

Shenzhen Shenbao Industrial Co., Ltd.
(Incorporated in the People's Republic of China)
Report of the auditors and financial statements
for Semi-Annual Report 2007(B-share)

I. Accounting statements (attached)

1. Consolidated balance sheet
2. Consolidated income statement
3. Consolidated cash flow statement

II. Notes to the consolidated financial statements (unit: RMB'000)

1. Company background

Shenzhen Shenbao Industrial Co., Ltd (“the Company”) was formerly a state-owned enterprise registered and founded in the People’s Republic of China in the year 1975, and was restructured into a company with limited liability under the approval of Shenzhen People’s Government in 1991. The Company was also permitted to issue RMB ordinary shares (A-share) and RMB special shares (B-share) and list at the Shenzhen Stock Exchange. A-share and B-share have equal rights.

The Company is an investment holding company; for the main operation of the Company, please see Note 3.

2. Compiling standard of the accounting report

This financial report has been compiled according to the International Financial Reporting Standards. This accounting basis is different from the Accounting Standards for Enterprises of the People’s Republic of China, to which the compilation of statutory financial report has been according. The Company has already made appropriate adjustments to the statutory financial statements in compliance with the International Financial Reporting Standards.

3. Standards of consolidated accounts

Consolidated accounts include the financial reports of the Company and affiliated companies. When the Company had the right to govern finance and operating policy of invested entity and could obtains profit form operating activitied of the entity and the control is formed.

When affiliated company of purchase-in or disposal, it operating resultes included the consolidated income statement and begins from purchase effective date to effective date of disposal.

When the accounting policy of its affiliated company is the same with that of other member of the group; necessarily adjustment would be taken on financial report of affiliated company.

When consolidating the financial report of the company and its affiliated company ended Dec.31 each year; the significant transaction, settlement and gains and losses would be offsetted among the various entity of the Group.

The minority shareholders’ interest in the net asset consolidated in affiliated company would be singly listed in equity of the group; minority shareholders’ interest includes the equity amount consolidated entity at that day and the equity change amount

attributable to minority shareholder since merger date. The loss attributable to minority shareholders' interest, if surpassing the equity share of its affiliated company, except that the minority shareholders had obligation or could increase the investment to remedy the relevant losses; thus, the relevant surpassed losses was born by the group.

(a) Subsidiaries

A subsidiary is the kind of company that the Company holds over 50% of its equity or voting rights either directly or indirectly. By the end of Dec. 31, 2006, the Company has the following subsidiaries, all of which have registered and founded in the People's Republic of China according to law:

i) Consolidated subsidiaries

Name of company	Year of registration	Proportion of shares held		Main business
		2007	2006	
Shenzhen Shenbao Industry & Trade Development Company	1989	100%	100%	Commercial wholesale
Shenzhen Shenbao Property Management Co., Ltd	1998	100%	100%	Management of self-owned property
Shenzhen Shenbao Biotech Co., Ltd	1998	100%	100%	Production, purchase and sales of health foods and food additives
Shenzhen Shenbao Mitsui Food and Beverage Development Co., Ltd	1998	100%	100%	Production of beverage, non-staple foodstuff and food additives
Huizhou Shenbao Industrial Investment Co., Ltd.	2006	100%	100%	Industrial investment, logistic information consultancy
Shenzhen Shenbao Huacheng Food Co., Ltd	2002	51.67%	51.67%	Tea concentrates, instant teas
Guangdong Shenbao Food Co., Ltd *	2004	80%	70%	Production and sales of canned food, agricultural and subsidiary products, non-alcoholic beverage, bean product; and the purchase and raw material

*Owned by the Company's subsidiary Shenzhen Shenbao Mitsui Food and Beverage Development Co., Ltd.

ii) Subsidiaries unconsolidated

Name of company	Year of registration	Proportion of shares held		Main business
		2007	2006	
Shenzhen Shenbao Fruit Juice Co., Ltd	1994	70%	70%	Juice series beverage
Shenzhen Shenbao (Liaoyuan) Industrial Company	1992	53.5%	53.5%	Production of soda pop series beverage

The Board holds that the businesses of the aforesaid two companies have not started yet, and their business achievements and net assets value have no significant influence on the Company's business achievements and net assets value. Therefore they have not been included in the consolidated financial report. The investment of unconsolidated subsidiaries according to the estimated loss, and have been recorded into cost value minus provision for devaluation of long-term investment.

b) Associated companies

An associated company is the kind of company which the Company holds 20% or more, or 50% or less of its equity as long-term investment, and has great influence on it. Except for the associated companies listed in Note 18 of the report, investments for associated companies are accounted in equity method.

The associated companies owned by the Company by Jun. 30, 2007 have been listed in Note 17 and Note 18 of the financial report.

4. Briefs on the accounting policy

(a) Business turnover

Business turnover has been accounted by deducting returns, discounts and allowances and tax on turnover from the sales income of the products sold to customers other than the Company and the subsidiaries. All the business turnover and profit of the Company have come from the production and sales of beverage and foodstuff, as well as the lease business.

(b) Income confirmation

Income is the relevant economic interest that the Company is very likely to get, and it can be worked out accurately. Different incomes are confirmed according to the different standards following:

- i) Business income would be confirmed when the significant risks and value along of the commodity ownership have been transferred to the buyer.
- ii) Service income would be confirmed when the service income and the project completion can be confirmed accurately, funds pertaining to the transaction can flow in, and relevant costs can be worked out precisely.
- iii) Lease income would be confirmed in the income statement in the straight-line

method according to the lease term.

iv) Interest income would be calculated according to the unpaid principal, interest rate and term.

v) Dividend income from investments would be confirmed when the shareholder's right to draw dividends has been confirmed.

(c) Fixed assets and depreciation

Fixed assets would be accounted with the costs or revalued amount. The depreciation reserve for fixed assets would be calculated in straight-line method according to the life term after deducting the estimated scrap value (5% of the costs or revalued amount), with details as follows:

Buildings and workshops	5 – 40 years
Machinery equipments	12 years
Transportation equipments	9 years
Furniture, facilities and office equipments	5 – 6 years
Projects under construction	-

Projects under construction refer to the factories and office buildings under construction, and would be accounted with their costs. Projects under construction include the costs of construction, machinery equipments and furniture, as well as the interest expenses and exchange balance occurred out of the funds borrowed to support the projects under construction in the construction period. No depreciation reserves would be withdrawn for projects under construction until the relevant assets have been launched into commercial use; however, as to those projects with construction suspended and outdated performance or technology, depreciation reserves would be withdrawn according to the amount by which the recoverable value are less than the net book value.

(d) Land use right and intangible assets

Costs of the land use right would be amortized in the straight-line method according to the term in the use permit. Costs of exclusively owned technology would be amortized in the straight-line method over 20 years according to the estimated use life.

(e) Goodwill

Goodwill resulted from purchasing subsidiaries or joint-controlled entity, means purchase cost surpass proportion in fair value of the indentifiable asset, liabilities or contingent liabilities of subsidiaries or joint-controlled entity of the group when the purchasing date. The goodwill is confirmed to be asset and according to cost minus the loss accumulation of devaluation.

In order to conduct devaluation examination, the goodwill is distributed to relevant cash output units of coordinated profit brought by the combinationg projected to be

enjoyed in the group. The cash output unit which got distribution of goodwill would conduct devaluation examination each year. If there are marks to show the goodwill could possibly occur devaluation and the time of devaluation examination would be frequent. If the refunded amount of cash output unit is less than the book value of the unit, the devaluation loss firstly offset the book value of the units' goodwill distributed, and then the balance of devaluation loss is distributed to other asset in units according to the proportion of various book amounts of the cash output units. The goodwill's devaluation loss could not be transferred back in succeeding period. When disposal of subsidiaries or joint-controller entity; the relevant goodwill is included in gains and losses confirmed in disposal.

(f) Investment

Investment is based on trade day, that is, conduct confirmation or stopping confirmation according to the contract agreement of purchase or selling some investment and ownership day of transferring investment according to time-limit confirmed by the market; and taken initial measurement with the fair value add the transaction cost of direct attribution.

On the succeeding report date, the group has definite plan and could hold debt securities held till expired date (that is debt securities held till expired date) and could adopt actual interest rate to amortize cost measurement, then minus devaluation loss of reflected unrefunded amount confirmed. If the actual evidence shows the asset occurred devaluation, devaluation loss would be confirmed as expense and would actual interest rate confirmed according to begins and book value of investment to measure projected future cash flow conversion till balance of cash value. If the investment refunded amount increase in succeeding period and definitely confirmed as the matters of devaluation loss and could switch back the devaluation loss; only in the circumstance that the investment book amount after switching back devaluation should not be higher than the amortized cost if it does not confirm the devaluation loss.

The investment held till expired date beside the debt securities would be classified to transaction and investment or investment available for sales held and be measured with fair value in the following report date. If the securities are held only for transaction, the gains and losses due to changes of fair value would be recorded into current gains and losses. For the investment available for sale, the gains and losses due to changes of fair value will directly be confirmed as equity, till the securities occurred devaluation or disposal, the original accumulative gains and losses in equity will be recorded into current net gains and losses. The devaluation loss confirmed by equity investment available for sales could not be transferred into gains and losses in the followings; but the fair value of debt instrument available for sales increase in the

succeeding period and definitely relevant with the matters of confirmation of devaluation loss, and then transferred to original confirmed devaluation loss of expense.

If other nonlisted long-term investment does not have referenced fair value, then is listed with cost minus the non-temporary devaluation provision.

(f) Inventories

Inventories would be recorded with the lower of costs (worked out in the weighted average method) or net realizable value. Costs include charges for raw materials, labor and other charges payable. Net realizable value is calculated by deducting further production costs and the costs of relevant marketing, sales and distribution from the estimated sales price.

(g) Account receivable

The account receivable conducts initial confirmation with fair value and later would adopt actual interest method to amortize the cost measurement. If the actual evidence shows the asset occurred devaluation, it can not withdraw the appropriate provision participated as expense. The provision of amount withdrawal which can not be taken back is measured with book value of asset and actual interest rate confirmed according to begins and book value of investment to measure projected future cash flow conversion till balance of cash value.

(h) Account receivable

The account receivable conducts initial measurement with fair value and later adopts actual interest method to amortize cost measurement.

(i) Cash and cash equivalents

Cash and cash equivalents refer to cash as well as the short-term investments with good liquidity and no great risk of value fluctuation.

(j) Bank loan

The bank loan with interest and overdraft conduct initial measurement with fair value and later would adopt actual interest method to amortize the cost measurement. The borrowing income (after deducting the transaction cost) and loan settlement or balance while repaying is confirmed with the accounting policy of borrowing expense of the group in the borrowing period.

(k) Research and development expense

The expense to research is confirmed as expense in its occurring period.

The group formed intangible asset with professional technology of inner development, and could be confirmed when reaching the following conditions:

- Formed asset and the asset is recognizable;
- The asset could possibly occur future economic profit, and
- The development cost of the asset could be measured reliably.

The intangible asset occurred inside could be estimated usable year period and amortized with line method. If the development expense would not be confirmed as intangible asset inside occurred and the expense is confirmed as expense in occurring period.

(l) Borrowing cost

Borrowing costs arising out of the funds borrowed for the purchase and construction or produced qualified assets (means that it must experience quite long-time and could reach its predicted usage or sales conditions) would be recorded in the costs of the assets until the assets are actually ready for use or sale as predicted. If the specific item loan has been used as a temporary investment before the expenditure in accordance with the loan terms actually takes place, the borrowing costs that can be capitalized should be deducted from the investment income. All other borrowing cost is confirmed as expense in occurring period.

(m) Retirement welfare cost

The money in the plan of retirement welfare enacted withdrawal is recorded into expense when payable held to maturity. If the obligation in retirement welfare plan of the group is the same as the obligation in plan of retirement welfare enacted withdrawal. Then, the payment in national retirement welfare plan could be dealt as the same with the money in enacted withdrawal plan.

(m) Foreign currency translation

RMB is the Company's standard currency for accounting. Foreign currency arising out of transactions would be translated into RMB according to the exchange rate of the 1st day of the month that the transactions take place. The exchange balance arising out of the foreign currency loans borrowed for the construction or purchase of office buildings, plants and machines as well as other main fixed assets would be recorded into their respective costs before the relevant fixed assets could be put into use. Other exchange balances would all be recorded in the gains and losses of the period.

(p) Lease

If the lease item actually transfer all the risk and remuneration relevant to ownership of asset to lessee and the lease is classified to financing lease. All other leases are classified into operation lease.

i) Taking the group as lessor

The amount of leasee receivable in financing lease is confirmed as account receivable on net investment record of lease by the group. And the lease financing income will reflect net investment which is never taken back by the group to obtain fixed return rate to confirm in various accounting periods.

The rent income of operation lease is confirmed as line method in relevant lease period. Initial direct expense occurred in negotiating or arranging operation lease is

recorded into book amount of lease asset and is confirmed as line method in lease period.

ii) Taking the group as lessee

The asset held in way of financing lease is confirmed as the asset of the group with the lower part between the fair value in purchasing date and present value of leasing payment. The lessee correspondantly bears liability and listed as financing lease item payable in balance sheet. The lease payment will be distributed in financing expense and deducted leasing item to bear one fixed rate on financing leasing amount payable in various accounting period. Excluded that the financing expense directly attributable to qualified asset would take capitalization on general policy of borrowing cost of the group and other financing cost will be directly recorded into equity statement.

The rent income of operation lease is confirmed as line method in relevant lease period. The gains received or receivable due to encourage signed operation lease will be amortized in line method in lease period.

(q) Depreciation

The Company would check the book value of the assets on account days to ensure if there have been any signs of depreciation of the assets. Should there be signs of depreciation; recoverable amount of the relevant assets would be estimated so as to find out the extent of depreciation losses. If the recoverable amount of a single asset could not be pinned down, then the Company would make estimation about the recoverable amount of the moneymaking business that the relevant asset is in.

When the recoverable value of the asset is lower than its book value, the book value of the asset would be reduced to the recoverable value. Any depreciation out of this would be confirmed as expense at real time.

If the situation of depreciation loss is reversed, the book value of the relevant asset would be increased to its modified estimated recoverable amount, providing that the increased book value would not exceed the book value got by assuming that there have been no depreciation losses to the relevant asset. The turning around of depreciation losses would be confirmed as income at real time.

(r) Reserves

When the Company may lose the reasonably estimated economic interests due to statutory or presumed responsibilities arising out of past issues, reserves would be confirmed. The measurement amount of reserve should make best estimation of present obligation in balance sheet by the directors of the group. If the conversion has significant influence, then the relevant amount converted to present value will be measured.

(s) Taxes

Taxes are the total amount of the income tax payable and the deferred tax of the

current period.

Current income tax is calculated according to the taxable profit of the current year. Taxable profit is different from the net profit listed in the income statement, because it does not include items like the taxable income of other years or the expenses deserving tax deduction, nor does it include items intaxable or not deserving tax reduction. The current income tax of assets or liabilities of the Company is calculated according to the tax rate set on the balance sheet date or set in nature.

Deferred tax is the expected tax payable or recoverable arising out of the balance between the book value of assets or liabilities in the financial report and the relevant tax base according to taxable profit has been calculated. Deferred tax is calculated in the liability method of the balance sheet. Generally speaking, all liabilities of deferred income tax due to taxable temporary difference would be confirmed, while assets of deferred income tax would only be confirmed when the future taxable profit is enough to balance the temporary difference.

If the temporary difference occurred due to the original confirmation of goodwill (or negative goodwill), or other assets and liabilities in some transaction (excluding enterprise consolidation) that has influence on neither the taxable profit nor the accounting profit, then the assets and liabilities of the deferred tax would not be confirmed.

Taxable temporary differences arising out of the investments for subsidiaries and associated companies as well as the equity in joint ventures would be confirmed as liability of deferred income taxes, but the Company is able to ensure the recoveries of these temporary differences. Besides, the case that the temporary differences could not be recovered in the foreseeable future happens rarely.

The book value of the assets of deferred income tax would be checked on each balance sheet date, and the assets of deferred income tax would be deducted according to the part irrecoverable, when there is not likely enough tax income to recover part or whole of it in the future.

Deferred income tax is calculated according to the income tax rate of the estimated current period when the relevant assets have been realized or the relevant liabilities cleared. Deferred income tax would be recorded in the income statement, except for the case that it is related with the items recorded directly in equity. In such a case, deferred tax would be dealt with as equity item.

Income tax assets and liabilities could be balanced only when the same taxation institution collects the income taxes pertaining to them, and the Company has the plan to square the current income tax assets and liabilities with net amount.

5. Turnovers

	2007 RMB'000	2006 RMB'000
Sales of products and labor forces	94,188	50,829
Chartering business	325	110
	<u>94,513</u>	<u>50,939</u>
Taxes and affixation	(998)	(169)
	<u>93,515</u>	<u>50,770</u>

6. Other income

	2007 RMB'000	2006 RMB'000
Interest income	269	204
	<u>269</u>	<u>204</u>

7. Other net income

	2007 RMB'000	2006 RMB'000
Disposal of long-term investing income	-	715
Disposal of fixed asset income	-	(687)
Income from disposal of land use rights	1,566	-
Switching back of provision for bad debts	758	
Filled account arising from employees' meager room	-	120
Other income	109	(153)
	<u>2,433</u>	<u>(5)</u>

8. Other business expenses

	2007 RMB'000	2006 RMB'000
Guarantee loss *	16	3,330
Provision for devaluation of fixed asset	154	
Provision for depreciation of inventory	2700	
Loss arising from disposal of fixed asset	329	-
Other expenses	285	40
	<u>3,484</u>	<u>3,370</u>

Guarantee loss:

The Company has provided guarantee for the loan of Guangdong Sunrise Holdings Co., Ltd(with its original name of Shenzhen Lionda Holdings Co., Ltd.), the Company had to take the joint compensation responsibilities due to that the loan was at term but not yet returned. The Company evaluated the overdue loan and reserved RMB 16,000 for the guarantee of the aforesaid companies.

Provision for devaluation of fixed asset:

In the first half of this year, the group withdraws devaluation provision of fixed asset

which is estimated that the funded amount is less than the book value amounting to RMB 154,000.

Provision for depreciation of inventory:

In the first half of this year, the group withdraws devaluation provision of inventory which is estimated that the funded amount is less than the book value amounting to RMB 2,700,000.

9. Taxes

Taxes would be withdrawn after the income and expense item of the deductible income tax has been adjusted according to the gains / losses in the statutory financial report. The income tax rates applicable are 15% and 33%. At the same time, this half year, the group adjusts the deferred income tax asset and results in decrease of tax amounting to RMB 4,433,000.

	2007 RMB'000	2006 RMB'000
Current tax		
Income tax-the Company and subsidiaries	157	50
Deferred tax	(4,433)	-
Expense of tax	(4,276)	50

10. Fixed assets

	Buildings and workshops RMB'000	Machinery equipments RMB'000	Transportatio n equipments RMB'000	Furniture, facilities and office equipments RMB'000	Projects under construction RMB'000	Total RMB'000
Costs or estimated value						
On Dec. 31, 2006	48,390	129,612	8,114	10,855	26,117	223,088
Increase	924	457	238	315	6,122	9,113
Decrease		(10,893)	(1,061)	(304)	(961)	(12,254)
Reclassification	-			-	(1,019)	1,019
On Jun. 30, 2007	49,314	129,612	7,291	10,866	30,259	217,928
Accumulative depreciation / depreciation reserve						
On Dec. 31, 2006	(10,555)	(79,332)	(5,784)	(6,480)	(10,606)	(112,757)
Increase	(654)	(3,749)	(245)	(752)	-	(5,400)
Decrease		7,556	1,032	136	-	8,724
Reclassification	-				-	-
On Jun. 30, 2007	(11,209)	(75,525)	(4,997)	(7,096)	(10,606)	(109,433)
Net book value						
On Jun. 30, 2007	38,105	44,673	2,294	3,770	19,653	108,495
On Dec. 31, 2006	37,835	50,280	2,330	4,375	15,511	110,331

Shenzhen Assets Valuation Office, which had been registered in China, had valued the fixed assets of the Company on Jul. 31, 1991, and the surplus valuation had been included in the Company's share capital and capital reserve. In the report year, the construction in progress did not have capitalization of loans.

11. Land use rights		
		RMB'000
Costs		
On Dec.31, 2006		17,121
Transfer		(1,936)
On Jun.30, 2007		15,185
Accumulated amortization		
On Dec.31, 2006	(5,024)	
Increase	(157)	
On Jun.30, 2007		<u>(5,181)</u>
Net book value		
On Dec.31, 2006		<u>12,097</u>
On Jun.30, 2007		<u>10,004</u>
	2007	2006
	RMB'000	RMB'000
Net book value	10,004	12,097
Short-term item	<u>(258)</u>	<u>(311)</u>
Long-term item	<u>9,746</u>	<u>11,786</u>

The land use right refers to the following:

(1) The land use right of the land totaling 44,231.6 square meters, located in Henggang Town in the suburb of Shenzhen with a term of 50 years, which would expire in December, 2043.

12. Intangible assets		
		RMB'000
Cost		
On Dec.31, 2006		17,000
Increase		3,094
On Jun.30, 2007		20,094
Accumulated amortization		
On Dec.31, 2006	(4,561)	
Increase	(397)	
On Jun.30, 2007		<u>(4,958)</u>
Net book value		
On Jun.30, 2007		<u>15,134</u>
On Dec.31, 2006		<u>12,439</u>

Exclusively owned technology refers to the exclusively owned patents and techniques pertaining to tea beverage.

13. Equity of associated companies taken

	2007 RMB'000	2006 RMB'000
Net assets value taken	<u>131,839</u>	<u>126,318</u>
Price difference of equity investment	2,543	2,543
Amortization of price difference of equity investment	<u>(1,780)</u>	<u>(1,780)</u>
	<u>763</u>	<u>763</u>
Accounts receivable of associated companies	<u>10,856</u>	<u>7,971</u>
Equity of associated companies taken	<u>143,458</u>	<u>135,052</u>

Associated companies owned by the Company by Jun.30, 2006 are as follows:

Name of company	Registration place	Proportion of shares held		Main business
		2007	2006	
Shenzhen Pepsi Cola Co., Ltd	Shenzhen	30%	30%	Production of the beverage of Pepsi Company
Changzhou Mitsui Grease Co., Ltd.	Changzhou	33%	33%	Processing of edible vegetable oil, feedstuff and animal and plant grease

14. Other investment

	2007 RMB'000	2006 RMB'000
Cost value of the investments of subsidiaries unconsolidated	16,558	16,558
Cost value of the investments of associated companies not calculated in equity method	2,870	2,870
Unlisted stock	<u>17,935</u>	<u>17,809</u>
	<u>37,363</u>	<u>37,237</u>
Provision for depreciation	<u>(35,431)</u>	<u>(35,431)</u>
	<u>1,933</u>	<u>1,806</u>

Particulars about the unconsolidated affiliated companies:

Shenzhen Shenbao Fruit Juice Co., Ltd: this company has a registered capital of RMB 16.5 million, with an agreed investment proportion of 70%. With an actual investment amounting to RMB 16.5 million, solely the Company has actually invested this company, which would be launched into juice production according to original plan.

This company has in all withdrawn the provision for long-term investment depreciation amounting to RMB 14,850,000.

Shenzhen Shenbao (Liaoyuan) Industrial Co., Ltd: this company has been registered in Liaoning Province, with 53.5% of its registered capital invested by the Group. Its main business is the production of soda pop beverage. Since this company has been established for long but has not raised enough capital, with no operation business all this time, the Company has fully withdrawn the provision for long-term investment depreciation amounting to RMB 58,000.

Particulars about the associated companies not calculated in equity method:

Shenzhen Shenbao (Xinmin) Food Co., Ltd: 49.14% of this company's registered capital has been taken up by the Group. Since this company has been established for long but has not raised enough capital, with no operation business all this time, a provision for long-term investment depreciation amounting to RMB 2,870,000 has been fully withdrawn.

15. Inventory

	2007 RMB'000	2006 RMB'000
Raw materials	17,160	12,103
Packing	4,083	3,322
Finished product	10,564	10,910
Real estate for sale	16,570	10,654
Semi finished product	6,125	7,351
Products of consigned processing and sale and others	7,454	7,630
	<u>47,048</u>	<u>51,970</u>
Provision for inventory depreciation	(9,395)	(6,763)
	<u>37,653</u>	<u>45,207</u>

16. Accounts receivable

	2007 RMB'000	2006 RMB'000
Accounts receivable	48,960	37,312
Provision for bad debts	(18,333)	(18,391)
	<u>30,627</u>	<u>18,921</u>

17. Prepayment, down payment and other accounts receivable

	2007 RMB'000	2006 RMB'000
Prepayment	3,755	2,139
Charges to be amortized		210
Accounts receivable of transferring equity of associated companies		51,000
Accounts receivable of transferring land use right	-	-
Other accounts receivable	70,473	66,967
	<u>74,228</u>	<u>120,316</u>
Provision for bad debts	(26,095)	(26,854)
	<u>48,133</u>	<u>93,462</u>

18. Capital stock

	2007 RMB'000	2006 RMB'000
Registered, issued and fully paid		
A-share priced at RMB 1	155,787	155,787
B-share priced at RMB 1	26,136	26,136
	<u>181,923</u>	<u>181,923</u>
A-share listed in circulation	55,118	55,118
B-share listed in circulation	26,136	26,136
	81,254	81,254
Restricted A-share	100,669	100,669
	<u>181,923</u>	<u>181,923</u>

19. Accounts payable to related companies

	2007 RMB'000	2006 RMB'000
Shenzhen Investment Holdings Co., Ltd. (the second largest shareholder of the Company)	6,201	6,201

20. Account payable and charges

	2007 RMB'000	2006 RMB'000
Account payable	19,507	16,195
Account receivable in advance	1,279	-
Down payment received		16,230
Other account payable	6,045	31,860
Accrued expense	16,230	164
	<u>43,061</u>	<u>64,449</u>

21. Projected liabilities

	Supplementary	2007 RMB'000	2006 RMB'000
On Jan.1 ,2007		10,620	26,399
Withdrawal of this year		16	15,771
		10,636	42,170
Payment of this year	(2,056)	(31,550)
On Jun.30, 2007		8,580	10,620

22. Short-term bank loan

	Supplementary	2007 RMB'000	2006 RMB'000
Bank loan – with mortgage		18,000	18,000
Bank loan – with pledge			5,000
Bank loan – with no mortgage		67,000	67,000
		85,000	90,000

The annual interest rate of the loan is from 5.022% to 6.732%

23. Contingent liabilities

By Jun.30, 2007, the guarantees that the Group provided for the former related company Guangdong Sunrise Holdings Co., Ltd. (a listed company, original Shenzhen Lionda Holdings Co., Ltd.) on its bank loans, which have not been released are as follows:

Name of related companies	Loan amount guaranteed	Amount paid	Amount withdrawn	Contingent liability converted into' RMB'000
	Thousand	Thousand	Thousand	
Guangdong Sunrise Holdings Co., Ltd.	RMB 8,580	RMB -	RMB (8,580)	-
				-

24. Transactions of the related company

In the report year, significant transactions between the Group and the related companies are as follows:

Related company	Transaction items	2007 RMB'000	2006 RMB'000
Shenzhen Agricultural Product Co., Ltd. (The first largest shareholder of the Company)	Transferring the equity accounts of associated companies		6,000

25. Explanation on mortgage of asset

The Group provided mortgage guarantee for the loans amounted to RMB 8,580,000 for Guangdong Sunrise Holdings Co., Ltd. (with its original name of Shenzhen Lionda Holdings Co., Ltd.) with equity of Shenzhen Mitsui Food and Beverage Development Co., Ltd which is wholly owned by the Group. And the guarantee has withdrawn estimated liabilities with total amount.

The Group obtained the loans amounted to RMB 18,000,000 from the bank with mortgaging Shenbao Industrial City of the Group which is located in He'ao Village of Henggang, Shenzhen.

26. Judgement made when adopting accounting policies

In the process of confirming accounting policies, the management level will make a judgement, and the judgement may make great influence on the confirmed amounts in financial statement.

Except for the risk factor of financial instrument mentioned in Supplementary 31, there aren't others that will greatly influence the financial statement mainly for estimation and uncertain cause of formation.

27. Financial instruments

The Group's financial assets include bank balance and cash, notes receivable, accounts receivable, other accounts receivable, prepayments and down payments; financial liabilities include short-term bank loans, notes payable, accounts payable, other accounts payable, intending accounts received, accounts payable to related companies, accrued expenses and estimated liabilities, and other accounts.

(a) Credit risks

Bank balance and cash: the Group mainly deposits its funds in the banks and financial institutions of China.

Accounts receivable: sufficient reserves of the Group have been withdrawn for the goods payment receivable from individual customers or transactions, so there are no significant risks. The main credit risks come from the same region where there are large amount of accounts receivable, e.g. China.

(b) Interest rate risks

The short-term bank loan was borrowed at the market rate, so the Group bears the risks of cash liquidity interest rate.

Interest rate risks

The short-term bank loan was borrowed at the market rate, so the Company bears the risks of cash flow interest rate.

Fair value

There is no significant difference between the fair value of financial assets and

financial liabilities and their book value.

Calculated according to the interest rates of bank loans of similar articles and repayment term, the book value of the Company's short-term loans is fairly close to their fair value.

Fair value refers to the estimated value made according to relevant market materials at a specific time. In nature, this estimation is subjective and involves lots of unclear factors and judgments; therefore it could not be taken as an accurate calculation. Any hypothetical change would badly influence the aforesaid estimation.

28. Influence on net losses and gains and net assets after the adjustment according to International Financial Reporting Standards (IFRS)

	Gains/(loss) attributable to shareholders	Net asset
Financial report audited as China Accountant	14,140	290,537
Adjustment:		
Employee indemnity termination	(6,890)	-
Adjusted deferred income tax	4,433	
Adjustment of stock based on market price	(25)	
Losses of goodwill devaluation		(26)
Adjustment on amortization of balance of equity investment		763
Reserved for minority shareholders' equity		(204)
Other account payable		1,067
Interest capitalization of land use right		578
	<hr/>	<hr/>
Relisted based on IAS	<u>11,658</u>	<u>292,715</u>

29. Other explanation

This report was prepared in both English and Chinese. Should be there any difference in interpretation of the two versions, the Chinese version shall prevail.

Chapter VII. Documents Available for Reference

The office of Board of Directors of the Company has stocked the complete documents available for inquiries by CSRC, Shenzhen Stock Exchange and shareholders of the Company, including:

1. The text of 2007 Semi-annual Report carrying the signature of Chairman of the Board of the Company.
2. The text of Financial Report carrying the signatures and seals of legal representative, principal in charge of accounting and principal in charge of accounting institute.
3. The original texts of all documents and original manuscript of public notices of the Company ever disclosed on Securities Times and Hong Kong Wen Wei Po in the report period.

Chairman of the Board: Zeng Pai
Shenzhen Shenbao Industrial Co., Ltd.

August 17, 2007

Shenzhen Shenbao Industrial Co., Ltd.

Consolidated income statement for the year ended June 30, 2007

	2007	2006
	RMB'000	RMB'000
Turnover	93,515	50,770
Cost of sales	(75,776)	(41,837)
	<hr/>	<hr/>
Gross profit	17,739	8,933
Other revenue	269	204
Other net income	2,433	(5)
Distribution costs	(5,794)	(8,179)
Administrative expenses	(25,226)	(14,357)
Other operating expenses	(3,484)	(3,370)
	<hr/>	<hr/>
Operating loss	(14,063)	(16,774)
Share of profit from associates	23,372	25,615
Finance costs	(3,020)	(2,610)
	<hr/>	<hr/>
Profit/(loss) before taxation	6,289	6,231
Income tax	(4276)	(50)
	<hr/>	<hr/>
Profit/(loss) for the year	<u>10,565</u>	<u>6,181</u>
Attributable to :		
Equity holders of the parent	11,658	6,760
Share of loss for minority interest	(1,093)	(579)
	<hr/>	<hr/>
	<u>10,565</u>	<u>6,181</u>
 Profit per share to equity holders of the parent - basic	 <u>RMB0.06</u>	 <u>RMB0.04</u>

Shenzhen Shenbao Industrial Co., Ltd.

Consolidated balance sheet as at June 30, 2007

Assets	2007	2006
	RMB'000	RMB'000
Non-current assets		
Fixed assets	108,495	110,331
Land use rights - non-current portion	9,746	11,786
Intangible assets	15,134	12,439
Deferred income tax	4,316	
Interests in associates	143,458	135,052
Other investments	1,933	1,806
	<hr/>	<hr/>
	283,082	271,414
Current assets		
Tax recoverable	1,179	
Land use rights - current portion	258	311
Inventories	37,653	45,207
Accounts receivable	30,627	18,921
Prepayments, deposits and others receivable	48,133	93,462
Bills receivable		87
Cash and bank balances	74,428	41,016
	<hr/>	<hr/>
	192,278	199,004
Total assets	<hr/> <hr/>	<hr/> <hr/>
	475,360	470,418
Equity and liabilities		
Capital and reserves		
Share capital	181,923	181,923
Reserves	110,792	99,134
	<hr/>	<hr/>
Equity attributable to equity holders of the parent	292,715	281,057
Minority interest	39,585	17,691
	<hr/>	<hr/>
Total equity	332,300	298,748
Current liabilities		
Dividends payable	218	218
Amount due to a related company	6,201	6,201
Accounts payable and accrued charges	43,061	64,449
Anticipated liabilities	8,580	10,620
Provision for taxation		182
Short-term bank loans	85,000	90,000
	<hr/>	<hr/>
Total liabilities	143,060	171,670
Total equity and liabilities	<hr/> <hr/>	<hr/> <hr/>
	475,360	470,418

Shenzhen Shenbao Industrial Co., Ltd.

Consolidated cash flow statement for the year ended June 30, 2007

	2007
	RMB'000
Cash flow from operating activities	
Operating profit/(loss) before taxation	6,289
Adjustment items :	
Profit on disposal of fixed assets	329
Profit on disposal of land use rights	
Depreciation	5,194
Provision for impairment loss of fixed assets	154
Amortization of land use rights	156
Amortization of intangible assets	398
Provision for impairment loss of inventories	(2,700)
Loss from guarantees	16
Provision for bad debts made/(reversed)	(758)
Share of profit from associates	(23,372)
Amortization of premium in associates	
Interest income	(269)
Interest expense	2,787
	(11,776)
Operating cash flows before movements in working capital	(11,776)
Increase in inventories	(1,660)
(Increase)/decrease in accounts receivable	(11,706)
(Increase)/decrease in prepayments, deposits and othersreceivable	46,533
Increase in deferred income tax	4,119
Increase in accounts payable and accrued charges	(14,331)
Decrease in anticipated liabilities	2,056
Increase in bills payable	87
	5,084
Cash outflow from operating activities before interest and tax payments	5,084
Interest paid	(3,345)
Income tax (paid)/refunded	(1,228)
	511
Net cash outflow from operating activities c/f	511

(to be cont'd)

Shenzhen Shenbao Industrial Co., Ltd.

Consolidated cash flow statement for the year ended June 30, 2007

(cont'd)

	2007 RMB'000
Net cash outflow from operating activities b/f	511
Investing activities	
Interest received	269
Proceeds from disposal of fixed assets	4
Purchases of fixed assets	(48,117)
Proceeds from disposal of land use rights	
Net cash outflow from increased investment in a subsidiary	51,000
Dividends received from associates	17,851
	21,007
Net cash inflow/(outflow) from investing activities	21,007
Net cash inflow/(outflow) before financing activities	21,518
Financing activities	
Increase/(decrease) in short-term bank loans	(5,000)
Increase in minority interest	21,894
	16,894
Net cash inflow/(outflow) from financing activities	16,894
Decrease in cash and cash equivalents	37,412
Cash and cash equivalents as at beginning of year	36,017
Bank deposits - pledged as at beginning of year	5,000
Bank deposits - pledged as at end of year	
	74,428
Cash and cash equivalents as at end of year	74,428
Analysis of cash and cash equivalents	
Cash and bank balances	74,428
Bank deposits - pledged	()
	74,428
Cash and cash equivalents	74,428