SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

ANNUAL REPORT 2009

11 February 2010

Section I. Important Notes and Contents

The Board of Directors, Supervisory Committee as well as directors, supervisors and senior executives of Shenzhen Properties & Resources Development (Group) Ltd. (hereinafter referred to as the Company) warrant that this report does not contain any false or misleading statements or omit any material facts and hereby accept, individually and collectively, responsibility for the truth, accuracy and completeness of the contents of this report.

None of the directors, supervisors or senior executives has objection to the factuality, accuracy or completeness of this Report.

All directors of the Company personally attended the Board Meeting.

Wuhan Zhonghuan Certified Public Accountants Ltd issued audit report with standard unqualified opinion for the Company.

Mr. Chen Yugang, Chairman of the Board of the Company, Mr. Wang Hangjun, Person in Charge of Accounting Work and Ms. Shen Xueying, Manager of Financial Management Department, hereby confirm that the Financial Report enclosed in the Annual Report 2009 is true and complete.

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

Content

Section II. Company Profile

I. Legal Name of the Company

In Chinese: 深圳市物业（发展）集团股份有限公司

Abbr. in Chinese: 物业集团

In English: Shenzhen Properties & Resources Development (Group) Ltd. (PRD)

II. Legal Representative: Chen Yugang

III. Secretary to the Board of Directors and Securities Affairs Representative:

	Secretary to the Board of Directors	Securities Affairs Representative
Name	Fan Weiping	Liu Gang
Contract Address	42nd Floor, International Trade Center, Renmin South Road, Shenzhen	42nd Floor, International Trade Center, Renmin South Road, Shenzhen
Tel	0755-82211020	0755-82213742
Fax	0755-82210610	0755-82210610
E-mail	000011touzizhe@163.com	000011touzizhe@163.com

IV. Registered Address and Office Address: 39th and 42nd Floor, International Trade Center, Renmin South Road, Shenzhen

Post Code: 518014

Internet Website of the Company: www.szwuye.com.cn

V. Media Designated for Information Disclosure of the Company:

Securities Times for A-Share, Ta Kung Pao for B-Share

Internet Website Designated by CSRC for Publishing the Annual Report: http://www.cninfo.com.cn

Place Where the Annual Report is Prepared and Placed: Office of Board of Directors, on 42nd Floor, International Trade Center, Renmin South Road, Shenzhen

VI. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of Stock and Stock Code: Shen Wuye A (000011)

Shen Wuye B (200011)

VII. Registration data: Jan. 17, 1983

Address: Industrial and Commercial Administration Bureau of Shenzhen Municipal Government

Registration Code of Enterprise Business License: 440301103570124

Registered number of taxation: 440301192174135

Organization code: 19217413-5

Name and address of engaged by the Company:

Domestic Accounting Frim: Wuhan Zhonghuan Certified Public Accountants Ltd.

Address: 16th - 18th Floor, Tower B, Wuhan International Mansion

Section III. Summary of Accounting Highlights and Business Highlights

I. Accounting data as of the year 2009

Unit: Yuan

Items	Amount
Operating profit	130,921,541.68
Total profit	127,297,762.81
Net profit attributable to shareholders of the listed companies	96,933,951.02
Net profit attributable to shareholders of the listed companies after deducting non-recurring gains and losses	109,832,961.93
Net cash flow arising from operating activities	759,650,626.69

Items of extraordinary gains and losses deducted and the relevant amount:

Unit: Yuan

Items	Amount
1. Gains and losses on disposal of non-current assets, including provision for asset impairment write-off	58,710.32
2. Corporate restructuring cost, such as employee resettlement expense, integration costs etc.	-12,700,956.90
3. Gains and losses on contingencies not relating to routine operation	-8,031,974.39
4. A gains or losses arising from a change in the fair value of a financial asset or financial liability and investment income from disposal of tradable financial assets and liabilities as well as available-for-sale financial assets that is not part of a hedging relationship related to ordinary operation of the Company	2,473,993.55
5. Other non-operating income and expense apart from the above items	4,346,485.20
Subtotal	-13,853,742.22
6. Income tax influence excluding extraordinary gains and losses	954,731.31
Total	-12,899,010.91

Note 1: The item “Gains and losses on disposal of non-current assets, including provision for asset impairment write-off” for year 2009 is the gains and losses from disposal of fixed assets.

Note 2: “Corporate restructuring cost, such as employee resettlement expense, integration costs etc.” of this accounting period is the employee redundancy compensation in accordance with the employee redundancy plan, the item is based on the Document of State-owned Enterprise Reform of Shenzhen, and in accordance with the definition of Extraordinary gains and losses: “trading and items that could influence the judgments on the business performance and profitability of the company by the users of financial statement, due to its special nature and occasionality” from The Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No. 1 – Extraordinary gains and losses (2008).

Note 3: Gains and losses on contingencies not relating to routine operation includes accrued liabilities withdrawn in 2009, please refer to Note (V) 24 and (VII) 2 for details.

Note 4: A gains or losses arising from a change in the fair value of a tradable financial asset or tradable financial liability and investment income from disposal of tradable financial assets and liabilities as well as available-for-sale financial assets that is not part of a hedging relationship related to ordinary operation of the Company includes gains and losses arising from the change in fair value of the tradable financial assets and investment income from disposal of tradable financial assets.

Note 5: Other non-operating income and expense apart from the above items is earnings from fines and confiscation and payments that need not be paid.

Difference in PRC GAAP and IFRS

Unit: RMB Yuan

Item	Net profit attributable to owners of parent company（Jan.-Dec.2009）	Owner's equity attributable to parent company（as at 31 Dec. 2009）
As per PRC GAAP	96,933,951.02	661,442,553.12
As per IFRS	96,933,951.02	661,442,553.12
Explanation for difference	No difference	

II. Major accounting data and financial indexes of the Company over the last three years

1. Main accounting data

Unit: RMB Yuan

	2009	2008	Increase/decrease year-on-year (%)	2007
Operating revenue	845,366,939.69	623,465,139.63	35.59	332,985,105.29
Total profit	127,297,762.81	29,940,463.73	325.17	-29,055,405.80
Net profit attributable to shareholders of the company	96,933,951.02	9,829,397.29	886.16	-27,377,663.77
Net profit attributable to shareholders of the company after deducting non-recurring gains and losses	109,832,961.93	22,741,788.35	382.96	-88,533,913.11
Net cash flow arising from operating activities	759,650,626.69	-23,702,977.51	3304.87	-121,568,768.77
	At the end of 2009	At the end of 2008	Increase/decrease year-on-year (%)	At the end of 2007
Total assets	2,834,417,954.60	2,110,845,898.28	34.28	1,885,257,743.24
Owners' equity (or shareholders' equity)	661,442,553.12	570,615,365.41	15.92	565,896,202.38

2. Main financial indices

Unit: RMB Yuan

	2009	2008	Increase/decrease year-on-year (%)	2007
Basic earnings per share	0.1626	0.0165	885.45	-0.0459
Diluted earnings per share	0.1626	0.0165	885.45	-0.0459
Basis earnings per share after deducting non-recurring gains and losses	0.1843	0.0382	382.46	-0.1486
Fully diluted return on net assets	14.65%	1.72%	12.93	-4.84%
Weighted average return on net assets	15.67%	1.72%	13.95	-4.75%
Fully diluted return on net assets after deducting non-recurring gains and losses	16.61%	3.99%	12.62	-15.64%
Weighted average return on net assets after deducting non-recurring gains and losses	17.76%	3.98%	13.78	-15.35%

Net cash flow per share arising from operating activities	1.2746	-0.0398	3302.51	-0.2040
	At the end of 2009	At the end of 2008	Increase/decrease year-on-year (%)	At the end of 2007
Net assets per share attributable to shareholders of the company	1.1098	0.9574	15.92	0.9495

Section IV. Changes in Share Capital and Particulars about Shareholders

I. Changes in share capital of the Company in 2009

1. Changes in shares

Unit: Share

	Before the change		Increase/decrease for this accounting period (+, -)					After the change	
	Amount	Propor-tion	Issuance of new shares	Bonus shares	Capitalization of public reserve fund	Other	Subtotal	Amount	Propor-tion
I. Shares subject to trading moratorium	388,948,563	71.79%						388,636,551	65.21%
1. Shares held by the State									
2. Share held by state-owned corporation	383,378,412	70.76%		34,773,580		-35,642,607		382,509,385	64.18%
3. Shares held by other domestic investors	5,570,151	1.03%		557,015				6,127,166	1.03%
Among which: Shares held by domestic non-state-owned corporation	5,570,151	1.03%		509,015		-480,000		5,599,166	0.94%
Shares held by domestic natural persons	0			48,000		480,000		528,000	0.09%
4. Shares held by foreign investors									
Among which: Shares held by foreign corporation									
Shares held by foreign natural persons									
II. Shares not subject to trading moratorium	152,850,612	28.21%		54,491,929				207,342,541	34.79%
1. RMB ordinary shares	91,391,199	16.87%		48,345,945				139,737,144	23.44%
2. Domestically listed foreign shares	61,454,412	11.34%		6,145,441				67,599,853	11.34%
3. Overseas listed foreign shares									
4. Others	5,001	0.001%		543				5,544	0.01%
III. Total shares	541,799,175							595,979,092	

Note: Details for change in share capital of the Company:

(I) Explanation on change in “Increase/decrease for this accounting period” under “I. Shares subject to trading moratorium”:

① The reasons why share held by state-owned corporation decreased by 869,027 shares are as follows:

a. due to implementation of the share merger reform, the state-owned corporations paid 35,642,607 bonus shares to shareholders of tradable A shares;

b. during the reporting period, the state-owned corporations got 34,773,580 shares from the interim equity distribution 2009.

② The reasons why shares held by domestic non-state-owned corporation increased by 29,015 shares are as follows:

a. Shanghai Zhizhen Investment Consulting Corporation, an original corporation shareholder, held 480,000 non-tradable shares of the Company, due to disqualification of corporation, non-transaction of its shares were transferred to Geng Qunying, a natural person

b. during the reporting period, the domestic non-state-owned corporation got 509,015 shares from the interim equity distribution 2009.

③ The reasons are as follows why shares held by domestic natural persons increased by 528,000 shares:

a. Shanghai Zhizhen Investment Consulting Corporation, an original corporation shareholder, held 480,000 non-tradable shares of the Company, due to disqualification of corporation, non-transaction of its shares were transferred to Geng Qunying, a natural person;

b. during the reporting period, the said 480,000 shares got 48,000 shares from the interim equity distribution 2009.

(II) Explanation on change in "Increase/decrease for this accounting period" under "II. Shares not subject to trading moratorium":

① The reasons why RMB ordinary shares increased by 48,345,945 shares are as follows:

a. due to implementation of the share merger reform, 35,642,568 bonus shares were obtained from shareholders of non-tradable shares;

b. during the reporting period, 12,703,377 shares were gotten from the interim equity distribution 2009.

② The reasons why domestically listed foreign shares increased by 6,145,441 shares are as follows:

During the reporting period, 6,145,441 shares were gotten from the interim equity distribution 2009.

③ The reasons why item "Other" increased by 543 shares are as follows:

a. A shares subject to trading moratorium held by Supervisor Guo Lusi increased by 53 shares, of which 39 shares is from shareholders of non-tradable shares due to the share merger reform, and 14 shares is from the interim equity distribution 2009.

b. B shares subject to trading moratorium held by Supervisor Guo Lusi increased by 490 shares, which is from the interim equity distribution 2009.

For details, please refer to the statement of change in shares subject to trading moratorium.

Statement of Change in Shares Subject to Trading Moratorium

Name of Shareholder	Shares subject to trading moratorium at the year-begin	Shares released from trading moratorium in this year	Increase of shares subject to trading moratorium subscription in this year	Shares subject to trading moratorium at the year-end	Reason	Date of releasing

Shenzhen Construction Investment Holdings Corporation	324,233,612	30,453,310	29,378,030	323,158,332	Restriction sale	4 Nov. 2012
Shenzhen Investment Management Corporation	56,628,000	5,189,297	5,143,870	56,582,573	Restriction sale	4 Nov. 2012
Other shareholder of non-tradable shares	8,086,951	0	808,695	8,895,646	Restriction sale	4 Nov. 2012
Guo Lusi	A-share: 101 B-share: 4900	0	A-share: 53 B-share: 490	A-share: 154 B-share: 5390	Shares held by supervisor	
Total	388,953,564	35,642,607	35,331,138	388,642,095		

Notes: Details for change in shares subject to trading moratorium as below:

① In 2009, shares released from restriction sale by Shenzhen Construction Investment Holdings Corporation are 30,453,310 shares, which was because it paid 29,712,235 bonus shares to tradable shareholders due to implementation of share merger reform, in addition, it paid 741,075 shares in advance in stead of other non-tradable shareholders.

② In 2009, shares subject to trading moratorium held by Shenzhen Construction Investment Holdings Corporation increased by 29,378,030 shares, as result of it obtaining 29,378,030 shares from the interim equity distribution 2009.

③ Shenzhen Investment Holding Corporation, the actual controller of the Company, voluntarily entrusted China Securities Depository and Clearing Corporation Limited Shenzhen Branch to froze 30 million shares of Shen Wuye under the name of Shenzhen Construction Investment Holdings Corporation, which are controlled by Shenzhen Investment Holding Corporation actually.

④ In 2009, shares released from restriction sale by Shenzhen Investment Management Corporation are 5,189,297 shares, which was because it gave 5,189,297 bonus shares to tradable shareholders due to implementation of share merger reform.

⑤ In 2009, shares subject to trading moratorium held by Shenzhen Investment Management Corporation increased by 5,143,870 shares, as result of this company getting 5,143,870 shares from the interim equity distribution 2009.

⑥ Other non-tradable shareholders should repay the shares paid by Shenzhen Construction Investment Holdings Corporation in advance, apart from this, they also refund shares and cash earnings distributed on equity obtained due to advancement to Shenzhen Construction Investment Holdings Corporation after obtaining written consent from Shenzhen Investment Holdings Corporation.

⑦ In 2009, A shares subject to trading moratorium held by Supervisor Guo Lusi increased by 53 shares, as result of he getting 39 shares from non-tradable shareholders due to the share merger reform and 14 shares from the interim equity distribution 2009.

⑧ In 2009, B shares subject to trading moratorium held by Supervisor Guo Lusi increased by 490 shares, as result of he getting 490 shares from the interim equity distribution 2009.

2. Issuance and listing of shares

① During the reporting period, the Company made the share merger reform. On 3 Nov. 2009, the share merger reform has been implemented, the non-tradable shareholders paid 35,642,607 shares to the tradable shareholders in total.

② During the reporting period, the Company performed the bonus shares to all shareholder with retained profits at the rate of 1 share for every 10 shares, and 54,179,917 bonus shares were distributed in total.

③ Over the previous three years as at end of the report period, the Company failed to issue shares on sale, separate-transaction convertible bond, corporate bonds and other derivative securities.

Based upon the above-mentioned reasons, the Company's share structure changed. For the detailed change, please refer to the statement of change in shares.

II. About shareholders

1. Number of shareholders and shares held by shareholders

In accordance with the name list for registration provided by China Securities Depository & Clearing Corporation Limited Shenzhen Branch to the Company, shares held by the top ten shareholders and the top ten shareholders not subject to trading moratorium as at 31 Dec. 2009 are as below:

Unit: Share

Total number of shareholders	By the end of the report period, the Company has 55,615 shareholders in total, including 45,927 ones of A-share, 9,688 ones of B-share				
Particulars about shares held by the top ten shareholders					
Full name of Shareholder	Type of shareholders	Proportion (%)	Total number of shares held	Number of shares subject to trading moratorium	Share pledged or frozen
SHENZHEN CONSTRUCTION INVESTMENT HOLDINGS CORPORATION	State-owned corporation	54.22	323,158,332	323,158,332	30,000,000
SHENZHEN INVESTMENT MANAGEMENT CORPORATION	State-owned corporation	9.50	56,582,573	56,582,573	0
ZENG YING	Domestic nature person	0.97	5,766,974	0	0
WANG ZHI HAI	Domestic nature person	0.54	3,195,151	0	0
LABOR UNION OF SHENZHEN INTERNATIONAL TRADE PROPERTY MANAGERMENT COMPANY	State-owned corporation	0.46	2,768,480	2,768,480	0
SHENZHEN SPECIAL ZONE DUTY-FREE COMMODITY CO.	State-owned corporation	0.29	1,730,300	1,730,300	0
Shenzhen Jinniuhong Trading Co., Ltd.		0.29	1,724,559	0	0
SHEN LING	Domestic nature person	0.27	1,600,000	0	0

SHANGHAI ZHAODA INVESTMENT CONSULTANT CO., LTD.		0.19	1,111,000	1,111,000	0
CHINA EAGLE SECURITIES CO., LTD.		0.15	865，150	865,150	0
Explanation on associated relationship among the above shareholders or consistent action	The first and second principal shareholders of the Company are managed by Shenzhen Investment Holding Corporation, the actual controlling shareholder of the Company. The fifth shareholder is labor union of wholly-owned subsidiary company indirectly controlled by the Company. Except for these, the Company is not aware of whether there exists associated relationship or consistent action among the top ten shareholders holding trade shares or not.				

Shares held by the top ten shareholder not subject to trading moratorium

Name of shareholders	Numbers of shares not subject to trading moratorium	Type of share
ZENG YING	5,766,974	Domestically listed foreign shares
WANG ZHI HAI	3,195,151	RMB ordinary shares
Shenzhen Jinniuhong Trading Co., Ltd.	1,724,559	RMB ordinary shares
SHEN LING	1,600,000	RMB ordinary shares
LI HONG MAO	666,820	RMB ordinary shares
LIU YUN DE	567,310	RMB ordinary shares
YUE ZHI YU	566,500	RMB ordinary shares
SUN HUNG KAI INVESTMENT SERVICES LTD-CUSTOMERS A/C	560,000	Domestically listed foreign shares
HAO SA	500,000	RMB ordinary shares
CHEN CHU JIA	433,620	Domestically listed foreign shares
Explanation on associated relationship among the above shareholders or consistent action	The Company is not aware of whether there exists associated relationship or consistent action among the top ten shareholders not subject to trading moratorium or not.	

Note: In accordance with the commitment made in the share merger reform, Shenzhen Investment Holding Corporation, the actual controller of the Company, voluntarily entrusted China Securities Depository and Clearing Corporation Limited Shenzhen Branch to froze 30 million shares of Shen Wuye under the name of Shenzhen Construction Investment Holdings Corporation, which are controlled by Shenzhen Investment Holding Corporation actually.

2. Number of shares held by the top ten shareholder holding shares subject to trading moratorium and conditions

No.	Name of shareholders	Number of shares subject to trading moratorium	Date that shares can be listed	Number of additional marketable shares	Trading moratorium
1	SHENZHEN CONSTRUCTION INVESTMENT HOLDINGS CORPORATION	323,158,332 (including 741,075 shares paid in advance)	4 Nov. 2012 4 Nov. 2013 4 Nov. 2014	29,798,954 29,798,954 Residual shares	1. Original non-tradable shares held by Shenzhen construction Investment Holdings Corporation and Shenzhen Investment Management Corporation would not be traded or transferred within 36 months since the date when the share merger reform plan is implemented. 2. After the expiration of the aforesaid commitment, the proportion in total shares capital of Shen Wuye taken up by the
2	SHENZHEN INVESTMENT MANAGEMENT CORPORATION	56,582,573	4 Nov. 2012 4 Nov. 2013	29,798,954 Residual shares	

					original non-tradable shares could be sold through listing and trading in Shenzhen Stock exchange would not exceed 5 percent within 12 months, as well as not exceed 10 percent within 24 months.
3	LABOR UNION OF SHENZHEN INTERNATIONAL TRADE PROPERTY MANAGERMENT COMPANY	2,768,480	4 Nov. 2010	2,768,480	
4	SHENZHEN SPECIAL ZONE DUTY-FREE COMMODITY CO.	1,730,300	4 Nov. 2010	1,730,300	
5	SHANGHAI ZHAODA INVESTMENT CONSULTANT CO., LTD.	1,111,000	4 Nov. 2010	1,111,000	Original non-tradable shares held by such eight shareholders would not be traded or transferred within 12 months since the date when the share merger reform plan is implemented. The shares held by the non-tradable shareholders would not be listed for trading for failing to perform consideration
6	CHINA EAGLE SECURITIES CO., LTD.	865,150	4 Nov. 2010	865,150	
7	SHANGHAI KUNLING INDUSTRY & TRADE CO.,LTD	692,120	4 Nov. 2010	692,120	
8	GENG QUN YING (Note 1)	528,000	4 Nov. 2010	528,000	
9	CHINA SHENZHEN INTERNATIONAL COOPERATION(GROUP) CO.,LTD.	441,400	4 Nov. 2010	441,400	
10	SHENZHEN TONGSHENG INDUSTRIAL CO., LTD.	268,057	4 Nov. 2010	268,057	

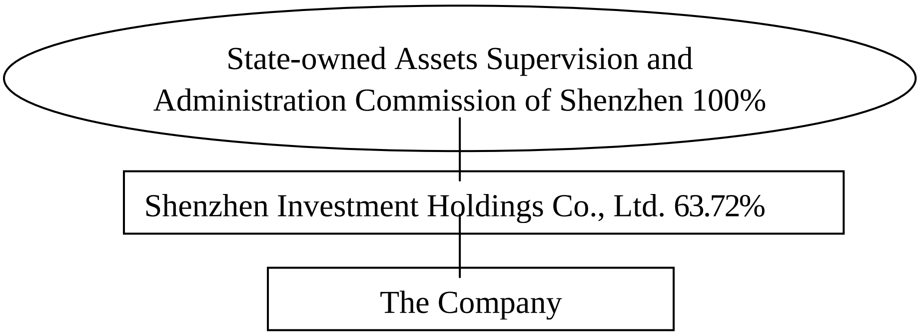
3. About the controlling shareholder and actual controller of the Company

(1) By the end of reporting period, the controlling shareholder of the Company is still Shenzhen Construction Investment Holdings Corporation (“the holding company”) in register book. In 2004, Shenzhen Municipal Government incorporated Shenzhen Construction Investment Holdings Corporation with the other two municipal assets operation and management companies, namely Shenzhen Investment Management Corporation and Shenzhen Trade and Business Holdings Corporation to establish Shenzhen Investment Holdings Co., Ltd.. Therefore, the Company’s actual controlling shareholder is Shenzhen Investment Holdings Co., Ltd., a sole state-funded limited company, who was established in Oct. 13, 2004 with the registered capital of RMB 4 billion and Mr. Chen Hongbo as its legal representative. Main business scope: providing guarantee to municipal state-owned enterprises, management of state-owned equity, assets reorganization and reformation of enterprises, assets operation and equity investment and etc.. As a government department, State-owned Assets Supervision and Administration Commission of Shenzhen implemented management for Shenzhen Investment Holdings Co., Ltd. on behalf of Shenzhen municipal government. Thus, the final controller of the Company is State-owned Assets Supervision and Administration Commission of Shenzhen with locating at Investment Bldg., Shen Nan Av., Futian District, Shenzhen and postcode

of “518026”.

(2) Change in the controlling shareholder and actual controller
During the reporting period, the controlling shareholder and actual controller remained unchanged.

(3) The controlling relationship between the Company and the actual controller is as below:



The second principal shareholder of the Company is Shenzhen Investment Management Corporation (holding 10.45% equity of the Company), who was established in Feb. 1988 with the registered capital of RMB 2 billion, as well as Mr. Li Heihu as its legal representative. It is an assets operation management company owned by the whole people. In accordance with the document of SGZW [2004] No. 223 “Decision on Establishing Shenzhen Investment Holdings Co., Ltd.”, in 2004, Shenzhen Investment Management Corporation incorporated with Shenzhen Construction Investment Holdings Corporation and Shenzhen Trade and Business Holdings Corporation. The corporate shares of the Company held by the aforesaid three companies were managed by new company after incorporation — Shenzhen Investment Holdings Co., Ltd.

(4) About other shareholders holding over 10% (including 10%) shares of the Company
During the reporting period, the Company has no other corporation shareholders holding over 10% (including 10%) shares of the Company.

Section V. Directors, Supervisors and Senior Executives and Employee

I. About directors, supervisors and senior executives

1. Basic information

Name	Office title	Sex	Age	Office term	Holding shares at the year-begin	Holding shares at the year-end	+/-	Reasons of change
Chen Yugang	Chairman of the Board	Male	52	Dec. 2007-Dec. 2010	0	0	0	
Wei Zhi	Director, General Manger	Male	52	Dec. 2007-Dec. 2010	0	0	0	
Liu Guangxin	Director, Chairman of Labor Union	Male	51	Dec. 2007-Dec. 2010	0	0	0	
Wang Peng	Director	Male	41	Dec. 2007-Dec. 2010	0	0	0	
Wen Li	Director	Female	40	Dec. 2007-Dec. 2010	0	0	0	
Guo Liwei	Director	Male	37	Dec. 2007-Dec. 2010	0	0	0	
Li Xiaofan	Independent Director	Male	57	Dec. 2007-Dec. 2010	0	0	0	
Zha Zhenxiang	Independent Director	Male	54	Dec. 2007-Dec. 2010	0	0	0	
Dong Zhiguang	Independent Director	Male	53	Dec. 2007-Dec. 2010	0	0	0	
Cao Ziyang	Chairman of the Supervisory Committee	Male	59	Dec. 2007-Dec. 2010	0	0	0	
Wang Qiuping	Supervisor, Deputy Manger of Development Management Dept.	Female	40	Dec. 2007-Dec. 2010	0	0	0	
Guo Lusi	Supervisor	Female	46	Dec. 2007-Dec. 2010	101 A shares 4900 B shares	154 A shares 5390 B shares	0	
Zhang Gejian	Supervisor, Deputy Manager of Auditing Dept.	Male	34	Dec. 2007-Dec. 2010	0	0	0	
Wang Xiuyan	Supervisor	Female	47	Sep. 2008-Dec. 2010	0	0	0	
Wang Hangjun	Deputy General Manager	Male	43	Dec. 2007-Dec. 2010	0	0	0	
Liu Yinghua	Deputy General Manager	Male	49	Dec. 2007-Dec. 2010	0	0	0	
Li Zipeng	Deputy General Manager	Male	43	Dec. 2007-Dec. 2010	0	0	0	
Fan Weiping	Secretary to the Board of Directors	Male	45	Jan. 2009-Dec. 2010	0	0	0	

2. Work experience of current directors, supervisors and senior executives in the last five years and post or concurrent posts in other companies excluding shareholder companies

Members of the Board of Directors:

Mr. Chen Yugang, was born in September 1957, Postgraduate degree, is senior Political Worker. He gains rich experience in government administrative management and enterprise management over 20 years. He held some important posts in many municipal departments. He served as GM and Secretary of the CPC in Shenzhen Shenhua Group Company. Also, he served as GM and Vice Secretary of the CPC in Shenzhen Xianke Enterprise Group, and Deputy General Manager of Shenzhen Investment Holdings Co., Ltd.. From May 2006, he has served as Secretary of CPC in the Company. And in June 2006, he was elected as Chairman of the Board of the Company. Now he acts as Secretary of CPC and Chairman of the Board in the Company.

Mr. Wei Zhi, was born in November 1957, Bachelor Degree, holds the title of interpretation. He gains rich experience in enterprise management over 20 years. He ever worked in Shenzhen International Engineering Co., Ltd. as Deputy Manager of Overseas Department, in Shenzhen Zhongshen Overseas Development Company as Manage of Labor Affairs Department and Deputy General Manager, in China Shenzhen International Cooperation (Group) Co., Ltd. Hong Kong Liyuan Company as Director and General Manager, in Shenzhen Construction Investment Holdings Corporation as Deputy Manager of Overseas Department, in Shenzhen Construction Investment Holdings Corporation as

Deputy Manager of Contract Department, in Shenzhen Tonge (Group) Co., Ltd as Assistant General Manager and Deputy General Manager, in Tonge Real Estates Development Company as Chairman of the Board and General Manager. Since October 2007, he took the posts of the Vice Secretary of CPC and Standing Deputy General Manager in the Company. Since 20 Dec. 2007, he held the posts of Director of the Company. Since 15 Jul. 2008 to present, he acts as Vice Secretary of CPC, Director and General Manger of the Company.

Mr. Liu Guangxin, was born in May 1958, Diploma, is an Economist. He gains experience in enterprise management over 10 years. Since May 1989, he held a job in the Company as Director of the Office in Properties Engineering Development Company, General Manager of International Trade Industrial Development Company, General Manager of International Trade Food Company, Deputy Director and Director of the GM Office of the Company, as well as Manager of Operation and Management Department of the Company. Since October 2007, he took the posts of Vice Secretary of CPC and Secretary of Discipline Inspection Committee in the Company. Since November 2007, he was appointed as Chairman of the Labor Union of the Company. Now he acts as Vice Secretary of CPC, Director, Secretary of Discipline Inspection Committee as well as Chairman of Labor Union in the Company.

Mr. Wang Peng, was born in 1969, holds master degree. He once held posts in Shenzhen Construction Investment Holdings Corporation as Economist of Investment Department and Manager Assistant of Assets Operation Department. Also, he served as Deputy GM of Enterprise Reform Department in Shenzhen Investment Holdings Co., Ltd.. From Oct. 2004, he has taken a job in Shenzhen Investment Holdings Co., Ltd. as Deputy Department Director of Property Right Management Department as well as Deputy Director of BOD Office. Now, he holds posts as Vice Secretary of the Second Enterprise Department in Shenzhen Investment Holdings Co., Ltd. and Director of the Company.

Ms. Wen Li, born in December 1969, Postgraduate Degree, Master Degree, is an Economist as well as Engineer. She gains experience in enterprise management over 10 years. She ever worked in Shenzhen Fantasia Investment Development as Assistant of Standing Deputy General Manger, Manager of Project Department, as well as Manager of Market Planning Department. Now she acts as Deputy Department Director of Investment Department of Shenzhen Investment Holdings Co., Ltd., Director of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd., as well as Director of the Company.

Mr. Guo Liwei, was born in 1973, Postgraduate Degree, is a master of Law. He once successively held the posts in General Department of Ping An Insurance (Group) Company of China as legal consultant, and Shenzhen Investment Management Corporation as Business Manager of Legal Affairs Department. Since October 2004, he worked in Shenzhen Investment Holdings Co., Ltd as Deputy GM of Legal Affairs Department. He now acts as Manager of the First Enterprise Management in Shenzhen Investment Holdings Co., Ltd. and Director of the Company.

Members of Independent Directors:

Mr. Li Xiaofan, was born in 1953, holder of Master-degree of economics with register management consultant and research scholar. He once successively held posts in Economic Research Institute of the Gansu Provincial Academy of Social Sciences as Vice

Director, in Shenzhen System Restructuring Office as Chief Division, as well as Chief Division of Market System Office; and Director of Investment Promotion Liaison Office of Shenzhen Municipal Government in European office, inspector of Original Foreign Economic & Trade Bureau of Shenzhen. From 2006 to now, he has held posts in Shenzhen Urban Development Research Center as a research scholar; in China Productive Power Commission as Administrative Syndic and Vice Secretary-general. Now he is the Independent Director of the Company.

Mr. Zha Zhenxiang, was born in November 1955, Doctor Degree, holds title of Professor, and enjoys special allowance from Government of the State Council. Mr. Zha has profound theoretical basis in business management. He ever held the posts of Vice Dean in College of Economics and Management of China Agricultural University, Director of Development and Research Center of China Bao'an Group Co., Ltd., Chief Economist of Nanhai Nengxing Development Group Co., Ltd.. Now he took the posts of Dean in College of Economics and Management of Shenzhen Polytechnic and concurrently Director of Social Development Research Center, as well as Independent Director of the Company.

Mr. Dong Zhiguang, was born in February 1957, Bachelor Degree, is an Senior Accountant aw well as CPA. He gains experience in enterprise management over 20 years. He ever took the posts of Deputy Division Chief and Division Chief of China Construction Bank Heilongjiang Branch, General Manager of Planning & Financial Department, Chief Accountant and Director in Southern Securities Co., Ltd., and President of China Antai Group Co., Ltd.. Now he acts as Chairman of the Board in Shenzhen Osgate Trading Co., Ltd., Independent Director of Zhongti Industrial Group Co., Ltd. and of the Company.

Members of the Supervisory Committee:

Mr. Cao Ziyang, was born in Mar. 1951, Diploma, is a Senior Political Worker. He gains experience in enterprise management over 30 years. He's experienced in serving in the army. He once acted as clerk of Publicity Section of Politics Ministry in Shenzhen Special Economic Zone, Section Chief of Organization Section and Secretary of Youth League Committee in Shenzhen Construction Group Co., Ltd, Department Director of HR Department, Secretary of CPC and Chairman of Labor Union in Shenzhen Eastern Development Group Corporation, as well as Director of CPC Office in Shenzhen Construction Investment Holding Corporation. He was transferred to the Company in Apr. 1998 and ever took the posts of Director and Deputy General Manager of the Company. He now acts as Chairman of the Supervisory Committee of the Company.

Ms. Wang Qiuping, was born in January 1970, Bachelor Degree, is a Senior Economist. She worked in the Company since from 1992, and was engaged in integrated operation management and planning management in GM Office, Planning and Financial Department and Operation Management Department. Now she was appointed as Supervisor of the Company and Deputy Manager of Development Management Department.

Ms. Guo Lusi, was born in August 1963, Bachelor Degree, is a Senior Political Worker. She worked in the Company since 1988, and once served as positions in business department and discipline inspection office of sub-companies and of group company, and CPC Office of the Company since 2000. She successively held the posts of Secretary of Youth League Committee and was concurrently commissary of the First Party general branch of Government Office. She now acts as Chairman of Labor Union in Shenzhen Huangcheng Properties Co., Ltd and Supervisor of the Company.

Mr. Zhang Gejian, was born in September 1975, Bachelor Degree, is an Accountant as well as Auditor. He was engaged in internal auditing work in Audit Department of the Company since July 1997. Now he acts as Supervisor of the Company and concurrently Deputy Manager of Audit Department.

Ms. Wang Xiuyan, was born in Aug. 1962, MBA degree, is an accountant. From May 1997 to Sep. 2004, she worked in Shenzhen Investment Management Corporation, once acres as secretary of the Supervisory Committee Office, Business Manager of Audit Department, Director of Women's Labor Union, Senior Business Manager of Audit Department and Supervision Department; from Oct. 2004 to Dec. 2007, she acted as manager of Supervision and Inspection Department in Shenzhen Investment Holding Co., Ltd.; from Dec. 2007 to present, she is manager of Audit Department (the Supervisory Committee Office) in Shenzhen Investment Holding Co., Ltd., now she is supervisor of the Company.

Senior executives:

Mr. Wang Hangjun, was born in Nov. 1966, Postgraduate Students from Zhongnan University of Economics and Law, is a Master of Economics and Senior Auditor. He gains experience in enterprise management over 20 years. He ever took the posts of Deputy Section Chief of Audit Bureau of Nanshan District, Shenzhen, Deputy Department Director and Department Director of Audit Department in Shenzhen Investment Management Corporation; Deputy Department Director and Department Director of Supervision Department in Shenzhen Investment Management Corporation; as well as Department Director of Audit Supervision Department in Shenzhen Investment Holdings Co., Ltd. From October 2007, he is working as Deputy General Manager of the Company.

Mr. Liu Yinhua, was born in May 1960, Doctor Degree of Tongji University, is a Senior Engineer. He has experience over 20 years in technology and administration in the field of construction. He was transferred to the Company in Sep. 1996 and took the posts of Deputy Head of Engineering Dept., General Manager of Property Management Company and Vice-Chief Engineer, as well as Chief Engineer of the Company early and late. From October 2007, he was appointed as Deputy General Manager of the Company.

Mr. Li Zipeng, was born in May 1966, Bachelor Degree from Civil Department of Huzhong University of Science and Technology. He successfully held the posts of Section Chief of Engineering, Field Manager of Real Estate Project, Principal of Housing Sale Department, Assistant General Manager, Deputy General Manager as well as General Manager in Shenzhen Huangcheng Properties Co., Ltd. (shareholding subsidiary company of the Company). From October 2007, he was appointed as Deputy General Manager of the Company and concurrently General Manger of Shenzhen Huangcheng Properties Co., Ltd, shareholding subsidiary company of the Company.

Mr. Fan Weiping, was born in Apr. 1965, graduated from Southwest University of Political Science & Law and holder of postgraduate degree. He worked in Shenzhen Shenhua Group Company in 2003, successively acted as section chief of Law section of Supervisory and Audit Department; Vice Secretary and Secretary of Law Department; Assistant to General Manager; Chief Legal adviser; from Jan. 2009 to present, he acts as Secretary to the Board of Directors in the Company.

3. Particulars about annual remuneration of the Company's directors, supervisors and senior executives

Remuneration drawn by the Company's directors, supervisors and senior executives for the year 2009 are as follows (tax included):

No.	Name	Office title	Annual	Remark

			remuneration (RMB'0000)	
1	Chen Yu Gang	Chairman of the Board	71.85	
2	Wei Zhi	Director, General Manger	71.89	
3	Liu Guangxin	Director, Chairman of Labor Union	59.12	
4	Wang Peng	Director	0	Drawing salary from controlling shareholder
5	Guo Liwei	Director	0	Drawing salary from controlling shareholder
6	Wen Li	Director	0	Drawing salary from controlling shareholder
7	Li Xiaofan	Independent Director	8	Allowance for independent director
8	Zha Zhenxiang	Independent Director	8	Allowance for independent director
9	Dong Zhiguang	Independent Director	8	Allowance for independent director
10	Cao Ziyang	Chairman of the Supervisory Committee	71.7	
11	Wang Qiuping	Supervisor, Deputy Manger of Development Management Dept.	34.74	
12	Guo Lusi	Supervisor	29.33	
13	Zhang Gejian	Supervisor, Deputy Manager of Auditing Dept.	34.73	
14	Wang Xiuyan	Supervisor	0	Drawing salary from controlling shareholder
15	Wang Hangjun	Deputy General Manger	59.37	
16	Liu Yinghua	Deputy General Manger	59.25	
17	Li Zipeng	Deputy General Manger	59.17	
18	Fan Weiping	Secretary to the Board	26.14	Taking his post in Jan. 2009
	Total		601.29	

4. Changes in directors, supervisors and senior executives in the reporting period and reason for change

At the 10th Session of the 6th Board of Directors held by the Company on 14 Jan. 2009, Mr. Fan Weiping was engaged as the Secretary to the Board of the Company. For details, please refer to the provisional public notice disclosed on Securities Time and Ta Kung Pao, as well as website http://www.cninfo.com.cn respectively on 15 Jan. 2009.

II. About employees

The Company has totally 2679 employees in office at present, including 1787 production personnel, 107 salespersons, 532 technicians, 94 financial personnel and 181 administrative personnel. 1147 persons graduated from technical secondary school and college or above. Presently, the Company needs to bear the expenses of 175 retirees.

Section VI Corporate Governance Structure

I. Actual status of corporate governance

During the reporting period, in accordance with the requirement of the *Company Law, Securities Law, Code of Corporate Governance for Listed Companies in China and Stock Listing Rules of Shenzhen Stock Exchange* as well as relevant laws and statutes of CSRC, and on the basis of accomplishing the special campaign for corporate governance of listed companies, such campaign was also pushed ahead further, that is, the Company continuously regulated and perfected corporate governance structure, established and perfected internal management and control system and investigated in depth normative operation of the Company, which made the corporate governance system of the Company more perfect and promoted the Company's decision-making and management level.

During the reporting period, the Company formulated and approved *Election System for CPA Firm, Management System for Information Insider and Working System for Law Adviser*, amended Cash Dividends System in *the Articles of Association of the Company*, and worked out *Accountability System for Major Errors in Information Disclosure of Annual Report*, which had been submitted to the 22nd meeting of the 6th Board of Directors for examination, so as to further perfect the internal control system of the Company.

As at the end of reporting period, the actual status of corporate governance was basically consistent with the provisions and requirements of normative documents such as Code of Corporate Governance for Listed Companies in China, the corporate governance structure is perfect, as well as the normative company operation.

1. Shareholders and the Shareholders' General Meeting

Convening, holding and resolution procedure of the Shareholders' General Meeting are in line with the regulations stipulated in the Rules for Shareholders' General Meeting of Listed Companies, Articles of Association, and Rules of Procedure for Shareholders' General Meeting of the Company. Shareholders' Genera Meeting was presided by Chairman of the Board, and invited lawyers to witness on the spot. The Company equally treated all shareholders, no matter minority shareholders or principal shareholders, and ensured all the shareholders especially minority shareholders to exercise the power of right to know and right to participate fully through various means. Meanwhile, associated shareholders avoided voting for related transactions for the purpose of ensuring that decision-making procedure of the related transactions are legal and are conducted openly, honestly and fairly. There was no controlling shareholder who done harm to interests of the Company and of minority shareholders.

2. Directors and the Board of Directors

Member and composition of the Board of Directors are in line with laws and statutes as well as requirement of Articles of Association, and all the directors of the Company are qualified. The Company drew up the Rules of Procedure for the Board of Directors, Working System for Independent Directors and work rules for each special committee of the Board of Directors, and effective implementation of the systems ensured the Board of Director's high effective operation and rational decisions. The Company held the Board meetings and shaped the resolutions strictly in accordance with the regulation in the Articles of Association and Rules of Procedure for the Board of Directors. All Directors attended the Board Meetings earnestly and responsibly, made decisions carefully and expressed clear opinion on matters discussed. In a word, directors faithfully performed obligations of diligence and credibility, and protected interest of minority shareholders.

The Company established Strategy Development and Investment Committee, Auditing Committee, Nomination Committee and Remuneration and Appraisal Committee under the Board of Directors. All special committees have formulated relevant work rules. Meanwhile, the Company has also drew up Working Rules for Independent Directors and Annual Report Working System for Independent Directors.

3. Supervisors and the Supervisory Committee

Member and composition of the Supervisory Committee are in line with laws and statutes as well as requirement of Articles of Association. Supervisors of the Company seriously performed their duties according to requirements of the Articles of Association and of Rules of Procedure for the Supervisory Committee, and made effective supervision to every aspect of the Company’s production and operation management, as well as the legitimacy of directors and senior management personnel’s performance of duties, and earnestly protected interest of the Company and small and medium investors.

4. Information disclosure and transparency

There are keepers who are responsible for information disclosure and investor relations management, including reception of visits and consultations from investors. In the reporting period, the Company performed obligation of information disclosure strictly in accordance with provisions of relevant laws and statutes and Management System on Information Disclosure of the Company. The Company discloses the information authentically, accurately, timely and completely without any false or misleading statements or omit any material facts to ensure all investors have equal opportunity to acquire information, which enhanced transparency and played important role in protection of knowing right of minority investors.

5. Managements team

Managements team performed duties according to provisions in Articles of Association and strictly executed resolutions made by the Board of Directors, there was no behavior exceed the power. As for events that exceed limited power, the Company will submit to the Board of Directors for review. There was no trendy to control by inner personnel. Managements team of the Company was cautious and conscientious, strengthened normative operation in progress of routine operation. None violated obligation of credibility, or faithfully performed duties.

6. Performance appraisal and incentive mechanism

The remuneration and appraisal committee established under the Board of Directors is in charge of the performance appraisal to the directors, supervisors and senior management staffs of the Company, meanwhile, the committee formulated reasonable performance appraisal system, as result of forming a work team with high efficiency and stimulating activity and creativity of the staffs. The Company’s existing performance appraisal and incentive mechanism is in accord with development of the Company. The Company has not yet establish an equity incentive system.

7. About stakeholders

The Company adequately respected and protected legitimated rights of stakeholders, realized harmony and equality of interest of sociality, shareholders, banks, other creditors, the Company, employees and consumers, and jointly advanced the Company's sustained, healthy and durative development through active cooperation, mutual benefit and honesty faith with its stakeholders.

8. Relationship between controlling shareholder and listed company

Behavior of controlling shareholder of the Company was normative, and exercised right of provider through the Shareholders' General Meeting in line with the laws, never directly or indirectly intervene decision-making and operation over the Shareholders' General Meeting. The Company is independent in personnel, assets, finance, organization and operations from its controlling shareholder. The Company's Board of Directors, Supervisory Committee and Internal Operating Units can operate independently. Related transactions between the Company and controlling shareholder are reasonable and fair, and decision-making procedures comply with the Rules. Neither capital occupied by controlling shareholder, nor guarantees provided by the Company for the controlling shareholder and its subsidiary companies existed in the Company. There was no controlling shareholder who done harm to interests of the Company and of minority shareholders.

II. Duty performance of directors, Chairman of the Board and independent directors

In the reporting period, all the directors of the Company performed their responsibilities honestly, credibly, diligently and independently, actively attended relevant meetings, carefully reviewed resolutions of the Board Meeting, made decision-making deliberately, expressed clear opinion to matters discussed, so as to stick to interest of the Company and shareholders and protect legitimated interest of minority shareholders.

Board Chairman of the Company actively advanced formulation and perfection of all internal systems, strengthened construction of the Board, convening and presiding the Board Meetings and Shareholders' General Meeting in line with laws, which ensured all previous Board Meetings were held in line with laws and supervise execution of resolutions; meanwhile, Chairman of the Board created good condition for duty performance, adequately ensured knowing right of all directors; reported operation of the Board of Directors to all directors. Also, Board Chairman supervised high- and middle-level executives to seriously study relevant laws and statutes and improve consciousness that duties performance was in line with laws.

With attitude of credibility and diligence to the Company and all shareholders, independent directors was diligent and responsible, reviewed all resolutions, and in line with their professional knowledge and capability, made independent, objective and fair judgment away from influence from the Company and principal shareholders of the Company. Also, independent directors expressed independent, objective and fair opinion on relevant events, which made practical efforts to safeguard interests of the Company and minority shareholders.

Presence of independent directors at meetings

Name	Title	Times of meetings should be attended	Times of attendance in person	Times of commission attendance	Times of absence	Objection proposed

Zha Zhenxiang	Independent director	12	11	1	1
Dong Zhiguang	Independent director	12	11	1	1
Li Xiaofan	Independent director	12	12	0	0

III. The Company's five separations from the controlling shareholder

The Company was independent from the controlling shareholder in business, personnel, assets, organization and finance to realize that independent personnel, independent finance, complete assets, independent organization and independent business.

(I) In aspect of business: The Company was independent from the controlling shareholder with independent and complete business and independent operation capability. There was no business which was same or competitive with the controlling shareholder.

(II) In aspect of personnel: The Company was complete independent from the controlling shareholder in terms of labor and personnel, management on remuneration. All Senior Executives drew the remuneration from the Company, and none held a post concurrently in shareholders company. Personnel of the Company are independent, all ones signed labor contract with the Company. The Company was independent from the shareholders or other related parties in personnel management, social security and salary.

(III) In aspect of asset: The Company's assets were complete and independent, the property relationship was clear. There was no capital occupation by controlling shareholder, and assets of the Company was completely independent from controlling shareholder.

(IV)) In aspect of organization: The Company's organization was independent, the shareholders' general meeting, the Board of Director, the Supervisory Committee operated independently. The controlling shareholder never intervened organization of the Company.

(V) In aspect of finance: The Company's finance was independent with independent finance department. The Company established the independent finance settling system and financial management system, had its own finance account and paid the tax in line with laws, run finance decision-making independently.

The controlling shareholder of the Company performed normatively with no conduct that intervened with the operation decision-making and operation activities directly or indirectly over the shareholders' general meeting, however, the controlling shareholder could influence on the significant decision-making through the shares holding.

IV. Key control activities

1. Proportion of shares held by the controlling subsidiaries of the Company

No.	Full name of the company	Proportion of shares held
1	Shenzhen Huangcheng Real Estate Co., Ltd.	100%
2	Shenzhen Property and Real Estate Development Co., Ltd.	100%
3	Shenzhen ITC Vehicles Industry Co., Ltd.	100%
4	Shenzhen ITC Property Management Co., Ltd.	100%
5	Hainan Xinda Development Co., Ltd.	100%
6	Shenzhen Property Construction Supervision Co., Ltd.	100%
7	Shenzhen ITC Food Co., Ltd.	100%
8	Shenzhen Real Estate Exchange	100%
9	Shum Yip Properties Development Co., Ltd.	100%
10	Shenzhen International Trade Plaza	100%
11	Zhanjiang Shenzhen Real Estate Development Co., Ltd.	100%

Note: Shenzhen Real Estate Exchange was managed by Shenzhen ITC Property Management Co., Ltd. in trust.

2. Internal control on controlling subsidiaries

The Company brought finance, significant investment, personnel and information disclosure into unified management system and formulated unified management rules by appoint senior executives to concurrently hold the post of Chairman of the Board of Directors and control joint stock company through appointed directors and supervisors; the Company got monthly, quarterly, semi-annual and annual financial reports periodically, and function departments of the Company guided, served and supervised relevant business and management of joint stock companies; in the report period, the Company strengthened supervision on progress of operation through general budget management system and operating plan report system; strictly executed report system on significant operating events, and supervised related transactions, external guarantees, use of raised capital, significant investment and information disclosure.

3. Internal control on related transaction

The Company formulated and implemented Administrative Measures for Related Transactions, ensured that contract on related transactions signed by the Company and related parties was line with principle of fair, public and open, and performed obligation of information disclosure timely. Related directors and shareholders withdrew from the voting when the Company implemented procedure of decision-making of the Board Meeting and the Shareholders’ General Meeting, independent directors performed their responsibilities in processing of decision-making of related transactions and information disclosure. Decision-making procedure and information disclosure were in line with requirements of Rules for Listing Shares in Shenzhen Stock Exchange and Guidelines for Internal Control of Listed Companies.

4. Internal control on external guarantee

Internal control on external guarantee was in line with principle of legitimate, fair, willing and mutual benefit, and strictly control risk from guarantees. The Company confirmed examination and approval authority of the Shareholders’ General Meeting and the Board of Directors on external guarantees and responsibility mechanism on violating examination and approval authority or examination procedure. Meanwhile, the Company formulated relating internal control system for external guarantees, which regulated in approval of authority, estimation and control on guarantees, control on implementation of guarantees and information disclosure of guarantees.

5. Internal control on use of raised proceeds

After the allotment of shares in 1993, the Company didn’t financing through the secondary market till now. In the reporting period, the Company didn’t disobey the regulation on use of raised proceed of Guidelines on Internal Control issued by Shenzhen Stock Exchange.

6. Internal control on significant investment

The Company set up Development Management Department, which was responsible for special research and evaluation on feasibility of significant projects, risk from investment and investment return.

In the fiscal year, the Company carried out strict procedures such as review in earlier stage, research on feasibility, internal evaluation and decision-making of investment, and all decision-making of significant investment was in compliant with examination and approval procedure by the Board Meetings or the Shareholders' General Meeting in accordance with relevant statutes.

7. Internal control on information disclosure

The Company strengthened communication with investors through various channels, made effort to enhanced standardization of information disclosure, improved quality of information disclosure and protected legitimate interests of investors. The Company perfected rules for information disclosure and formulated Administrative Rules for Information Disclosure Affairs and Administrative Measures for Extend and Reception, which ensured the information disclosure was authentic, accurate, timely and fair.

Information disclosure of the Company strictly followed relevant laws and statutes, Rules for Listing Shares in Shenzhen Stock Exchange and Rules for Information Disclosure Affairs of the Company, and there was no information disclosure violating regulations.

V. Problems existing and rectification plan

1. Problems existing in key control activities in the internal control of the Company

(1) Providing undisclosed information to the first principal shareholder and the actual controller

In the reporting period, the Company, in accordance with the notice from Financial Budget Department of Shenzhen Investment Holdings Co., Ltd., regularly submitted the financial express of the preceding month to Shenzhen Investment Holdings Co., Ltd. (the controlling shareholder, the actual controller of the Company) during the first ten days of every month through State-owned Assets Management Information System of Shenzhen Municipal SASAC.

As for the aforesaid undisclosed information, the Company reported in time to Shenzhen Securities Regulatory Bureau for filing. In the reporting period, there was no circumstance that the information insider illegally bought and sold the Company's shares with the undisclosed information.

These are common behaviors of listed companies in the sector of the state-owned assets, which are expected to remain unchangeable in a short time. Therefore, the Company had disclosed the 2009 Preliminary Earnings Estimate before it provided the 2009 Preliminary Financial Estimate to its principal shareholder. The Company will continue to submit particulars about the insiders of undisclosed information to the CSRC Shenzhen Bureau for reference, and prevent those insiders from leaking and taking advantage of the undisclosed information for the purpose of trading the Company's shares in an irregular way.

(2) In view of unceasing amendment and perfection of internal control system along with change in inside and outside environment, rapid growth of businesses and advancement of management requirements, the Company still need to enhance how to grasp keystone of the internal control in changing environment, so as to advance innovation of management and system and promote persistence and effectiveness of internal control.

2. To further strengthen and perfect internal control plan

For the purpose of ensuring long-term effectiveness and completeness of the Company's internal system, the Company reinforced the construction of internal control system strictly in accordance with relevant provisions of China Securities Regulatory Commission (CSRC), requirements of Fundamental Code for Enterprise Internal Control jointly by promulgated Ministry of Finance and CSRC and of Guidelines on Internal Control issued by Shenzhen Stock Exchange, as well as taking risk management as the main line.

(1) To strengthen sense of operation according to laws, enhance force of law of internal control, reinforce training and study to directors, supervisors and senior executives of the Company, set up consciousness of risk prevention, and cultivate good spirit of enterprise and internal control culture;

(2) To enhance internal control of the Company, optimize process of business and management, continue normative operation, endlessly amend and improve each internal control system in time according the provisions of relevant laws and regulations, so as to further improve and perfect internal control system;

(3) To intensify executive force of internal control system and audit work, give full play to supervision function of audit committee, carry out examination to each internal control system regularly or irregularly for the effective implementation of all systems;

(4) To further perfect corporate governance, enhance level of corporate governance standardization, strengthen construction and operation of each special committees under the Board of Directors, better play the role of each special committees within the professional field, so as to further upgrade the Company's scientific decision-making capacity and risk prevention capacity.

VI. . Establishment and implementation of performance appraisement and incentive mechanisms for senior executives

In the reporting period, the annual operating target plan 2009 was went forth to the management team by the Board of Directors. At the end of the fiscal year, the Remuneration and Appraisal Committee under the Board of Directors examined profit achievement of the management team, and determined incentive salary distribution proposal in accordance with Management Measure for Annual Salary System of Directors, Supervisors and Senior Executives, which shall be implemented after submitting to the Board of Directors for approval.

VII. Opinions on self-evaluation of internal control of the Company

The Company made self-inspection, rectification and improvement through continuously establishing, perfecting and implementing each internal control system and carrying out "special campaign of corporate governance of listed companies", and the existing internal control system is better sound, reasonable and effective. The current internal control system of the Company is basically in compliance with Chinese laws and regulations and requirements of securities supervision departments, as well as current actual needs of the Company's production and operation, plays major control and prevention roles in aspects of each process and each key link of enterprise management, significant investment and risk and so on. All the facts have proven that the Company's internal control has completeness, reasonableness and effectivity.

1. Self-appraisal of the Board of Directors on internal control

The Company established internal control system in accordance with relevant laws and statutes as the Company Law and Securities Law and provisions in Guidelines of Shenzhen Stock Exchange for Internal Control of Listed Companies and Basic Standard for Enterprise Internal Control, and combined with self operating character, which incarnated legitimacy, generality, importance, validity and applicability, was in line with requirements on internal control work from CSRC and Shenzhen Stock Exchange. There was no serious deficiency in design or execution of internal control.

Report on Self-appraisal of Internal Control was published in website http://www.cninfo.com.cn on 9 Feb. 2010.

2. Opinions on self-evaluation on internal control of the Company expressed by the Independent Directors

After independent director of the Company seriously verified Report on Self-appraisal of Internal Control of Shenzhen Properties & Resources Development (Group) Ltd for the year 2009, they considered that the Company has established complete and rigorous internal control system, which was in line with requirements of relevant laws and statutes of the state and was legitimate, reasonable and effective. Report on appraisal of internal control faithfully and objectively reflected actuality of the establishment, execution and supervision of internal control system. The Company should further strengthen internal control of the Company, continue normative operation, endlessly amend and improve each internal control system in time according business development of the Company and the provisions of relevant laws and regulations, so as to further improve and perfect internal control system;

3. Opinions on self-evaluation on internal control of the Company expressed by the Supervisory Committee

The Supervisory Committee of the Company expressed opinion on self-evaluation of internal control as follows:

In accordance with the requirements of Fundamental Code for Enterprise Internal Control jointly by promulgated Ministry of Finance, CSRC and China Banking Regulatory Commission (CBRC) and of Guidelines on Internal Control issued by Shenzhen Stock Exchange, as well as such laws and rules as Company Law and Securities Law, combining with the Company's operation characteristics and environment, the Company set up and improved the perfect and effective internal control system. Organization structure of internal control was complete, which impenetrate all key parts of operating process. The Supervisory Committee and internal audit department performed supervision functions independently and objectively, which guaranteed execution of key activities and efficiency of supervision. In 2009, there was no circumstance in violation of Guidelines on Internal Control issued by Shenzhen Stock Exchange and the internal control system of the Company.

Along with development of operating activities, efficiency of current internal control system was able to change, the Company should further strengthen establishment of internal control system, and put forth effort on perfecting risk management system to enhance such capabilities as risk warning and risk prevention.

Section VII. Brief Introduction to the Shareholders' General Meeting

Up till the publication date, the Company held six shareholders' general meetings, that is, the 1st Provisional Shareholders' General Meeting 2009, the Annual Shareholders' General Meeting 2008, the 2nd Provisional Shareholders' General Meeting 2009, the 3rd Provisional Shareholders' General Meeting 2009, the Shareholders' General Meeting relating to share merger reform and the 4th Provisional Shareholders' General Meeting 2009. Procedure of convening, holding and voting was in line with the requirement of Company Law, Articles of Association and relevant laws and regulations.

I. The 1st Provisional Shareholders' General Meeting 2009

The 1st Provisional Shareholders' General Meeting 2009 was held at the conference room on 39/F of Shenzhen International Trade Building located at Renmin South Road, Shenzhen on 12 Mar. 2009. The resolutions of this Meeting were published in Securities Times, Ta Kung Pao and website http://www.cninfo.com.cn on 13 Mar. 2009.

II. The Annual Shareholders' General Meeting 2008

The Annual Shareholders' General Meeting 2008 was held at the conference room on 39/F of Shenzhen International Trade Building located at Renmin South Road, Shenzhen on 19 May 2009. The resolutions of this Meeting were published in Securities Times, Ta Kung Pao and website http://www.cninfo.com.cn on 20 May 2009.

III. The 2nd Provisional Shareholders' General Meeting 2009

The 2nd Provisional Shareholders' General Meeting 2009 was held at the conference room on 39/F of Shenzhen International Trade Building located at Renmin South Road, Shenzhen on 16 Jul. 2009. The resolutions of this Meeting were published in Securities Times, Ta Kung Pao and website http://www.cninfo.com.cn on 17 Jul. 2009.

IV. The 3rd Provisional Shareholders' General Meeting 2009

The 3rd Provisional Shareholders' General Meeting 2009 was held at the conference room on 39/F of Shenzhen International Trade Building located at Renmin South Road, Shenzhen on 31 Aug. 2009. The resolutions of this Meeting were published in Securities Times, Ta Kung Pao and website http://www.cninfo.com.cn on 1 Sep. 2009.

V. The Shareholders' General Meeting relating to share merger reform

The Shareholders' General Meeting relating to share merger reform was held at the conference room on 39/F of Shenzhen International Trade Building located at Renmin South Road, Shenzhen on 21 Oct. 2009. The resolutions of this Meeting were published in Securities Times, China Securities Journal, securities Daily and Shanghai Securities News, as well as website http://www.cninfo.com.cn on 22 Oct. 2009.

VI. The 4th Provisional Shareholders' General Meeting 2009

The 4th Provisional Shareholders' General Meeting 2009 was held at the conference room on 39/F of Shenzhen International Trade Building located at Renmin South Road, Shenzhen on 6 Nov. 2009. The resolutions of this Meeting were published in Securities

Times, Ta Kung Pao and website http://www.cninfo.com.cn on 9 Nov. 2009.

Section VIII. Report of Board of Directors

Ⅰ. Review of the Company’s operation in the report period

1. Analysis of market environment

In order to deal with the global financial crisis, the government implemented a series of economic stimulus policies. As a result of various positive factors such as the accommodative monetary policy, the inflationary expectation, the RMB appreciation and the rigid demand accumulation, the year 2009 saw a remarkable recovery of the domestic real estate market. Prices went up rapidly, sales volumes experienced a significant increase, development investments speeded up, developers were sufficient in capital and many land parcels attracted high bids. Therefore, lots of real estate enterprises made a strong recovery.

With its pulling effect on the upstream and downstream sectors, real estate investment has become a new strong point of the investment increase in China, which acted as one of the pillars for the national economic development in 2009.

The improvement of the national economic conditions promoted a higher anticipated income for people. And the acceleration of the modernization process, as well as the decision to strengthen city renewal, will bring about a high real estate demand in cities like Shenzhen. In the near future, it will cost more to build a house, which will bring up the house prices. Meanwhile, the lack of land resources in Shenzhen will also contribute to maintain high house prices; However, the government is introducing a series of policies to adjust the real estate market and those policies will, to some degree, prevent house prices from going up too fast. To conclude, the year 2010 is expected to see house prices at a high level in the Shenzhen real estate market, and the real estate sector will keep an upward trend in the medium and long term.

2. Overall performance of the Company

In the report period, the Company achieved an operation income of RMB 845,366,939.69, up by 35.59% over last year; a total profit of RMB 127,297,762.81, an increase of 325.17% from last year; and a net profit of RMB 96,934,287.03, increasing by 885.71% compared to last year. And the operation income, total profit and net profit were all increased because the Imperial Garden Project contributed a much larger income in 2009.

3. Operation of main businesses

(1) Operation and scope of main businesses

The Company specialized in the real estate development as its main business, with taxi transportation service, catering business, etc. as its sideline. In 2009, the revenue generated from the main business reached RMB 841.59 million, with the gross profit from the main business amounting to RMB 404.43 million. And the composition of the revenue and gross profit generated from the main business was specified as follows:

Classified according to industries:
In terms of the business of real estate development, the income generated stood at RMB 587.83 million, with a gross profit of RMB 349.41 million;
In terms of the business of property management and leasing, the income generated stood at RMB 166.59 million, with a gross profit of RMB 11.29 million;
In terms of the business of taxi transportation service, the income generated stood at RMB 47.55 million, with a gross profit of RMB 24.64 million;
In terms of the catering business, the income generated stood at RMB 17.75 million, with a gross profit of RMB 2.76 million;

Classified according to regions:
In terms of the business in Shenzhen, the income generated stood at RMB 773.35 million;
In terms of the business in other areas, the income generated stood at RMB 68.24 million.

As could be seen from the above classification according to industries and regions, the Company's business income mainly came from Shenzhen and the real estate development business contributed a large proportion of the business income.

(2) Composition of the Company's main business

Main businesses classified according to industries and products:

Unit: RMB'000

Industry	Business income		Business cost		Gross profit rate	
	Amount	Change over last year (%)	Amount	Change over last year (%)	Profit rate (%)	Change over last year (%)
Real estate development	587,838	54.03	238,425	51.90	59.44	0.57
Property management and leasing	166,594	3.75	155,308	5.84	6.77	-1.84
Taxi passenger transportation service	47,550	1.78	22,906	2.52	51.83	-0.34
Catering service	17,753	21.45	14,989	134.09	15.57	-40.62

Explanation on the strengthened profitability of the Company in the report period compared with that of last year:

In 2009, the Company achieved an income of RMB 841.59 million from its main businesses with the gross profit standing at RMB 404.43 million, with showed a considerable increase from those of last year. And this was because the real estate development business made a much larger contribution to the business income than it did last year.

In its business of real estate development, the Company transferred, by means of bid invitation, its real estate projects to the company which won the bid. And the building contractor was responsible for the purchase of construction materials. The Company made no bulk purchases this year; The Company's commercial houses were sold to individual customers. And the sales amount to the top five customers took up 3.5% of the Company's total sales.

4. Changes of the Company's asset composition in the reporting period compared to that of last year, as well as the main reasons for changes

(1) Changes of asset composition compared to that of last year

Item	31 Dec. 2009		31 Dec. 2008		Increase or decrease of the proportion in total assets (%)	Asset increase or decrease over last year (%)
	Amount (RMB, Yuan)	Proportion in total assets (%)	Amount (RMB, Yuan)	Proportion in total assets (%)		
Monetary capital	830,055,588.25	29.28%	271,708,727.86	12.87%	16.41%	205.49%
Prepayment	46,862,874.11	1.65%	2,305,629.53	0.11%	1.54%	1932.54%
Inventory	1,255,676,772.24	44.30%	1,153,726,292.83	54.66%	-10.36%	8.84%
Investment real estate	257,105,965.94	9.07%	224,041,978.19	10.61%	-1.54%	14.76%
Fixed assets	76,985,792.12	2.72%	104,013,870.31	4.93%	-2.21%	-25.99%
Intangible assets	112,893,677.12	3.98%	119,402,340.92	5.66%	-1.67%	-5.45%
Deferred tax assets	51,695,501.02	1.82%	13,322,857.95	0.63%	1.19%	288.02%
Short-term borrowings	200,000,000.00	7.06%	369,000,000.00	17.48%	-10.43%	-45.80%
Accounts received in advance	745,527,226.22	26.30%	67,150,023.78	3.18%	23.12%	1010.24%
Payroll payable	51,982,204.97	1.83%	67,254,232.19	3.19%	-1.35%	-22.71%
Tax payable	205,331,877.94	7.24%	82,322,778.74	3.90%	3.34%	149.42%

Long-term borrowings	263,480,000.00	9.30%	348,229,343.34	16.50%	-7.20%	-24.34%
Non-current liabilities due within one year	200,000,000.00	7.06%	100,000,000.00	4.74%	2.32%	100.00%
Estimated liabilities	69,284,708.83	2.44%	61,254,234.44	2.90%	-0.46%	13.11%
Total assets	2,834,417,954.60		2,110,845,898.28			34.28%

Explanation on the changes:

① The monetary capital increased by 205.49% over last year, mainly because the Company received more income from selling buildings in the report period;
② The prepayment increased by 1932.54% over last year, mainly because of the increase of taxes in the report period which the Company pre-paid for real estate projects according to the law of tax;
③ The inventory registered a rise of 8.84% from that of last year, mainly because the Company paid for the normal progress of the projects under construction in the report period;
④ The investment real estate registered a year-on-year increase of 14.76%, mainly because the fixed assets and inventories used for leasing were transferred into the item of investment real estate in the report period;
⑤ The fixed assets decreased by 25.99% over last year, mainly because the fixed assets used for leasing were transferred into the item of investment real estate in the report period;
⑥ The intangible assets decreased by 5.45% over last year, mainly because the intangible assets were amortized;
⑦ The deferred tax assets registered a year-on-year rise of 288.02%, mainly because the book value of taxes payable was higher than the tax computation basis at the end of the report period and the increase of deferred tax assets was thus recognized;
⑧ The short-term borrowings were down by 45.80% compared with last year, mainly because the Company optimized the bank loan structure and paid off some loans left over by history in the report period;
⑨ The accounts received in advance were up by 1010.24% over last year, mainly because the Company received more income from selling buildings of Xinhua Town Project and Shengang No.1 Project in the report period;
⑩ The payroll payable decreased by 22.71% from last year, mainly because the Company implemented its employee dismissal plan and paid compensation to the employees dismissed in the report period. For further details, please refer to Note（Ⅸ) 3.
11. The taxes payable was up by 149.42% year-on-year, mainly because the income from the Imperial Garden Project was recognized in the report period, which resulted to the increase of corporate income tax and land value increment tax;
12. The long-term borrowings decreased by 24.34% over last year, mainly because some mature long-term borrowings were paid off and some long-term borrowings were

transferred into the item of non-current liabilities due within one year;
13. The non-current liabilities due within one year registered a year-on-year increase of 100%, mainly because the loans that became due soon were transferred from the item of long-term borrowings to this item in the report period;
14. The estimated liabilities were up by 13.11% from last year, mainly because the Company received the Notification Beforehand on Administrative Punishment from CSRC and withdrew estimated liabilities for the investigation on the Company's stock in the report period. For further details, please refer to Note（Ⅶ) 2;
15. The total assets increased by 34.28% over last year, mainly because the Company expanded its project development and received more income from selling buildings in the report period.

(2) Changes in operating expenses, management expenses, financial expanses and income tax expenses over last year, as well as main reasons for the changes

Items	Jan. 2009-Dec. 2009 (RMB, Yuan)	Jan. 2008-Dec. 2008 (RMB, Yuan)	Year-on-year Increase or decrease（±%）
Operating expenses	21,209,571.81	19,695,986.96	7.68%
Management expenses	102,009,696.27	139,121,028.95	-26.68%
Financial expenses	16,054,025.03	22,355,106.10	-28.19%
Income tax expenses	30,363,475.79	20,106,527.14	51.01%

Notes:

① The increase of the operating expenses was mainly due to the increased expenses resulted from the Company's strengthened sales of projects in the reporting period;
② The decrease of the management expenses was mainly due to that the Company managed to cut expenses by strengthening its control over expenses, despite the estimated employee dismissal expenses;
③The decrease of financial expenses was mainly due to that the Company strengthened its capital management, optimized its loan structure and paid off some loans left over by history. Meanwhile, the overall decrease of interest rates also helped;
④ The increase of income tax expenses was mainly due to the Company's increased total profit in the reporting period.

5. Items measured by fair value, as well as the held foreign-currency financial assets and financial liabilities
The Company's financial accounting was conducted on the accrued basis. Except that the transaction financial assets and the available-for-sale financial assets were measured by fair value, other assets were usually measured on the basis of the historical costs. Where

the replacement cost, net realizable, capitalized value or fair value was adopted as the measurement basis, it was made sure that the amount of the determined accounting elements could be obtained and reliably measured.

(1) Items measured by fair value

Unit: RMB’0000

Items	Amount at period-begin	Gains or losses due to fair value changes in this period	Accumulative changes of fair value recorded in the equity	Impairment withdrawn in this period	Amount at period-end
Financial assets					
Of which: 1. Financial assets measured by fair value and the changes were included in the current gains or losses	267.07	243.57			23.22
Of which: derivative financial assets					
2. Available-for-sale financial assets					
Subtotal of financial assets	267.07	243.57			23.22
Financial liabilities					
Investment real estate					
Productive biological assets					
Others					
Total	267.07	243.57			23.22

Notes: The financial assets measured by fair value and of which the changes were included in the current gains or losses referred to the tradable shares purchased in the secondary market. And the aforesaid financial assets were measured at the closing price of the stock exchange as the fair value.

(2) Foreign-currency financial assets and financial liabilities held

Unit: RMB'0000

Item	Amount at period-begin	Gains or losses due to fair value changes in current period	Accumulative fair value changes recorded into the equity	Impairment withdrawn in current period	Amount at period-end
Financial assets					
Of which: 1. Financial assets measured at fair value and the changes were included in the gains and losses of the current period	212.63	165.29			
Of which: derivative financial assets					
2. Loans and accounts receivable					
3. Financial assets available-for-sale					
4. Held-to-maturity investment					
Sub-total of financial assets	212.63	165.29			
Financial liabilities					

Notes: The foreign-currency financial assets held by the Company referred to the stocks listed in Hong Kong Stock Exchange purchased by Shenye Estate Development Co., Ltd. (one of the Company's subsidiaries) a few years ago, which was measured with the closing price announced by Hong Kong Stock Exchange as the fair value. And they were all sold in the report period, with the income generated in the report period standing at RMB 1,652,900.

6. Changes in main items of cash flow statement in the reporting period over last year, as well as the reasons for changes

Items	**2009 (RMB, Yuan)**	**2008 (RMB, Yuan)**	**Increase or decrease (%)**

Ⅰ. Cash flow arising from operating activities			
Sub-total of cash inflows	1,570,201,197.23	603,187,096.63	160.32
Sub-total of cash outflows	810,550,570.54	626,890,074.14	29.30
Net cash flows arising from operating activities	759,650,626.69	-23,702,977.51	3304.87
Ⅱ. Cash flow arising from investing activities			
Sub-total of cash inflows	11,462,203.20	35,019,019.26	-67.27
Sub-total of cash outflows	2,828,808.73	18,968,420.48	-85.09
Net cash flows arising from investing activities	8,633,394.47	16,050,598.78	-46.21
Ⅲ. Cash flows arising flow financing activities			
Sub-total of cash inflows	569,000,000.00	736,080,914.01	-22.70
Sub-total of cash outflows	778,929,456.34	698,793,500.31	11.47
Net cash flows arising from financing activities	-209,929,456.34	37,287,413.70	-663.00

① The net cash flows arising from operating activities rose significantly from that of last year because the projects in the sale were increased in the year 2009. Seizing the market opportunity and making a good sales performance, the Company made great efforts to promote the inward flow of capital, which boosted the income from selling houses in the report period.

② The net cash flows arising from investing activities decreased compared to last year, mainly because the Company disposed the Changgang Steel stock held by it as financial assets available for sale last year and there were no such events in the report period. Meanwhile, the Company received less cash from disposing fixed assets in the report period.

③ The net cash flows arising from financing activities decreased over last year, mainly because: A. The Company applied for less new loans in the year 2009 as a result of its efforts on strengthening the management of the group's capital and rationally controlling the loan scale according to the actual capital need of the Company; B. The Company optimized its bank loan structure and paid off more loans in the report period, while making sure that the capital needs of project development are satisfied.

7. Operation and performance analysis of the Company's main subsidiaries and joint stock

companies

Unit: RMB’000

Company name	Main products	Registered capital	Total assets		Net assets		Operation profit		Net profit	
			Amount	Increase/ decrease over last year (%)	Amount	Increase/ decrease over last year (%)	Amount	Increase/ decrease over last year (%)	Amount	Increase/ decrease over last year (%)
Shenzhen Huangcheng Real Estate Co., Ltd.	Development, construction, operation and management supporting commercial service facilities at Huangcheng Port	30000	1634683	37.59	180694	-67.06	185934	78	154100	77.99
Shenzhen ITC Vehicles Services Company	Automobile transportation of passengers and leasing of automobiles	29850	225838	-22.00	48201	20.21	10112	981	8105	569.28

8. Changes of the main sales and technical personnel, as well as other information relevant to the Company’s operation

In the reporting period, there existed no major changes concerning the sales and technical personnel of the Company.

9. Special-purpose entities controlled by the Company

There existed no special-purpose entities controlled by the Company.

Ⅱ. Prospect of the future development of the Company

1. Risks faced by the Company, as well as the countermeasures

(1) Risks concerning policies

In order to promote the steady and healthy development of the real estate market and prevent the over-heating of the real estate market in some domestic cities, the State Council, relevant ministries and commissions and some local governments, from the end of 2009, has introduced a series of adjustment policies, which asked to “maintain the continuity and stability of policies, accelerate the construction of low-income housing, strengthen market regulation, stabilize market expectation, and prevent the house prices of some cities from going up too fast”; Meanwhile, they have issued the Circular on Further Strengthening Income and Expenses Management of Land Transfer, the Circular on Adjusting Business Tax Policy for Individual House Transfer, and the Circular on Promoting Steady and Healthy Development of Real Estate Market, as well as other policies and measures such as the policy to increase the deposit reserve.

It is expected that in the coming year, the monetary policy will be directed to moderately tight money supply and more retrieval so as to deal with the expected inflation; that those policies will be, very possibly, implemented as scheduled and take effect to prevent the house prices from rising too fast.

(2) Financial Risk

The real estate market went from a low level to a high level in the year 2009. And an irrational over-heat emerged in the fourth quarter of 2009. At the beginning of 2010, the Office of the State Council promulgated the Circular on Promoting Steady and Healthy Development in Real Estate Market, adjusting the real estate market in terms of market supply, market demand, market regulation, social security housing, local government responsibility and credit. And the Circular expressly stated that the first payment for a second house paid by loans must not be lower than 40% of the total payment. The market was responsive to those macro-control policies. Turnover went down quickly, a lot of houses remained unsold, and buyers became hesitant.

Real Estate is the pillar business of the Company. In order to prevent market risks, we have formulated rules for capital management, i.e. “Control total loans, adjust the capital and inventory ratio, optimize capital structure and improve capital use efficiency”, ensuring enough capital for development projects while at the same time enough capital for routine operation of the Company. With a harsher financing environment, the Company’s own capital becomes especially crucial. Therefore, the Company will continue to adopt a stable financial policy, make use of the brand effect and strengthen cost management. Meanwhile, we will monitor the sales progress of developed projects, make prices in a scientifical and rational way, improve management and marketing, and stick to the philosophy of “sales as the basis and cash as the dominant”. The Company will also make great efforts to make sure the sales of the finished projects and the quick payment by the house buyers, so as to minimize the financial risk.

(3) Operation risk

At the beginning of 2010, the international financial crisis is still haunting the market. In order to prevent a partially over-heated real estate market, the government has adopted some strong macro-control measures in terms of credit, tax, land, etc. in a short period of time; those measures will bring an impact on the Company’s future development, people’s desire to buy houses, the hesitant atmosphere in the market, etc.. The management of the Company believes that in the short run, the macro-control of the government will take certain effect to reduce or prevent speculative house purchases; in the long run, the regulation and adjustment of the real estate market will be helpful to the stable and healthy development of the market.

① The real estate macro-control policies promulgated recently will restrain the investment desire of some house buyers, which may affect the sales of the Company's projects to some degree.

By building quality houses and improving house quality, the Company will continue to provide safe, comfortable, convenient and green houses for customers. At the same time, it will accelerate the inward flow of capital and improve the capital use efficiency, and realize the quality principle of "A quality property, an ever-lasting classic; A green home, a beautiful life."

② Risk concerning the lack of land resources

For a real estate developer, land is the first production element, which determines the development direction of an enterprise. At the present time, the Company is lack of land reserves available for development, which will do harm to the development of the Company's main business—the real estate business, the expansion of the development scale and the performance of the main business; With the present development speed, the land reserves of the Company are only enough for the coming three years or so. And this will directly do harm to the future development of the Company. Therefore, the Company must acquire more land to maintain its sustainable development.

With the opportunities brought by the government's macro-control on the real estate market, the Company is, on one hand, planning business layout and expanding market in second-level and third-level cities and important areas, and acquiring land resources by attending bidding, auctions and listing; On the other hand, the Company is urging the principal shareholder to conduct selective land resources transfer in its existing land reserves under the framework of the consideration arrangement of the share reform.

③ Risk concerning increasing development cost

First of all, as a scarce resource, land is showing a rising price in the bidding, auction and listing market. And the market competition is fierce, which will bring up the development cost of the Company; Meanwhile, the decision of the government to increase the first payment ratio of a land transfer transaction and charge for the idle land reserves will also increase the cost of the Company on land transfer and land reserves. Secondly, the prices for construction materials such as steel and cement, as well as the staff cost, are on the rise, too. There may be a bigger risk concerning the contracts with constructors. What's worse, the adjustment of the financial policies will lead to the rise of the Company's capital cost. Thirdly, buyers is looking for self-inhabited and improved houses with higher and higher construction standards, which will force the Company to increase its design input and improve projects. Development cost is thus increased.

On the premise that the product quality is ensured, the Company will continue to strengthen its cost control and take every measure to search for profitable and suitable land for development; to improve internal management and strengthen the control and confirmation of the construction cost of real estate development projects; to make good use of capital, minimize capital occupation or idle capital, and effectively reduce financial expenses; to further optimize designs, effectively reduce the cost and cut expenses in various ways.

2. Competitive edge and potential of the Company

In the year 2009, under the leadership of the Board of Directors and the management team of the Company, we carried forward the fine product strategies and gave a remarkable performance concerning the sales of the Imperial Garden Project, the PRD • Xinhua Town Project, the PRD • Shengang No.1 Project and other projects; The Company focused its efforts on improving project quality while speeding up the construction progress. It also focused on pre-planning and planning of a project. And the construction of every project was basically in smooth progress. The PRD • Caitianyise Project has begun construction after going through a lot of difficulties; The Company actively conducted market researches and controlled the pace of the land resources reserve. Meanwhile, we kept a close eye on the land markets of Yangzhou, Xuzhou, Shaoxing and Changzhou and took part in the auction of land in Yangzhou; The Company made greater efforts in activating idle properties, properly handling problems left over by history and upgrading the asset quality, which helped the Company realize a good performance and the stable operation of the sideline businesses; The share reform of the Company was approved by an overwhelming majority of votes and the corporate governance was further improved; The Company standardized its management process and rules formulating process, and raised the management standards.

In the coming year, in terms of its main business of real estate, the Company will continue to stick to the operation philosophy of “A quality property, a quality life”, and gradually formulate a perfect corporate operation philosophy, so as to lay a foundation for the development of the Company. The principal shareholder of the Company—Shenzhen Investment Holdings Co., Ltd. owned by the Shenzhen Bureau of State Assets Management—has tremendous strength. And it intends to, as expressly stated in the strategic planning of the Company, make the Company a leader in the real estate sector which is characteristic of flexible mechanism, good brand image and high competitiveness. And the share reform to be gradually carried out will also create some potential resources and advantages.

3. Plan for the year 2010

In the year 2010, the Company plans to create a main business income of RMB 990 million, with the expenses and cost standing at RMB 810 million. And the year 2010 will be a key period for the Company to continue the good development situation in 2009, gradually increase the ability of continuous operation and boost its development; Meanwhile, the Company will improve its internal management, focus on its development, actively deal with the macro-control risk, constantly improve its performance and solidify the management basis, for the purpose of a greater development. In order to realize the aforesaid various objectives of the Company in the key year for development, the Company will focus on the following tasks:

(1) To further strengthen the development of the existing real estate projects and study the project value in depth; actively expand the real estate development scale, focus on the development of the main business of real estate and the increase of land reserves, acquire new land resources and make it a new growth point of the Company's future income and profit.

(2) To implement the share reform step by step with the great support form the Company's controlling shareholder—Shenzhen Investment Holdings Co., Ltd., so as to lay a solid foundation for the improvement of the main business of real estate development and the increase of land reserves.

(3) To improve the Company's ability against changes in the real estate market, and strengthen control over the cost of development projects; accelerate the sales of the existing house units available for sale, quicken the payment for the properties sold, and upgrade the Company's ability and strengthen against risks, so as to make sure the realization of the Company's annual plan; and lay a solid foundation for the materialization of the Company's development strategic planning and striking development.

4. Particulars about demand for capital, plan for capital use and capital source

In the year 2010, it is expected that over RMB 480 million is needed for the construction in-progress of the Company. In order to ensure the capital supply and satisfy the need of the business development, the Company intends to solve the capital issue by more bank loans, the payment by customers for the real estate sold, etc..

III. Investment in the report period

1. There were no raised proceeds of the Company in the report period, neither was there any continuous usage of the previously raised proceeds.

2. Significant investment with non-raised funds, as well as their progress and profitability

Unit: RMB' 000

Name of Project	Input in 2009	Increase/decrease of investment compared to last year (%)	Progress	Profit
PRD • Shengang No.1 (Section B in Block C of	104824	52	Interior and exterior decoration of the	—

former Huangyu Garden)			main body	
PRD • Langqiao Residence (Section D in Block C of former Huangyu Garden)	102218	78	Construction of the basement	—
PRD • Xinhua Town (Complex B of former Fengherili Residence)	167750	33	Exterior construction	—
Total	374792	-4.67	—	—

IV. Reasons for and Influences by the Changes in Accounting Policies, Accounting Estimation and Correction of Significant Accounting Errors

1. In the reporting period, there were no changes in the accounting policies in the Company.

2. In the reporting period, there were no changes in the accounting estimations in the Company.

3. In the reporting period, there were significant accounting errors in the Company.

V. Routine Work of the Board of Directors

（Ⅰ) Board meetings convened in the report period

The Board of Directors convened 12 meetings in total during the period from the report period to the date of this publication.

(1) On 14 Jan. 2009, the 10th Meeting of the 6th Board of Directors was convened, and the public notice on the resolutions made at the meeting was published on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 15 Jan. 2009;
(2) On 23 Jan. 2009, the 11th Meeting of the 6th Board of Directors was convened, where the Proposal on Applying to Shenzhen Investment Holdings Co., Ltd. for an Entrusted Loan of RMB 50 million was reviewed and approved. And the public notice on the resolutions made at the meeting was published on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 24 Jan. 2009;

(3) On 9 Feb. 2009, the 12th Meeting of the 6th Board of Directors was convened, and the public notice on the resolutions made at the meeting was published on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 10 Feb. 2009;
(4) On 7 Apr. 2009, the 13th Meeting of the 6th Board of Directors was convened, where the Proposal on Purchasing Some Shops in 2nd-Phase of ITC Plaza and in Podium Building of ITC Commercial Building and the Proposal on Attending Auction for Properties at Huangcheng Plaza were reviewed and approved. And the resolutions made have been submitted by the Company to Shenzhen Stock Exchange for records;
(5) On 23 Apr. 2009, the 14th Meeting of the 6th Board of Directors was convened, and the public notice on the resolutions made at the meeting was published on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 27 Apr. 2009;
(6) On 28 Apr. 2009, the 15th Meeting of the 6th Board of Directors was convened, where the First Quarterly Report in 2009 of the Company was reviewed and approved. And the quarterly report was published on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 29 Apr. 2009;
(7) On 29 Jun. 2009, the 16th Meeting of the 6th Board of Directors was convened, where the Proposal on Applying to Financial Institution for a Loan of RMB 250 million, the Proposal on Amending Articles of Association of the Company and the Proposal on Convening the 2nd Provisional Shareholders' General Meeting in 2009 were reviewed and approved. And the public notice on the resolutions made at the meeting was published on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 30 Jun. 2009;
(8) On 12 Aug. 2009, the 17th Meeting of the 6th Board of Directors was convened, where the 2009 Semi-annual Report, the Rules for Engaging CPAs Firm, the Proposal on Asking Shareholders' General Meeting to Authorize Board of Directors to Make Investments and the Proposal on Convening the 3rd Provisional Shareholders' General Meeting in 2009 were reviewed and approved. And the public notice on the resolutions made at the meeting was published on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 13 Aug. 2009;
(9) On 21 Sept. 2009, the 18th Meeting of the 6th Board of Directors was convened, where the Proposal on Solving Pinghu Land Issue Left by History was reviewed and approved. And the public notice on the resolutions made at the meeting was published on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 22 Sept. 2009;
(10) On 11 Oct. 2009, the 19th Meeting of the 6th Board of Directors was convened, where the Third Quarterly Report in 2009, the Pre-plan for Profit Distribution for Mid 2009 and the Proposal on Convening the 4th Provisional Shareholders' General Meeting in 2009 were reviewed and approved. And the public notice on the resolutions made at the meeting was published on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 12 Oct. 2009;
(11) On 6 Nov. 2009, the 20th Meeting of the 6th Board of Directors was convened, where the Proposal on Transferring Equities of Huajing Glass Bottle Co., Ltd. and the Rules of

Shenzhen Properties & Resources Development (Group) Ltd. for Managing Insider Information and Insiders were reviewed and approved. And the public notice on the resolutions made at the meeting was published on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 9 Nov. 2009;
(12) On 22 Dec. 2009, the 21st Meeting of the 6th Board of Directors was convened, where the Proposal on Taking Part in Bidding for Land in Yangzhou, the Proposal on Applying to Controlling Shareholder for a Loan of RMB 50 million and the Proposal on Authorizing Management Team to Acquire 1% Equities of Jifa Warehousing at Its Discretion were reviewed and approved. And the public notice on the resolutions made at the meeting was published on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 24 Dec. 2009;

(II) Implementation of the Resolutions Made at the Shareholders' General Meeting by the Board

In the reporting period, the resolutions of the Shareholders' General Meeting were implemented effectively.

(1) Proposals reviewed and approved at the 1st Provisional Shareholders' General Meeting in 2009: the Proposal on Applying to Financial Institution for a Loan of RMB 480 million. The resolution made at this Shareholders' General Meeting was effectively executed. The Company had planned to apply for a RMB 30 million loan for working capital. Then the plan was canceled due to the bettering of the Company's cash flows. Planned project loans: ① A loan of RMB 250 million was planned for the Langqiao Garden Project, of which RMB 240 million has been executed; ② The loan of RMB 100 million for the Caitianyise Project was in the process; and ③ The loan of RMB 100 million for the Xinhua Town Project has not been executed.

(2) Proposals reviewed and approved at the 2008 Annual Shareholders' General Meeting:
The 2008 Annual Work Report of Board of Directors, the 2008 Annual Work Report of Supervisory Committee, the 2008 Annual Final Financial Report, the 2009 Annual Financial Budget Report, the 2008 Annual Report, the Pre-plan for 2008 Annual Profit Distribution, the Provisional Measures on Administration of Annual Remuneration of Directors, Supervisors and Senior Executives, the Proposal on Adjusting Remuneration Plan for Independent Directors and the Proposal on Renewing Engagement of CPAs Firm.

The relevant matters mentioned in the proposals at this Shareholders' General Meeting have all been executed. The Provisional Measures on Administration of Annual Remuneration of Directors, Supervisors and Senior Executives has been adopted; The remuneration for independent directors has been paid according to the new standard.

(3) Proposals reviewed and approved at the 2nd Provisional Shareholders' General Meeting in 2009: The Proposal on Applying to Financial Institutions for a Loan of RMB 250 Million and the Proposal on Amending Articles of Association of the Company.

In order to implement the Proposal on Applying to Financial Institutions for a Loan of RMB 250 Million, the subsidiary of the Company—Shenzhen Huangcheng Real Estate Co., Ltd.—has signed a loan agreement with East Shenzhen Sub-branch of China Agricultural Bank for the Shengang No.1 Project. And a loan of RMB 50 million has been granted to the Company;
The cash dividend policy was amended in the new Articles of Association of the Company, and the amended policy has been implemented.
To sum up, the resolutions made at this Shareholders' General Meeting were effectively executed.

(4) Proposals reviewed and approved at the 3rd Provisional Shareholders' General Meeting: The Rules of Shenzhen Properties & Resources Development (Group) Ltd. on Engaging CPAs Firm and the Proposal on Asking Shareholders' General Meeting to Authorize Board of Directors to Make Investments
The formulation of the Rules of Shenzhen Properties & Resources Development (Group) Ltd. on Engaging CPAs Firm further improved the internal control mechanism of the Company;
With authorization from the Shareholders' General Meeting, the Board of Directors took part in the bidding for land in Yangzhou and executed the Proposal on Asking Shareholders' General Meeting to Authorize Board of Directors to Make Investments. Later the Company gave up bidding because the land price was too high and concerning further details of this matter, the Company has released a provisional public notice dated 30 Dec. 2009.
To sum up, the resolutions made at this Shareholders' General Meeting were effectively executed.

(5) The Stock Right Dividing Plan was reviewed and approved at the relevant Shareholders' General Meeting.
The Company released the Public Notice on Implementing Stock Right Dividing Plan and the Amended Public Notice on Implementing Stock Right Dividing Plan respectively on 28 Oct. 2009 and 30 Oct. 2009. Then the Company implemented the Stock Right Dividing Plan on 3 Nov. 2009 and executed the resolution made at this Shareholders' General Meeting.

(6) The Proposal on Profit Distribution In the Interim of 2009 was reviewed and approved at the 4th Provisional Shareholders' General Meeting in 2009.
The Public Notice on Implementing Equity Distribution in the Interim of 2009 was disclosed by the Company on 16 Nov. 2009. And the Company carried out the dividend distribution for A-share and B-share holders respectively on 23 Nov. 2009 and 25 Nov. 2009, and thus executed the resolution made at this Shareholders' General Meeting.

(III) Duty performance of the Audit Committee under the Board

The Audit Committee under the Board of the Company consists of 3 Directors, including

2 Independent Directors, with the post of Chairman of the Committee held by Independent Director Mr. Dong Zhiguang. According to the requirement of CSRC and Shenzhen Stock Exchange as well as the Work Rules for the Audit Committee under the Board, the Audit Committee had launched a series work for 2009 annual auditing and fulfilled the following duties with diligence and responsibility:

1. On 4 Jan. 2010, the Audit Committee listened to the operation report by the management of the Company, consulted with the CPAs Firm to determine the work plan for annual auditing of financial report, and urged the CPAs to submit the auditors' report as scheduled.
On 5 Jan. 2010, the CPAs firm came to the Company and officially started the audit.

2. After the entry of the CPAs, the Audit Committee under the Board communicated with the CPAs responsible for the Company's annual audit on the problems occurring in the auditing process. On 21 Jan. 2010, the CPAs firm issued the preliminary audit opinion and reported to the Audit Committee on some issues arising in the audit process. And the Audit Committee expressed their first opinion as follows after reviewing the financial statements prepared by the Company: the Financial Statements 2009 of the Company had been complied according to the provision of Accounting Standard for Business Enterprises, and the statements had reflected the actual operating situation and cash flow of the Company as at Dec. 31, 2009, which were in line with relevant requirements of CSRC. And the Audit Committee therefore agreed to submit the financial statements (un-audited) prepared by the Company and relevant materials to the CPAs firm for auditing. Meanwhile, the Committee also expressed their wish for the management of the Company to cooperate closely with Wuhan Zhonghuan Certified Public Accountants to carry out the auditing of the financial statements in 2009.

3. On 25 Jan. 2010, the Audit Committee expressed their second opinion as follows after reviewing the financial statements prepared by the Company: the Financial Statements 2009 of the Company was complied strictly according to the provision of Accounting Standard for Business Enterprises and Accounting System for Business Enterprises, as well as in compliance with the New Accounting Standards and relevant documents issued by the Ministry of Finance; The notes to the financial statements were complied in line with relevant regulations issued by CSRC. The financial statements and the notes to financial statements objectively and fairly reflected the financial status, business achievement and cash flow of the Company as at Dec. 31, 2009; The audit conclusion was in line with the actual situation of the Company and the Committee thus agreed to submit the 2009 Annual Financial Report to the Board of Directors for review.

4. The Audit Committee approved the summary of the auditing work in 2009 done by Wuhan Zhonghuan Certified Public Accountants; The Audit Committee was of the opinion that: The CPAs for the annual audit had conducted the audit work in compliance with the auditing standards for Chinese registered accountants. The audited financial statements were a fair presentation of the Company's financial position as at 31 Dec. 2009,

as well as the operating results and cash flows as of the year 2009. And the audit conclusion issued was in line with the actual situation of the Company. Meanwhile, the Audit Committee expressed their opinion on whether the Company should continue to engage Wuhan Zhonghuan Certified Public Accountants as the auditing agency for the Company in the year 2010.

The Audit Committee has faithfully fulfilled its duty with responsibility, brought its supervisory function into due plan, and ensured the independence of auditing, which safeguarded the legal interests and rights of the Company and the minor interests.

(IV) Performance of the Remuneration and Appraisal Committee under the Board

The Remuneration and Appraisal Committee under the Board consisted of 3 Directors, including 2 Independent Directors, and the post of Chairman of the Committee is held by Independent Director Mr. Li Xiaofan. In the report period, according to requirements of CSRC and Shenzhen Stock Exchange, as well as the Company's Work Rules for Remuneration and Appraisal Committee under the Board, the Committee conscientiously fulfilled its duties by examining the remunerations for directors, supervisors and senior executives. And the Committee was of the opinion that the annual salary mechanism for directors, supervisors and senior executives connected their remuneration with the annual business performance of the Company, which was in line with the actual situation of the Company. And there existed no violation of or inconsistency with the remuneration rules.

（Ⅴ) Duty performance of the Strategy and Development Committee under the Board

The Strategy and Development Committee under the Board consists of 5 directors, with Chairman of the Board Mr. Chen Yugang as Chairman of the Committee. In the report period, the Committee conscientiously fulfilled its duties according to the specific work rules for the Committee by planning the future development of the Company and significant investments. In 2009, the Committee cooperated with the Institute for Comprehensive Development Study (China • Shenzhen) and worked out a strategic planning for the Company in the coming five years, which indicated the direction for the future development of the Company, put forward clear long-term objectives for the future development and investments of the Company, and at the same time improved the scientificity, efficiency and quality of significant investment decisions.

（Ⅵ) Duty performance of the Nomination Committee under the Board

The Nomination Committee under the Board consists of three directors, including two independent directors, with Independent Director Mr. Zha Zhenxiang as Chairman of the Committee. In the report period, the Committee nominated for Secretary of the Board of Directors. As reviewed and passed by the Board of Directors and approved by Shenzhen Stock Exchange, Mr. Fan Weiping has held the post of Board Secretary of the Company since Jan. 2009.

VI. Profit Distribution Preplan or Preplan of Turning the Capital Reserve into Share Capital for the year 2009

1. Profit Distribution Preplan for 2009

As audited by Wuhan Zhonghuan Certified Public Accountants Co., Ltd, the Company achieved, in the year 2009, a consolidated net profit attributable to owners of the parent company reaching RMB 96,933,951.02 and a consolidated profit available for distribution for the year standing at RMB -26,036,870.39; In the year 2009, the parent company achieved a net profit of RMB 462,937,195.91, plus the retained profit at the beginning of 2009 amounting to RMB -427,728,750.13, minus the statutory surplus reserve withdrawn in the Profit Distribution Plan for the Interim of 2009 standing at RMB 6,792,923.40 and the paid dividend for ordinary share holders standing at RMB 60,247,705.90, and the parent company's actual profit available for distribution for the year 2009 stood at RMB -31,832,183.52.

Considering that the parent company acted as the main body in the profit distribution of the Company, the Company would not conduct profit distribution for the end of 2009 or turn the capital reserve into share capital.

2. Cash dividends in the previous three years

Year	Amount of cash dividends	Net profit belonging to shareholders of the parent company	Consolidated net profit belonging to shareholders of the parent company	Percentage in the net profit belonging to shareholders of the parent company	Percentage in the consolidated net profit belonging to shareholders of the parent company
2008	0.00	-26,155,872.73	9,829,397.29	0.00	0.00
2007	0.00	-27,611,609.45	-27,377,663.77	0.00	0.00
2006	0.00	-24,688,983.24	-45,092,615.78	0.00	0.00

VII. Establishment and perfection of system for information insider and self-inspection concerning carrying out securities trading by using the inside information

The Company formulated Management Measure for Inside Information and Insider, which was examined and approved at the 20th session of the 6th Board of Directors. Via self-inspection, the Company's directors, supervisors, senior executives and other information insiders did not sell and buy the Company's shares during the sensitive period such as 30 days before disclosure of periodic reports, 10 days before disclosure of performance warning and performance express and during the disclosure period of other significant events.

VIII. Other Events

1. Special explanation and independent opinion of Independent Directors on external guarantee of the Company

Based on the provisions in the Articles of Association and Notice on Regulating the Capital Transaction Between Listed Companies and the Affiliated Parties, as well as Some Problems in External Guarantee of Listed Companies (ZJF [2003] No. 56), we checked over the external guarantee of the Company with serious and responsible attitude, and explanation on relevant situation is as follows: the amount of external guarantee in the reporting period was RMB 0, the balance of external guarantee at the end of the reporting period was RMB 0; the guarantee for the controlled subsidiaries in the reporting period was RMB 250 million and the balance of guarantee for the controlled subsidiaries at the end of the reporting period was RMB 450 million.

We believe that the Company has strictly followed the provisions in the Articles of Association and Notice on Regulating the Capital Transaction Between Listed Companies and the Affiliated Parties, as well as Some Problems in External Guarantee of Listed Companies (ZJF [2003] No. 56), regulated the behavior of external guarantee, and controlled the risk of external guarantee. In the reporting period, there was no illegal guarantee.

2. In the reporting period, the Company designated Securities Times and Ta Kung Pao as the newspapers for information disclosure, and no change has been made.

Section IX Report of the Supervisory Committee

I. Work of the Supervisory Committee

（Ⅰ) Meetings held by the Supervisory Committee
In the report period, the Supervisory Committee convened five meetings:

1. The first meeting was convened on 26 Mar. 2009, at which the Work Plan for Supervisory Committee in 2009 was reviewed and approved.
2. The second meeting was convened on 23 Apr. 2009, at which the 2008 Annual Report of Shenzhen Properties & Resources Development (Group) Ltd., the Summary of 2008 Annual Report of Shenzhen Properties & Resources Development (Group) Ltd., the 2008 Annual Profit Distribution Preplan, the Proposal on Withdrawing Various Reserves and Estimated Liabilities, the Proposal on Reducing Asset Impairment Provision and the Self-evaluation Report on Internal Control were reviewed and approved.
3. The third meeting was convened on 28 Apr. 2009, at which the First Quarterly Report in 2009 of Shenzhen Properties & Resources Development (Group) Ltd. was reviewed and approved.
4. The fourth meeting was convened on 12 Aug. 2009, at which the 2009 Semi-annual Report of Shenzhen Properties & Resources Development (Group) Ltd., the Rules for Engaging CPAs Firm, the Proposal on Authorizing Board of Directors to Make Investments and the Proposal on Convening the 3rd Provisional Shareholders' General Meeting in 2009 and other proposals were reviewed and approved.
5. The fifth meeting was convened on 11 Oct. 2009, at which the Third Quarterly Report in 2009 of Shenzhen Properties & Resources Development (Group) Ltd. and the Profit Distribution Preplan in the Interim of 2009 were reviewed and approved.

（Ⅱ) In the reporting period, by attending all sessions of the Board and the shareholders' general meetings as non-voting delegate, all members of the Supervisory Committee participated in the discussion on significant decision-making and conducted supervision over the proposals reviewed by the Board of Director and the shareholders’ general meeting, as well as holding procedure of the meetings in accordance with the law.

(III) In the reporting period, by paying close attention to the management and operation of the Company and seriously supervising the Company’s financing and capital operation, as well as inspecting the Board’s and management team’s official acts, the Supervisory Committee safeguarded normal behaviors of the Company’s operation and management.

II. Independent opinions given by the Supervisory Committee on relevant issues of the Company

（Ⅰ) Operation in line with the law:

In the reporting period, by being legal and valid decision-making procedure, doing a nice job of implementing the shareholders’ general meeting’s and the Board’s resolutions, and improving and perfecting internal control system, the Company set up quite perfect check-and-balance system among operating body, decision-making body and supervision body. The directors, managers and other senior management staffs devoted to their duty with clean and diligent manner without finding any behavior in violation of the laws, regulations and the Articles of Association of the Company or doing harm to the interests of the Company’s shareholders when performing their duties.

（Ⅱ) Inspection of financial status:

As effectively supervised, inspected and reviewed the financial status and business performance for 2009, the Supervisory Committee believed that the Company set up sound financial system, perfect internal control system, standard financial operation and good financial status. And the audit report for the reporting period has given a true, objective and complete reflection of the Company's financial status and business performance.

（Ⅲ) Review of internal control

The quite perfect internal control system had been set up by the Company and has been carried out effectively. The self-appraisal report 2009 on internal control has given a true and objective reflection of the establishment and operation of the Company's internal control system.

（Ⅳ) Input of raised funds

In the reporting period, no funds were raised from the public during the reporting year.

（Ⅴ) Related transaction

The decision-making procedure of the Company was in compliance with the provisions stipulated in the laws, regulations and the Articles of Association, of which justification was conducted based on the pricing principles of making compensation for equal value and fair market price without violating the principles of openness, fairness and justice, and have not do harm to interests of the Company and minority shareholders.

(Ⅵ) Disposal of assets

In the reporting period, the business of assets disposal was standard, which was in conformity with the legal procedure. The said transaction was objective, just and fair without insider dealing, and failed to do harm to interests of the Company and the shareholders.

(Ⅶ) External investments

In the report period, in compliance with the Company Law, the Articles of Association of the Company, the Rules of Procedure for Board of Directors and other requirements of investment management, the Company adopted a serious attitude when conducting the project feasibility analysis and researches, as well as executing the investment approval procedure, with no irregular investment behaviors or events.

Section X. Significant Events

I. The significant lawsuits or arbitrations

1. In the report period, a new significant lawsuit arose: the lawsuit case of China Orient Asset Management Co..

(1) Case No.: (2009) SZFMECZ No.77

In this case, China Orient Asset Management filed a lawsuit against Shenzhen Felicity Industrial Co., Ltd. (hereinafter referred to as "Felicity Industrial") and Best Western Shenzhen Felicity Hotel (hereinafter referred to as "Felicity Hotel") over loan disputes.

China Orient Asset Management submitted the Application for Altering Litigant Request to the Intermediate People's Court of Shenzhen, asking the Court to add ten entities including the Company to the defending parties of the application.

China Orient Asset Management altered its litigant request to: ① rule that Felicity Industrial should pay off the loan principal of RMB 115 million and interest of RMB 65,837,282.11 (interest as at 20 Dec. 2008, and the interest will be recalculated according to the date of repayment); ② to rule that Felicity Hotel and the ten entities added to the defending parties should bear the joint liability for the loan; ③ to rule that all the defending parties should shoulder the legal fare, the security fare and other legal expenses caused by the case.

(2) Case No.: (2009) SZFMECZ No.78

In this case, China Orient Asset Management filed a lawsuit against Felicity Industrial and Felicity Hotel over loan disputes.

China Orient Asset Management submitted the Application for Altering Litigant Request to the Intermediate People's Court of Shenzhen, asking the Court to add ten entities including the Company to the defending parties of the application.

China Orient Asset Management altered its litigant request to: ① rule that Felicity Hotel should pay off the loan principal of RMB 100 million and interest of RMB 56,961,347.27 (interest as at 20 Dec. 2008, and the interest will be recalculated according to the date of repayment); ② to rule that Felicity Industrial and the ten entities added to the defending parties should bear the joint liability for the loan; ③ to rule that China Orient Asset Management should be entitled to dispose the mortgaged objects in the Mortgage Contract and have the priority of compensation according to laws; and ④ to rule that all the defending parties should shoulder the legal fare, the security fare and other legal expenses caused by the case.

The Company has disclosed the said cases in the interim public notices published on Securities Times, Ta Kung Pao and http://www.cninfo.com.cn designated for information disclosure dated 30 Dec. 2009.

2. During the reporting period, progress of the significant lawsuits or arbitrations disclosed over the previous years is detailed as follows:

(1) Concerning the case of "Haiyi Company" disclosed by the Company in the annual

reports from 1999 to 2008, the interim public notices on 9 Apr. 2009, 4 Jun. 2009 and 29 Jun. 2009, the 2009 Semi-annual Report and the interim public notice on 19 Oct. 2009, the Company is continuing to file an appeal to the Supreme People's Court.

The Company held the opinion that: The 2 judgments of remand made by the Supreme People's Court were the same with or similar to the other 32 judgments that had issues such as unclear facts, errors in the application of laws and violation of the legal lawsuit procedure. And this ruling of the Supreme People's Court would help the Company with the Company's attempt to repeal for the other 32 judgments. But the ruling of the remand of the two judgments would not become a legal basis for the stop of the execution of the other 32 judgments. And the Company will keep a close eye on the progress of the case and perform its duty of information disclosure in a timely way.

(2) Regarding the case of "Jiyong Company" disclosed in the annual reports from 2000 to 2008, the 2009 Semi-annual Report, and the interim public notices on 14 Sept. 2009 and 26 Oct. 2009

Because Jiyong Company had no properties available for execution, the Higher People's Court of Guangdong Province ruled to terminate the execution procedure of Case (2002)YGFZZ No.1. The Company will actively conduct researches and apply to the Court for execution resumption when it finds that the executed party has properties for execution.

(3) Regarding the case against Guomao Jewel & Gold Co., Ltd. located in Shengfeng Road, Shenzhen as disclosed in the annual reports from 2005 to 2008 and the 2009 Semi-annual Report

Shenzhen Intermediate People's Court has made the trial of first instance in Sep. 2007, which Guomao Jewel & Gold Co., Ltd would bear debts of RMB 32,524,650.45, Lin Ruohua, legal representative of Guomao Jewel & Gold Co., Ltd, would undertake joint discharge responsibility within the scope of RMB 10,053,000. The judgment has come into force.

Guomao Jewel & Gold Co., Ltd and Lin Ruohua failed to execute the judgment, and there were no property of Guomao Jewel & Gold Co., Ltd available for execution. The Company withdrew bad debt reserve for payable administrative expense and substitutive expenses of water and electricity amounting RMB 6,532,519.60 after deducting receivable deposit. The Company applied for enforcement.

(4) Regarding the contract dispute with Duokuai Elevator as disclosed in the annual reports of 2006 and 2007 and the 2008 Semi-annual Report

A. On 11 Jul. 2002, Shenzhen Huangcheng Real Estate Co., Ltd (hereinafter referred to as "Huangcheng Real Estate"), subsidiary of the Company, signed and concluded Contract on Elevator Equipment and Agreement on Real Estate Mortgage and Purchase with Duokuai Elevator (Far-East) Co., Ltd (hereinafter referred to as "Duokuai Elevator"), which prescribed Duokuai Elevator provided elevators demanded for B block of Huangyuyuan to Huangcheng Real Estate, and Tao Boming was willing to guarantee with mortgage of real estate under his name to Huangcheng Real Estate. On 6 Sep. 2004, Huangcheng Real Estate applied for arbitration to Shenzhen Arbitration Commission, appealed for termination of Contract on Elevator Equipment signed with Duokuai Elevator with the reason that Duokuai Elevator failed to provide elevators, double return paid deposit amounting RMB 7,539,000, payment for elevators amounting RMB 15,904,000 and compensation for loss amounting RMB 277,268.51. On 24 Nov. 2005, Shenzhen Arbitration Commission made a judgment that Duokuai Elevator would pay for deposit RMB 7,539,000, payment for elevators RMB 15,904,000 and Tao Boming undertook compensation responsibility within the scope of value of mortgage.

Not satisfied with the decision, Duokuai Elevator and Tao Boming appealed to the Intermediate People's Court of Shenzhen (hereinafter referred to as "Intermediate Court") for cancellation of the decision on 7 Dec. 2005. In 2006, the Intermediate Court issued the two civil judgments of (2006) SZFMSCZ No.18 and No.19, which decided to refuse the request of Duokuai Elevator and Tao Boming to cancel the Verdict [2005] SZCZ No.1227 made by Shenzhen Arbitration Commission. On 16 Nov. 2006, Huangcheng Real Estate reported the execution progress to the Intermediate Court and asked the Court to start the evaluation and auctioning procedure of the mortgaged properties.

Progress in the first half of 2009: ① Two house properties under the name of Duokuai Elevator totaling 957.31 ㎡ at the podium building of Huangcheng Plaza and ITC Plaza have been auctioned by the Intermediate Court, with the auction price of RMB 4.28 million. In Apr. 2009, Huangcheng Real Estate received RMB three million from the Intermediate Court and the other amount of RMB 1.28 million still remains in the account of the Intermediate Court. ② According to the Notification (2006) SZFZZ No.516 issued by the Intermediate Court, five house properties were auctioned on 24 Apr. 2009 with the auction price of RMB 5.14 million, of which one third, i.e. RMB 1,713,333.00, could be used, according to laws, as executable properties for the case to pay off the debt owed to Huangcheng Real Estate.

B. On 3 Aug. 2006, Hainan Duokuai Elevator Service (Far-East) Co., Ltd Shenzhen Branch (hereinafter referred to as "Duokuai Shenzhen Branch") initiated litigation to The People's Court of Futian District of Shenzhen, appealed Shenzhen Huangcheng Property Management Co., Ltd (hereinafter referred to as "Huangcheng Property Management Company"), subsidiary of the Company, to pay the service expense. In the process of trial, Duokuai Shenzhen Branch applied to sue Huangcheng Real Estate as the second defendant and appealed Huangcheng Real Estate bearing joint discharge responsibility for the aforesaid debt. On 26 Jan. 2007, the People's Court of Futian District of Shenzhen sent civil judgment paper with (2006) SFFMEC Zi No. 1977, which ordered Huangcheng Real Estate and Huangcheng Property Management Company would pay service expense RMB 925,500.00 and RMB 1,105,130.00 to Duokuai Shenzhen Branch respectively and paid for loss of interest. Huangcheng Real Estate and Huangcheng Property Management Company sued appeal with reasons of ambiguity of facts and violation of legal procedures. On 28 Jan. 2008, Shenzhen Intermediate People's Court made a civil judgment with (2007) SZFMEZ Zi No. 827: Huangcheng Real Estate and Huangcheng Property Management Company would pay service expense RMB 893,100.00 and RMB 1,102,730.00 to Duokuai Shenzhen Branch respectively and paid for loss of interest. Huangcheng Real Estate and Huangcheng Property Management Company confirmed the relevant expenditure in financial statement.

The closing balance of amount receivable from Duokuai Elevator to Huangcheng Real Estate stood at RMB 8,726,693.00. Considering the accounts payable to Duokuai Elevator and its related parties and guarantee parties, an impairment provision test was run in the book value of the accounts receivable and RMB 3,978,423.60 has been withdrawn as bad debt provision.

C. In Jul. 2002 and Jan. 2003, Huangcheng Real Estate signed and concluded Agreement for Sale and Purchase of the Property in Shenzhen City on 4-2901, 6-2901 of A block respectively, Tao Boming paid the initial payment and applied to loan of the balance from Industrial & Commercial Bank of China Futian Branch. Lawsuit which was sued Huangcheng Real Estate to handle House Ownership Certificate for eight real estates including the aforesaid real estate by Tao Boming, was objected by the court. Tao Boming initiated litigation to the court for unable to enjoy substantive rights, and appealed: (1) terminate Agreement for Sale and Purchase of the Property in Shenzhen City signed and concluded with Huangcheng Real Estate and Loan Contract for Individual Housing signed with Industrial & Commercial Bank of China Futian Branch, and appealed Huangcheng Real Estate returned all housing fund, insurance expense and expense for public notarization.
On 20 Nov. 2007, Shenzhen Intermediate People’s Court made a judgment of final instance with (2007) SZFMWC Zi No. 79. This judgment was still in the process of execution, Huangcheng Real Estate returned the aforesaid confirmed income, cost and tax in the report period according to the judgment and withdrawn relevant loss.

(5) With regard to case of “Meisi Company Lawsuit” disclosed continuously by the Company in Annual Report between 2004 and 2007, interim public notices on 15 Apr. 2006, 5 Aug. 2006, 11 Apr. 2007, 19 May 2007, 26 Feb. 2008, 3 Jun. 2008, 31 Dec. 2008 and 13 Feb. 2009, and the 2009 Semi-annual Report
A civil action against the Company and Luohu Economic Development Co., Ltd. (as joint defendants) was taken by Meisi Company to Shenzhen Municipal Futian District People’s Court, hereafter, the Company considered that the object of action is the larger, belonging to the case with significant influence within the area, which Shenzhen Intermediate People’s Court should have the jurisdiction over the case. the Company, in accordance with the provisions of the Law of Civil Procedure of the PRC, raised its objection at the time of submitting a written reply to claim for transferring the case to Shenzhen Intermediate People’s Court for trial. As examined and checked, Shenzhen Municipal Futian District People’s Court believed that the said objection is tenable and decided to transfer the case to Shenzhen Intermediate People’s Court for trial, and provided for the service of notice ((2009) SFFMSC Zi No. 939) to the Company in Mar. 2009. The Company disclosed the above in Significant Litigation and Arbitration, (I), Section X Significant in Annual Report 2008.
On 2 Jul. 2009, Shenzhen Intermediate People’s Court heard the case, now is waiting for collegiate judge. The Company believed that the Company should be considered as legitimate oblige of the above land and building, and the Company will protect legitimated equity by law. It was forecasted that the above events would not cause significant influence on financial status of the Company.
On 22 Dec. 2009, the Higher People’s Court of Guangdong decided to terminate the Administrative Judgment (2008) SZFXZ Zi No.223 made by the Intermediate People’s

Court of Shenzhen and bring the case to trial. And the Company disclosed the relevant progress of the case in the interim public notices published on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 23 Dec. 2009.

(6) Regarding the case of "Guarantee for Gintian" as disclosed in Annual Report 2007, Annual Report 2008 and the 2009 Semi-annual Report. The Company withdrew RMB 56.6 million at full amount for the case; meanwhile, the Company would recourse against Gintian Company in line with laws.

(7) Regarding the Huaxi Company Lawsuit as disclosed in the Note（Ⅻ) Contingent Matters 1. Unsettled lawsuits to the financial statements of the 2008 Annual Report
In July 1996, China Huaxi Enterprise Limited (hereinafter referred to as "Huaxi Company") signed the Jinlihua Commercial Plaza Granite Outside Decoration Construction Contract with Shenzhen Jiyong Property Management Co., Ltd. (hereinafter referred to as "Jiyong Company"). Jinlihua Commercial Plaza had been jointly built by the Company and Jiyong Company. In May 1993, the Company transferred all its equities of Jinlihua Commercial Plaza to Jiyong Company. Later, Jiyong Company refused to pay for the construction. And Huaxi Company filed a lawsuit to the People's Court in Luohu District, Shenzhen, asking Jiyong Company, Shenzhen Zongli Investment Co., Ltd. and the Company to pay for the construction and its loss over RMB 5.87 million. And the case was brought to trial for the first time in 2003.
In Apr. 2009, the People's Court of Luohu District, Shenzhen re-opened the case. And the plaintiff put forward a new litigant request of a compensation of overdue interest amounting to RMB 1.5 million besides the original litigant application.
On 1 Dec. 2009, the People's Court of Luohu District, Shenzhen delivered the Civil Judgment (2003) SLFMEC Zi No.240 to the Company, deciding to refuse the litigant application of the plaintiff Huaxi Company against the Company. The Company disclosed this matter in the interim public notice published on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 3 Dec. 2009.

II. Equity of other listed companies held and traded by the Company

1. Securities investment

No.	Type of securities	Stock code	Short form of Stock	Initial investment (RMB Yuan)	Number of shares held	Book value at year-end	Percentage to total securities investment at the year-end (%)	Profits and losses in the reporting period
1	Shenzhen A-share	000030	ST Sunrise	268,735.50	30,000	232,200.00	100.00	168,300.00
Profit and loss from selling securities investment in the report period				—	—	—	—	2,267,351.33
Total				268,735.50	—	232,200.00	100.00	2,435,651.33

2. Equity of other listed companies held by the Company

Stock code	Short form of stock	Initial investment amount	Equity proportion in that of this company	Book value at the year-end	Profit and loss in the reporting period	Change in the owners' equity in the reporting period	Accounting item	Source of shares
000509	S*ST T.H.	2,962,500.00	0.33%	802,199.55	0.00	0.00	Long-term equity investment	Purchasing legal person shares directionally
Total		2,962,500.00	-	802,199.55	0.00	0.00		

3. Equity of other listed companies bought and sold by the Company

Items	**Name of stock**	**Number of shares at the period-begin**	**Number of shares bought and sold in the reporting period**	**Number of shares at the period-end**	**Funds used**	**Investment income**
Buy-in						
	CHINA OVERSEAS	202,500	8,100		57,104.83	
	Total	202,500	8,100		57,104.83	
Sell-out						
	Shenzhen Development A	47,190	47,190			198,943.61
	China Shipping Container Lines	1,000	1,000			179.70
	CHINA COAL ENERGY	1,000	1,000			734.98
	HEFEI URBAN CONSTRUCTION	750	750			1,929.00
	CRCC	1,000	1,000			249.76
	Jin Mu Gu Fen	1,200	1,200			1,971.88
	CHINA OVERSEAS	202,500	210,600			2,746,475.35
	Merchants International	4,000	4,000			25,423.78
	HYSAN DEV	6,000	6,000			24,393.13
	CHINA STATE CON	48,000	48,000			105,027.73
	YUNNAN	50,000	50,000			37,268.92

	ENTER				
	HKR INT'L	4,400	4,400		-1,419.92
	Xingye Chuangjian	860	860		250.19
	Total	367,900	376,000		3,141,428.11

III. Purchases, sales of assets, or mergers of the Company in the reporting period
1. In the report period, the Company had no significant asset acquisition or mergers.
2. Sale of assets
(1) On February 9, 2009, a resolution regarding disposal of use right of a land located in Sihui City is approved by the twelfth session of the sixth conference of the Company's board of directors. The details of the resolution are described as follows. Shenzhen Huangcheng Real Estate Co., Ltd (hereinafter referred to as "Huangcheng Real Estate"), a wholly-owned subsidiary of the Company, owns use right of an industrial land located in Sihui City Guangdong Province (with an expiration date of August 11, 2044, hereinafter referred to as "Sihui Land") with an usable area of 31,394.49 square meter (equivalent to 47.09 Mu). To protect right of the company from government expropriation, Huangcheng Real Estate plans to negotiate with the People's Government of Sihui City to repurchase use right of Sihui Land. Huangcheng Real Estate signed the Land Purchase Contract with Sihui Land Storage Centre by EMS. On 6 Jul. 2009, the Company received the original copy of the said contract signed and sealed between two parties at the purchase price of RMB 112,000.00 per Mu, as well as total purchase price of RMB 5,274,080.00. Please refer to the temporary public notice disclosed on 8 July 2009. Up to reporting date, Huangcheng Real Estate failed to receive such payment.

(2) Concerning Land in Pinghu (for more details, please refer to the Note（Ⅸ) Notes to Main Items of Consolidated Financial Statements in the 2008 Annual Report.)
On 21 Sept. 2009, the Proposal on Solving Issue of Land in Pinghu Left by History was reviewed and approved at the 18th Meeting of the 6th Board of Directors of the Company.
On 29 Sept. 2009, the Company and Shenzhen Pinghu Stock Co., Ltd. (formerly known as Pinghu Villagers' Committee) signed a contract. According to the contract, Pinghu Village should pay compensation to the Company for the remaining land of 3,582.78 square meters based on the government standard of RMB 554 per square meter. When receiving all the compensation (government compensation of RMB 3,555,100 and compensation from Pinghu Village of RMB 1,984,900), the Company will no longer enjoy the said land use right and should transfer it to Pinghu Village; the Company will bear expenses such as the land use expanses and transfer expenses less than RMB 0.9 million.
In Oct. 2009, the Company received the compensation of RMB 1,984,900 from Shenzhen Pinghu Stock Co., Ltd., while the government compensation has not been received so far. Because of its only enjoying the compensation right, the Company wrote off the book

value of the said land (The original book value to be written off stood at RMB 40,642,200, while the inventory impairment provision after writing off stood at RMB 38,242,200.). This transaction generated an income of RMB 2.24 million in the year 2009.
The aforesaid sales of assets were non-related transactions, which had no impact on the business consistency and management stability of the Company.

IV. Equity incentive plan
In the report period, the Company conducted no equity incentive plan.

V. Significant related transactions
(I) Significant related transactions
1. On 19 Jan. 2009, the 11th Meeting of the 6th Board of Directors was convened, at which the Proposal on Applying to Shenzhen Investment Holdings Co., Ltd. for an Entrustment Loan of RMB 50 Million was reviewed and approved. The Company disclosed on 24 Jan. 2009 this loan transaction in its interim public notice on the designated media—Securities Times, Ta Kung Pao and http://www.cninfo.com.cn.
With the Shenzhen Branch of the Agricultural Bank of China as the trustee, the Company applied to its actual controlling shareholder Shenzhen Investment Holdings Co., Ltd. for an entrustment loan of RMB 50 million with a term of 12 months and the mature date at 23 Jan. 2010, which was used for repaying the old loans.

2. On 25 Mar. 2009, the Company repaid RMB 15 million to its controlling shareholder—Shenzhen Investment Holdings Co., Ltd., which was borrowed directly from the latter.

3. On 16 Oct. 2009, the Company's subsidiary—Shenzhen Huangcheng Real Estate Co., Ltd., the Company's actual controlling shareholder—Shenzhen Investment Holdings Co., Ltd., and the Shenzhen Jingtian Sub-branch of China Everbright Bank signed the Entrustment Loan Contract in Shenzhen. Shenzhen Investment Holdings Co., Ltd. entrusted the Shenzhen Jingtian Sub-branch of China Everbright Bank with its own capital to grant an entrustment loan of RMB 150 million to the Company, with a term of 12 months, the mature date at 16 Oct. 2010 and the annual interest rate at 5.0523%. And the said loan would be used to repay old loans. The Company released the interim public notice No.2009-81 concerning this matter, which was published on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 20 Oct. 2009.

4. The 21st Meeting of the 6th Board of Directors was convened on 22 Dec. 2009, at which the Proposal on Applying to Controlling Shareholder for a Loan of RMB 50 Million was reviewed and approved. And the Company released the relevant interim public notice on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 24 Dec. 2009.
On 30 Dec. 2009, with the Shenzhen Branch of the Agricultural Bank of China as the trustee, the Company applied to its actual controlling shareholder Shenzhen Investment

Holdings Co., Ltd. for an entrustment loan of RMB 50 million with a term of 12 months, an annual interest rate of 5.31% and the mature date at 29 Dec. 2010, which was used for repaying the old loans.

The aforesaid capital support eased the financial strain of the Company and made sure the normal operation of the Company.

(II) Credits, liabilities and guarantees between the Company and related parties

For the credits and liabilities between the Company and its related parties, please refer to the Note XI. 3. (3) Entrustment loans and (4) Balance of accounts receivable from and payable to related parties under the Notes to the financial statements. For details of the guarantees, please refer to the Note（Ⅶ) 3 to the financial statements.

VI. Significant contracts and implementation

(I) Significant transaction, trusteeship, contract or lease of assets

1. During the reporting period, the Company did not hold a trust, contract or lease assets of the other companies and the other companies did not hold a trust and contract the Company’s assets.

2. In the report period, there were no such significant events where the Company leased its assets.

（Ⅱ) Significant guarantees

1. The Company provided a joint-liability guarantee for the long-term loan of RMB 240 million borrowed by Shenzhen Huangcheng Real Estate Co., Ltd. from the East Shenzhen Sub-branch of China Agricultural Bank, and mortgaged the loan with its properties on No.4-01 and 3/F, Block A of Shenzhen International Trade Center Plaza. The closing balance of the loan stood at RMB 200 million.

2. The Company provided a joint-liability guarantee for the long-term loan of RMB 250 million borrowed by Shenzhen Huangcheng Real Estate Co., Ltd. from the Shenzhen Branch of China Construction Bank. The closing balance of the loan stood at RMB 200 million and the loan would be due within one year.

3. The Company and its subsidiaries Shenzhen Property & Real Estate Development Co., Ltd. and Shenzhen ITC Vehicles Services Company provided a joint-liability guarantee for the long-term loan of RMB 250 million borrowed by Shenzhen Huangcheng Real Estate Co., Ltd. from the East Shenzhen Sub-branch of China Agricultural Bank. The closing balance of the loan stood at RMB 50 million.

4. Guarantee for the proprietors: The Company and its subsidiaries provided the commodity houses purchasers with mortgage guarantee to the bank. Up to 31 Dec. 2009, the guarantee amount unsettled was RMB 190.79 million. The guarantee is that the real estate developer provides petty proprietor with guarantee for purchasing of commodity houses of the Company, which is a common phenomenon in this business.

(III) Cash assets management the Company trusted other parties

There was no event of trusteeship of cash assets management in the reporting period.

VII. Commitment made by the Company or shareholders holding over 5% of shares of the Company

Shenzhen Construction Investment Holdings Co. (hereinafter referred to as "Construction Holdings") and Shenzhen Investment Management Co. (hereinafter referred to as "Investment Management Company") were nominal shareholders of the Company (Shares of the Company are registered under the name of these two companies.). Later, these two companies and Shenzhen Trade & Commerce Investment Holdings Co. combined on a legal basis and became one company known as Shenzhen Investment Holdings Co., Ltd. (hereinafter referred to as "Investment Holdings"). However, due to various reasons, the Company's shares held by Construction Holdings and Investment Management Company has not been transferred to Investment Holdings, which is the actual controller of the Company.

1. Investment Holdings stated that it would establish and perfect the internal control over undisclosed information of the listed company known by it, urge relevant insiders not to trade the shares of the Company by making use of the undisclosed information, not suggest other buying and selling shares of the Company, nor leak any undisclosed information of the Company. Meanwhile, it would provide an insider name list to the Company in a timely, factual, accurate and complete way so that the Company could submit the name list to the Shenzhen Bureau of CSRC and the Stock Exchange for records.

In the report period, it was found that no actual controller of the Company or insiders bought and sold stocks of the Company by taking advantage of undisclosed information of the Company. And the Company submitted monthly the particulars about the parties to which the undisclosed information had been submitted to CSRC Shenzhen Bureau for reference.

2. Commitments made by non-tradable share holders in the share merger reform

(1) The Company's non-tradable share holders Construction Holdings and Investment Management Company made a common commitment to abide by laws, regulations and rules and perform prescribed commitment duties. And they also made special commitments as follows:

Non-tradable shares held by Construction Holdings and Investment Management Company would not be traded or transferred within 36 months since they acquired right of trade. After expiration of the aforesaid commitment, originally non-tradable shares sold through the listing and trading system on the Shenzhen Stock Exchange should not exceed 5 percents of total shares of the Company within 12 months, as well as not exceed 10 percents within 24 months. In case these companies acted against the above commitment and sold shares of the Company, the income from sales of the shares would belong to the Company.

(2) Investment Holdings made a commitment to abide by laws, regulations and rules and perform prescribed commitment duties. And it also made special commitments as follows:

① Non-tradable shares held by Investment Holdings would not be traded or transferred within 36 months since they acquired right of trade. After expiration of the aforesaid commitment, originally non-tradable shares sold through the listing and trading system on the Shenzhen Stock Exchange should not exceed 5 percents of total shares of the Company within 12 months, as well as not exceed 10 percents within 24 months. In case these companies acted against the above commitment and sold shares of the Company, the income from sales of the shares would belong to the Company.

② Within one year since the non-tradable shares held by Construction Holdings and Investment Management Company controlled by Investment Holdings acquired the right of trading, Shenzhen Investment Holdings Co., Ltd will start up capital injection to the Company, that is, Shenzhen Investment Holdings Co., Ltd will inject legitimate capital no less than RMB 500 million including land resource in lump sum or in batches by replace or other legitimate way, will increase land reserves of the Company and enhance profitability in the future. In case the aforesaid capital failed to start completely within one year, Shenzhen Investment Holdings Co., Ltd will compensate 20% of reorganization capital failing to start to the Company within 30 days when expiration of 1 year, and continued to implement the capital injection which had been started. As for the capital injection failing to start, Shenzhen Investment Holdings Co., Ltd will not implement. Note: Startup of capital injection means capital injection program has been reviewed and approved by the Shareholders' General Meeting of the Company. Shenzhen Investment Holdings Co., Ltd was willing to entrust China Securities Depository and Clearing Corporation Limited Shenzhen Branch to freeze 30 million shares of the Company, which was under name of Shenzhen Construction Investment Holdings and actually controlled by Shenzhen Investment Holdings Co., Ltd, as guarantee for the above commitment.

③ Since non-tradable shares held by Shenzhen Investment Holdings Co., Ltd, Shenzhen Construction Investment Holdings and Shenzhen Investment Co., Ltd acquired right to trade within 24 months, Shenzhen Investment Holdings Co., Ltd commit that they will support balance no less than RMB 500 million with method of entrust loan in line with relevant provisions of laws and administrative statutes to release nervous capital of the Company. The aforesaid balance means accumulative incurred amount within 24 months since the date when non-tradable shares held by Shenzhen Investment Holdings Co., Ltd, Shenzhen Construction Investment Holdings and Shenzhen Investment Co., Ltd acquired right to trade, and each entrust loan for support will not be less than 12 months; the above cash support of RMB 500 million excluded entrust loan offered before the date when non-tradable shares held by Shenzhen Investment Holdings Co., Ltd, Shenzhen Construction Investment Holdings and Shenzhen Investment Co., Ltd acquired right to trade.

④ In case that net profit of the Company in any year of 2010, 2011 and 2012 was less than 2009, Shenzhen Investment Holdings Co., Ltd will make up balance of net profit between the year and 2009 with cash.

According to the commitments of the share merger reform, Investment Holdings applied to the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. in Nov. 2009 for freezing the 30 million shares of the Company held by Construction Holdings and actually controlled by Investment Holdings.

VIII. Engagement and disengagement of CPAs firm

In the reporting period, the Company still engaged Wuhan Zhonghuan Certified Public Accountants Ltd to do the auditing work for the year 2009. Since the first agreement on the auditing work signed by the auditor, Wuhan Zhonghuan Certified Public Accountants has been providing auditing service for 8 reporting years for the Company in succession. The annual auditing fees for 2009 totaled RMB 520,000 (including business trip expenses).

IX. Punishment to the Company, its Directors, Supervisors and Senior Management and rectification in the reporting period

1. On 10 Sept. 2008, the Company received the Investigation Letter (2008 SJLT Zi No.001) issued by the Shenzhen Investigation Bureau of CSRC. And the Company released the relevant interim public notice on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 11 Sept. 2008.

On 3 Dec. 2009, the Company received the Advance Notification of Administrative Punishments (CF Zi 【2009】No.54) issued by CSRC, which administered the following punishments on the Company for its irregular securities behaviors before the year 2007: to confiscate the illegal income of RMB 250,849.80 obtained by the Company through trading securities via personal accounts, confiscate the illegal income of HKD 8,544,744.97 obtained by the Company through trading B shares via other corporate accounts, and impose a penalty of RMB 250,849.80 on the Company. Meanwhile, CSRC also planned to issue warnings and impose penalties on relevant responsible persons (all left their posts before Dec. 2008.). And the Company disclosed the relevant interim public notice on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 7 Dec. 2008.

The Company has presented the statements and pleadings to CSRC according to laws, and now waits for the examination of CSRC. Up until the report date, the Company has not yet received the official notification of investigation results. Despite that the statements and pleadings have been presented, the Company estimates that the punishments mentioned in the Advance Notification of Administrative Punishments are likely to happen, and withdraws therefore a relevant estimated liability of RMB 8,030,474.39.

2. In the report period, the Company's present directors, supervisors, senior executives, shareholders and actual controller received no investigations by competent authorities, enforcement measures by judicial and regulatory authorities, transferring to judicial departments or prosecution for criminal liability, inspection or administrative punishment by CSRC, non-admission to securities market, or punishment by other administrative departments or public condemnation by the Shenzhen Stock Exchange as a result of being identified as an inappropriate entity.

X. In the reporting period, significant events listed in Article 67 of Securities Law and Article 17 in Detailed Rules for Implementation of Information Disclosure by Companies Publicly Issuing Stock (Trial)

In Nov. 2009, the Shenzhen Municipal Government released the Shenzhen City Renewal Methods, which was officially implemented on 1 Dec. 2009. Concerning the industrial land in Shangmeilin, Shenzhen (Property Certificate No.SFD Zi 0103142 and 0103139, its land use right is registered under the name of the Company, while there has been dispute over the possession of its existence right. And now the case is in the lawsuit process.
The Company disclosed the relevant interim public notice on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 27 Nov. 2009.
Considering the land use right of the said industrial land is still in the lawsuit process, it is uncertain to decide whether the relevant provisions of the Shenzhen City Renewal Methods is applicable to the Company. The relevant evaluation is therefore unable to be done. And the Company will follow up the matter when the specific rules for implementing the Methods is released and the specific plan is worked out.

XI. Other Significant Events
1. On 14 Jan. 2009, the proposal on transferring the whole equities of Hainan Xinda Development General Corporation held by the Company by public listing on the base of evaluation price was reviewed and approved at the 10th Meeting of the 6th Board of Directors. Up to the report date, the evaluation has not been finished.
2. In Sept. 2009, the actual controller of the Company—Shenzhen Investment Holdings Co., Ltd. put forward the motion of share merger reform. And the Company released the Suggestive Public Notice on Share Merger Reform on 3 Sept. 2009, which marked the start of the Company's share merger reform.
On 9 Sept. 2009, the Company released the Notice on Convening Shareholders' General Meeting for Share Merger Reform, the Explanatory Memo of Share Merger Reform and other relevant documents.
On 18 Sept. 2009, the Company disclosed the Explanatory Memo of Share Merger Reform (Revised) and other relevant documents, as well as the Suggestive Public Notice on Convening Shareholders' General Meeting for Share Merger Reform respectively on 14 Nov. 2009 and 19 Oct. 2009.
On 21 Oct. 2009, the Company convened the Shareholders' General Meeting for the share merger reform, at which the reform plan was approved. On 22 Oct. 2009, the Company disclosed the relevant interim public notice on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure.
On 28 Oct. 2009, the Company disclosed the Public Notice on Implementing Share Merger Reform Plan. And it disclosed the Revised Public Notice on Implementing Share Merger Reform Plan on the next day.
On 3 Nov. 2009, the stock consideration in the plan of share merger reform was delivered to the accounts of the tradable A-share holders.

3. It was approved by the Shenzhen Stock Exchange to cancel the delisting risk warning and other special treatment on the stock of the Company. And the Company disclosed the Public Notice on Canceling Delisting Risk Warning and Other Special Treatment on Share Trading on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 15 Sept. 2009.

4. The 4th Provisional Shareholders' General Meeting in 2009 was convened on 6 Nov. 2009, at which the Proposal on Conducting Interests Distribution in the Interim of 2009 was reviewed and approved. And the Company disclosed the relevant interim public notice on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated 9 Nov. 2009.

On 16 Nov. 2009, the Company disclosed the Public Notice on Implementing Interests Distribution in the Interim of 2009.
On 23 Nov. 2009, the cash and stock dividends were delivered to the accounts of A-share holders.
On 25 Nov. 2009, the cash and stock dividends were delivered to the accounts of B-share holders.

5. The Company had withdrawn in advance in the previous years the land value appreciation fee of Jinlihua Building amounting to RMB 56,303,627.40. According to the Document SGT [2001] No.314, the land value appreciation fee unpaid or owed would be exempted. However, the relevant land use right had not been transferred. Therefore, the Company would actively handle the procedures relating to exempting the land value appreciation fee of Jinlihua Building amounting to RMB 56,303,627.40. Upon the arrival of the relevant approval document, the Company would cancel the land value appreciation fee withdrawn in advance after verification.

Concerning the sum for real estate of Jinlihua Building amounting to RMB 100,014,300 that the Company should receive from Shenzhen Jiyong Properties Development Co., Ltd., a bad debt of RMB 44,014,300 had been withdrawn with the net amount standing at RMB 56 million.

6. Based on the Labor Law and the Labor Contract Law, as well as the Opinion on Further Regulating Labor Relation of Municipal SOE and the Circular on Deepening the Reform of Human Resource Allocation in Municipal SOE issued by State-owned Assets Supervision and Administration Commission of Shenzhen on 18 Aug. 2006, and some other relevant documents, the Company formulated the Compensation Methods for Human Resource Allocation Reform of Shenzhen Properties & Resources Development (Group) Ltd. (hereinafter referred to as "Compensation Methods"). And the Compensation Methods had been approved by the Company's employee representative conference on 10 Oct. 2008. In accordance with the Compensation Methods, the Company worked out an employee dismissal plan, which was approved at the 14th Meeting of the 6th Board of Directors of the Company. And all the employees had been informed of the said dismissal plan. The Company was unable and not going to unilaterally cancel the plan. According to the plan and relevant accounting standards, the Company made a provision in 2008 on dismissal compensation of RMB 36,643,309.50. And the dismissal compensation of RMB 12,169,019.50 and RMB 25,459,471.33 was paid respectively in 2008 and 2009. In the report period, the Company worked out the plan of post allocation and staff remuneration.

In order to safeguard operation stability, the dismissal plan was executed step by step on subsidiaries in the report period. And some subsidiaries put off the dismissal plan. As approved by the Board of Directors, the accomplishment date of the dismissal plan was extended to 30 Jun. 2010, and the final payment date to 31 Dec. 2010. In the year 2009, the dismissal plan was implemented on subsidiaries step by step or put off. The macro-economic environment and employment situation became better after the economic stimulus package of the government. And the plan of post allocation and remuneration was further confirmed. Therefore, the total employee who actually accepted the dismissal plan in the report period and was expected to accept the plan would be more than the expectation last year. Up to the report date, according to the progress of the dismissal plan, information from the Shenzhen Human Resources Market and the newest plan of post allocation and remuneration adjustment of the Company, it was expected that there would still be some employees who would accept the dismissal plan and leave their posts in the year 2010. And the Company revised the dismissal compensation plan and withdrew another dismissal compensation of RMB 12,700,956.90 in the report period.

XII. Particulars about researches and visits received in the report period

1. Particulars about visits by institutional investors received in the report period

On 19 Aug. 2009, the Company received a visit from researchers of Shenyin & Wanguo Securities Co., Ltd. and talks over the operation status of the Company were conducted. And the Company strictly abided by the principle of fair information disclosure, conducting no differential treatment or leak of the undisclosed information.

2. In the report period, the Company received individual investors mainly through telephone, fax and E-mail. As the calls from investors were numerous, it is difficult to list them one by one. Questions concerned by investors were summarized as follows:

(1) Learned about progress of share merger reform of the Company, asked about when to restart share merger reform;
(2) Hoped that the Company would start the share reform as soon as possible, and that the principal shareholder would increase the consideration of the share reform and conduct asset injection and reorganization;
(3) Expected the Company to clearly define the assets which were to be reorganized as promised in the scheme for share merger reform;
(4) Whether the owner of the Company will change or not after the share merger reform was accomplished;
(5) Asked about the sale of the Imperial Garden and Xinhua Town;
(6) Asked about the progress of the Haiyi Company Lawsuit and its impact on the Company;
(7) Asked about whether the Meisi Company Lawsuit will have significant influence on the business performance of the Company;
(8) Learned about the land reserve of the Company, and concerned about the normal production and operation of the Company;
(9) Asked why the Company had not canceled the delisting special risk warning;

(10) Asked about the annual report inquiry letter from Shenzhen Stock Exchange;
(11) Asked whether the B-share holders of the Company were entitled to take part in the share merger reform;
(12) Expressed personal opinions on the share merger reform of the Company;
(13) Asked about the specific steps and methods for on-line voting;
(14) Inquired about the tax policy on dividends;
(15) Inquired about the Company's taking part in the auction of land in Yangzhou;
(16) Asked about the cause of the China Orient Asset Management Co., Ltd. lawsuit.

In reception of telephone consultation, the Company protected right of investors to obtain information fairly in accordance with Guidelines for Fair Information Disclosure of Listed Company and strictly according to principle of fair information disclosure. There was no difference in treatment to investors or revelation of non-public information in advance.

XIII. Explanation on capital currents between the Company and its related parties

Special explanation given by Wuhan Zhonghuan Certified Public Accountants on capital appropriation by the controlling shareholders and other related parties of Shenzhen Properties & Resources Development (Group) Ltd:

ShenZhen Properties & Resources Development (Group) Ltd.

Special Statement Concerning Occupation of Non-operation Capital and Other Fund Transfers Between Listed Companies and Associated Parties for Year 2009

ZHZ Zi (2010) No. 036

To the Board of Directors of Shenzhen Properties & Resources Development (Group) Ltd.:

We have accepted the commission to audit the financial statement of Shenzhen Properties & Resources Development (Group) Ltd. (hereinafter referred to as "the Company" or "PRD") in accordance with Auditing Standards for CPAs of China, which comprise the balance sheet and the consolidated balance sheet as at 31 December 2009, the income statement and the consolidated income statement, the statement of change in equity and the consolidated statement of change in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, as well as the notes to the financial statement, and issued the Auditor's Report with ZHS Zi (2010) No. 049 on 5 Feb. 2010.

Pursuant to Notice of China Securities Regulatory Commission and the State-owned Assets Supervision and Administration Commission of the State Council Concerning Some Issues on Regulating the Fund Transfers between Listed Companies and Associated Parties and Listed Companies' Provision of Guaranty to Other Parties (ZJF [2003] No. 56 document) and Requirements of Shenzhen Stock Exchange Concerning Work Memorandum for Information Disclosure No. 2, 2006 (Revised) – Disclosure and Report on Occupation of Extraordinary Capital and Other Fund Transfers Between Listed Companies and Associated Parties, the Company prepared the accompanying Summary Sheet Concerning Occupation of Non-operation Capital and Other Fund Transfers Between Listed Companies and Associated Parties for Year 2009 (hereinafter referred to as "Summary Sheet of Capital Occupation").

In accordance with the Summary Sheet of Capital Occupation, as at 31 Dec. 2009, the Company's major shareholders and subsidiary enterprises did not occupy capital of the Company for non-operating purposes. Up to 31 Dec. 2009, the funds of the Company, which were possessed by other associated parties and subsidiary enterprises for non-operating transfer purposes, totaled RMB 32,575,000.

Faithfully preparing Summary Sheet of Capital Occupation and ensuring its truth, validity and completeness is the responsibility of the Company's management. We conducted our check to the information recorded in Summary Sheet of Capital Occupation against the audited financial statement 2009 of the Company and other relevant information, and no discrepancy was found in all material information. Except for the relevant auditing procedures implemented by us on the related transactions while auditing the 2009 financial statements for the Company, we have not conducted any extraordinary auditing procedure or other to the information carried by the Summary Sheet of Capital Occupation.

For the purpose of better understanding the capital occupation by the controlling shareholder and other related parties of the Company in 2009, the Summary Sheet of Capital Occupation is suggested to be read together with the audited financial statements.

This Statement is for the purpose of being submitted by the Company to the Shenzhen Securities Regulatory Bureau of CSRC and the Shenzhen Stock Exchange, and it shall not be used for any other purposes.

Attached: the Summary Sheet Concerning Occupation of Non-operation Capital and Other Fund Transfers Between Listed Companies and Associated Parties for Year 2009 prepared by Shenzhen Properties & Resources Development (Group) Ltd.

Wuhan Zhonghuan Certified Public Accounts Co., Ltd.

Chinese registered accountant: Min Chao

Chinese registered accountant: Wang Yu

Wuhan, China 5 Feb. 2010

Section XI Financial Report (Attached)

Section XII Documents for Reference

（Ⅰ) Accounting Statements with the signatures and seals of the Legal Representative and the Manager of the Finance Department.
（Ⅱ) Originals of the Auditors' Reports with the seals of the auditing agencies, and the signatures and seals of the CPAs.
（Ⅲ) Texts and originals of the public notices disclosed in the designated media within the report period.

Board of Directors of
Shenzhen Properties & Resources Development (Group) Ltd
5 Feb. 2010

Balance Sheet

Prepared by Shenzhen Properties & Resources Development (Group) Ltd.

As at 31 Dec. 2009 Unit: RMB Yuan

Items	Notes	Closing balance		Beginning balance	
		Consolidation	Parent company	Consolidation	Parent company
Current Assets:					
Monetary fund	（V）1	830,055,588.25	2,539,358.76	271,708,727.86	7,802,612.88
Trading financial assets	（V）2	232,200.00	232,200.00	2,670,729.47	63,900.00
Notes receivable					
Accounts receivable	（V）3	66,938,998.94	61,464,246.43	68,605,911.80	60,405,970.89
Prepayment	（V）5	46,862,874.11	500,000.00	2,305,629.53	
Dividends receivable			325,739,041.74		
Other receivables	（V）4	54,030,054.90	89,557,866.50	67,222,142.10	441,309,610.51
Financial assets purchased under agreement to resell					
Inventories	（V）6	1,255,676,772.24	66,446,135.31	1,153,726,292.83	106,048,264.34
Non-current assets due within 1 year					
Other current assets					
Total current assets		2,253,796,488.44	546,478,848.74	1,566,239,433.59	615,630,358.62
Non-current assets:					
Loan and payment on other's					

behalf disbursed					
Available-for-sale financial assets					
Investment held to maturity	（V）7			3,000.00	
Long-term receivables					
Long-term equity investment	（V）9	79,697,503.62	178,877,503.62	81,273,230.90	183,908,863.53
Investment property	（V）10	257,105,965.94	173,874,690.52	224,041,978.19	133,384,070.84
Fixed assets	（V）11	76,985,792.12	39,860,661.03	104,013,870.31	46,337,392.67
Construction in progress					
Engineering materials					
Disposal of fixed assets					
Production biological assets					
Oil-gas assets					
Intangible assets	（V）12	112,893,677.12		119,402,340.92	
R&D expenses					
Goodwill					
Long-term deferred expenses		2,243,026.34	2,243,026.34	2,549,186.42	2,409,176.42
Deferred tax assets	（V）13	51,695,501.02		13,322,857.95	
Other non-current assets					
Total non-current assets		580,621,466.16	394,855,881.51	544,606,464.69	366,039,503.46
Total assets		2,834,417,954.60	941,334,730.25	2,110,845,898.28	981,669,862.08
Current Liabilities:					
Short-term borrowings	（V）16	200,000,000.00	50,000,000.00	369,000,000.00	164,000,000.00
Tradable financial liabilities					
Notes payable					
Accounts payable	（V）17	112,470,139.39	37,032,127.61	137,040,777.65	36,748,755.23
Advance from customers	（V）18	745,527,226.22	1,026,694.63	67,150,023.78	122,312.00
Financial assets sold under agreements to repurchase					
Service charge and commission payables					
Payroll payable	（V）19	51,982,204.97	9,345,999.43	67,254,232.19	16,228,231.70
Taxes payable	（V）20	205,331,877.94	2,912,148.33	82,322,778.74	1,198,324.42
Dividends payable					
Interests payable				620,737.50	620,737.50
Other payables	（V）21	208,240,882.65	125,331,899.26	187,732,899.73	384,394,686.18
Non-current liabilities due within 1 year	（V）22	200,000,000.00		100,000,000.00	90,000,000.00
Other current liabilities					
Total Current Liabilities		1,723,552,331.17	225,648,869.26	1,011,121,449.59	693,313,047.03
Non-current Liabilities:					

Long-term borrowings	（V）23	263,480,000.00		348,229,343.34	40,000,000.00
Bonds payable					
Long-term payables					
Specific purpose account payables					
Provision for contingent liabilities	（V）24	69,284,708.83	69,284,708.83	61,254,234.44	61,254,234.44
Deferred tax liabilities					
Other non-current liabilities	（V）25	115,796,274.42	12,315,309.38	118,763,754.44	9,886,144.84
Total Non-current Liabilities		448,560,983.25	81,600,018.21	528,247,332.22	111,140,379.28
TOTAL LIABILITIES		2,172,113,314.42	307,248,887.47	1,539,368,781.81	804,453,426.31
Owners' equity (or Shareholders' Equity):					
Paid-in capital	（V）26	595,979,092.00	595,979,092.00	541,799,175.00	541,799,175.00
Capital reserve	（V）27	25,332,931.52	226,883.79	25,332,931.52	226,883.79
Less: Treasury stock					
Surpluses reserve	（V）28	69,712,050.51	69,712,050.51	62,919,127.11	62,919,127.11
General risk provision					
Retained earnings	（V）29	-26,036,870.39	-31,832,183.52	-55,930,192.11	-427,728,750.13
Foreign exchange difference		-3,544,650.52		-3,505,676.11	
Total owners' equity attributable to parent company		661,442,553.12	634,085,842.78	570,615,365.41	177,216,435.77
Minority interest		862,087.06		861,751.06	
Total owner's equity		662,304,640.18	634,085,842.78	571,477,116.47	177,216,435.77
Total liabilities and owner's equity		2,834,417,954.60	941,334,730.25	2,110,845,898.28	981,669,862.08

Income Statement

Prepared by Shenzhen Properties & Resources Development (Group) Ltd.

As from Jan. to Dec. 2009 Unit: RMB Yuan

Items	Notes	2009		2008	
		Consolidation	Parent company	Consolidation	Parent company
I. Total sales		845,366,939.69	27,284,202.73	623,465,139.63	26,154,776.18
Including: Sales	（V）30	845,366,939.69	27,284,202.73	623,465,139.63	26,154,776.18
II. Total cost of sales		716,121,309.48	80,310,850.83	617,322,969.87	83,164,117.78
Including: Cost of sales	（V）30	431,856,954.60	18,575,069.16	339,569,377.34	12,501,071.24
Taxes and associate charges	（V）31	146,024,553.22	1,422,224.20	90,044,123.93	1,351,107.98
Selling and distribution expenses		21,209,571.81		19,695,986.96	
Administrative expenses		102,009,696.27	39,021,307.37	139,121,028.95	62,336,820.73

Financial expense	（V）32	16,054,025.03	4,150,234.21	22,355,106.10	12,922,682.47
Impairment loss	（V）33	-1,033,491.45	17,142,015.89	6,537,346.59	-5,947,564.64
Add: gain/(loss) from change in fair value ("-" means loss)	（V）34	-705,776.78	168,300.00	-2,383,995.78	5,500.00
Investment income ("-" means loss)	（V）35	2,381,688.25	521,204,917.92	37,435,024.74	44,448,102.67
Including: income form investment on affiliated enterprise and jointly enterprise		-795,082.08	-795,082.08	1,699,715.19	1,699,715.19
Foreign exchange difference ("-" means loss)					
III. Business profit ("-" means loss)		130,921,541.68	468,346,569.82	41,193,198.72	-12,555,738.93
Plus: non-operation income	（V）36	5,052,211.85	2,760,611.89	9,830,770.09	6,718,663.32
Less: non- operation expense	（V）37	8,675,990.72	8,169,985.80	21,083,505.08	20,318,797.12
Including: loss from non-current asset disposal		401,097.48	83,011.41	490,444.60	20,619.65
IV. Total profit ("-" means loss)		127,297,762.81	462,937,195.91	29,940,463.73	-26,155,872.73
Less: Tax expense	（V）38	30,363,475.79		20,106,527.14	
V. Net profit ("-" means loss)		96,934,287.02	462,937,195.91	9,833,936.59	-26,155,872.73
Attributable to parent company		96,933,951.02	462,937,195.91	9,829,397.29	-26,155,872.73
Minority interest		336.00		4,539.30	
VI. Earnings per share					
(I) basic earnings per share	（V）39	0.1626	0.7768	0.0165	-0.0483
(II) diluted earnings per share	（V）39	0.1626	0.7768	0.0165	-0.0483
VII. Other composite income	（V）40	-38,974.41		-6,548,464.59	-2,524,201.15
VIII. Total composite income		96,895,312.61	462,937,195.91	3,285,472.00	-28,680,073.88
Attributable to owners of parent company		96,894,976.61	462,937,195.91	3,280,932.70	-28,680,073.88
Minority interest		336.00		4,539.30	

Cash Flow Statement

Prepared by Shenzhen Properties & Resources Development (Group) Ltd.

As from Jan. to Dec. 2009 Unit: RMB Yuan

Items	Notes	2009	2008

		Consolidation	Parent company	Consolidation	Parent company
Ⅰ.Cash flows from operating activities:					
Cash received from sale of commodities and rendering of service		1,531,740,152.74	9,660,606.19	584,847,068.44	22,403,953.44
Net increase of disposal of tradable financial assets					
Tax refunds received					
Other cash received relating to operating activities	（V）41	38,461,044.49	141,663,744.56	18,340,028.19	208,300,649.89
Subtotal of cash inflows from operating activities		1,570,201,197.23	151,324,350.75	603,187,096.63	230,704,603.33
Cash paid for purchase of commodities and reception of service		434,523,512.76	5,388,321.58	357,078,474.18	3,528,685.86
Cash paid to and for employees		178,247,426.70	6,746,838.49	175,300,925.87	21,161,806.56
Various taxes paid		147,518,572.72	3,270,561.27	57,968,663.34	8,172,946.56
Other cash paid relating to operating activities	（V）41	50,261,058.36	26,022,181.44	36,542,010.75	90,797,214.57
Subtotal of cash outflows from operating activities		810,550,570.54	41,427,902.78	626,890,074.14	123,660,653.55
Net cash flows from operating activities		759,650,626.69	109,896,447.97	-23,702,977.51	107,043,949.78
Ⅱ. Cash flows from investing activities:					
Cash received from disposal of investments		4,927,524.66		16,439,362.19	16,235,835.16
Cash received from obtaining investment income		5,000,000.00	4,275,643.40	5,000,000.00	5,000,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,534,678.54	890,741.54	13,579,657.07	12,126,378.83
Net cash received from disposal of subsidiary or other operating business units					
Other cash received relating to investing activities					
Subtotal of cash inflows from investing activities		11,462,203.20	5,166,384.94	35,019,019.26	33,362,213.99
Cash paid to acquire fixed assets, intangible assets and		2,771,658.50	1,109,913.46	17,393,724.80	1,244,016.00

other long-term assets					
Cash paid for investment		57,150.23		228,834.02	
Net increase of pledged loans					
Net cash paid by subsidiaries and other operating units					
Other cash paid relating to other investment activities				1,345,861.66	35,800.00
Subtotal of cash outflows from investment activities		2,828,808.73	1,109,913.46	18,968,420.48	1,279,816.00
Net cash flows from investing activities		8,633,394.47	4,056,471.48	16,050,598.78	32,082,397.99
Ⅲ.Cash flows from financing activities					
Cash received from capital contribution					
Of which: cash received from capital contribution to subsidiaries by minority shareholders					
Cash received from borrowings		569,000,000.00	169,000,000.00	734,000,000.00	200,000,000.00
Cash received from issuance of bonds					
Other cash received relating to financing activities				2,080,914.01	
Subtotal of cash inflows from financing activities		569,000,000.00	169,000,000.00	736,080,914.01	200,000,000.00
Cash repayments of amounts borrowed		722,749,343.34	285,000,000.00	631,196,001.81	314,450,000.00
Cash paid interest expenses and distribution of dividends or profit		53,945,113.00	3,216,143.98	64,757,498.50	27,236,444.05
Of which: stock dividends and profits paid to minority shareholders by subsidiaries.					
Payment of cash relating to other financing activities	（V）41	2,235,000.00		2,840,000.00	
Subtotal of cash outflows from financing activities		778,929,456.34	288,216,143.98	698,793,500.31	341,686,444.05
Net cash flows from financing activities		-209,929,456.34	-119,216,143.98	37,287,413.70	-141,686,444.05
Ⅳ. Effect of foreign exchanges on cash and cash equivalents		-7,704.43	-29.59	-87,994.45	-1,003.25
Ⅴ. Net increase of cash and		558,346,860.39	-5,263,254.12	29,547,040.52	-2,561,099.53

cash equivalents					
Plus: Beginning balance of cash and cash equivalents	（V）41	271,708,727.86	7,802,612.88	242,161,687.34	10,363,712.41
Ⅵ. Closing balance of cash and cash equivalents	（V）41	830,055,588.25	2,539,358.76	271,708,727.86	7,802,612.88

Consolidated Statement of Change in Owners' Equity

December 2009

Prepared by Shenzhen Properties & Resources Development (Group) Ltd. Unit: RMB Yuan

Items	Amount for the current period (2009)							
	Owners' equity attributable to parent company						Minority interests	Total owners' equity
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Surplus reserve	Retained profit	Other (Note)		
I. Balance at the end of last year	541,799,175.00	25,332,931.52		62,919,127.11	-55,930,192.11	-3,505,676.11	861,751.06	571,477,116.47
Add: Change of accounting policy								
Correction of errors in previous period								
Other								
II. Balance at the beginning of this year	541,799,175.00	25,332,931.52		62,919,127.11	-55,930,192.11	-3,505,676.11	861,751.06	571,477,116.47
III. Increase/ decrease of amount in this year ("-" means decrease)	54,179,917.00			6,792,923.40	29,893,321.72	-38,974.41	336.00	90,827,523.71
(I) Net profit					96,933,951.02		336.00	96,934,287.02
(II) Other composite income						-38,974.41		-38,974.41
Subtotal of (I)and (II)					96,933,951.02	-38,974.41	336.00	96,895,312.61
(III) Input an reduced capital of owners								
1. Capital input by owners								
2. Amount of share payment included in the owners' equity								

3. Others								
(IV) Profit distribution	54,179,917.00			6,792,923.40	-67,040,629.30			-6,067,788.90
1. Withdrawing surplus reserve				6,792,923.40	-6,792,923.40			
2. Distribution to owners (shareholders)	54,179,917.00				-60,247,705.90			-6,067,788.90
3. Other								
(V)Internal carrying forward of owners' equity								
1. New increase of capital (share capital) from capital reserves								
2. Convert surplus reserves to capital(share capital)								
3. Surplus reserves make up losses								
4. Others								
IV. Balance at the end of this period	595,979,092.00	25,332,931.52		69,712,050.51	-26,036,870.39	-3,544,650.52	862,087.06	662,304,640.18

Note: Item "Other" is foreign exchange difference.

Consolidated Statement of Change in Owners' Equity (Con.)

December 2009

Prepared by Shenzhen Properties & Resources Development (Group) Ltd. Unit: RMB Yuan

Items	Amount for the last year (2008)							
	Owners' equity attributable to parent company						Minority interests	Total owners' equity
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Surplus reserve	Retained profit	Other (Note)		
I. Balance at the end of last year	541,799,175.00	30,279,476.08		62,919,127.11	-67,197,819.73	-1,903,756.08	857,211.76	566,753,414.14
Add: Change of accounting policy								
Correction of errors in previous period								

Other								
II. Balance at the beginning of this year	541,799,175.00	30,279,476.08		62,919,127.11	-67,197,819.73	-1,903,756.08	857,211.76	566,753,414.14
III. Increase/ decrease of amount in this year ("-" means decrease)		-4,946,544.56			11,267,627.62	-1,601,920.03	4,539.30	4,723,702.33
(I) Net profit					9,829,397.29		4,539.30	9,833,936.59
(II) Other composite income		-4,946,544.56				-1,601,920.03		-6,548,464.59
Subtotal of (I)and (II)		-4,946,544.56			9,829,397.29	-1,601,920.03	4,539.30	3,285,472.00
(III) Input an reduced capital of owners					1,438,230.33			1,438,230.33
1. Capital input by owners								
2. Amount of share payment included in the owners' equity								
3. Others					1,438,230.33			1,438,230.33
(IV) Profit distribution								
1. Withdrawing surplus reserve								
2. Distribution to owners (shareholders)								
3. Other								
(V)Internal carrying forward of owners' equity								
1. New increase of capital (share capital) from capital reserves								
2. Convert surplus reserves to capital(share capital)								
3. Surplus reserves make up losses								
4. Others								

IV. Balance at the end of this period	541,799,175.00	25,332,931.52		62,919,127.11	-55,930,192.11	-3,505,676.11	861,751.06	571,477,116.47

Note: Item “Other” is foreign exchange difference.

Statement of Change in Owners’ Equity

December 2009

Prepared by Shenzhen Properties & Resources Development (Group) Ltd. Unit: RMB Yuan

Items	Amount for the current period (2009)							
	Owners’ equity attributable to parent company						Minority interests	Total owners’ equity
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Surplus reserve	Retained profit	Other		
I. Balance at the end of last year	541,799,175.00	226,883.79		62,919,127.11	-427,728,750.13			177,216,435.77
Add: Change of accounting policy								
Correction of errors in previous period								
Other								
II. Balance at the beginning of this year	541,799,175.00	226,883.79		62,919,127.11	-427,728,750.13			177,216,435.77
III. Increase/ decrease of amount in this year (“-” means decrease)	54,179,917.00			6,792,923.40	395,896,566.61			456,869,407.01
(I) Net profit					462,937,195.91			462,937,195.91
(II) Other composite income								
Subtotal of (I)and (II)					462,937,195.91			462,937,195.91
(III) Input an reduced capital of owners								
1. Capital input by owners								
2. Amount of share payment included in the owners’ equity								
3. Others								

(IV) Profit distribution	54,179,917.00			6,792,923.40	-67,040,629.30			-6,067,788.90
1. Withdrawing surplus reserve				6,792,923.40	-6,792,923.40			
2. Distribution to owners (shareholders)	54,179,917.00				-60,247,705.90			-6,067,788.90
3. Other								
(V)Internal carrying forward of owners' equity								
1. New increase of capital (share capital) from capital reserves								
2. Convert surplus reserves to capital(share capital)								
3. Surplus reserves make up losses								
4. Others								
IV. Balance at the end of this period	595,979,092.00	226,883.79		69,712,050.51	-31,832,183.52			634,085,842.78

Statement of Change in Owners' Equity (Con.)

December 2009

Prepared by Shenzhen Properties & Resources Development (Group) Ltd. Unit: RMB Yuan

Items	**Amount for the last year (2008)**							
	Owners' equity attributable to parent company						Minority interests	Total owners' equity
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Surplus reserve	Retained profit	Other		
I. Balance at the end of last year	541,799,175.00	2,751,084.94		62,919,127.11	-401,572,877.40			205,896,509.65
Add: Change of accounting policy								
Correction of errors in previous period								
Other								

II. Balance at the beginning of this year	541,799,175.00	2,751,084.94		62,919,127.11	-401,572,877.40			205,896,509.65
III. Increase/ decrease of amount in this year ("-" means decrease)		-2,524,201.15			-26,155,872.73			-28,680,073.88
(I) Net profit					-26,155,872.73			-26,155,872.73
(II) Other composite income		-2,524,201.15						-2,524,201.15
Subtotal of (I)and (II)		-2,524,201.15			-26,155,872.73			-28,680,073.88
(III) Input an reduced capital of owners								
1. Capital input by owners								
2. Amount of share payment included in the owners' equity								
3. Others								
(IV) Profit distribution								
1. Withdrawing surplus reserve								
2. Distribution to owners (shareholders)								
3. Other								
(V)Internal carrying forward of owners' equity								
1. New increase of capital (share capital) from capital reserves								
2. Convert surplus reserves to capital(share capital)								
3. Surplus reserves make up losses								
4. Others								
IV. Balance at the end of this period	541,799,175.00	226,883.79		62,919,127.11	-427,728,750.13			177,216,435.77

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Auditor's Report

ZHSZ (2010) NO.049

TO THE SHAREHOLDERS OF SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.:

We have audited the accompanying financial statements of Shenzhen Properties & Resources Development (Group) Ltd. (hereinafter referred to as "Company"or "the Company"), which comprise the balance sheet and the consolidated balance sheet as at December 31, 2009, the income statement and the consolidated income statement, the statement of change in equity and the consolidated statement of change in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Preparing financial statements in compliance with Accounting Standards for Business Enterprises is the responsibility of the Company's management. This responsibility includes (1) designing, implementing and maintaining internal controls pertaining to the preparation of these financial statements to prevent these financial statements from material misstatement arising from frauds and errors; (2) selecting and applying proper accounting policies; and (3) making reasonable accounting estimates.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with China's Independent Auditing Standards. Those Standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidences we have obtained are sufficient and effective, providing a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements comply with Accounting Standards for Business Enterprises, and present fairly the financial position of the Company as of December 31, 2009 and the results of its operations and its cash flows for the year then ended.

Wuhan Zhonghuan CPAs Co., Ltd   CPA   Min Chao

CPA   Wang Yu

Wuhan, China   Feb 5, 2010

NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2009

Note I Corporate information

Shenzhen Properties & Resources Development (Group) Ltd. (hereinafter referred to as "company " or "the Company") was incorporated based on the reconstruction of Shenzhen Properties & Resources Development Co., Ltd. after obtaining approval of ZFBF [1991] No. 831 from People's Government of Shenzhen Municipality. The registration number of Business License for Enterprises as Legal Person is ZQFZ No. 00166.

1. Registered capital of the Company

The registered capital of the Company was RMB 541, 799,175 after bonus issue of shares on the basis of one share for every existing 10 shares based on existing paid-in capital of the Company in 1996 and it changes to RMB 595,979,092 after bonus issue of shares on the basis of one share for every existing 10 shares based on previous paid-in capital of RMB 541,799,175 in 2009.

2. Registered office, organization form and headquarter address of the Company

Registered office: Shenzhen Municipal, Guangdong Province, PRC

Organization form: joint-stock company with limited liability

Headquarter address: 39th and 42nd Floor, International Trade Center, Renmin South Road, Shenzhen.

3. Nature of the business and main business scope of the Company

The business scope of the Company and its subsidiaries includes development and sale of commodity premises, construction and management of buildings, lease of properties, supervision of construction, domestic trading and materials supply and marketing (excluding exclusive dealing and monopoly sold products and commodities under special control to purchase)

4. About the controlling shareholder of the Company and the Group

By the end of the reporting period, the controlling shareholder of the Company is still Shenzhen Construction Investment Holdings in register book. In 2004, People's Government of Shenzhen Municipality incorporated Shenzhen Construction Investment Holdings with the other two municipal asset management companies, namely Shenzhen Investment Management Corporation and Shenzhen Trade and Business Holding Company, and established Shenzhen Investment Holdings Co., Ltd. Thus, the Company's actual controlling shareholder is Shenzhen Investment Holdings Co., Ltd., a sole state-funded limited company, who was established in Oct. 13, 2004; its legal representative is Mr. Chen

Hongbo and the registered capital is RMB 4 billion. Its main business scope is providing guarantee to municipal state-owned enterprises, management of state-owned equity, assets reorganization, reformation, capital operation, and equity investment of enterprises and etc. As a government department, Shenzhen State-owned Assets Supervision and Administration Commission manage Shenzhen Investment Holdings Co., Ltd. on behalf of People's Government of Shenzhen Municipality. Thus, the final controller of the Company is Shenzhen State-owned Assets Supervision and Administration Commission.

5. Authorization and date of issuing the financial statements

The financial statements were approved and authorised for issue by the 22nd session of the sixth conference of the Company's board of directors on Feb 5, 2010.

Note II Summary of Main Accounting Policies and Accounting Estimation

1. Basis of preparation of the financial statements

The company recognizes and measures transactions occurred according to Chinese Accounting Standards – Basic standard and other related accounting standards, prepares the financial statements based on accrual accounting and the underlying assumption of going concern.

2. Statement of compliance with Enterprise accounting standards

The company's financial statements comply with the requirements of Accounting Standards; the company's financial position, operating results, changes in shareholder's equity and cash flow, and other relevant information are truly and completely disclosed in financial statements.

3. Fiscal year

The Company adopts the Gregorian calendar for its accounting period, starting on January 1 and ending on December 31 of the year.

4. Recording currency

Renminbi (RMB) is used as the recording currency.

5. Accounting method of business combination under the common control and not under the common control

(1) The Company adopts equity method for business combination under common control. The assets and liabilities that the combining party obtained in a business combination shall be measured on their carrying amount in the combined party on the combining date. The difference between the carrying amount of net assets acquired by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued) shall be adjusted to capital surplus. If the capital surplus is not sufficient for adjustment, retained earning is adjusted respectively. The business combination costs that are directly attributable to the combination, such as audit fees, valuation fees, legal service fees and so on are recognized in profit or loss during the current period when they occurred. The bonds issued for a business combination or the handling fees, commissions and other expenses for bearing other liabilities shall be recorded in the amount of initial measurement of the bonds or other debts. The handling fees, commissions and other expenses for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset. Where a relationship between a parent company and a subsidiary company is formed due to a business combination, the parernt company shall, on the combining date, prepare consolidated financial statements according to the accounting policy of the Company.

(2) The Company adopts acquisition method for business combination not under common control. The acquirer shall recognize the initial cost of combination under the following principles:

a) When business combination is achieved through a single exchange transaction, the cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree;

b) For the business combination involved more than one exchange transaction, the cost of the combination is the aggregate cost of the individual transactions;

c) The costs directly attributed to business combination are included in the cost of combination;

d) Where a business combination contract or agreement provides for a future event which may adjust the cost of combination, the Company shall include the amount of the adjustment in the cost of the combination at the acquisition date if the future event leading to the adjustment is probable and the amount of the adjustment can be measured reliably.

The acquirer shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by an enterprise for a business combination in light of their fair value, and shall record the balances between them and their carrying amounts into the profits and losses at the current period.

The acquirer shall distribute the combination costs on the acquisition date, and shall recognize all identifiable assets, liabilities and contingent liabilities it obtains from the acquiree. (1) the acquirer shall recognize the difference that the combination costs are over the fair value of the identifiable net assets obtained from acquiree as goodwill; (2) if the combination costs are less than the fair value of the identifiable net assets obtained from acquiree, the acquirer shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities obtained from the acquiree as well as the combination costs; and then after the reexamination, the result is still the same, the difference shall be recorded in the profit and loss of the current period.

Where a relationship between a parent company and a subsidiary company is formed due to a business combination, the parent company shall prepare accounting books for future reference, which shall record the fair value of the identifiable assets, liabilities and contingent liabilities obtained from the subsidiary company on the acquisition date. When preparing consolidated financial statements, it shall adjust the financial statements of the subsidiary company on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities determined on the acquisition date according to the Company’s accounting policy of “Consolidated financial statement”.

6. Basis of consolidation

（1）Scope of consolidation

Consolidated financial statements are included all subsidiaries of the parent.

When the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of the investee company, the investee company is regarding as subsidiary and included in the consolidated financial statements. If the parent owns half or less of the voting power of an entity when there is any following condition incurred, the investee company is regarding as subsidiary and included consolidated financial statements.

A. power over more than half of the voting rights by virtue of an agreement with other investors;

B. power to govern the financial and operating policies of the entity under a statute or an agreement;

C. power to appoint or remove the majority of the members of the board of directors or equivalent governing body;

D. power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

If there is evidence suggesting that no control of the investee company exists, the investee company does not be included in the consolidated financial statements.

（2）Principle of consolidation

The consolidated financial statements are based on the financial statements of individual subsidiaries which are included in the consolidation scope and prepared after adjustment of long-term equity investment under equity method and elimination effect of intragroup transaction.

（3）Minority interests

The portion of the equity of the subsidiaries that are not owned by the parent is presented as minority interest in the consolidated balance sheet.

The portion of the profit or loss of the subsidiaries that are not owned by the parent is presented as minority interest in the consolidated income statement.

（4）Excess losses

The amount which losses of subsidiaries during the period exceeds the proportion of minority's obligation is offset minority interest as agreed in the subsidiaries' association or agreement and minorities have ability to bear the excess losses. Otherwise, the excess losses are offset equity of the parent company. Profits made afterward by subsidiaries are attributable to equity of the parent company before recovery of excess losses.

（5）Increase or decrease of the subsidiaries

For any subsidiary acquired by the Company through business combination under the common control, when the consolidated balance sheet for the current period are being prepared, the amount at the beginning of the period in the consolidated balance sheet is made corresponding modification. For addition business combination not under common control during the reporting period, the Company makes no adjustment for the the amount at the beginning of the period in the consolidated balance sheet.

When disposing subsidiary during the reporting period, the Company makes no adjustment for the amount at the beginning of the period in the consolidated balance sheet.

For any subsidiary acquired by the Company through business combination under the common control, when the consolidated income statement for the current period are being prepared, revenue, expense and profit for the period from the beginning of the consolidated period to the year end of the reporting period are included in the consolidated income statement. For addition business combination not under common control during the reporting period, revenue, expense and profit for the period from acquisition date to the year end of the reporting period is included in the consolidated income statement. When disposing subsidiary during the reporting period, revenue, expense and profit for the period from the beginning to the disposal date are included in the consolidated income statement.

For any subsidiary acquired by the Company through business combination under the common control, when the consolidated cash flow statement for the current period are being prepared, cashflow for the period from the beginning of the consolidated period to the year end of the reporting period is included in the consolidated cash flow statement. For addition business combination not under common control during the reporting period, cashflow for the period from acquisition date to the year end of the reporting period is included in the consolidated cash flow statement. When disposing subsidiary during the reporting period, cashflow for the period from the beginning to the disposal date is included in the consolidated cash flow statement.

7. Cash and cash equivalent

Cash equivalent is defined as the short-term (normally matured within three months after purchased date), highly-liquid investment which is easily transferred into cash and has low risk of change of value.

8. Foreign currency translations

Any transaction is converted into the accounting standard currency according to the approximate exchange rate of the sight rate on the occurrence date of the transaction.

The Company adopts the middle exchange rate announced by the People's Bank of China at last year end as current exchange rate.

(1) Foreign currency exchange difference

On balance sheet date, the Company accounts for monetary and non-monetary items denominated in foreign currencies as follows: a) monetary items denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses arising from the difference between the balance sheet date exchange rate and the exchange rate ruling at the time of initial recognition or the exchange rate ruling at the last balance sheet date are recognized in income statement; b) Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the current exchange rates ruling at the transaction dates. Non-monetary items denominated in foreign currencies that are stated at fair value are translated using the current exchange rates ruling at the dates the fair value was determined, the difference between the amount of functional currency after translation and the original amount of functional currency is treated as part of change in fair value (including change in exchange rate) and recognized in income statement. During the capitalization period, exchange differences arising from foreign currency borrowings are capitalized as part of the cost of the capitalized assets.

(2) Translations of financial statements in foreign currencies

The Company translates the financial statements of its foreign operation in accordance with the following provisions: a) the asset and liability items in the balance sheets shall be translated at a spot exchange rate ruling at the balance sheet date. Among the owner's equity items, except the ones as "retained earnings", others shall be translated at the spot exchange rate ruling at the time when they occurred; b) The income and expense items in the income statements shall be translated at an exchange rate which is determined in a systematic and reasonable way and is approximate to the spot exchange rate (calculated by the average of starting rate and closing rate on the reporting period) ruling at the transaction date. The foreign exchange difference arisen from the translation of foreign currency financial statements shall be presented separately under the owner's equity in the balance sheet. The translation of comparative financial statements shall be subject to the aforesaid provisions.

9. Recognition and measurement of financial instrument

(1) Recognition of financial assets

The Company recognises a financial asset or fiancial liability on its balance sheet when, and only when, the Company becomes a party to the contractual provisions of the instrument.

(2) Classification and measurement of financial assets

① The Company classifies the financial assets into the following four categories: a) financial assets at fair value through profit or loss; b) held-to-maturity investments; c) loans and receivables; and d) available-for-sale financial assets.

② The financial assets are initially recognised at fair value. Gains or losses arising from a change in the fair value of a financial asset at fair value through profit or loss is recognised in profit or loss when it incurred and relevant transaction costs are recognised as expense when it incurred. For other financial assets, the transaction costs are recognised as costs of the financial assets.

③ Measurement of financial assets

A. A financial asset at fair value through profit or loss includes financial assets held for trading and financial assets designated by the Company as at fair value through profit or loss. The Company subsequently measures the financial asset at fair value through profit or loss at fair value and recognises the gain or loss arising from a change in the fair value of a financial asset at fair value through profit or loss as profit or loss in the current period.

B. Held-to-maturity investments are measured at amortised cost using the effective interest method. A gain or loss is recognised in profit or loss during the current period when the financial asset is derecognized or impaired and through the amortisation process.

C. Loans and receivables are measured at amortised cost using the effective interest method. A gain or loss is recognised in profit or loss during the current period when the financial asset is derecognized or impaired and through the amortisation process.

D. Available-for-sale financial assets are measured at fair value and the gain or loss arising from a change in the fair value of available-for-sale financial assets is recognised as capital reserve which is transferred into profit or loss when it is impaired or derecognised. Interests or cash dividends during the holding period are recognised in profit or loss for the current period.

④ Impairment of financial assets

A. The Company assesses the carrying amount of the financial assets except the financial asset at fair value through profit or loss at each balance sheet date, if there is any objective evidence that a financial asset or group of financial assets is impaired, the Company shall recognize impairment loss.

B. The objective evidences that the Company uses to determine the impairment are as follows:

a）significant financial difficulty of the issuer or obligor;

b）a breach of contract, such as a default or delinquency in interest or principal payments;

c）the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

d）it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

e）the disappearance of an active market for that financial asset because of financial difficulties;

f）observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: (i) Adverse changes in the payment status of borrowers in the group or (ii) an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers.

g）significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the borrower operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

h）a significant or non-temporary decrease in fair value of equity investment instruments;

i）other objective evidences showing the impairment of the financial assets.

C. Measurement of impairment loss of financial assets

a）held-to-maturity investments, loans and receivables

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the loss is recognised in profit or loss of the current period.

The Company assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The Company performs impairment test for receivables and provide bad debt provisions at the balance sheet date. For the individually significant receivables and not individually significant receivables, the impairment tests are both carried on individually. If there is objective evidence that an impairment loss on loans and receivables, the Company provides provision for impairment loss for the amount which is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss of financial asset measured at amortised cost is be reversed. The amount of the reversal is recognised in profit or loss of the current period.

b）Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are recognised in the profit or loss of the current period.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss of the current period.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss. For impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the impairment loss is not reversed through profit or loss.

(3) Classification and measurement of financial liabilities

①The Company's financial liabilities are classified as financial liabilities at fair value through profit or loss, and other financial liabilities.

②Financial liabilities are initially measured at fair value. For the financial liability at fair value through profit or loss at its fair value, relevant transaction costs are recognised as expense when it incurred. For the other financial liabilities, relevant transaction costs are recongnised as costs.

③Subsequent measurement of financial liabilities

A. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial assets designated by the Company as at fair value through profit or loss. The Company recognises a financial liability at fair value through profit or loss at its fair value. A gain or loss of change in fair value is recognised in the profit or loss of the current period.

B. Other financial liabilities are measured by amortised cost using effective interest rate.

(4) Fair value measurement consideration

If there is an active market for the financial instrument, the fair value is quoted prices in the active market.

If the market for a financial instrument is not active, the Company establishes fair value by using a valuation technique.

(5) Recognition and measurement of financial assets transfer

The Company derecognises financial assets when the Company transfers substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the follows is recognised in profit or loss of the current period.

①the carrying amount of transferring financial assets;

②the sum of the consideration received and any cumulative gain or loss that had been recognised directly in equity (including financial assets transferred to available for sale category).

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts on the date of the transfer. The difference between the follows is recognised in profit or loss of the current period.

①the carrying amount allocated to the part derecognised;

②the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to it that had been recognised directly in equity (including financial assets transferred to available for sale category).

A cumulative gain or loss that had been recognised in equity is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts.

If a transfer does not qualify for derecognition, the Company continues to recognise the transferred asset in its entirety and shall recognize a financial liability for the consideration received.

When the Company continues to recognise a financial asset to the extent of its continuing involvement, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

10. Accounting method of bad debt

(1) Accounting method of bad debt provision for the individually significant receivables, the impairment test is carried on individually.

Standards of the individually significant receivables: amount of individual receivable is greater than RMB 2 millions (and including 2 millions).

For the individually significant receivables, the impairment test is carried on individually; the Company provides provision for impairment loss for the amount which is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

For the subsidiaries engage in property management business, the receivables which are not individually significant or the individually significant receivables which are not determined for impairment, the Company asseses the asset in a group of financial assets with similar credit risk characteristics and collectively provide them for provision of impairment according to certain percentage of the total receivables at the balance sheet date.

(2) For the receivables which are not individually significant, but which are assessed at high risk level through credit risk combination.

Basis of credit risk characteristics’ combination: 1）amount of individual receivable is greater than RMB 2 millions (and including 2 millions), 2） the receivables (aging over 3 years) which are not individually significant, but which are assessed at high risk level through credit risk combination.

In accordane with credit risk characteristics’ combination basis, and for the receivables which are not individually significant, but which are assessed at high risk level through credit risk combination, Company provides provision for impairment loss for the amount which is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

For the subsidiaries engage in property management business, the receivables which are not individually significant or the individually significant receivables which are not determined for impairment, the Company asseses the asset in a group of financial assets with similar credit risk characteristics and collectively provide them for provision of impairment according to certain percentage of the total receivables at the balance sheet date.

(3) For the receivables which are not individually significant

A. For the subsidiaries engage in property management business, the debtors of customers are so many. To base on experience, the debtor's financial status and cash flow, etc., as well as other relevant information, the Company adopts aging analysis method in accordance with credit risk characteristics of the receviables; the provision for bad debts is recognized at 3% of the closing balance of the receivables

B. Besides point A, for the receivables which are not individually significant, the Company provides provision for impairment loss for the amount which is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

11. Classification and measurement of inventories

(1) Inventories of the Company include raw materials, finished goods, low-value consumption goods, land use right held for real estate development, properties under development, completed properties for sale, properties for rent and owner-occupied properties.

(2) Recognition of inventories:

The Company recognizes inventories when the following conditions are satisfied:

①It is probable that future economic benefits associated with the inventories will flow to the Company entity;

②The cost of the inventories can be measured reliably.

(3) Measurement of inventories: property inventories are measured at actual cost incurred, comprising the borrowing cost designated for real estate development before completion of developing properties. Completed saleable property inventories are measured using average unit area cost method. Other kinds of inventories are measured at actual cost incurred, and when the inventories are transferred out or issued for use, cost of the inventories is determined using weighted average cost method.

(4) The Company adopts equal-split amortization method for low-value consumption goods.

(5) Inventories shall be measured at the lower of cost and net realisable value at the balance sheet date. Where the net realizable value is lower than the cost, the difference shall be recognized as provision for impairment of inventories and charged to profit or loss.

①Estimation of net realizable value

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. These estimates take into consideration the purpose for which the inventory is held and the influence of post balance sheet events.

Materials and other supplies held for use in the production are measured at cost if the net realizable value of the finished goods in which they will be incorporated is higher than their cost. However, when a decline in the price of materials indicates that the cost of the finished products will exceed their net realisable value, the materials are measured at net realisable value.

The net realisable value of inventories held to satisfy sales or service contracts is generally based on the contract price.

If the quantity specified in sales contracts is less than the inventory quantities held by the Company, the net realisable value of the excess shall be based on general selling prices.

②The Company generally provides provision for impairment of inventory individually. For large quantity and low value items of inventories, cost and net realisable value are determined based on categories of inventories.

Where certain items of inventory have similar purposes or end uses and relate to the same product line producted and marketed in the same geographical area, and therefore cannot be practicably evaluated separately from other items in that product line, costs and net realisable values of those items may be determined on an aggregate basis.

(6) The Company adopts perpetual inventory system for its inventory taking.

12. Long-term equity investment

(1) Initial measurement

The Company initially measures long-term equity investments under two conditions:

①For long-term equity investment arising from business combination, the initial cost is recognized under the following principles.

A. If the business combination is under the common control and the acquirer obtains long-term equity investment in the consideration of cash, non-monetary asset exchange or bearing acquiree's liabilities, the initial cost is the carrying amount of the proportion of the acquiree's owner's equity at the acquisition date. The difference between cash paid, the carrying amount of the non-monetary asset exchanged and the acquiree's liabilities beard and the initial cost of the long-term equity investment should be adjusted to capital surplus. If the capital surplus is not sufficient for adjustment, retained earning is adjusted respectively. The business combination costs that are directly attributable to the combination, such as audit fees, valuation fees, legal service fees and so on are recognized in profit or loss during the current period when they occurred.

If the acquirer issuing equity securities as consideration, the initial cost is the carrying amount of the proportion of the acquiree's owner's equity at the acquisition date. Amount of share capital equal to the par value of the shares issued. The difference between initial cost of the long-term equity investment and the par value of shares issued is adjusted to capital surplus. If the capital surplus is not sufficient for adjustment, retained earning is adjusted respectively. The costs of issuing equity securities occurred in business combination such as charges of security issuing and commissions are deducted from the premium of equity securities. If the premium is not sufficient for deducting, retained earning is adjusted respectively.

B.If the business combination is not under the common control, the acquirer recognizes the initial cost of combination under the following principles.

a) When business combination is achieved through a single exchange transaction, the cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree;

b) For the business combination involved more than one exchange transaction, the cost of the combination is the aggregate cost of the individual transactions;

c) The costs directly attributed to business combination are included in the cost of combination;

d) Where a business combination contract or agreement provides for a future event which may adjust the cost of combination, the Company shall include the amount of the adjustment in the cost of the combination at the acquisition date if the future event leading to the adjustment is probable and the amount of the adjustment can be measured reliably.

②For long-term equity investment obtained in any method other than business combination, the initial cost is recognized under the following principles.

A. If the long-term equity investment is acquired in cash consideration, the initial cost is the actual payment which includes direct expenses paid to acquire the long-term equity investment, taxes and other necessary expense.

B. If the long-term equity investment is acquired by issuing equity securities, the initial cost is the fair value of the equity securities issued. However, cash dividends or profits that are declared but unpaid shall not be included in the initial cost. Direct costs attributed to issue equity securities such as handling charges and commissions paid to securities underwriting agencies are deducted from premium of equity securities. If the premium is not sufficient for deduction, reserved fund and retained earnings is adjusted respectively.

C. For the long-term equity investment invested by investors, the initial cost is the agreed value prescribed in the investment contract or agreement unless the agreed value is not fair.

D. For the long-term equity investment acquired through non-monetary asset exchange, the initial cost is recognized according to “Accounting Standards for Business Enterprises No. 7-Non-monetary transactions”.

E. For the long-term equity investment acquired through debt restructuring, the initial cost is recognized according to “Accounting Standards for Business Enterprises No. 12-Debt restructuring”.

③If there are cash dividends or profits that are declared but unpaid included in the consideration paid, the cash dividends or profits declared but unpaid shall be recognized as receivables separately rather than as part of initial cost of long-term equity instruments no matter through which method the long-term equity investment is acquired.

(2) Subsequent measurement

The Company adopts either cost method or equity method for the long-term equity investment hold according to the extent of influence, existence of active market and availability of fair value. The equity method is used when the Company has joint control or significant influence over the investee enterprise. The cost method is used when the Company has the control or does not have joint control or significant influence over the investee enterprise and there is no quote price in active market or there is no reliable fair value.

①For the long-term equity investment under cost method, and except from cash dividends or profits distributed are declared but unpaid included in the consideration paid, the other declared cash dividends or profits are normally recognized as investment income for the current period when it incurred. The net profits are no longer divided into the pre-investment profits and after-investment profits.

The Company recognizes the receivable cash dividends or profits according to above regulations, and the impairment test is needed to be concerned. To indicate the evidence of impairments, it should be concerned about whether the carrying amount of the long-term equity investments is greater than the book value of net assets that have been acquired (including the related goodwill) or other similar situations. When these situations occur, the impairment test of long-term equity investments should be performed according to “Chinese Accounting Standard No.8 - Impairment of assets”, Where the carrying amount of long-term equity investment exceeds the recoverable amount, the difference shall be recognized as impairment loss, and a provision for impairment loss should be made.

②For long-term equity investment under equity method, the Company adjusts carrying amount of the long-term equity investment and recognizes investment income according to the proportion of net profit or loss realized by the investee enterprise after acquisition. The Company reduces carrying amount of the long-term equity investment by the proportion of declared cash dividend or profit which shall be distributed to the Company.

For long-term equity investment under equity method, the Company recognizes net losses incurred by the investee enterprise to the extent that the carrying amount of the long-term equity investment and other long-term equities that are in substance treated as net investment in the investee enterprise is reduced to zero except there is further obligation of the excess losses. If the investee enterprise makes net profits in subsequent periods, the Company shall continue to recognize investment income after using its share of net profits of the investee enterprise to cover its unrecognized losses.

③The Company adopts the same manner of financial instrument for the impairment of long-term equity investment which is measured under cost method and there is no quote price in active market or there is no reliable fair value. Impairment of long-term equity investments other than above refers to accounting policy “Impairment of assets” of the Company.

④On disposal of a long-term equity investment, the difference between the carrying amount of the investment and the sale proceeds actually received is recognized as an investment gain or loss for the current period. Where the equity method is adopted, when a long-term equity investment is disposed, the amount of change in owner’s equity of the investee enterprise other than net profit or loss which is previously recorded in owner’s equity of the Company shall be transferred to profit or loss for the current period according to corresponding proportion.

(3) The basis for determination of joint control or significant influence over investee enterprise

A joint control over investee enterprise is established when the investment of the Company satisfied the following conditions:

①Any Joint ventures party cannot control the operating activities of Joint ventures individually;

②Decisions regarding the basic operating activities of Joint ventures shall be agreed by all Joint ventures parties;

③All Joint ventures parties may appoint one of them to manage the operating activities of Joint ventures, and the management over the financial and operating policies exercised by the Joint ventures party appointed shall be limited to the extent agreed by all Joint ventures parties.

A significant influence over investee enterprise is established when the investment of the Company satisfied the following conditions:

①The Company has representation on the board of directors or equivalent governing body of the investee.

②The Company participates in policy-making processes, including participation in decisions about dividends or other distributions.

③Material transactions occur between the Company and the investee enterprise.

④The Company dispatches managerial personnel to the investee enterprise.

⑤The Company provides essential technical information to the investee enterprise.

If the Company holds, directly or indirectly (e.g. through subsidiaries), 20 percent or more but less than 50 percent of the voting power of the investee enterprise, it is presumed that the Company has significant influence over the investee enterprise.

(4) Impairment test and method of provision for impairment loss

The Company adopts the same manner of financial instrument for the impairment of long-term equity investment which is measured under cost method and there is no quoted price in active market or there is no reliable fair value. Impairment of long-term equity investments other than above refers to accounting policy “Impirment of assets” of the Company.

13. Recognition and measurement of investment properties

(1) Investment properties of the Company are properties held to earn rentals or for capital appreciation or both, mainly comprising:

①Land use right which has already been rented;

②Land use right which is held for transfer out after appreciation;

③Property which has already been rented.

(2) Investment property shall be recognized as an asset when the following conditions are satisfied:

①It is probable that the future economic benefits that are associated with the investment property will flow to the Company;

②The cost of the investment property can be measured reliably.

(3) Initial measurement

An investment property is measured initially at its cost.

①The cost of a purchased investment property comprises its purchase price, related tax expenses and any directly attributable expenditure.

②The cost of a self-constructed investment property comprises all necessary construction expenditures incurred before the property is ready for its intended use.

③The cost of a property acquired by other means shall be recognized according to relevant accounting standards.

(4) Subsequent measurement

After initial recognition, the Company adopts the cost model to measure its investment properties.

The Company amortizes or depreciates its investment properties measured using cost model in the same way as fixed assets and intangible assets.

The Company values the investment property measured using cost model at the lower of its cost and its recoverable amount at the end of the period. Where the cost exceeds the recoverable amount, the difference shall be recognized as impairment loss. Once a provision for impairment loss is made, it cannot be reversed.

14. Recognition and measurement of fixed assets

Fixed assets are tangible assets that: 1) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and 2) have useful life more than one year.

(1) A fixed asset shall be initially recognized at cost when the following condition are satisfied:

① It is probable that future economic benefits associated with the assets will flow to the Company;

② The cost of the assets can be measured reliably.

(2) Depreciation

Subsequent expenditure relating to a fixed asset shall be added to the carrying amount of the asset when the expenditure qualifies for capitalization. Subsequent expenditure that does not qualify for capitalization shall be recognized as an expense for the current period.

The depreciation method adopted by the Company is straight-line method.

The estimated useful lives, residual value and annual depreciation rate of fixed assets are shown as follows:

The categories	Estimated Useful Lives (years)	Residual value (%)	Annual Depreciation Rate (%)
Property and buildings	20-25	5-10	3.8-4.5
Machineries	10	5	9.5
Vehicles	5	5	19
Electronic and other equipments	5	5	19
Decoration	5		20

The Company reviews the useful life, estimated residual value and depreciation method of a fixed asset at the end of each financial year. If expectations are significantly different from previous estimates, the useful life shall be revised accordingly. If expectations are significantly different from previous estimates, the estimated residual value also shall be revised accordingly. If there has been a significant change in the expected realization pattern of economic benefits from those assets, the depreciation method shall be changed accordingly. The changes in useful life, estimated residual value and depreciation method shall be treated as change in accounting estimates.

(3) Fixed assets acquired under finance lease

The Company identifies a lease of asset as finance lease when substantially all the risks and rewards incidental to legal ownership of the asset are transferred.

A fixed asset acquired under finance lease shall be valued at the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of lease.

The depreciation method of fixed assets acquired under finance lease is consistent with that for depreciable assets owned by the Company. If the Company can reasonably confirm that it will obtain the ownership of leased asset at the end of lease term, the leased asset shall be depreciated during the useful life of the leased asset. If the Company cannot reasonably confirm that it will obtain the ownership of leased asset at the end of lease term, the leased asset shall be depreciated during shorter of the useful life of the leased asset and the lease term.

(4) Impairment of fixed asset refers to accounting policy “Impairment of assets” of the Company.

15. Recognition and measurement of borrowing cost

(1) Capitalization and capitalization period of borrowing costs

The costs of borrowings designated for acquisition or construction of qualifying assets should be capitalized as part of the cost of the assets. Capitalisation of borrowing costs starts when

① The capital expenditures have incurred;

② The borrowing costs have incurred;

③ The acquisition and construction activities that are necessary to bring the asset to its expected usable condition have commenced.

Other borrowing costs that do not qualify for capitalization should be expensed off during current period.

Capitalization of borrowing costs should be suspended during periods in which the acquisition or construction is interrupted abnormally, and the interruption period is three months or longer. These borrowing costs should be recognized directly in profit or loss during the current period. However, capitalization of borrowing costs during the suspended periods should continue when the interruption is a necessary part of the process of bringing the asset to working condition for its intended use.

Capitalization of borrowing costs ceases when the qualifying asset being acquired or constructed is substantially ready for its intended use. Subsequent borrowing costs should be expensed off during the period in which they are incurred.

(2) Calculation method of capitalization for borrowing costs

To the extent that funds are borrowed specifically for the purpose of acquiring or constructing a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset is determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of the borrowing.

To the extent that funds are borrowed generally and used for the purpose of acquiring or constructing a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the weighted average of excess of accumulated expenditures on qualifying asset over that on specific purpose borrowing. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of acquiring or constructing a qualifying asset.

16. Recognition and measurement of intangible assets

Intangible assets are identifiable non-monetary asset that are owned or controlled by the Company and are without physical substance.

(1) Recognition of intangible assets

The Company recognizes an intangible asset when that intangible asset fulfills both of the following conditions:

①It is probable that the economic benefits associated with that asset will flow to the Company; and

②The cost of that asset can be measured reliably.

Expenditures incurred during the research phase of an internal project shall be recognized as expenses in the period in which they are incurred. Expenditures incurred during the development phase of an internal project shall be recognized as an intangible asset if, and only if, the Company can demonstrate all of the following:

①The technical feasibility of completing the intangible asset so that it will be available for use or sale;

②Its intention to complete the intangible asset and use or sell it;

③The method that the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

④The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

⑤Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(2) Measurement of intangible assets

①An intangible asset is measured initially at its cost.

②Subsequent measurement of intangible assets

A. For an intangible asset with finite useful life, the Company estimates its useful life at the time of acquisition and amortizes it during its useful life in a reasonable and systematic way. The amount of amortization is allocated to relevant costs and expenses according to the nature of beneficial items. The Company does not amortize intangible asset with infinite useful life.

B. Impairment of intangible assets refers to accounting policy “Impairment of assets” of the Company.

17. Recognition and measurement of long-term deferred expenses

The Company recognizes all expenses which have occurred during the period but shall be amortized beyond one year, such as improvement expenditures of operating leased fixed assets, as long-term deferred expenses. The Company amortizes long-term deferred expenses using straight-line method according to relevant beneficial periods.

18. Accounting methods for the property transfer with buy-back conditions:

Buy-back after the sale: It is a sale means which the seller during selling goods agrees to buy back the same or similar goods at the later date. Under such mode, the seller shall make judgment in whether selling goods satisfies the recognition of revenue in accordance to the contract or agreement. Normally, the transaction of repurchase after sale belongs to a financial transaction, the main risk and rewards of the goods ownership has not been transferred. The enterprise shall not recognize the revenue. For the amount which the repurchase price greater than the original sale price, the enterprise shall accrue the interest fees to the financial fees within the repurchase period.

For the property transfer with repurchase conditions, in consideration of the economic substance of transactions, the accounting method shall be disclosed.

19. Recognition and measurement of provision for liabilities

(1) Recognition of provision for liabilities

The company should recognize the related obligation as a provision for liability when the obligation meets the following conditions:

①That obligation is a present obligation of the enterprise;

②It is probable that an outflow of economic benefits from the enterprise will be required to settle the obligation;

③A reliable estimate can be made of the amount of the obligation.

(2) Measurement of provision for liabilities

To fulfill the present obligations, which initially measured by the best estimate of the expenditure required to settle the liability. Where there is a continuous range of possible amounts of the expenditure required to settle the liability, as all kinds of possibilities are at same level, the best estimate should be determined according to the average of the lower and upper limit of the range. In other cases, the best estimate should be determined in accordance with the following methods:

①Where the contingency involves a single item, the best estimate involves a singe item, the best estimate should be determined according to the most likely outcome;

②Where the contingency involves several items; the best estimate should be determined by weighting all possible outcomes by their associated probabilities of occurrence.

To determine the best estimate, it should be considered with factors such as: related contingency risks, uncertain matters and time value of currency. If time value of currency has a significant impact, the best estimate should be measured at its converted present value through the relevant future cash outflows.

Where some or all of the expenditures are expected to be reimbursed by a third party, the reimbursement should be separately recognized as an asset only when it is virtually received. The amount of the reimbursement should not exceed the carrying amount of the liability recognized.

At balance sheet date, the Company should review book value of provision for liabilities. If there is strong evidence that the book value does not truly indicate the current best estimate, it should be adjusted in accordance with the current best estimate.

20. Recognition and measurement share-based payment

Recognition and measurement of share-based payment are based on true, complete and valid share-based payment agreement. Share-based payment transaction comprises equity-settled share-based payment transactions and cash-settled share-based payment transactions.

(1) Equity-settled share-based payment transactions

Equity-settled share-based payment transactions in which the Company receives employee’s services as consideration for equity instruments of the Company are measured as fair value of the equity instrument granted to the employees. As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital surplus shall be increased accordingly. As to a equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained during the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and capital surplus at the fair value of the equity instruments on the date of the grant.

The fair value of the equity-settled share-based：

① For the shares granted to the employees, its fair value shall be measured in accordance to the market price of the entity stocks, and at the same time it shall make adjustment in the consideration of the relative terms and conditions which the stocks are granted (excluding the vesting conditions besides the market conditions). If the entity is not traded publically, it should be measured in accordance to the estimated market prices and it shall make adjustment in the consideration of the relative terms and conditions which the stocks are granted

② For the stock options granted to the employees, if there is no similar terms and conditions for the option trade, it shall estimate the fair value of the granted option through option pricing model.

When the enterprise determines the fair value on the granting date of the equity instruments, it shall consider the influence by the market conditions of the vesting conditions and the non vesting condition in the share-based payment agreement. For the share-based payment containing non vesting conditions, as long as the employees or other party satisfy all the non-marketing conditions of the vesting conditions (such as service period, etc.), the enterprise shall confirm the relevant costs of the received service.

(2) Cash-settled share-based payment transactions

Cash-settled share-based payment is measured in accordance with the fair value of liability undertaken by the Company that is calculated based on the shares or other equity instruments. As to a cash-settled share-based payment, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the Company, on the date of the grant, is included in the relevant costs or expenses, and the liabilities shall be increased accordingly. As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained during the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the enterprise.

（3）Confirmation of the best estimate of the vested equity instruments: On the balance sheet date during the waiting period, the company shall make the best estimate based on the subsequence information regarding the number of employees who newly obtains the vest; revise the quantity of the predicted vested equity instruments in order to make the best estimate of vested equity instruments.

（4）Modifications and cancellation to equity-settled share-based payment arrangements

If the modification increases the fair value of the equity instruments granted, the entity shall include the incremental fair value granted in the measurement of the amount recognized for services received as consideration for the equity instruments granted; similarly, if the modification increases the number of equity instruments granted, the entity shall include the fair value of the additional equity instruments granted, measured at the date of the modification, in the measurement of the amount recognised for services received as consideration for the equity instruments granted; if the entity modifies the vesting conditions in a manner that is beneficial to the employee, the entity shall take the modified vesting conditions into account when applying the requirements of a vesting condition.

If the modification reduces the fair value of the equity instruments granted, the entity shall not take into account that decrease in fair value and shall continue to measure the amount recognised for services received as consideration for the equity instruments based on the grant date fair value of the equity instruments granted; if the modification reduces the number of equity instruments granted to an employee, that reduction shall be accounted for as a cancellation of that portion of the grant; if the entity modifies the vesting conditions in a manner that is not beneficial to the employee, the entity shall not take the modified vesting conditions into account when applying the requirements of a vesting condition.

If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied): as an acceleration of vesting, and shall therefore recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

21. Shares repurchase

As repurchasing shares of the Company, the cost of corresponding treasury shares is recognized in accordance with the cost method.

Following the legally approved procedures, the company reduces its capital by repurchasing the company’s stocks. The owners’ equity shall be adjusted by the difference between the total of the cancelled share equity and capital stock, the cost to repurchase the stocks (including trading fees) and stock equity. For the amount exceed the total of the par value of shares, it shall reduce the capital reserve, surplus reserve, and undistributed profits; for the amount less than the total of the par value of shares, the capital reserve should be increased for the amount less than corresponding equity cost.

The repurchasing shares shall be managed as treasury shares before they are cancelled or transferred. The total cost to repurchase shares shall be transferred to the cost of the treasury shares.

During the transfer of the treasury shares, when the transfer income is greater than the cost of treasury shares, the capital reserve should be increased; when the transfer income is less than the cost of treasury shares, capital reserve, surplus reserve, and undistributed profits should be written-down in turns.

Repurchasing stocks in purpose of equity incentives, the value of treasury stocks is measured at all the actual cost relating to repurchasing stocks, and the details should be taken reference to the registration.

22. Revenue recognition

（1） Revenue from the sale of goods is recognized when all of the following conditions have been satisfied:

The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

The economic benefits associated with the transaction will flow to the Company; and

The relevant amount of revenue and costs can be measured reliably.

(2) Revenue from the sale of properties is recognized upon a) final acceptance of the construction of property is completed and the property is transferred to buyer, b) buyer receives and accepts the settlement billing and c) the Company receives all considerations of sale of property (down payment and mortgage received from bank for property purchasing by installments) and the conditions for obtaining certificate of title to house property are satisfied.

(3)Revenue from leasing of property is recognized when a) the economic benefits associated with leasing of property will flow to the Company and b) the amount of revenue can be measured reliably. If lessor provides rent-free period, lessor shall allocate total rental by straight-line method or other reasonable method during entire lease term without deducting rent-free period. Lessor shall recognize rental income during rent-free period.

(4)Revenue from rendering of services (excluding long-term contract) is by reference to the percentage of completion of the service at closing date when the outcome of transaction can be reliably estimated. The outcome of transaction can be reliably estimated when a) the total revenue and cost can be reliably measured, b) the percentage of completion can be determined reliably and c) the economic benefit pertaining to the service will flow to the Company. If the outcome of transaction cannot be reliably estimated, the Company shall recognize revenue to the extent of costs incurred that are expected to be recoverable and charge an equivalent amount of cost to profit or loss.

(5)Revenue arising from the Company’s assets used by others is recognized when (a) it is probable that the economic benefits associated with the transaction will flow to the Company and (b) the amount of the revenue can be measured reliably. Interest revenue should be measured based on the length of time for which the Company's cash is used by others and the applicable interest rate. Royalty revenue should be measured in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

(6)Recognition of construction contract revenue

1) When the outcome of a construction contract can be reliably estimated, construction contract revenue is recognized by reference to the percentage of completion of the contract activity at closing date. The outcome of a construction contract can be reliably estimated when a) total contract revenue and contract costs incurred can be measured reliably, b) both the contract costs to complete the contract and the percentage of completion can be measured reliably and c) it is probable that the economic benefits associated with the contract will flow to the Company. The percentage of completion of a contract is determined as the proportion that actual contract costs incurred to date bears to the estimated total contract costs.

2) When the outcome of a construction contract cannot be estimated reliably, contract revenue should be recognized to the extent of contract costs that can be recovered and contract costs should be recognized as expense in the period in which they are incurred.

3) If total estimated contract costs will exceed total contract revenue, the estimated loss should be recognized immediately as an expense during the current period.

23. Government grant

(1) Recognition of government grants

The Company’s government grants which including monetary assistance or non-monetary grants at fair value, shall not be recognized until there is reasonable assurance that:

① The entity will comply with the condition attaching to them;

② The grants will be received from government.

(2) Measurement of government grants

① If monetary grants are received, it recognized at actual received or receivable amount. If non-monetary grants are received, it recognized at fair value, replacing with nominal amount while fair value is not reliable.

②The Capital approach for government grants, the grant is recognized as deferred income when it is acquired. Since the related assets achieve its intended using status, the deferred income is amortized and recognized in profit and loss during asset's using period. If related assets were disposed before using period ended, undistributed deferred income shall be shift to current profit and loss at once.

The Income approach for government grants, to retrieve expense or loss of the Company in further period, the government grants is recognized as deferred income, and shall be recorded in profit and loss when that expense or loss occurred. To retrieve expense or loss of the Company in current period, the government grants shall be recorded directly in current profit and loss.

③ Confirmed repayment of government grants

A. When deferred income exists, the repayment write-downs closing balane of deferred income, and the exceed part shall be recognized in current profit and loss;

B. When no deferred income exists, the repayment shall be recognized directly in current profit and loss.

24. Income tax

The Company adopts the balance sheet liability method for income tax expenses.

(1) Deferred tax asset

1) Where there are deductible temporary differences between the carrying amount of assets or liabilities in the balance sheet and their tax bases, a deferred tax asset shall be recognized for all those deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets arising from deductible temporary differences should be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

2) At the balance sheet date, where there is strong evidence showing that sufficient taxable profit will be available against which the deductible temporary difference can be utilized, the deferred tax asset unrecognized in prior period shall be recognized.

3) The Company assesses the carrying amount of deferred tax asset at the balance sheet date. If it's probable that sufficient taxable profit will not be available against which the deductible temporary

difference can be utilized, the Company shall write down the carrying amount of deferred tax asset, or reverse the amount written down later when it’s probable that sufficient taxable profit will be available.

(2) Deferred tax liability

A deferred tax liability shall be recognized for all taxable temporary differences, which are differences between the carrying amount of an asset or liability in the balance sheet and its tax base, and measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

25. Operating lease and financial lease

（1）Operating leases

Lessee in an operating lease shall treat the lease payment under an operating lease as a relevant asset cost or the current profit or loss on a straight-line basis over the lease term. The initial direct costs incurred shall be recognized as the current profit or loss; Contingent rents shall be charged as expenses in the periods in which they are incurred. .

Lessors in an operating lease shall present the assets subject to operating leases in the relevant items of their balance sheet according to the nature of the asset. Lease income from operating leases shall be recognized as the current profit or loss on a straight-line basis over the lease term; Initial direct costs incurred by lessors shall be recognized as the current profit or loss; Lessors shall apply the depreciation policy for the similar assets to depreciate the fixed assets in the operating lease; For other assets in the operating lease , lessors shall adopt a reasonable systematical method to amortize; Contingent rents shall be charged as expenses in the periods in which they are incurred.

（2）Finance lease

For the lessee, a fixed asset acquired under finance lease shall be valued at the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of lease. The minimum lease payments as the entering value in long-term account payable, the difference as unrecognized financing charges; The initial direct costs identified as directly attributable to activities performed by the lessee during the negotiation and signing of the finance lease such as handling fees, legal fees, travel expenses, stamp tax shall be counted as lease asset value; the unrecognized financing charges shall be apportioned at each period during the lease term and adopt the effective interest rate method to calculate and confirm the current financing charge; Contingent rents shall be charged as expenses in the periods in which they are incurred.

When the lessee calculates the present value of the minimum lease payments, for that lessee who can obtain the interest rate implicit in the lease, the discount rate shall be the interest rate implicit in the lease; otherwise the discount rate shall adopt the interest rate specified in the lease agreement. If the lessee can not get the interest rate implicit in the lease and there is no specified interest rate in the lease agreement, the discount rate shall adopt the current bank loan interest rate.

Lessees shall depreciate the leased assets with the depreciation policy which is consistent with the normal depreciation policy for similar assets. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the depreciation shall be allocated to the useful life of the asset. If there is no reasonably certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be depreciated over the shorter of the lease term and its useful life.

On the initial date of financial lease, lessee of the financial lease shall record the sum of the minimum lease payments and initial direct costs as the financing lease accounts receivable, and also record the unguaranteed residual value; recognize the difference between the total minimum lease payments , initial direct costs ,unguaranteed residual value and sum of the present value as the unrealized financing income; the unrealized financing income shall be distributed to each period over the lease term; adopt the actual interest rate to calculate the currect financial income; Contingent rents shall be charged as expenses in the periods in which they are incurred.

26． Assets held for sales:

(1) Recognition criteria of the assets held for sale

The Non-Current Assets which meet the following conditions will be classified as assets held for sales by the company:

①The entity has made the resolution in disposing the non-current assets.

②The entity has signed the irrevocable transfer agreement with the assignee.

③The sale transaction is highly probable to be completed within one year.

(2) Accounting treatments of assets held for sales

For the fixed assets held for sales, the entity shall adjust the predicted net residual value of this fixed asset to make the predicted net residual value of this fixed asset to reflect the amount of its fair value less costs to sell, but it shall not exceed the original book value of fixed assets at the time when it meets the conditions of held for sales. The difference between the original book value and the adjusted predicted net residual value shall be treated as loss in assets and presented in profit or loss of current period. The fixed assets held for sales shall not count the depreciation but shall be measured at the lower of its carrying amount and the fair value less costs to sell.

The other non-current assets such as impairment assets which meet the conditions of held for sales shall be treated in accordance to the above principles.

27. Changes in accounting policies and estimates,

1. Changes in accounting policies

There is no change in accounting policies during the financial year.

2. Changes in accounting estimates

There is no change in accounting estimate during the financial year.

28. Correction of the accounting errors from previous term

There is no correction of the accounting error from previous term in this report period.

29. Impairment of assets

It suggests that an asset may be impaired if there are any of the following indications

(1) during the period, an asset's market value has declined significantly more than it would be expected as a result of the passage of time or normal use during the current period;

(2) significant changes with an adverse effect on the Company have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Company operates or in the market to which an asset is dedicated;

(3) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;

(4) evidence is available of obsolescence or physical damage of an asset;

(5) the asset becomes idle, or the Company plans to discontinue or to dispose of an asset before the previously expected date;

(6) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected, for example, the net cash flow generated from assets or the operating profit (or loss) realized by assets is lower (higher) than the excepted amount, etc.; and

(7) Other evidence indicates that assets may be impaired.

The Company assesses long-term equity investment, fixed assets, construction materials, constructions in progress and intangible assets (except for those with uncertain useful life) that apply Accounting Standard for Business Enterprises No. 8 - Impairment of assets at the balance sheet date. If there is any indication that an asset may be impaired, the Company should assess the asset for impairment and estimate the recoverable amount of the impaired asset.

Recoverable amount is measured as the higher of an asset's fair value less costs to sell and the present value of estimated future cash flows from continuing use of the asset. If carrying amount of an asset is higher than its recoverable amount, the carrying amount of this asset should be written down to its recoverable amount with the difference recognized as impairment loss and charged to profit or loss accordingly. Simultaneously a provision for impairment loss should be made.

There is any indication that an asset may be impaired, the Company usually estimates its recoverable amount on an individual item basis. However if it’s not possible to estimate recoverable amount of the individual asset, the Company should determine the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of cash-generating unit is based on whether the cash inflows generated by the cash-generating unit are largely independent of the cash inflows from other assets or groups of assets.

The Company assesses goodwill acquired in a business combination and intangible assets with uncertain useful life for impairment each year no matter whether indication that an asset may be impaired exists or not. Impairment assessment of goodwill is carried together with the impairment assessment of related cash-generating unit or group of cash-generating units.

Once impairment loss is recognized, it cannot be reversed in subsequent financial period.

Note Ⅲ. Taxation

1. Value Added Tax rate is 13% or 17%, paid by deducting value added input tax.

2. The business tax rate is 3% or 5% of operating revenue.

3. Urban maintenance and construction tax is 1% or 7% of turnover tax payable.

4. Education surtax is 3% of turnover tax payable.

5. Levee fee is 0.01% of operating revenue.

6. Land value appreciation tax is levied in four progressive levels with the tax rate ranging from 30% to 60%.

7. Income tax expense

(1) According to Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Corporate income tax (Guo Fa [2007] No.39), from January 1, 2008, enterprises which enjoy the preferential policies of low tax rates in the past shall gradually transit to apply the statutory tax rate within 5 years after the Corporate Income Tax Law of the People's Republic of China is put into force. Among them, the enterprises which enjoy the corporate income tax rate of 15% shall be subject to the corporate income tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. The applicable income tax rate of the Company and the subsidiaries located in Shenzhen special economic zone is 20%.

(2) Corporate Income Tax Law of the People's Republic of China is put into force from January 1, 2008. According to this tax law, the applicable income tax rate of the subsidiaries located outside Shenzhen special economic zone is 25%.

Note IV. Business combination and consolidated financial statements

1. Subsidiaries

（1）The subsidiaries obtained through the establishment of or investment subsidiary

Subsidiaries	Categories	Registered address	Business nature	Registered capital (0’000)	Business scope
Hainan Xinda Development Co., Ltd	Wholly-owned subsidiary	Haikou	Real estate development	2,000	Real estate development, decoration engineering,; planting; import & export practice
Shenzhen ITC Food Co., Ltd.	Wholly-owned subsidiary	Shenzhen	Restaurant operations	200	Retail sales of Chinese meal, western-style food and wine
Shenzhen Property and Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Shenzhen	Real estate development	3,095	Land development, real estate management; construction supervision; property management
Shenzhen ITC Property Management Co., Ltd.	Wholly-owned subsidiary	Shenzhen	Property management	2,000	Property rent and management
Shenzhen ITC Vehicles Industry Co., Ltd.	Wholly-owned subsidiary	Shenzhen	Service	2,985	Motor transport and motor rent
Shenzhen Huangcheng Real Estate Co., Ltd.	Wholly-owned subsidiary	Shenzhen	Real estate development	3,000	Development, construction, operation and management of commercial service facilities relevant to Huanggang port

Subsidiaries	Categories	Registered address	Business nature	Registered capital (0'000)	Business scope
Sichuan Tianhe Industry Co., Ltd	Wholly-owned subsidiary	Chengdu	Trading	800	Wholesale in domestic market
Shenzhen ITC Property Management Engineering Equipment Co., Ltd.	Wholly-owned subsidiary	Shenzhen	Service	120	Domestic commerce; material supply; maintenance and repair of electric equipment
Shenzhen Tianque Elevator Technology Co., Ltd.	Wholly-owned subsidiary	Shenzhen	Service	500	Maintenance of elevator and air condition
Shandong Shenzhen ITC Property Management Co., Ltd.	Wholly-owned subsidiary	Jinan	Property management	500	Property management and agency
Chongqing Shenzhen ITC Property Management Co., Ltd.	Wholly-owned subsidiary	Chongqing	Property management	500	Property management and agency
Chongqing Ao'bo Elevator Co., Ltd.	Wholly-owned subsidiary	Chongqing	Service	200	Installing, reconstructing and repairing the elevator; sales of elevator and accessories
Shenzhen ITC Motor Rent Co., Ltd.	Wholly-owned subsidiary	Shenzhen	Service	1,600	Motor transport and motor rent
Shenzhen ITC Petroleum Co., Ltd.	Wholly-owned subsidiary	Shenzhen	Trading	850	Sales of gasoline, diesel oil, lube and coal oil
Shenzhen ITC Vehicle Industry Company Vehicle repair shop	Wholly-owned subsidiary	Shenzhen	Service	150	Motor maintenance; sales of auto parts and Motorcycle Accessories
Shenzhen Tesu Vehicle Driver Training Center Co., Ltd.	Wholly-owned subsidiary	Shenzhen	Service	200	Driver training
Shenzhen Huangcheng Real Estate Management Co., Ltd.	Wholly-owned subsidiary	Shenzhen	Property management	500	Property management; court virescence and cleansing services
Zhanjiang Shenzhen Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Zhanjiang	Real estate development	253	Real estate development and sales of commodity premises
Shenzhen Property	Wholly-owned subsidiary	Shenzhen	Construction Supervision	300	Supervision of general industrial and civil construction

Subsidiaries	Categories	Registered address	Business nature	Registered capital (0'000)	Business scope
Construction Supervision Co., Ltd.					engineering
Shenzhen International Trade Plaza	Wholly-owned subsidiary	Shenzhen	Trading	1,200	Investing in commercial, material and supplying company
Shenzhen Real Estate Exchange	Wholly-owned subsidiary	Shenzhen	Service	138	Providing property information, property agency and evaluation
Shum Yip Properties Development Co., Ltd.	Wholly-owned subsidiary	Hongkong	Real estate development	HKD2,000	Property agency and investment
Wayhang Development Co., Ltd.	Wholly-owned subsidiary	Hongkong	Real estate development	HKD0.0002	Property development
Chief Link Properties Co., Ltd.	Holding subsidiaries	Hongkong	Real estate development	HKD0.01	Property agency and investment
Syndis Investment Co., Ltd.	Holding subsidiaries	Hongkong	Real estate development	HKD0.0004	Property investment
East Land Properties Limited	Wholly-owned subsidiary	Hongkong	Real estate development	HKD0.01	Property investment

Subsidiaries	Paid-in capital (0'000)	Other essential investment (0'000)	The proportion of holding shares (%)	The proportion of voting rights (%)	Included in consolidated statements
Hainan Xinda Development Co., Ltd	2,000	39,205.80	100	100	Yes
Shenzhen ITC Food Co., Ltd.	200	40.08	100	100	Yes
Shenzhen Property and Real Estate Development Co., Ltd.	3,095		100	100	Yes
Shenzhen ITC Property Management Co., Ltd.	2,000		100	100	Yes
Shenzhen ITC Vehicles Industry Co., Ltd.	2,985		100	100	Yes
Shenzhen Huangcheng Real Estate Co., Ltd.	3,000		100	100	Yes
Sichuan Tianhe Industry Co., Ltd	800		100	100	Yes
Shenzhen ITC Property Management Engineering Equipment Co., Ltd.	120		100	100	Yes
Shenzhen Tianque Elevator Technology Co., Ltd.	500		100	100	Yes
Shandong Shenzhen ITC Property Management Co., Ltd.	500		100	100	Yes
Chongqing Shenzhen ITC Property Management Co., Ltd.	500		100	100	Yes

Subsidiaries	Paid-in capital (0'000)	Other essential investment (0'000)	The proportion of holding shares (%)	The proportion of voting rights (%)	Included in consolidated statements
Chongqing Ao'bo Elevator Co., Ltd.	200		100	100	Yes
Shenzhen ITC Motor Rent Co., Ltd.	1,600		100	100	Yes
Shenzhen ITC Petroleum Co., Ltd.	850		100	100	No(note1)
Shenzhen ITC Vehicle Industry Company Vehicle repair shop	150		100	100	Yes
Shenzhen Tesu Vehicle Driver Training Center Co., Ltd.	200		100	100	Yes
Shenzhen Huangcheng Real Estate Management Co., Ltd.	500		100	100	Yes
Zhanjiang Shenzhen Real Estate Development Co., Ltd.	253		100	100	Yes
Shenzhen Property Construction Supervision Co., Ltd.	300	58.88	100	100	Yes
Shenzhen International Trade Plaza	1,200		100	100	Yes
Shenzhen Real Estate Exchange	138	40.14	100	100	Yes
Shum Yip Properties Development Co., Ltd.	HKD2,000	2,820.68	100	100	Yes
Wayhang Development Co., Ltd.	HKD0.0002		100	100	Yes
Chief Link Properties Co., Ltd.	HKD0.01		70	70	Yes
Syndis Investment Co., Ltd.	HKD0.0004		70(note2)	70	Yes
East Land Properties Limited	HKD0.01		100	100	No(note3)

Subsidiaries	Minority interest(0'000)	Deductible minority interest	Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
Chief Link Properties Co., Ltd.	86.21		

Note 1: In January of 2008, Note 1. During reporting period, Shenzhen ITC Vehicles Industry Co., Ltd. and Shenzhen Guanghong investment Co., Ltd. signed a gas station operating lease contract, prescribing that Shenzhen Guanghong investment Co., Ltd. leases and manage the assets such as land of gas station, gas station shed, operating buildings, accommodations, equipments in gas station and so on, equity and management right of Shenzhen ITC Petroleum Co., Ltd (which is wholly-owned subsidiary of Shenzhen ITC Vehicles Industry Co., Ltd.), the lease term is 15 years. Since the start of the operating lease, the Company has no control over Shenzhen ITC Petroleum Co., Ltd. According to Accounting Standards for Business Enterprises, the financial statements of this subsidiary are excluded from consolidation scope.

Note 2: Syndis Investment Co., Ltd is a wholly-owned subsidiary of Chief Link Properties Limited.

Note 3: East Land Properties Limited (hereinafter referred to as “East Land Company”) is in the process of liquidation, and the liquidation group is in charge of management of East Land Company during the report period; East Land Company may not carry out any operating activities other than liquidation activities. In this case, the Company no longer controls East Land Company, and its financial statements are no longer based on the underlying assumption of going concern, therefore East Land Company is excluded from consolidation scope.

（2）The subsidiaries obtained through business combination which under the common control

There is no such kind of subsidiaries in report period.

（3）The subsidiaries obtained through business combination which under the non-common control

There is no such kind of subsidiaries in report period.

2. Changing of Consolidation Scope

(1) The new subsidiaries which are included in consolidation scope

	Reason of change	Date of change	Net profit for current year	Net assets at the end of year
Shandong Shenzhen ITC Property Management Co., Ltd.	New founded Company	January of 2009	368,010.29	5,036,801.03

(2) The companies which are excluded from consolidation scope

There is none in report period.

3. The exchange rate for main subjects of overseas economies

For Hongkong registered subsidiaries included in consolidated scope, such as Shum Yip Properties Development Co., Ltd., Wayhang Development Co., Ltd., Chief Link Properties Co., Ltd., and Syndis Investment Co., Ltd. The exchange rates of currencies are as follows:

(1) For assets and liabilities, using the spot exchange rate of RMB against HKD (1:0.8805.)on the balance sheet date;

(2) For the paid-in capital, using the spot exchange rate of RMB against HKD (1：0.7917) when obtained;

(3) For the income statement, using the the average exchange rate of RMB against HKD (1：0.8812)

when trade occuried

Note V. Notes to the main subjects in consolidated financial statements

(Except for especially indicated, the closing balance and the opening balance refer to the balance at December 31, 2009 and December 31, 2008 respectively; the current year refers to 2009, and the last year refers to 2008; all amounts are presented in RMB.)

1．Cash and cash equivalents

Item	Closing balance	Opening balance
Cash on hand	227,928.12	340,965.83
Bank deposit	822,829,335.90	265,398,484.68
Other cash and cash equivalents	6,998,324.23	5,969,277.35
Total	830,055,588.25	271,708,727.86

Note 1: Other cash and cash equivalents refer to the closing balance of investment deposit and other margin account in Securities Companies.

Note 2: The closing balance increased by 205.49% comparing to the opening balance, mainly due to the increasing sales of Real estate in report period.

Note 3: In closing balance of bank deposit, RMB 1,423,898.44 is frozen by the courthouse, due to pending action of Haiyi case, details refers to Note V-15, NoteVII- 1(1).

Item	Closing balance			
	Currency	Original currency	Exchange rate	RMB
Cash on hand	RMB	176,999.03	1.0000	176,999.03
	USD	863.58	6.8282	5,896.69
	HKD	51,144.12	0.8805	45,032.40
	Sub-Total	——	——	227,928.12
Bank deposit	RMB	818,032,057.28	1.0000	818,032,057.28
	USD	239.66	6.8282	1,636.45
	HKD	5,446,498.78	0.8805	4,795,642.17
	Sub-Total	——	——	822,829,335.90
Other cash and cash equivalents	RMB	6,997,908.55	1.0000	6,997,908.55
	HKD	472.09	0.8805	415.68
	Sub-Total	——	——	6,998,324.23

Total		——	——	830,055,588.25

Item	Opening balance			
	Currency	Original currency	Exchange rate	RMB
Cash on hand	RMB	256,104.11	1.0000	256,104.11
	USD	863.58	6.8346	5,902.20
	HKD	89,533.42	0.8819	78,959.52
	Sub-Total	——	——	340,965.83
Bank deposit	RMB	264,160,081.58	1.0000	264,160,081.58
	USD	368.81	6.8346	2,520.65
	HKD	1,401,387.06	0.8819	1,235,882.45
	Sub-Total	——	——	265,398,484.68
Other cash and	RMB	5,869,611.04	1.0000	5,869,611.04
cash equivalents	HKD	113,013.16	0.8819	99,666.31
	Sub-Total	——	——	5,969,277.35
Total		——	——	271,708,727.86

2. Trading financial assets

Item	Closing balance (fair value)	Opening balance (fair value)
Held-for-trading equity instrument	232,200.00	2,670,729.47
Total	232,200.00	2,670,729.47

Note 1: The market price at the end of period was determined according to the closing price at December 31, 2009 declared by Stock Exchange;

Note 2: The investment refers to 30,000 shares of ST stock “Shengrun”, fair value of closing balance is RMB 232,200.00, which is frozen by the courthouse, due to pending action of Haiyi case, details refers to Note V-15, Note VII- 1(1).

3. Accounts receivable

(1) Accounts receivable by categories are as follows:

Categories	Closing balance			
	Balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables	109,635,474.92	92.40	48,266,173.89	93.34
Individually insignificant receivables with high credit risk in group assessment	3,268,913.65	2.76	3,258,085.65	6.30
Other insignificant amount	5,746,743.71	4.84	187,873.80	0.36
Total	118,651,132.28	100.00	51,712,133.34	100.00

Categories	Opening balance			
	Balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables	107,951,792.78	90.14	48,266,173.89	94.34
Individually insignificant receivables with high credit risk in group assessment	2,807,955.19	2.34	2,680,901.99	5.24
Other insignificant amount	9,010,737.18	7.52	217,497.47	0.42
Total	119,770,485.15	100.00	51,164,573.35	100.00

(2) Individually significant receivables or insignificant receivables requiring impairment test, and providing provision for bad debt:

Name of company	Closing balance	Bad debt provision	Aging	Reason for provision
Shenzhen Jiyong Properties & Resources Development Company	98,611,328.05	42,611,328.05	Over 3 years	Involved in lawsuit, refer to Note VII-1(2), Note IX-2
Shenzhen Tewei Industry Co.,Ltd.	2,836,561.00	2,836,561.00	Over 3 years	Uncollectible for a long period
Shenzhen Lunan Industry Development Co.,Ltd.	2,818,284.84	2,818,284.84	Over 3 years	Poor operational status
Total	104,266,173.89	48,266,173.89		

(3) There was no accounts receivable due from shareholders with more than 5% (including 5%) of the

voting shares of the Company.

（4）At end of the year, details of significant accounts receivable at the year end are as follows:

Company	Relationship	Amount	Aging	Proportion to total accounts receivables(%)
Shenzhen Jiyong Properties & Resources Development Company	Non-related parties	98,611,328.05	Over 3 years	83.11
Rainbow Plaza Co., Ltd	Non-related parties	5,369,301.03	Within 1year& 1-2years	4.52
Shenzhen Tewei Industry Co.,Ltd.	Non-related parties	2,836,561.00	Over 3 years	2.39
Shenzhen Lunan Industry Development Co.,Ltd.	Non-related parties	2,818,284.84	Over 3 years	2.38
Total		109,635,474.92		92.40

4. Other receivables

（1）Other receivables by categories are as follows:

Categories	Closing balance			
	Balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables	139,178,513.29	87.82	95,719,449.61	91.64
Individually insignificant receivables with high credit risk in group assessment	12,982,578.92	8.19	8,679,356.01	8.31
Other insignificant amount	6,320,585.21	3.99	52,816.90	0.05
Total	158,481,677.42	100.00	104,451,622.52	100.00

Categories	Opening balance			
	Balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables	155,438,806.94	89.30	98,201,351.88	91.92
Individually insignificant receivables with high credit risk in group assessment	12,935,854.48	7.43	8,627,800.43	8.08
Other insignificant amount	5,679,715.57	3.27	3,082.58	0.00
Total	174,054,376.99	100.00	106,832,234.89	100.00

（2）Individually significant other receivables or other insignificant receivables requiring impairment test, and providing provision for bad debt：

Name of company	Closing balance	Bad debt provision	Aging	Reason for provision
Gintian Industry (Group) Co.,Ltd	56,600,000.00	56,600,000.00	2-3years &over 3 years	Payment for discharging of guaranty responsibility that was difficult to be recollected
Shenzhen Shengfenglu, ITC Jewel & Gold Co., Ltd	10,199,186.28	6,532,519.60	Over 3 years	There is no asset to execute the verdict, thus lead to uncollectibility
Duokuai Elevator (Far East) Co., Ltd.	8,726,693.00	1,478,071.21	Over 3 years	Receivables cannot be offset by executable property, referring to Note VII- 1(4)
Anhui Nanpeng Papermaking Co., Ltd	8,690,144.00	8,690,144.00	Over 3 years	Uncollectible for a long period
Shanghai Yutong Real estate development Co., Ltd	5,676,000.00	5,676,000.00	Over 3 years	Uncollectibility for the reason of verdict
Wuliangye Restaurant	5,523,057.70	5,523,057.70	Over 3 years	Has been liquidated
HongKong Yueheng Development Co., Ltd	3,271,837.78	3,271,837.78	Over 3 years	Has been liquidated
Elevated Train Project	2,542,332.43	2,542,332.43	Over 3 years	Suspended project
Dameisha Tourism Center	2,576,445.69	2,576,445.69	Over 3 years	Suspended project
Shenzhen ITC Food Enterprise Co.,Ltd.	2,431,652.48	2,431,652.48	Over 3 years	Insolvency
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	1,747,264.25	1,747,264.25	Over 3 years	Poor operation status
Total	107,984,613.61	97,069,325.14		

（3）There was no other receivable due from shareholders with more than 5% (including 5%) of the voting shares of the Company.

（4）Details of top 5 other receivables：

Name of company	Relationship	Amount	Aging	Proportion of the total (%)
Gintian Industry (Group) Co.,Ltd.	Non-related parties	56,600,000.00	2-3years &over 3 years	35.71
Shenzhen ITC Tian'an Properties Co., Ltd	Joint ventures	19,705,931.45	Over 3 years	12.43
Shenzhen Shengfenglu, ITC Jewel & Gold Co., Ltd	Non-related parties	10,199,186.28	Over 3 years	6.44
Duokuai Elevator (Far East) Co., Ltd.	Non-related parties	8,726,693.00	Over 3 years	5.51
Anhui Nanpeng Papermaking Co., Ltd	Interests in associates	8,690,144.00	Over 3 years	5.48
Total		103,921,954.73		65.57

(5) Details of other receivables refer to Note VI-3 (4).

5. Prepayment

(1)Aging analysis

Aging	Closing balance		Opening balance	
	Closing balance	Proportion (%)	Closing balance	Proportion (%)
Within 1 year(including 1 year)	46,717,982.28	99.69	2,111,993.73	91.60
1-2 years(including 2 years)	134.03	0.00	161,517.00	7.01
2-3 years(including 3 years)	129,879.00	0.28	0	0
Over 3 years	14,878.80	0.03	32,118.80	1.39
Total	46,862,874.11	100.00	2,305,629.53	100.00

（2）The significant prepayments are as following:

Company	Relationship	Amount	Aging	Notice
Prepayment of taxes	Non-related parties	37,130,544.63	Within 1year	Note
Yutong Group Construction Co., Ltd.	Non-related parties	2,500,000.00	Within 1year	Prepayment for projects
Shenzhen Zijiang Industrial Co., Ltd.	Non-related parties	1,200,000.00	Within 1year	Prepayment for projects

Total		40,830,544.63		

Note: According to “Provisional Regulations on Business Tax Business tax”, transfer of land use right or real estate sales, using method of pre-collection (including deposit in advace), and the obligation for tax occurs on pre-collection date. The balance of pre-paid the taxes and fees refer to the prepaid business tax, education surtax and other tax fees, basing on pre-sale income of commercial housing sales.

（3）There was no amount due from shareholders with more than 5% (including 5%) of the voting shares of the Company in prepayment.

6. Inventories

(1) Details

Categories	Opening balance	Increase	Decrease	Closing balance	Including：Capitalized borrowing cost	Proportion of reversal of provision for impairment of inventories to closing balance
Raw materials	1,451,382.22	4,275,303.38	4,176,700.15	1,549,985.45		
Finished products	217,315.43	348,746.20	447,867.64	118,193.99		
Low-value consumption goods	327,065.90	711,394.80	874,588.24	163,872.46		
Land use right held for real estate development	230,187,067.43	848,085.51	85,979,905.10	145,055,247.84		
Properties under development	529,360,086.36	417,248,362.29	120,000.00	946,488,448.65	81,252,654.73	
Completed properties for sale	528,429,657.47		268,165,573.27	260,264,084.20	328,152.52	
Total	1,289,972,574.81	423,431,892.18	359,764,634.40	1,353,639,832.59	81,580,807.25	

Note: Details of ownership restricted stock refer to Note.V-15.

(2)Provision for impairment of inventories

Categories	Opening balance	Increase	Decrease			Closing balance
			Reversal	Written off	Currency translation effects	

Categories	Opening balance	Increase	Decrease			Closing balance
			Reversal	Written off	Currency translation effects	
Raw materials	429,881.46	7,203.73	576.00			436,509.19
land use right held for real estate development	106,697,503.71			38,242,168.99	47,680.37	68,407,654.35
completed properties for sale	29,118,896.81					29,118,896.81
Total	136,246,281.98	7,203.73	576.00	38,242,168.99	47,680.37	97,963,060.35

Note1: Provision for "Land use right held for real estate development" is carried forward to cost of project "Pinghu Land", referring to Note V-6(3) A;

Note2: A Currency translation effect during the current period was due to the translation of foreign currency financial statement of the Company's foreign subsidiary Shum Yip Properties Development Limited.

(3)Details are as following:

A. Land use right held for real estate development

Items	Closing balance		Opening balance	
	Amount	provision for impairment of inventories	Amount	provision for impairment of inventories
Huanggang Port Land	46,823,373.98		46,823,373.98	
Pinghu Land			40,642,168.99	38,242,168.99
Hainan Qiongshan Land	6,648,404.13	6,648,404.13	6,648,404.13	6,648,404.13
Shenhui Garden	35,574,848.40	26,002,128.89	34,726,762.89	26,002,128.89
Donggua Ridge Land			45,257,855.74	
Fuchang Second Term Land	5,769,577.11	5,769,577.11	5,769,577.11	5,769,577.11
Hong Kong Tingjiu Land	50,239,044.22	29,987,544.22	50,318,924.59	30,035,224.59
Total	145,055,247.84	68,407,654.35	230,187,067.43	106,697,503.71

Note 1: Notes to Pinghu Land: In August, 1992, the Company signed the contract with HongKong Lianfahang International Development Co., Ltd and Pinghu village to develop Pinghu village's land.

The Company paid RMB 47,100,000 to obtain the real estate certificate for 173,750 square meters, which including undeveloped land 65,714.10 square meters. Aferwards, Pinghu village took over the undeveloped land on grounds of not receiving the full fund. On December 30, 2003, the Company signed contract with Pinghu village, which agreed that the Company kept the use rignt of 10,000 square meters in undeveloped land 65,714.10 square meters, and the rest 55,714.10 square meters was returned to Pighu village.

In the year of 2008, the 10,000 square meters owned ground was occupied by villagers; the Company signed another supplemental contract with Pinghu village to obtain an un-using land 9,980 square meters instead. Because the 9,980 square meters land is collective land, which can be transferred the ownership after being changed into merchandise land. It takes time to obtain the approval of related government departments. At beginning of 2009, The Company received the reply from Shenzhen Land Resources and Housing Management bureau Longgang Branch, in accordance with national policies, the using right of the ground is not granted to the Company, and whom was proposed to find another way to solve. In July of 2009, after times of negotiation, the company received a letter from Pinghu Street office of Longgang District, which has requested the Company shall sign the agreement with Pinghu Village, for a proper settlement of the land trading matters. The government will withdraw the occupied land of 6,417.22 quare meters, and the compensation (RMB 3,555,100) for the Company will be covered by government. On Sep 29 of 2009, the company signed a contract with Pinghu joint-stock cooperative company (Former Pinghu village committee): the Pinghu village adopted the exchange standarder as RMB 554 per quare meters, and gave a land 3,582.78 quare meters to the Company as a compensation of equity, the total equal to RMB 1,984,900. The Company beared all the expense (including land-use fee, transfer fees, etc.) less than RMB 900,000. After obtaining all the compensations, the Company should give up the land-use right, cooperating with Pinghu village to transfer the land-use right. In October of 2009, the Company received the compensation of RMB 1,984,900 from Pinghu joint-stock cooperative company, but the compensation from government has not yet been received. Since only entitled to compensatory benefits, the company written off the book value of the land (including the original book value RMB 40,642,200, provision for impairment RMB 38,242,200), and the remaining compensation RMB 3,555,100 is recognized as other receivables, while the transfer fee is recognized as accrued expenses RMB 900,000.

Note2: The decrease of “Donggua Ridge Land” was due to the development of project “Cai Tian Yi Se”;

Note3: The decrease of “Hong Kong Tingjiu Land” was due to translation of financial statements in foreign currencies;

B. Properties under development

Project name	Starting time	Expected completion time	Expected total investment	Closing balance	Opening balance
Shenwuye – Shengang No.1 (original HuangYu Garden District C-B)	2007.1	2011.1	388,000,000.00	256,171,231.97	135,803,567.97
Shenwuye -Langqiao Residence (original HuangYu Garden District D)	2008.3	2012.2	420,000,000.00	201,623,511.09	121,757,512.84
Shenwuye – FHRL (original FHRL Group B)	2005.9	2010.6	422,280,000.00	436,180,001.02	271,679,005.55
Cai Tian Yi Se	2009.7	2011.6	110,000,000.00	52,513,704.57	
Sundry project					120,000.00
Total				946,488,448.65	529,360,086.36

C. Completed properties for sale

Item	Completion time	Opening balance	Increase	Decrease	Closing balance	Provision for impairment of inventories
ITC Plaza	1995.12	79,901,727.31		33,534,859.63	46,366,867.68	
Huangyu Garden District A	2001.06	2,973,623.25		356,066.14	2,617,557.11	
Huangyu Garden District B	2003.12	15,968,124.72		621,784.59	15,346,340.13	
Imperial Garden (original HuangYu Garden District C-A)	2008.11	219,861,151.80		213,997,451.38	5,863,700.42	
Huangcheng Plaza	1997.05	172,981,417.98		6,998,376.82	165,983,041.16	29,118,896.81
Xinda Building	2001.10	3,145,042.17		3,145,042.17		
Fenrun Garden	1998.02	339,542.36		169,771.18	169,771.18	
Haikou Waterfront of Blue Island	2008.12	18,297,459.85		5,456,751.96	12,840,707.89	
Rihao Garden		4,654,651.00			4,654,651.00	
Meisi Workshop		3,885,469.40		3,885,469.40		
Fuchang Comprehensive		6,421,447.63			6,421,447.63	

Item	Completion time	Opening balance	Increase	Decrease	Closing balance	Provision for impairment of inventories
Building						
Total		528,429,657.47		268,165,573.27	260,264,084.20	29,118,896.81

Note: the closing balance of ITC Plaza, Xinda Building, and Meisi Workshop is decreased comparing to the opening balance, which was due to purpose of own use, transfer of fixed assets or real estate investment.

7. Investment held to maturity

Item	Closing balance	Opening balance
Investments on bond		3,000.00
Total		3,000.00

8. Joint venturess, associates and other invested companies

Name of company	Business nature	Registered capital (0'000)	Business scope
Shenzhen ITC Tian'an Properties Co., Ltd	Hotel services	USD888	Constructing and managing Tian'an International Building
Shenzhen ITC Tian'an Properties Management Co., Ltd	Property management	300	Property management
Shenzhen Jifa Warehouse Co., Ltd	Services	5,415	Warehousing; developing sea-front industry; road transport; sales of auto parts
Shenzhen ITC Industrial Development Co., Ltd	Services	HKD3,280	Biquan Restaurant; snooker, bowling, karaoke; laundry
Anhui Nanpeng Papermaking Co., Ltd	Industry	USD800	Production and sales of copperplate paper, culture paper, and wrapping paper
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	Industry	USD12,500	Production and export of top grade construction tile, sale of building materials and architectural ceramic products

Name of company	Business nature	Registered capital (0’000)	Business scope
Shenzhen Huajing Glass Bottle Co., Ltd	Industry	4,800	Producing kinds of glass bottles used in the wrapping the medicine, beer, food and drinks or other special glass bottles; providing economic information and technical consulting services
Guangzhou Lishifeng Motor Co., Ltd	Services	2,000	Taxi transportation; domestic commerce and materials supply (besides the goods that the government controlled)

Name of company	Contributions (0’000)	Proportion of Shareholdings	
		Direct	Indirect
Shenzhen ITC Tian’an Properties Co., Ltd	2,318.61	50%	
Shenzhen ITC Tian’an Property Management Co., Ltd	150	50%	
Shenzhen Jifa Warehouse Co., Ltd	3,064.51	50%	
Shenzhen ITC Industrial Development Co., Ltd	2,015.48	38.33%	
Anhui Nanpeng Papermaking Co., Ltd	1,382.40	30%	
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	1,898.36	26%	
Shenzhen Huajing Glass Bottle Co., Ltd	760	15.83%	
Guangzhou Lishifeng Motor Co., Ltd	600		30%

Note: there is no difference between the aforesaid proportions of voting rights and shareholding hold by the Company.

9. Long-term equity investment

（1）Details are as following:

Company	Amount of initial investment	Opening balance	Increase/ Decrease	Closing balance	Proportions of shareholding (%)	Proportions of voting rights (%)
I. Investment under equity						

Company	Amount of initial investment	Opening balance	Increase/ Decrease	Closing balance	Proportions of shareholding (%)	Proportions of voting rights (%)
method						
Shenzhen ITC Tian'an Properties Co., Ltd	23,186,124.00	37,134,170.50	-562,597.68	36,571,572.82	50	50
Shenzhen Jifa Warehouse Company Limited	30,645,056.04	26,297,645.27	-281,055.82	26,016,589.45	50	50
Shenzhen Tian'an International Building Property Management Co., Ltd	1,500,000.00	1,758,476.74	48,571.42	1,807,048.16	50	50
II. Investment under cost method						
East Land Properties Limited	93.64	93.64		93.64	100	100
Shenzhen Huajing Glass Bottle Company Limited	7,600,000.00	7,600,000.00		7,600,000.00	15.83	15.83
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	18,983,614.14	18,983,614.14		18,983,614.14	26	26
Shenzhen ITC Industrial Development Co., Ltd	20,154,840.79	3,682,972.55		3,682,972.55	38.33	38.33
Anhui Nanpeng Papermaking Co., Ltd	13,824,000.00	13,824,000.00		13,824,000.00	30	30
China T.H. Co.,Ltd.	2,962,500.00	2,962,500.00		2,962,500.00	0.33	0.33
North Machinery (Group) Co.,Ltd.	3,465,000.00	3,465,000.00		3,465,000.00	12.66	12.66
Guangdong Huayue Real Estate Co.,Ltd.	8,780,645.20	8,780,645.20		8,780,645.20	8.47	8.47
Shenzhen ITC Petroleum Company Limited	8,500,000.00	8,500,000.00		8,500,000.00	100	100
Guangzhou Shilifeng Automobile Co.,Ltd.	6,000,000.00	6,000,000.00		6,000,000.00	30	30
Sanya East Travel Co.,Ltd. Legal	1,350,000.00	1,350,000.00		1,350,000.00	0.28	0.28

Company	Amount of initial investment	Opening balance	Increase/ Decrease	Closing balance	Proportions of shareholding (%)	Proportions of voting rights (%)
persons shares						
Shensan Co.,Ltd.	17,695.09	17,695.09		17,695.09		
Macao Huashen Enterprise Co.,Ltd.	85,621.36	85,621.36	-135.92	85,485.44	10	10
Chongqing Guangfa Real estate development Co.,Ltd.	2,598,061.52	2,598,061.52	-4,124.37	2,593,937.15	27.25	27.25
Saipan Project	1,935,184.04	1,935,184.04	-3,072.07	1,932,111.97	30	30
Total		144,975,680.05	-802,414.44	144,173,265.61		

Company	Note for difference between proportions of voting rights and shareholding hold	Provision for impairment	Provision incresed in current year	Cash dividends
I. Investment under equity method				
Shenzhen ITC Tian’an Properties Co., Ltd				
Shenzhen Jifa Warehouse Company Limited				
Shenzhen Tian’an International Building Property Management Co., Ltd				
II. Investment under cost method				
East Land Properties Limited				
Shenzhen Huajing Glass Bottle Company Limited		7,600,000.00		
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd		18,983,614.14		
Shenzhen ITC Industrial Development Co., Ltd		3,682,972.55		
Anhui Nanpeng Papermaking Co., Ltd		13,824,000.00		
China T.H. Co.,Ltd.		2,160,300.45		
North Machinery (Group) Co.,Ltd.		3,465,000.00		
Guangdong Huayue Real Estate Co.,Ltd.		8,780,645.20	780,645.20	
Shenzhen ITC Petroleum Company Limited				
Guangzhou Shilifeng Automobile Co.,Ltd.				

Sanya East Travel Co.,Ltd. Legal persons shares		1,350,000.00		
Shensan Co.,Ltd.		17,695.09		
Macao Huashen Enterprise Co.,Ltd.		85,485.44	-135.93	
Chongqing Guangfa Real estate development Co.,Ltd.		2,593,937.15	-4,124.37	
Saipan Project		1,932,111.97	-3,072.07	
Total		64,475,761.99	773,312.83	

Note 1: The details of significant Joint venturess, associates refer to Note V. -8.

Note 2: Directional shares of SST Huasu Holdings Co., Ltd (as 825,000 shares) is frozen by the courthouse, due to pending action of Haiyi case, details refers to Note V.-15, NoteVII.- 1(1).

Note 3: The decreased balance of investment and impairment provision of Macao Huashen Enterprise Co., Ltd., Saipan Project,

Chongqing Guangfa Real estate development Co.,Ltd., which was due to translation of financial statements in foreign currencies

10. Investment property

(1) Details are as following:

Item	Opening balance	Increase	Decrease	Closing balance
1.Cost	337,388,599.87	58,264,246.76	5,323,527.04	390,329,319.59
Including: Property and building	334,388,599.87	50,294,292.36	5,323,527.04	379,359,365.19
Land use right	3,000,000.00	7,969,954.40		10,969,954.40
2.Accumulated depreciation and amortization	113,346,621.68	20,495,825.01	619,093.04	133,223,353.65
Including: Property and building	113,242,575.44	18,129,409.94	619,093.04	130,752,892.34
Land use right	104,046.24	2,366,415.07		2,470,461.31
3.The net book value	224,041,978.19	——	——	257,105,965.94
Including: Property and building	221,146,024.43	——	——	248,606,472.85
Land use right	2,895,953.76	——	——	8,499,493.09
4. Provision for impairment loss				
Including: Property and building				
Land use right				
5.Carrying amount	224,041,978.19	——	——	257,105,965.94

Item	Opening balance	Increase	Decrease	Closing balance
Including: Property and building	221,146,024.43	——	——	248,606,472.85
Land use right	2,895,953.76	——	——	8,499,493.09

Note: Amount of accumulated depreciation and amortization is RMB 14,520,604.33 in current fiscal year.

(2)The increased cost of property and building during the current period was due to the investment property transferred from inventories under leasing and fixed assets.

(3) The investment properties with restricted ownership, referring to Note V.-15.

(4)The real estate held for sales:

Item	Carrying amount	Fair value	Estimated disposal cost	Disposal time	Disposal method
Land use right	2,843,930.64	5,274,080.00	860,000.00	April 2010	Agreements

On May 25, 2009, Shenzhen Huangcheng Real Estate Co., Ltd (hereinafter referred to as "Huangcheng Real Estate"), a wholly-owned subsidiary of the Company, made a land repurchase agreement with Land Reserve department of Sihui City; the department will repurchase the use right of the land owned by Huangcheng Real Estate; the land is a 31,394.46 square meters (equivalent to 47.09 Mu) industrial land, the price is RMB 112,000.00 per Mu, and total is RMB 5,274,080. Till the report date, the Huangcheng Real Estate has not yeat obtained the repurchase fund.

11. Fixed assets

(1) Details:

Item	Opening balance	Increase	Decrease	Closing balance
1.Cost	193,412,746.09	5,477,178.29	25,307,368.55	173,582,555.83
Including: Property and buildings	132,897,197.66	2,728,772.13	21,923,228.36	113,702,741.43
Machineries	81,941.80		42,052.80	39,889.00
Vehicles	45,568,495.17	596,257.00	1,439,600.00	44,725,152.17
Electronic and other equipment	10,616,700.87	2,152,149.16	1,902,487.39	10,866,362.64
Decoration	4,248,410.59			4,248,410.59
2.Depreciation	89,323,158.62	14,127,452.09	6,929,564.16	96,521,046.55
Including: Property and buildings	56,075,479.43	4,748,729.51	3,978,142.33	56,846,066.61

Item	Opening balance	Increase	Decrease	Closing balance
Machineries	48,857.70	18,967.01	41,352.80	26,471.91
Vehicles	21,669,729.19	7,913,876.75	1,121,000.00	28,462,605.94
Electronic and other equipment	7,952,708.12	1,173,981.12	1,789,069.03	7,337,620.21
Decoration	3,576,384.18	271,897.70		3,848,281.88
3.The net book value	104,089,587.47	——	——	77,061,509.28
Including: Property and buildings	76,821,718.23	——	——	56,856,674.82
Machineries	33,084.10	——	——	13,417.09
Vehicles	23,898,765.98	——	——	16,262,546.23
Electronic and other equipment	2,663,992.75	——	——	3,528,742.43
Decoration	672,026.41	——	——	400,128.71
4. Provision for mpairment loss	75,717.16			75,717.16
Including: Property and buildings				
Machineries				
Vehicles				
Electronic and other equipment	75,717.16			75,717.16
Decoration				
5.Carrying amount	104,013,870.31	——	——	76,985,792.12
Including: Property and buildings	76,821,718.23	——	——	56,856,674.82
Machineries	33,084.10	——	——	13,417.09
Vehicles	23,898,765.98	——	——	16,262,546.23
Electronic and other equipment	2,588,275.59	——	——	3,453,025.27
Decoration	672,026.41	——	——	400,128.71

Note: Amount of accumulated depreciation is RMB 13,780,939.44 in current fiscal year.

(2) Details of temporarily idle fixed assets are as follows:

Categories	Cost	Accumulated depreciation	Impairment loss	Carrying amount	Expected date for put into usage
Property and buildings	18,657,141.45	5,079,701.28		13,577,440.17	
Total	18,657,141.45	5,079,701.28		13,577,440.17	

(3)The fixed assets with restricted ownership, is referring to Note V.-15.

12. Intangible assets

Item	Opening balance	Increase	Decrease	Closing balance
1.Cost	146,798,497.31			146,798,497.31
-Operating license plate	144,851,143.70			144,851,143.70
-Repurchased operating right of taxi's operating license plate	1,947,353.61			1,947,353.61
2.Accumulated amortization	27,396,156.39	6,508,663.80		33,904,820.19
-Operating license plate	27,016,274.07	6,449,561.97		33,465,836.04
-Repurchased operating right of taxi's operating license plate	379,882.32	59,101.83		438,984.15
3.The net book value	119,402,340.92	——	——	112,893,677.12
-Operating license plate	117,834,869.63	——	——	111,385,307.66
-Repurchased operating right of taxi's operating license plate	1,567,471.29	——	——	1,508,369.46
4. Provision for mpairment loss				
-Operating license plate				
-Repurchased operating right of taxi's operating license plate				
5.Carrying amount	119,402,340.92	——	——	112,893,677.12
-Operating license plate	117,834,869.63	——	——	111,385,307.66
-Repurchased operating right of taxi's operating license plate	1,567,471.29	——	——	1,508,369.46

Note 1: Accumulated amortization is RMB 6,508,663.80 in current year.

Note 2: The intangible assets with restricted ownership, referring to Note V.-15.

13. Deferred tax assets and liabilities

（1）Recognized deferred tax assets and liabilities

Item	Closing balance	Opening balance
I. Deferred tax assets		
1.Carrying amount of other receivables less than its tax base	330,715.82	795,684.72
2.Carrying amount of inventories less than its tax base	10,306,489.74	5,823,779.36
3.Carrying amount of taxes payable greater than its tax base	32,844,451.12	
4.Carrying amount of payroll payable greater than its tax base	686,097.78	1,880,000.00
5.Losses on taxable income to be recovered	7,527,746.56	4,823,393.87
Sub-total	51,695,501.02	13,322,857.95
II. Deferred tax liabilities		
None		
Sub-total		

（2）Assets and liabilities giving rise to temporary difference

Item	Temporary difference
1.Carrying amount of other receivables less than its tax base	1,503,253.74
2.Carrying amount of inventories less than its tax base	46,599,902.56
3.Carrying amount of taxes payable greater than its tax base	149,292,959.65
4.Carrying amount of payroll payable greater than its tax base	3,118,626.28
5.Losses on taxable income to be recovered	34,217,029.82
Total	234,731,772.05

14. Provision for impairment loss

Item	Opening balance	Increase	Decrease			Closing balance
			Reversal	Written off	Foreign currencies effects	
I. Provision for bad debt	157,996,808.24	759,588.01	2,580,352.39		12,288.00	156,163,755.86
Including: Accounts receivable	51,164,573.35	547,559.99				51,712,133.34

Item	Opening balance	Increase	Decrease			Closing balance
			Reversal	Written off	Foreign currencies effects	
Other receivables	106,832,234.89	212,028.02	2,580,352.39		12,288.00	104,451,622.52
II. Provision for impairment of inventories	136,246,281.98	7,203.73	576.00	38,242,168.99	47,680.37	97,963,060.35
III. Provision for impairment of long-term equity investments	63,702,449.15	780,645.20			7,332.36	64,475,761.99
VI. Provision for impairment of fixed assets	75,717.16					75,717.16
Total	358,021,256.53	1,547,436.94	2,580,928.39	38,242,168.99	67,300.73	318,678,295.36

Note: Written-off of provision for inventories impairment, is referring to Note.V-6 (3) A.

15. Assets with restriction on ownership

(1)The reason for restriction on ownership

A. The subsidiary of the Company, Shenzhen ITC Vehicles Services Company, mortgaged parts of ITC Plaza (second phase) for a short-term bank loan amounting to RMB 50,000,000.00, and the closing balance of said short-term bank loan at the end of the financial year was RMB 0., up to December 31, 2009, the collateral guaranty has not been released; and mortgaged 80 property certificates of operating vehicle plate for a long-term bank loan RMB 19,000,000.00, and the closing balance is RMB 13,480,000.00.

B. The subsidiary of the Company, Shenzhen Huangcheng Real Estate Company Limited, mortgaged 5-6th building of Loyal Garden District A and parts of Loyal Garden District B for a long-term bank loan amounting to RMB 250,000,000.00 from Construction Bank, and the closing balance was RMB 200,000,000.00; It uses Loyal Garden District D (LangQiao Garden project), three floors of District A of Shenzhen ITC Building and Building 4-01 as collateral to receive a 240,000,000 RMB long-term bank loan, and the closing balance was RMB 200,000,000.00

C. The Company mortgaged District A and B of ITC, IT Commercial Building, Heping shops, 3-7th floors of Heping Single Building, 7th floor of Heping Hotel, Heping Food Market, 2nd floor in Heping Xinju 54th Building, and 1st floor in Heping Xinju Small Market for a long-term bank loan amounting to

RMB 250,000,000.00, and the closing balance of the year was RMB 0.00. Up to December 31, 2009, the collateral guaranty has not been released

D. The Company uses 2nd Floor of ITC Building District A , ITC Commercial Building and parts of ITC Plaza (second phase), total of 81 properties as collateral to receive a 69,000,000 RMB short-term bank loan, and the closing balance is RMB 0.00.. Up to December 31, 2009, the collateral guaranty has not been released.

E. As stated in Note(Ⅶ) 1 (1), the following assets have been sealed up or frozen by the court during the reporting period of the pending action of Haiyi case: seal up total 133 real estate properties, 66,581.11 square meter owned by the company which includes ITC Building, IT Commercial Building, ITC Plaza (second phase),RiHao Garden, IT Commercial & Residential Building, Heping Road Chuanbu Street etc.; freeze 95% shares of Shenzhen Huangcheng Real Estate Company Limited held by the company; freeze 825000 directional shares of SST Huansu Holdings Co., Ltd.; A30000 shares of circulation shares of *ST (specially treatment) Guangdong Sunrise Holdings Co., Ltd.;58720 shares of circulation stocks of PanZhiHua New Steel & Vanadium Company Limited (held by the company on behalf of the company union); freeze the bank accounts under the company's parent company name with total of 879,011.82 RMB bank deposit in China Construction Bank Ltd. Shenzhen Branch, China Industrial & Commercial Bank Ltd Shenzhen Branch, Bank of China Shenzhen Branch, China Agricultural Bank Shenzhen Branch (The total deposit in these accounts are RMB 1,423,898.44 by the end of the reporting year.) Among the above sealed up real estate properties, the estate area which has been mortgaged to the banks is 35,090.12 square meter, the year-end book value is RMB 74,676,808.33.

(2)Details of the assets with restriction on ownership area as follows:

Categories	Opening balance	Increase	Decrease	Closing balance
Assets used in guarantee				
Fixed asset- property and building	28,319,771.58	4,051,676.00	21,460,235.77	10,911,211.81
Investment property -property and building	87,104,912.14	84,988,714.14	65,251,318.43	106,842,307.85
Inventories-costs		175,007,383.76		175,007,383.76
- developments	185,829,097.42	6,542,787.52	156,671,526.54	35,700,358.40
Intangible asset - operating license plate	62,553,119.84		26,386,453.18	36,166,666.66
Subtotal	363,806,900.98	270,590,561.42	269,769,533.92	364,627,928.48
The assets sealed up or frozen due to lawsuit				
cash and cash equivalents		1,423,898.44		1,423,898.44

Categories	Opening balance	Increase	Decrease	Closing balance
Trading financial assets		232,200.00		232,200.00
Long-term equity investment		29,302,199.55		29,302,199.55
including：Huangcheng Real Estate Company Limited equity（note）		28,500,000.00		28,500,000.00
SST Huasu Holdings Co.,Ltd directional shares		802,199.55		802,199.55
Fixed asset- property and building		11,881,191.46		11,881,191.46
Investment property -property and building		86,475,296.75		86,475,296.75
Inventories- property and building		47,836,352.35		47,836,352.35
Subtotal		177,151,138.55		177,151,138.55
less： Assets used for collateral and sealed up, frozen		74,676,808.33		74,676,808.33
Total	363,806,900.98	373,064,891.64	269,769,533.92	467,102,258.70

Note: 95% shares of Shenzhen Huangcheng Real Estate Company Limited held by the company have been frozen. Up to December 31, 2009, the ending balance in long-term equity investment of the company is RMB 28,500,000.00. The net asset in the company's consolidated financial statement is RMB 180,444,300.00

16. Short -term borrowings

Categories	Closing balance	Opening balance
Credit loan	200,000,000.00	215,000,000.00
Mortgaged loan		154,000,000.00
Total	200,000,000.00	369,000,000.00

Note 1: Unpaid amount after balance sheet date

Note 2: The year-end credit loan is the loan made by the company and its subsidiary Shenzhen Huangcheng Real Estate Co., Ltd. through the bank to Shenzhen Investment Holding Co., Ltd. See Note (VI) 3 (3).

17. Trade payable

（1）Trade payable details

Item	Closing balance	Opening balance
Amount	112,470,139.39	137,040,777.65

（2）There was no amount due to shareholders with more than 5% (including 5%) of the voting shares of the Company in trade payables.

18. Advance from customers

（1）Advance from customers details

Item	Closing balance	Opening balance
Amount	745,527,226.22	67,150,023.78

Note 1：The closing balance increased by 1010.24% comparing to the opening balance.The increase reflects mainly the increase in real estate sales during the reporting period of Xinhua City Project and Shengang No 1 Project.

（2) Details of advance from customers on main projects of properties for sale are as follows:

Item	Aging	Closing balance	Opening balance	Estimated date of completion
Loyal Garden	Within 1 year	3,040,791.00	11,800,710.00	Completion
Huangcheng Plaza	1-2years	2,176,421.15	3,866,804.24	Completion
Huangyu Garden District A	1-4years	846,495.63	2,407,528.93	Completion
Huangyu Garden District B	1-4years	218,413.26	1,236,719.26	Completion
Fengrun Garden	3-4years	70,638.00	128,254.00	Completion
Xinhua City	Within 2 year	488,378,752.00	44,950,101.00	June 2010
Shengang No.1	Within 1 year	246,228,024.00		January 2011
Total		740,959,535.04	64,390,117.43	

Advances from customers with the aging over 1 year is due to the terms of revenue reorganization having not been satisfied.

Note 3: There was no amount due to shareholders with more than 5% (including 5%) of the voting shares of the Company in advance from customers.

19. Payroll payable

Categories	Opening balance	Increase	Decrease	Closing balance
I. Salary, bonus, allowance, subsid	38,781,860.13	130,440,922.31	133,477,968.58	35,744,813.86
II. Employee welfare	1,500.00	9,032,716.95	9,034,216.95	
III. Social insurance		15,243,765.03	14,804,885.39	438,879.64
Including: 1.Medical insurance		3,115,017.76	3,104,770.42	10,247.34
2.Basic retirement insurance		8,353,676.43	8,325,891.79	27,784.64
3.Annuity fee		3,090,427.14	2,695,507.14	394,920.00
4.Unemployment insurance		187,437.60	184,050.36	3,387.24
5.Injury insurance		249,179.90	247,825.01	1,354.89
6.Pregnancy insurance		234,293.67	233,108.14	1,185.53
7.Labor cooperation medical care		7,305.25	7,305.25	
8.Other social insurance		6,427.28	6,427.28	
IV. Public housing fund	73,754.34	108,090.00	107,400.00	74,444.34
V. Labour union fee and employee education fee	2,467,938.22	3,767,347.24	3,681,883.40	2,553,402.06
VI. Non-monetary welfare		145,267.00	145,267.00	
Ⅶ.Redemption for termination s of labor contract	25,929,179.50	12,700,956.90	25,459,471.33	13,170,665.07
Total	67,254,232.19	171,439,065.43	186,711,092.65	51,982,204.97

Note: The employee payroll balance at the end of the year drops 22.71% in comparison to the balance at the beginning of the year. It is mainly resulted from paying the dismissal welfare in accordance to the employee dismissal plan made this year. Details refer to Note Ⅸ 3

20. Taxes payable

Categories	Closing balance	Opening balance
1.VAT	24,686.83	41,461.01
2.Business tax	9,551,059.52	2,652,094.93
3.Income tax	33,444,737.01	15,604,575.75
4.Stamp tax	47,309.79	191,350.64

5.Education surtax	287,991.28	75,151.48
6.Land value appreciation tax	158,676,881.17	62,342,634.21
7.Urban maintenance and construction tax	201,419.84	39,833.23
8.Property tax	845,667.42	741,777.42
9.Land use tax		0.10
10.Individual income tax	2,236,551.30	627,227.15
11.Embankment maintenance fee	14,789.69	5,127.41
12.Others	784.09	1,545.41
Totals	205,331,877.94	82,322,778.74

Note: The closing balance of taxes payable increased by 149.42% than opening balance, mainly due to increased income tax and land value appreciation tax generated from the recognized revenue of Loyal Garden project.

21. Other payables

（1）Other payables details

Item	Closing balance	Opening balance
Totals	208,240,882.65	187,732,899.73

（2）There was no amount due to shareholders with more than 5% (including 5%) of the voting shares of the Company in other payables.

（3）The details of significant other payables are as follows：

Item	Amount	Nature
Accrued Land value appreciation tax	56,303,627.40	Accrued Land value appreciation tax
Rent deposits	31,392,223.30	Deposits
HaiNan Yirun Real Estate Co., Ltd	28,511,784.91	Receipts under custody
Guangzhou Lishifeng Motor Company Limited	15,344,017.08	Current account
Shenzhen Guanghong Investment Co., Ltd	18,670,000.00	Current account
Shenzhen Fulin Industrial Co., Ltd.	9,528,506.00	Current account
Total	159,750,158.69	

Note: The details of the account payables to other related party in other account payables of this reporting period refer to Note Ⅵ3（4）

22. Non-current liabilities due within 1 year

(1) Details

Item	Closing balance	Opening balance
Long-term borrowings	200,000,000.00	100,000,000.00
Total	200,000,000.00	100,000,000.00

(2) Long-term borrowings due within 1 year

Item	Closing balance	Opening balance
Guarantee borrowings	200,000,000.00	
Mortgage borrowings		100,000,000.00
Total	200,000,000.00	100,000,000.00

Details

Loan	Loan starting date	Loan ending date	currency	Interest rate	Closing balance		Opening balance	
					Foreign currency	Home Currency	Foreign currency	Home Currency
China construction bank, ltd., shenzhen branch	1, April 2008	30,March 2010	RMB	5.67%	——	200,000,000.00	——	250,000,000.00
Total					——	200,000,000.00	——	250,000,000.00

Note: The details of significant repayment after the balance sheet date refer to Note Ⅷ

23. Long-term borrowings

（1）classification

Borrowing terms	Closing balance	Opening balance
Mortgage borrowings		55,000,000.00
Pledge borrowings	13,480,000.00	43,229,343.34
Guarantee borrowings	250,000,000.00	250,000,000.00
Total	263,480,000.00	348,229,343.34

（2）Details:

Loan	starting	maturity	currency	Interest	Closing balance	Opening balance

	date	date		rate	Foreign currency	Home Currency	Foreign currency	Home Currency
Shenzhen east branch of agricultural bank of China	20March 2009	19March 2012	RMB	4.86%	——	200,000,000.00	——	
Shenzhen east branch of agricultural bank of China	26October 2009	25October 2011	RMB	4.86%	——	50,000,000.00	——	
Central Commercial branch of pinga n bank	8December 2008	8November 2011	RMB	5.67%	——	13,480,000.00	——	19,000,000.00
Total					——	263,480,000.00	——	19,000,000.00

Note: The details of significant loan after the balance sheet date refer to Note Ⅷ

24. Provision for contingent liabilities

Item	Opening balance	Increase	Decrease	Closing balance
Pending action of Haiyi case	61,254,234.44			61,254,234.44
Inspection matter		8,030,474.39		8,030,474.39
Total	61,254,234.44	8,030,474.39		69,284,708.83

Note 1: Details of Haiyi case refer to Note XII.1 (1).

Note 2: The details of inspection matter of provision for contingent liabilities refer to Note XII. 2

25. Other non-current liabilities

Item	Closing balance	Opening balance
1.Utility specific fund	20,588,927.64	21,571,868.62
2.Housing principle fund	9,596,210.03	7,837,285.22
3.House warming deposit	8,403,367.49	7,812,947.26
4.Electric Equipment Maintenance fund	4,019,415.44	4,019,415.44
5.Deputed Maintenance fund	25,928,572.02	25,978,097.69
6.Taxi Deposit	28,080,000.00	28,617,800.00
7.Lease income of taxi license to be written off	16,732,781.41	18,039,340.21
8.Others	2,447,000.39	4,887,000.00

Item	Closing balance	Opening balance
Total	115,796,274.42	118,763,754.44

Note: "Others" is borrowing of Shenzhen ITC Automobile Industry Co., Ltd, Shenzhen ITC Industry car rental Co., LTD due to the drivers.

26. Paid-in capital

Unit: (0'000) shares

Item	Before		Increase/Decrease (+/-)					After	
	Quantity (0'000)	Proportion (%)	Issuing new shares	Bonus shares (0'000)	Reserves transferred to shares	Others (0'000)	Subtota (0'000)l	Quantity (0'000)	Proportion (%)
A. Unlisted shares	38,894.86	71.79		3,533.06		-3,564.26	-31.20	38,863.66	65.21
1、 State owned shares									
2.State-owned corporate shares	38,337.84	70.76		3,477.36		-3,564.26	-86.90	38,250.94	64.18
3Other domestic owned shares	557.02	1.03		55.70			55.70	612.72	1.03
Including									
Shares held by domestic legal persons	509.02	0.94		50.90			50.90	559.92	0.94
Shares held by domestic natural person	48.00	0.09		4.80			4.80	52.80	0.09
4、Shares held by overseas legal persons									
Including									
Shares held by overseas legal persons									
Shares held by overseas natural person									
B. Listed shares	15,285.06	28.21		1,884.93		3,564.26	5,449.19	20,734.25	34.79
1．RMB-denominated ordinary shares	9,139.13	16.87		1,270.34		3,564.26	4,834.60	13,973.73	23.45
2、Domestically listed foreign shares	6,145.93	11.34		614.59			614.59	6,760.52	11.34
3、Overseas listed foreign shares									
4、Others									
Total	54,179.92	100.00		5,417.99			5,417.99	59,597.91	100.00

Unlisted shares trading time

Unit: (0'000) shares

Time	Increased	The balance of Unlisted shares	The balance of listed shares	Explanation
3 November 2010	808.05	38,055.61	21,542.30	
3 November 2012	38,055.61		59,597.91	

Note1: The Company implemented the reform of non-tradable shares in October, 2009. The details refer to Note Ⅸ. 1

Note2: According to the resolution of the company's fourth temporary shareholders meeting in 2009, the registers date to transfer to share capital from company's retained earning (10 send 1) and to transfer the increased equity from A Share is November 20, 2009. The registers date to transfer the increased equity from B Share is November 25, 2009. The registered capital is RMB 595,979,092 after the changes. The above changes in share capital have been verified by Wuhan Zhongjuan Certified Public Accountants Co., Ltd. and ZHYZ (2009) 068 Capital Verification Report was issued.

27. Capital surplus

Item	Opening balance	Increase	Decrease	Closing balance
Share premium				
Others	25,332,931.52			25,332,931.52
Including: Other changes besides net gains or losses in shareholders' equity of the investee under equity method	25,332,931.52			25,332,931.52
Total	25,332,931.52			25,332,931.52

28. Surplus reserves

Item	Opening balance	Increase	Decrease	Closing balance
Legal reserve	62,919,127.11	6,792,923.40		69,712,050.51
Total	62,919,127.11	6,792,923.40		69,712,050.51

Note: The increase in reserved fund is resulted from withdraw of 10% retained earning on September 30, 2009 in accordance to the company's 2009 mid-term profit distribution plan.

29. Retained earnings

Item	Amounts	Extraction or allocation proportion
Before beginning retained earnings	-55,930,192.11	
plus：Retained earnings at the beginning of the year		
Adjusted retained earnings at the beginning of the year	-55,930,192.11	
Plus: Net profit attributable to parent company transferred in	96,933,951.02	
Less: the statutory reserved fund	6,792,923.40	10% of the retained earning on September 30, 2009
Ordinary stock dividends payable	6,067,788.90	note
Ordinary dividend from shares transferred to share capital	54,179,917.00	note
Retained earnings at the end of the year	-26,036,870.39	

Note: In November 2009, According to the company's 2009 mid-term profit share plan, based on the retained earning on 30 September 2009, 541,799,175 original company's total shares, for every 10 shares, the company will give all shareholders one share and 0.112 RMB cash. According to the articles of association, cash dividend of B Share shall be paid in Hong Kong dollars with the exchange rate published by Bank of China (1 Hong Kong dollar = 0.8809 RMB) on the first working day after the conclusion date of the company's shareholders meeting (November 9, 2009).

30. Revenue and Cost of Sales

(1) Revenue

Item	2009	2008
1．Sales	820,863,345.37	600,397,693.56
2．Other operating income	24,503,594.32	23,067,446.07
Total	845,366,939.69	623,465,139.63

(2) Cost of sales

Item	2009	2008
1．Cost of sales	426,640,525.77	333,683,066.31
2．Other operating cost	5,216,428.83	5,886,311.03
Total	431,856,954.60	339,569,377.34

Note: Revenue in 2009 increased by 35.59% than that in 2008, mainly due to the revenue of Royal Garden project recognized in this period. Cost of sales in 2009 increased 27.18% than that in 2008, which increase is less than that of revenue, mainly due to the increased proportion of properties sales with higher margin profit.

(3) Listed by the categories of production or business

Categories	Revenue	Cost of sales	Margin profit
Hotel and restaurant operations	17,753,352.86	14,989,586.20	2,763,766.66
Sale of properties	587,838,309.08	238,425,451.03	349,412,858.05
Transportation services	47,550,926.15	22,906,029.46	24,644,896.69
Property rental and management services income	166,594,498.71	155,308,279.42	11,286,219.29
Others	21,855,784.96	5,516,285.40	16,339,499.56
Elimination	-20,729,526.39	-10,505,105.74	-10,224,420.65
Total	820,863,345.37	426,640,525.77	394,222,819.60

Categories	Other operating income	Other operating cost	Other operating margin profit
Parking lots	21,834,101.64	4,795,275.18	17,038,826.46
Rentals	1,668,640.00		1,668,640.00
Others	3,105,452.68	1,972,961.72	1,132,490.96
Elimination	-2,104,600.00	-1,551,808.07	-552,791.93
Total	24,503,594.32	5,216,428.83	19,287,165.49

(4) Details of revenue

Business segment	2009	2008
Hotel and restaurant operations	17,753,352.86	14,617,529.80
Sale of properties	587,838,309.08	381,640,502.27
Transportation services	47,550,926.15	46,718,748.92
Sale of goods		2,559,188.26
Property rental and management services income	166,594,498.71	160,569,601.52
Others	21,855,784.96	15,117,735.74
Subtotal	841,592,871.76	621,223,306.51
Elimination	-20,729,526.39	-20,825,612.95
Total	820,863,345.37	600,397,693.56

(5) Details of cost of sales

Business segment	2009	2008
Hotel and restaurant operations	14,989,586.20	6,403,802.95
Sale of properties	238,425,451.03	156,965,705.40
Transportation services	22,906,029.46	22,343,817.34
Sale of goods		2,117,172.87
Property rental and management services income	155,308,279.42	146,744,324.61
Others	5,516,285.40	6,040,573.26
Subtotal	437,145,631.51	340,615,396.43
Elimination	-10,505,105.74	-6,932,330.12
Total	426,640,525.77	333,683,066.31

31. Business taxes and surcharges

Item	2009	2008	Base of payment
Business tax	42,686,850.27	31,267,337.28	3% or 5% of taxable income
Urban maintenance and construction tax	627,685.37	485,751.36	1% or 7% of VAT and Business tax
Additional education Fees	1,297,578.03	957,733.16	3% of VAT and Business tax
Land appreciation tax	101,297,169.97	57,282,175.73	30%—60% four level progressive rates
Levee fee	101,854.59		0.01% of operating revenue.
Others	13,414.99	51,126.40	
Total	146,024,553.22	90,044,123.93	

Note: Business taxes and surcharges in 2009 increased by 62.17% than that in 2008, mainly due to the increase of revenue and the related turnover tax payable, additional tax and accrued land appreciation tax

32. Financial costs

Item	2009	2008
Interest expense	18,013,330.40	23,874,394.25
Less: Interest income	3,046,279.32	1,371,061.53
Exchange loss, net	119,130.81	-587,532.73

Others	967,843.14	439,306.11
Total	16,054,025.03	22,355,106.10

33. Impairment loss

Item	2009	2008
Bad debt	-1,820,764.38	5,572,788.17
Depreciation of inventory	6,627.73	-27,302.58
Depreciation of long-term equity investment	780,645.20	991,861.00
Total	-1,033,491.45	6,537,346.59

34. Gain/loss on change in fair value

Source	2009	2008
Trading financial assets	-705,776.78	-2,383,995.78
Total	-705,776.78	-2,383,995.78

35. Gain/loss on investment

(1) The source of gain/loss on investment:

Source	2009	2008
1.Gain on investment under equity method	-795,082.08	1,699,715.19
2.Gain on investment from disposal of long-term equity investment		30,854,470.32
3. Gain on investment from disposal of trading financial assets	3,141,428.11	45,039.52
4.Gain on investment from holding financial assets	38,342.22	
5 Gain on investment from disposal of available-for-sale financial assets		4,835,799.71
6.Gain on investment from disposal of helding-to-maturity investment	-3,000.00	
Total	2,381,688.25	37,435,024.74

Note: as note Ⅶ 1（1）, There is no significant restriction on the remittance of gain on investment except the 95% shares of Shenzhen Huangcheng Real Estate Company Limited being frozen which may have impact in the remittance of gain on investment.

36. Non-operating income

Item	2009	2008
1. Income from disposal of non-current assets	462,807.80	7,128,822.92
Including: Disposal of fixed assets	462,807.80	7,128,822.92
2．Others	4,589,404.05	2,701,947.17
including: Debts unable to pay		1,792,622.87
Penalty of House rental deposit		426,370.70
Income from Forfeit	2,063,390.43	149,157.04
Income from compensation	2,240,000.00	
Total	5,052,211.85	9,830,770.09

37. Non-operating expense

Item	2009	2008
1. Loss on disposal of non-current assets	401,097.48	490,444.60
Including: Disposal of fixed assets	401,097.48	490,444.60
2、Public welfare donations	95,000.00	
3、Litigation indemnity		49,611.50
4、Tax late fee and forfeit	19,492.78	596,551.65
5、Compensation		136,798.80
6、Estimated liability	8,031,974.39	19,481,328.37
7、.Others	128,426.07	328,770.16
Total	8,675,990.72	21,083,505.08

38. Income tax expense

Item	2009	2008
Income tax for the current period	68,736,118.86	22,986,229.94
Plus: Deferred tax expense ("-"for gain)	-38,372,643.07	-2,879,702.80
Income tax expense	30,363,475.79	20,106,527.14

39. Earnings per share

Item	2009	2008
Basic Earnings Per Share	0.16	0.02
Diluted Earnings Per Share	0.16	0.02

Calculation of earnings per share is as following:

Basic Earnings Per Share＝96,933,951.02÷(541,799,175+54,179,917)＝0.16

Diluted Earnings Per Share＝96,933,951.02÷(541,799,175+54,179,917)＝0.16

Recalculation of earnings per share of last year is as following

Basic Earnings Per Share＝9,829,397.29÷(541,799,175+54,179,917)＝0.02

Diluted Earnings Per Share＝9,829,397.29÷(541,799,175+54,179,917)＝0.02

Note: The method of basic earnings per share and diluted earnings per share calculation

A．Basic Earnings Per Share $=P_0 \div S$

$S= S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$

P_0 represents the amounts attributable to ordinary equity holders of the Company in respect of:

(a) Profit or loss attributable to the Company; and

(b) Profit or loss after deducting extraordinary gain or loss attributable to the Company.

S_0 represents the weighted average number of ordinary shares outstanding during the period. S0 represents the number of ordinary shares at the beginning of the period. S_1represents the number of additional ordinary shares issued on capital surplus transfer or share dividends appropriation; Si represents the number of ordinary shares issued in exchange for cash or issued as a result of the conversion of a debt instrument to ordinary shares during the period. Sj represents reduced number of ordinary shares such as shares buy back. S_k represents the number of a reverse share split. Mo represents the months during the period. Mi represents the months from the following month after issuing incremental shares to the end of the period. Mj represents the months from the following month after reducing shares to the end of the period.

B．Diluted Earnings Per Share $=P_1/(S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k +$ The weighted average number of incremental ordinary shares on warrants, options, convertible debt and so on）

P_1represents the amounts attributable to ordinary equity holders of the Company in respect of: (a) Profit or loss attributable to the Company; and (b) Profit or loss after deducting extraordinary gain or loss attributable to the Company, adjust according to the accounting standards for enterprises and other relevant provisions. The Company considered in sequence from dilutive potential ordinary shares to get the lowest earnings per share.

40. Other comprehensive income

Item	2009	2008
1．Gain/loss on investment from disposal of available-for-sale financial assets		
less： income tax from disposal of available-for-sale financial asset		
The other comprehensive income from previous year transfer into the current net profits and losses		2,524,201.15
Sub-total		-2,524,201.15
2. Other comprehensive income from investment under equity method		
Less: income tax from investment under equity method		
The other comprehensive income from previous year transfer into the current net profits and losses		2,422,343.41
Sub-total		-2,422,343.41
3．Foreign exchange difference	-38,974.41	-1,601,920.03
Less: net amount transfer into net profit and losses from oversea business		
Subtotal	-38,974.41	-1,601,920.03
Total	-38,974.41	-6,548,464.59

41. Relevant information about cash flow statement

(1) Other cash received from operating activities

Item	Amount
Other cash received from operating activities	38,461,044.49
Including ： Receipts under custody of Hainan yirun real estate Co., ltd	11,106,784.38
Current account from Guangzhou Lishifeng automobile company	5,000,000.00
Collect debts from Duokuai Elevator	3,000,000.00
Compensation from Pinghu land	1,984,860.12
Net increase principle fund	1,849,345.04

Increased guarantee money;	5,848,390.71
Cash flow generation from Liquidated damages, late payment penalty	2,063,390.43

(2) Other cash paid relating to operating activities

Item	Amount
Other cash paid relating to operating activities	50,261,058.36
Including: Administrative expenses	26,939,561.70
Sales expenses	17,454,653.91

(3). Other cash paid relating to financing activities

Item	Amount
Other cash paid relating to financing activities	2,235,000.00
Including: Significant borrowing charges	2,235,000.00

(4). Supplementary information of cash flow statement

Supplementary information	2009	2008
1.Adjustment from net profit to cash flows from operating activities		
Net profit	96,934,287.02	9,833,936.59
Plus: Provision for impairment of assets	-1,033,491.45	6,537,346.59
Depreciation of fixed assets, Oil-gas assets and Productive biological assets	28,301,543.77	29,067,729.92
Amortization of intangible assets	6,508,663.80	6,622,113.79
Amortization of long-term deferred expense	306,160.08	202,018.81
Loss on disposal of fixed assets, intangible assets and other non-current assets(“-” for gain)	-58,710.32	-6,638,378.32
Loss on fixed assets retirement (“-” for gain)		0.00
Loss on change in fair value(“-” for gain)	705,776.78	2,383,995.78
Financial costs(“-” for gain)	18,304,330.40	23,874,394.25

Supplementary information	2009	2008
Loss on investment(“-” for gain)	-2,381,688.25	-37,435,024.74
Decrease of deferred tax assets(“-” for increase)	-38,372,643.07	-2,878,720.88
Increase of deferred tax liabilities(“-” for decrease)		-656,914.31
Decrease of inventory(“-” for increase)	-100,469,254.00	-197,223,039.90
Decrease in operating receivables(“-” for increase)	-31,773,227.76	-82,097,623.29
Increase in operating payables(“-” for decrease)	782,678,879.69	224,705,188.19
Others		
Net cash flow from operating activities	759,650,626.69	-23,702,977.52
2..Significant investment and financing activities irrelevant to cash flow		
Debt transferred to capital		
Changeable corporation bond due within 1 year		
Fixed assets acquired under finance leases		
3.Changing in cash and cash equivalents		
Cash at the end of the period	830,055,588.25	271,708,727.86
Less: Cash at the beginning of the period	271,708,727.86	242,161,687.34
Plus: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Increase in cash and cash equivalents	558,346,860.39	29,547,040.52

(5) Cash and cash equivalents

Item	2009	2008
Cash	830,055,588.25	271,708,727.86
Including: Cash on hand	227,928.12	340,965.83
Bank deposit on demand	821,405,437.46	265,398,484.68
Other monetary assets on demand	6,998,324.23	5,969,277.35
Cash and cash equivalents at the end of the period	830,055,588.25	271,708,727.86

Item	2009	2008
including: Restricted Cash and cash equivalents held by parent company or subsidiaries	1,423,898.44	

42. Segment part

Item	Sale of properties		Property rental and management services		Transportation		Sale of goods	
	2009	2008	2009	2008	2009	2008	2009	2008
I. Revenue	587,838,309.08	381,640,502.27	166,594,498.71	160,569,601.52	47,550,926.15	46,718,748.92		2,559,188.26
Including: External revenue	581,318,329.08	381,640,502.27	156,628,206.23	149,316,946.20	47,550,926.15	46,718,748.92		2,559,188.26
Revenue from segments	6,519,980.00		9,966,292.48	11,252,655.32				
II. Cost	414,339,392.22	254,571,501.39	234,732,516.55	266,415,996.27	38,741,414.21	46,316,889.26		2,762,276.74
III. Operating profit (“-”for loss)	173,498,916.86	127,069,000.88	-68,138,017.84	-105,846,394.75	8,809,511.94	401,859.66		-203,088.48
IV. Total assets	2,126,337,426.54	1,469,622,956.86	554,363,198.60	456,438,529.12	159,191,196.30	204,115,420.11		-
V. Total liabilities	1,732,941,201.16	1,019,040,751.15	303,106,940.80	226,704,190.07	95,377,198.35	179,360,661.11		-
VI. Supplementary information								
1. Depreciation and amortization	823,538.56	4,231,944.81	18,956,755.73	16,729,990.32	14,609,598.62	14,029,994.31		-
2. Capital expenditure								
3. Non-cash expense except for depreciation and amortization								

Item	Hotel and restaurant operations		Others		Elimination		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
I. Revenue	17,753,352.86	14,617,529.80	48,463,979.28	38,185,181.81	-22,834,126.39	-20,825,612.95	845,366,939.69	623,465,139.63
Including: External revenue	16,885,322.86	13,168,487.20	42,984,155.37	30,061,266.78			845,366,939.69	623,465,139.63
Revenue from segments	868,030.00	1,449,042.60	5,479,823.91	8,123,915.03	-22,834,126.39	-20,825,612.95		-
II. Cost	18,396,356.61	14,806,539.90	29,417,141.60	32,788,571.87	-18,472,020.26	-19,580,673.37	717,154,800.93	598,081,102.06
III. Operating profit ("-"for loss)	-643,003.75	-189,010.10	19,046,837.68	5,396,609.94	-4,362,106.13	-1,244,939.58	128,212,138.76	25,384,037.57
IV. Total assets	4,691,497.12	2,717,061.62	1,072,449,130.64	887,849,679.71	-1,082,614,494.60	-909,897,749.14	2,834,417,954.60	2,110,845,898.28
V. Total liabilities	4,983,460.21	2,422,997.85	1,103,534,230.82	994,113,987.45	-1,067,829,716.92	-882,273,805.83	2,172,113,314.42	1,539,368,781.81
VI.Supplementary information								
1.Depreciation and amortization	23,918.69	539,228.93	702,556.05	341,631.34			35,116,367.65	35,872,789.70
2. Capital expenditure								
3. Non-cash expense except for depreciation and amortization								

Note VI. Related party relationship and transactions

1. Identification of related party of the Company

According to Accounting Standards for Business Enterprises and the related regulations of China Securities Regulatory Commission, the related party is defined as "when a party controls, jointly controls or exercises significant influence over another party, or when two or more parties are under the common control, joint control or significant influence of the same party, the related party relationships are constituted.".

2. Related party relationship

(1) Related party with control relationship

A .Information of parent company

Name	Registered address	Business scope	Relationship	Nature	Legal person
Shenzhen Investment Holdings Co., Ltd.	Shenzhen, China	Providing guarantee for city state-owned enterprises; Managing the state-owned shareholdings except for which is monitored directly by State-owned Assets Supervision and Administration Commission of Shenzhen Municiple Government; Managing the reconstruction, system renovation and capital operation over the affiliates; investing; other business authorized by State-owned Assets Supervision and Administration Commission of Shenzhen Municiple Government.	Parent company	Limited liability company (state-owned)	Chen Hongbo

The registered controlling shareholders of the Company for the moment is Shenzhen Construction Investment Holdings, the details refer to Note I.4.

B． Subsidiaries with control relationship

Information about subsidiaries of the Company refers to Note Ⅳ.1.

(2) The registered capital and changes of related party with control relationship

A.The registered capital and changes of shareholder with control relationship：

(Unit: RMB0’000)

Name	Opening balance	Increase	Decrease	Closing balance
Shenzhen Investment Holdings Co., Ltd.	400,000.00			400,000.00

B .The registered capital of subsidiaries with control relationship refers to Note Ⅳ.1.

(3) The shareholdings held by the related party with control relationship and the changes in shareholdings (All amounts are presented in RMB, unless otherwise stated.)

Name	Opening balance		Increase/Decrease		Closing balance	
	Amount	%	Amount	%	Amount	%
Shenzhen Investment Holdings Co., Ltd.	324,233,612.00	59.84	-1,075,279.80	-5.62	323,158,332.20	54.22
Hainan Xinda Development Co., Ltd	20,000,000.00	100			20,000,000.00	100
Shenzhen ITC Food Co., Ltd	2,000,000.00	100			2,000,000.00	100
Shenzhen Property and Real Estate Development Co., Ltd	30,950,000.00	100			30,950,000.00	100
Shenzhen ITC Property Management Co., Ltd.	20,000,000.00	100			20,000,000.00	100
Shenzhen ITC Vehicles Industry Co., Ltd.	29,850,000.00	100			29,850,000.00	100
Shenzhen Huangcheng Real Estate Co., Ltd	30,000,000.00	100			30,000,000.00	100
Sichuan Tianhe Industry Co., Ltd	8,000,000.00	100			8,000,000.00	100
Shenzhen ITC Property Management Engineering Equipment Co., Ltd	1,200,000.00	100			1,200,000.00	100
Shenzhen Tianque Elevator Technology Co., Ltd	5,000,000.00	100			5,000,000.00	100
Shandong Shenzhen ITC Property Management Co., Ltd.			5,000,000.00	100	5,000,000.00	100
Chongqing Shenzhen ITC Property Management Co., Ltd.	5,000,000.00	100			5,000,000.00	100
Chongqing Ao’bo Elevator Co., Ltd	2,000,000.00	100			2,000,000.00	100
Shenzhen ITC Petroleum Co., Ltd	8,500,000.00	100			8,500,000.00	100
Shenzhen ITC Vehicle Industry Company Vehicle repair shop	1,500,000.00	100			1,500,000.00	100
Shenzhen Tesu Vehicle Driver Training Center Co., Ltd.	2,000,000.00	100			2,000,000.00	100
Shenzhen Huangcheng Real Estate Management Co., Ltd.	5,000,000.00	100			5,000,000.00	100
Zhanjiang Shenzhen Real Estate Development Co., Ltd	2,530,000.00	100			2,530,000.00	100
Shenzhen Property Construction Supervision Co., Ltd	3,000,000.00	100			3,000,000.00	100
Shenzhen International Trade Plaza	12,000,000.00	100			12,000,000.00	100
Shenzhen Real Estate Exchange	1,380,000.00	100			1,380,000.00	100
Shenzhen Real Estate Development Co., Ltd	HKD20,000,000.00	100			HKD20,000,000.00	100
Wayhang Development Limited	HKD2.00	100			HKD2.00	100
Chief Link Properties Limited	HKD100.00	70			HKD100.00	70
Syndis Investment Co., Ltd (note)	HKD4.00	70			HKD4.00	70

Name	Opening balance		Increase/Decrease		Closing balance	
	Amount	%	Amount	%	Amount	%
East Land Properties Limited	HKD100.00	100			HKD100.00	100

Note: Chief Link Properties Limited holds 100% shareholding of Syndis Investment Co., Ltd.

（4）Other related parties

Name	Relationship
Shenzhen Jifa Warehouse Co., Ltd	Joint venture
Shenzhen ITC Tian’an Property Co., Ltd	Joint venture
Anhui Nanpeng Papermaking Co., Ltd	30% shareholdings held by the Company
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	26% shareholdings held by the Company
Shenzhen ITC Industrial Development Co., Ltd	38.33% shareholdings held by the Company
Guangzhou Lishifeng Motor Co., Ltd	30% shareholdings held by the Company

3. Related Party Transactions

(1) Receiving guarantee

Companies have not provide guarantee to other company outside consolidated financial statements, the details about guarantee provided to the subsidiary company see Note Ⅶ.3

(2) Remuneration of key management

In this year the Company paid total RMB 6.0129million (including IIT) to key management, (including IIT). The Company paid RMB 2.8530million (including IIT) to key management in the previous year.

⑶Entrust loan

The details of entrust loan or direct loan made by Shenzhen Investment Holding Co., Ltd. on behalf of the company during the reporting period are as follows: (Unit: million RMB) （unit：0’000 RMB）：

Name of The entrusted party	borrowers	（%）Annual interest	Borrowing at the beginning of year	Borrowing this year	Repaid this year	Borrowing at the end of year	Interest
China everbright bank JingTian	Shenzhen Huangcheng Real Estate Co., Ltd	5.0523	15,000.00	15,000.00	15,000.00	15,000.00	1,002.64

shenzhen branch							
Shenzhen diwang branch of agricultural bank of China	Shenzhen Property and Real Estate Development Co., Ltd.	6.4700	5,000.00	5,000.00	10,000.00		281.04
Shenzhen branch of agricultural bank of China	Shenzhen Property and Real Estate Development Co., Ltd.	5.3100		5,000.00		5,000.00	
Direct borrowing	Shenzhen Property and Real Estate Development Co., Ltd.	7.4700	1,500.00		1,500.00		18.59
Total			21,500.00	25,000.00	26,500.00	20,000.00	1,302.27

Note: The initial unpaid interest of RMB 620,700 from the direct loan made by Shenzhen Investment Holding Co., Ltd. during the reporting period has been paid this period.

⑷Amount due to/from related parties

Name	Balances		%	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Other receivables:				
Shenzhen ITC Tian’an Property Co., Ltd	19,705,931.45	24,705,931.45	12.43	14.19
Anhui Nanpeng Papermaking Co., Ltd	8,690,144.00	8,702,432.00	5.48	5.00
Shenzhen ITC Industrial Development Co., Ltd	2,431,652.48	2,431,652.48	1.53	1.40
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	1,747,264.25	1,747,264.25	1.10	1.00
Short-term borrowings:				
Shenzhen Investment Holdings Co., Ltd.	200,000,000.00	215,000,000.00	100.00	58.27
Other payables:				
Shenzhen ITC Petroleum Co., Ltd	7,196,769.67	2,603,248.77	3.46	1.22
Shenzhen Jifa Warehouse Co., Ltd	6,288,296.00	6,953,472.00	3.02	3.27
Guangzhou Lishifeng Motor Co., Ltd	15,344,017.08	10,000,000.00	7.37	5.33

Note VII. Contingencies

1. Pending litigations

（1）In December 1997, eight house owners including Haiyi Industrial (Shenzhen) Co., Ltd. sued the Company and its subsidiary, Shenzhen International Trade Plaza Property Development Co., Ltd., to Shenzhen Intermediate People’s Court (hereinafter referred to as Shenzhen Intermediate Court) for cancellation of the Property Purchase and Sale Contract, refund of house purchase payment and a penalty amounted to RMB 0.3 billion because of delay in property delivery. The Company counterclaimed that the delay was due to the prosecutor’s unsettled property consideration and Shenzhen Intermediate Court adjudicated that the Company won the lawsuit. The prosecutor did not accept the judgment and appeal to Guangdong Higher People’s Court (hereinafter referred to as Guangdong Higher Court). Guangdong Higher Court made the final adjudication with 34 copies verdict in April 1999. Guangdong Higher Court adjudicated that the Contract of Purchase and Sale of Real Estate of Shenzhen City between both parties was effective. Furthermore, the prosecutor has paid off all property considerations. The Company therefore should bear penalty, compensation and legal fare added up to HKD79.16 million to the prosecutor. The eight companies applied to Shenzhen Intermediate Court for the execution in June 1999. Because of unclear recognition of the truth and improperly application of the law, Guangdong Higher Court decided to retry the case in August 1999 under the Company’s application. According to the decision of the retrial, Shenzhen Intermediate Court ended the execution of the case after the Company provided possession’s drawing. At the end of 2003, Guangdong Higher Court overruled the application of the Company after investigation. The Company estimated related losses amounted to RMB 41,772,906.07 according to the carrying amount of the property drawn. The company believes that there are problems such as unclear recognition of the truth, improper application of the law, and violation of the legal procedures and so on. Hence the Company applied to the Highest People’s Court for the case to be retried. In February 2008, the Highest People’s Court decided that the judgment of YGFM (1998) No. 298 (No. 1 case of commercial company) should be retried. The case was reopened by Guangdong Higher Court on June 18, 2008 and is still under investigation.

On April 6, 2009, the company received 34 copies of 《Resume Execution Notice 》 issued by Shenzhen Intermediate Court on March 23, 2009. It claims that eight proprietors including Haiyi Industrial (Shenzhen) Co., Ltd. Applied to Shenzhen Intermediate Court for resume execution of the 34 copies of verdict issued by Guangdong Province Supreme Court in 1999. Shenzhen Intermediate People's Court accepted their applications. Because the market value of the company's original escrow properties has been changes, the Company has recorded RMB 19,481,328.37 of estimated losses as the provision for contingent liabilities in previous financial year. The company received 《Seizure, frozen property notice》from Shenzhen Intermediate People's Court on 2 June 2009 and 25 June 2009 respectively. The details of the portion of the real estate, equity and bank accounts which are sealed or frozen refer to Note (V) 15.

In Oct, 2009, the Highest People's Court ruled that the verdict of YGFM (1998) No. 311 (JinHaiJing company) should be retried。

Since there are 2 out of 34 cases having been into the procedure for trial supervision, the Highest People's Court ruled to terminate the execution and returned the cases back to Guangdong Province High People's Court for retrial. The Company has submitted execution objection for all 34 cases to Shenzhen Intermediate Court. Shenzhen Intermediate Court suspended the execution of the verdicts of YGFM (1998) No. 298 and YGFM (1998) No. 311. The rest of the 32 cases still continue to be executed.

In the company's opinion: The 32 verdicts which were used as basis to apply for execution had been ruled to terminate the execution by Highest People's Court and it is the same as the verdicts of YGFM (1998) No. 298 and of YGFM (1998) No. 311 which have been entered the retrial process, they are all have problems such as not clear in facts, applying wrong law, violating due process of law, etc.. The company continues to apply to Highest People's Court for retrial. At the same time, we are pursuing other legal means aggressively to protect the legal rights for the company and shareholders.

（2）In 1993, the Company signed Right of Development Transfer Contract of Jiabin Building (name of Jiabin Building has been changed to Jinlihua Building) with Shenzhen Haibin Property Development Co., Ltd. (name of which has been changed to Shenzhen Jiyong Property Development Co., Ltd., hereinafter referred to as Jiyong Company). In January 1999, Jiyong

Company sued the company to Guangdong Higher People's Court for termination of the transfer contract and refund of the transfer consideration and construction payment paid on the ground that the area of premises was in discrepancy with the contract. With respect to this, the Company counterclaimed the opposing party to pay back the rest transfer consideration and applied for sealing up their property with an area of 28,000 square meters.

On July 29, 2001, Guangdong Higher People's Court issued Civil Court Judgment YGFM (1999) No. 3 (hereinafter referred to as Judgment No. 3) to judge that ① the Company should transfer the title of land use right specified in the transfer contract to Jiyong Company within 30 days from the date the judgment taking into effect and ②Jiyong Company should pay off the transfer consideration amounting to RMB143,860,000 within 60 days from the date the Company transferred the title of land use right. On November 27, 2001, the Company applied to Guangdong Higher People's Court for forcible execution, however Guangdong Higher People's Court adjudicated to release the sealing property of Jiyong Company approximately 10,000 square meters since Industrial & Commercial Bank of China Zhejiang Branch disagree to seal the properties.

In January 2006, Guangdong Higher People's Court issued Civil Court Judgment YGFZ (2002) No. 1 and adjudicated because that ① the Company has not yet transferred the title of land use right specified in the transfer contract to Jiyong Company and ② Jiyong Company cannot provide other properties available for execution and the Company also cannot provide the property available for execution, the second judgment of the No. 3 verdict - "Jiyong Company should pay off the transfer consideration amounted RMB143,860,000 within 60 days from the date the Company transferred the title of land use right" is terminated for execution. When the conditions causing termination for execution of the second judgment are eliminated, the second judgment should still be executed.

In March 2006, according to the ordain of Guangdong Highest People's Court, the properties in Jiabin Building that have been sealed up in this case have been released automatically. On September 2009, company received YGFZ (2002) No. 1-1 《Resume Execution Notice》from Guangdong Province Highest People's Court claimed to resume execution the case that the transfer money owed by Jiyong company about Jibin building project.

In October 2009, company received (Verdict YGFZ (2002) No. 1-2) from Guangdong Highest People’s Court. The verdict claimed: The resume execution of this case is according to the "The requirements for the Highest People's Court to concentrate the implementation of accumulated cases" Through the investigation conducted by Guangdong Province Highest People's Court to Shenzhen department of motor vehicles, Shenzhen Securities Registration and Settlement Organizations, Shenzhen Land resources and real estate administration and the opening bank of the executed party, the executed party – Jiyong Company does not have any executable property. For these, Guangdong Highest People’s Court adjudicated : ① Terminate the executive procedure of Verdict YGFZ (2002) No. 1; ② When the execution conditions are satisfied, the applicant can apply for resume execution.

(3). On July 1996, China Huaxi enterprise Limited has signed Jinglihua Commercial Square granite outside decoration construction Contract with Jiyong Ltd. The China Huaxi enterprise Ltd later sued to the Luohu court for the default construction payment by Jiyong Ltd for the construction payment and related losses of Jiyong Ltd, Shenzhen Zongli Investment Limited and the company amounted RMB5.87million.

In May 2009, Shenzhen Luohu District People's Court retried this case. The plaintiff add claim to collect the compensation of 1.5 million RMB past-due interest on top of the original claim.

On 1 December 2009, Shenzhen Luohu District People's Court made the verdict of the first trial, and deliver the Verdict SLFM2C (2003) No. 240《Civil Ruling Paper》, Judgment reject the plaintiff's (Huaxi Company) claim against the company. The Huaxi Company did not accept the judgment and appeal to the Higher Court

In the company’s opinion, according to the truth and legal proceeding, this case would not bring losses to the Company as the company is not the main party of the contract.

（4）The case of Duokuai Elevator

A、On July 11, 2002, Shenzhen Huangcheng Real Estate Co., Ltd., a subsidiary of the Company, (hereinafter referred to as Real Estate Company) and Duokuai Elevator (Far East) Co., Ltd. (Hereinafter referred to as Duokuai Company) signed Elevator Equipment Contract and House Mortgage and Purchasing Contract to purchase the elevators for Huang Yu Yuan District B from Duokuai Company, Taoboming agreed to provide guaranty with the mortgage of his own properties to Real Estate Company to ensure that Duokuai Company would supply the elevators on time. On December 6, 2004, Real Estate Company applied to Shenzhen Arbitration Committee for arbitration to cancel the contract on the ground that Duokuai Company did not supply the elevators, and demanded from the Elevator Company to return the double amount of the deposit paid to the amount of RMB7, 539,000.00, the consideration of RMB15, 904,000.00 and a compensation of RMB277, 268.51. On November 24, 2005, Shenzhen Arbitration Committee made an arbitration that Duokuai Company should make a double repayment of the deposit paid by Real Estate Company to the amount of RMB7,539,000.00 together with a repayment of the consideration of RMB15,904,000.00 and Taoboming should take joint discharge liability within the bound of the value of the properties mortgaged.

Duokuai Company and Taoboming refused to accept the arbitration and applied to Shenzhen Intermediate People’s Court for revoking the arbitration on December 7, 2005. In 2006, Shenzhen Intermediate People’s Court issued Civil Ruling Paper SZFMSCZ (2006) No. 18 and 19 to adjudge that the application of revoking the Arbitration SZCZ (2005) No. 1227 made by Shenzhen Arbitration Committee from Shenzhen Arbitration Committee was overruled. On November 16, 2006, Real Estate Company reported the condition of execution to Shenzhen Intermediate People’s Court and applied to it for an auction of the properties mortgaged.

The progress of the report period： ①. Shenzhen Intermediate People’s Court had already sold two properties under the name of Duokuai Elevator Company by auction: Shenzhen Huangchen Plaza and ITC Plaza with total areas of 957.31 square meters. The auction price is RMB 4,280,000., In April 2009, Shenzhen Huangcheng Real Estate Co., Ltd. received RMB 3,000,000.00 from Shenzhen Intermediate People’s Court, the remaining RMB 1,280,000 was temporarily stayed in the Shenzhen Intermediate People’s Court account. ② According the notice from Shenzhen Intermediate People’s Court Judgment SZFZ (2006) No. 516, five properties had been sold by auction on 24 April, 2009. The auction price is RMB 5,140,000. , in which 1/3 equivalent to RMB 1,713,333.00, can be compensated as debts of Shenzhen Huangcheng Real Estate Co., Ltd.

B、On August 3, 2006, Hainan Duokuai Elevator Maintenance (Far East) Co., Ltd. Shenzhen Branch (hereinafter referred to as Duokuai Shenzhen Company) sued Shenzhen Huangcheng Real Estate Management Co., Ltd, a subsidiary of the Company, (hereinafter referred to as Huangcheng Management Company) to Shenzhen Futian People's Court for settlement of maintenance fee by Huangcheng Management Company. In the process of investigation, Duokuai Shenzhen Company applied for adding Real Estate Company as joint defendant and asked Real Estate Company to take joint discharge liability for aforesaid instance. On January 26, 2007, Shenzhen Futian People's Court issued the Civil Ruling Paper SFFMECZ (2006) No. 1977 and adjudicated that Real Estate Company and Huangcheng Management Company should pay the maintenance fee amounted RMB925,500.00 and RMB1,105,130.00 respectively together with a compensation on related interest loss to Duokuai Shenzhen Company. Real Estate Company and Huangcheng Management Company appealed on the ground of unclear recognition of truth and violation of legal procedures. On January 28, 2008, Shenzhen Intermediate People's Court issued Civil Ruling Paper SZFMEZZ (2007) No. 827 and adjudicated that Real Estate Company and Huangcheng Management Company should pay the maintenance fee amounted RMB893,100.00 and RMB1,102,730.00 respectively together with a compensation on related interest loss to Duokuai Shenzhen Company. Real Estate Company and Huangcheng Management Company have recognized relevant expenses in the financial statements.

The closing balance of the receivables of Real Estate Company due from Duokuai Company is RMB 8,726,693 The Company performed impairment test on the receivables and provides a provision for bad debt of RMB1,478,071.21 to closing receivables due from Duokuai Company, considering ownership of properties which were auctioned or provided as guarantee, their estimated realized value and unsettled payables of the Real Estate Company due to Duokuai Company, its related parties and guarantors.

（5）In June 2004, Shenzhen Meisi Industrial Co., Ltd. (hereinafter referred to as Meisi Company) prosecuted Shenzhen Luohu Economic Development Co., Ltd and the Company to Shenzhen

Intermediate People's Court for illegal use of land owned by Meisi Company and request for ceasing the infringing act and receiving a compensation amounted RMB 8 million. In March 2005, Shenzhen Intermediate People's Court issued Civil Ruling Paper SZFMCZ (2004) No. 108 and adjudicated that the Company should return the land with an area of 4,782 square meters to Meisi Company within 3 months and other claims of Meisi Company were overruled. The Company refused to accept the verdict and appealed to Guangdong Higher Court. On November 25, 2005, Guangdong Higher Court adjudicated that the Civil Ruling Paper SZFMCZ (2004) No. 108 issued by Shenzhen Intermediate People's Court should be cancelled and the prosecution of Meisi Company were overruled.

During the process of trial of second instance, Meisi Company applied to Registration Center for Property of Real Estate of Shenzhen Municipality for revoking Property Ownership Certificates SFDZ No. 3000320987 and No. 300119899 owned by the Company. On July 7, 2005, Registration Center for Property of Real Estate of Shenzhen Municipality issued the reply of SFDH (2005) No. 84 to Meisi Company and judged that aforesaid certificates are legal and effective and should not be revoked. Meisi Company disagreed with this judgment and applied the administrative reconsideration to the People's Government of Shenzhen Municipality. On October 8, 2005, the People's Government of Shenzhen Municipality issued Decision on Administrative Reconsideration SFFJ (2005) No. 294 and judged that aforesaid 2 certificates were registered illegally and should be revoked, reply of SFDH (2005) No. 84 was canceled accordingly.

The Company refused to accept Decision on Administrative Reconsideration SFFJ (2005) No. 294 and prosecuted an administrative litigation to Shenzhen Intermediate People's Court on October 20, 2005. Shenzhen Intermediate People's Court issued Administrative Judgment SZFXCZ (2005) No. 23 and adjudicated that Decision on Administrative Reconsideration SFFJ (2005) No. 294 is sustained. The Company disagreed with this administrative judgment and appealed to Guangdong Higher Court on August 2, 2006. Guangdong Higher Court issued Administrative Judgment YGFXZZ (2006) No. 154 in which the appeal was rejected and Administrative Judgment SZFXCZ (2005) No. 23 was sustained. According to this Judgment, Shenzhen Municipal Bureau of Land Resources and Housing Management would reconsider the request of Meisi Company to revoke the Property Ownership Certificates SFDZ No. 3000320987 and No. 3000119899 of the Company.

On May 15, 2007, Registration Center for Property of Real Estate of Shenzhen Municipality issued Decision on Revoking the Property Ownership Certificates SFDZ No. 3000320987 and No. 3000119899 (SFZ (2007) No. 27). Registration Center for Property of Real Estate of Shenzhen Municipality decided to revoke property ownership certificates SFDZ No. 3000320987 and No. 3000119899 owned by the Company that indicating the ownership of occupied property of Meilin Workshop, Comprehensive Building and the land use right of 11,500 square meters and restore the registration of the ownership of occupied property of Meilin Workshop, Comprehensive Building and the land use right of certificates of SFDZ No. 0103142 and No. 0103139. The Company had the ownership of occupied property of Meilin Workshop, Comprehensive Building and the land use right of 11,500 square meters according to original property ownership certificates.

On July 9,2007, the Company applied the administrative reconsideration to the Administrative Reconsideration Office of the People's Government of Shenzhen Municipality, which considered that those action that Registration Center for Property and Real Estate of Shenzhen Municipality revoked property ownership certificate SFDZ No. 3000320987 and No. 3000119899 owned by the Company and restore the registration of Meilin Workshop, Comprehensive Building and land use right violated the provisions of the Decision on Strengthening Land Market Management and further Enlivening and Standardizing Real Estate Market (SF (2001) No. 94) promulgated by People’s Government of Shenzhen Municipality, and requested People’s Government of Shenzhen Municipality to rescind the Decision. On September 6, 2007, the People's Government of Shenzhen Municipality issued Decision on Administrative Reconsideration SFFJ (2007) No. 255 to sustain the administrative decision of Shenzhen Municipal Bureau of Land Resources and Housing Management.

In November 2007, Shenzhen Municipal Bureau of Land Resources and Housing Management rejected the application of Meisi Company for revoking Property Ownership Certificates SFDZ No. 0103142 and No. 0103139. Meisi Company prosecuted an administrative litigation to

Shenzhen Futian People's Court to ask for revoking the administrative decision of Shenzhen Municipal Bureau of Land Resources and Housing Management. The Company was involved as third party. Court session started on January 8, 2008 with litigation number of (2008) SFFXCZ No. 10. On January 2008, Meisi Company prosecuted an administrative litigation to Shenzhen Futian People's Court for revoking the above administrative decision of Shenzhen Municipal Bureau of Land Resources and Housing Management, revoking Property Ownership Certificates SFDZ No. 0103142 and No. 0103139, and restoring the land use right to Meisi Company with the litigation number of SFFX(2008) No. 70. On May 2008, the Shenzhen Futian Court made adjudication to No. 70 case in which the property ownership certificates SFDZ No. 0103142 and No. 0103139 owned by the Company were revoked and Shenzhen Municipal Bureau of Land Resources and Housing Management were required to re-investigate the application of Meisi Company. The company, the Shenzhen Municipal Bureau of Land Resources and Housing Management as well as Meisi Company refused to accept the verdict and made an appeal. On July 2008, the company has received the Administrative Ruling Paper from Futian People's Court in which the trial of SFFX (2008) No. 10 was terminated.

On December 2008, Shenzhen Intermediate Court issued the Administrative Ruling Paper SZFXZZ (2008) No. 223, in which the final adjudication of appeal case SFFXCZ (2008) No. 70 was made and the original verdict was sustained. Moreover, the final adjudication stated that the controversy over the land use right in this case between Meisi Company and the Company should be settled through civil procedures; the Bureau of Land Resources and Housing Management of Shenzhen Municipality should not proceed the registration procedure until the controversy is final settled.

On February 11, 2009, the Company received the Civil Complaint from ShenZhen Futian People's Court; Meisi Company has made a civil prosecution against the Company and Shenzhen Luohu Commercial Development Co., Ltd. for the confirmation of Meisi Company's land use right and the buildings in original Property Ownership Certificates SFDZ No., 0103142 and No., 0103139. Furthermore, Meisi Company requests that return of related land use right and a compensation of RMB7.5 Million. The Company has submitted an objection to jurisdiction. On March 4, 2009, ShenZhen Futian People's Court sent the Notice to the Company to inform that this case has been transferred to Shenzhen Intermediate People’s Court for adjudication.

On 22 December 2009, company received court ruling delivered by the Guangdong Highest People's Court. After investigated by Guangdong Highest People's Court, it is considered that the retrial application to Shenzhen Intermediate Court Judgment SZFZ (2008) No. 223 by the company is complied to the law, and adjudicated: ① Arraign by Guangdong Highest People's Court ② suspended the execution of the original verdict during the retrial

The Company believes that the land use right and ownership of above building should be legally confirmed to the Company. The Company will secure its own legal rights through all legal means, and the above issues would not have significant impact on the Company’s financial position.

2. Inspection matter

On 10 September, 2009, company received the Notice of investigation from China Securities Regulatory Commission Shenzhen Investigation Bureau. An investigation in the company’s violation to the securities laws and regulations has been conducted. On 3 December 2009, company received 《Notice of the administrative punishment beforehand》, in which accused the company violating securities laws, and intend to make punishment for the violation to the securities laws and regulations, confiscating the illegal income RMB 250,849.80 by buying and selling securities using personal account, illegal income HK$8,544,744. 97 by buying and selling in B share market using other legal person’s account, and fine RMB 250,849.80. The China securities supervision and management committee also intend to give warning and impose fine to the responsible persons. According to the relative regulations in 《The Administrative Punishment Law》, 《China Securities Supervision and Management Committee Administrative Hearing Regulation》, the responsible persons have the rights to state and defend or request for hearing. The company has completed the statement and defense. Up to the reporting date, the company has not received the notice of the result of the investigation. Though the company has completed the statement and defense, the company predicts that the punishments stipulated in 《 Notice of the administrative punishment beforehand》 may still occur; Therefore, the company converts the fine to RMB with the provision of the predicted debts of RMB 8,030,474.39

3. Guarantee

(1). The company provided joint liability for the RMB240，000，000.00 long term loan from China Agricultural Bank Shenzhen East Branch made by Shenzhen Huangcheng Real Estate Company Limited, and use three floors of District A of Shenzhen ITC Building and Building 4-01 as collateral. The ending balance of the loan was RMB 200,000,000.00.

(2)The company provided joint liability for the RMB 250,000,000.00 long term loan from China Construction Bank Shenzhen Branch made by Shenzhen Huangcheng Real Estate Company Limited. The ending balance of the loan was RMB 200,000,000.00 and the loan expires within a year

(3). The company and the subsidiaries Shenzhen Property and Real Estate Development Co., Ltd. and Shenzhen ITC Vehicles Industry Co., Ltd .provided joint liability for the RMB 250,000,000.00 long term loan from China Agricultural Bank Shenzhen East Branch made by Shenzhen Huangcheng Real Estate Company Limited. The ending balance was RMB 50,000,000.00

(4). Guarantee for the property owner: The company and the subsidiary provide mortgage guarantee for the commercial house purchasers to the bank. Up to 31 December, 2009, the unsettled guarantee amount was RMB 190,790,000.00. This guarantee is the real estate developers provided for owners to purchase the company’s commercial house. It is common in the real estate industry

4. Contingent assets

（1）Bureau of Foreign Trade and Economic Cooperation of Hubei province Shenzhen branch (hereinafter referred as “Hubei FTEC Shenzhen branch”) sued the Company to Shenzhen Intermediate People’s Court on July 2000 for termination of the agreement between the Hubei FTEC Shenzhen branch and the Company about office property of 4,000 square meters purchasing in Jiabing Building (now known as Jinlihua Building) and asked for refund of purchase payment of RMB10.8 million and an indemnify of RMB18.6756 million on the ground of delayed delivery. Guangdong Higher Court issued YGFMYZZ No. 90 judgment and adjudicated that the Company should refund the Hubei FTEC Shenzhen branch purchase payment of RMB 10.8 million and related interests.

The Hubei FTEC Shenzhen branch applied for execution to Guangdong Higher People’s Court. Guangdong Railage Intermediate Court (hereinafter as the “Railage Court”) was appointed by the Higher Court to execute the case at the end of January 2005. The Railage Court delivered the seal-up order to the liquidation team of Luohu Hotel, sealing up the debt right amounted RMB 23 million allocated to the Company.

The Company rejected the adjudication and applied for retrial to the Supreme Court of the P.R.C. In August 2005, the Supreme Court issued the Civil Judgment (2004) MEJZ No.146-1 and adjudicated that the Higher Court should give the case second instance and the execution should be suspended during the second instance. On 12 May 2006 the Higher Court made the judgment that the original judgment should be sustained and the execution be resumed. The Hubei FTEC Shenzhen branch applied to the Railage Court for the payment and bank interest in the second trial period, while the Company applied for the suspension of execution. On 30 June 2006, the (2004) GTZFZZ No. 225-4 Civil Judgment was issued by the Railage Court in which (i) The Company’s execution suspension application was denied because it lacked for facts and legal evidence; (ii) It was legal for the Hubei FTEC Shenzhen branch to apply and the Railage Court decided to transfer RMB23 million from the sealed account which had been transferred to the Railage court after deduction of execution fees to t the Hubei FTEC Shenzhen branch; (iii) The Hubei FTEC Shenzhen branch’s application of interest during the second trial was denied; (iv) The Company’s repayment obligation ruled by the Judgment No.90 had been legally executed; (v) the execution of Judgment No.90 was terminated. The Company recognized losses based on the above judgments, and increased the receivables due from Jiyong Company and made provision for bad debts accordingly. The Company considered that there is error of fact recognition and application of the law in the adjudication of the second trial and appealed to the Supreme People's Court. The Supreme People's Court issued the Civil Ruling Paper MEJZ (2004) No. 146-3 and adjudicated that this litigation would be retried by the Supreme People's Court in October 2007.

Ownership of the 14th and 15th floors of Jiabing Building retuned by the Hubei FTEC Shenzhen branch belongs to the Company after indemnity of house payment and interest. The Company investigated and found that the owner of the 14th and 15th floors of Jiabing Building was registered as Zhuhai Western Yingzhu Industrial Development Co., Ltd. addressing the ownership of the properties, therefore, on June, 2008 the Company sued Zhuhai Western Yingzhu Industrial Development Co., Ltd. to the People's Court of Luohuo District in Shenzhen (hereinafter referred as "Luohu Court") for confirmation of the above properties' ownership and adjudicating the Company's ownership of the 14th and 15th floors of Jiabing Building in the registration. The Luohu Court processed the case with the litigation number of (2008) SLFMSCZ No. 1442. On July 21, 2008, the court held a public trail and hosted the mediation; the Company reached a Civil Mediation Agreement with Zhuhai Western Yingzhu Industrial Development Co., Ltd. in which stated ① both agree that the 14th and 15th floor of Jiabin building belongs to the complaint company; ② the defendant should assist the complaint party (the Company) with the procedures of transferring the property to the complaint company within 3 days since the agreement becomes effective. The agreement is legally valid. Up to the end of current financial period, the 14th and 15th floor of Jiabin building has been registered under the Company's name by China Committee of Real Estate Title. As there is a significant uncertainty about the impact of the above property ownership on the Company's financial interests, the Company did not recognize the above asset in the financial statement.

（2）On May 25, 2006, the People's Government of Shenzhen Municipality announced the Notice on Transferrable Plan of Shenzhen Community Facilities and Public Services Houses (SFB [2006] No.79), which stipulated the scope of the transfer covers the buildings built for resident committees and junior and senior schools (excluding that the land contract clearly indicates the property right belongs to land development entity). If the buildings built for resident committees and junior and senior schools were not definite in the contracts whether the property rights belonged to the government or whether these buildings were transferred government at cost price, the government would take the buildings back at cost price. The cost price should be based on information price and costing index publicized in the construction costing management station at the completion year. The auditing department should perform review on the pricing scheme.

Base on the statistics, the part of Company and its subsidiaries have transferred to relate government department the community facilities and public services houses of the building area of 36,000 square meters, which complied with the above scheme, However, although part of the buildings in these community facilities has been mapped, its area and cost price has not been confirmed by the government, hence, the final confirmation on the area and amount of compensation could not be confirmed. The subsidiary of the Company Shenzhen Huangcheng Real Estate Company Limited, Related facilities have not been transferred ,the final confirmation on the area and amount of compensation could not be confirmed.，thus the Company did not recognize the above contingent assets in the financial statements.

Note VIII. Events after balance sheet date

(1) The subsidiary of the Company, Shenzhen ITC Vehicles Services Company has paid back the long-term loan for the amount of RMB 460, 000.00 to Bank of Pinan Central Commercial Shenzhen Branch on 21 January 2010;

(2) The subsidiary of the Company, Shenzhen Huangcheng Real Estate Company Limited has paid back the long-term loan for the amount of RMB 100， 000，000.00 to China Construction Bank, Ltd., Shenzhen Branch on 27 January 2010;

(3) The subsidiary of the Company, Shenzhen Huangcheng Real Estate Company Limited has borrowed the long-term loan for the amount of RMB 100， 000，000.00 from China Agriculture Bank Co., LTD Shenzhen East Branch on 27 January 2010. The expiration date of the loan is 25 October 2011

(4) The subsidiary of the company, Shenzhen Huangcheng Real Estate Company Limited has paid back the long term loan for the amount of RMB 100,000,000.00 to China Construction Bank, Ltd., Shenzhen Branch on 3 February 2010

(5) The subsidiary of the company, Shenzhen Huangchen Real Estate Company limited has borrowed the long term loan for the amount of 100,000,000.00 from China Agriculture Bank Co., LTD, Shenzhen East Branch on 3 February 2010; the expiration date of the loan is 25 October 2011.

Note IX. Other significant events

1. Before reform of the Company’s shareholdings, 70.296％ of all the shareholdings was controlled by Shenzhen Investment Holdings Co., Ltd. (hereinafter as “SIH”) through Shenzhen Construction Investment Holdings (hereinafter as “SCIH”) and Shenzhen Investment Management

Corporation (hereinafter as “SIMC”).After the reform, “SIH” controls 63.72% of all the shares (it turns to 63.85%, after settlement of shares reimbursement). On October 21, 2009, the Company held a shareholders’ conference about reform of shareholding, the plan provided by the above three companies which was also approved by the conference. The main contents are as following:

For all the shareholders, every 10 shares of circulated shares of the Company in A-shares market can earn 3.9 shares of non-tradable A-share. The shareholders of non-tradable shares paid a consideration RMB 35,642,607 to the shareholders of circulated A-shares. On the first trading day after the implementation of shares reform plan, the shareholders’ non-tradable shares obtain the right of circulation.

As the Company's actual controller, “SIH” made commitments together with “SCIH” and “SIMC”, commiting that all companies will adopt the laws, regulations and rules; apart from those, the specific commitments are as follows:

①After obtaining the circulation right, the non-tradable shares of “SCIH” and “SIMC” are non-tradable in the next 36 months. When the committed period is expired, the original non-tradable shares can be sold less than 5% of the Company’s total share capital in next 12 months, and less than 10% of the total share capital in next 24 months. If the commitments were disobeyed, the proceeds will be transferred to all listed companies

②One year after the date that obtaining circulation right for non-tradable shares of “SIH”, “SCIH” and “SIMC”, “SIH” shall make a commitment that injection of assets will be started, which refers to assets’ value no less than RMB 500 millions (including land resources) and obtained through permutation or other legal means at once or by steps, increasing the Company's land reserves and enhance future profitability.

If the assets mentioned above could not be injected within one year after obtaining circulation right, “SIH”will make the cash compensation valued at 20% of the un-paid up assets, in 30 days after the expired date. After the payment of such compensation, “SIH” should continue to bear the obligation of un-completed payments that been started and no longer to bear the un-started assets injection.

Note: Starting of assets injection depends on the programme plan, approved by the shareholders’ conference. “SIH”voluntarily accredit the China Securities Depository and Clearing Co., Ltd. Shenzhen Branch to freeze 30 millions holdingshares under control of “SIH” and “SCIH”, as insurance for above commitments.

③During 24 months after obtaining the circulation right for non-tradable shares of “SIH”, “SCIH”and “SIMC”, “SIH” shall offer a commission loan of cash that no less than RMB 500 millions under laws, administrative regulations and relevant provisions, to ease the funds’ tension. The amount is according to accumulative occurrence during 24 months after these three companies obtain the circulation right, each commission loan of cash can maintain no less than 12 months; the RMB 500 millions mentioned above doesn’t include the commission loans of cash that obtained by these three companies before the date of obtaining the circulation right.

④For the Company, if net profit in either year 2010, 2011,2012, less than net profit in 2009, “SIH”will provide a compensation of cash (equivalent to the difference) to make up for that year.

The Company achieved the plan of shareholdings reform on October 30, 2009.

2. The company has accrued expense of the Jinlihua Plaza land VAT amounted to RMB 56,303,627.40 in the previous financial year, according to the SGT (2001) No. 314, unpaid or overdue land VAT could be exempted. However, as the land use right has not been transferred, the company will proceed with the Jinlihua Plaza land VAT amounted to RMB 56,303,627.40exemption related procedures, and will write off the accrued expense of Jinlihua Plaza land VAT amounted to RMB 56,303,627.40 when the Company receives the reply.

The company has a receivable house payment of Jinlinhua Plaza from Shenzhen Jiyong Property Development Co., Ltd, amounted to RMB100.0143 millions, the provision for bad debts is amounted to RMB 44.0143 millions and the net amount is RMB56 millions.

3. According to the “Labor Legislation”, the “Labor Contract Law”, “The Opinion on Further Standardization of Labor Relation of the Municipal SOE”, “The Notice to Reform the Human Resource Allocation Improvement in Municipal SOE” which was issued on August 18, 2006, and some other related documents, the Company formulated Compensation Measures of Human Resource Allocation Improvement Reform of Shenzhen Properties & Resources Development (Group) Ltd. (hereinafter referred to as “Compensation Method”), The Compensation Method had been approved by the Company’s employee representative conference on October 10, 2008. The Company formulated employee dismiss plan based on the Compensation Method which was approved by the fourteenth session of the sixth conference of the Company’s board of directors. The employees have all been notified and the Company is not able and does not plan to

unilaterally remove the plan.

According to the plan, the Company made a provision on dismisses compensation of RMB36, 643,309.50 according to relevant accounting standard in 2008, and then respectively paid RMB 12,628,724.00, RMB25, 459,471.33 in the year of 2008 and 2009. During the reporting period, the Company completed a setting of functional works and payroll for staff; for maintenance of a stable business operation, the subsidiaries should adopt the redundancy plan steps by steps during the reporting period, some of the subsidiaries have already deferred the schedule. Approved by the Company's board, the deadline of compensation for redundancy plan will extend to June 30, 2010, and the final payment of compensation will extend to December 31, 2010. Due to redundancy plan carried out gradually or delayed in the subsidiaries, macro-economic environment and employment situation are getting better under economic stimulus, plan of functional works and payroll setting are further clarified, the number of employees that accepting the redundancy plan in current and next year will be greater than the amount of last year. Till the report date, according to current redundancy status, the human resources market in Shenzhen, the new setting of works and salary adjustment programs, it will be expected that more employees would join the program in the year of 2010.

During the reporting period, the Company redesigned the plan of redundancy, and made an additional provision for the redundancy compensation as RMB12, 700,956.90. The plan of redundancy compensation was issued by the 22nd session of the sixth conference of the Company’s board of directors.

4. The proposal that transfer of overall property of Hainan Xinda Development Co., Ltd through trading with public listed companies, was approved in the 10th session of the sixth conference of the Company’s board of directors on Jan 14, 2009.Till the report date, the evaluation has not yet been completed.

5. In Nov 2009, government of Shenzhen issued the paper “Urban Renewal approaches for Shenzhen”, and officially began to practice on Dec 1, 2009. After understanding the above paper, the Company believed that the properties in line with the “Renewal standard” include the two industrial lands (SFDZ No. 0103142 and No. 0103139, total as 11,500 square meters) in Shangmeiling regions of Shenzhen. The use right of industrial lands land is registered under name

of the Company, but there are some ownership disputes, is still in the litigation process. In this case, the relevant regulations of paper "Urban Renewal approaches for Shenzhen" have uncertain possibilities to the Company, unable to assess. As details for the urban renewal approaches have not yet been issued, the specific program is in development, the Company will further track the details, and there is not effect temporarily.

Note X. Notes to the financial statements of the Company

1. Accounts receivable

(1) Accounts receivable by Categories are as follows:

Categories	Closing balance			
	Balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables	106,817,190.08	99.86	45,447,889.05	99.88
Individually insignificant receivables with high credit risk in group assessment	54,380.35	0.05	54,380.35	0.12
Other insignificant amount	94,945.40	0.09		
Total	106,966,515.83	100.00	45,502,269.40	100.00

Categories	Opening balance			
	Balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables	105,133,507.94	99.27	45,447,889.05	99.88
Individually insignificant receivables with high credit risk in group assessment	65,495.35	0.06	54,380.35	0.12
Other insignificant amount	709,237.00	0.67		
Total	105,908,240.29	100.00	45,502,269.40	100.00

(2) Individually significant receivables or insignificant receivables requiring impairment test, and providing provision for bad debt:

Name of company	Closing balance	Bad debt provision	Aging	Reason for provision
Shenzhen Jiyong Property Development Co., Ltd	98,611,328.05	42,611,328.05	Over 3 years	Involved in lawsuit, refer to Note VII.1.(2) and Note IX.2
Shenzhen Tewei Industry Co., Ltd.	2,836,561.00	2,836,561.00	Over 3 years	Uncollectible for a long period
Total	101,447,889.05	45,447,889.05		

(3) There was no accounts receivable due from shareholders with more than 5% (including 5%) of the voting shares of the Company.

(4) The details of significant accounts receivable are as follows:

Company	Relationship	Amount	Aging	Proportion to total accounts receivables(%)
Shenzhen Jiyong Property Development Co., Ltd	Non-related parties	98,611,328.05	Over 3 years	92.19
Tianhong Shopping Plaza Co., Ltd.	Non-related parties	5,369,301.03	Within 1year or 1-2 years	5.02
Shenzhen Tewei Industry Co., Ltd.	Non-related parties	2,836,561.00	Over 3 years	2.65
Total		106,817,190.08		99.86

2. Other receivables

（1）Other receivables by Categories are as follows：

Categories	Closing balance			
	Balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables	290,830,138.43	97.62	205,947,370.55	98.84
Individually insignificant receivables with high credit risk in group assessment	4,516,004.26	1.51	2,421,326.23	1.16
Other insignificant amount	2,580,420.59	0.87		
Total	297,926,563.28	100.00	208,368,696.78	100.00

Categories	Opening balance			
	Balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables	630,630,810.67	99.02	193,216,435.21	98.79
Individually insignificant receivables with high credit risk in group assessment	4,042,997.79	0.63	2,367,847.46	1.21
Other insignificant amount	2,220,084.72	0.35		
Total	636,893,893.18	100.00	195,584,282.67	100.00

（2）Individually significant other receivables or other insignificant receivables requiring impairment test, and providing provision for bad debt：

Name of company	Closing balance	Bad debt provision	Aging	Reason for provision
Shum Yip Properties Development Co., Ltd.	108,096,033.04	68,414,847.03	Over 3 years	Uncollectible for a long period
Gintian Industry (Group) Co., Ltd.	56,600,000.00	56,600,000.00	2 – 3 years and over 3 years	Payment for discharging of guaranty responsibility that was difficult to be recollected
Hainan Xinda Development Co., Ltd	49,211,591.54	49,211,591.54	Within 1 year to over 3 years	Uncollectible for a long period
Shenzhen Shengfenglu ITC Jewel & Gold Co., Ltd	10,199,186.28	6,532,519.60	Over 3 years	There is no asset to execute the verdict, thus lead to uncollectibility
Anhui Nanpeng Papermaking Co., Ltd	8,690,144.00	8,690,144.00	Over 3 years	Uncollectible for a long period
Shanghai Yutong Real estate development Co., Lt	5,676,000.00	5,676,000.00	Over 3 years	Uncollectibility for the reason of verdict
HongKong Yueheng Development Co., Ltd	3,271,837.78	3,271,837.78	Over 3 years	Has been liquidated
Dameisha Tourism Center	2,576,445.69	2,576,445.69	Over 3 years	Suspended
Elevated Train Project	2,542,332.43	2,542,332.43	Over 3 years	Suspended
Shenzhen ITC Food Enterprise Co.,Ltd.	2,431,652.48	2,431,652.48	Over 3 years	Insolvency
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	1,747,264.25	1,747,264.25	Over 3 years	Poor operation status
Total	251,042,487.49	207,694,634.80		

(3) There was no other receivable due from shareholders with more than 5% (including 5%) of the voting shares of the Company.

(4) Details of top 5 other receivables:

Name of company	Relationship	Amount	Aging	Proportion of the total (%)
Shenzhen Property and Real Estate Development Co., Ltd.	Wholly-owned subsidiary	108,096,033.04	Over 3 years	37.19
Gintian Industry (Group) Co., Ltd.	Non-related parties	56,600,000.00	2-3years &over 3 years	19.47
Hainan Xinda Development Co., Ltd	Wholly-owned subsidiary	49,211,591.54	Within 1year&over 3 years	16.93
Shenzhen ITC Tian'an Property Co., Ltd	Joint ventures	19,705,931.45	Over 3 years	6.78
Shenzhen Shengfenglu ITC Jewel & Gold Co., Ltd	Non-related parties	10,199,186.28	Over 3 years	3.51
Total		243,812,742.31		83.89

3. Long-term equity investment

Company	Amount of initial investment	Opening balance	Increase/ Decrease	Closing balance	Proportions of shareholding (%)	Proportions of voting rights (%)
I. Investment under equity method						
Shenzhen ITC Tian'an Properties Co., Ltd	23,186,124.00	37,134,170.50	-562,597.68	36,571,572.82	50	50
Shenzhen Jifa Warehouse Company Limited	30,645,056.04	26,297,645.27	-281,055.82	26,016,589.45	50	50
Shenzhen Tian'an International Building Property Management Co., Ltd	1,500,000.00	1,758,476.74	48,571.42	1,807,048.16	50	50
II. Investment under cost method						
Shenzhen ITC Vehicles Industry Co.,	29,850,000.00	29,850,000.00		29,850,000.00	90	90

Company	Amount of initial investment	Opening balance	Increase/ Decrease	Closing balance	Proportions of shareholding (%)	Proportions of voting rights (%)
Ltd.						
Hainan Xinda Development Co., Ltd	20,000,000.00	20,000,000.00		20,000,000.00	100	100
Shenzhen Property and Real Estate Development Co., Ltd.	30,950,000.00	30,950,000.00		30,950,000.00	100	100
Shenzhen Huangcheng Real Estate Co., Ltd	28,500,000.00	28,500,000.00		28,500,000.00	95	95
Shenzhen ITC Property Management Co., Ltd.	20,000,000.00	20,000,000.00		20,000,000.00	95	95
Shenzhen ITC Food Co.,Ltd.	1,600,000.00	1,600,000.00		1,600,000.00	80	80
Shenzhen Property Construction Supervision Co., Ltd	2,000,000.00	3,000,000.00		3,000,000.00	100	100
Shenzhen International Trade Plaza	12,000,000.00	12,000,000.00		12,000,000.00	100	100
Shenzhen Real Estate Exchange	1,380,000.00	1,380,000.00		1,380,000.00	100	100
Shensan Co.,Ltd.	17,695.09	17,695.09		17,695.09		
East Land Properties Limited	93.64	93.64		93.64	100	100
Zhanjiang Shenzhen Real Estate Development Co., Ltd	2,530,000.00	2,530,000.00		2,530,000.00	100	100
Hong Kong Shum Yip Properties Development Co., Ltd.	15,834,000.00	15,834,000.00		15,834,000.00	100	100
Shenzhen Huajing Glass Bottle Co., Ltd	7,600,000.00	7,600,000.00		7,600,000.00	15.83	15.83
Shenzhen	18,983,614.1	18,983,614.14		18,983,614.14	26	26

Company	Amount of initial investment	Opening balance	Increase/ Decrease	Closing balance	Proportions of shareholding (%)	Proportions of voting rights (%)
Wufang Pottery & Porcelain Industrial Co., Ltd	4					
Shenzhen ITC Industrial Development Co., Ltd	20,154,840.79	3,682,972.55		3,682,972.55	38.33	38.33
Anhui Nanpeng Papermaking Co., Ltd	13,824,000.00	13,824,000.00		13,824,000.00	30	30
China T.H. Co.,Ltd.	2,962,500.00	2,962,500.00		2,962,500.00	0.33	0.33
North Machinery (Group) Co.,Ltd.	3,465,000.00	3,465,000.00		3,465,000.00	12.66	12.66
Guangdong Huayue Real Estate Co.,Ltd.	8,780,645.20	8,780,645.20		8,780,645.20	8.47	8.47
Total	——	290,150,813.13	-795,082.08	289,355,731.05	——	——

Company	Note for difference between proportions of voting rights and shareholding hold	Provision for impairment	Increse in current year	Cash dividends
I. Investment under equity method				
Shenzhen ITC Tian’an Properties Co., Ltd				
Shenzhen Jifa Warehouse Company Limited				
Shenzhen Tian’an International Building Property Management Co., Ltd				
II. Investment under cost method				
Shenzhen ITC Vehicles Industry Co., Ltd.				
Hainan Xinda Development Co., Ltd		20,000,000.00		
Shenzhen Property and Real Estate Development Co., Ltd.				
Shenzhen Huangcheng Real Estate Co., Ltd				522,000,000.00

Company	Note for difference between proportions of voting rights and shareholding hold	Provision for impairment	Increse in current year	Cash dividends
Shenzhen ITC Property Management Co., Ltd.				
Shenzhen ITC Food Co.,Ltd.		1,600,000.00		
Shenzhen Property Construction Supervision Co., Ltd				
Shenzhen International Trade Plaza		12,000,000.00	3,455,632.63	
Shenzhen Real Estate Exchange				
Shensan Co.,Ltd.		17,695.09		
East Land Properties Limited				
Zhanjiang Shenzhen Real Estate Development Co., Ltd		2,530,000.00		
Hong Kong Shum Yip Properties Development Co., Ltd.		15,834,000.00		
Shenzhen Huajing Glass Bottle Co., Ltd		7,600,000.00		
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd		18,983,614.14		
Shenzhen ITC Industrial Development Co., Ltd		3,682,972.55		
Anhui Nanpeng Papermaking Co., Ltd		13,824,000.00		
China T.H. Co.,Ltd.		2,160,300.45		
North Machinery (Group) Co.,Ltd.		3,465,000.00		
Guangdong Huayue Real Estate Co.,Ltd.		8,780,645.20	780,645.20	
Total		110,478,227.43	4,236,277.83	522,000,000.00

Note: The Company owns 95% of shareholdings of Shenzhen Huangcheng Real Estate Co., Ltd, and these shareholdings is frozen by the courthouse, due to pending action of Haiyi case, and details refer to NoteVII. - 1(1).

4. Revenue and cost of sales

（1）Revenue

Item	2009	2008
Sales	27,284,202.73	26,154,776.18

Total	27,284,202.73	26,154,776.18

（2）Cost of sales

Item	2009	2008
Cost of sales	18,575,069.16	12,501,071.24
Total	18,575,069.16	12,501,071.24

（3）Listed by the categories of production or business:

Categories	Revenue	Cost of sales	Gross profit
Property rental and management services income	27,284,202.73	18,575,069.16	8,709,133.57
Total	27,284,202.73	18,575,069.16	8,709,133.57

5. Gain/loss on investment

Source	2009	2008
1.Gain on investment under cost method	522,000,000.00	
2.Gain on investment under equity method	-795,082.08	1,699,715.19
3. Gain on investment from disposal of long-term equity investment		40,266,921.14
4. Gain on investment from disposal of trading financial assets		20,128.04
5.Gain on investment from disposal of available-for-sale financial assets		2,461,338.30
Total	521,204,917.92	44,448,102.67

Note: Apart from the frozen 95% of shareholdings of Shenzhen Huangcheng Real Estate Co., Ltd, the return of other investments income has no significant restrictions, according to Note.VII-1 (1).

6. Supplementary information of cash flow statement

Supplementary information	2009	2008
1. Adjustment from net profit to cash flows from operating activities		
Net profit	462,937,195.91	-26,155,872.73
Plus: Provision for impairment of assets	17,142,015.89	-5,947,564.64
Depreciation of fixed assets, Oil-gas assets and Productive	13,315,806.69	13,060,977.86

Supplementary information	2009	2008
biological assets and amortisation of investment properties		
Amortization of intangible assets		
Amortization of long-term deferred expense	166,150.08	83,075.05
Loss on disposal of fixed assets, intangible assets and other	-50,019.21	-6,531,422.59
non-current assets(“-” for gain)		
Loss on fixed assets retirement (“-” for gain)		
Loss on change in fair value(“-” for gain)	-168,300.00	-5,500.00
Financial costs(“-” for gain)	3,925,627.00	12,195,072.81
Loss on investment(“-” for gain)	-521,204,917.92	-44,448,102.67
Decrease of deferred tax assets(“-” for increase)		
Increase of deferred tax liabilities(“-” for decrease)		
Decrease of inventory(“-” for increase)	-218,200.00	3,203,042.66
Decrease in operating receivables(“-” for increase)	195,066,602.51	-39,894,681.26
Increase in operating payables(“-” for decrease)	-61,015,512.98	201,484,925.29
Others		
Net cash flow from operating activities	109,896,447.97	107,043,949.78
2.Significant investment and financing activities irrelevant to cash flow		
Debt transferred to capital		
Changeable corporation bond due within 1 year		
Fixed assets acquired under finance leases		
3.Changing in cash and cash equivalents		
Cash at the end of the period	2,539,358.76	7,802,612.88
Less: Cash at the beginning of the period	7,802,612.88	10,363,712.41
Plus: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Increase in cash and cash equivalents	-5,263,254.12	-2,561,099.53

Note XI. Supplementary information

1. Extraordinary gains and losses (negative: loss)

（1）According to the announcement (2008)No.43“Regulation on the Preparation of Information

Disclosures of Companies Issuing Public Shares No. 1: Extraordinary gains and losses (2008)" issued by the CSRC, Extraordinary gains and losses of the company of this reporting period are calculated as follows:

(Positive: gains, Negative: losses)

Items	2009	Note
Gains and Losses on disposal of non-current assets, including provision for asset impairment write-off	58,710.32	Note 1
Corporate restructuring cost, such as employee resettlement expense, integration costs etc.	-12,700,956.90	Note 2
Gains and losses on non-operational contingencies	-8,031,974.39	Note 3
A gain or loss arising from a change in the fair value of a financial asset or financial liability and disposal of available-for-sale financial assets and liabilities that is not part of a hedging relationship related to ordinary operation of the Company	2,473,993.55	Note 4
Non-operational income and expense apart from the above items	4,346,485.20	Note 5
Sub-total	-13,853,742.22	
Less: extraordinary gains and losses income tax influence	954,731.31	
Total	-12,899,010.91	

Note1. "Gains and Losses on disposal of non-current assets, including provision for asset impairment write-off" refers to gain and loss on disposal of fixed assets in 2009.

Note2. "Corporate restructuring cost, such as employee resettlement expense, integration costs etc." of this accounting period is the predicted employee redundancy compensation of the employee redundancy plan, the item is based on the Document of State-owned Enterprise Reform of Shenzhen, and in accordance with the definition of Extraordinary gains and losses: "trading and items that could influence the judgments on the business performance and profitability of the company by the users of financial statement, due to its special nature and occasionality" from The Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No. 1 – Extraordinary gains and losses (2008)

Note3. "Gains and losses on non-operational contingencies" refers to the provision for contingent liabilities, details in Note V.-24, Note VII.-2

Note4. "A gain or loss arising from a change in the fair value of a financial asset or financial liability and disposal of available-for-sale financial assets and liabilities that is not part of a hedging relationship related to ordinary operation of the Company" refers to investments income on fair value of available-for-sale financial assets and its disposal.

Note5. "Non-operational income and expense apart from the above items" refers to income from penalty.

2. According to CSRC regulations of announcement "Disclosure requirements No.9 for the public listed companies—disclosure of ROE (%) and EPS" (edited in 2010), the calculated datas are as following:

Profit in report period	Weighted average ROE (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	15.67	0.16	0.16
Net profit attributable to ordinary shareholders after deducting extraordinary gain or loss	17.76	0.18	0.18

Legal representative: Senior accountant Chief financial officer: