and 13,431,784 shares of restricted A shares ) held by Shenzhen Investment Holdings Co., Ltd. (hereinafter referred to as "Shenzhen Investment Holdings") by the free transfer, totally accounting for 16% of the total share capital of Shenshenbao. Shenzhen Investment Holdings made the following commitments in the reform of non-tradable shares of Shenshenbao in 2006: "To make effective and long-term incentives for the management, after the completion of the share reform, Shenzhen Agricultural Products Co., Ltd. (hereinafter referred to as "Agricultural Products") and Shenzhen Investment Holdings, the company's non-tradable shareholders, will sell their shareholdings after consideration which account for 6%-8% of the company's total share capital to the management of the company in three years based on the shareholding ratio of Agricultural Products and Shenzhen Investment Holdings after the share reform (i.e. accounting for 6%-8% of the company's total share capital of 181,923,088 shares after the share reform)." Fude Capital made a commitment that after the completion of the free transfer of the state-owned shares, Fude Capital would continue to perform the above commitments it made when Shenzhen Investment Holdings makes the non-tradable shares reform to Shenshenbao, which is effective in the long run.	2018-04-04	Implemented as promised	Normal performance
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	Shenzhen Fude State Capital Operation Co., Ltd.	Commitments on inter-industry competition, related transactions and capital occupancy	Commitment Letter on Avoiding Horizontal Competition: In view of the fact that Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as "Listed Company") intends to acquire 100% equity of Shenzhen Cereals Group Co., Ltd. held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as "the Company") by issuing shares to purchase assets, the Company has made the following commitments: 1. As of the issue date of this Commitment Letter, the Company and other enterprises controlled by the Company have not engaged in any business or activity that directly or indirectly constitute horizontal competition to the Listed Company and its subsidiaries in the business, and guarantees that it will not engage or induce any enterprise controlled by the Company to engage in any business or activity that directly or indirectly constitute horizontal competition to the Listed Company and its subsidiaries in the future. 2. If the business opportunity obtained by the Company and other enterprises controlled by the Company constitutes horizontal competition or may constitute horizontal competition to the main business of the Listed Company and its subsidiaries, the Company will immediately notify the Listed Company and try its best to give the business opportunity to the Listed Company to avoid horizontal competition or potential horizontal competition with the Listed Company and its subsidiaries and ensure the interests of Listed Company and other shareholders of Listed Company are not impaired. 3. If the main business of the Listed Company and its subsidiaries constitutes horizontal competition or may constitute horizontal competition to the Company and other enterprises controlled by the Company due to business development or extension, the Company and other enterprises controlled by the Company shall take the following feasible measures based on specific circumstance to avoid competition with the Listed Company: (1) Stop business that constitutes competition or may constitute competition to the Listed Company; (2) Transfer the competitive businesses and assets to the Listed Company at fair prices; (3) Transfer the competitive business to an unrelated third party; (4) Other ways to protect the interests of the Listed Company; 4. If the Company violates the above commitments and causes losses to the Listed Company, the Company will compensate the Listed Company for the incurred losses after the losses are determined. 5. The above commitments continue to be valid during the period when the Company is the controlling shareholder of the Listed Company.	2018-06-08	Implemented as promised	Normal performance
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	Shenzhen Fude State Capital Operation Co., Ltd.	Commitments on inter-industry competition, related transactions and capital occupancy	<p>Commitment Letter on Reducing and Regulating Related Transactions:</p> <p>In view of the fact that Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “Listed Company”) intends to acquire 100% equity of Shenzhen Cereals Group Co., Ltd. held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as “the Company”) by issuing shares to purchase assets, the Company has made the following commitments: 1. The enterprises directly or indirectly controlled or affected by the Company and the restructured company and its holding companies will regulate and minimize the related transactions. For related transactions that cannot be avoided or have reasonable reasons to occur, the Company promises to follow the market-oriented principle of justice, fairness and openness, and sign agreements in accordance with relevant laws and regulations, regulatory documents and articles of association, perform legal procedures, fulfill information disclosure obligations and handle relevant approval procedures in accordance with the law, and ensure not to damage the legitimate rights and interests of the company and other shareholders through related transactions. 2. The enterprises directly or indirectly controlled or affected by the Company will strictly avoid borrowing from the company and its holding and shareholding companies, occupying the funds of the company and its holding and shareholding companies, or embezzling the company’s funds by taking advance payments and compensatory debts from the company and its holding and shareholding companies. 3. After the completion of this transaction, the Company will continue to exercise its shareholder rights in strict accordance with the relevant laws and regulations, regulatory documents and the relevant provisions of the Articles of Association; and fulfill its obligation of avoiding voting when the company’s general meeting of shareholders is voting on related transactions involving the Company. 4. The Company guarantees not to obtain any improper interests through the related transactions or cause the company and its holding and shareholding companies to bear any wrongful obligations. If the company or its holding and shareholding companies suffer losses or the interests of the company or its holding and shareholding companies are embezzled by related transactions, the Company will the losses of the company and its holding and shareholding companies.</p>	2018-06-08	Implemented as promised	Normal performance
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	Shenzhen Fude State Capital Operation Co., Ltd.	Other commitments	<p>Commitment on the Standardized Operation of Listed Company:</p> <p>Shenzhen Shenbao Industrial Co., Ltd. intends to purchase 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as “SZCG”) held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as “the Company”) through issuance of shares. In response to the above transactions, the Company has made the following commitments: After the completion of this transaction, the committed person promises to ensure that the listed company will strictly follow the requirements of laws and regulations such as the “Guidelines for the Governance of Listed Companies” and the changes in internal management and external operation and development of listed company to revise the “Articles of Association” and related rules of procedure so as to adapt to the business operations and corporate governance requirements after the reorganization, continue to improve the governance structure of listed company, continuously strengthen the system construction to form a corporate governance structure that each performs their own duties, effectively checks and balances, makes scientific decisions and coordinates the operation so as to more effectively and feasibly protect the interests of the listed company and all its shareholders. The committed person will urge the listed company to perform the functions of the shareholders’ meeting in strict accordance with the “Articles of Association” and the “Rules of Procedures of the Shareholders Meeting”, ensure that all shareholders, especially small and medium shareholders, enjoy equal rights as stipulated by laws, administrative regulations and the Articles of Association, and ensure that all shareholders legally exercise their rights and interests. The committed person will also urge the listed company to further improve the institutional requirements of the board of directors, ensure that the board of directors fairly, scientifically and efficiently makes decisions, ensure that independent directors can perform their duties in accordance with laws and regulations during their employment, actively understand the various operations of the listed company, consciously perform responsibilities, play a positive role in the scientific decision-making of the board of directors and the development of the listed company, promote the sound development of the listed company, and effectively safeguard the overall interests of the listed company and the interests of small and medium-sized shareholders. In addition, the Company will urge the listed company to give full play to the positive role of independent directors in regulating the operation of the company, strictly abide by relevant national laws, regulations, rules and relevant provisions of the Articles of Association to select independent directors, and further enhance corporate governance.</p>	2018-06-08	Implemented as promised	Normal performance
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	Shenzhen Fude State Capital Operation Co., Ltd.	Other commitments	<p>Commitment Letter on the Legal Compliance of the Underlying Asset Operation: Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “Shenshenbao”, “Listed Company”) intends to purchase 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as “SZCG”, “Target Company”) held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as “the Company”) through issuance of shares. The Company has made the following commitments: 1. The Target Company is a limited liability company established according to law and is validly existing, possesses statutory business qualifications, and the Target Company has obtained all the approvals, consents, authorizations and licenses required for its establishment and operation, and all approvals, consents and authorizations and licenses are valid and there is no reason or case that may result in the invalidation of the above approvals, consents, authorizations and licenses. 2. The Target Company has no major violations of laws and regulations in the production and operation in the last three years, there is no case that the Target Company should be terminated according to relevant laws, regulations, normative documents and the company’s articles of association. Except for litigations, arbitrations and administrative penalties disclosed in the Restructuring Report, the Target Company does not have any unsettled or foreseeable major litigation, arbitration and administrative penalty that adversely affect its operations or the amount is more than 10 million yuan. 3. The Target Company will perform the labor contracts with its employees independently and completely. 4. If the Target Company is subject to the fees or penalties of the relevant competent authorities in terms of industry and commerce, taxation, employee salaries, social security, housing provident fund, business qualifications or industry supervisors due to the facts already existing before the reorganization, the Company will fully compensates all the outstanding fees of the Target Company and bear all the losses suffered by Shenshenbao and the Target Company. 5. The Target Company legally owns the ownership and/or use rights of the offices, office equipment, trademarks and other assets required for normal production and operation, has independent and complete assets and business structure, and has legal ownership of its main assets, and the ownership of assets is clear. 6. There is no case that the Target Company impedes the transfer of ownership of the company, such as litigation, arbitration, judicial enforcement, etc., and there is no external guarantee that violates the law or the articles of association. After this reorganization, if the Company violates the above commitments and causes losses to Shenshenbao and the Target Company, the Company agrees to bear the aforementioned compensation/ liability for damage to Shenshenbao/ Target Company.</p>	2018-06-08	Implemented as promised	Normal performance
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	Shenzhen Fude State Capital Operation Co., Ltd.	Other commitments	<p>Commitment on the Independence of Listed Company: In view of the fact that Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “Shenshenbao”) intends to acquire 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as “Target Company”) held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as “the Company”) by issuing shares to purchase assets, the Company has made the following commitments: 1. Guarantee the independence of the personnel of Shenshenbao and the Target Company (1) Guarantee that the labor, personnel and compensation management of Shenshenbao and Target Company are completely independent of the Company and other companies and enterprises controlled by the Company or other economic organizations and related parties after the completion of this restructuring. (2) Guarantee that the senior management personnel of Shenshenbao and Target Company are fully employed in Shenshenbao and Target Company and receive remuneration after the completion of this restructuring, and do not hold any post except for directors and supervisors in the Company and other companies, enterprises controlled by the Company or other economic organizations and related parties. (3) Ensure not to intervene into the shareholders’ meeting and the board of directors of Shenshenbao and Target Company to exercise their powers to determine the appointment and dismissal of personnel after the completion of this restructuring. 2. Guarantee the institutional independence of Shenshenbao and Target Company (1) After the completion of this restructuring, Shenshenbao and Target Company will establish a sound corporate governance structure and have an independent and complete organization. (2) After the completion of this restructuring, the shareholders meeting, the board of directors and the board of supervisors of Shenshenbao and Target Company shall independently exercise their functions and powers in accordance with the laws, regulations and the articles of association of Shenshenbao and Target Company. 3. Ensure that the assets of Shenshenbao and Target Company are independent and complete. (1) After the completion of this restructuring, Shenshenbao and Target Company shall have independent and complete assets related to production and operation. (2) Ensure that the site for business operation of Shenshenbao and Target Company are independent of the Company and other companies and enterprises controlled by the Company or other economic organizations and related parties after the completion of this restructuring. (3) In addition to normal business transactions, after the completion of this restructuring, Shenshenbao and Target Company do not have funds and assets which are occupied by the Company and other companies and enterprises controlled by the Company or other economic organizations and related parties. 4. Guarantee the business independence of Shenshenbao and Target Company (1) After the completion of this restructuring, Shenshenbao and Target Company shall have the relevant qualifications for independent business activities, and have the market-oriented independent, autonomous and sustainable operation capabilities. (2) After the completion of this restructuring, the Company and other companies and enterprises controlled by the Company or other</p>	2018-06-08	Implemented as promised	Normal performance
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	Shenzhen Fude State Capital Operation Co., Ltd., Shenzhen Agricultural Products Co., Ltd.	Commitments on inter-industry competition, related transactions and capital occupancy	Commitment to Avoid Occupation of Non-operating Capital: Shenzhen Shenbao Industrial Co., Ltd. intends to acquire 100% equity of Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as “SZCG”) held by Shenzhen Fude State-owned Capital Operation Co. Ltd. (hereinafter referred to as “the Company”) through issuance of shares. In response to the above transactions, the Company has made the following commitments: 1. As of the issue date of this commitment letter, the committed person and its related person do not have any illegal use of funds and assets of the listed company and SZCG, and there is no case that the listed company and SZCG provide illegal guarantee for the committed person and its related person. 2. After the completion of the transaction, the committed person guarantees that the committed person and its related person shall not illegally occupy the funds and assets of the listed company in any way, nor require the listed company to provide illegal guarantee for the committed person and its related person under any circumstances, nor engage in any act to damage the legitimate rights and interests of the listed company and other shareholders. If the committed person violates the above commitments, it will bear all losses caused to the listed company and the target company and other companies and enterprises controlled by them or other economic organizations.	2018-06-08	Implemented as promised	Normal performance
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	Shenzhen Shenbao Industrial Co., Ltd.	Other commitme nts	Commitment related to the transactions: In view of the fact that Shenzhen Shenbao Industrial Co., Ltd. (hereinafter referred to as “the Company”) intends to acquire 100% equity of Shenzhen Cereals Group Co., Ltd. held by Shenzhen Fude State-owned Capital Operation Co. Ltd. by issuing shares to purchase assets, the Company has made the following commitments: 1. The Company is a limited liability company legally established and is validly existing, there is no bankruptcy, dissolution, liquidation and other cases that it needs to be terminated in accordance with the current effective laws, regulations, normative documents and articles of association, the Company has publicly issued shares and listed in accordance with the law. As a listed company, the Company has the subject qualifications of the issuer of non-public issuance of shares and the purchaser of assets as stipulated in Chinese laws, regulations and normative documents. 2. The Company has complied with the laws and regulations concerning industrial and commercial administration in the past three years. There are no records of suffering administrative penalties with a gross violation for violating relevant industrial and commercial administrative laws and regulations. There is no case that the Company needs to be terminated in accordance with the current effective laws, regulations, normative documents and articles of association. The Company does not have legal impediments to continuous operation. 3. The convening of the shareholders’ meeting, the board meeting, and the board of supervisors meeting of the Company, the contents of the resolution and their signings in the past three years are in compliance with the relevant laws, regulations, normative documents and the articles of association, the convening of the shareholders’ meeting, the board meeting, and the board of supervisors meeting of the Company, the contents of the resolution and their signings for the last three years are legal and valid; the authorization of the stockholders’ meeting of the Company to the board of directors for the last three years is in compliance with relevant laws, regulations, regulatory documents and articles of association, and is legal, compliant, true and effective; the major decisions of the Company since listed have been legal, compliant, true and effective. 4. There is no case that the Company’s rights and interests are seriously damaged by the controlling shareholder or actual controller and have not been eliminated. 5. The Company and its subsidiaries have no illegal external guarantees and have not been released yet. 6. Prior to this restructuring, the related transactions conducted by the Company have performed the necessary fair and just decision-making procedures and were legal and valid. 7. The Company does not have serious damages to the legitimate rights and interests of investors and the public interest. 8. The implementation of this restructuring of the Company conforms to substantive conditions of the restructuring of listed companies in accordance with the relevant laws, regulations and normative documents, including but not limited to: (1) conforming to the national industrial policies and related laws and administrative laws and regulations on environmental protection, land management, and anti-monopoly; (2) incapable of causing the Company to fail to meet the conditions for listing shares; (3) the assets pricing involved in the	2018-06-08	2019-02-21	Fulfill ed
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Commitments make in initial public offering or re-financing						
Equity incentive commitment						
Other commitments for medium and small shareholders						
Completed on time (Y/N)	Y					
If the commitments is not fulfilled on time, shall explain the reason and the next work plan	Not applicable					

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

√ Applicable □ Not applicable

Assets with earnings forecast or items	Predict start time	Predict termination time	Current forecast performance (10 thousand yuan)	Current actual performance (10 thousand yuan)	Reasons for not reaching predictions (if applicable)	Predicted disclosure date	Predictive disclosure index
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Shenzhen Cereals Group Co., Ltd	2018-01-01	2020-12-31	40,000	43,603.28	Not applicable	2018-03-24	Found more in the Notice of the Company released on Juchao Website (www.cninfo.com.cn)
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Commitments made by the shareholders and counter party on annual operation performance

☒ Applicable ☐ Not applicable

Commitment on performance compensation: on 23 March 2018, the Company entered into an Agreement on Share Issuance and Purchase of Assets with Fude Capital, Fude Capital promises that after the completion of the audit and evaluation of Shenzhen Cereals Group, Fude Capital will make a commitment to the performance of Shenzhen Cereals Group within three years after the completion of the restructuring, and sign a clear and feasible compensation agreement on the achievement of performance promised by the target company with the listed company so as to protect the interests of small and medium investors. On June 8, 2018, Fude Capital and Shenshenbao signed the "Performance Compensation Agreement" and agreed to make a commitment to the net profit of Shenzhen Cereals Group from 2018 to 2020 (hereinafter referred to as the "commitment period"), and after the completion of the acquisition, compensate Shenshenbao in accordance with the provisions of this agreement as the actual net profit of the object company is less than the promised net profit. On September 6, 2018, Fude Capital and Shenshenbao signed the "Supplementary Agreement on Performance Compensation Agreement (I)", Fude Capital promises Shenzhen Cereals Group to achieve net profit (net profit is subject to the net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses in the audited consolidated statement, the same below) of not less than 390 million yuan in 2018, and net profit of not less than 400 million yuan in 2019, and net profit of not less than 420 million yuan in 2020.

Completion of performance commitment and influence on impairment test of goodwill

In the reporting period, the net profit attributable to parent company after deducting non-recurring gain/loss achieved by SZCG amounted as 436.0328 million yuan, which achieving the performance commitment without effect on goodwill impairment test.

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

##### 1. Change of important accounting policies

Content & reasons	Approval procedure	Note
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According to the Notice on Revision and Issuance of Consolidated Financial Statement Format (2019 version) (Cai Kuai [2019] No.16 from Ministry of Finance (hereinafter, the Cai Kuai [2019] Co.16), format of the consolidate financial statement has been revised, and requires the enterprise that implemented the new financial instruments shall adjusted the items in consolidate statement in line with the Cai Kuai [2019] No.16 and its annex correspondingly. And it will be applicable to the consolidate financial statement of 2019 and the consolidate financial statements in subsequent periods.	Approved by the 6 <sup>th</sup> session of 10 <sup>th</sup> BO dated 28 Oct. 2019	Items and amounts of the financial statement of 2018 that are significantly affected found more in the No.44 carry in Note V. Important policy and important estimation of Section XII Financial Report in the Report.
The Company implemented the revised 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, (hereinafter referred to as New Financial Instrument Standards) since 1 Jan. 2019. No adjustment is made to information in comparable periods in accordance with the linkage between the relevant old and new standards. The difference between the new standards and original standards on the first execution date shall be retroactively adjusted for retained earnings or other comprehensive earnings at the beginning of this reporting period.	Approved by the 3 <sup>rd</sup> session of 10 <sup>th</sup> BOD dated 25 April 2019	On 1 Jan. 2019, the company compare the results of classification and measurement on financial assets and financial liability that under the new standards and original standards, adjustment on book value and loss reserves are shown in the following table. Main impact of the implementation of new financial instrument standards on financial statement as of 1 Jan. 2019 found more in the No.44 carry in Note V. Important policy and important estimation of Section XII Financial Report in the Report.
The Company implemented the revised Accounting Standards for Business Enterprise No.7- Non-monetary Assets Exchange and Accounting Standards for Business Enterprise No.12- Debt Restructuring since 1 Jan. 2019. According to the convergence provision of new and old standards, the Company shall adjusted the exchange of non-monetary assets and debt restructuring between 1 Jan. 2019 and the implementation date of the standards in accordance with the standards. The non-monetary assets exchange and debt restructuring occurred before 1 Jan. 2019, no need to adjusted retroactively.	Approved by the 7 <sup>th</sup> session of 10 <sup>th</sup> BOD dated 30 Dec. 2019	Implementation of the new standards will not affect the financial status, operation results and cash flow of the Company.

## 2. Changes in significant accounting estimates

There is no significant change in accounting estimates during the reporting period.

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

☐ Applicable ☒ Not applicable

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

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

☒ Applicable ☐ Not applicable

During the reporting period, the Company canceled Hangzhou Chunshi Network Technology Co., Ltd.

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

Accounting firm appointed

Name of domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountant LLP
Remuneration for domestic accounting firm (in 10 thousand Yuan)	99
Continuous life of auditing service for domestic accounting firm	1
Name of domestic CPA	Qi Tao, Zhang Wanbin
Continuous life of auditing service for domestic CPA	1

Whether re-appointed accounting firms in this period or not

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

During the reporting period, BDO China Shu Lun Pan Certified Public Accountant LLP was hired as the internal control audit institutions of the Company, 0 Yuan for internal control audit fee.

In 2018, Wanho Securities Co., Ltd. are appointed as independent financial adviser of the Company for material assets reorganization, 0 Yuan for internal control audit fee.

## X. Particular about suspended and delisting after annual report disclosed

☐ Applicable ☒ Not applicable

## XI. Bankruptcy reorganization

☐ Applicable ☒ Not applicable

No bankruptcy reorganization for the Company in reporting period

## XII. Significant lawsuits and arbitration of the Company

☒ Applicable ☐ Not applicable

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

As of the fourth quarter of 2019 the litigation matters mainly including: Disputes over sales contract, principal-agent contract disputes, infringement disputes, loan contract disputes and so on	7,185.79	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
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### XIII. Penalty and rectification

☐ Applicable ☒ Not applicable

No penalty and rectification for the Company in reporting period.

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

## **XVI. Major related transaction**

### **1. Related transaction with routine operation concerned**

☐ Applicable ☒ Not applicable

No related transaction occurred in the period with routine operation concerned

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

☐ Applicable ☒ Not applicable

No related transaction concerning the asses or equity acquisition and sold in the period

### **3. Related transaction of foreign investment**

☐ Applicable ☒ Not applicable

No related transaction of foreign investment occurred in the period

### **4. Related credits and liabilities**

☐ Applicable ☒ Not applicable

No related credits and liabilities occurred in period

### **5. Other major related transaction**

☐ Applicable ☒ Not applicable

No other major related transaction in the Period.

## **XVII. Significant contract and implementations**

### **1. Trusteeship, contract and leasing**

#### **(1) Trusteeship**

☐ Applicable ☒ Not applicable

No trusteeship for the Company in reporting period

#### **(2) Contract**

☐ Applicable ☒ Not applicable

No contract for the Company in reporting period

### (3) Leasing

☐ Applicable ☒ Not applicable

No leasing in the Period

## 2. Major Guarantee

☒ Applicable ☐ Not applicable

### (1) Guarantee

In 10 thousand Yuan

External Guarantee (not including guarantees to subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party
Guarantee for the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party
Guarantee of the subsidiaries for the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party
Dongguan Shenliang Logistics Co., Ltd.		27,300	2015-07-13	19,083	Joint liability guaranty	8-year	No	Yes
Dongguan Shenliang Logistics Co., Ltd.		10,200	2016-12-21	4,603	Joint liability guaranty	5-year	No	Yes
Dongguan International Food Industrial Park Development Co., Ltd.		39,168	2018-07-27	26,193	Joint liability guaranty	14-year	No	Yes
Dongguan Shenliang Logistics Co., Ltd.		21,930	2019-01-25	767	Joint liability guaranty	12-year	No	Yes
Dongguan Shenliang Oil & Food Trade Co., Ltd.		11,883	2019-04-19	4,775	Joint liability guaranty	8-year	No	Yes
Total amount of approving guarantee for subsidiaries in report period (C1)		33,813		Total amount of actual occurred guarantee for subsidiaries in report period (C2)		9,965		

Total amount of approved guarantee for subsidiaries at the end of reporting period (C3)	110,481	Total balance of actual guarantee for subsidiaries at the end of reporting period (C4)	55,421
Total amount of guarantee of the Company (total of three abovementioned 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)	9,965
Total amount of approved guarantee at the end of report period (A3+B3+C2)	110,481	Total balance of actual guarantee at the end of report period (A4+B4+C4)	55,421
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)		12.54%	
Including:			
Balance of the guarantee provided for shareholder, actual controller and their related parties (D)		0	
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly (E)		39,168	
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)		39,168	
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if applicable)		N/A	
Explanations on external guarantee against regulated procedures (if applicable)		N/A	

Explanation on guarantee with composite way

Nil

## (2) Illegal external guarantee

☐ Applicable ☒ Not applicable

No illegal external guarantee in the period

## 3. Cash asset management

### (1) Trust financing

☒ Applicable ☐ Not applicable

Trust financing in the period

In 10 thousand Yuan

Type	Fund sources	Amount occurred	Undue balance	Overdue amount
Bank financial products	Owned fund	38,500	38,500	0
Total		38,500	38,500	0

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

☐ Applicable ☒ Not applicable

Unrecoverable principal or impairment possibility from entrust investment

☐ Applicable ☒ Not applicable

## **(2) Entrusted loans**

☐ Applicable ☒ Not applicable

No entrusted loans in the Period

## **4. Other material contracts**

☐ Applicable ☒ Not applicable

No other material contracts in the period.

# **XVIII. Social responsibility**

## **1. Performance of social responsibility**

During the reporting period, the Company has been strictly in accordance with "Company Law", "Securities Law", "Articles of Association" and other relevant laws and regulations, continues to improve governance structure and regulized operation. the Company attaches importance to social responsibility, sustains attention to social create value, integrity management according to law, to provide consumers with safe and secure products, high-quality, green and healthy products to enhance the capacity for sustainable development and overall competitiveness; making efforts to improve management, enhance innovation capability and core competencies; the Company uphold a fair, just and open principles of treatment for all investors, with particular emphasis on safeguarding the interests of minority shareholders; the Company strictly comply with national environmental laws and regulations, thoroughly implement green philosophy, strengthen ecological protection, comply with the overall development of the country and society, and strive to achieve economic and social benefits, short-term interests and long-term interests of their own development and social development, coordination, thus achieve healthy and harmonious development between the Company and the community, the Company and the environment.

## **2. Execution of social responsibility of targeted poverty alleviation**

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

In 2019, SZCH continued to take Xi Jinping's new era socialism with Chinese characteristics as a guide to carry out targeted poverty alleviation work in Guilin Village, Yidu Town, Longchuan County, Heyuan City, according to the document spirit of Guangdong Provincial Party Committee and Provincial Government's Implementation Opinions on the Three-Year Battle of Targeted Poverty Alleviation in the New Era (Yuefa (2016) No. 13), the overall goal of Guilin Village's targeted poverty alleviation was to implement the eight guarantees such as housing security and medical security for poor households in Guilin Village in 2019 and fully implemented the "two no

worries and three guarantees” of poor households, and reached the basic requirements and core indicators of poverty alleviation for the poverty-stricken population. All 143 persons in 52 households in Guilin Village have been lifted out of poverty, and Guilin Village has been listed as a village being lifted out of poverty. In order to advance the poverty alleviation work and ensure the overall victory of the poverty alleviation campaign, under the correct leadership of the company’s party committee, the village poverty alleviation team of SZCH took the following effective assistance measures: the first was in industrial assistance. Various new forms and methods such as holding training courses, participating in the exhibition to assist the sales of tea, handling small loans, guiding the increase of tea, increasing the planting area, using “substituting subsidies with rewards” and SZCH assistance funds to invest in dividends, etc. to help poor households and village collectivity increase their income. The second was to continue to increase the support for medical and education, and solve the worries of poor families. The third was the village infrastructure, the construction of a new villager service center in Guilin Village and the purchase of related office equipment were completed in 2019, and the safe drinking water project of Guilin Village was completed and put into use.

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

In 2019, SZCH invested 1,450,600 yuan in poverty alleviation funds (not including consolation money and goods and materials), which is used to promote industrial poverty alleviation work, improve infrastructure construction, and support medical and education.

Performance and effect:

Firstly, in terms of industrial assistance, continued to carry out poverty alleviation work in a “company + cooperative + farmer household + base” model, guided large tea-growing households to take the initiative to purchase tea from more than 20 poor households with working ability, and helped broaden the sales of tea for poor households; Using the “substituting subsidies with rewards” financial funds, guided 20 poor households with labor ability to replenish and become shareholders in Aodingfeng Tea Cooperative. As of the end of 2019, the two investment dividends for Nanyuewang Company and Aodingfeng Company amounted to 98,600 yuan, each impoverished household with labor income increased by 4930.85 yuan (2017-2019, through the coordination of the task force, guided the 20 impoverished households in Guilin Village with labor ability to invest in Nanyuewang Company and Aodingfeng Cooperative by a total of 4 times with the financial funds, with a total investment of 825,700 yuan, each investment enjoying a 5-year dividend); in May 2019, SZCH allocated 500,000 yuan to help Guilin Village Committee invest in Nanyuewang Company, which could bring 60,000 yuan of dividends to the village collective every year to increase the collective income and strengthen the collective economy.

Secondly, organized large tea growing households to participate in various exhibitions such as the Shenzhen Spring Tea Expo, Nanyuewang Company and “TEAYORK HUB” e-commerce platform subordinate to the Tea Expo sponsor Huajuchen Group signed a rent-free settlement agreement, and reached an initial cooperation intention with four trading companies in Guangzhou and Shenzhen, and would further promote cooperation in the future, which added momentum to the development of Guilin Village’s tea industry and enhanced the popularity of “Guilin Tea”.



Thirdly, in terms of village infrastructure construction, in 2019, SZCH invested a total of 620,000 yuan to complete the construction of the villager service center in Guilin Village which was officially put into use in January 2020; in December 2019, safe drinking water project of Guilin Village was completed and passed the final acceptance, the project was invested by SZCH with a self-raised fund of 90,000 yuan, which greatly improved the safe drinking water situation in Guilin Village.

Fourthly, in medical education assistance, invested 78,900 yuan to help villagers in Guilin Village with difficulties in life to apply for new rural cooperative medical insurance, strengthen medical security, and reduce the burden of villagers on disease prevention and treatment; applied for the subsidies of Shenzhen Charity Federation for the children of 5 poor families, a total of 33,500 yuan, effectively reducing the economic burden of schooling of children from poor households; invested 12,400 yuan to install LED display screens and toilet door partitions for Guilin Elementary School, cleaned up the campus environment and purchased cleaning tools. In 2019, all 143 persons from 52 poor households in Guilin Village who have filed for poverty all have reached the conditions of being lifted out of poverty, and Guilin Village has been listed as a provincial poor village being lifted out of poverty.

### (3) Performance of targeted poverty alleviation

Target	Measurement unit	Numbers/ implementation
i. Overall	——	——
Including: 1. fund	10 thousand yuan	145.06
2. Material discount	10 thousand yuan	8.83
3.number of poverty-stricken population eliminating poverty with card for archives established	Person	143
ii. Invested by specific project	——	——
1.Industrial development poverty	——	——
Including: 1.1 Type	——	Poverty Alleviation by Asset Income
1.2 numbers of industrial development poverty	Number	1
1.3 Amount input	10 thousand yuan	50
1.4 number 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 population 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
4.2 Number of subsidized poor student s	Person	0
4.3 Amount input for improving the education resources in poverty-stricken areas	10 thousand yuan	1.24
5.Health poverty alleviation	——	——
Including: 5.1 Amount input for medical and health resources in poverty-stricken areas	10 thousand yuan	7.89
6.Ecological protection and poverty alleviation	——	——
Including: 6.1 Type	——	Carry out ecological protection and construction
6.2 Amount input	10 thousand yuan	2.54
7.Fallback protection	——	——
Including: 7.1 Amount input for Three Stay Behind persons	10 thousand yuan	0
7.2 Number of Three Stay Behind persons help	Person	0
7.3 Amount input for poor disabled persons	10 thousand yuan	0
7.4 Number of poor disabled persons help	Person	0
8.Social poverty alleviation	——	——
Including: 8.1 Amount of the poverty alleviation cooperation between the Eastern and Western regions	10 thousand yuan	0
8.2 Amount for targeted poverty alleviation	10 thousand yuan	0
8.3 Amount for the poverty alleviation public welfare fund	10 thousand yuan	0
9.Other	——	——

Including: 9.1. number of items	Number	7
9.2.Amount input	10 thousand yuan	83.39
9.3.number of poverty-stricken population eliminating poverty with card for archives established	Person	143
iii. Awards (content and grade)	——	——

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

2020 is the ending year of decisive battle to overcome poverty and win a comprehensive well-off. SZCH will continue to use Xi Jinping's new era socialist ideology with Chinese characteristics as a guide, and based on relevant poverty alleviation policies of governments at all levels, concentrate its strength and strengthen measures, promote poverty alleviation work in an orderly manner, promote the industrial development of Guilin Village, and consolidate achievements in poverty alleviation. The plan is as follows:

The first is to continue to promote industrial poverty alleviation. Continue to carry out the poverty alleviation work of the tea industry in Guilin Village in the "company + cooperative + farm household + base" model, continue to expand the production scale of the local tea industry through investment in capital and other forms, track the distribution of share dividends, and develop other suitable projects to promote local tea industrial development; actively coordinate local tea companies and cooperatives to participate in tea fairs and other related activities, and promote the Guilin tea brand to come out of the village and go into the city; actively carry out consumer poverty alleviation actions to drive industrial development.

The second is to help employment and poverty alleviation. Through the assistance of towns and counties' poverty alleviation offices and other departments, it recommends poverty-stricken households with labor force to work in related enterprises to promote the poverty-stricken labor force to get out of poverty.

The third is to consolidate the results of poverty alleviation. Follow up and do a good job in preventing poor households from returning to poverty after getting rid of poverty. Pay close attention to and follow up on the actual use of the new villager service center project in Guilin Village and the three new safety drinking water pools in Guilin Village.

The fifth is to comprehensively carry out the smooth docking of "targeted poverty alleviation" and "rural revitalization" work, continuously consolidate and expand the achievements of poverty alleviation.

### 3. Environmental protection

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

No

The company attached great importance to environmental protection work, and each subsidiary has built corresponding environmental protection facilities according to the actual situation of production and operation to treat waste gas, dust, waste water and solid waste generated in the production process, so as to make its emissions

reach the national and local relevant standards. At the same time, based on its own business characteristics, the company's subsidiaries have formulated a series of rules and regulations on environmental protection and strictly implemented them to institutionalize and standardize the environmental protection.

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

√ Applicable □ Not applicable

### **1. Change of company name and short form of the stock**

The *Proposal on Change of the Company Name and Short Form of the Stock* was deliberated and approved by 26<sup>th</sup> session of 9<sup>th</sup> BOD held on 14 Jan. 2019 and the Second Extraordinary Shareholders' General Meeting of 2019 held on 30 Jan. 2019. Name of the Company changed to 深圳市深粮控股股份有限公司, English name as SHENZHEN CEREALS HOLDINGS CO.,LTD; short form of the A-stock as SZCH, B-stock as Shenliang B. Found more in the *Resolution of 26<sup>th</sup> Session of 9<sup>th</sup> BOD and Notice on Change of the Company Name and Short Form of the Stock* released on Juchao Website (www.cninfo.com.cn) dated 15 Jan. 2019, and the *Resolution of the Second Extraordinary Shareholders' General Meeting of 2019* released on Juchao Website (www.cninfo.com.cn) dated 31 Jan. 2019.

### **2. Amendments to the Article of Association**

(1) The *Special Proposal on Amendments to the Article of Association* was deliberated and approved by the First Extraordinary Shareholders' General Meeting of 2019 held on 18 Jan. 2019. Relevant provisions of the Article of Association are been revised according to the change of registered capital, total share capital and business scope after implementing the material assets reorganization. Found more in the *Resolution of the First Extraordinary Shareholders' General Meeting of 2019 and Article of Association* (January 2019) released on Juchao Website (www.cninfo.com.cn) dated 19 Jan. 2019.

(2) The *Special Proposal on Amendments to the Article of Association* was deliberated and approved by the 26<sup>th</sup> session of 9<sup>th</sup> BOD held on 14 Jan. 2019 and the Second Extraordinary Shareholders' General Meeting of 2019 held on 30 Jan. 2019. Relevant provisions of the Article of Association are been revised according to the change of the Company's name. Found more in the *Resolution of 26<sup>th</sup> Session of 9<sup>th</sup> BOD and Notice on Change of the Company Name and Amendment to the Article of Association* (January 2019) released on Juchao Website (www.cninfo.com.cn) dated 15 Jan. 2019 and the *Resolution of Second Extraordinary Shareholders' General Meeting of 2019 and Article of Association* (January 2019) released on Juchao Website (www.cninfo.com.cn) dated 19 Jan. 2019.

### **3. Personnel changes in BOD, BOS and senior managements**

(1) The Proposal on General Election of BOD and Proposal on General Election of BOS are deliberated and approved by 27<sup>th</sup> session of 9<sup>th</sup> BOD, the 15<sup>th</sup> session of 9<sup>th</sup> BOS held on 31 Jan. 2019 and the Third Extraordinary Shareholders' General Meeting of 2019 held on 21 Feb. 2019. The Mr. Zhu Juning, Mr. Hu Xianghai, Mr. Lu Qiguang, Ms. Jin Zhenyuan, Ms. Ni Yue, Mr. Wang Li, Mr. Zhao Rubin, Ms. Bi Weimin and Mr. Liu Haifeng are agreed to elected as the Director of 10<sup>th</sup> BOD of the Company, of which, Mr. Zhao Rubin, Ms. Bi Weimin and Mr. Liu Haifeng are the independent directors; Ms. Wang Huimin, Mr. Liu Ji and Ms. Qian Wenying are agreed to elected as the Supervisor of 10<sup>th</sup> BOS of the Company. Found more in the *Resolution of 27<sup>th</sup> session of 9<sup>th</sup> BOD*

and Resolution of 15<sup>th</sup> session of 9<sup>th</sup> BOS released on Juchao Website (www.cninfo.com.cn) dated 1 Feb. 2019 and the Resolution of Third Extraordinary Shareholders' General Meeting of 2019 released on Juchao Website (www.cninfo.com.cn) dated 22 Feb. 2019.

(2) The all staff meeting was held on 21 Feb. 2019, and to elected Mr. Zheng Shengqiao and Mr. Du Jianguo as the employee supervisor of 10<sup>th</sup> BOS of the Company. Found more in the Notice on Election Result of Employee Supervisors of 10<sup>th</sup> BOS released on Juchao Website (www.cninfo.com.cn) dated 22 Feb. 2019.

(3) The Proposal on Election of President of the 10<sup>th</sup> BOD of the Company, the Proposal on Appointment of GM of the Company and Proposal on Appointment of Senior Management of the Company are deliberated and approved by First Meeting of 10<sup>th</sup> BOD and First Meeting of 10<sup>th</sup> BOS held on 21 Feb. 2019. Mr. Zhu Junming agreed to elected as the President of 10<sup>th</sup> BOD of the Company; agreed to appointed Mr. Hu Xianghai as the GM of the Company; Mr. Cao Xuelin, Mr. Ye Qingyun and Mr. Dai Bin are agreed to appointed as Deputy GM of the Company; Ms. Jin Zhenyuan was appointed as CFO of the Company and Mr. Wang Fang was appointed as Secretary of the Board; Ms. Wang Huimin was elected as the Chairman of 10<sup>th</sup> BOS of the Company. Found more in the Resolution of 1<sup>st</sup> session of 10<sup>th</sup> BOD and Resolution of 1<sup>st</sup> session of 10<sup>th</sup> BOS released on Juchao Website (www.cninfo.com.cn) dated 22 Feb. 2019.

(4) On 11 June 2019, the written resignation report was received by the Company from secretary of the Board Mr. Wang Fangcheng. For work transfer, Mr. Wang Fangcheng applied to resign from the secretary of the Board of the Company. Found more in the Resignation of Secretary of the Board released on Juchao Website (www.cninfo.com.cn) dated 13 June 2019.

(5) On 26 June 2019, the written resignation report was received by the Company from employee supervisor Mr. Du Jianguo. For personal reasons, Mr. Du Jianguo applied to resign from the employee supervisor of the Company. Found more in the Resignation of Employee Supervisor released on Juchao Website (www.cninfo.com.cn) dated 27 June 2019.

(6) The Second Workers Congress was held on 29 July 2019, after election, Mr. Ma Zenghai was agreed to elected as the employee supervisor of the 10<sup>th</sup> BOS, office term same as the 10<sup>th</sup> BOS. Found more in the Notice on Supplement the Employee Supervisor released on Juchao Website (www.cninfo.com.cn) dated 1 Aug. 2019.

(7) The Proposal on Appointment of Secretary of the Board was deliberated and approved by 4<sup>th</sup> session of 10<sup>th</sup> BOD held on 23 Aug. 2019. Mr. Du Jianguo was agreed to appointed as the Secretary of the Board with office term same as 10<sup>th</sup> BOD. Found more in the Notice on Appointment of Secretary of the Board released on Juchao Website (www.cninfo.com.cn) dated 27 Aug. 2019.

(8) On 11 Sept. 2019, the written resignation report was received by the Company from deputy GM Mr. Ye Qingyun. For work transfer, Mr. Ye Qingyun applied to resign from the deputy GM of the Company. At the same day, the Proposal on Appointment of Deputy GM was deliberated and approved by 5<sup>th</sup> session of 10<sup>th</sup> BOD, Mr. Meng Xiaoxian was agreed to appointed as the deputy GM of the Company with office term same as the 10<sup>th</sup> BOD. Found more in the Resolution of 5<sup>th</sup> Session of 10<sup>th</sup> BOD and Notice on Resignation of Deputy GM and Appointment of Deputy GM released on Juchao Website (www.cninfo.com.cn) dated 12 Sept. 2019.

## XX. Significant event of subsidiary of the Company

√ Applicable □ Not applicable

### 1.Subsidiary identified as high-tech enterprises

Wholly-owned subsidiary - Wuyuan Ju Fang Yong Tea Industry Co., Ltd award the High-Tech Enterprise Certificate (Certificate No.: GR201836000703) in January 2019 issued jointly from Department of Science & Technology of Jiangxi Province, Finance Department of Jiangxi Province and State Administration of Taxation-Jiangxi Bureau. The issuance date is August 13, 2018 and the validity period is three years. Found more in the Notice on Subsidiary Identified as High-Tech Enterprise released on Juchao Website (www.cninfo.com.cn) dated 29 Jan. 2019.

### 2.Capital increase to subsidiaries

The Proposal on Capital Increase to SZCG Dongguan Logistics Co., Ltd was deliberated and approved by the 2<sup>nd</sup> session of 10<sup>th</sup> BOD held on 22 March 2019. The wholly-owned subsidiary - Shenzhen Cereals Group Co., Ltd was agreed to increased the capital of 17.85 million yuan with owned funds to controlling subsidiary Dongguan Shenliang Logistics Co., Ltd. Found more in Resolution of 2<sup>nd</sup> session of 10<sup>th</sup> BOD and Notice on Capital Increase to SZCG Dongguan Logistics Co., Ltd released on Juchao Website (www.cninfo.com.cn) dated 23 March 2019.

### 3.Issuing perpetual bonds from subsidiary

The Proposal on Issuing Perpetual Bonds from Controlling Subsidiary SZCG Dongguan Logistics Co., Ltd was deliberated and approved by 4<sup>th</sup> session of 10<sup>th</sup> BOD held on 23 Aug. 2019 and the Fourth Extraordinary Shareholders' General Meeting of 2019 held on 11 Sept. 2019. Agreed the Controlling Subsidiary SZCG Dongguan Logistics Co., Ltd to issuing the perpetual convertible bonds of no more than 300 million yuan through Qianhai Equity Exchange Center. Found more in Resolution of 4<sup>th</sup> session of 10<sup>th</sup> BOD and Notice on Issuing Perpetual Bonds from Subsidiary released on Juchao Website (www.cninfo.com.cn) dated 27 Aug. 2019 and the Resolution of Fourth Extraordinary Shareholders' General Meeting of 2019 released on Juchao Website (www.cninfo.com.cn) dated 12 Sept. 2019.

## 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	-251,829	-251,829	684,569,567	59.40%
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	15,384,832	15,384,832	684,569,567	59.40%
3. Other domestic shares	15,583,326	1.35%	0	0	0	-15,583,326	-15,583,326	0	0.00%
Including: Domestic legal person's shares	15,384,832	1.33%	0	0	0	-15,384,832	-15,384,832	0	0.00%
Domestic nature person's shares	198,494	0.02%	0	0	0	-198,494	-198,494	0	0.00%
4. Foreign shares	53,335	0.01%	0	0	0	-53,335	-53,335	0	0.00%
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	-53,335	-53,335	0	0.00%
II. Un-restricted shares	467,713,858	40.58%	0	0	0	251,829	251,829	467,965,687	40.60%
1. RMB common shares	415,964,578	36.09%	0	0	0	251,829	251,829	416,216,407	36.11%
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

1. During the reporting period, nature of the shareholders under the name of Shenzhen Agricultural Products Group Co., Ltd registered in China Securities Depository and Clearing Corporation Limited change to state-owned legal person from general legal person. As a result, among the restricted shares, share holding by state-owned legal person has 15,384,832 shares increased, and 15,384,832 shares decreased in holding by domestic legal person.

2. During the reporting period, the shares held by former directors, supervisors and senior management of 9<sup>th</sup> BOD and BOS are released for trading due to the office term expired. As a result, the restricted shares have 251,829 shares decreased (including 198,494 shares declined by domestic nature person, and 53,335 shares declined by foreign natural person), shares without restriction has 251,829 shares increased (including 251,829 shares increased in RMB ordinary shares).

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

In Share

Shareholders' name	Number of shares restricted at Period-begin	Number of shares released in the Year	Number of new shares restricted in the Year	Number of shares restricted at Period-end	Restriction reasons	Released date
Yan Zesong	53,335	0	53,335	0	Lifting the ban after the term expires	2019-8-21
Zheng Yuxi	49,500	0	49,500	0	Lifting the ban after the term expires	2019-8-21
Yao Xiaopeng	33,289	0	33,289	0	Lifting the ban after the term expires	2019-8-21



Lin Hong	30,937	0	30,937	0	Lifting the ban after the term expires	2019-8-21
Li Yiyan	30,937	0	30,937	0	Lifting the ban after the term expires	2019-8-21
Li Fang	29,824	0	29,824	0	Lifting the ban after the term expires	2019-8-21
Wang Zhiping	21,037	0	21,037	0	Lifting the ban after the term expires	2019-8-21
Fan Zhiqing	2,970	0	2,970	0	Lifting the ban after the term expires	2019-8-21
Total	251,829	0	251,829	0	--	--

## II. Securities issuance and listing

### 1. Security offering (without preferred stock) in the report period

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

### 3. Existing internal staff shares

☐ Applicable ☒ Not applicable

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

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

In Share

Total common stock shareholders in reporting period-end	52,115	Total common stock shareholders at end of last month before annual report disclosed	61,570	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note 8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note 8)	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shares hold at the end of report period	Changes in report period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
Shenzhen Fude State Capital Operation Co., Ltd.	State-owned legal person	63.79%	735,237,253	0	669,184,735	66,052,518		
Shenzhen Agricultural Products Group 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	33200	0	3,436,462		
Hu Xiangzhu	Domestic nature person	0.24%	2,800,000	170000	0	2,800,000		
Lin Junbo	Domestic nature person	0.22%	2,484,450	1026550	0	2,484,450		
Central Huijin Asset Management Co., Ltd.	State-owned legal person	0.13%	1,472,625	0	0	1,472,625		
Li Yongqi	Domestic nature person	0.10%	1,097,205	-11000	0	1,097,205		
Zhong Zhenxin	Domestic nature person	0.09%	1,010,600	383800	0	1,010,600		
Weng Lizhang	Domestic nature person	0.09%	1,005,530	765200	0	1,005,530		

Cai Congda	Domestic nature person	0.09%	1,000,051	1000051	0	1,000,051		
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 (Now renamed "Food Group"), and holds 34% of Agricultural Products indirectly through Food Group; the Company was not aware of any related relationship between other shareholders above, and whether they belonged to parties acting in concert as defined by the Acquisition Management Method of Listed Company.						
Particular about top ten shareholders with un-restrict shares held								
Shareholders' name		Amount of un-restrict shares held at Period-end				Type of shares		
						Type	Amount	
Shenzhen Agricultural Products Group Co., Ltd		79,447,462				RMB common shares	79,447,462	
Shenzhen Fude State Capital Operation Co., Ltd.		66,052,518				RMB common shares	66,052,518	
Sun Huiming		3,436,462				Domestically listed foreign shares	3,436,462	
Hu Xiangzhu		2,800,000				RMB common shares	2,800,000	
Lin Junbo		2,484,450				RMB common shares	2,484,450	
Central Huijin Asset Management Co., Ltd.		1,472,625				RMB common shares	1,472,625	
Li Yongqi		1,097,205				RMB common shares	1,097,205	
Zhong Zhenxin		1,010,600				RMB common shares	1,010,600	

Weng Lizhang	1,005,530	RMB common shares	1,005,530
Cai Congda	1,000,051	RMB common shares	1,000,051
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 (Now renamed "Food Group"), and holds 34% of Agricultural Products indirectly through Food Group; 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)	<p>1. 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 0 shares, and 1,097,205 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 1,900 shares decreased in the common account, shares held by Li are decreased 11,000 shares in total.</p> <p>2. Shareholder Cai Congda holds 1,000,051 shares of the Company under customer credit trading secured securities account through Dongxing Securities Co., Ltd, common account holds 0 shares, and 1,000,051 shares are held by Li in total at end of the Period. During the reporting period, the credit trading secured securities account has 1,000,051 shares increased, and no change in the common account, shares held by Li are increased 1,000,051 shares in total.</p>		

Whether top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period

☐ Yes ☒ No

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

## 2. Controlling shareholder of the Company

Nature of controlling shareholders: local state-owned holding

Type of controlling shareholders: legal person

Controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
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Shenzhen Food Group Co., Ltd.	He Jianfeng	2017-12-14	91440300MA5EWWPXX2	The general business projects are: food safety infrastructure construction (including the upgrading of the farmers' market, the upgrading of public places canteens, the construction of community cooked food centers, and the construction of agricultural product bases); safe food circulation and terminal sales; the establishment of food distribution channel platforms; Food industry investment and operation (Including the M & A investment of the core resources of the food industry chain and the cultivation of enterprises in the future direction). Licensed business items are: food sales and supply business.
Equity of other domestic/overseas listed Company control by controlling shareholder as well as stock-joint in report period	In addition to holding 63.79% equity of the company, Shenzhen Food Group Co., Ltd. holds 34% equity of Shenzhen Agricultural Products Group Co., Ltd.			

Changes of controlling shareholders in reporting period

☐ Applicable ☒ Not applicable

The controlling shareholder of the company has not changed during the reporting period.

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

Nature of actual controller: local state-owned assets management

Type of actual controller: legal person

Actual controller	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
Shenzhen Municipal People's Government State-owned Assets Supervision & Administration Commission	Yu Gang	2004-04-02	11440300K317280672	State-owned assets supervision and management

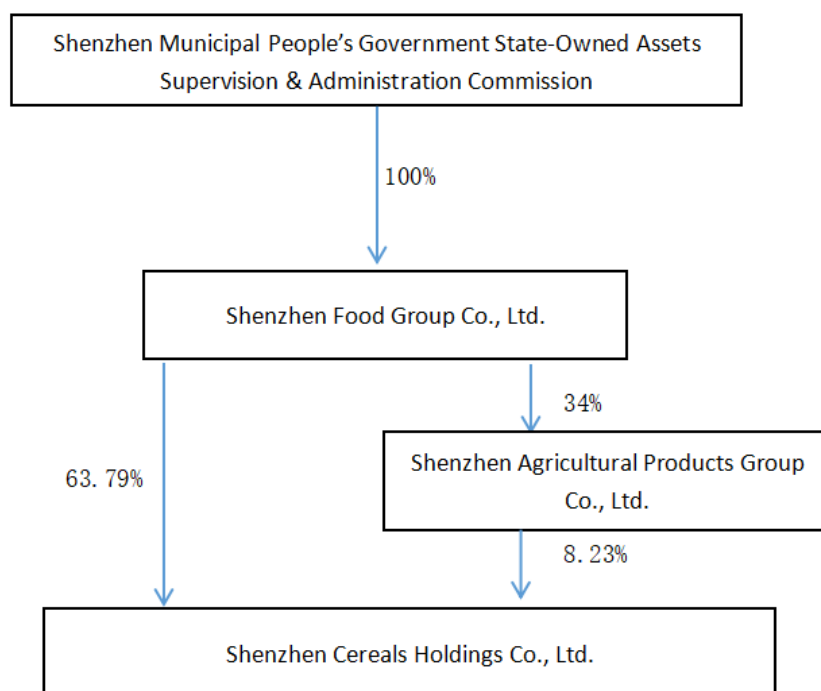
Equity of other domestic/foreign listed Company controlled by actual controller in reporting period	-
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Changes of actual controller in reporting period

☐ Applicable ☒ Not applicable

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

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



Actual controller controlling the Company by entrust or other assets management

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

#### 5. Limitation and reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects

☐ Applicable ☒ Not applicable

## **Section VII. Preferred Stock**

☐ Applicable ☒ Not applicable

The Company had no preferred stock in the Period.

## **Section VIII. Convertible Bonds**

☐ Applicable    ☒ Not applicable

The Company had no convertible bonds in the Period.



## Section IX. Particulars about Directors, Supervisors, Senior Executives and Employees

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

Name	Title	Post-holding status	Sex (F/M)	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Increasing shares held in this period (Share)	Decreasing shares held in this period (Share)	Other changes (share)	Shares held at period-end (Share)
Zhu Junming	Party Secretary, Chairman	Currently in office	M	56	2019-02-21	2022-02-21	0	0	0	0	0
Hu Xianghai	Deputy Party Secretary, Director, GM	Currently in office	M	56	2019-02-21	2022-02-21	0	0	0	0	0
Lu Qiguang	Deputy Party Secretary, Director	Currently in office	M	58	2019-02-21	2022-02-21	0	0	0	0	0
Jin Zhenyuan	Director, CFO	Currently in office	F	49	2019-02-21	2022-02-21	0	0	0	0	0
Zhao Rubing	Independent director	Currently in office	M	64	2019-02-21	2022-02-21	0	0	0	0	0
Bi Weimin	Independent director	Currently in office	F	64	2019-02-21	2022-02-21	0	0	0	0	0
Liu Haifeng	Independent director	Currently in office	M	49	2019-02-21	2022-02-21	0	0	0	0	0
Wang Li	Director	Currently in office	M	59	2018-05-15	2022-02-21	0	0	0	0	0

Ni Yue	Director	Currentl y in office	F	46	2018-05-15	2022-02-21	0	0	0	0	0
Wang Huimin	SCID, Chairman of supervisory committee	Currentl y in office	F	53	2018-05-15	2022-02-21	0	0	0	0	0
Liu Ji	Supervisor	Currentl y in office	M	45	2019-02-21	2022-02-21	0	0	0	0	0
Qian Wenying	Supervisor	Currentl y in office	F	48	2019-02-21	2022-02-21	0	0	0	0	0
Zheng Shengqia o	Staff supervisor	Currentl y in office	M	53	2019-02-21	2022-02-21	0	0	0	0	0
Ma Zenghai	Staff supervisor	Currentl y in office	M	56	2019-07-29	2022-02-21	0	0	0	0	0
Cao Xuelin	Deputy GM	Currentl y in office	M	56	2019-02-21	2022-02-21	0	0	0	0	0
Dai Bin	Deputy GM	Currentl y in office	M	56	2019-02-21	2022-02-21	0	0	0	0	0
Meng Xiaoxian	Deputy GM	Currentl y in office	M	48	2019-09-11	2022-02-21	0	0	0	0	0
Du Jianguo	Secretary of the Board	Currentl y in office	M	47	2019-08-23	2022-02-21	0	0	0	0	0
Ye Qingyun	Former Deputy GM	Office-le aving	M	41	2019-02-21	2019-09-11	0	0	0	0	0
Wang Fangchen g	Former Secretary of the Board	Office-le aving	M	38	2019-02-21	2019-06-11	0	0	0	0	0
Zheng Yuxi	Former Party Secretary, Chairman	Office-le aving	M	58	2015-09-10	2019-02-21	66,000	0	6,000	0	60,000

Zhang Guodong	Former director	Office-leaving	M	58	2017-09-13	2019-02-21	0	0	0	0	0
Fan Zhiqing	Former Independent director	Office-leaving	M	71	2015-09-10	2019-02-21	3,960	0	0	0	3,960
Wu Shuping	Former Independent director	Office-leaving	M	67	2015-09-10	2019-02-21	0	0	0	0	0
Chen Cansong	Former Independent director	Office-leaving	M	48	2015-09-10	2019-02-21	0	0	0	0	0
Yan Zesong	Former director, GM	Office-leaving	M	50	2015-09-10	2019-02-21	71,114	0	71,114	0	0
Li Yiyan	Former director, Deputy GM, Secretary of the Board	Office-leaving	F	54	2015-09-10	2019-02-21	41,250	0	0	0	41,250
Lin Hong	Former Chairman of supervisory committee	Office-leaving	F	55	2015-09-10	2019-02-21	41,250	0	0	0	41,250
Luo Longxin	Former Staff supervisor	Office-leaving	M	59	2015-09-10	2019-02-21	0	0	0	0	0
Qian Xiaojun	Former Deputy GM	Office-leaving	M	48	2015-09-10	2019-02-21	0	0	0	0	0
Yao Xiaopeng	Former Deputy GM	Office-leaving	M	52	2015-09-10	2019-02-21	44,385	0	0	0	44,385
Wang Zhiping	Former CFO	Office-leaving	F	49	2015-09-10	2019-02-21	28,050	0	28,050	0	0
Toal	--	--	--	--	--	--	296,009	0	105,164	0	190,845

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

√ Applicable □ Not applicable

Name	Title	Type	Date	Reasons
Zheng Yuxi	Party Secretary, Chairman	Term expired and leaving office	2019-02-21	Term expires, no renewal

Zhang Guodong	Director	Term expired and leaving office	2019-02-21	Term expires, no renewal
Fan Zhiqing	Independent director	Term expired and leaving office	2019-02-21	Term expires, no renewal
Wu Shuping	Independent director	Term expired and leaving office	2019-02-21	Term expires, no renewal
Chen Cansong	Independent director	Term expired and leaving office	2019-02-21	Term expires, no renewal
Yan Zesong	Director, GM	Term expired and leaving office	2019-02-21	Term expires, no renewal
Li Yiyan	Director, Deputy GM, Secretary of the Board	Term expired and leaving office	2019-02-21	Term expires, no renewal
Lin Hong	Chairman of supervisory committee	Term expired and leaving office	2019-02-21	Term expires, no renewal
Luo Longxin	Staff supervisor	Term expired and leaving office	2019-02-21	Term expires, no renewal
Qian Xiaojun	Deputy GM	Term expired and leaving office	2019-02-21	Term expires, no renewal
Yao Xiaopeng	Deputy GM	Term expired and leaving office	2019-02-21	Term expires, no renewal
Wang Zhiping	CFO	Term expired and leaving office	2019-02-21	Term expires, no renewal
Wang Fangcheng	Secretary of the Board	Non-reappointment	2019-06-11	Job transfer
Du Jianguo	Staff supervisor	Office-leaving	2019-07-29	Personal reasons
Ye Qingyun	Deputy GM	Office-leaving	2019-09-11	Job transfer

### III. Post-holding

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

#### (i) Director

Mr. Zhu Junming: was born in 1964, master's degree and a senior economist. He successively served as cadet and cadre of Air Force Radar Institute; cadres of organs directly under Hubei Province; GM and President of the enterprise under Shenzhen Agricultural Products Group Co., Ltd; the Director, assistant GM, deputy GM, GM and deputy party secretary of Agricultural Products; party secretary and president of Shenzhen Cereals Group Co., Ltd; executive director and GM of Shenzhen Fude State Capital Operation Co., Ltd. Now he serves as party secretary and President of the Company.

Mr. Hu Xianghai: was born in 1964, master's degree and a senior economist. He successively served as the lecturer of Shenzhen Institute of Education; director of general office of Asia Branch of the Shenzhen Huale Industrial Co., Ltd.; director of the Shenzhen Enterprise Management Cadre Training Center; deputy secretary general and office director of the Secretarial Shenzhen Association of Enterprise Management and Shenzhen Association of Chinese and Foreign Entrepreneurs; director of development dept. and director of the marketing management dept. of Shenzhen Special Economic Zone Duty-Free Commodity Enterprise Company; GM of Temian Electronic Technology Professional Market Management Co., Ltd.; assistant to the GM and GM of enterprise dept., GM, deputy secretary of the party committee, director and GM of Shenzhen Agricultural Products Co., Ltd; served as the president of Shenzhen South Agricultural Products Logistics Co., Ltd. while take post as assistant to the deputy GM, and the president of Shenzhen Qianhai Agricultural Products Exchange Co., Ltd; deputy secretary of the party committee, director and GM of Shenzhen Cereals Group Co., Ltd. Now he serves as deputy secretary of the party committee, director and GM of the Company.

Mr. Lu Qiguang: born in 1962, a university graduate, an assistant economist. He successively served as the clerk and deputy chief of the Grain Bureau of Boluo County; an office staff and deputy director of Shenzhen Grain Co., Ltd.; the deputy director of office, assistant GM and deputy GM of Shenzhen Cereals Corporation; a member of the party committee, deputy GM, deputy party secretary and director of Shenzhen Cereals Group Co., Ltd, and the president of Shenzhen Flour Co., Ltd. Now he serves as the deputy secretary of the party committee and director of the Company.

Ms. Jin Zhenyuan: born in 1971, master's degree and CPA and senior accountant. She successively served as director and CFO of Shenzhen Tongchan Group Co., Ltd.; the director and CFO of Shenzhen Textile (Holdings) Co., Ltd.; the director and CFO of Shenzhen Cereals Group Co., Ltd. Now she serves as the director and CFO of the Company and supervisor of Shenzhen State-Owned Duty Free Commodity (Group) Co., Ltd.

Mr. Wang Li: master's degree and an accountant, was born in 1961. He successively served as assistant workers in

Chengdu Locomotive Factory; assistant workers in Xi'an Railway Branch; business manager, vice director of the financial department, director of capital division, deputy chief accountant, deputy GM, Director, deputy party secretary and GM of Shenzhen SEG Group Co., Ltd.; director of Shenzhen Cereals Group Co., Ltd. now he serves director of the Company, full-time external director of Shenzhen SASAC, Director of Shenzhen Agricultural Products Group Co., Ltd

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

Mr. Zhao Rubin: born in 1956, a master's degree and professor of engineering. He successively served as the director and secretary of Gezhouba Station for EHVDC transmission from Gezhouba to Shanghai; director of office and director of foreign affairs office of Gezhouba Hydro-power Plant; the secretary of party group and GM of Huaneng South Development Company; party secretary and GM of Huaneng Real Estate Development Company; Director, deputy president, deputy party secretary of Great Wall Securities; president of Jingshun Great Wall Fund Management Co., Ltd.; deputy president of Sunshine Insurance Assets Management Corporation Limited; the outside director of Shenzhen Cereals Group Co., Ltd. Now he serves as independent director of the Company; the independent director of Weihua Corporation; independent director of Bros Eastern Co., Ltd; independent director of Southwest Securities and independent director of Bosera Fund Management.

Ms. Bi Weimin: born in 1956, a doctoral candidate, and a senior accountant. She successively served as engineer of the Gezhouba Power Plant, assistant director and deputy director; deputy president and director of Three Gorges Finance Company; chief economist and supervisor of China Yangtze Power Co., Ltd.; deputy chief accountant of China Three Gorges Corporation, the member of investment committee and director of asset finance dept. As well as the director of enterprise management dept and legal affairs department. Now she serves as independent director of the Company.

Mr. Liu Haifeng: born in 1971, a doctoral students and a lawyer. He successively served as director of legal department of Shenzhen Property Development (Group); the partner of Guangdong Xintong Laws Firm. Now he serves as independent director of the Company and first-level partner of Guangdong Hancheng Laws Firm.

## (ii) Supervisor

Ms. Wang Huimin: master's degree and a intermediate economist, senior HR manager and has a lawyer's

qualification, was born in 1967. She successively served as a legal adviser for Shenzhen Construction Group Co., Ltd, an economist, chairman of the committee of female employees, manager of HR department in Shenzhen Construction Investment Holding Co., Ltd; director of HR department of Shenzhen Investment Holding Co., Ltd; Deputy GM of SZPRD; Director, Deputy party secretary, SCID and Chairman of supervisory committee of Shenzhen Cereals Group Co., Ltd. Now she serves as SCID and Chairman of supervisory committee of the Company.

Mr. Liu Ji: born in 1975, master's degree and a economist. He successively served as secretary of executive Board committee, GM of IT Engineering department, GM of administrative department, GM of enterprise management department and GM of investment department of Shenzhen International Holdings Limited; non executive director of Shenzhen Expressway Co., Ltd.; the supervisor of Shenzhen Cereals Group Co., Ltd. Now he is the supervisor of the Company; the executive director, deputy GM and secretary of the Board of Hopewell Highway Infrastructure Limited; the mediation expert of Shenzhen International Arbitration Court (Shenzhen Arbitration Commission).

Ms. Qian Wenying: born in 1972, holds a bachelor degree, a member of Association of Chartered Certified Accountants (ACCA), and a senior economist. She successively served as the office translator, secretary and researcher of project investment office in Shenzhen Tegen Group Co., Ltd.; the assistant manager and manager of marketing department of Tegen Investment Development Co., Ltd., the director of office of the board and representative of security affairs of Shenzhen Tegen Group Co., Ltd; supervisor of Shenzhen Cereals Group Co., Ltd. Now she serves as supervisor of the Company and director of policy research office of Shenzhen Metro.

Mr. Zheng Shengqiao, born in 1967, holds a bachelor degree and an intermediate accountant. He successively served as member of the special representative office of the state audit administration in Guangzhou; deputy manager of accounting department of Hong Kong Yuehai Enterprise (Group) Co., Ltd; deputy GM of CTS Logistics; CFO of the AVSHD Technology Co., Ltd; the deputy director of finance department, deputy director of enterprise management department, director of board office, deputy secretary of discipline inspection commission, secretary of the BOS and director of discipline inspection and supervision office (office of BOS) of the Shenzhen Cereals Group Co., Ltd. Now he serves as the employee supervisor, deputy secretary of discipline inspection commission and director of discipline inspection and supervision office (office of BOS) of the Company.

Mr. Ma Zenghai: born in 1964, master's degree and an intermediate economist, lecturer. He successively served as the general representative of Thailand project in Shenzhen Cereals Group Co., Ltd; president and GM of Shenzhen Hualian Grain & Oil Trade Co., Ltd.; GM and secretary of the Party branch of Grease branch of Shenzhen Cereals Group Co., Ltd; head of the risk management department of Shenzhen Cereals Group Co., Ltd. Now he serves as the head of risk management and internal audit department and secretary of the third party branch of the Company.

(iii) Senior executive

Mr. Cao Xuelin: born in 1964, a doctoral students. He successively served as lecturer in department of management of the Nankai University; cadre of Shenzhen Baoan Group; deputy director section member, director section member and assistant investigator of policies and Regulations Department of Shenzhen State-owned Assets Management Office; deputy director of planning department, director of the secretary office of BOD of Shenzhen Investment Management Company; deputy GM of Shenzhen Xintou Assets Operation Co., Ltd and deputy GM of Shenzhen Cereals Group Co., Ltd. Now he serves as the deputy GM of the Company and president of Shenzhen Shenliang Big Kitchen Food Supply Chain Co., Ltd.

Mr. Dai Bin: born in 1964, master's degree and a senior engineer. He successively served as counselor of Radio Engineering Department of Huazhong University of Technology and secretary of the Youth League Committee; an engineer and purchasing manager of Shenzhen Huada Electronic Co., Ltd; GM of Shenzhen Shengye Venture Electronics Co., Ltd; GM of Shenzhen Zhongnong E-commerce Co., Ltd; director of information, director and deputy GM of e-commerce center, deputy GM and GM of subordinate grain distribution center of Shenzhen Cereals Group Co., Ltd. Now he serves as the deputy GM of Shenzhen Cereals Group Co., Ltd; executive director of Shenliang Doximi Business Co., Ltd. And president of Shenzhen Sydata Technology Co., Ltd.

Mr. Meng Xiaoxian: born in 1972, master's degree. He successively served as cadres of Shenzhen Youth League School; member of the learning department of Shenzhen Municipal Committee of Communist Youth League, deputy director section of liaison department, director section of liaison department, director section of office, deputy director of organization and publicity department, director of office, director of community and rights department; deputy director of Pingshan New Area Public Utilities Bureau and director of Planning and Land Supervision Bureau of Shenzhen; deputy secretary of Pingshan Working Committee and director of Pingshan Office, Pingshan New District, Shenzhen; secretary of Malian Working Committee and director of Malian Office, Pingshan New District, Shenzhen; secretary of the working committee of Malian Sub-district, Pingshan District, Shenzhen, director and secretary of the working committee of Malian sub-district office of Communist Party of CHina. Now he serves as deputy GM of the Company.

Mr. Du Jianguo: born in 1973, master's degree and intermediate economist. He successively served as member of comprehensive control department of Qingdao Price Bureau; deputy director of general manager office of Shenzhen Agricultural Products Co., Ltd; president of Changsha Mawangdui Agricultural Products Co., Ltd; director of general manager's office, director of Transportation department of Shenzhen Agricultural Products Co., Ltd; president of Shenzhen Zhongnong Aquatic Products Co., Ltd; president of Shenzhen Buji Seafood Market Co., Ltd; employee supervisor and investment director of SZCH. Now he serves as secretary of the Board of the Company; and president of Dongguan Shenliang Logistics Co., Ltd.

Post-holding in shareholder's unit



√ Applicable □ Not applicable

Name	Name of shareholder's units	Position	Start dated of office term	End date of office term	Weather receiving remuneration from shareholder's units
Zhu Junming	Shenzhen Fude State Capital Operation Co., Ltd. (Later renamed "Shenzhen Food Group Co., Ltd.")	Executive Director, General Manager	2017-12-14	2019-12-24	N
Wang Li	Shenzhen Agricultural Products Group Co., Ltd	Director	2018-09-17	2020-04-12	Y
Ni Yue	Shenzhen Food Group Co., Ltd.	Chief financial officer	2017-12-14		N
Explanation on post-holding in shareholder's unit	N/A				

Post-holding in other unit

√ Applicable □ Not applicable

Name	Name of other units	Position	Start dated of office term	End date of office term	Weather receiving remuneration from other units
Jin Zhenyuan	Shenzhen State-Owned Duty Free Commodity (Group) Co., Ltd.	Supervisor	2017-05-01		N
Ni Yue	Shenzhen Bus Group Co., Ltd.	Director	2017-08-01		N
Zhao Rubing	Bosera Funds Management Co., Ltd.	Director	2017-12-01		N
Zhao Rubing	Guangdong Weihua Co., Ltd.	Independent director	2016-10-01		Y
Zhao Rubing	Southwest Securities Co., Ltd.	Independent director	2017-03-01		Y
Zhao Rubing	Bros Eastern Co., Ltd.	Independent director	2015-05-01		Y
Liu Haifeng	Guangdong Hancheng Law Firm	First-level partner	2007-02-01		Y

Liu Ji	Hopewell Highway Infrastructure Limited	Executive Director, Deputy General Manager and Secretary of the Board	2018-04-01		Y
Qian Wenying	Shenzhen Metro Group Co., Ltd.	Director of Policy Research Office	2018-02-01		Y
Explanation on post-holding in other unit	N/A				

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

☐ Applicable ☒ Not applicable

#### IV. Remuneration for directors, supervisors and senior executives

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

During the reporting period, according to the *Company Performance Management Measures*, the Company's board meeting remuneration and appraisal committee combined with the Company's annual business situation and individual performance appraisal result and determined the senior management personnel salary.

During the reporting period, from January to September 2019, the subsidiary standard of independent directors is subject to the resolution by the 2012 Annual General Meeting and adjusted as RMB 100,000 (tax included) per year for one person; from October to December 2019, the subsidiary standard of independent directors is subject to the resolution by the 2019 Fifth Extraordinary General Meeting and adjusted as RMB 138,000 (tax included) per year for one person;

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex	Age	Post-holding status	Total remuneration obtained from the Company	Whether remuneration obtained from related party of the Company
Zhu Junming	Party Secretary, President	M	56	Currently in office	105	N

Hu Xianghai	Deputy Party Secretary, Director, GM	M	56	Currently in office	71.27	N
Lu Qiguang	Deputy Party Secretary, Director	M	58	Currently in office	70.19	N
Jin Zhenyuan	Director, CFO	F	49	Currently in office	50	Y
Zhao Rubing	Independent director	M	64	Currently in office	9.28	N
Bi Weimin	Independent director	M	64	Currently in office	9.28	N
Liu Haifeng	Independent director	M	49	Currently in office	9.28	N
Wang Li	Director	M	59	Currently in office	15	Y
Ni Yue	Director	F	46	Currently in office	15	Y
Wang Huimin	SCID, Chairman of supervisory committee	F	53	Currently in office	50.1	Y
Liu Ji	Supervisor	M	45	Currently in office	0	N
Qian Wenying	Supervisor	F	48	Currently in office	0	Y
Zheng Shengqiao	Staff supervisor	M	53	Currently in office	54.69	N
Ma Zenghai	Staff supervisor	M	56	Currently in office	32.67	N
Cao Xuelin	Deputy GM	M	56	Currently in office	69.33	N
Dai Bin	Deputy GM	M	56	Currently in office	69.48	N
Meng Xiaoxian	Deputy GM	M	48	Currently in office	14.09	N
Du Jianguo	Secretary of the Board	M	47	Currently in office	33.16	N
Du Jianguo	Former Staff supervisor	M	47	Office-leaving	16.11	N
Wang Fangcheng	Former Secretary of the Board	M	38	Office-leaving	14.23	Y
Ye Qingyun	Former Deputy GM	M	41	Office-leaving	32.71	N
Zheng Yuxi	Former Party Secretary, Chairman	M	58	Office-leaving	35.01	N

Zhang Guodong	Former director	M	58	Office-leaving	0	Y
Fan Zhiqing	Former Independent director	M	71	Office-leaving	1.67	N
Wu Shuping	Former Independent director	M	67	Office-leaving	1.67	N
Chen Cansong	Former Independent director	M	48	Office-leaving	1.67	N
Yan Zesong	Former director, GM	M	50	Office-leaving	32.5	N
Li Yiyan	Former director, Deputy GM, Secretary of the Board	F	54	Office-leaving	61.57	N
Lin Hong	Former Chairman of supervisory committee	F	55	Office-leaving	35.13	N
Luo Longxin	Former Staff supervisor	M	59	Office-leaving	34.15	N
Qian Xiaojun	Former Deputy GM	M	48	Office-leaving	11.63	N
Yao Xiaopeng	Former Deputy GM	M	52	Office-leaving	36.39	N
Wang Zhiping	Former CFO	F	49	Office-leaving	37.96	N
Total	--	--	--	--	1,030.22	--

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

☐ Applicable ☒ Not applicable

## V. Particulars of workforce

### 1. Number of Employees, Professional composition, Education background

Employee in-post of the parent Company(people)	104
Employee in-post of main Subsidiaries (people)	1,085
The total number of current employees(people)	1,189
The total number of current employees to receive pay (people)	1,189
Retired employee' s expenses borne by the parent Company and main Subsidiaries(people)	1
Professional composition	
Category of professional composition	Numbers of professional composition (people)
Production personnel	461
Salesperson	145
Technicians	85
Financial personnel	107
Administrative personnel	391
Total	1,189
Education background	

Education	Numbers (people)
Postgraduate	100
Undergraduate	407
3-years regular college graduate	247
Polytechnic school graduate	90
Senior middle school graduate or below	345
Total	1,189

## 2. Remuneration Policy

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

## 3. Training Plan

In order to implement the work of strengthening the enterprise with talents, promote the growth of various talents of the company, and enhance the capacity building of the enterprise's talent echelon, in 2019, we fully drew on the excellent experience of the industry, established a classified and graded talent training program, and created "Youhe Plan" for management trainee, "Daoxiang Plan" for reserve talents, and "Jinsui Plan" for key position talents, and gradually built a "talent pyramid" from management trainee, reserve talents to key position talents. Through multi-channel and diversified training forms, we focused on systematic training centered on management trainee, reserve talents, and middle-level management personnel, and took a solid step in the professional and systematic direction of talent training. At the same time, it constantly enriched the form of employee training, actively organized employees to participate in various training organized by the Municipal SASAC, the Organization Department, the Propaganda Department, and higher-level industry associations, and also carries out special training such as labor laws and regulations, enterprise risk prevention and control, and new accounting standards within the company to improve employees' professional abilities at multiple levels and angles, which greatly enhanced the company's professional level and ability of personnel training, achieved efficient use of resources, and provided a continuous source of intelligence for the company's development.

According to the company's business development and talent echelon construction needs, in 2020 the company will focus on improving the supporting role of human resource management in the company's strategy in accordance with the strategic goal of "smart grain, oil and food supply chain quality service provider" and combining with the "one chain two parks N platforms" strategic path and actual business conditions. Strengthen the cultivation of talents at all levels, through the exploration of diversified training models, make full use of the Internet platform, further promote the company's training management systematization and professionalization, and further promote the company's innovation-driven development and the implementation of strategy of talents

strengthening enterprise.

#### **4. Labor outsourcing**

☐ Applicable ☒ Not applicable

## Section X. Corporate governance

### I. Brief introduction of corporate governance

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

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

(ii) In reporting period, governance mechanism formulated and revised by the Company are as:

The Special Proposal of Article of Association Revision has deliberated and approved in 2019 First Extraordinary General Meeting held on 18 January 2019, found more in the Article of Association (January 2019) released on Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) dated 19 January 2019.

The Special Proposal of Article of Association Revision has deliberated and approved in 2019 Second Extraordinary General Meeting held on 30 January 2019, found more in the Article of Association (January 2019) released on Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) dated 31 January 2019.

26 system documents including the Work Regulations of the Nomination Committee of the Board has deliberated and approved in 3<sup>rd</sup> session of 10<sup>th</sup> BOD held on 25 April 2019, found more in the Work Regulations of the Nomination Committee of the Board (April 2019) released on Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) dated 27 April 2019.

4 system documents including the Independent Director System has deliberated and approved in 2019 Fourth Extraordinary Shareholders' General Meeting held on 11 September 2019, found more in the Independent Director System (September 2019) released on Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) dated 12 September 2019.

Proposal to revise the company's enterprise annuity plan has deliberated and approved in 7<sup>th</sup> session of 10<sup>th</sup> BOD held on 30 December 2019, found more in the announcement released on Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) dated 31 December 2019.

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

Is there any difference between the actual condition of corporate governance and relevant regulations about corporate governance for listed Company from CSRC?

☐ Yes ☒ No

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

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

By the end of the reporting period, Food Group is the actual controller of the Company with 63.79 percent shares held. The Company, in strict accordance with the governance rules of listed corporate and other relevant provisions, completely separates from the controlling shareholders in business, finance, personnel, assets, organizations, and has independent full business and self management ability.

### **1. Independent Business:**

The business of the Company is independent from controlling shareholders and has complete business and self management ability, not depends on the shareholders and their affiliated enterprises, which has no competition with controlling shareholder and its subordinate enterprises. The controlling shareholder has no direct or indirect intervention in the Company business activities.

### **2. Independent Staff:**

The Company has special organization to manage labor and payment, and has independent perfect personnel system and collective management system. General Manager of the Company as well s deputy GM, secretary of the Board, CFO and other senior executives are received remuneration from the Company, and are not received remuneration from shareholders' unit and subordinate enterprises and holding the post except director or supervisor.

### **3. Independent Assets:**

The Company has independent and integrity asset structure; there is no controlling shareholder's non business occupation of money and the property.

### **4. Independent Organization:**

The Company has set up a sound organizational structure system and operates independently; there is no mixed operation between the Company and controlling shareholders.

### **5. Financial Independent:**

The Company, with independent financial department, has set up independent accounting system and financial management system and makes financial decision independently. With independent bank accounts, tax payment, the Company strictly follows the financial system and has independent operation and standardized management.

## **III. Horizontal Competition**

☐ Applicable ☒ Not applicable



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

##### 1. Annual General Meeting in the report period

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
First extraordinary general meeting of 2019	Extraordinary general meeting	63.83%	2019-01-18	2019-01-19	Disclosed at www.cninfo.com.cn on No. 2019-10" resolutions Announcement to First extraordinary general meeting of 2019" on 19 January 2019
Second extraordinary general meeting of 2019	Extraordinary general meeting	63.83%	2019-01-30	2019-01-31	Disclosed at www.cninfo.com.cn on No. 2019-14" resolutions Announcement to Second extraordinary general meeting of 2019" on 31 January 2019
Third extraordinary general meeting of 2019	Extraordinary general meeting	63.82%	2019-02-21	2019-02-22	Disclosed at www.cninfo.com.cn on No. 2019-21" resolutions Announcement to Third extraordinary general meeting of 2019" on 22 February 2019
Annual General Meeting of 2018	AGM	63.80%	2019-05-20	2019-05-21	Disclosed at www.cninfo.com.cn on No. 2019-45" resolutions Announcement to 2018 Annual General Meeting of Shenzhen Shenbao Industrial Co., Ltd. " on 21 May 2019
Fourth extraordinary general meeting of 2019	Extraordinary general meeting	63.80%	2019-09-11	2019-09-12	Disclosed at www.cninfo.com.cn on No. 2019-63" resolutions Announcement to Fourth extraordinary general meeting of 2019" on 12 September 2019
Fifth extraordinary general meeting of 2019	Extraordinary general meeting	63.81%	2019-11-15	2019-11-16	Disclosed at www.cninfo.com.cn on No. 2019-72" resolutions Announcement to Fifth extraordinary general meeting of 2019" on 16 November 2019

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

☐ Applicable ☒ Not applicable

## V. Responsibility performance of independent directors

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

The attending of independent directors							
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of Presence	Times of attending by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)	Times of attending shareholders' meeting
Zhao Rubing	7	7	0	0	0	N	1
Bi Weimin	7	5	2	0	0	N	0
Liu Haifeng	7	7	0	0	0	N	1
Fan Zhiqing	3	1	2	0	0	N	1
Wu Shuping	3	0	3	0	0	N	1
Chen Cansong	3	1	2	0	0	N	0

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

Nil

### 2. Objection for relevant events from independent directors

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

☐ Yes ☒ No

Independent directors has no objections for relevant events in reporting period

### 3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

☒ Yes ☐ No

Explanation on advice that accepted/not accepted from independent directors

During the reporting period, independent directors of the Company was in strict accordance with relevant laws from the "Articles of Association", the "Company Law", "Guidance to Establishment of Independent Director System in Listed Companies ", and actively attended board meetings, shareholders' meetings. We issued independent professional opinion for important issues. And we sustained attention to the operating, inspected and guided the management work from time to time, learned about internal control system, implementation progress of the equity investment project, etc., and continue to enhance consciousness of performing duties according to law, express independent and impartial advice for investment outside, related party transactions, hiring auditors and other matters occurred during the reporting period in time. Duties performance of independent directors has improved the corporate governance structure and safeguarded the interests of the Company and its shareholders. From performance of duties of Independent Directors please note from "2019 Annual Work Report of Independent

Directors” detailed in [www.cninfo.com.cn](http://www.cninfo.com.cn) on disclosure.

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

### **1. Performance of Duties by the Auditing Committee**

In the reporting period, totally four meetings are held by auditing committee for annual report of the Company, Annual Report 2018, First Quarterly Report of 2019, semi-annual report 2019, the financial report of 3<sup>rd</sup> quarterly report 2019, proposals for impairment provision, comprehensive risk management report, audit committee annual report working procedures, accounting policies deliberation; and confirmed that the financial report satisfy requirement of Accounting rules and present a fair and complete financial status, operation results and cash flow of the Company; examined the construction progress of internal control, carried a professional opinions for the auditing institution appointed outside the Company, guarantee the Company finished auditing on schedule. Auditing committee of the Company earnestly following the principle of diligence, play a supervise role in full and protect the independency of the auditing.

### **2. Performance of Duties by the Remuneration and Appraisal Committee**

During the reporting period, the Remuneration and Appraisal Committee of the Board of Directors held five meetings, according to the provisions of the “Company Compensation Management Measures” and “Company Performance Management Measures”, listened to the company management’s annual report of 2018 and evaluated it, verified the 2018 performance coefficient of the company headquarters, and assessed the remuneration of 2018 for the company’s directors and senior management personnel, reviewed and approved the working rules and regulations of the Remuneration and Appraisal Committee, special contribution award management methods, salary management methods, performance management methods, and executive management performance responsibility letter of 2019, revised enterprise annuity plan and company’s total remuneration determination mechanism, adjusted the allowance standards for independent directors, the division of executive management performance responsibility letter in 2019, and the executive performance evaluation coefficient.

### **3. Performance of Duties by the Nomination Committee**

During the reporting period, the Nominations Committee of the Board of Directors convened two meetings in accordance with the stipulations of the “Work Regulations on the Nominations Commission of the Board of Directors of the Company”, which examined and approved the nomination of candidates for the tenth board of directors of the company and reviewed their qualifications, and revised the working regulations of the nomination committee.

### **4. Performance of Duties by the Strategy Committee**

During the reporting period, the strategy committee of the Board held four meetings, according to the “Regulations on the Work of the Strategy Committee of the Board of Directors of the Company”, the resolutions on adjustment of the follow-up investment of industrial funds, the work regulations of the Strategy Committee, the proposed subsidiary Dongguan Logistics' issuance of perpetual bonds, and the company's 2020 comprehensive budget draft were reviewed and approved.

## VII. Works from Supervisory Committee

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

☐ Yes ☒ No

The Supervisory Board has no objection to the supervision matters during the reporting period.

## VIII. Appraisal and incentive mechanism for senior executives

The performance evaluation of the company's senior management personnel is comprehensively evaluated by the remuneration and appraisal committee under the company's board of directors in accordance with the "Company Remuneration Management Measures" and "Company Performance Management Measures" based on the company's overall operating performance results and the achieved status of management indicators in the year, and use this as the basis for senior management compensation adjustment and rewards, and report to the board of directors and general meeting of shareholders for approval after implementation.

The 7<sup>th</sup> meeting of the tenth board of directors of the company and the first extraordinary general meeting of shareholders in 2020 reviewed and approved the "Company's Total Remuneration Decision Mechanism", and agreed the company to establish the company's total remuneration decision mechanism in accordance with relevant system requirements and combined with the "Double Hundred Action" state-owned enterprises reform implementation plan and the actual situation of the enterprise. Based on excess value creation, established a salary mechanism by taking value creation as the guidance and incremental performance determining incremental compensation, and realized the two-way link between employee income and corporate performance; with strategic goals as the traction, established executive restraint and incentive mechanisms to fully reflect strategic guidance, which was conducive to promoting the continuous improvement of quality and efficiency of enterprises and achieving high-quality and sustainable development. In the follow-up, the company will further explore an effective incentive mechanism to fully mobilize the initiative and enthusiasm of the management, thereby promoting the company's sustainable and stable development.

## IX. Internal control

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

☐ Yes ☒ No

### 2. Self-appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	2020-04-28
Disclosure index of full internal control evaluation report	"Internal control self evaluation report of SHENZHEN CEREALS HOLDINGS CO., LTD. in 2019" published on Juchao Website ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )

The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the Company's consolidated financial statements	61.42%	
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the Company's consolidated financial statements	93.00%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports

Qualitative criteria	<p>1. Major defects: Defect alone or together with other defects in a timely manner cause unpreventable or undetectable and uncorrectable material misstatement in the financial statements.</p> <p>The Company may indicate the presence of significant deficiencies in internal control over financial reporting if following circumstances:</p> <p>(1) The directors, supervisors and senior management fraud;</p> <p>(2) Enterprise corrected mistake which has been published in financial statements;</p> <p>(3) CPA found material misstatement in current financial statements, but internal control during operation failed to find the misstatements;</p> <p>(4) Oversight of internal control by Corporate Audit Committee and the internal audit is invalid;</p> <p>(5) Particularly important or significant deficiencies found during internal control has not been rectified;</p> <p>(6) The lack of business-critical system or invalid system.</p> <p>2. Important defect: defect alone or together with other defects in a timely manner cause unpreventable or undetectable and uncorrectable material misstatement in the financial statements, although not reach and exceed the level of importance, should lead to management attention misstatements.</p> <p>3. General Defects: other internal defects do not pose a significant or important defect control deficiencies.</p>	<p>1. Qualitative criteria for major defects are as follows:</p> <p>(1) The lack of democratic decision-making process, such as the lack of decision-making on major issues, an important appointment and dismissal of cadres, major investment decisions, large sums of money using the decision-making process;</p> <p>(2) Decision-making process is not scientific, such as major policy mistakes, resulting in significant property damage to the Company;</p> <p>(3) Serious violations of national laws and regulations;</p> <p>(4) Loss of key executives or loss of a large number of key talent;</p> <p>(5) Negative media news is frequent, And cause nationwide impact.</p> <p>2. The qualitative criteria for important defects are as follows: (1) The decision-making process is not perfect; (2) The company's internal management system has not been effectively implemented, resulting in losses; (3) The media's negative news is frequent and has certain influence; (4) The general defects in the internal control evaluation have not been corrected. 3. General defects refer to other internal control defects that do not constitute major defects or important defects.</p>
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Quantitative standard	<p>General Defects: reported wrongly &lt;0.5% of total capital, reported wrongly&lt;0.5% of operating income, reported wrongly&lt;2.5% of total profit; Important flaw: 0.5% of total assets ≤ reported wrongly &lt;1% of total assets, 0.5% of operating income ≤ misstatements &lt;1% of operating income, 2.5% of total profit ≤ misstatements &lt;5% of total profit; Major flaw: misstatement ≥ 1% of total assets, misstatements ≥ 1% of operating income, misstatements ≥ 5% of total profit.</p>	<p>General defects: the amount of direct property loss ≤ 1.5 million yuan, punished by the provincial (including provincial) government but the Company disclosed in periodic reports on the negative impact; Important flaw: 1.5 million yuan &lt; the amount of direct property loss &lt; 5 million yuan, punished by the state government but the Company disclosed in periodic reports on the negative impact; Major flaw: the amount of direct property loss ≥ 5 million yuan, have been officially disclosed outside the Company disclosed in periodic reports and adversely affected.</p>
Amount of significant defects in financial reports		0
Amount of significant defects in non-financial reports		0
Amount of important defects in financial reports		0
Amount of important defects in non-financial reports		0

## X. Audit report of internal control

√ Applicable □ Not applicable

Deliberations in Internal Control Audit Report	
BDO China Shu Lun Pan Certified Public Accountant LLP believes the Company was in accordance with the "basic norms of internal control" and the relevant provisions and maintained effective internal control of financial reporting in all material respects on 31 December 2019.	
Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	2020-04-28
Index of audit report of internal control (full-text)	"Internal control audit report of SHENZHEN CEREALS HOLDINGS CO., LTD. in 2019" published on Juchao Website (www.cninfo.com.cn)
Opinion type of auditing report of IC	Standard unqualified
Whether the non-financial report had major defects	No

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

☐ Yes ☒ No

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

☒ Yes ☐ No



## **Section XI. Corporate Bond**

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

No

## Section XII. Financial Report

### I. Audit Report

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	2020-04-24
Name of audit institute	BDO China Shu Lun Pan Certified Public Accountant LLP
Document serial of audit report	BDO CPAs Zi[2020]No. ZL10116
Name of the CPA	Qi Tao, Zhang Wanbin

Text of auditing report

### Auditor's Report

BDO CPAs Zi[2020]No. ZL10116

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

#### I. Auditing opinions

We have audited the financial statement under the name of SHENZHEN CEREALS HOLDINGS CO., LTD. (hereinafter referred to as SZCH Company), including the consolidated and parent Company's balance sheet of 31 December 2019 and profit statement, and cash flow statement, and statement on changes of shareholders' equity for the year ended, and notes to the financial statements for the year ended.

In our opinion, the Company's financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, and they fairly present the financial status of the Company and of its parent company as of 31 December 2019 and its operation results and cash flows for the year ended.

#### II. Basis of opinion

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

#### III. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of

the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matters. We identified the following key audit issues that need to be communicated in the audit report.

Key audit matters	How to deal with the matter in audit
<b>(i) Revenue confirmation</b>	
<p>Details and analysis of accounting policy of revenue recognition found more in the (21) Accounting policy in Note III. Important accounting policy and estimation and (37) in Note V. Annotation to main items of consolidated financial statements.</p> <p>SZCH Company achieved operating revenue in 2019 is 11059.9843 million yuan, including: 10612.4781 million yuan from grain and oil business, accounting for 95.95% of the operating revenue. The income from grain and oil business has a significant impact on the financial statement, and it is one of the key index of performance of SZCH, meanwhile, it is one of the important indicators of performance commitment performance assessment of the Shenzhen Cereals Group Co. Ltd- the wholly-owned subsidiary of SZCH, which has a special risks in manipulation for achieving the predicted target, therefore, the identify of operating income will be listed as the key auditing event.</p>	<p>The main audit procedures we implemented for the inventory and inventory falling price reserves include: (1) Understood, evaluated and tested the internal control design and implementation related to revenue recognition of SZCH Company; (2) check the main sales contracts, identify terms related to transfer of the main risks and rewards on the ownership of goods, and evaluate whether the revenue recognition policy conforms to the Accounting Standards for Business Enterprise; (3) carry out substantive analysis procedures for operating revenue and gross profit rate by month, products, etc., identify whether there is significant or abnormal fluctuation, and review the rationality of revenue; (4) we use sampling method to check the supporting documents related to revenue recognition, including sales contract, sales invoice, delivery order, goods right transfer document and accounting voucher, etc.; (5) in combination with the L/C receivable, confirm the sales volume of the current period to the main customers by sampling; (6) carry out a cut-off test on the business income recognized before and after the balance sheet date to assess whether the business income is recognized in the appropriate accounting period.</p>
<b>(ii) Inventory and inventory falling price reserves</b>	
<p>Details and analysis of accounting policy of inventory and inventory impairment found more in the (10) Accounting policy in Note III. Important accounting policy and estimation and (8) in Note V. Annotation to main items of consolidated financial statements.</p> <p>As of December 31, 2019, the inventory book balance presented on the consolidated financial statements of SZCH Company was 3192.2283 million yuan, and the amount of inventory falling price reserves was 127.5271 million yuan, book value of inventories was 3064.7012 million yuan, accounting for 45.23% of the total assets. Inventory is measured at the lower one between the cost and the net</p>	<p>The main audit procedures we implemented for the inventory and inventory falling price reserves of SZCH Company include: (1) Understood, evaluated and tested the internal control design and implementation related to inventory falling price reserves of SZCH Company; (2) We performed the inventory monitoring procedures for inventory, and checked the quantity and condition; (3) Acquired the calculation table of inventory falling price reserve, implemented the inventory impairment test procedure, and analyzed whether provision for inventory falling</p>

realizable value, due to the large amount of money of inventory, the management needed to make significant judgments when determining the decrease in value of inventory, including the consideration of government reserve as grain & oil, food and vegetable oil included, that affected by futures market, these important judgments have a significant impact on the valuation of inventory and provision for inventory depreciation at period-end; therefore, we determined the inventory and inventory falling price reserves as key audit matters.	price reserves was sufficient; (4) We obtained the year-end inventory age list, conducted an analytical review of the inventory with long inventory age combine with the condition of products, and analyzed whether inventory falling price reserves was sufficient; (5) For the products that can obtain the selling price in open market, select samples, independently query the public market price information and compare it with the estimated selling price.
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#### IV. Other information

The management of SZCH Company (Hereinafter referred to as management) is responsible for other information which includes the information covered in the Company's 2018 annual report excluding the financial statement and our audit report.

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

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

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

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

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

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

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

#### VI. Responsibilities of the auditor for the financial statements

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

influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

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

**BDO China Shu Lun Pan CPAs  
(LLP)**

**Chinese CPA: Qi Tao (Engagement partner)**

**Chinese CPA:: Zhang Wanbin**

**Shanghai ·China**

**24 April 2020**

## II. Financial Statement

Statement in Financial Notes are carried in RMB/CNY

### 1. Consolidated balance sheet

Prepared by SHENZHEN CEREALS HOLDINGS CO., LTD.

2019-12-31

In RMB

Item	2019-12-31	2018-12-31
Current assets:		
Monetary funds	154,954,757.85	631,638,339.68
Settlement provisions		
Capital lent		
Tradable financial assets	1,166,209.72	
Financial assets measured by fair value and with variation reckoned into current gains/losses		1,124,927.96
Derivative financial assets		
Note receivable	1,909,720.38	1,027,635.04
Account receivable	338,687,766.68	473,646,886.64
Receivable financing		
Accounts paid in advance	9,202,930.71	83,696,870.07
Insurance receivable		
Reinsurance receivables		

Contract reserve of reinsurance receivable		
Other account receivable	25,758,695.07	33,803,428.45
Including: Interest receivable		561,500.00
Dividend receivable		
Buying back the sale of financial assets		
Inventories	3,064,701,212.14	2,811,802,600.19
Contractual assets		
Assets held for sale		
Non-current asset due within one year		
Other current assets	468,174,380.40	254,493,764.04
Total current assets	4,064,555,672.95	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	73,361,312.10	70,999,666.81
Investment in other equity instrument		
Other non-current financial assets	57,500.00	
Investment real estate	269,704,937.17	282,622,184.92
Fixed assets	945,042,032.69	993,136,743.51
Construction in progress	771,971,469.43	186,586,135.06
Productive biological asset	397,386.56	407,078.92
Oil and gas asset		
Right-of-use assets		
Intangible assets	589,167,059.47	569,997,392.08
Expense on Research and Development		
Goodwill		

Long-term expenses to be apportioned	19,855,228.69	21,799,899.80
Deferred income tax asset	39,082,710.96	50,174,590.98
Other non-current asset	1,871,965.84	1,936,149.72
Total non-current asset	2,710,511,602.91	2,177,717,341.80
Total assets	6,775,067,275.86	6,468,951,793.87
Current liabilities:		
Short-term loans	23,595,000.00	91,600,000.00
Loan from central bank		
Capital borrowed		
Trading financial liability		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Note payable		
Account payable	266,123,470.98	472,738,283.80
Accounts received in advance	137,211,832.00	205,428,594.16
Contractual liability		
Selling financial asset of repurchase		
Absorbing deposit and interbank deposit		
Security trading of agency		
Security sales of agency		
Wage payable	195,076,576.55	135,709,423.52
Taxes payable	37,047,613.47	24,969,718.58
Other account payable	236,377,171.13	280,689,548.29
Including: Interest payable	1,411,457.29	
Dividend payable	2,933,690.04	2,909,182.74
Commission charge and commission payable		
Reinsurance payable		
Liability held for sale		
Non-current liabilities due within one year	67,420,012.16	55,090,793.79



Other current liabilities	219,151,968.63	219,151,968.63
Total current liabilities	1,182,003,644.92	1,485,378,330.77
Non-current liabilities:		
Insurance contract reserve		
Long-term loans	835,912,556.41	516,687,791.66
Bonds payable		
Including: Preferred stock		
Perpetual capital securities		
Lease liability		
Long-term account payable	15,856,950.01	15,690,202.08
Long-term wages payable		
Accrual liability	3,500,000.00	
Deferred income	101,792,241.31	100,608,203.01
Deferred income tax liabilities	12,563,752.22	12,988,434.77
Other non-current liabilities		
Total non-current liabilities	969,625,499.95	645,974,631.52
Total liabilities	2,151,629,144.87	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	522.55	154.21
Surplus public reserve	350,187,601.06	327,140,910.28
Provision of general risk		
Retained profit	1,495,135,080.60	1,269,933,487.26
Total owner's equity attributable to parent company	4,420,751,187.57	4,172,502,535.11
Minority interests	202,686,943.42	165,096,296.47
Total owner's equity	4,623,438,130.99	4,337,598,831.58

Total liabilities and owner's equity	6,775,067,275.86	6,468,951,793.87
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Legal Representative: Zhu Junming

Person in charge of accounting works: Jin Zhenyuan

Person in charge of accounting institute: Wen Jieyu

## 2. Balance Sheet of Parent Company

In RMB

Item	2019-12-31	2018-12-31
Current assets:		
Monetary funds	16,272,394.90	168,900,586.84
Tradable financial assets	1,166,209.72	
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	7,967.34	42,441,119.07
Receivable financing		
Accounts paid in advance		
Other account receivable	994,149,247.39	159,677,969.59
Including: Interest receivable		
Dividend receivable	260,000,000.00	
Inventories	2,954,343.26	8,806,338.26
Contractual assets		
Assets held for sale		
Non-current assets maturing within one year		
Other current assets	675,966.29	50,068,745.74
Total current assets	1,015,226,128.90	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	3,715,425,854.77	4,212,554,063.36
Investment in other equity instrument		
Other non-current financial assets		
Investment real estate	17,458,094.37	17,929,684.70
Fixed assets	31,382,741.25	31,417,912.54
Construction in progress		
Productive biological assets	397,386.56	407,078.92
Oil and natural gas assets		
Right-of-use assets		
Intangible assets	6,787,359.94	6,663,692.30
Research and development costs		
Goodwill		
Long-term deferred expenses	380,772.60	409,621.50
Deferred income tax assets		5,630,538.80
Other non-current assets		
Total non-current assets	3,771,832,209.49	4,275,012,592.12
Total assets	4,787,058,338.39	4,706,032,279.58
Current liabilities		
Short-term borrowings		
Tradable financial liability		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Account payable	115,458.38	73,705,646.54
Accounts received in advance	3,137.80	124,945.74
Contractual liability		
Wage payable	17,230,138.89	6,448,561.16
Taxes payable	2,607,719.37	2,702,655.24
Other accounts payable	257,459,190.14	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	277,415,644.58	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	3,500,000.00	
Deferred income	45,020.68	46,129.96
Deferred income tax liabilities		10,965.46
Other non-current liabilities		
Total non-current liabilities	3,545,020.68	57,095.42
Total liabilities	280,960,665.26	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	77,783,172.92	54,736,482.14
Retained profit	257,672,677.94	165,505,986.31
Total owner's equity	4,506,097,673.13	4,390,884,290.72

Total liabilities and owner's equity	4,787,058,338.39	4,706,032,279.58
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### 3. Consolidated Profit Statement

In RMB

Item	2019	2018
I. Total operating income	11,059,984,335.92	10,758,782,838.14
Including: Operating income	11,059,984,335.92	10,758,782,838.14
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	10,493,641,137.00	10,231,679,484.63
Including: Operating cost	9,955,307,005.89	9,693,634,274.21
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	14,020,512.36	15,369,523.52
Sales expense	250,657,691.24	255,021,072.54
Administrative expense	260,693,015.60	246,543,836.47
R&D expense	13,599,526.83	10,979,464.64
Financial expense	-636,614.92	10,131,313.25
Including: Interest expenses	9,387,920.21	20,410,885.62
Interest income	11,068,571.50	8,364,388.05
Add: other income	12,297,924.24	10,901,858.13
Investment income (Loss is listed with "-")	9,838,224.64	1,724,353.15
Including: Investment income on affiliated company and joint venture	3,411,761.86	-1,755,504.74

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 “-”)	41,281.76	-474,740.24
Loss of credit impairment (Loss is listed with “-”)	3,496,756.37	
Losses of devaluation of asset (Loss is listed with “-”)	-158,272,990.37	-199,636,023.51
Income from assets disposal (Loss is listed with “-”)	-170,437.85	1,601,802.27
III. Operating profit (Loss is listed with “-”)	433,573,957.71	341,220,603.31
Add: Non-operating income	1,256,705.25	1,390,434.84
Less: Non-operating expense	5,801,306.78	3,266,448.43
IV. Total profit (Loss is listed with “-”)	429,029,356.18	339,344,589.72
Less: Income tax expense	44,512,899.71	18,488,865.34
V. Net profit (Net loss is listed with “-”)	384,516,456.47	320,855,724.38
(i) Classify by business continuity		
1.continuous operating net profit (net loss listed with “-”)	384,516,456.47	320,855,724.38
2.termination of net profit (net loss listed with “-”)		
(ii) Classify by ownership		
1.Net profit attributable to owner’s of parent company	363,501,809.52	308,331,032.44
2.Minority shareholders’ gains and losses	21,014,646.95	12,524,691.94
VI. Net after-tax of other comprehensive income		
Net after-tax of other comprehensive income attributable to owners of parent company		

(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1.Changes 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	384,516,456.47	320,855,724.38
Total comprehensive income attributable to owners of parent Company	363,501,809.52	308,331,032.44
Total comprehensive income attributable to minority shareholders	21,014,646.95	12,524,691.94
VIII. Earnings per share:		
(i) Basic earnings per share	0.3154	0.2675
(ii) Diluted earnings per share	0.3154	0.2675

As for the enterprise combined under the same control, net profit of 0 Yuan achieved by the merged party before combination while 0 Yuan achieved last period.

Legal Representative: Zhu Junming

Person in charge of accounting works: Jin Zhenyuan

Person in charge of accounting institute: Wen Jieyu

#### 4. Profit Statement of Parent Company

In RMB

Item	2019	2018
I. Operating income	33,297,047.52	165,407,623.24
Less: Operating cost	30,082,764.02	156,886,817.06
Taxes and surcharge	725,820.16	602,255.26
Sales expenses	352,978.78	4,021,042.93
Administration expenses	54,742,414.39	35,236,050.22
R&D expenses		
Financial expenses	-732,329.49	-2,863,136.69
Including: interest expenses		-490,845.99
Interest income	721,932.13	2,208,205.46
Add: other income	1,472,904.40	201,109.28
Investment income (Loss is listed with "-")	289,567,596.66	1,035,169.17



Including: Investment income on affiliated Company and joint venture	-1,614,296.02	-367,955.83
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 “-”)	41,281.76	-474,740.24
Loss of credit impairment (Loss is listed with “-”)	-3,524,271.05	
Losses of devaluation of asset (Loss is listed with “-”)		-8,940,973.64
Income on disposal of assets (Loss is listed with “-”)		-4,685.34
II. Operating profit (Loss is listed with “-”)	235,682,911.43	-36,659,526.31
Add: Non-operating income	403,619.72	21,985.04
Less: Non-operating expense	50.00	51.64
III. Total Profit (Loss is listed with “-”)	236,086,481.15	-36,637,592.91
Less: Income tax	5,619,573.34	-2,353,928.48
IV. Net profit (Net loss is listed with “-”)	230,466,907.81	-34,283,664.43
(i)continuous operating net profit (net loss listed with “-”)	230,466,907.81	-34,283,664.43
(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	230,466,907.81	-34,283,664.43
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

In RMB

Item	2019	2018
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	11,105,513,303.87	10,864,668,383.48
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	25,275,539.65	2,149,482.32
Other cash received concerning operating activities	341,980,984.23	149,070,552.32
Subtotal of cash inflow arising from operating activities	11,472,769,827.75	11,015,888,418.12
Cash paid for purchasing commodities and receiving labor service	10,425,163,614.27	10,062,803,459.79
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 capital lent		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	248,608,109.68	266,944,869.84
Taxes paid	75,128,813.39	76,069,566.39
Other cash paid concerning operating activities	533,815,466.44	310,966,886.52
Subtotal of cash outflow arising from operating activities	11,282,716,003.78	10,716,784,782.54
Net cash flows arising from operating activities	190,053,823.97	299,103,635.58
II. Cash flows arising from investing activities:		
Cash received from recovering investment	514,000,000.00	190,000,000.00
Cash received from investment income	6,553,793.96	3,029,857.89
Net cash received from disposal of fixed, intangible and other long-term assets	6,000,324.52	2,130,835.56
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		450,000.00
Subtotal of cash inflow from investing activities	526,554,118.48	195,610,693.45
Cash paid for purchasing fixed, intangible and other long-term assets	579,138,870.97	382,839,107.07
Cash paid for investment	739,000,000.00	287,000,000.00
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities		

Subtotal of cash outflow from investing activities	1,318,138,870.97	669,839,107.07
Net cash flows arising from investing activities	-791,584,752.49	-474,228,413.62
III. Cash flows arising from financing activities		
Cash received from absorbing investment	23,520,000.00	24,500,000.00
Including: Cash received from absorbing minority shareholders' investment by subsidiaries	23,520,000.00	24,500,000.00
Cash received from loans	413,905,075.72	537,740,181.56
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	437,425,075.72	562,240,181.56
Cash paid for settling debts	150,356,092.60	280,451,777.62
Cash paid for dividend and profit distributing or interest paying	162,493,097.65	21,982,183.52
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	312,922,187.97	302,433,961.14
Net cash flows arising from financing activities	124,502,887.75	259,806,220.42
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	344,458.94	2,516,157.85
V. Net increase of cash and cash equivalents	-476,683,581.83	87,197,600.23
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	154,954,757.85	631,638,339.68

## 6. Cash Flow Statement of Parent Company

In RMB

Item	2019	2018
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	80,530,360.65	203,489,969.79
Write-back of tax received	508,882.07	1,607,071.98
Other cash received concerning operating activities	186,613,340.33	25,144,907.85
Subtotal of cash inflow arising from operating activities	267,652,583.05	230,241,949.62
Cash paid for purchasing commodities and receiving labor service	102,085,180.39	179,055,497.17
Cash paid to/for staff and workers	27,212,693.90	20,901,002.07
Taxes paid	3,672,773.74	1,852,958.66
Other cash paid concerning operating activities	243,973,743.76	40,674,668.54
Subtotal of cash outflow arising from operating activities	376,944,391.79	242,484,126.44
Net cash flows arising from operating activities	-109,291,808.74	-12,242,176.82
II. Cash flows arising from investing activities:		
Cash received from recovering investment	314,000,000.00	
Cash received from investment income	29,249,567.07	953,125.00
Net cash received from disposal of fixed, intangible and other long-term assets	2,710.37	3,026.17
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		90,450,000.00

Subtotal of cash inflow from investing activities	343,252,277.44	91,406,151.17
Cash paid for purchasing fixed, intangible and other long-term assets	7,360,713.96	18,200.00
Cash paid for investment	264,000,000.00	
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities		140,000,000.00
Subtotal of cash outflow from investing activities	271,360,713.96	140,018,200.00
Net cash flows arising from investing activities	71,891,563.48	-48,612,048.83
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans		
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	98,576.44	121,178.25
V. Net increase of cash and cash equivalents	-152,628,191.94	-70,761,757.40
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	16,272,394.90	168,900,586.84
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## 7. Statement of Changes in Owners' Equity (Consolidated)

Current period

In RMB

Item	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	Surpluses 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	165,096,296.47	4,337,598,831.58
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 “-”)								368.34	23,046,690.78		225,201,593.34		248,248,652.46	37,590,646.95	285,839,299.41



(i) Total comprehensive income										363,501,809.52		363,501,809.52	21,014,646.95	384,516,456.47
(ii) Owners' devoted and decreased capital													23,520,000.00	23,520,000.00
1.Common shares invested by shareholders													23,520,000.00	23,520,000.00
2. Capital invested by holders of other equity instruments														
3. Amount reckoned into owners equity with share-based payment														
4. Other														
(III) Profit distribution								23,046,690.78		-138,300,216.18		-115,253,525.40	-6,944,000.00	-122,197,525.40
1. Withdrawal of surplus reserves								23,046,690.78		-23,046,690.78				
2. Withdrawal of general risk provisions														
3. Distribution for owners (or shareholders)										-115,253,525.40		-115,253,525.40	-6,944,000.00	-122,197,525.40
4. Other														
(IV) Carrying forward internal owners' equity														
1. Capital reserves conversed 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								368.34					368.34		368.34
1. Withdrawal in the report period								920,788.68					920,788.68		920,788.68
2. Usage in the report period								-920,420.34					-920,420.34		-920,420.34
(VI) Others															
IV. Balance at the end of the report period	1,152,535,254.00				1,422,892,729.36			522.55	350,187,601.06		1,495,135,080.60		4,420,751,187.57	202,686,943.42	4,623,438,130.99

Last period

In RMB

Item	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	Surpluses reserve	Provision of general risk	Retained profit	Other			Subtotal
		Prefe	Perpetual capital securities	Other											
	rrred stock														

I. Balance at the end of the last year	496,782,303.00				2,063,164,702.12			70,395.63	327,140,910.28		961,602,454.82		3,848,760,765.85	124,062,121.04	3,972,822,886.89
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				2,063,164,702.12			70,395.63	327,140,910.28		961,602,454.82		3,848,760,765.85	124,062,121.04	3,972,822,886.89
III. Increase/Decrease in this year (Decrease is listed with “-”)	655,752,951.00				-640,271,972.76			-70,241.42			308,331,032.44		323,741,769.26	41,034,175.43	364,775,944.69
(i) Total comprehensive income											308,331,032.44		308,331,032.44	12,524,691.94	320,855,724.38
(ii) Owners' devoted and decreased capital	655,752,951.00				-640,271,972.76								15,480,978.24	28,509,483.49	43,990,461.73
1.Common shares invested by shareholders	655,752,951.00				5,219,793,489.96								5,875,546,440.96	24,500,000.00	5,900,046,440.96
2. Capital invested by holders of other equity instruments															
3. Amount reckoned into owners equity with share-based payment															

4. Other					-5,860,065,462.72							-5,860,065,462.72	4,009,483.49	-5,856,055,979.23
(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 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							-70,241.42					-70,241.42		-70,241.42
1. Withdrawal in the report period							846,741.24					846,741.24		846,741.24

2. Usage in the report period								-916,982.66					-916,982.66		-916,982.66
(VI)Others															
IV. Balance at the end of the report period	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

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

Current period

In RMB

Item	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
		Preferr ed stock	Perpet ual capital securiti es	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 in this year (Decrease is listed with "-")									23,046,690.78	92,166,691.63		115,213,382.41
(i) Total comprehensive income										230,466,907.81		230,466,907.81
(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									23,046,690.78	-138,300,216.18		-115,253,525.40
1. Withdrawal of surplus reserves									23,046,690.78	-23,046,690.78		
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				77,783,172.92	257,672,677.94		4,506,097,673.13

Last period

In RMB

Item	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
		Preferr ed stock	Perpet ual capital securit ies	Other								
I. Balance at the end of the last year	496,782,303.00				382,444,482.45				54,736,482.14	199,789,650.74		1,133,752,918.33
Add: Changes of accounting policy												
Error correction of the last period												
Other												
II. Balance at the beginning of this year	496,782,303.00				382,444,482.45				54,736,482.14	199,789,650.74		1,133,752,918.33
III. Increase/Decrease in this year (Decrease is listed with "-")	655,752,951.00				2,635,662,085.82					-34,283,664.43		3,257,131,372.39
(i) Total comprehensive income										-34,283,664.43		-34,283,664.43

(ii) Owners' devoted and decreased capital	655,752,951.00				2,635,662,085.82							3,291,415,036.82
1.Common shares invested by shareholders	655,752,951.00				5,219,793,489.96							5,875,546,440.96
2. Capital invested by holders of other equity instruments												
3. Amount reckoned into owners equity with share-based payment												
4. Other					-2,584,131,404.14							-2,584,131,404.14
(III) Profit distribution												
1. Withdrawal of surplus reserves												
2. Distribution for owners (or shareholders)												
3. Other												
(IV) Carrying forward internal owners' equity												
1. Capital reserves conversed to capital (share capital)												
2. Surplus reserves conversed to capital (share capital)												
3. Remedying loss with surplus reserve												
4. 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	165,505,986.31		4,390,884,290.72

### III. Basic situation of 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 name as Shenzhen Shenbao Industrial Co., Ltd. on 1 August 1991. Then with the approval (Document (1991) No.126) from People’s Bank of China, the Company began to list on Shenzhen Stock Exchange. The Company belongs to the grain, oil, food and beverage industry.

As of 31 December 2019, the cumulative amount of shares issued by the Company was 1,152,535,254 shares with registered capital of 1,152,535,254 yuan. Registered address: Shenzhen, Guangdong Province; HQ 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. Main business of the Company: general operating items: Purchase and sales of grain and oil, grain & oil reserves; operation and processing of grain & oil products; production of tea, tea products, tea and natural plant extract, canned foods, beverages and native products (business license of the production place shall be separately applied for); feed management and processing (outsourcing); investment, operation and development of grain & oil logistics, feed logistics and tea garden etc.; sales of feed and tea; warehousing services; food circulation services; modern food supply chain services; technology development and services of grain & oil, tea, plant products, soft drinks and foods; construction of E-commerce and information, IT development and supporting services; industrial investment (specific items will be declared separately); domestic trade; operating the import and export business; engaged in real estate development and operation on the lands where the right-to-use has been legally acquired; development, operation,

leasing and management of the own property; property management; providing management services to hotels.(items mentioned above which are involved in approval from national laws, administrative regulations and decision of the state council, must be submitted for examination and approval before operation ). Licensed business item: wholesale of prepackaged food (excluding reheating prepackaged food) (in non-physical way); information service (internet information service only); general freight, professional transportation (refrigeration and fresh-keeping). Parent enterprise of the Company: Shenzhen Food Group Co., Ltd.; actual controller of the Company: Assets Supervision and Administration Commission of Shenzhen municipal People's Government.

The financial statement has been approved by BOD of the company for reporting on 24 April 2020.

Up to 31 December 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
Wuyuan Ju Fang Yong Tea Industry Co., Ltd. (hereinafter referred to as Wuyuan Ju Fang Yong )	Wholly-owned subsidiary	Second 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	Second 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	Second 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	Second grade	55	55
Mount Wuyi Shenbao Rock Tea Co., Ltd(hereinafter	Wholly-owned	Second	100	100

referred to as Shenbao Rock Tea )	subsidiary	grade		
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	Third 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	Third 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 Trade)	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
Shenliang Quality Inspection Co., Ltd. (hereinafter referred to as Shenliang Quality Inspection )	Wholly-owned subsidiary	Second grade	100	100
Shenliang Doximi Business Co., Ltd. (hereinafter referred to as SZCG 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	Controlling	Third	51	51

Development Co., Ltd.(hereinafter referred to as Dongguan Food Industrial Park)	subsidiary	grade		
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 Accounting Standards for Business Enterprise), combining the Information Disclosure Preparation Rules for Company Public Issuing Securities No.15-General Rules for Financial Report 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 “Tradable 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 Tradable 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.

## **1. Statement for observation of Accounting Standard for Business Enterprise**

The financial statements prepared by the Company are in accordance to requirements of Accounting Standard for Business Enterprise issued by Ministry of Finance, which truly and completely reflect the financial status of the Company and parent company on 31 December 2019, as well as the consolidate and parent company’s operational results and cash flow for year of 2019.

## **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.

The directed expenses incurred in the business combination are recorded into current gains/losses; the trading fees for issuing equity securities or debt securities for the business combination shall be recorded into the initial confirmation amount of equity securities or debt securities.

### **6. Methods for preparation of consolidated financial statements**

#### **6.1 Consolidated scope**

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

#### **6.2 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 combined party and combinee 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.

## **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**

### **9.1 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.

### **9.2 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.

### **10.1 Categories of financial instruments**

#### **Accounting policy applicable since 1<sup>st</sup> 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 1<sup>st</sup> 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 Tradable 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.

## 10.2 Recognition and measurement for financial instrument

### Accounting policy applicable since 1<sup>st</sup> 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 terminated for recognition, 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 recognized 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 terminated for recognition, 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 Tradable 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 recognized in current profit and loss.

(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 terminate for recognition, the difference between book value and the consideration paid shall be recorded into the current profit and loss.

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost, including short-term borrowings, bills payable, accounts payable, other payable, long-term borrowings, bonds payable, and long-term payable, 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 terminate for recognition, 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.

### **10.3 Confirmation evidence and measurement methods for transfer of financial assets**

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

When judging whether or not the aforesaid terminal recognition condition for financial assets is arrived at for transfer of financial assets, the Company generally adopts the principle that substance over weighs 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 (debt instrument) measured at fair value and whose changes are included in other comprehensive income and the 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.

### **10.4 Condition for terminating the recognition of financial liability**

As for the financial liabilities with its whole or part present obligations released, the company shall terminate the recognition for 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 terminate the recognition for the existing financial liabilities and recognized 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 terminate the recognition for 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 terminate the recognition of financial liabilities in whole or part, the difference between the carrying value of such 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.

#### **10.5 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 un-observable inputs.

#### **10.6 Testing of the financial assets 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.

If there is objective evidence that a financial asset has suffered credit impairment, the Company shall make provision for impairment of the financial asset on a single basis.

The Company needs to confirm that the financial instruments of impairment losses are financial assets (including receivables) measured at amortized cost, debt instrument investments measured at fair value and their changes are included in other comprehensive income, and lease receivables, mainly including bills receivable, accounts receivable, other receivables, Creditors' investment, Other creditors' investment, long-term receivables, etc. In addition, for some financial guarantee contracts, impairment provision and credit impairment losses should be accrued in accordance with the accounting policies described in this section. Regarding an account receivable, whether or not it contains a significant financing component, the Company always measures its loss provisions in accordance with the expected credit losses for the entire duration.

For lease receivables, long-term receivables formed by the company through the sale of commodities or the provision of labor services, the Company chooses to always measure their loss reserves in accordance with the expected credit losses for the entire duration.

The Company combines account receivables by similar credit risk characteristics, based on the financial asset portfolio structure and similar credit risk characteristics (the debtor's ability to repay the arrears in accordance with the contract terms), combined with historical default loss experience and current economic conditions and considering forward-looking information, and measures the loss provision at an amount equivalent to the expected credit losses for the entire duration.

#### **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 no be reversed through gains/losses.

(2)Bad debt provision for account receivable:

①Account receivable with single significant amount and withdrawal bad debt provision on single basis:

Judgment basis or amount standard of a single significant amount:

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

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

Accrual method for account with single significant amount and withdrawal bad debt provision on single basis:

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.

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

Portfolio	Accrual method	Basis for portfolio termination
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.

Accrual bad debt provision by aging analysis in portfolio:

Account age	Accrual ratio of the account receivable (%)	Accrual ratio of the other account receivable (%)
Within one year(one-year included)	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

③Account 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.

## 11.Note receivable

Reference to 10. Financial Instrument in this Section

## 12.Account receivable

Reference to 10. Financial Instrument in this Section

## 13. Account receivable financing

Nil

## 14. Other account receivable

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

Reference to 10. Financial Instrument in this Section

## 15. Inventory

### 15.1 Classification

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

### 15.2 Valuation methods for send out stocks

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

### 15.3 Recognition standards of the net realizable value for inventory

The net realizable value of inventory products and materials for sale, 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 for-sale 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.

#### **15.4 Inventory system**

Inventory system is the perpetual inventory system.

#### **15.5 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. Contractual asset**

Nil

#### **17. Contract cost**

Nil

#### **18. Assets held for sale**

Nil

#### **19. Creditors' investment**

Nil

## **20. Other creditors' investment**

Nil

## **21. Long-term account receivable**

Nil

## **22. Long-term equity investment**

### **22.1 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.

### **22.2 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.

### **22.3 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 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.

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
House and buildings				
Production buildings	Straight-line depreciation	20-35	5	2.71-4.75
Non-production buildings	Straight-line depreciation	20-40	5	2.38-4.75
Temporary dormitory and simple room etc.	Straight-line depreciation	5-15	5	6.33-19.00
Gas storage bin	Straight-line depreciation	20	5	4.75
Silo	Straight-line depreciation	50	5	1.90
Wharf and supporting facilities	Straight-line depreciation	50	5	1.90
Machinery equipment				
Other machinery equipment	Straight-line depreciation	10-20	5	4.75-9.50
Warehouse transmission equipment	Straight-line depreciation	20	5	4.75
Electronic equipment	Straight-line depreciation	2-5	5	19.00-47.50
Transport equipment	Straight-line depreciation	3-10	5	9.50-31.67
Other equipment	Straight-line depreciation	3-10	5	9.50-31.67



Depreciation of fixed assets is classified and accrued by using the straight-line depreciation, and the depreciation rate is determined according to the type of fixed assets, the expected service life and the estimated net residual value rate. If each component of the fixed assets has different service lives or provides economic benefits to the enterprise in different ways, select different depreciation rates or depreciation methods, and the depreciation is accrued separately.

Fixed assets leased in the form of financial leasing, if it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

### **(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**

### **26.1 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.

## **26.2 Period of capitalization**

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

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

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

## **26.3 Period of suspended**

If purchasing, construction, or manufacturing process of an asset satisfying the conditions of capitalization is suspended abnormally for over 3 months, capitalizing of borrowing expenses shall be suspended; the suspended assets that satisfying the conditions of capitalization meets the necessary procedure of reaching predicted usable status or for-sale 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.

## **26.4 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 yet 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**

### **27.1 Classification of biological assets**

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

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

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

### **27.2 Initial recognition of Biological assets**

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

### **27.3 Subsequent measurement of biological assets**

#### **(1) Follow-up expenses**

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

#### **(2) Depreciation of productive biological assets**

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

(3) Disposal of biological assets:

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

## **27.4 Biological assets impairment**

The Company inspects the productive biological assets at least at the end of each year, conclusive evidence indicates that if the recoverable amount of productive biological assets are less than the book value due to natural disasters, insect pests, animal diseases or changes in market demand, the Company make the provision for impairment of biological assets and include them in the current profits and losses according to the balance between the recoverable amount and the book value.

The balance lower than the book value shall be calculated and accrued to falling price reserves or provision for impairment of biological assets and included in the current profits and losses.

Once the provision for impairment of productive biological assets is made, it cannot be reversed.

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

Nil

## **29. Right-of-use assets**

Nil

## **30. Intangible assets**

### **(1) Measurement, use of life and impairment testing**

#### **30.1.1 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.

When the exchange of non-monetary assets has commercial substance and the fair value of the assets swapped in or out can be reliably measured, the fair value is used as the basis for measurement. If the fair value of both the swap-in assets and swap-out assets can be reliably measured, for the swap-in intangible assets, the fair value of the swap-in assets and related taxes payable shall be used as the initial investment cost of the swap-in intangible assets, unless there is solid evidence that the fair value of the swap-in assets is more reliable. If the exchange of non-monetary assets does not have commercial substance, or the fair value of the swap-in and swap-out assets cannot be reliably measured, for the intangible assets swapped in, the book value of the swap-out assets and the relevant payable taxes and dues shall be used as the initial investment cost of swap-in intangible assets.

## (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.

### 30.1.2 Estimation of the service life of intangible assets with limited service life

Item	Predicted useful life	Amortization method	Basis
Land use right	Amortized the actual rest of life after certificate of land use right obtained	Straight-line method	Certificate of land use right
Proprietary technology	20-year	Straight-line method	Actual situation of the Company
Trademark use right	10-year	Straight-line method	Actual situation of the Company
Software use right	5-8 years	Straight-line method	Protocol agreement
Forest tree use right	Service life arranged	Straight-line method	Protocol agreement
Shop management right	Service life arranged	Straight-line method	Protocol agreement

### 30.1.3 Judgment basis on intangible assets with uncertain service life and review procedures for the service life

Intangible assets for which it is impossible to predict the term during which the assets can bring in economic benefits are viewed as intangible assets with indefinite life. Intangible assets with indefinite life are not amortized during the holding period, and useful life is re-reviewed at the end of each accounting period. In case that it is still determined as indefinite after such re-review, then impairment test will be conducted continuously in every accounting period.

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

### **30.2.1 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.

Expenditures incurred during the research phase of internal R&D projects shall be recorded into the current profit and loss when incurred.

### **30.2.2 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, intangible assets with uncertain service life and intangible assets that have not reached the serviceable state shall be subject to impairment test 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 apportioning the book value of goodwill, the Company apportions according to the relative benefit that the relevant asset groups or combination of asset groups can obtain from the synergies of business combination, and conducts a goodwill impairment test on this basis.

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 expenses of the Company includes expenditures on improvement of investment real estate, decoration fee and expenditure for fixed assets improvement etc. Long term prepaid expense is amortized during the beneficial period under straight line method.

### **33. Contractual liabilities**

Nil

### **34. Staff remuneration**

#### **(1)Accounting treatment of short term remuneration**

##### **Accounting treatment of 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**

All of the company's after-service benefit plans are 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. The company shall have no other obligation to pay the aforesaid amount after regular payment in accordance with the standard stipulated by the state and the annuity plan.

#### **(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**

#### **36.1 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.

#### **36.2 Measurement**

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

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

Treatment for best estimation:

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

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

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

### **37. Share-based payment**

Nil

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

Nil

### 39. Revenue

Whether implemented the new revenue standards

☐Yes ☒No

#### 39.1 Revenue from sales of goods

- (1) Principal risks and rewards in the ownership of the goods are transferred to the buyer;
- (2) The Company retains neither the continuing management rights normally associated with ownership nor effective control over the merchandise sold;
- (3) The sales revenue can be measured reliably;
- (4) The related economic benefits are likely to flow into the company;
- (5) The relevant costs incurred or to be incurred can be measured in a reliable way.

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.

#### 39.2 Rendering of services

- (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”.

### **39.3 The revenue from abalienating of right to use 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**

### **40.1 Types**

Governments grants of the Company refer to the monetary and non-monetary assets obtained from government for free, and are divided into those related to assets and others related to revenues.

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

### **40.2 Recognition of government grant**

At end of the period, if there is evidence show that the Company qualified relevant condition of fiscal supporting policies 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.

### 40.3 Accounting treatment

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

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

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

As for the government grants with income concerned, which has compensated relevant expenses and losses occurred in later period, than recognized as deferred income, and reckoned into current gains/losses during the period while relevant expenses or losses determined; for those government grants which has compensated relevant expenses and losses that occurred, reckoned into current gains/losses while acquired. Government grants relevant to daily activities of enterprises are included in other income; government grants irrelevant to daily activities of enterprises are included in non-operating income and expenditure.

The government grants relevant to discounted interest on policy concessional loans is used to offset the relevant borrowing costs; the fair value of borrowings is used as the entry value of borrowings and the borrowing costs are calculated according to the actual interest rate method, the balance between the actual amount received and the fair value of borrowings is recognized as deferred income. Deferred income is amortized to offset the related borrowing costs by adopting the actual interest rate method in duration of borrowings.

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

### 41. Deferred income tax assets and deferred income tax liabilities

The deferred income tax assets recognized 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 recognized 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**

#### **Accounting treatment for operating lease**

42.1.1 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.

42.1.2 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**

42.2.1 Assets lease-in by financing: On the beginning date of the lease, the entry value of leased asset shall be at the lower of the fair value of the leased asset and the present value of minimum lease payment at the beginning date of the lease. Minimum lease payment shall be the entry value of long-term accounts payable, with difference recognized as unrecognized financing expenses. 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.

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

## **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

Content & reasons	Approval procedure	Note
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<p>The Company, prepared the financial statement of 2019 in accordance with the Notice on Revision and Issuance of Consolidated Financial Statement Format (2019 version) (Cai Kuai [2019] No.16 from Ministry of Finance and requirement of Accounting Standards for Business Enterprises. This accounting policy change adopts the retroactive adjustment method.</p>	<p>Approved by the 6<sup>th</sup> session of 10<sup>th</sup> BOD dated 28 Oct. 2019</p>	<p>Items and amounts of the financial statement of 2018 that are significantly affected found more in the No.44 carry in Note V. Important policy and important estimation of Section XII Financial Report in the Report.</p>
<p>The Company implemented the revised 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, (hereinafter referred to as New Financial Instrument Standards) since 1 Jan. 2019. No adjustment is made to information in comparable periods in accordance with the linkage between the relevant old and new standards. The difference between the new standards and original standards on the first execution date shall be retroactively adjusted for retained earnings or other comprehensive earnings at the beginning of this reporting period.</p>	<p>Approved by the 3<sup>rd</sup> session of 10<sup>th</sup> BOD dated 25 April 2019</p>	<p>On 1 Jan. 2019, the company compare the results of classification and measurement on financial assets and financial liability that under the new standards and original standards, adjustment on book value and loss reserves are shown in the following table. Main impact of the implementation of new financial instrument standards on financial statement as of 1 Jan. 2019 found more in the No.44 carry in Note V. Important policy and important estimation of Section XII Financial Report in the Report.</p>

<p>The Company implemented the revised Accounting Standards for Business Enterprise No.7- Non-monetary Assets Exchange and Accounting Standards for Business Enterprise No.12- Debt Restructuring since 1 Jan. 2019. According to the convergence provision of new and old standards, the Company shall adjusted the exchange of non-monetary assets and debt restructuring between 1 Jan. 2019 and the implementation date of the standards in accordance with the standards. The non-monetary assets exchange and debt restructuring occurred before 1 Jan. 2019, no need to adjusted retroactively.</p>	<p>Approved by the 7<sup>th</sup> session of 10<sup>th</sup> BOD dated 30 Dec. 2019</p>	<p>Implementation of the new standards will not affect the financial status, operation results and cash flow of the Company.</p>
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Base on the balance of year-end last year after adjustment in line with the Cai Kuai [2019] No.6 and Cai Kuai [2019] No.16, all financial assets and liabilities are classified and measured according to the provision of the measurement standards for recognition of financial instrument before and after the revision. The comparison of measurement results are as follow:

### Consolidation

Former financial instrument standard			New financial instrument standard		
Items	Measurement category	Book value	Items	Measurement category	Book value
Monetary funds	Amortized cost	631,638,339.68	Monetary funds	Amortized cost	631,638,339.68
Financial assets measured by fair value and with variation reckoned into current gains/losses	Measured by fair value and with variation reckoned into current gains/losses	1,124,927.96	Tradable financial assets	Measured by fair value and with variation reckoned into current gains/losses	1,124,927.96
Note receivable	Amortized cost	1,027,635.04	Note receivable	Amortized cost	1,027,635.04
Account receivable	Amortized cost	473,646,886.64	Account receivable	Amortized cost	473,646,886.64
Other account receivable	Amortized cost	33,803,428.45	Other account receivable	Amortized cost	33,803,428.45
Available-for-sale financial assets	Measured at cost	57,500.00	Other non-current financial assets	Financial assets measured by fair value and with variation reckoned into current gains/losses	57,500.00
Short-term borrowing	Amortized cost	91,600,000.00	Short-term borrowing	Amortized cost	91,600,000.00
Account payable	Amortized cost	472,738,283.80	Account payable	Amortized cost	472,738,283.80
Other account	Amortized cost	280,689,548.29	Other account	Amortized cost	280,689,548.29



payable			payable		
Long-term borrowing	Amortized cost	516,687,791.66	Long-term borrowing	Amortized cost	516,687,791.66
Long-term account payable	Amortized cost	15,690,202.08	Long-term account payable	Amortized cost	15,690,202.08

### Parent company

Former financial instrument standard			New financial instrument standard		
Items	Measurement category	Book value	Items	Measurement category	Book value
Monetary funds	Amortized cost	168,900,586.84	Monetary funds	Amortized cost	168,900,586.84
Financial assets measured by fair value and with variation reckoned into current gains/losses	Measured by fair value and with variation reckoned into current gains/losses	1,124,927.96	Tradable financial assets	Measured by fair value and with variation reckoned into current gains/losses	1,124,927.96
Account receivable	Amortized cost	42,441,119.07	Account receivable	Amortized cost	42,441,119.07
Other account receivable	Amortized cost	159,677,969.59	Other account receivable	Amortized cost	159,677,969.59
Account payable	Amortized cost	73,705,646.54	Account payable	Amortized cost	73,705,646.54
Other account payable	Amortized cost	232,109,084.76	Other account payable	Amortized cost	232,109,084.76

### (2) Changes of important accounting estimate

☐ Applicable ☒ Not applicable

**(3)Adjustment on the relevant items of financial statement at beginning of the year when implemented the new financial instrument standards, new revenue standards and new leasing standards since 2019**

√ Applicable □ Not applicable

Consolidate balance sheet

In RMB

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	561,500.00	
Dividend receivable			
Buying back the sale of financial assets			
Inventories	2,811,802,600.19	2,811,802,600.19	
Contractual asset			

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 assets	50,174,590.98	50,174,590.98	
Other non-current assets	1,936,149.72	1,936,149.72	
Total non-current assets	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 borrowing	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	
Contractual liabilities			
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			
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 borrowing	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

Nil

Balance sheet of parent company

In RMB

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 current gains/losses	1,124,927.96		-1,124,927.96
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		
Contractual asset			
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 assets	5,630,538.80	5,630,538.80	
Other non-current assets			
Total non-current assets	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 borrowing			
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	
Contractual liabilities			
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 borrowing			



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 owner's 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

Nil

**(4) Retrospective adjustment of early comparison data description when implemented the new financial instrument standards and new leasing standards since 2019**

☐ Applicable ☒ Not applicable

**45. Other**

Nil

**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%, 13%, 10%, 9%, 6%, 5%, 3%
Urban maintenance and construction tax	Calculated according to the actual value-added tax and consumption tax	7%, 5%
Enterprise income tax	Calculated according to taxable income	25%, 15%, 0%
Educational surtax	Calculated according to the actual value-added tax and consumption tax	3%
Local education surcharge	Calculated according to the actual value-added tax and consumption tax	2%
Property tax	Price-based resource tax, 1.2 percent of the remaining value after deducting 20% of the original value of the property; 12 percent of the rental income if levy by rents.	1.2%, 12%

Rate of income tax for different taxpaying body:

Taxpaying body	Rate of income tax
Shenzhen Cereals Holdings Co., Ltd.	25%
Shenzhen Cereals Group Co., Ltd. (hereinafter referred to as "SZCG")	25%, Some businesses are tax-free
Shenzhen Hualian Grain & Oil Trade Co., Ltd. (hereinafter referred to as "Hualian Cereals and Oil")	25%
Shenzhen Flour Co., Ltd. (hereinafter referred to as "Shenzhen Flour")	Tax-free

Shenliang Quality Inspection Co., Ltd. (hereinafter referred to as "Shenliang Quality Inspection ")	25%
Hainan Haitian Aquatic Feed Co., Ltd. (hereinafter referred to as "Hainan Haitian")	25%
Shenliang Doximi Business Co., Ltd. (hereinafter referred to as "Doximi")	25%
Shenzhen Shenliang Big Kitchen Food Supply Chain Co., Ltd.(hereinafter referred to as "Big Kitchen ")	15%
Shenzhen Shenliang Storage (Yingkou) Co., Ltd. (hereinafter referred to as "Yingkou Storage")	25%
Shenzhen Shenliang Cold Chain Logistics Co., Ltd. (hereinafter referred to as "Cold Chain Logistics")	15%
Shenzhen Shenliang Real Estate Development Co., Ltd (hereinafter referred to as "Shenliang Real Estate ")	25%
Shenzhen Shenliang Property Management Co., Ltd. (hereinafter referred to as "Shenliang Property")	25%
Dongguan Shenliang Logistics Co., Ltd. (hereinafter referred to as "Dongguan Logistics")	25%
Dongguan International Food Industrial Park Development Co., Ltd. (hereinafter referred to as "International Food")	25%
Dongguan Shenliang Oil & Food Trade Co., Ltd. (hereinafter referred to as "Dongguan Oil & Food")	25%
Dongguan Golden Biology Tech. Co., Ltd. (hereinafter referred to as Dongguan Golden)	25%
Shuangyashan Shenliang Zhongxin Cereals Base Co., Ltd. (hereinafter referred to as "Shuangyashan")	25%
Heilongjiang Hongxinglong Nongken Shenxin Cereals Industrial Park Co., Ltd. (hereinafter referred to as " Hongxinglong")	25%
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd (hereinafter referred to as "Shenbao Huacheng")	15%
Shantou Branch of Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd (hereinafter referred to as "Shantou Branch")	25%
Wuyuan Ju Fang Yong Tea Industry Co., Ltd.(hereinafter referred to as "Wuyuan Ju Fang Yong")	15%
Shenzhen Shenshenbao Investment Co., Ltd. (hereinafter referred to as "Shenbao Investment")	25%
Shenzhen Shenshenbao Tea Culture Commercial Management Co., Ltd. (hereinafter referred to as "Shenbao Tea Culture")	25%

Hangzhou Ju Fang Yong Holding Co., Ltd (hereinafter referred to as "Ju Fang Yong Holding ")	25%
Hangzhou Ju Fang Yong Trading Co., Ltd. (hereinafter referred to as "Ju Fang Yong Trading ")	25%
Hangzhou Chunshi Network Technology Co., Ltd. (hereinafter referred to as "Chunshi Network")	25%
Hangzhou Fuhaitang Catering Management Chain Co., Ltd. (hereinafter referred to as "Fuhaitang Catering")	25%
Shenzhen Shenbao Tea-Shop Co., Ltd (hereinafter referred to as "Shenbao Tea-Shop")	25%
Hangzhou Fuhaitang Tea Ecological Technology Co., Ltd. (hereinafter referred to as "Fuhaitang Ecological")	25%
Mount Wuyi Shenbao Rock Tea Co., Ltd. (hereinafter referred to as "Shenbao Rock Tea")	25%
Yunnan Shenbao Pu'er Tea Supply Chain Management Co., Ltd. (hereinafter referred to as "Pu'er Tea Supply Chain")	25%
Shenzhen Shenbao Sanjing Food Beverage Development Co., Ltd. (hereinafter referred to as "Shenbao Sanjing")	25%
Yunnan Pu'er Tea Trading Center Co., Ltd. (hereinafter referred to as "Pu'er Tea Trading Center")	25%
Dongguan Golden Biology Tech. Co., Ltd. (hereinafter referred to as Dongguan Golden)	25%
Huizhou Shenbao Technology Co., Ltd. (hereinafter referred to as "Huizhou Shenbao")	25%
Shenzhen Shenbao Property Management Co., Ltd. (hereinafter referred to as "Shenbao Property")	25%
Shenzhen Shenbao Technology Center Co., Ltd. (hereinafter referred to as "Shenbao Technology")	25%
Shenzhen Shenbao Industrial & Trading Co., Ltd(hereinafter referred to as "Shenbao Industry and Trade")	25%

## 2. Tax preferential

### (1) VAT discounts and approval

According to the “Notice of the Ministry of Finance and the State Administration of Taxation on the Issues Concerning the VAT Collection and Exemption of Grain Enterprises (CSZ [1999] No. 198)” and “Shenzhen Tax Service, State Taxation Administration and Shenzhen Finance Bureau SGSF (SCF [1999] No.428)”, confirming that SZCG, the Company’s subsidiary, and its subsidiaries, are state-owned grain purchase and sale enterprises that undertake grain collection and storage tasks for Shenzhen, the grain sold is subject to tax-free declaration by

rule and enjoys the exemption from VAT. In addition, according to the stipulation of the “Announcement of State Administration of Taxation on Relevant Management Matters After Clarifying the Cancellation of the Approval of Some VAT Preferential Policies” (SAT Announcement 2015 No. 38), the approval for exemption from VAT and the involved tax review and approval procedures for the state-owned grain enterprises that undertake grain collection and storage tasks, other grain enterprises that operate tax-free projects and enterprises that have edible vegetable oil sales business for government reserves are cancelled and changed to record management. The taxpayer does not change the content of the record materials during the period of tax exemption can be put on a one-time record. In December 2013, SZCG obtained the notice of the VAT preferential record (SGSFJBM [2013] No.2956) from Shenzhen Futian State Administration of Taxation. In the case of no change in policy, this limited filing period started on January 1<sup>st</sup>, 2014. The VAT input tax amount of the preferential item was separately accounted for, and the input VAT calculation method cannot be changed within 36 months after the selection. As of December 31, 2018, the tax exemption policy has been in effect since its filing in 2014, and the company’s VAT input tax has not changed since it was accounted for separately in 2014, so the company continues to enjoy the tax preference.

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

According to the stipulations of “Notice of the Ministry of Finance and the State Administration of Taxation on the Relevant Tax Policies Concerning Some National Reserved Commodities (CS [2019] No. 77)”, and documents of Guangdong Province Department of Finance, Guangdong Provincial Taxation Bureau of the State Administration of Taxation and Guangdong Provincial Food and Material Reserve Bureau (Yue Cai Shui [2020]No.2, 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.

## (3) Enterprise income tax

2.3.1 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.

2.3.2 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.

2.3.3 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.

2.3.4 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.

2.3.5 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

In RMB

Item	Ending balance	Opening balance
Cash on hand	191,650.33	282,322.45

Cash in bank	154,658,586.69	631,190,032.12
Other monetary fund	104,520.83	165,985.11
Total	154,954,757.85	631,638,339.68

Other explanation

The Company did not has account pledge, freeze or has potential risks in collection ended as 31 December 2019.

## 2. Tradable financial assets

In RMB

Item	Ending balance	Opening balance
Financial assets measured by fair value and with variation reckoned into current gains/losses	1,166,209.72	1,124,927.96
Including:		
Equity investment instrument	1,166,209.72	1,124,927.96
Including:		
Total	1,166,209.72	1,124,927.96

Other explanation:

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

## 3. Derivative financial assets

In RMB

Item	Ending balance	Opening balance
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Other explanation:

## 4. Note receivable

### (1) Category

In RMB

Item	Ending balance	Opening balance
Bank acceptance bill	1,909,720.38	1,027,635.04
Total	1,909,720.38	1,027,635.04

In RMB

Category	Ending balance			Opening balance		
	Book balance	Bad debt provision	Book	Book balance	Bad debt provision	Book

	Amount	Ratio	Amount	Accrual ratio	value	Amount	Ratio	Amount	Accrual ratio	value
Including:										
Including:										

Bad debt provision accrual on single basis:

In RMB

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

Bad debt provision accrual on portfolio:

In RMB

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:

In RMB

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

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

☐ Applicable ☒ Not applicable

## (3) Note receivable that pledged at period-end

In RMB

Item	Amount pledged at period-end
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## (4) Notes endorsement or discount and undue on balance sheet date

In RMB

Item	Amount derecognition at period-end	Amount not derecognition at period-end
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**(5) Notes transfer to account receivable due for failure implementation by drawer at period-end**

In RMB

Item	Amount transfer to account receivable at period-end
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Other explanation

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

In RMB

Item	Amount written-off
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Including important note receivable that written-off:

In RMB

Enterprise	Nature	Amount written-off	Written-off causes	Procedure of written-off	Resulted by related transaction (Y/N)
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Explanation on note receivable written-off

**5. Account receivable**

**(1) Category**

In RMB

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	103,361,342.42	23.40%	99,663,780.43	96.42%	3,697,561.99	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	2.37%	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	92,905,714.88	21.04%	89,208,152.89	96.02%	3,697,561.99	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	338,299,930.10	76.59%	3,309,725.41	0.98%	334,990,204.69	479,058,935.68	82.60%	7,165,979.50	1.50%	471,892,956.18
Including:										
Specific object combinations	183,644,354.88	41.58%			183,644,354.88	37,904,559.66	6.54%			37,904,559.66
Accounts receivable with provision for bad debts by aging analysis	154,655,575.22	35.02%	3,309,725.41	2.14%	151,345,849.81	441,154,376.02	76.06%	7,165,979.50	1.62%	433,988,396.52
Total	441,661,272.52	100.00%	102,973,505.84	23.32%	338,687,766.68	579,979,814.74	100.00%	106,332,928.10	18.33%	473,646,886.64

Bad debt provision accrual on single basis: 99,663,780.43 Yuan

In RMB

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
Account receivable with single minor amount but with bad debts provision accrued on a single basis at period-end				
Shenzhen Faqun Industry Co., Ltd.	4,582,156.00	4,582,156.00	100.00%	Slightly possibly taken back
Li Shaoyu owes for goods	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 factory	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
Other single provision	76,861,753.38	73,164,191.39	95.19%	Slightly possibly taken back
Total	103,361,342.42	99,663,780.43	--	--

Bad debt provision accrual on single basis:

In RMB

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

Bad debt provision accrual on portfolio: 3,309,725.41 Yuan

In RMB

Name	Ending balance		
	Book balance	Bad debt provision	Accrual ratio
Specific object combinations	183,644,354.88	0.00	0.00%
Accounts receivable with provision for bad debts by aging analysis			
Within one year (including 1-year)	148,667,936.00	1,486,635.30	1.00%
1-2 years (including 2-year)	3,017,685.20	301,768.53	10.00%
2-3 years (including 3-year)	1,003,279.60	300,983.87	30.00%
3-4 years (including 4-year)	119,702.53	59,851.27	50.00%
4-5 years (including 5-year)	1,056,970.31	528,485.17	50.00%
Over 5 years	790,001.58	632,001.27	80.00%
Total	338,299,930.10	3,309,725.41	--

Explanation on portfolio determines:

Among them, the portfolio of specific objects mainly includes receivables from the government, reserve funds etc., no bad debt provision accrual.

Item	Ending balance
Receivables from the government	183,468,687.97
Other	175,666.91
Total	183,644,354.88

Bad debt provision accrual on portfolio:

In RMB

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

In RMB

Account age	Ending balance
Within one year (including 1-year)	335,504,294.84
1-2 years	3,017,685.20
2-3 years	1,003,279.60
Over 3 years	102,136,012.88
3-4 years	5,080,613.43
4-5 years	1,056,970.31
Over 5 years	95,998,429.14
Total	441,661,272.52

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

Bad debt provision accrual in the period:

In RMB

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written-off	Other	
Accrued by combination	7,165,979.50	-3,856,254.09				3,309,725.41
Accrued by single item	99,166,948.60	1,519,331.83	1,022,500.00			99,663,780.43
Total	106,332,928.10	-2,336,922.26	1,022,500.00			102,973,505.84

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

In RMB

Enterprise	Amount collected or reversal	Collection way
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## (3) Account receivable actually written-off in the period

In RMB

Item	Amount written-off
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Including major account receivable written-off:

In RMB

Enterprise	Nature	Amount written-off	Written-off causes	Procedure of written-off	Resulted by related transaction (Y/N)
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Explanation on account receivable written-off:

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

In RMB

Enterprise	Ending balance of accounts receivable	Proportion in total receivables at ending balance (%)	Bad debt preparation ending balance
First	183,468,687.97	41.54%	
Second	12,603,084.40	2.85%	126,030.84
Third	10,455,627.54	2.37%	10,455,627.54
Fourth	8,499,584.61	1.92%	84,995.85
Fifth	6,277,099.91	1.42%	62,771.00
Total	221,304,084.43	50.10%	

#### (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

In RMB

Item	Ending balance	Opening balance
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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**

In RMB

Account age	Ending balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within one year	8,782,989.64	95.44%	83,282,051.24	99.51%
1-2 years	200,837.84	2.18%	70,556.78	0.08%
2-3 years	59,439.42	0.65%	7,670.34	0.01%
Over 3 years	159,663.81	1.73%	336,591.71	0.40%
Total	9,202,930.71	--	83,696,870.07	--

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

Nil

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

Prepaid objects	Ending balance	Proportion in of total prepayment balance at the end of period (%)
First	2,880,587.99	31.30
Second	1,245,331.18	13.53
Three	1,239,774.81	13.47
Fourth	477,247.77	5.19
Fifth	394,512.47	4.29
Total	6,237,454.22	67.78

Other explanation:

Nil

**8. Other account receivable**

In RMB

Item	Ending balance	Opening balance
Interest receivable		561,500.00
Other account receivable	25,758,695.07	33,241,928.45
Total	25,758,695.07	33,803,428.45

## (1) Interest receivable

### 1) Category

In RMB

Item	Ending balance	Opening balance
Time deposit interest		561,500.00
Total		561,500.00

### 2) Significant overdue interest

In RMB

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

In RMB

Item (or invested enterprise)	Ending balance	Opening balance

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

In RMB

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

In RMB

Nature	Ending book balance	Opening book balance
Margin and deposit	13,760,145.15	11,160,677.29
Export tax rebate		312,364.06
Other intercourse funds	109,796,076.74	119,759,129.21
Total	123,556,221.89	131,232,170.56

#### 2) Accrual of bad debt provision

In RMB

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	7,391,712.89		90,598,529.22	97,990,242.11
Balance of Jan. 1, 2019 in the period	—	—	—	—
-- transfer in phase II				
-- transfer in phase III	-289,631.69		289,631.69	
Current accrual	-4,050,421.82		3,913,087.71	-137,334.11
Current written off	-55,259.09			-55,259.09
Other change	-122.09			-122.09
Balance on Dec. 31, 2019	2,996,278.20		94,801,248.62	97,797,526.82

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

☐ Applicable ☒ Not applicable

By account age

In RMB

Account age	Ending balance
Within one year (including 1-year)	16,556,584.38
1-2 years	2,851,904.20
2-3 years	4,495,399.87
Over 3 years	99,652,333.44
3-4 years	5,187,087.83



4-5 years	1,055,134.92
Over 5 years	93,410,110.69
Total	123,556,221.89

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

Bad debt provision accrual in the period:

In RMB

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written off	Other	
Combined accrual	7,391,712.89	-4,340,053.51		-55,259.09	-122.09	2,996,278.20
Single accrual	90,598,529.22	4,202,719.40				94,801,248.62
Total	97,990,242.11	-137,334.11		-55,259.09	-122.09	97,797,526.82

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

In RMB

Enterprise	Amount reversal or collected	Collection way
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### 4) Other account receivable actually written-off in the period

In RMB

Item	Amount written-off
Other account receivable actually written-off	53,640.19

Including important other account receivable written-off:

In RMB

Enterprise	Nature	Amount written-off	Written-off causes	Procedure of written-off	Resulted by related transaction (Y/N)
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Explanation on other account receivable written-off:

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

In RMB

Enterprise	Nature	Ending balance	Account age	Ratio in total ending balance of other account receivables	Ending balance of bad debt reserve
First	Intercourse funds	24,350,611.65	Within one year to over 5 years	19.71%	21,803,513.37
Second	Intercourse funds	8,326,202.63	Over 5 years	6.74%	8,326,202.63

Three	Intercourse funds	8,285,803.57	Over 5 years	6.71%	8,285,803.57
Fourth	Intercourse funds	5,677,473.59	Over 5 years	4.60%	5,677,473.59
Fifth	Intercourse funds	5,602,468.81	Over 5 years	4.53%	5,602,468.81
Total	--	52,242,560.25	--	42.29%	49,695,461.97

#### 6) Other account receivables related to government grants

In RMB

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

In RMB

Item	Ending balance			Opening balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	56,703,874.41	19,314,135.53	37,389,738.88	63,928,125.50	19,906,198.09	44,021,927.41
Goods in process	20,109,513.82	282,586.46	19,826,927.36	23,840,568.24	68,371.10	23,772,197.14
Finished goods	3,095,488,288.29	101,687,483.68	2,993,800,804.61	2,827,653,415.87	101,081,767.83	2,726,571,648.04
Revolving material	9,029,409.09	952,393.40	8,077,015.69	10,843,165.99	941,939.14	9,901,226.85
Goods in transit	5,475,435.17		5,475,435.17	7,410,407.72		7,410,407.72
Work in process-outsource d	5,421,792.75	5,290,502.32	131,290.43	5,415,695.35	5,290,502.32	125,193.03
Total	3,192,228,313.53	127,527,101.39	3,064,701,212.14	2,939,091,378.67	127,288,778.48	2,811,802,600.19

## (2) Falling price reserves of inventories

In RMB

Item	Opening balance	Current amount increased		Current amount decreased		Ending balance
		Accrual	Other	Reversal or write-off	Other	
Raw materials	19,906,198.09	248,900.65		840,963.21		19,314,135.53
Goods in process	68,371.10	214,215.36				282,586.46
Finished goods	101,081,767.83	157,798,003.60		157,192,287.75		101,687,483.68
Revolving material	941,939.14	11,870.76		1,416.50		952,393.40
Work in process-outsource d	5,290,502.32					5,290,502.32
Total	127,288,778.48	158,272,990.37		158,034,667.46		127,527,101.39

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

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

In RMB

Item	Amount
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Other explanation:

## 10. Contract assets

In RMB

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:

In RMB

Item	Amount changed	Cause of change
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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

In RMB

Item	Current accrual	Current reversal	Charge off/Written-off	Causes
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Other explanation:

## 11. Assets held for sale

In RMB

Item	Ending book balance	Impairment provision	Ending book value	Fair value	Estimated disposal cost	Estimated disposal time
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Other explanation:

## 12. Non-current asset due within one year

In RMB

Item	Ending balance	Opening balance
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Important creditors' investment/ other creditors' investment

In RMB

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

In RMB

Item	Ending balance	Opening balance
Input tax to be deducted	83,157,841.68	88,918,809.39
Prepaid income tax	15,985.35	394,677.16
Financial products held to maturity within one year	385,000,000.00	160,000,000.00
Other	553.37	5,180,277.49
Total	468,174,380.40	254,493,764.04

Other explanation:

## 14. Creditors' investment

In RMB

Item	Ending balance	Opening balance
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	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
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Important creditors' investment

In RMB

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

In RMB

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

In RMB

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
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Important other creditors' investment

In RMB

Other creditor 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

In RMB

Bad debt provision	Phase I	Phase II	Phase III	Total
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	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

In RMB

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

In RMB

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

In RMB

The	Opening	Current changes (+,-)	Ending	Ending
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invested entity	balance (book value)	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	balance (book value)	balance of impairment provision
I. Joint venture											
II. Associated enterprise											
Shenzhen Shenbao (Xinmin) Foods Co., Ltd.*1											2,870,000.00
Changzhou Shenbao Chacang E-business Co., Ltd.*2											
Shenzhen Shenbao (Liaoyuan) Industrial Co., Ltd.*1											57,628.53
Huizhou Shenbao Manan Bio-technology Co., Ltd.	1,050,116.57		1,050,116.57								
Shenzhen Shichumingmen Restaurant Management Co., Ltd.*2											

Guangzhou Shenbao Mendao Tea Co., Ltd.	3,825,725 .70			-1,614,29 6.02						2,211,429 .68	
Zhuhai Hengxing Feed Industrial Co., Ltd.	29,510,77 1.11			2,125,936 .11						31,636,70 7.22	
Shenzhen Duoxi Equity Investme nt Fund Managem ent Co., Ltd.	4,014,625 .45			-311,020. 65						3,703,604 .80	
Shenliang Intelligent Wulian Equity Investme nt Fund (Shenzhe n) Partnershi p Enterprise (Limited)	23,105,66 2.49			2,828,260 .86						25,933,92 3.35	
Shenzhen Shenyuan Data Tech. Co., Ltd	9,492,765 .49			382,881.5 6						9,875,647 .05	
Subtotal	70,999,66 6.81		1,050,116 .57	3,411,761 .86						73,361,31 2.10	2,927,628 .53
Total	70,999,66 6.81		1,050,116 .57	3,411,761 .86						73,361,31 2.10	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-commence 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 abovementioned enterprises

## 18. Other equity instrument investment

In RMB

Item	Ending balance	Opening balance
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Itemized the non-tradable equity instrument investment in the period

In RMB

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
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Other explanation:

## 19. Other non-current financial assets

In RMB

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

Other explanation:

Invested unit	Shareholding ratio in invested units (%)	Ending balance	Impairment reserve ending balance
Shenzhen Sanjiu Weitai Co., Ltd.	0.95	2,480,000.00	2,480,000.00
Shenzhen Tianji Photoelectric Industry Co., Ltd. (Formerly known as "Shenzhen Tianji Photoelectric Technology Industrial Co., Ltd.")*1	3.77	15,000,000.00	15,000,000.00
Beijing Temple of Heaven Co., Ltd.		57,500.00	
Total		17,537,500.00	17,480,000.00

Presented under the financial assets available-for sale before implemented the new financial instrument standard. Ending balance refers to the shares of Beijing Temple of Heaven Co., Ltd held, the shares are the legal person's shares purchased from former STAQ trading system. Former name was Beijing Shuanghesheng Five Star Beer Sanhuan Co., Ltd, initial investment shares amounted to 55,000 shares, and after renamed, directional share exchange amounted to 33,333 shares.

## 20. Investment real estate

### (1) Measured at cost

√ Applicable □ Not applicable

In RMB

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	22,771,756.41			22,771,756.41
(3) Increased by combination				
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	36,195,242.16			36,195,242.16
(1) Accrual or amortization	23,483,423.93			23,483,423.93
(2) Inventory\fixed assets\construction in process transfer-in	12,711,818.23			12,711,818.23
3. Current amount decreased				

(1) Disposal				
(2) Other transfer-out				
4. Ending balance	320,735,390.98			320,735,390.98
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	269,704,937.17			269,704,937.17
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

In RMB

Item	Book value	Reasons
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Other explanation

## 21. Fixed assets

In RMB

Item	Ending balance	Opening balance
Fixed assets	945,042,032.69	993,136,743.51
Total	945,042,032.69	993,136,743.51

**(1) Fixed assets**

In RMB

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	6,216,504.63	5,003,151.83	1,252,028.03	4,286,716.00	16,758,400.49
(1) Purchase		5,003,151.83	1,252,028.03	4,286,716.00	10,541,895.86
(2) Construction in progress transfer-in					
(3) Increased by combination					
(4) Other transfers-in	6,216,504.63				6,216,504.63
3. Current amount decreased	24,700,244.36	36,965,247.71	1,631,490.93	3,547,654.38	66,844,637.38
(1) Disposal or scrap	1,928,487.95	35,665,267.24	1,623,510.93	2,298,585.50	41,515,851.62
(2) Other transfers-out	22,771,756.41	1,299,980.47	7,980.00	1,249,068.88	25,328,785.76
4. Ending balance	896,518,401.77	452,026,081.27	18,721,521.51	60,760,300.85	1,428,026,305.40
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	23,707,112.03	20,179,089.85	1,268,474.28	7,211,220.56	52,365,896.72
(1) Accrual	23,707,112.03	20,179,089.85	1,268,474.28	7,211,220.56	52,365,896.72
3. Current amount decreased	13,436,007.02	31,040,888.48	1,478,911.19	3,263,896.59	49,219,703.28
(1) Disposal or scrap	724,188.79	29,926,515.79	1,478,911.19	2,079,020.25	34,208,636.02
(2) Other transfers-out	12,711,818.23	1,114,372.69		1,184,876.34	15,011,067.26
4. Ending balance	191,240,117.01	232,572,819.43	13,702,651.03	40,480,125.26	477,995,712.73

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		372,521.40			372,521.40
(1) Accrual		372,521.40			372,521.40
3. Current amount decreased	1,108,373.78	4,294,195.48	93,411.42	14,260.23	5,510,240.91
(1) Disposal or scrap	1,108,373.78	3,921,262.58	93,411.42	14,260.23	5,137,308.01
(2) Other transfers-out		372,932.90			372,932.90
4. Ending balance	689,332.71	4,285,356.15		13,871.12	4,988,559.98
IV. Book value					
1. Ending book value	704,588,952.05	215,167,905.69	5,018,870.48	20,266,304.47	945,042,032.69
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

In RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Note
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## (3) Fixed assets by financing leased

In RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value
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## (4) Fixed assets leased out by operation

In RMB

Item	Ending book value
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## (5) Fix assets without property certification held

In RMB

Item	Book value	Reasons for without the property certification
House buildings	15,661,805.96	The planning acceptance and construction acceptance record can not be handle due to the loss of planning and construction historical data, at present, the relevant application and approval procedures are being restarted.
House buildings	13,718,825.24	Simple and temporary buildings etc, cannot handle the property right certificate
House buildings	105,701,442.56	Berth of wharf has right of use, no need to handle the certificate
House buildings	316,312,201.39	Still under processing

Other explanation

## (6) Fixed assets disposal

In RMB

Item	Ending balance	Opening balance
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Other explanation

## 22. Construction in progress

In RMB

Item	Ending balance	Opening balance
Construction in progress	771,971,469.43	186,586,135.06
Total	771,971,469.43	186,586,135.06

## (1) Construction in progress

In RMB

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	197,140,797.10		197,140,797.10	91,924,086.19		91,924,086.19

Deep processing of Dongguan Industry and Trading Food	120,065,528.37		120,065,528.37	39,276,418.03		39,276,418.03
CDE storage of Dongguan Food Industrial Park and wharf mating projects	399,913,306.49		399,913,306.49	43,391,511.05		43,391,511.05
Grain storage and processing	42,489,084.80		42,489,084.80	6,621,284.40		6,621,284.40
Supporting projects related to grain supply						
Workshop transformation of Flour Company	868,932.37		868,932.37	711,487.37		711,487.37
Low-temperature renovation reconstruction and expansion project in Pinghu	7,096,256.57		7,096,256.57			
Other	5,300,753.47	903,189.74	4,397,563.73	5,564,537.76	903,189.74	4,661,348.02
Total	776,716,992.81	4,745,523.38	771,971,469.43	191,331,658.44	4,745,523.38	186,586,135.06

## (2) Changes of major construction in progress

In RMB

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
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Dongguan grain storage and wharf matching project	1,242,000,000.00	91,924,086.19	105,216,710.91			197,140,797.10	69.00%	Project progress 69%	24,462,003.73	7,276,865.71	4.90%	Financial institution loans
Deep processing of Dongguan Industry and Trading Food	292,000,000.00	39,276,418.03	80,789,110.34			120,065,528.37	41.00%	Project progress 41%	4,834,080.16	2,482,414.45	4.90%	Financial institution loans
CDE storage of Dongguan Food Industrial Park and wharf mating projects	960,000,000.00	43,391,511.05	356,521,795.44			399,913,306.49	73.00%	Project progress 73%	47,728,672.54	21,652,426.54	5.64%	Financial institution loans
Total	2,494,000,000.00	174,592,015.27	542,527,616.69			717,119,631.96	--	--	77,024,756.43	31,411,706.70		--

### (3) The provision for impairment of construction in progress

In RMB

Item	Amount accrual in the period	Reasons of accrual
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Other explanation

### (4) Engineering material

In RMB

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

In RMB

Item	Plant	Livestock	Forestry	Fisheries	Total
			Tea tree		
I. Original book value					
1. Opening balance			416,771.28		416,771.28
2. Current amount increased					
(1) Outsourcing					
(2) self-cultivate					
3. Current amount decreased					
(1) Disposal					
(2) Other					
4. Ending balance			416,771.28		416,771.28
II. Accumulated depreciation					
1. Opening balance			9,692.36		9,692.36
2. Current amount increased			9,692.36		9,692.36
(1) Accrual			9,692.36		9,692.36
3. Current amount decreased					
(1) Disposal					
(2) Other					
4. Ending balance			19,384.72		19,384.72

III. Impairment provision					
1. Opening balance					
2. Current amount increased					
(1) Accrual					
3. Current amount decreased					
(1) Disposal					
(2) Other					
4. Ending balance					
IV. Book value					
1. Ending book value			397,386.56		397,386.56
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

In RMB

Item		Total
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Other explanation:

## 26. Intangible assets

### (1) Intangible assets

In RMB

Item	Land use right	Patent	Non-patent technology	Other	Total
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I. Original book value					
1.Opening balance	594,651,154.35	46,265,918.89	10,305,949.49	31,536,228.47	682,759,251.20
2.Current amount increased	35,859,628.84	980,000.00	1,112,182.59	1,431,895.00	39,383,706.43
(1) Purchase	35,859,628.84	980,000.00	1,112,182.59	1,431,895.00	39,383,706.43
(2) internal R&D					
(3) Increased by combination					
3.Current amount decreased			106,454.45	12,600.00	119,054.45
(1) Disposal			106,454.45	12,600.00	119,054.45
4.Ending balance	630,510,783.19	47,245,918.89	11,311,677.63	32,955,523.47	722,023,903.18
II. Accumulated depreciation					
1.Opening balance	69,506,679.20	24,341,841.17	3,709,966.00	8,482,030.59	106,040,516.96
2.Current amount increased	15,309,422.93	1,551,737.16	1,377,159.62	1,963,119.33	20,201,439.04
(1) Accrual	15,309,422.93	1,551,737.16	1,377,159.62	1,963,119.33	20,201,439.04
3.Current amount decreased			68,737.71		68,737.71
(1) Disposal			68,737.71		68,737.71
4.Ending balance	84,816,102.13	25,893,578.33	5,018,387.91	10,445,149.92	126,173,218.29
III. Impairment provision					
1.Opening balance		5,553,283.54	1,168,058.62		6,721,342.16

2.Current amount increased					
(1) Accrual					
3.Current amount decreased			37,716.74		37,716.74
(1) Disposal			37,716.74		37,716.74
4.Ending balance		5,553,283.54	1,130,341.88		6,683,625.42
IV. Book value					
1.Ending book value	545,694,681.06	15,799,057.02	5,162,947.84	22,510,373.55	589,167,059.47
2. Opening book value	525,144,475.15	16,370,794.18	5,427,924.87	23,054,197.88	569,997,392.08

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

## (2) Land use rights without certificate of ownership

In RMB

Item	Book value	Reasons for without the property certification
Land use right	54,340,047.91	Still under processing
Land use right	2,572,333.74	Collective land, cannot handle the certificate of ownership
Total	56,912,381.65	

Other explanation:

## 27. Expense on Research and Development

In RMB

Item	Opening balance	Current amount increased			Current amount decreased			Ending balance
		Internal development expenditure	Other		Confirmed as intangible assets	Transfer to current profit and loss		
Total								

Other explanation

## 28. Goodwill

### (1) Goodwill Original book value

In RMB

The invested entity or matters forming goodwill	Opening balance	Current increased		Current decreased		Ending balance
		Formed by business combination		Dispose		
Yunnan Pu'er Tea Trading Center Co., Ltd.	673,940.32					673,940.32
Total	673,940.32					673,940.32

### (2) Goodwill impairment provision

In RMB

The invested entity or matters forming goodwill	Opening balance	Current increased		Current decreased		Ending balance
		Accrual		Dispose		
Yunnan Pu'er Tea Trading Center Co., Ltd.	673,940.32					673,940.32
Total	673,940.32					673,940.32

Relevant information about the assets group or portfolio goodwill included

In May 2016, the 15% equity of Pu'er Tea Trading Center held by Yunnan Heng Feng Xiang Investment Co., Ltd was acquired by Ju Fang Yong Holding, the sub-subsidiary of the Company, after completion of the acquisition, the Company has control over the 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

In RMB

Item	Opening balance	Current amount increased	Current amortization	Other decreased	Ending balance
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Improve expenditure for fix assets	2,385,091.34	8,084,929.15	1,258,930.83		9,211,089.66
Decoration fee	4,550,750.21	2,143,716.61	1,842,074.36	323,844.28	4,528,548.18
Improve expenditure for investment real estate	8,706,105.90		2,489,601.27	6,216,504.63	
Affiliated project of resident area in Wuyuan Ju Fang Yong	36,374.47	131,918.00	44,081.83		124,210.64
Other *1	6,121,577.88	1,158,017.90	1,259,208.96	29,006.61	5,991,380.21
Total	21,799,899.80	11,518,581.66	6,893,897.25	6,569,355.52	19,855,228.69

Other explanation

\*1. Mainly due to long-term deferred expenses such as Huizhou Shenbao 2.8 million yuan (including outdoor sewage installation and system maintenance costs), Shenzhen Cereals Group 3.03 million yuan (including maintenance auxiliary costs).

### 30. Deferred income tax asset /Deferred income tax liabilities

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

In RMB

Item	Ending balance		Opening balance	
	Deductible temporary differences	Deferred income tax asset	Deductible temporary differences	Deferred income tax asset
Impairment provision for assets	58,355,685.95	14,290,490.90	200,997,551.38	49,759,336.40
Unrealized profits in internal transactions	973,157.01	243,289.25	1,348,710.60	337,177.65
Deferred income	183,076.96	45,769.24	312,307.72	78,076.93
Credit impairment loss	98,478,516.09	24,503,161.57		
Total	157,990,436.01	39,082,710.96	202,658,569.70	50,174,590.98

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

In RMB

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	50,255,008.79	12,563,752.22	51,909,877.24	12,977,469.31
Valuation of trading financial instruments and derivative financial instruments			43,861.84	10,965.46
Total	50,255,008.79	12,563,752.22	51,953,739.08	12,988,434.77

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

In RMB

Item	Trade-off between the deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after off-set	Trade-off between the deferred income tax assets and liabilities at period-begin	Opening balance of deferred income tax assets or liabilities after off-set
Deferred income tax asset		39,082,710.96		50,174,590.98
Deferred income tax liabilities		12,563,752.22		12,988,434.77

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

In RMB

Item	Ending balance	Opening balance
Deductible temporary differences	309,898,433.67	182,713,070.07
Deductible loss	330,162,451.72	112,864,728.90
Total	640,060,885.39	295,577,798.97

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

In RMB

Year	Ending amount	Opening amount	Note
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Other explanation:

## 31. Other non-current asset

Whether implemented the new revenue standards

☐Yes ☒No

In RMB

Item	Ending balance	Opening balance
Prepaid for equipment	611,965.84	866,378.12
Prepaid for engineering		1,069,771.60
Prepaid for system	1,260,000.00	
Total	1,871,965.84	1,936,149.72

Other explanation:

### 32. Short-term loans

#### (1) Category

In RMB

Item	Ending balance	Opening balance
Secured loans		30,000,000.00
Guarantee loan		30,000,000.00
Loan in credit	23,595,000.00	31,600,000.00
Total	23,595,000.00	91,600,000.00

Explanation on category of short-term loans:

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

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

In RMB

Borrower	Ending balance	Loan rate	Overdue time	Overdue interest
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Other explanation:

### 33. Tradable financial liability

In RMB

Item	Ending balance	Opening balance
Including:		
Including:		

Other explanation:

### 34. Derivative financial liability

In RMB

Item	Ending balance	Opening balance
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Other explanation:



**35. Note payable**

In RMB

Category	Ending balance	Opening balance
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Notes expired at year-end without paid was 0 Yuan.

**36. Account payable****(1) Account payable**

In RMB

Item	Ending balance	Opening balance
Trade accounts payable	201,806,654.53	438,618,768.51
Account payable for engineering	55,979,629.86	31,922,123.90
Other	8,337,186.59	2,197,391.39
Total	266,123,470.98	472,738,283.80

**(2) Major accounts payable with age over one year**

In RMB

Item	Ending balance	Reasons of outstanding or carry-over
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Other explanation:

**37. Accounts received in advance**

Whether implemented the new revenue standards

☐Yes ☒No

**(1) Accounts received in advance**

In RMB

Item	Ending balance	Opening balance
Account for goods received in advance	134,989,316.21	204,866,040.96
Other	2,222,515.79	562,553.20
Total	137,211,832.00	205,428,594.16

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

In RMB

Item	Ending balance	Reasons of outstanding or carry-over
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### (3) Projects that settle without completed from construction contract at period-end

In RMB

Item	Amount
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Other explanation:

### 38. Contractual liabilities

In RMB

Item	Ending balance	Opening balance
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Amount and reasons for important changes of book value in the period

In RMB

Item	Amount changed	Reasons of changes
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### 39. Wage payable

#### (1) Wage payable

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance
I. Short-term compensation	121,382,348.52	280,974,373.18	231,870,273.77	170,486,447.93
II. After-service welfare-defined contribution plans	10,264,159.59	25,455,870.29	12,168,248.86	23,551,781.02
III. Dismissed welfare	4,062,915.41	4,151,468.48	7,176,036.29	1,038,347.60
Total	135,709,423.52	310,581,711.95	251,214,558.92	195,076,576.55

#### (2) Short-term compensation

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance
1. Wage, bonus, allowance and subsidy	113,607,669.85	243,498,799.23	197,044,376.73	160,062,092.35
2. Employees' welfare		13,956,156.34	13,280,289.67	675,866.67
3. Social insurance charges	99,598.81	6,544,947.36	6,558,500.98	86,045.19

Including: medical insurance premium	92,813.10	5,907,502.96	5,958,562.07	41,753.99
Industrial injury insurance premiums	304.92	147,320.22	147,019.97	605.17
Maternity insurance premiums	6,480.79	319,585.45	323,765.99	2,300.25
other		170,538.73	129,152.95	41,385.78
4. Housing public reserve		9,184,617.94	9,059,817.64	124,800.30
5. Trade union fee and education fee	7,675,079.86	7,789,852.31	5,927,288.75	9,537,643.42
Total	121,382,348.52	280,974,373.18	231,870,273.77	170,486,447.93

### (3) Defined contribution plans

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance
1. Basic endowment insurance premiums	236,975.62	11,797,668.96	11,611,212.13	423,432.45
2. Unemployment insurance premiums	4,569.75	99,051.82	101,067.10	2,554.47
3. Enterprise annuity	10,022,614.22	13,559,149.51	455,969.63	23,125,794.10
Total	10,264,159.59	25,455,870.29	12,168,248.86	23,551,781.02

Other explanation:

### 40. Taxes payable

In RMB

Item	Ending balance	Opening balance
VAT	2,206,356.73	9,493,004.93
Enterprise income tax	30,123,982.59	9,219,053.50
Personal income tax	1,251,969.61	1,927,699.20
Urban maintenance and construction tax	104,892.72	640,819.28
Educational surtax	78,996.91	483,228.46
Use tax of land	275,026.35	574,505.73
Stamp tax	599,525.05	246,056.29
House property tax	1,348,616.75	1,725,020.41
Other	1,058,246.76	660,330.78

Total	37,047,613.47	24,969,718.58
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Other explanation:

#### 41. Other account payable

In RMB

Item	Ending balance	Opening balance
Interest payable	1,411,457.29	
Dividend payable	2,933,690.04	2,909,182.74
Other account payable	232,032,023.80	277,780,365.55
Total	236,377,171.13	280,689,548.29

##### (1) Interest payable

In RMB

Item	Ending balance	Opening balance
Long-term loans interest for installment	1,411,457.29	
Total	1,411,457.29	

Major overdue interest:

In RMB

Borrower	Overdue amount	Overdue causes
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Other explanation:

##### (2) Dividend payable

In RMB

Item	Ending balance	Opening balance
Unmanaged shares	242,719.90	218,212.60
Shenzhen Investment Management Company *1	2,690,970.14	2,690,970.14
Total	2,933,690.04	2,909,182.74

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

\*1 Former largest shareholder, problems left over from historical guarantees.

##### (3) Other account payable

###### 1) By nature

In RMB

Item	Ending balance	Opening balance
Engineering quality retention money and fund of tail	3,797,078.78	3,191,037.22
Deposit and margin	116,032,480.36	151,049,170.31
Intercourse funds and other	105,177,684.59	100,749,160.89
Drawing expenses in advance	7,024,780.07	22,790,997.13
Total	232,032,023.80	277,780,365.55

## 2) Significant other account payable with over one year age

In RMB

Item	Ending balance	Reasons of outstanding or carry-over
Zhanjiang Changshan (Shenzhen) Ecological Breeding Co., Ltd.	7,988,954.17	Not yet expired
Shenzhen Yulunda Investment Development Co., Ltd.	4,483,411.81	Not yet expired
Total	12,472,365.98	--

Other explanation

## 42. Liability held for sale

In RMB

Item	Ending balance	Opening balance
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Other explanation:

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

In RMB

Item	Ending balance	Opening balance
Long-term loans due within one year	67,420,012.16	55,090,793.79
Total	67,420,012.16	55,090,793.79

Other explanation:

## 44. Other current liabilities

Whether implemented the new revenue standards

☐Yes ☒No

In RMB

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:

In RMB

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
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Other explanation:

## 45. Long-term loans

### (1) Category

In RMB

Item	Ending balance	Opening balance
Mortgage loan	673,642,296.22	426,427,633.70
Guarantee loan	162,270,260.19	90,260,157.96
Total	835,912,556.41	516,687,791.66

Explanation on category of long-term loans:

Other explanation, including interest rate range:

## 46. Bonds payable

### (1) Bonds payable

In RMB

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

In RMB

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

Total	--	--	--								
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### (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

In RMB

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

In RMB

Item	Ending balance	Opening balance
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Other explanation

### 48. Long-term account payable

In RMB

Item	Ending balance	Opening balance
Special account payable	15,856,950.01	15,690,202.08
Total	15,856,950.01	15,690,202.08

#### (1) By nature

In RMB

Item	Ending balance	Opening balance
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Other explanation:

#### (2) Special account payable

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance	Causes
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Depreciation fund for grain deposits and special fund for grain industry research	15,690,202.08	172,786.93	6,039.00	15,856,950.01	Note 1
Total	15,690,202.08	172,786.93	6,039.00	15,856,950.01	--

Other explanation:

Note 1: Depreciation fund for grain deposits is the finance allocated to the Company as a government investment in depreciation special funds of reserve grain depot and interest.

## 49. Long-term wage payable

### (1) Long-term wage payable

In RMB

Item	Ending balance	Opening balance
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### (2) Changes of defined benefit plans

Present value of the defined benefit plans:

In RMB

Item	Current Period	Last Period
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Scheme assets:

In RMB

Item	Current Period	Last Period
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Net liability (assets) of the defined benefit plans

In RMB

Item	Current Period	Last Period
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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

In RMB

Item	Ending balance	Opening balance	Causes
External guarantee	3,500,000.00		Note 1
Total	3,500,000.00		--



Other explanation, including relevant important assumptions and estimation:

Note 1: For the guarantee of Changzhou Shenbao within the scope of 3.5 million yuan to provide joint liability for compensation.

## 51. Deferred income

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance	Causes
Including: government subsidies related to assets	100,029,657.21	6,220,000.00	4,499,225.56	101,750,431.65	See table below for details
Government subsidies related to income	578,545.80		536,736.14	41,809.66	See table below for details
Total	100,608,203.01	6,220,000.00	5,035,961.70	101,792,241.31	--

Item with government grants involved:

In RMB

Liability	Opening balance	New grants in the Period	Amount reckoned in non-operatio n revenue	Amount reckoned in other income	Cost reduction in the period	Other changes	Ending balance	Assets-relate d/income related
(1) Base of further processing for tea and nature plants	1,100,000.00			275,000.00			825,000.00	Assets-relate d
(2) Enterprise technology center is a municipal R&D center. Subsidies for industrial technologica l advancement	1,987,301.17			204,024.60			1,783,276.57	Assets-relate d

(3) Project grants for years for agricultural district, Xihu Zone	312,307.72			129,230.76			183,076.96	Assets-related
(4) Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors	243,233.62			8,119.68			235,113.94	Assets-related
(5) Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors	241,323.58			199,513.92			41,809.66	Income-related
(6) Finance Discount	337,222.22			337,222.22				Income-related
(7) Industrialization of instant tea powder	2,084,136.67			196,445.88			1,887,690.79	Assets-related

(8) Grant for key technology research and industrialization of instant tea powder	153,011.21			14,245.02			138,766.19	Assets-related
(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			351,209.08			3,187,683.87	Assets-related
(10) Construction amount for 50 tons for clearly processing for Mingyou tea	500,000.00			125,000.02			374,999.98	Assets-related
(11) Subsidy for tea seeding of New Tea Garden in Wangkou	46,129.96			1,109.28			45,020.68	Assets-related

(12) Subsidy for supply system construction of agricultural products	750,000.00			200,000.00			550,000.00	Assets-related
(13) Grain storage project of Dongguan Shenliang Logistics Co., Ltd. - Storage A	8,242,417.83			262,257.12			7,980,160.71	Assets-related
(14) Phase II of grain storage project of Dongguan Shenliang Logistics Co., Ltd.- Storage B	32,968,699.52			1,031,300.52			31,937,399.00	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	6,220,000.00					11,320,000.00	Assets-related
(17) Construction of 450000 ton silos and 60000 ton film silos -CDE warehouse. Gas storage bin	17,491,764.71			104,117.64			17,387,647.07	Assets-related
(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			164,000.00			328,000.00	Assets-related

(19) Agricultural product safety testing project of the special fund for agricultural development of 2016 - Central investment fund	1,026,000.00			342,000.00			684,000.00	Assets-related
(20) Construction of O2O community sales service system for high quality grain and oil based on B2C E-commerce platform	1,789,411.20			38,576.04			1,750,835.16	Assets-related
(21) Industrialization of Doximi E-commerce platform	2,813,684.01			852,589.88			1,961,094.13	Assets-related
(22) Commercial circulation development project funding for year of 2017	524,000.00						524,000.00	Assets-related

(23) Intelligent management of grain depot based on mobile internet	866,666.64			200,000.04			666,666.60	Assets-related
Total	100,608,203.01	6,220,000.00		5,035,961.70			101,792,241.31	

Other explanation:

## 52. Other non-current liabilities

Whether implemented the new revenue standards

☐Yes ☒No

In RMB

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

Other explanation:

## 53. Share capital

In RMB

	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

In RMB

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

In RMB

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

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance
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Other explanation, including changes and reasons for changes:

## 57. Other comprehensive income

In RMB

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

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance
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Production safety fee	154.21	920,788.68	920,420.34	522.55
Total	154.21	920,788.68	920,420.34	522.55

Other explanation, including changes and reasons for changes:

## 59. Surplus public reserve

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance
Statutory surplus reserves	327,140,910.28	23,046,690.78		350,187,601.06
Total	327,140,910.28	23,046,690.78		350,187,601.06

Other explanation, including changes and reasons for changes:

## 60. Retained profit

In RMB

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	363,501,809.52	308,331,032.44
Less: withdrawal of legal surplus reserve	23,046,690.78	
Common stock dividends payable	115,253,525.40	
Retained profit at period-end	1,495,135,080.60	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

In RMB

Item	Current period		Last period	
	Income	Cost	Income	Cost

Main business	11,051,848,153.57	9,951,267,980.45	10,747,576,698.29	9,686,779,830.78
Other business	8,136,182.35	4,039,025.44	11,206,139.85	6,854,443.43
Total	11,059,984,335.92	9,955,307,005.89	10,758,782,838.14	9,693,634,274.21

Whether implemented the new revenue standards

☐Yes ☒No

Other explanation

## 62. Tax and surcharges

In RMB

Item	Current period	Last period
Consumption tax	1,054,759.39	2,165,312.82
Urban maintenance and construction tax	905,661.54	1,629,329.96
House property tax	9,130,490.81	8,050,618.18
Use tax of land	1,464,071.73	2,524,108.37
Vehicle and vessel use tax	12,208.24	
Stamp duty	1,436,656.82	959,970.44
Other	16,663.83	40,183.75
Total	14,020,512.36	15,369,523.52

Other explanation:

## 63. Sales expenses

In RMB

Item	Current period	Last period
Labor and social security benefits	63,227,886.99	64,382,900.10
Rental	7,964,035.99	8,600,847.41
Utilities and office expenses	6,423,386.32	4,423,846.48
After-sale services	5,415,990.35	5,381,877.15
Logistics transportation fee	72,027,183.21	60,230,906.69
Travel expenses	2,959,299.74	3,385,483.21
Equivalent loss for low value perishable goods	4,062,667.43	7,201,541.87
Depreciation and amortization of long-term assets	10,964,871.58	11,154,844.42
Business hospitality	1,210,508.19	1,575,490.94
Advertisement charge	812,177.09	547,154.17

Sales commission	360,654.27	3,323,497.22
Port terminal fee	37,714,735.12	69,833,224.80
Property insurance premium	614,149.77	1,070,556.38
Handling charges	19,398,184.34	19,398,184.34
Automobile expenses	1,264,797.18	
Other	16,237,163.67	13,908,901.70
Total	250,657,691.24	255,021,072.54

Other explanation:

## 64. Administration expenses

In RMB

Item	Current period	Last period
Labor and social security benefits	179,821,022.25	150,406,024.19
Communication fee	1,455,481.34	1,570,816.01
Vehicle usage fee	1,642,650.49	2,306,678.91
Low-value consumables	455,282.37	481,089.89
Repair cost	1,648,734.20	823,967.71
Depreciation and amortization of long-term assets	25,150,631.86	32,279,753.91
Travel expenses	2,916,317.33	3,200,086.74
Business hospitality	3,009,307.39	3,338,547.23
Office expenses	11,683,054.84	7,879,468.54
Rental	1,341,629.55	2,142,501.24
Intermediary fees	9,081,062.59	14,370,730.10
Relocation and shutdown expenses	3,971,983.34	4,908,709.05
Other	18,515,858.05	22,835,462.95
Total	260,693,015.60	246,543,836.47

Other explanation:

## 65. R&D expenses

In RMB

Item	Current period	Last period
Labor and social security benefits	7,047,609.33	8,050,749.76
Depreciation cost	3,038,532.74	1,369,522.27

Office expenses	133,060.44	778,680.36
Travel expenses	220,835.28	212,282.20
Logistics consumption	1,088,573.52	95,614.49
Intermediary fees	13,509.80	
Maintenance and inspection fee	642,430.88	92,759.15
Material costs	64,264.97	
Other	1,350,709.87	379,856.41
Total	13,599,526.83	10,979,464.64

Other explanation:

## 66. Financial expenses

In RMB

Item	Current period	Last period
Interest expenses	9,387,920.21	20,410,885.62
Less: Interest income	11,068,571.50	8,364,388.05
Exchange loss	240,479.24	-2,516,157.85
Other	803,557.13	600,973.53
Total	-636,614.92	10,131,313.25

Other explanation:

## 67. Other income

In RMB

Sources	Current Period	Last Period
Amortization of deferred income (related to assets)	4,499,225.56	4,949,770.34
Amortization of deferred income (related to income)	536,736.14	283,476.42
Nanshan District independent Changxin industry development special fund support project (modern agriculture development support project)	588,300.00	200,000.00
Subsidy for development of West Lake Longjing tea industry		80,000.00

Subsidy for Zhejiang tea industry technology project (demonstration and promotion of West Lake Longjing green prevention and control and production technology of slimming and reducing drugs)		150,000.00
Industrial development guiding fund	170,697.00	425,763.00
Employment subsidy fund	13,950.34	201,886.98
Supporting the ability improvement project of agricultural leading enterprises		300,000.00
Special fund for industrial development of Futian District (support for annual and quarterly growth, headquarters identification and operation, e-commerce sales and operation)	1,050,000.00	2,749,600.00
2017 e-commerce trading platform scale incentive plan		1,000,000.00
Post stabilization subsidy	12,140.94	96,450.23
Support for modern agriculture project of special fund for agricultural development of Shenzhen Municipal Market Supervision Bureau in 2019	1,793,200.00	
Award for project leading enterprises of Shenzhen market supervision and Administration Bureau	200,000.00	
Shenzhen Futian District Enterprise Development Service Center retail industry growth Award	250,000.00	
Subsidy for intermediary fees of merger and reorganization of Nanshan Economic Promotion Bureau	738,700.00	
Other	2,444,974.26	464,911.16
Total	12,297,924.24	10,901,858.13

## 68. Investment income

In RMB

Item	Current period	Last period
Long-term equity investment income measured by equity	3,411,761.86	-1,755,504.74

Investment income from disposal of long-term equity investment	127,368.82	
Income from financial products	6,299,093.96	3,029,857.89
Other*1		450,000.00
Total	9,838,224.64	1,724,353.15

Other explanation:

\*1 The company received 450000.00 yuan of performance compensation from the minority shareholders of Guangzhou Shenbao Mendao Tea Co., Ltd., an associated company.

## 69. Net exposure hedge gains

In RMB

Item	Current period	Last period
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Other explanation:

## 70. Income of fair value changes

In RMB

Sources	Current Period	Last Period
Tradable financial assets	41,281.76	-474,740.24
Total	41,281.76	-474,740.24

Other explanation:

## 71. Credit impairment loss

In RMB

Item	Current period	Last period
Loss of bad debt of other account receivable	137,829.70	
Loss of bad debt of account receivable	3,358,926.67	
Total	3,496,756.37	

Other explanation:

## 72. Assets impairment loss

Whether implemented the new revenue standards

☐ Yes ☒ No

In RMB

Item	Current period	Last period
------	----------------	-------------

I. Bad debt losses		-17,933,622.38
II. Provision for falling price of inventory	-158,272,990.37	-173,498,864.92
VII. Impairment loss of fixed assets		-4,482,037.94
XII. Impairment loss of intangible assets		-3,721,498.27
Total	-158,272,990.37	-199,636,023.51

Other explanation:

### 73. Income from assets disposal

In RMB

Sources	Current Period	Last Period
Profit and loss on disposal of non current assets	-170,437.85	1,601,802.27
Total	-170,437.85	1,601,802.27

### 74. Non-operating income

In RMB

Item	Current period	Last period	Amount included in the current non-recurring profit and loss
Government grants	10,238.81	5,000.00	10,238.81
Income from liquidated damages	8,647.80	431,861.50	8,647.80
Other	1,237,818.64	953,573.34	1,237,818.64
Total	1,256,705.25	1,390,434.84	1,256,705.25

Government grants reckoned into current gains/losses:

In RMB

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

In RMB

Item	Current period	Last period	Amount included in the current non-recurring profit and loss
External donations	2,138,196.59	99,485.68	2,138,196.59
Penalty expenses (and liquidated damages)	1,487,782.43	1,071.89	1,487,782.43
Inventory loss	8,590.79		8,590.79
Loss of scrap from non-current assets	1,546,307.69	393,959.39	1,546,307.69
Tax overdue fine	50.03	23,243.76	50.03
Compensation	30,371.37	2,257,706.50	30,371.37
Other	590,007.88	490,981.21	590,007.88
Total	5,801,306.78	3,266,448.43	5,801,306.78

Other explanation:

## 76. Income tax expense

### (1) Income tax expense

In RMB

Item	Current period	Last period
Current income tax expenses	33,845,702.24	15,461,101.10
Deferred income tax expenses	10,667,197.47	3,027,764.24
Total	44,512,899.71	18,488,865.34

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

In RMB

Item	Current Period
Total profit	429,029,356.18
Income tax expenses calculated by statutory tax rate	107,257,339.05
Impact from different tax rate apply with the subsidiary	-1,913,923.60
Effect of adjusting income tax in the previous period	5,760,823.90
Impact of non taxable income	-185,668,765.06
Impact on cost, expenses and losses that unable to deducted	42,211,788.22
Impact of the deductible loss on deferred income tax assets not recognized in the prior period of use	-194,669.77
Unrecognized impacts of deductible temporary differences or deductible losses on deferred income tax assets in the period	78,082,471.74



Impact on R&D costs deduction	-1,022,164.77
Income tax expenses	44,512,899.71

Other explanation

## 77. Other comprehensive income

Found more in annotations

## 78. Annotation of cash flow statement

### (1) Cash received with other operating activities concerned

In RMB

Item	Current period	Last period
Intercourse funds and deposit	315,742,774.48	129,048,838.74
Government grants	13,481,962.54	10,773,611.37
Interest income	11,068,571.50	7,802,888.05
Other	1,687,675.71	1,445,214.16
Total	341,980,984.23	149,070,552.32

Note of cash paid with other operating activities concerned:

### (2) Cash paid with other operating activities concerned

In RMB

Item	Current period	Last period
Intercourse funds and deposit	345,269,655.51	94,186,178.56
Operating daily expenses	187,235,981.81	213,908,218.92
Other	1,309,829.12	2,872,489.04
Total	533,815,466.44	310,966,886.52

Note of cash paid with other operating activities concerned:

### (3) Cash received with other investment activities concerned

In RMB

Item	Current period	Last period
Performance compensation		450,000.00
Total		450,000.00

Note of cash received with other investment activities concerned:

#### (4) Cash paid related with investment activities

In RMB

Item	Current period	Last period
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Note of cash paid related with investment activities:

#### (5) Cash received with other financing activities concerned

In RMB

Item	Current period	Last period
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Note of cash received with other financing activities concerned:

#### (6) Other cash paid related with financing activities

In RMB

Item	Current period	Last period
Other	72,997.72	
Total	72,997.72	

Note of other cash paid related with financing activities:

### 79. Supplementary information to statement of cash flow

#### (1) Supplementary information to statement of cash flow

In RMB

Supplementary information	Current period	Last period
1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	384,516,456.47	320,855,724.38
Add: Impairment provision for assets	158,272,990.37	199,636,023.51
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	75,859,013.01	79,619,849.04
Amortization of intangible assets	20,201,439.04	18,007,582.56
Amortization of long-term pending expenses	6,893,897.25	6,742,417.85
Loss from disposal of fixed assets, intangible assets and other long-term assets (income is listed with "-")	170,437.85	-1,601,802.27

Losses on scrapping of fixed assets (income is listed with “-“)	1,546,307.69	393,959.39
Loss from change of fair value (income is listed with “-“)	-41,281.76	474,740.24
Financial expenses (income is listed with “-“)	9,387,920.21	18,627,801.26
Investment loss (income is listed with “-“)	-9,838,224.64	-1,724,353.15
Decrease of deferred income tax assets (increase is listed with “-“)	11,091,880.02	3,560,166.42
Decrease of deferred income tax asset( increase is listed with “-“)	-424,682.55	-532,402.18
Decrease of inventory (increase is listed with “-“)	-253,136,934.86	-46,833,652.80
Decrease of operating receivable accounts (increase is listed with “-“)	219,606,344.91	-308,973,425.11
Increase of operating payable accounts (decrease is listed with “-“)	-430,554,982.67	10,851,006.44
Other	-3,496,756.37	
Net cash flow arising from operating activities	190,053,823.97	299,103,635.58
2. Material investment and financing not involved in cash flow	--	--
3. Net change of cash and cash equivalents:	--	--
Balance of cash at period end	154,954,757.85	631,638,339.68
Less: Balance of cash at year-begin	631,638,339.68	544,440,739.45
Net increasing of cash and cash equivalents	-476,683,581.83	87,197,600.23

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

In RMB

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

Other explanation:

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

In RMB

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

Other explanation:

#### (4) Constitution of cash and cash equivalent

In RMB

Item	Ending balance	Opening balance
I. Cash	154,954,757.85	631,638,339.68
Including: Cash on hand	191,650.33	282,322.45
Bank deposit available for payment at any time	154,658,586.69	631,190,032.12
Other monetary fund available for payment at any time	104,520.83	165,985.11
III. Balance of cash and cash equivalent at period-end	154,954,757.85	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:

#### 81. Assets with ownership or use right restricted

In RMB

Item	Ending book value	Reasons for restriction
Fixed assets	366,455,515.01	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.

Intangible assets	123,477,062.22	<p>1. According to the loan contract of “Guangdong DG 2017 NGDZ No. 006” signed by Dongguan FoodIndustrial 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.</p> <p>2. According to the long-term loan mortgage contract signed by the Company and Dongguan Branch of Agricultural Development Bank, the Company mortgaged the land (Yue (2016) Dongguan Real Estate Property No.0028527) of lands located in Jingang South Road, Zhangpeng Village, Machong Town, Dongguan City to Dongguan Branch of Agricultural Development Bank as collateral for the loan.</p>
Construction in progress	120,065,528.37	The reason is the same as fixed assets.
Total	609,998,105.60	--

Other explanation:

## 82. Foreign currency monetary items

### (1) Foreign currency monetary items

In RMB

Item	Ending foreign currency balance	Convert rate	Ending RMB balance converted
Monetary funds	--	--	1,693,799.62
Including: USD	216,627.16	6.9762	1,511,234.39
EURO			
HKD	203,805.88	0.8958	182,565.23
Account receivable	--	--	3,455,506.08

Including: USD	477,398.68	6.9762	3,330,416.08
EURO			
HKD	139,640.54	0.8958	125,090.00
Long-term loans	--	--	
Including: USD			
EURO			
HKD			

Other explanation:

**(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

In RMB

Category	Amount	Item	Amount reckoned into current gains/losses
(1) Base of further processing for tea and nature plants	1,100,000.00	Deferred income	275,000.00
(2) Enterprise technology center is a municipal R&D center. Subsidies for industrial technological advancement	1,987,301.17	Deferred income	204,024.60
(3) Project grants for years for agricultural district, Xihu Zone	312,307.72	Deferred income	129,230.76

(4)Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors	243,233.62	Deferred income	8,119.68
(5)Key technology research and development for the preparation of high-quality aroma extracts based on the use of tea aroma precursors	241,323.58	Deferred income	199,513.92
(6) Finance Discount	337,222.22	Deferred income	337,222.22
(7) Industrialization of instant tea powder	2,084,136.67	Deferred income	196,445.88
(8) Grant for key technology research and industrialization of instant tea powder	153,011.21	Deferred income	14,245.02
(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	351,209.08
(10)Construction amount for 50 tons for clearly processing for Mingyou tea	500,000.00	Deferred income	125,000.02
(11) Subsidy for tea seeding of New Tea Garden in Wangkou	46,129.96	Deferred income	1,109.28
(12) Subsidy for supply system construction of agricultural products	750,000.00	Deferred income	200,000.00
(13) Grain storage project of Dongguan Shenliang Logistics Co., Ltd. - Storage A	8,242,417.83	Deferred income	262,257.12
(14) Phase II of grain storage project of Dongguan Shenliang Logistics Co., Ltd.- Storage B	32,968,699.52	Deferred income	1,031,300.52

(15) Grain, oil and food headquarters and innovative public service platform of Dongguan Shenliang Logistics Co., Ltd.	18,000,000.00	Deferred income	
(16) Special funds for intelligent upgrading and transformation of grain warehouse for the 2017 “Grain Safety Project”	5,100,000.00	Deferred income	
(17) Construction of 450000 ton silos and 60000 ton film silos -CDE warehouse. Gas storage bin	17,491,764.71	Deferred income	104,117.64
(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	164,000.00
(19) Agricultural product safety testing project of the special fund for agricultural development of 2016 - Central investment fund	1,026,000.00	Deferred income	342,000.00
(20) Construction of O2O community sales service system for high quality grain and oil based on B2C E-commerce platform	1,789,411.20	Deferred income	38,576.04
(21) Industrialization of Doximi E-commerce platform	2,813,684.01	Deferred income	852,589.88
(22) Commercial circulation development project funding for year of 2017	524,000.00	Deferred income	
(23) Intelligent management of grain depot based on mobile internet	866,666.64	Deferred income	200,000.04



(24) Nanshan District independent Changxin industry development special fund support project (modern agriculture development support project)	588,300.00	Other income	588,300.00
(25) Industrial development guiding fund	170,697.00	Other income	170,697.00
(26) Employment subsidy fund	13,950.34	Other income	13,950.34
(27) Special fund for industrial development of Futian District (support for annual and quarterly growth, headquarters identification and operation, e-commerce sales and operation)	1,050,000.00	Other income	1,050,000.00
(28) Post stabilization subsidy	12,140.94	Other income	12,140.94
(29) Support for modern agriculture project of special fund for agricultural development of Shenzhen Municipal Market Supervision Bureau in 2019	1,793,200.00	Other income	1,793,200.00
(30) Award for project leading enterprises of Shenzhen market supervision and Administration Bureau	200,000.00	Other income	200,000.00
(31) Shenzhen Futian District Enterprise Development Service Center retail industry growth Award	250,000.00	Other income	250,000.00
(32) Subsidy for intermediary fees of merger and reorganization of Nanshan Economic Promotion Bureau	738,700.00	Other income	738,700.00
(33) Other government subsidies related to daily business activities	2,444,974.26	Other income	2,444,974.26
(34) Other government subsidies related to daily business activities	10,238.81	Non operating income	10,238.81

Total	107,880,404.36		12,308,163.05
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## (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

In RMB

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
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Other explanation:

#### (2) Combination cost and goodwill

In RMB

Combination cost	
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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

In RMB

	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**

In RMB

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
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Other explanation:

**(2) Combination cost**

In RMB

Combination cost
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Explanation on contingent consideration and its changes:

Other explanation:

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

In RMB

	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:

During the reporting period, the company cancelled Hangzhou Chunshi Network Technology Co., Ltd.

### 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	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
Ju Fang Yong Holding	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
Pu'er Tea Supply Chain	Pu'er	Pu'er	Wholesale business		100.00%	Establishment
Shenbao Food	Huizhou	Huizhou	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 & oil trading	Shenzhen	Shenzhen	Grain & oil trading		100.00%	Combine under the same control
Hainan Haitian	Haikou	Haikou	Feed production		100.00%	Combine under the same control
Shenliang Quality Inspection	Shenzhen	Shenzhen	Inspection		100.00%	Combine under the same control
Doximi	Shenzhen	Shenzhen	E-commerce		100.00%	Combine under the same control

Cold-Chain Logistic	Shenzhen	Shenzhen	Fresh food management on-line		100.00%	Combine under the same control
Big Kitchen	Shenzhen	Shenzhen	Sales and processing of grain ,oil and products		70.00%	Combine under the same control
Shenliang Real Estate	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
Yingkou Storage	Yingkou	Yingkou	Storage		100.00%	Combine under the same control
Dongguan Logistics	Dongguan	Dongguan	Storage, logistics		51.00%	Combine under the same control
International Food	Dongguan	Dongguan	Port operation, food production		51.00%	Combine under the same control
Dongguan Grain and Oil	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	Shuangyashan	Shuangyashan	Construction of food base and development of related complementary facility		51.00%	Combine under the same control
Hongxinglong	Shuangyashan	Shuangyashan	Construction of food base and development of related complementary facility		51.00%	Combine under the same control

Explanation on share-holding ratio in subsidiary different from ratio of voting right:

Basis for controlling the invested entity with half or below voting rights held and without controlling invested entity but with over half and over voting rights:

Major structured entity included in consolidates statement:

Basis of termination of agent or consignor:

Other explanation:

**(2) Important non-wholly-owned subsidiary**

In RMB

Subsidiary	Share-holding ratio of minority	Gains/losses attributable to minority in the Period	Dividend announced to distribute for minority in the Period	Ending equity of minority
Dongguan Logistics	49.00%	13,660,865.00	6,370,000.00	161,347,309.85

Explanation on holding ratio different from the voting right ratio for minority shareholders:

Other explanation:

**(3) Main finance of the important non-wholly-owned subsidiary**

In RMB

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 Logistics	179,203,637.28	1,469,042,115.86	1,648,245,753.14	208,523,832.06	930,441,696.91	1,138,965,528.97	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

In RMB

Subsidiary	Current Period				Last Period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operation activity	Operating income	Net profit	Total comprehensive income	Cash flow from operation activity
Dongguan Logistics	2,104,716,248.04	30,329,316.32	30,329,316.32	55,873,900.07	2,067,066,711.86	29,966,638.04	29,966,638.04	225,829,600.00

Other explanation:

**(4) Significant restrictions on the use of enterprise group assets and pay off debts of the enterprise group**

**(5) Financial or other supporting offers to the structured entity included in consolidated financial statement range**

Other explanation:

## 2. Transaction that has owners equity shares changed in subsidiary but still with controlling rights

### (1) Owners equity shares changed in subsidiary

### (2) Impact on minority's interest and owners' equity attributable to parent company

In RMB

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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
Shenliang Intelligent Wulian Equity Investment Fund (Shenzhen) Partnership Enterprise (Limited)	Shenzhen	Shenzhen	Equity investment; investment consultant		49.02%	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

In RMB

	Ending balance/Current Period	Opening balance/Last Period

Other explanation



**(3) Main financial information of the important associated enterprise**

In RMB

	Ending balance/Current Period		Opening balance/Last Period	
	Zhuhai Hengxing Feed Industrial Co., Ltd.	Shenliang Intelligent Wulian Equity Investment Fund (Shenzhen) Partnership Enterprise (Limited)	Zhuhai Hengxing Feed Industrial Co., Ltd.	Shenliang Intelligent Wulian Equity Investment Fund (Shenzhen) Partnership Enterprise (Limited)
Current assets	74,426,214.45	21,145,350.77	84,582,623.37	47,135,530.32
Non current assets	31,819,375.02	31,759,785.55	35,353,460.47	
Total Assets	106,245,589.47	52,905,136.32	119,936,083.84	47,135,530.32
Current liabilities	26,931,271.22		45,953,143.23	
Non current liabilities	629,319.69		612,782.33	
Total liabilities	27,560,590.91		46,565,925.56	
Shareholders' equity attributable to the parent company	78,684,998.56	52,905,136.32	73,370,158.28	47,135,530.32
Share of net assets calculated by shareholding ratio	31,473,999.42	25,934,097.82	29,348,063.31	23,105,836.96
Adjustment items	162,707.80	-174.47	162,707.80	-174.47
--Others	162,707.80	-174.47	162,707.80	-174.47
Book value of equity investment in associated enterprises	31,636,707.22	25,933,923.35	29,510,771.11	23,105,662.49
Business income	519,490,991.03		530,961,192.22	
Net profit	5,314,840.28	5,769,606.00	5,671,481.28	-3,864,469.68
Total comprehensive income	5,314,840.28	5,769,606.00	5,671,481.28	-3,864,469.68

Other explanation

**(4) Financial summary for non-important Joint venture and associated enterprise**

In RMB

	Ending balance/Current Period	Opening balance/Last Period
Joint venture:	--	--
Amount based on share-holding ratio	--	--

Associated enterprise:	--	--
Total book value of investment	15,790,681.53	18,383,233.21
Amount based on share-holding ratio	--	--
-- Net profit	-1,542,435.11	-2,292,467.54
-- Total comprehensive income	-1,542,435.11	-2,292,467.54

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**

In RMB

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	282,475.61	8,650,425.68
Shenzhen Shichumingmen Restaurant Management Co., Ltd.	3,491,151.31	324,443.70	3,815,595.01

Other explanation

**(7) Unconfirmed commitment with joint venture investment concerned**

No unconfirmed commitment with joint venture investment concerned in the period.

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

No intangible liability with joint venture or affiliates investment concerned in the period.

**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.

Up to 31<sup>st</sup> December 2019, the top five client's account receivable takes 50.10% in total account receivable of the Company

The maximum credit risk exposure equals to the carrying value of each financial asset in balance sheet (including derivative financial instrument). The Company has not provided any guarantee which would otherwise make the Company exposed to credit risk except for the guarantee for financial carried in Note XII.

#### (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 had signed any forward exchange contract or monetary exchange contract.

The foreign exchange risks faced by the company mainly come from financial assets and financial liabilities denominated in us dollars. The amount of foreign currency financial assets and foreign currency financial liabilities converted into RMB is shown in this report.

### 2. Interest risk

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

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

### 3. Price risk

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

## XI. Disclosure of fair value

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

In RMB

Item	Ending fair value			
	First-order	Second-order	Third-order	Total
I. Sustaining measured by fair value	--	--	--	--
1. Financial assets measured by fair value and with variation reckoned into current gains/losses	1,166,209.72			1,166,209.72
(2) Equity instrument investment	1,166,209.72			1,166,209.72

Other non current financial assets			57,500.00	57,500.00
II. Non-persistent measure	--	--	--	--

## 2. Recognized basis for the market price sustaining and non-persistent measured by fair value on first-order

The financial assets measured at fair value and recorded in the current profit and loss are the stocks of the company listed on the shenzhen stock exchange held by the company, and the fair value of the equity instrument investment is based on the closing price on December 31.

## 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

For other non-current financial assets held, the company measures the investment cost as a reasonable estimate of fair value because the operating environment, operating conditions and financial conditions of the invested enterprise have not changed significantly.

# 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 Food Group Co., Ltd.	Shenzhen	Investing in industry, development, operation and management of the own property	5 billion 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 "1. Equity in subsidiaries" of Note IX-Equity in other entity

## 3. Joint venture and associated enterprise

Joint Venture of the Company found more in Note "3. Equity in joint arrangement or joint venture" of 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
Shenzhen Duoxi Equity Investment Fund Management Co., Ltd.	Joint venture of the company
Shenzhen Shenyuan Data Technology Co., Ltd.	Joint venture of the company
Shenzhen Shichumingmen Catering Management Co., Ltd.	Joint venture of the company

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 Holding Co., Ltd	Former shareholder of the Company, 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 Higreen International Agricultural Products Logistic Management Co., Ltd	Controlling subsidiary of Shenzhen Agricultural Products Co., Ltd
Zhanjiang Changshan (Shenzhen) Ecological Aquaculture Co., Ltd	Has the same parent company
Shenzhen Yixin Investment Co., Ltd	Former shareholder of Shenzhen Agricultural Products Co., Ltd, Controlled by the same ultimate controlling party

Shenzhen Shenliang Cold Transport Co., Ltd.	Holding subsidiary of the company's associated enterprise
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Other explanation

## 5. Related transaction

### (1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

In RMB

Related party	Related transaction content	Current Period	Approved transaction limit	Whether more than the transaction limit (Y/N)	Last Period
Shenzhen Shenyuan Data Technology Co., Ltd.	Information software development	14,950,911.00			

Goods sold/labor service providing

In RMB

Related party	Related transaction content	Current Period	Last Period
Shenzhen Shichumingmen Catering Management Co., Ltd.	Grain and oil sales	59.60	246.15
Shenzhen Higreen International Agricultural Products Logistic Management Co., Ltd	Sales of tea	6,557.52	
Shenzhen Duoxi Equity Investment Fund Management Co., Ltd.	Sales of tea	3,888.50	
Shenzhen Shenyuan Data Technology Co., Ltd.	Sales of tea	13,769.92	
Shenzhen Agricultural Products Co., Ltd	Grain and oil sales	257,685.89	
Shenzhen Food Group Co., Ltd.	Grain and oil sales	19,650.58	
Dongguan Fruit Vegetable Non-staple Food Trading Market Co., Ltd.	Grain and oil sales	9,318.19	
Shenzhen Shenyuan Data Technology Co., Ltd.	Grain and oil sales	31,608.31	
Shenzhen Shenliang Cold Transport Co., Ltd.	Warehousing Services	659,146.82	
Shenzhen Food Group Co., Ltd.	Asset Management	2,204,153.02	

Explanation on goods purchasing, labor service providing and receiving

## (2) Related trusteeship management/contract & entrust management/ outsourcing

Trusteeship management/contract:

In RMB

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
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Related managed/contract:

Entrusted management/outsourcing:

In RMB

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
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Related management/ outsourcing:

## (3) Related lease

As a lessor for the Company:

In RMB

Lessee	Assets type	Lease income in recognized in the Period	Lease income in recognized last the Period
Shenzhen Shichumingmen Catering Management Co., Ltd.	Operating site	1,105,650.14	1,006,451.61
Shenzhen Food Group Co., Ltd.	Operating site	160,571.43	
Shenzhen Shenyuan Data Technology Co., Ltd.	Operating site	288,066.67	

As lessee:

In RMB

Lessor	Assets type	Lease income in recognized in the Period	Lease income in recognized last the Period
Shenzhen Investment Holdings Co., Ltd.	Operating site	2,183,266.63	2,311,760.06
Shenzhen Food Group Co., Ltd.	Warehouse leasing	28,434,200.00	28,434,200.00
Shenzhen Food Group Co., Ltd.	Office space	667,290.27	345,210.00



Explanation on related lease

#### (4) Related guarantee

As guarantor

In RMB

Secured party	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
Changzhou Shenbao Chacang E-business Co., Ltd.	5,000,000.00	2011-12-20	Until the principal and interest of the loan are settled	No

As secured party

In RMB

Guarantor	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
Dongguan Fruit Vegetable Non-staple Food Trading Market Co., Ltd.	90,260,157.96	2016-12-27	2021-12-26	No
Dongguan Fruit Vegetable Non-staple Food Trading Market Co., Ltd.	251,655,864.84	2018-07-27	2032-08-29	No
Dongguan Fruit Vegetable Non-staple Food Trading Market Co., Ltd. *1	93,621,689.35	2019-05-09		No
Dongguan Houjie Xunda Industrial Co., Ltd.	7,368,800.69	2019-01-25	2031-01-24	No
Dongguan Fruit Vegetable Non-staple Food Trading Market Co., Ltd.	7,368,800.69	2019-01-25	2031-01-24	No

Explanation on related guarantee

\*1 The maturity date of the related guarantee is two years after the expiry date or two years after the refund date.

#### (5) Related party's borrowed funds

In RMB

Related party	Borrowing amount	Starting date	Maturity date	Note
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Borrowing
Lending

#### (6) Related party's assets transfer and debt reorganization

In RMB

Related party	Related transaction content	Current Period	Last Period
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#### (7) Remuneration of key manager

In RMB

Item	Current Period	Last Period
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#### (8) Other related transaction

### 6. Receivable and payable of related party

#### (1) Receivable item

In RMB

Item Name	Related party	Ending balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other account receivable	Shenzhen Yixin Investment Co., Ltd.			10,431,232.87	5,215,616.44
Other account receivable	Changzhou Shenbao Chacang E-business Co., Ltd.	24,350,611.65	21,803,513.37	20,413,947.34	17,819,381.02
Other account receivable	Shenzhen Shichumingmen Catering Management Co., Ltd.	1,382,651.77	469,107.98	1,429,898.28	275,978.87
Other account receivable	Shenzhen Higreen International Agricultural Products Logistic Management Co., Ltd	50,000.00			
Other account receivable	Shenzhen Shenliang Cold Transport Co., Ltd.	3,831.12			

Other account receivable	Shenzhen Investment Holdings Co., Ltd.	415,644.52		433,469.10	
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## (2) Payable item

In RMB

Item Name	Related party	Ending book balance	Opening book balance
Dividend payable	Shenzhen Investment Management Co., Ltd	2,690,970.14	2,690,970.14
Other account payable	Shenzhen Fruits and Vegetables Trading Co., Ltd		245,714.59
Other account payable	Shenzhen Food Group Co., Ltd.	219,472.47	53,470,612.86
Other account payable	Shenzhen Duoxi Equity Investment Fund Management Co., Ltd.	41,486.00	41,486.00
Other account payable	Zhanjiang Changshan (Shenzhen) Ecological Aquaculture Co., Ltd	7,988,954.17	7,967,662.50
Other account payable	Shenzhen Investment Management Co., Ltd	3,510,297.20	3,510,297.20
Other account payable	Shenzhen Shichumingmen Catering Management Co., Ltd.		184,275.00
Other account payable	Shenzhen Shenliang Cold Transport Co., Ltd.	2,790.00	

## 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

### 5. Other

## 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 31 December 2019.

### 2. Contingency

#### (1) Contingency on balance sheet date

(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 E-commerce Co., Ltd. (hereinafter referred to as Changzhou Shenbao Chacang Company) to repay the loan principal amount of RMB 5,000,000.00, the interest of RMB 389,968.52, and the interest penalty of RMB 3,200,271.79 (the interest penalty was temporarily calculated to June 30, 2016, which shall be actually calculated to the date of the full repayment of the borrowing); and pay the compensation of RMB 100,000.00 (5 million Yuan × 2%); two items in total were RMB 8,690,240.31; the Company undertook joint liability for the loan of RMB 5,000,000.00.

On May 31, 2017, Shenzhen Futian District Court made the first-instance judgment and ruled Changzhou Shenbao Chacang Company to repay the loan principal of RMB 5 million and the interest and interest penalty, the Company did not need to undertake joint liability for the loan of RMB 5 million of Changzhou Shenbao Chacang Company. On July 4, 2017, the Agricultural Products Guarantee Company filed an appeal, on October 13, 2017, and Shenzhen Intermediate People’s Court held the second instance hearing. 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. Currently, the

judgment has taken effect.

As of December 31, 2019, the company confirmed the estimated debt of 3.5 billion yuan.

(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 Ju Fang Yong Holding s 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 the date of approval of the financial statements, the Shenzhen Arbitration Commission has not yet determined the arbitrator and the date of the hearing.

As of December 31, 2019, the company has accrued RMB 4,469,493.65 bad debt provision.

(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 30<sup>th</sup> 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 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.(named as Shenzhen Food Group Co., Ltd. now) 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.

(5) 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 31 December 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.

(6) 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 31 December 2018, Hualian Grain and Oil Company had receivables of RMB 1,319,700 from Foshan City Shunde District Huaxing Feed Factory, and it had made 100% of bad debt provision for this amount.

(7)Contract disputes between Hualian Grain and Oil Company and Liangshuntong Company

On 15 November 2019, Dalian Liangshuntong Supply Chain Management Co., Ltd. (hereinafter referred to as

“Liangshuntong Company”) filed a civil lawsuit with Shenzhen Futian District People’s Court (hereinafter referred to as “Futian Court”) on the grounds of contract dispute. Shenzhen Hualian Grain & Oil Trade Co., Ltd. (hereinafter referred to as “Hualian Grain and Oil Company”) is required to return the deposit of RMB 30 million, interest of RMB 652500, corn supply chain service fee of RMB 500000 and settlement of RMB 2.2592 million , a total of RMB 33.4117 million.

On 20 November 2019, Hualian Grain and Oil Company countersued the Liangshuntong Company with the appeals as: 1. order Liangshuangtong Company to pay the profit and loss difference of the purchase and sale contract to Hualian Grain and Oil Company and the whole expenses arising from corn business RMB 26,504,205.13 as well as the capital cost RMB 10,336,285.11 (the capital cost shall be calculated until the actual date of payment and is temporarily calculated until November 25, 2019), RMB 36,840,490.24 in total; 2. order that the costs of the case be borne by Liangshuntong Company, the case is currently in session.

On 10 December 2019, Hualian Grain and Oil Company filed a lawsuit to Futian Court with request as: 1. order Liangshuangtong Company to pay the profit and loss difference of the purchase and sale contract to Hualian Grain and Oil Company and the whole expenses arising from corn business RMB 461,856.61 and capital cost of RMB 4,030,008.42 (the capital cost shall be calculated until the actual date of payment and is temporarily calculated until 10 December, 2019). RMB 4,491,865.03 in total; 2. order that the costs of the case be borne by Liangshuntong Company, the case is currently in session.

## (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

In RMB

Item	Content	Impact on financial status and operation results	Reasons of fails to estimate the impact
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### 2. Profit distribution

In RMB

Profit or dividend to be distributed	230,507,050.80
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### 3. Sales return

### 4. Other events after balance sheet date

#### Evaluation of the COVID-19 epidemic

Since the outbreak of pneumonia caused by novel coronavirus infection (hereinafter referred to as “Pneumonia”) national wide in January 2020, the prevention and control of Pneumonia is continuing throughout the county.

The Pneumonia may affect the normal production and operation of the company to a certain extent, which will depend on the duration of the epidemic prevention and control situation and the implementation of various control policies.

In order to fight against the epidemic of Pneumonia, the company and its subordinate units took full actions to resolutely implemented the relevant decisions and plans made by the CPC central committee, the state council and the HQ of the Company and the regions where they work to prevent and control the epidemic, improve the prevention and control mechanism and the arrangement of measures, take multiple measures in line with the actual conditions of all subordinate units, and resolutely ensure the smooth operation of production and operation of enterprises; the Company actively promotes the resumption of production, in accordance with the established annual strategy and business plan to carry out the works.

The company will continue to pay close attention to the development of the Pneumonia epidemic, evaluate and actively respond to its impact on the Company’s financial status and operating results.

## XVI. Other important events

### 1. Previous accounting errors collection

#### (1) Retrospective restatement

In RMB

Content	Treatment procedure	Items impact during vary comparative period	Accumulated impact
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#### (2) Prospective application

Content	Approval procedure	Reasons
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## 2. Debt restructuring

## 3. Assets exchange

### (1) Exchange of non-monetary assets

### (2) Other assets exchange

## 4. Pension plan

For details of the main contents and important changes of the pension plan, please refer to the relevant description of the defined contribution plan in note 39, employee compensation payable in note VII.

## 5. Discontinuing operation

In RMB

Item	Revenue	Expenses	Total profit	Income tax expenses	Net profit	Profit of discontinuing operation attributable to owners of parent company
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Other explanation

## 6. Segment

### (1) Recognition basis and accounting policy for reportable segment

### (2) Financial information for reportable segment

In RMB

Item		Offset between segment	Total
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(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

In RMB

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	76.27%	28,453.08	100.00%		28,453.08	0.07%	28,453.08	100.00%	
Including:										
Account receivable with single significant amount and withdrawal bad debt provision on single basis										
Account receivable with single minor amount but with bad debts provision accrued on a single basis	28,453.08	76.27%	28,453.08	100.00%		28,453.08	0.07%	28,453.08	100.00%	
Account receivable with bad debt provision accrual on portfolio	8,852.60	23.73%	885.26	10.00%	7,967.34	42,869,954.13	99.93%	428,835.06	1.00%	42,441,119.07

Including:										
Accounts receivable with provision for bad debts by aging analysis	8,852.60	23.73%	885.26	10.00%	7,967.34	42,869,954.13	99.93%	428,835.06	1.00%	42,441,119.07
Total	37,305.68	100.00%	29,338.34	78.64%	7,967.34	42,898,407.21	100.00%	457,288.14	1.07%	42,441,119.07

Bad debt provision accrual on single basis: 28,453.08 Yuan

In RMB

Name	Ending balance			
	Book balance	Bad debt provision	Accrual ratio	Accrual causes
Single provision	28,453.08	28,453.08	100.00%	Slightly possibly taken back
Total	28,453.08	28,453.08	--	--

Bad debt provision accrual on single basis:

In RMB

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

Bad debt provision accrual on portfolio: 885.26 Yuan

In RMB

Name	Ending balance		
	Book balance	Bad debt provision	Accrual ratio
1-2 years (including 2-year)	8,852.60	885.26	10.00%
Total	8,852.60	885.26	--

Explanation on portfolio determines:

Bad debt provision accrual on portfolio:

In RMB

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

In RMB

Account age	Ending balance
1-2 years	8,852.60

Over 3 years	28,453.08
Over 5 years	28,453.08
Total	37,305.68

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

Bad debt provision accrual in the period:

In RMB

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written-off	Other	
Accrued by combination	428,835.06	-427,949.80				885.26
Accrued by single item	28,453.08					28,453.08
Total	457,288.14	-427,949.80				29,338.34

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

In RMB

Enterprise	Amount collected or reversal	Collection way
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## (3) Account receivable actually written-off in the period

In RMB

Item	Amount written-off
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Including major account receivable written-off:

In RMB

Enterprise	Nature	Amount written-off	Written-off causes	Procedure of written-off	Resulted by related transaction (Y/N)
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Explanation on account receivable written-off:

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

In RMB

Enterprise	Ending balance of accounts receivable	Proportion in total receivables at ending balance (%)	Bad debt preparation ending balance
First	18,456.50	49.47%	18,456.50
Second	9,996.58	26.80%	9,996.58
Third	4,000.00	10.72%	400.00

Fourth	3,367.40	9.03%	336.74
Fifth	1,209.20	3.24%	120.92
Total	37,029.68	99.26%	

**(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**

In RMB

Item	Ending balance	Opening balance
Dividends receivable	260,000,000.00	
Other account receivable	734,149,247.39	159,677,969.59
Total	994,149,247.39	159,677,969.59

**(1) Interest receivable**

**1) Category**

In RMB

Item	Ending balance	Opening balance
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**2) Important overdue interest**

Borrower	Ending balance	Overdue time	Overdue causes	Whether impairment occurs and its judgment basis
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Other explanation:

**3) Accrual of bad debt provision**

☐ Applicable ☒ Not applicable

**(2) Dividend receivable**

**1) Category**

In RMB

Item (or invested enterprise)	Ending balance	Opening balance
Shenzhen Cereals Group Co., Ltd	260,000,000.00	
Total	260,000,000.00	

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

In RMB

Item (or invested enterprise)	Ending balance	Account age	Reasons for not collection	Whether impairment occurs and its judgment basis
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## 3) Accrual of bad debt provision

☐ Applicable ☒ Not applicable

Other explanation:

### (3) Other account receivable

#### 1) By nature

In RMB

Nature	Ending book balance	Opening book balance
Margin and deposit		119,089.00
Export tax rebate		312,364.06
Intercourse funds and other	761,135,520.91	182,280,569.20
Total	761,135,520.91	182,712,022.26

#### 2) Accrual of bad debt provision

In RMB

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	51,400.94	75,845.89	3,824,974.02	3,952,220.85
Balance on Dec. 31, 2019	53,323.67	151,345.29	26,781,604.56	26,986,273.52

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

□ Applicable √Not applicable

By account age

In RMB

Account age	Ending balance
Within one year (including 1-year)	735,641,115.56
1-2 years	436,664.33
2-3 years	436,664.33
Over 3 years	24,621,076.69
3-4 years	436,664.33
4-5 years	505,459.41
Over 5 years	23,678,952.95
Total	761,135,520.91

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

Bad debt provision accrual in the period:

In RMB

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written off	Other	
Credit portfolio	23,034,052.67	23,034,052.67	3,952,220.85			26,986,273.52
Total	23,034,052.67	23,034,052.67	3,952,220.85			26,986,273.52

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

In RMB

Enterprise	Amount reversal or collected	Collection way
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### 4) Other account receivable actually written-off in the period

In RMB

Item	Amount written-off
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Including important other account receivable written-off:

In RMB

Enterprise	Nature	Amount written-off	Written-off causes	Procedure of written-off	Resulted by related transaction (Y/N)
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Explanation on other account receivable written-off:



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

In RMB

Enterprise	Nature	Ending balance	Account age	Ratio in total ending balance of other account receivables	Ending balance of bad debt reserve
First	Internal funds	264,404,734.35	Within one year	34.74%	
Second	Internal funds	208,767,877.36	Within one year	27.43%	
Three	Internal funds	113,057,874.62	Within one year	14.85%	
Fourth	Internal funds	99,696,965.00	Within one year	13.10%	
Fifth	Internal funds	31,591,983.85	Within one year	4.15%	
Total	--	717,519,435.18	--	94.27%	

**6) Other account receivables related to government grants**

In RMB

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**

In RMB

Item	Ending balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment for subsidiary	3,713,214,425.09		3,713,214,425.09	4,208,728,337.66		4,208,728,337.66
Investment for associates and joint venture	5,139,058.21	2,927,628.53	2,211,429.68	6,753,354.23	2,927,628.53	3,825,725.70
Total	3,718,353,483.30	2,927,628.53	3,715,425,854.77	4,215,481,691.89	2,927,628.53	4,212,554,063.36

**(1) Investment for subsidiary**

In RMB

The invested entity	Opening balance (book value)	Increase and decrease in current period				Ending balance (book value)	Ending balance of impairment provision
		Additional investment	Reduce investment	Provision for impairment	Other		
Hangzhou Ju Fang Yong Holding Co., Ltd	176,906,952.42		176,906,952.42				
Yunnan Shenbao Pu'er Tea Supply Chain Management Co., Ltd.	20,000,000.00		20,000,000.00				
Ju Fang Yong Tea Industry Co., Ltd. in Wuyuan County	280,404,134.35		280,404,134.35				
Yunnan Pu'er Tea Trading Center Co., Ltd.	18,202,825.80		18,202,825.80				
Huizhou Shenbao Technology Co., Ltd.	60,000,000.00					60,000,000.00	
Shenzhen Cereals Group Co., Ltd.-headquarters	3,291,415,036.82					3,291,415,036.82	
Shenzhen Shenbao Industry and Trade Development Co., Ltd.	5,500,000.00					5,500,000.00	
Shenzhen Shenbao Huacheng Science and Technology Co.,Ltd	168,551,781.80					168,551,781.80	

Shenzhen Shenbao Technology Center Co., Ltd.	54,676,764.11					54,676,764.11	
Shenzhen Shenbao Sanjing Food Beverage Development Co., Ltd.	80,520,842.36					80,520,842.36	
Shenzhen Shenbao Property Management Co., Ltd.	2,550,000.00					2,550,000.00	
Shenzhen Shenshenbao Investment Co., Ltd.	50,000,000.00					50,000,000.00	
Total	4,208,728,337. 66			495,513,912.5 7		3,713,214,425. 09	

## (2) Investment for associates and joint venture

In RMB

investmen t company	Opening balance (book value)	Current changes (+, -)								Ending balance (book value)	Ending balance of impairme nt provision
		Additiona l investmen t	Capital reduction	Investme nt gains recognize d under equity	Other comprehe nsive income adjustmen t	Other equity change	Cash dividend or profit announce d to issued	Accrual of impairme nt provision	Other		
I. Joint venture											
II. Associated enterprise											
Guangzho u Shenbao Mendao Tea Co., Ltd	3,825,725 .70			-1,614,29 6.02						2,211,429 .68	

Shenzhen Shenbao (Liaoyuan ) Industrial Company											57,628.53
Shenzhen Shenbao (Xinmin) Foods Co., Ltd	0										2,870,000.00
Changzhou Shenbao Chacang											
Subtotal	3,825,725.70			-1,614,296.02						2,211,429.68	2,927,628.53
Total	3,825,725.70			-1,614,296.02						2,211,429.68	2,927,628.53

### (3) Other explanation

## 4. Operating income and operating cost

In RMB

Item	Current Period		Last Period	
	Income	Cost	Income	Cost
Main business	33,297,047.52	30,082,764.02	165,407,623.24	156,886,817.06
Total	33,297,047.52	30,082,764.02	165,407,623.24	156,886,817.06

Whether implemented the new revenue standards

☐Yes ☒No

Other explanation:

## 5. Investment income

In RMB

Item	Current Period	Last Period
Long-term equity investment income measured by equity	-1,614,296.02	-367,955.83

Investment income from disposal of long-term equity investment	-109,778.22	
Dividend	289,407,372.80	
Income from financial products	1,884,298.10	953,125.00
Other		450,000.00
Total	289,567,596.66	1,035,169.17

## 6. Other

## XVIII. Supplementary information

### 1. Current non-recurring gains/losses

√ Applicable □ Not applicable

In RMB

Item	Amount	Note
Gains/losses from the disposal of non-current asset	-43,069.03	
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)	12,297,924.24	
Fund occupation fee charged to non-financial enterprises included in current profit and loss	436,664.31	
Profit and loss of assets delegation on others' investment or management	6,299,093.96	
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 disposal of tradable financial assets, derivative financial assets, tradable financial liability and other creditors investment	41,281.76	

Switch back of the impairment provision for account receivable with impairment test on single basis and contract assets	1,035,149.32	
Other non-operating income and expense other than the above mentioned ones	-4,544,601.53	
Less: Impact on income tax	2,149,564.84	
Impact on minority interests	769,341.33	
Total	12,603,536.86	--

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	8.46%	0.3154	0.3154
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	8.17%	0.3045	0.3045

## 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

In RMB

	Net profit		Net assets	
	Current Period	Last Period	Ending balance	Opening balance
Chinese GAAP	363,501,809.52	308,331,032.44	4,420,751,187.57	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	363,501,809.52	308,331,032.44	4,421,818,187.57	4,173,569,535.11
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**(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 XIII. Documents available for Reference**

1. Text of financial statement with signature and seals of legal person, person in charge of accounting works and person in charge of accounting institution;
2. Original audit report with seal of accounting firms and signature and seals of CPA;
3. Original and official copies of all documents which have been disclosed on *Securities Times*, *China Securities Journal*, and *Hong Kong Commercial Daily* in the report period;
4. Original copies of 2019 Annual Report with signature of the Chairman.