SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

INTERIM REPORT 2010

Date of disclosure: 31 Jul. 2010

Section I Important Notice & Contents

The Board of Directors, the Supervisory Committee as well as directors, supervisors and senior executives of the Company guarantee that there are no any omissions, fictitious or serious misleading statements carried in the report and will take all responsibilities, individual and/or joint for the authenticity, accuracy and integrality of the whole contents.

No directors, supervisors and senior managers have objections to the report of the true, accurate and complete.

Chairman of the Board of the Company Mr. Chen Yugang, Person in Charge of Accounting Work Mr. Wang Hangjun and Manager of Financial Department Ms. Shen Xueying hereby guarantee that the Financial Statements in this report are true and complete.

The interim financial report of the Company has not been audited.

Contents

Section II Company Profile

(I) Company Profile

1. Name of the Company in Chinese: 深圳市物业发展（集团）股份有限公司
   Abbreviation: 物业集团
   In English: Shenzhen Properties & Resources Development (Group) Ltd. (PRD)
2. Legal Representative: Chen Yugang
3. Secretary of the Board of Directors and Securities Affairs Representative

	Secretary of the Board of Directors	Securities Affairs Representative
Name	Fan Weiping	Liu Gang
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4. Registered/Office Address: 39/F and 42/F, International Trade Center, Renmin South Road, Shenzhen
   Post Code: 518014
5. Media Designated for Disclosing Information
   A share: Securities Times; B Share: Ta Kung Pao
   Internet Website Designated by CSRC for Publishing Annual Report: http://www.cninfo.com.cn
   The Place Where the Interim Report is Prepared and Placed: Office of the Board of Directors, 42/F, International Trade Center, Renmin South Road, Shenzhen

6. Stock Exchange Listed with: Shenzhen Stock Exchange
Short Form of Stock: Shenwuye A, Shenwuye B
Stock Code: 000011, 200011

(II) Main financial data and indices

1. Main accounting data and financial indices

Unit: RMB Yuan

Items	At the end of the report period	At the end of last year	Increase/decrease compared with the end of last year (%)
Total assets	2,769,294,105.41	2,834,417,954.60	-2.30
Owners' equity (or shareholders' equity)	787,950,222.28	661,442,553.12	19.13
Net assets per share	1.3221	1.1098	19.13
Items	In the report period (from Jan. to Jun.)	The same period of last year	Increase/decrease year-on-year (%)
Operating profit	146,552,962.57	134,711,728.40	8.79
Total profit	152,910,566.41	136,457,608.54	12.06
Net profit	126,752,423.52	106,297,227.83	19.24
Net profit after deducting non-recurring gain/loss	117,563,897.99	106,062,901.26	10.84
Basic earnings per share	0.2127	0.1784	19.23
Diluted earnings per share	0.2127	0.1784	19.23
Net return on equity	16.09%	15.70%	0.39
Net cash flow from operating activities	49,327,311.75	457,299,337.02	-89.21
Net cash flow from operating activities per share	0.0828	0.7673	-89.21

2. Items of non-recurring gains and loss

Unit: RMB Yuan

Items	Amount
Profit and loss from disposal of non-current assets, including the offset part of the impaired assets;	3,639,394.41
Enterprises ' reorganization fees, such as staffing expenses and integration fees	-302,693.00
Profit and loss from contingent events not relating to the Company's normal business	279,047.46
Profit or loss from change in fair value by holding tradable financial assets and liabilities, and investment income from disposal of tradable financial assets and liabilities as well as salable financial assets, excluding the effective hedging businesses related with the normal operations of the company	39,900.00
Other non-operating income and expenses besides the above items	5,809,760.87
Other items that conform to the definition of extraordinary profit and loss	-276,884.21
Total	9,188,525.53

Note 1: Gains and losses from disposal of non-current assets, including offset that has been withdrew as impairment reserve of assets in current period were gains and losses from disposal of long-term equity investments and investing properties.

Note 2: Enterprises ' reorganization fees, such as staffing expenses and integration fees in this period was projected welfare amount for dismissal of employees as formulated formerly. The event implemented in accordance with relevant document on state-owned enterprise of Shenzhen, which was in line with definition of non-recurring gains and losses in Explanation Public Notice on Information Disclosure of Public Offering Shares Companies No. 1-Non-recurring Gains and Losses [2008] : "Gains and losses from transactions and events that influenced correct judgment on operating achievements and profitability of the Company according to financial statements owing to its special nature and chance".

Note 3: Profit and loss from contingent events not relating to the Company's normal business in the current period was the recovered amount of estimated liabilities originally withdrawn for investigations from CSRC. For more details, please refer to Note (Ⅴ) 23 and (Ⅸ) 6 to the Financial Statements

Note 4: Profit or loss from change in fair value by holding tradable financial assets and liabilities, and investment income from disposal of tradable financial assets and liabilities as well as salable financial assets, excluding the effective hedging businesses related with the normal operations of the company was gains and losses from change of fair value of transaction financial assets.

Note 5: Other non-operating income and expenses in current period were mainly house rent deposit income from breach of contracts and sums that need not to be paid.

3. Difference due to CAS and IFRS

Unit: RMB

Items	Net profit attributable to owners of parent company (Jan.-Jun. 2010)	Equities attributable to owners of parent company (as at 30 Jun. 2010)
According to CAS	126,752,423.52	787,950,222.28
According to IFRS	126,752,423.52	787,950,222.28
Notes to the difference	No difference	

4. Net return on equity, earnings per share and diluted earnings per share was accounted in accordance with requirement in Compilation Rules for Information Disclosures by Companies That Offer Securities to the Public (No. 9)-Calculation and Disclosure of Net Return on equity and earnings per share issued by CSRC (Revised in 2007)

Unit: RMB

Jan.-Jun. 2010	Net return on equity		Earnings per share	
	Fully diluted	Weighted average	Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders holding ordinary shares of the Company	16.09%	17.49%	0.2127	0.2127
Net profit attributable to shareholders holding ordinary shares of the Company after deducting non-recurring profit and loss	14.92%	16.22%	0.1973	0.1973

Section III Changes in Share Capital and Shares Held by Principal Shareholders

(I) In the report period, the Company's total shares and its structure of share capital remained unchanged.

(II) Number of total shareholders, shareholding of top ten shareholders and top ten shareholders holding shares not subject to trading moratorium as at 30 Jun. 2010 according to the registration book from the Shenzhen branch of China Securities Depository and Clearing Co., Ltd.:

Total shareholders at the end of report period	By the end of the report period, the Company has 45,030 shareholders in total, including 35,584 ones of A-share and 9,446 ones of B-share.

Shareholding of top ten shareholders					
Name of shareholder	Nature of shareholder	Shareholding ratio (%)	Number of shares held	Shares subject to trading moratorium	Shares pledged or frozen
Shenzhen Construction Investment Holdings Co., Ltd.	State-owned legal person	54.22	323,158,332	323,158,332	30,000,000
Shenzhen Investment & Management Co., Ltd.	State-owned legal person	9.5	56,582,573	56,582,573	0
ZENG YING	Domestic natural person	0.8	4,800,000	0	0
Labor Union of Shenzhen International Trade Property Management Company	State-owned legal person	0.46	2,768,480	2,768,480	0
Shenzhen Jinniuhong Trade Co., Ltd	Unknown	0.3	1,791,500	0	0
Shenzhen Special Zone Duty-Free Commodity Co., Ltd	Ordinary domestic legal person	0.29	1,730,300	1,730,300	0
Huang Qianqian	Domestic natural person	0.19	1,151,200	0	0
Shanghai Zhaoda Investment Consultant Co., Ltd	Ordinary domestic legal person	0.19	1,111,000	1,111,000	0
Dong Bingyu	Domestic natural person	0.18	1,046,300	0	0
Li Ting	Domestic natural person	0.16	965,880	0	0

Shareholding of top ten shareholders holding shares not subject to trading moratorium		
Name of shareholders	Amount of tradable shares held at the period-end (share)	Type of share
Zeng Ying	4,800,000	Domestically listed foreign shares
Shenzhen Jinniuhong Trade Co., Ltd	1,791,500	RMB ordinary shares
Huang Qianqian	1,151,200	RMB ordinary shares
Dong Bingyu	1,046,300	RMB ordinary shares
Li Ting	965,880	142,200 RMB ordinary shares and 823,680 domestically listed foreign shares
Liu Bin	862,548	RMB ordinary shares
Hu Pingsheng	727,000	RMB ordinary shares
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	721560	Domestically listed foreign shares
Liu Yude	683,000	RMB ordinary shares
Wang Liang	676,913	RMB ordinary shares
Explanation on associated relationship among the aforesaid shareholders or acting-in-concert	It was unknown whether there exists associated relationship among the shareholders mentioned above.	

Explanation on holding term of placing shares by strategic investor and ordinary legal person	There was no situation as this.

(III) Shareholding of top ten shareholders holding shares subject to trading moratorium, as well as trading moratoriums

Serial No.	Name of shareholder holding shares subject to trading moratorium	Number of shares subject to trading moratorium held by the shareholder	Date when available for trading	New shares available for trading	Trading moratorium
1	Shenzhen Construction Investment Holdings Co., Ltd.	323,158,332 (excluding prepaid shares) (Note 1)	4 Nov. 2012	29,798,954	1. The originally non-tradable shares held by the shareholder shall not be listed for trading or transferred within 36 months since implementation of the share reform; 2. Upon expiration of the moratorium above, the proportion of originally non-tradable shares sold via the stock exchange in the total Shenwuye shares shall not exceed 5% within 12 months and 10% within 24 months.
			4 Nov. 2013	29,798,954	
			4 Nov. 2014	Remaining shares	
2	Shenzhen Investment & Management Co., Ltd.	56,582,573	4 Nov. 2012	29,798,954	
			4 Nov. 2013	Remaining shares	
3	Labor Union of Shenzhen International Trade Property Management Company	2,768,480	4 Nov. 2010	2,768,480	The originally non-tradable shares held by the shareholder shall not be listed for trading or transferred within 12 months since implementation of the share reform; non-tradable shares held by the shareholder where considerations have not been executed shall not be listed
4	Shenzhen Special Zone Duty-Free Commodity Co., Ltd	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	
6	China Eagle Securities Co., Ltd.	865,150	4 Nov. 2010	865,150	
7	Shanghai Kunling Industrial & Trading Co., Ltd.	692,120	4 Nov. 2010	692,120	
8	Geng Qunying	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	

					for trading.

Note 1: During the stock right splitting reform, Shenzhen Construction Investment Holdings Co., Ltd. had prepaid for 741,075 shares for some non-tradable share holders. In Nov. 2009, the 2009 interim equity distribution was executed on the said prepaid shares—one share and RMB 0.112 in cash for every 10 shares. If the said prepaid non-tradable shares are to be listed for trading, shareholders holding those shares shall repay the shares prepaid by Shenzhen Construction Investment Holdings Co., Ltd., obtain a written consent from the company and repay to the company the shares and cash gains from the prepaid shares due to the equity distribution.

(Ⅳ) Changes of controlling shareholder and actual controller

The controlling shareholder and actual controller of the Company remained unchanged during the report period.

Section IV Particulars about Directors, Supervisors and Senior Executives

(I) Shareholding changes of directors, supervisors and senior executives during report period

Supervisor Guo Lusi holds a small number of Shenwuye shares (see the table below for more details). And no other directors, supervisors or senior executives hold Shenwuye shares.

Name	Office term	Shares held at year-begin	Shareholding increase for report period	Shareholding decrease for report period	Shares held at period-end	Of which: restricted shares held	Reasons for change
Guo Lusi	Supervisor	A-share: 154 B-share: 5390	0	0	A-share: 154 B-share: 5390	A-share: 154 B-share: 5390	--------

(II) Particulars about changes of directors, supervisors and senior executives in the report period:

1、Due to a job transfer, Vice GM of the Company Mr. Liu Yinhua applied on 20 Jul. 2010 to the Board of Directors to resign from the position of vice GM. Upon review and approval of the 25th Meeting of the 6th Board of Directors, Mr. Liu Yinhua was agreed to resign from the said position. The Company has disclosed the relevant information on this matter. For more details, please refer to the interim public notice published on Securities Times, Ta Kung Pao and http://www.cninfo.com.cn dated 21 Jul. 2010.

2、 Due to the Company's operation and management needs, as reviewed and approved at the 26th Meeting of the 6th Board of Directors, it was decided to engage Ms. Wang Huimin as Vice GM of the Company.

Section V Report of the Board of Directors

(I) Review of operation during the report period

Before announcement of the new policy in Apr. 2010, real estate markets in most cities of the country continued to grow from the second half of 2009, with active trading and rising prices. However, along with the Notice on Firmly Preventing Property Prices from Increasing Too Fast in Some Cities issued by the State Council ("the Ten New Real Estate Policies") and some local implementation rules, the government control on the property market was getting stricter. The increase of initial payments and mortgage interest for

second homes, as well as other property policies, gave a direct hit to the purchasing and investing desire in the real estate market. As such, starting from the second quarter of 2010, property markets in most domestic cities saw more hesitation, a sharp drop in trading volumes and price decrease.
The management of the Company believes that the real estate macro-control policies mentioned above may affect, to some degree, the Company's main business of real estate development in the future. At the very beginning of the year, we expected 2010 to be a year for policy change and adjustment in the real estate sector. We thus made good use of the first quarter of short but strong sales, strengthening advertising for our houses, which guaranteed realization of our business objectives for the first half of the year. Looking back into the real estate market in the first half of the year, we hope that the market can maintain a rational, long-term, stable and healthy development, which needs not only long-term and stable policies, but also the government's clear planning, orientation and sound regulations for the real estate sector in the urbanization drive, as well as the government's efforts to promote a stable, rational, highly professional and healthy development in the sector. Only these can provide a stable market environment and basis for realization of the "Twelfth Five-year Planning for Enterprises".

(II) Operation during the report period

1. General operation

For the report period, the Company achieved an operating income of RMB 697,428,600, up by RMB 160,690,000 year on year, representing a growth of 29.94%; a net profit reaching RMB 126,752,400, up by RMB 20,455,200 year on year, representing a growth of 19.24%; a net profit attributable to shareholders of the parent company amounting to RMB 126,752,400, representing a year-on-year increase of 19.24%. The sharp growth of the operating income and net profit was mainly because the Company pushed its sales in the first half of the year, which greatly increased its transferable incomes from the real estate business as compared with the same period of last year.
(1) Changes in operating income, operating profit, net profit, net increase of cash and cash equivalents over the same period of last year and analysis on reasons of change:

Unit: RMB Yuan

Items	Jan.- Jun. 2010	Jan.-Jun. 2009	Increase/decrease %
Operating income	697,428,583.67	536,738,584.88	29.94
Operating profit	146,552,962.57	134,711,728.40	8.79
Net profit	126,752,423.52	106,297,227.83	19.24
Net increase of cash and cash equivalents	-124,292,904.66	342,601,749.42	-136.28

Explanation on reasons of change:
① Operating income increased 29.94% year on year, mainly because property sales in the report period were carried forward into incomes.
② Operating profit and net profit increased 8.79% and 19.24% year-on-year respectively, mainly because property sales in the report period were carried forward into incomes.
③ Net increase of cash and cash equivalents decreased 136.28% year on year, which was mainly due to the year-on-year decrease of funds collected from project sales and the increase of land purchases and taxes in the report period.
(2) Analysis on increase/decrease of total assets, shareholders' equity and other items compared with that at the report-begin and reasons of change:

Unit: RMB Yuan

Items	30 Jun. 2010	31 Dec. 2009	Increase/decrease %

Total assets	2,769,294,105.41	2,834,417,954.60	-2.30
Account receivable	71,102,235.73	66,938,998.94	6.22
Other account receivable	48,907,592.88	54,030,054.90	-9.48
Inventories	1,319,061,182.89	1,255,676,772.24	5.05
Long-term equity investment	80,319,891.38	79,697,503.62	0.78
Fixed assets	84,700,358.91	76,985,792.12	10.02
Intangible assets	109,639,345.22	112,893,677.12	-2.88
Shareholders' equity (excluding minority interests)	787,950,222.28	661,442,553.12	19.13

Reason for change:
① Total assets decreased over the period-begin mainly due to repayment of bank loans;
② Account receivable increased over the period-begin mainly due to increase of receivables from the property management business;
③ Other account receivable decreased over the period-begin mainly because subsidiaries collected some debts;
④ Inventories increased over the period-begin mainly due to increase of payments for construction in process;
⑤ Long-term equity investment increased over the period-begin mainly because profits from investees increased according to the equity method;
⑥ Fixed assets increased over the period-begin mainly because subsidiaries renewed their taxies;
⑦ Intangible assets decreased over the period-begin mainly due to amortization in the report period;
⑧ Shareholders' equity increased over the period-begin due to profits during the report period.

(3) Particulars about measuring significant assets, liabilities, income and expenses with the fair value mode.
Accounting calculation of the Company based on accrual basis. Other assets calculated on basis of historical cost when transaction financial assets and financial assets calculated with fair value method. For assets calculated with methods of replacement cost, net realizable value, present value and fair value, based on obtain and credit of the confirmed accounting elements.
① Items measured at fair value

Unit: RMB Ten thousand

Items	Amount at period-begin	Gain and loss from fair value changes in report period	Accumulative fair value changes recorded into equity	Impairment withdrawn in report period	Amount at period-end
Financial assets Of which: 1. financial assets measured at fair value and	23.22	3.99			27.21

of which changes are recorded into current gains and losses					
Including: derivative financial assets					
2. Available-for-sale financial assets					
Subtotal of financial assets	23.22	3.99			27.21
Financial liabilities					
Investing properties					
Production biological assets					
Others					
Total	23.22	3.99			27.21

Note: Financial assets measured at fair value and of which changes are recorded into current gains and losses were tradable shares brought in from the secondary market, with closing prices announced by the stock exchange as fair value.

② Financial assets and liabilities held in foreign currencies

The Company did not hold any financial assets or liabilities in foreign currency during the report period.

2. Scope and operating situation of the main operations:

The Company mainly engaged in real estate development, property management and lease, with by-lines of taxi passenger transportation and caterings. In the report period, the Company realized incomes from main operations amounting to RMB 690,390,300 and comprehensive gross profit amounting to RMB 196,397,400. Breakdowns of incomes from main operations and gross profit were as follows:

(1) Classified by industries

Income from real estate development was RMB 552,327,400 and gross profit was RMB 157,742,400;

Income from property management and lease was RMB 98,313,800 and gross profit was RMB 21,130,000;

Income from taxi passenger transportation was RMB 24,623,300 and gross profit was RMB 12,502,400;

Income from caterings was RMB 7,873,700 and gross profit was RMB 1,731,900.

(2) Classified by regions:

Income in Shenzhen was RMB 653,655,300, taking up 94.7% of total incomes;

Income in other regions was RMB 36,735,000, taking up 5.3% of total incomes.

For the first half of 2010, the Company's real estate income mainly came from Shenzhen and most operating income and main profits came from the real estate business in Shenzhen. Real estate income accounted for 78.3% of total incomes.

(3) As for major products taking up great proportions in incomes from main operations or of total profits from main operations, details for sales revenues, costs and gross profits are as follows:

Unit: RMB'000 Yuan

Industry	Operating income	Operating cost	Gross profit rate

	Amount	Increase/decrease over the last year (%)	Amount	Increase/decrease over the last year (%)	Gross profit ratio (%)	Increase/decrease over the last year (%)
Real estate development	552,327	32.45	394,585	140.94	28.56	-32.17
Property Management and lease	98，314	19.94	77,183	5.3%	21.49	5.29
taxi passenger transport	24,623	4.18	12,121	6.94	50.77	-1.27

3. Particulars about suppliers and customers

When the Company engaged in the business of real estate development, the developed real estate projects would be contracted to the bid winning companies be means of bid of projects, of construction materials were purchased by the construction enterprises with responsibility. There existed no big purchases during the report period.

Commercial houses of the Company were mainly sold to individual customers. Sales to the top five customers accounted for 2.40% of the Company's total sales.

4. Explanation on great changes in composing of profit, main operations or its structure and profit capacity of main operations in the report period.

There was no great change in composing of profit, main operations or its structure and profit capacity of main operations in the report period. Sales income and net profit increased by a large margin because the Company pushed its sales and achieved a year-on-year increase of incomes transferred from the real estate business in the first half of the year.

5. Other operating activities greatly influenced profit in the report period

There were no other operating activities that greatly influenced profit during the report period.

6. Operation and analysis on achievements of main subsidiaries and share-holding companies

Unit: RMB'000 Yuan

Company name	Main products	Registered capital	Total assets		Net assets		Operating profit		Net profit	
			Amount	Increase/decrease compared to last year (%)	Amount	Increase/ decrease compared to last year (%)	Amount	Increase/decrease compared to last year (%)	Amount	Increase/decrease compared to last year (%)
Shenzhen Huangcheng Real Estate Co., Ltd	Development, construction, operation, and management of supporting commercial service facilities at Huanggang Port	30000	1830763	21.71	183576	-72.45	3034	-97.91	2881	-97.55
Shenzhen Wuye Real Estate Development Co., Ltd.	Real estate development	30950	659634	9.79	23831	-	101363	-	79690	-
Shenzhen Guomao Automobile Industry	Transportation of passengers, and lease of	29850	298298	12.29	53471	20.97	7279	41.70	5269	28.36

Company	automobiles									

Net assets of Shenzhen Huangcheng Real Estate Co., Ltd. registered a steep drop as compared with the same period of last year because it handed in profit to the parent company in the second half of 2009; its profit also saw a considerable drop because for the first half of this year, only a handful of unpopular houses were sold and generated some income and there were no new projects to generate more income. Profit of Shenzhen Wuye Real Estate Development Co., Ltd. increased significantly because projects developed by it were eligible to be carried forward into income this June while there were no real estate projects to be carried forward into income at the same period of last year.

7. Problems and difficulties in operation and countermeasure of the managements.

(1) Risk the Company faced and countermeasure

① Risk from policy and market

In the first half of 2010, along with announcement of the "Ten New Real Estate Policies" and some local implementation rules, the sold housing floor space showed a drop in major cities in China from the same period of last year. The new property macro-control policies had, within a short period of time, slowed down the real estate investment growth, brought down the trading volume rapidly and caused more and more hesitation in the market. Affected by the uncertainties mentioned above, there appeared a complex hesitation period of the macro-control policies. Upon an objective analysis to the nature of this real estate adjustment, we believed that the government's purpose was not just to adjust the high property prices, but also to reduce financial and other system risks behind the real estate market and eventually to bring the economy to the right path and improve the economic structure. As for the second half of this year, it was generally believed that the adjustment in the property market would continue under the macro-control pressure.

Urbanization has brought unprecedented opportunities and a wide space for the real estate sector. Meanwhile, some cities are working on support housing planning. Under such circumstances, the Company is cautiously optimistic about the future real estate market as it holds the principles of being prudent and steady, controlling risks and grabbing proper development opportunities. We will avoid regions and cities with a high risk for investment and try to enter cities and core zones with high value. Holding the idea of "quality properties make for quality lives" and the objective of "building classic and beautiful homes", we will strengthen advertising for our projects, maximize value of projects and build a quality land reserve for development of the Company.

② Project development and risk control: Considering characteristics of real estate development projects, the Company adopts risk control in the entire process of a development project. A risk pre-warning mechanism and handling pre-plan mechanism has been established in all phases of a project, including investment decision-making, preparation, construction, marketing for sale and lease, and after-sale service. Thus, a necessary risk control mechanism has been established. And the Company will continue to improve its rules, make its operation flows more scientific and strengthen management.

(2) Work focuses for the second half and countermeasures for possible risks

In the second half of this year, property demand would be one of the key elements essential to property sales, as well as to the realization of business objectives set by the Company. Most real estate companies will probably meet a changeable market demand and economic environment, macro-control policy risks and other difficulties. The Company will try to understand better the rules governing rising and falling of market prices, adopt an active attitude in coping with difficulties and grab opportunities so as to maximize project profits. In spite of problems, difficulties and risks ahead, with expectation and trust from shareholders, all of us will work with a stronger sense of responsibility, urgency and motivation. We will tap and integrate internal and external resources and make sure accomplishment of targets set at the year-begin by taking the following measures.

① To make sure timely arrival of money supply and proceeding as scheduled of construction in process; to reserve capital for realization of development objectives; to get financing through multiple channels and methods, and minimize financing cost and risk, etc.;

② To accurately predict new policies through scientific analysis and judgment, spot investable cities and regions, reduce expenses for obtaining land use right and other costs, and make rational arrangements of development cycles so as to keep pace with development and adjustment in the real estate sector.

③ To adjust marketing strategies and promotion efforts for projects according to changes in the real estate market, collect funds as soon as possible and reduce operation risks.

④ To improve rules, increase efficiency, strengthen cost control, ensure project quality, strengthen re-training and re-education for employees, and build a highly professional team with strong executive force.

⑤ To try to exchange for land and other resources available for development by grabbing opportunities provided by the share reform, so as to solidify the foundation for the Company's development.

(III) Investment during the report period

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

2. Significant investment projects from funds from non-financial activities, and their progress and benefit.

Unit: RMB'000 Yuan

Name of Project	Estimated total investment in the project	Investment in 2010	Project progress	Sales
B section in C block of Huangyuyuan (Shen'gang No.1)	388400	65061.5	Interior and external decoration	44.6% has been sold in advance.
D block of Huangyuyuan (Langqiaogongguan)	414120	50660.4	Construction of the main part	—
E block of Huangyuyuan (Golden-collar Holiday Hotel)	Uncertain	448	Planning	—
Fengherili Tiankuoyuan (Xinhua Town)	585000	46890	Acceptance checks have been finished and residents have moved in.	74% has been sold.
Caitianyise	160000	6450	Foundation pit and piles driving	--
Total	**1174812**	**169509.9**	—	—

(Ⅳ) Completion progress of targets set for 2010

The Company disclosed in the 2009 Annual Report a planned operating income for the year 2010 reaching RMB 990 million and a planned cost of 810 million. Up until 30 Jun. 2010, an operating income of RMB 697,428,583.67 has been achieved, which is mainly because the Company strengthened its real estate sales, which generated a much greater income.

(V) About revising on operation plan in 2010

During the report period, the Company never revised operation plan in 2010 disclosed in Annual Report 2009.

Section VI Significant Events

(I) Particulars about corporate governance

During the report period, in strict compliance with the Company Law, the Securities Law, the Stock Listing Rules of Shenzhen Stock Exchange, the Code for Corporate Governance of Listed Companies and other laws and regulations, the Company continued to improve corporate governance, better management capability, strengthen information disclosure and regulate operation. The actual governance of the Company was basically in line with requirements of relevant documents issued by CSRC.

In the report period, in order to further clarify work assignment for annual report disclosure, the Company formulated and later revised the Rules for Responsibility Locating for Major Errors in Annual Report Disclosure. And the Work Rules for Annual Report Disclosure was formulated to further clarify the work procedure for annual report disclosure. Meanwhile, the Work Rules for Legal Advisors and the Contract Management Rules were formulated to reinforce legal risk prevention and improve the risk control capability.

(Ⅱ) Formulation and execution of internal control rules

The Company has formulated a system of legal, rational and effective internal control rules based on its own operation characteristics.

In the report period, the Company conducted careful examinations on the internal control of the Company in 2009 and disclosed the Self-evaluation Report on Internal Control. All internal control rules of the Company have been effectively implemented, which firmly guarantees normal operation of the Company. The Company will continue to improve and regulate its corporate governance, increase management capability, regulate operation and effectively prevent risks, so as to lay a good foundation for long-term and healthy development of the Company.

(Ⅲ) Profit distribution and implementation

1. In accordance with resolutions of the Shareholders' General Meeting 2009, the Company would not distribute profit or turn capital reserves into share capital for the year 2009.

2. For the first half of 2010 ended 30 Jun. 2010, the Company achieved a consolidated net profit attributable to the parent company reaching RMB 126,752,423.52, with the parent company achieving a net profit of RMB 27,077,925.00. As at 30 Jun. 2010, the consolidated undistributed profit of the Company stood at RMB 100,715,553.13, with the undistributed profit of the parent company standing at RMB -4,754,258.52.

Since the parent company is the main body of profit distribution, the Company intends not to distribute profits or turn capital reserves into share capital for the first half of 2010.

3. During the report period, the Company did not implement or draw up any equity

incentive plans.

(Ⅳ) Significant lawsuits and arbitrations and equity of other listed companied held

1. In the report period, no new significant lawsuit or arbitration events occurred during the report period.

2. In the report period, the progress of the significant lawsuits and arbitrations disclosed in the previous years:

(1) Concerning the cases 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, the interim public notice on 19 Oct. 2009, the 2009 Annual Report and the interim public notice on 19 Jul. 2010

Concerning the 34 cases over housing property purchase and sale contract disputes between eight companies, including Haiyi Industrial (Shenzhen) Co., Ltd., and the Company, the Company was of the opinion that there existed unclear facts, errors in application of laws and violation of legal procedures concerning the second-instance judgments for the said 34 cases. Therefore, the Company filed an appeal to the Supreme People's Court (hereinafter referred to as "the Supreme Court") according to the justice supervision procedure.Concerning the Case (1998) YFMZ Zi No.298 and (1998) YFMZ Zi No.311 between the Company and First Commerce Co., Ltd. and Jinhaijing Industry (Shenzhen) Co., Ltd. respectively, the Supreme Court respectively issued the Civil Judgment (2003) MYJ Zi No.403-1 and (2003) MYJ Zi No.443-1, which declared that the said cases should be sent back to the Guangdong Higher People's Court (hereinafter referred to as "the Guangdong Higher Court") for retrial and that execution of the original judgments should be suspended. At present, the said two cases have entered the retrial process. And the Company disclosed the relevant information in the 2008 Annual Report and the interim public notice dated 19 Oct. 2009.

On 15 Jul. 2010, the Supreme Court issued another 32 civil judgments to the Company. Upon retrial examination on the 32 civil judgments (1998) YFMZ Zi No.284-297, 299-310 and 312-317, which were part of the 34 cases of "Haiyi Company", the Supreme Court believed that the Company's appeal met legal standards for retrial. Pursuant to the Law of Civil Procedure of the People's Republic of China, the Supreme Court decided to command the Guangdong Higher Court to retry the said cases and that execution of the original judgments should be suspended during the retrial period.

So far, concerning the 34 cases of "Haiyi Company", the Supreme Court has overruled all the second-instance judgments for those cases and commanded the Guangdong Higher Court to retry the said cases. Up until the report date, all the 34 cases have entered the retrial process.

Due to the application of Haiyi Company and other seven companies to the Shenzhen Intermediate People's Court (hereinafter referred to as "the Shenzhen Intermediate Court") to resume execution of the 34 cases, the Shenzhen Intermediate Court froze some of the Company's properties. (The Company has disclosed interim public notices on this matter respectively on 9 Apr. 2009, 4 Jun. 2009 and 29 Jun. 2009.) The Company has applied to the Shenzhen Intermediate Court for suspending execution of the said 34 cases according to relevant laws. And the Company will keep a close eye on the progress of the cases and perform its duty of information disclosure in a timely way.

(2) Regarding the case against Guomao Jewel & Gold Co., Ltd. (hereinafter referred to as "GMJG") located in Shengfeng Road, Shenzhen as disclosed in the annual reports from 2005 to 2009

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. Due to the reason that GMJG and Lin Ruohua have been found with no assets available for execution for now, the Court has now terminated execution of the case.

(3) Regarding the contract dispute with Duokuai Elevator as disclosed in the annual reports from 2006 to 2009
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.
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 1,478,071.21 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.

In Mar. 2010, upon mediation of Shenzhen Intermediate People's Court, the two parties reached a settlement agreement on the aforesaid case, which was signed on and executed. At present, the executed assets are being transferred.

(4) With regard to the case of "Meisi Company Lawsuit" disclosed continuously by the Company in the annual reports from 2004 to 2009

Concerning the civil lawsuit, On 2 Jul. 2009, Shenzhen Intermediate People's Court heard the case and no verdict has been issued for now. 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.

Concerning the administrative lawsuit, 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.

(5) For the case of "Hubei Foreign Economic Trade" disclosed in the Annual Reports during 2000 to 2006, Semi-annual Report 2007 and Semi-Annual Report 2008. The Supreme Court of People's Republic of China sent a paper of retrial civil judgment with (2004) MEJ Zi No. 146-3 in Oct. 2007, which ordered retrial of the case by the Supreme Court of People's Republic of China. At present, the case hasn't opened a court session.
After the Company repaid housing fund of Jiabin Building RMB 24.4029999 million, Hubei Foreign Economic Trade Shenzhen Office sent 14/F and 15/F of Jiabin Building to the Company in line with law. In order to resolve ownership of the property and after investigation, the Company found that 14/F and 15/F of Jiabin Building was registered under the name of Zhuhai West Yinzhu Industrial Development Co., Ltd with method of file registration. In Jun. 2008, the Company sued Zhuhai West Yinzhu Industrial Development Co., Ltd to the Court of Luohu District, appealed the court confirm the Company was obligee of 14/F and 15/F of Jiabin Building and judge to transfer registration under the name of the Company. The Court of Luohu District accepted the case with (2008) SLFMSC Zi No. 1442. On 21 Jul. 2008, the Court opened a court session and presided to intermediation. The Company and Zhuhai West Yinzhu Industrial Development Co., Ltd came to Civil Mediation Agreement, in which both parties unanimously agreed that the 14/F and 15/F of Jinlihua Commercial Plaza (the former Jiabin Building) located in Bao'an Road South, Luohu District , Shenzhen City owned by the Company; Zhuhai West Yinzhu Industrial Development Co., Ltd cooperated with the Company to handle relevant transfer procedure of the aforesaid property within three days when the Civil Mediation Agreement came to effect. The mediation agreement now is effective complied with law. The Company will actively handle transfer procedure. 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.
(6) Regarding the "China Orient Asset Management Company Lawsuit" disclosed by the Company in the provisional public notice on 30 Dec. 2009 and the 2009 Annual Report. Case No.: (2009) SZFMECZ No.77
In this case, the Shenzhen office of China Orient Asset Management Co., Ltd. (hereinafter referred to as "Orient Asset Management Co., Ltd.") 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. On 23 Jul. 2009, 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.
The case was heard on 11 Jun. 2010. And no verdict has been issued by the Shenzhen Intermediate People's Court.
(7) Regarding the "China Orient Asset Management Company Lawsuit" disclosed by the

Company in the provisional public notice on 30 Dec. 2009 and the 2009 Annual Report.
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. On 23 Jul. 2009, 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.

On 1 Jun. 2010, China Orient Asset Management withdrew the accusation against the Company.

(7) Regarding the Huaxi Company Lawsuit as disclosed in the annual reports of 2008 and 2009

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"). Later, Jiyong Company refused to pay for the construction. And Huaxi Company filed a lawsuit to the People's Court in Luohu District, Shenzhen (hereinafter referred to as "the Luohu Court"), asking Jiyong Company, Shenzhen Zongli Investment Co., Ltd. and the Company to pay for the construction and its loss over RMB 5.87 million. On 28 Oct. 2009, the Luohu Court issued the Civil Judgment (2003) SLFMEC Zi No.240, which ruled that Jiyong Company should, within 10 days after the judgment took effect, pay RMB 2,132,521.62 and corresponding interest to Huaxi Company for construction. And the Company took no responsibility in the first-instance judgment.

The second trial for the case opened on 13 May 2010. And no verdict was reached by the court for the second trial during the report period. The Company believes, based on facts and legal grounds, that since it is not the principal party of the contract, the case would not cause loss to the Company.

3. Equity of other listed companies the Company held

(1) Securities investment

No.	Securities variety	Securities code	Short form of securities	Initial investment amount (RMB)	Number of shares held	Book value at period-end	Proportion in total securities investment (%)	Profits or losses in the report period (RMB)
1	Shenzhen A stock	000030	ST Sunrise	268,735.50	30,000	272,100.00	100.00	39,900.00
Other securities investment held at the period-end								
Profits or losses of securities sold in the report period				----	----	----	----	0.00
Total				268,735.50	----	272,100.00	100.00	39,900.00

(2) Equity of other listed companies the Company held

Securities code	Short form of	Initial investment	Proportion in	Book value at period-end	Profits or losses in	Changes of owners'	Accounting subject	Resource

	securities	amount	equity of the Company		the report period	equity in the report period		
000509	S*ST HASU	2,962,500.00	0.33%	802,199.55	0.00	0.00	Long-term equity investment	Directional purchase of corporate shares
Total		2,962,500.00	-	802,199.55	0.00	0.00		

(V) Briefing and progress of the Company's significant asset acquisition, sale and mergers
1. In the report period, the Company did not conduct any significant asset 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 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 meters (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. On Jun. 9, 2010, the Company formally received payment of RMB 5,274,080.00 for transferring "Sihui Land" and confirmed as income, and the net profit was RMB 1.83 million after carried forward cost and deducting relevant taxes.

(VI) Related transactions
(1) Related transaction incurred in report period
① On Oct. 16, 2009, the Company's actual controlling shareholder—Shenzhen Investment Holdings Co., Ltd entrusted the Shenzhen Jingtian Sub-branch of China Everbright Bank to grant loan of RMB 150 million to the Company's subsidiary—Shenzhen Huangcheng Real Estate Co., Ltd. On Mar. 25, 2010, the Company repaid entrusted loan of RMB 150 million to controlling shareholder. Up to the announcement day, balance of related transactions between controlling shareholder and the Company was RMB 50 million, with nature being entrusted loan from the controlling shareholder to the Company.
② From Janunary to June 2010, the Company paid interest of entrusted loan totaling RMB 4.9583 million to the Company's actual controlling shareholder—Shenzhen Investment Holdings Co., Ltd.
2. For the credits and liabilities between the Company and its related parties, please refer to the Note VI. 3. Balance of accounts receivable from and payable to related parties under the Notes to the financial statements.

(VII) Significant contracts and their implementation
1. Significant contracts
① The Company got state-owned construction land use right of Block 2010-001 located in Tongshan County, Xuzhou City on Feb. 10, 2010. The Company disclosed the above event on Feb. 11, 2010, and public notice published in Securities Times, Ta Kung Pao and http://www.cninfo.com.cn.
The Company afterwards signed Contract on Transfer of State-owned Land Use Right with Tongshan State-owned Land and Resources Bureau, contract amount was RMB

192.3 million and with area of 96,869 square meters. Usage of the land is residence and land use right term is seventy years. For details, please refer to the First Quarterly Report 2010 disclosed on Apr. 26, 2010.

② During the reporting period, there was no other significant transaction, trust, contract or lease of assets.

2. 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 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 248 million.

(3) The Company provided a joint-liability guarantee for the long-term loan of RMB 90 million borrowed by Shenzhen ITC Vehicles Services Company from the Shenzhen Branch of China Ping An Bank. The closing balance of the loan stood at RMB 12 millio.

(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.

3. Special explanation and independent opinion from independent directors on capital occupation by related parties and provision of external guarantees by the Company

Li Xiaofan, Dong Zhiguang and Zha Zhenxiang, all independent directors of the Company, issued their independent opinion concerning the capital occupation by the Company's related parties and the provision of external guarantees by the Company.

In accordance with the Guiding Opinion of CSRC on Establishing Independent Director System in Listed Companies, the Circular of Shenzhen Stock Exchange on Disclosure of Interim Reports 2010 of Listed Companies (SZS[2010] No. 211) and other laws and regulations, as well as the Company's Articles of Association and its Rules for Independent Directors, we, as the independent directors of Shenzhen Properties & Resources Development (Group) Ltd., conducted careful examinations on the significant guarantees provided by the Company and the capital occupation by the Company's holding shareholder and other related parties in the first half of 2010. Upon the examinations, we hereby expressed our independent opinions as follows:

(1) No capital of the Company had been occupied by principal shareholders or other related parties.

(2) The Company earnestly carried out regulations of Circular on Regulating External Guarantee of Listed Companies, strictly controlled risks from guarantees and the specialist tracked in real time. The Company assured that procedure of decision-making was legitimate, reasonable and fair and never damaged interest of shareholders and the Company. Up to 30 Jun. 2010, all guarantees of the Company were under controller. Total guarantee amount of the Company was RMB 460 million, all of which were for wholly-owned subsidiaries and were demand of routine business of the Company.

4. Significant cash assets management the Company trusted other parties
There was no significant event of trusteeship of cash assets management in the reporting period.

(VIII) 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.
Implementation: Up to the date of public notice, Construction Holdings and Investment Management Company never sold shares of 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 Construction Holdings and Investment Management Company, which was controlled 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.
Implementation: Up to the date of public notice, Investment Holdings never sold shares of the Company actually controlled.
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.
Implementation: Investment Holdings applied to China Securities Depository and Clearing Corporation Limited Shenzhen Branch to freeze 30,000,000 shares of the Company under name of Construction Holdings but actually controlled by Investment Holdings in Nov. 2009; Investment Holdings and the Company had planned reorganization committed, and suspension stock trade of the Company started since Jun. 22, 2010; according to regulations, the Company disclosed progress of the significant event respectively on Jun. 29, Jul. 6 , Jul. 13 and Jul. 20, 2010, for details please referred to provisional public notice published in Securities Times, Ta Kung Pao and http://www.cninfo.com.cn on those days; On 21 Jul. 2010, the Company held the 25th Meeting of the 6th Board of Directors, at which Resolution on Implementation of Commitment of Share Merger Reform on Assets Replacement and Significant Related Transaction (Draft), and on that day, the Company disclosed Suggestive Public Notice on Implementation of Commitment of Share Merger Reform on Assets Replacement and Significant Related Transaction. Stocks of the Company relisted again on Jul. 22, 2010. The Company will closely focused assets replacement and disclose relevant information in time strictly according to relevant requirements of laws and statutes.
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.

Implementation: Up to the date of public notice, Investment Holdings entrusted bank to loan RMB 50 million to the Company, which both occurred before the list date of non-tradable shares. On Mar. 18, 2010, the Company held the Annual Shareholders' General Meeting 2009, at which reviewed and approved Proposal on Application to Controlling Shareholder to Entrust Loan. The Shareholders' General Meeting authorized the Board of Directors of the Company to deal with signature of entrusted loan agreement, renewal of loan, borrow a new loan to repay old within RMB 500 million according to actual need of operation and based on negotiation with Investment Holdings and relevant banks. The Company disclosed the above on Mar. 19, 2010, and the public notice published in Securities Times, Ta Kung Pao and http://www.cninfo.com.cn.

The Board of Directors of the Company will decide to apply entrust loan to Investment Holdings in proper time.

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.

Implementation: whether the commitment will be implemented is according to net profit of 2010.

(VIII) The Financial Report for the first half of 2010 has not been audited.

(IX) In the report period, punishment to the Company and its management from securities regulatory authorities.

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.

On May 10, 2010, CSRC send Written Decision of Administrative Punishments (CF Zi No. [2010] 12) to the Company, and the punishment were as follows: ① The original Advance Notification of Administrative Punishments planned to impose a penalty of RMB 250,849.80 on the Company, which would not be executed after review; ② 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. The Company disclosed the relevant provisional public notice on Securities Times, Ta Kung Pao and http://cninfo.com.cn designated for information disclosure dated May 12, 2010.

On May 18, 2010, the Company paid RMB 250,849.80 and HKD 8,544,744,97 from sales

of B shares (which equal to RMB 7,500,577.13 according to exchange rate when received Written Decision of Administrative Punishments on May 10, 2010).
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 report period, no shareholder holding over 5% shares of the Company made such commitments as voluntarily extending the trading moratorium term, and setting or raising the lowest price for reducing shareholding.

(XI) Researches, interviews and visits received by the Company in report period
1. In the report period, the Company received no field visits from institutional investors. Instead, it received phone calls for consultation from a great number of individual investors and some institutional investors.

Reception time	Reception place	Reception way	Visitor	Main discussion and materials provided
5 Jan.. 2010	Office of the Board of Directors	By phone	Individual investor	Acquainted about status of the Company and inquired sales of Shengang No. 1 Project
27 Jan. 2010	Office of the Board of Directors	By phone	Individual investor	Acquainted about status of the Company and inquired that when the principal shareholder start assets reorganization as committed.
2 Feb. 2010	Office of the Board of Directors	By phone	Individual investor	Acquainted about status of the Company and inquired when the Company disclosed the Annual Report
10 Mar. 2010	Office of the Board of Directors	By phone	Individual investor	Acquainted about basic status of the Company and inquired progress of reorganization of share merger reform
25 Mar. 2010	Office of the Board of Directors	By phone	Individual investor	Acquainted about basic status of the Company and inquired whether Xinhua Town be carried forward
7 Apr. 2010	Office of the Board of Directors	By phone	Individual investor	Acquainted about basic status of the Company and public notice on clarification of relevant report
12 Apr. 2010	Office of the Board of Directors	By phone	Individual investor	Acquainted about basic status of the Company and asked about the progress of the Haiyi Company Lawsuit
19 Apr. 2010	Office of the Board of Directors	By phone	Individual investor	Acquainted why the stock price was low and inquired about progress of share merger reform
28 Apr. 2010	Office of the Board of Directors	By phone	Individual investor	Acquainted when the share merger reform started and ended with one year
5 May 2010	Office of the Board of Directors	By phone	Individual investor	Acquainted whether reorganization of share merger reform had progress;
20 May 2010	Office of the Board of Directors	By phone	Individual investor	Acquainted about achievement of the first half year of 2010 of the Company;
27 May 2010	Office of the Board of Directors	By phone	Individual investor	Whether there were some programs for share merger reform
9 Jun. 2010	Office of the Board of Directors	By phone	Individual investor	Acquainted whether punishment from CSRC would influence achievement of the Company;
28 Jun. 2010	Office of the Board of Directors	By phone	Individual investor	Acquainted about land reserves of the Company;
8 Jul.. 2010	Office of the Board of Directors	By phone	Individual investor	Acquainted about progress of assets replacement;

12 Jul. 2010	Office of the Board of Directors	By phone	Individual investor	Acquainted about when stock of the Company relisted.
22 Jul. 2010	Office of the Board of Directors	By phone	Individual investor	Inquired whether business of Shenxin Taxi Co., Ltd has relationship with the Company in progress of assets replacement.
22 Jul. 2010	Office of the Board of Directors	By phone	Individual investor	Inquired when the title deed for land located moon bay would be completed;
22 Jul. 2010	Office of the Board of Directors	By phone	Individual investor	Inquired when the Company held the Shareholders' General Meeting to review and approve assets replacement scheme?

The Company answered the aforesaid phone calls for consultation in strict compliance with requirements and principles of the Guide on Fair Information Disclosure for Listed Companies, and protected the investors' right to get the information equally. All the investors were treated fairly and no undisclosed information was leaked to the investors.

2. Index for information disclosed

Date of disclosure	Serial No.	Name
14 Jan. 2010	2010-01	Preliminary Earnings Estimate
8 Feb. 2010	2010-02	Public Notice on Disclose Annual Report 2009 in Advance
9 Feb. 2010	2010-03	Public Notice on Resolutions of the 13th Meeting of the 6th Supervisory Committee
9 Feb. 2010	2010-04	Summary of Annual Report 2009
9 Feb. 2010	2010-05	Public Notice on Resolution of the Board Meeting
9 Feb. 2010	2010-06	Notice on Holding the Annual Shareholders' General Meeting 2009
11 Feb. 2010	2010-07	Public Notice on Acquisition of Land Use Right
19 Mar. 2010	2010-08	Public Notice on Resolutions of the Annual Shareholders' General Meeting 2009
24 Mar. 2010	2010-09	Clarification Public Notice
12 Apr. 2010	2010-10	Public Notice on Setting up Wholly-owned Subsidiary Company in Xuzhou
26 Apr. 2010	2010-11	The 1st Quarterly Report 2010
26 Apr. 2010	2010-12	Public Notice on Resolutions of the Board Meeting
26 Apr. 2010	2010-13	Public Notice on Resolutions of the 14th Meeting of the 6th Supervisory Committee
12 May 2010	2010-14	Public Notice on Receiving Written Decision of Administrative Punishment from CSRC
22 Jun. 2010	2010-15	Public Notice on Stock Suspension for Assets Reorganization
29 Jun. 2010	2010-16	Public Notice on Progress of the Significant Assets Reorganization
6 Jul. 2010	2010-17	Public Notice on Progress of the Significant Assets Reorganization
13 Jul. 2010	2010-18	Public Notice on Progress of Implementation of the Significant Assets Reorganization in share merger reform
19 Jul. 2010	2010-19	Public Notice on Acquisition of Use Right of Land Located in Dalang Town, Dongguan
19 Jul. 2010	2010-20	Public Notice on Progress of Haiyi Case
20 Jul. 2010	2010-19	Public Notice on Progress of Implementation of the Significant Assets Reorganization in share merger reform
20 Jul. 2010	2010-21	Public Notice on Implementation of Commitment of Share Merger Reform on Assets Reorganization
21 Jul. 2010	2010-22	Public Notice on Resolution of the Board Meeting
21 Jul. 2010	2010-23	Suggestive Public Notice on Implementation of Commitment of Share Merger Reform on Assets Replacement and Significant Related Transaction.
21 Jul. 2010	2010-24	Public Notice on Reactivating stock trading of the Company
21 Jul. 2010	2010-25	Public Notice on Resolutions of the 15th Meeting of the 6th Supervisory Committee

(XII) Other matters that had significant influence on the Company

1. On 15 Jun. 2010, the Company acquired use right of state-owned land No. 2010G048 located in Dalang Town, Dongguan City by tendering on the spot with price of RMB 214 million. The Company disclosed the above on 19 Jul. 2010, and relevant public notice was published in Securities Times, Ta Kung Pao and http://www.cninfo.com.cn.

2. In order to be convenient for development of land in Xuzhou and build up and generalize brand of "Property of Shenwuye", the Company set up Xuzhou Dapeng Real Estate Development Co., Ltd, which is responsible for development and operation of real estate projects of the Company in Xuzhou. The Company disclosed the above on Apr. 12, 2010, and public notice was published in Securities Times, Ta Kung Pao and http://www.cninfo.com.cn.

3. On 14 Jan. 2009, the proposal on transferring all the equity of Hainan Xinda Development Co., Ltd. held by the Company through public listing upon price assessment was approved at the 10th Meeting of the 6th Board of Directors of the Company. According to resolutions of the Board Meeting, the Company entrusted BDO China Shu Lun Pan CPAs Shenzhen Branch and Shenzhen Dezhengxin Asset Valuation Co., Ltd to audit and value Hainan Company. The audit and valuation result would confirmed by the Board of the Company, then submitted to Shenzhen Investment Holdings Co., Ltd and State-owned Assets Supervision and Administration Commission of the State Council for record. The Company will continue to push the whole transfer of Hainan Company based on assessment. Up to the date of the report, the transfer had not been finished yet.

4. In Nov. 2009, Shenzhen municipal government issue Renewal Measures of Shenzhen, which was officially executed from Dec. 1, 2009. As the Company leaned from the above document, the Company considered that property qualified to be renewed was industrial land located at Shangmeilin, Shenzhen (Property title No.: SFD Zi 0103142 and 0103139 with use land right of 1150 square meters). The use right of industrial land registered with name of the Company, but there are some controversy about the existence right, and it is in the progress of litigation. In view that the use right of the above industrial land was still in progress of litigation, it is uncertain whether relevant regulations of Renewal Measures of Shenzhen was applicable, and it isn't able to assess at present.

In Jun. 2010, Guideline on Application of Unit Plan and Programming for Renewal Measures of Shenzhen was issues. Combined with relevant regulations in Renewal Measures of Shenzhen, the original projects of the Company were unqualified with application (qualification includes: total area of renewal unit is not less than three hectares, and rebuilding area is not less than 70% of the total renewal land; the construction are over 20 years and so on.) The Company planned to conduct investigation and estimate economic value of renewal of part projects, then started the relevant work with proper chance. The Company will continuous focused on policy guideline and detailed rules. At present, issuance of Renewal Measures of Shenzhen caused no material influence on the Company temporarily.

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 98,611,328.05

that the Company should receive from Shenzhen Jiyong Properties Development Co., Ltd., a bad debt of RMB 42,611,328.05 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 12,628,724.00 and RMB 25,459,471.33 was paid respectively in 2008 and 2009. In order to safeguard operation stability, the dismissal plan was executed step by step on subsidiaries in the report period. Some subsidiary companies put off the dismissal plan, the accomplishment date of the dismissal plan was extended and the final payment date to 31 Dec. 2010. 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 Company revised the dismissal compensation plan and withdrew another dismissal compensation of RMB 12,700,956.90 in the report period. The above dismissal plan had been reviewed and approved at the 22nd Meeting of the 6th Board of Directors. Up to Jun. 30, 2010, balance of compensation for dismissal was RMB 6,499,336.07.

7. In accordance with document SFB No.【2006】79 and relevant documents and according to statistics, as shown by the statistics, the Company and its subsidiaries had such community facilities and public service houses with the total building area of 36,000 square meters, which had been handed over to relevant governmental departments. It is estimated to gain government compensation with cost price. Among these accessories of subsidiaries to be relegated, cost of Huangyuyuan Kindergarten and Yuhuangyuan School had been audited by relevant authority; in recent months, Futian District Property Management Center answered that "Huangyuyuan Kindergarten was out of relegation" and whether Huangyuyuan School to be relegated stilling waiting for answer from competent authority, therefore, relevant accessories failed to relegate to governance and gained compensation; public accessory facilities of headquarters to be relegated was projects developed many years ago, and Futian District Property Management Center asked to relegated entirely, but other public facilities were unqualified except the kindergarten and school, therefore, the Company failed to handle to the government or gained compensation. At present, it is uncertain whether the government approve and the time and amount of cost callback is not able to measure, so the Company didn't recognize the above contingent assets in financial statement. The Company is actively in the progress of negotiating.

Section VII Financial Report

I. Financial report of the report period had not been audited.

II. Financial statement
1. Balance sheet (attached)
2. Income statement (attached)
3. Cash flow statement (attached)
4. Statement of Changes in Owners' Equity

III. Notes to the financial statements (attached)

Section VIII Documents Available for Reference

I. Text of the Semi-Annual Report 2010 with the signature of Chairman of the Board of Directors;

II. Financial statement with the signatures and stamps of legal representative, the person in charge of accounting and manager of financial department;

III. Texts of all the public notices disclosed in the report period on Securities Times and Ta Kung Pao;

The aforesaid documents are prepared and placed in Office of the Board of Directors, 42/F, International Trade Center, Renmin South Road, Shenzhen.

Board of Directors
Shenzhen Properties & Resources Development (Group) Ltd
Jul. 31, 2010

Balance Sheet

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

30 Jun. 2010 Unit: (RMB) Yuan

Items	Amount at period-end		Amount at period-begin	
	Consolidation	Parent company	Consolidation	Parent company
Current Assets:				
Monetary funds	705,762,683.59	2,548,532.38	830,055,588.25	2,539,358.76
Transactional financial assets	272,100.00	272,100.00	232,200.00	232,200.00
Notes receivable				
Accounts receivable	71,102,235.73	59,367,364.31	66,938,998.94	61,464,246.43
Prepayments	61,566,126.82		46,862,874.11	500,000.00
Dividend receivable		325,739,041.74		325,739,041.74
Other receivables	48,907,592.88	307,034,788.79	54,030,054.90	89,557,866.50
Financial assets purchased under agreement to resell				
Inventories	1,319,061,182.89	93,171,981.20	1,255,676,772.24	66,446,135.31
Non-current assets due within 1 year				
Other current assets				
Total current assets	2,206,671,921.91	788,133,808.42	2,253,796,488.44	546,478,848.74
Non-current assets：				
Loans granted and accounts disbursed on others' behalf				
Available-for-sale financial assets				
Investment held to maturity				
Long-term receivables				
Long-term equity investment	80,319,891.38	229,499,891.38	79,697,503.62	178,877,503.62
Investment properties	243,704,328.85	168,724,195.21	257,105,965.94	173,874,690.52
Fixed assets	84,700,358.91	40,744,720.89	76,985,792.12	39,860,661.03
Construction in progress				
Engineering materials				
Disposal of fixed assets				
Productive biological assets				
Oil-gas assets				
Intangible assets	109,639,345.22		112,893,677.12	
Development expenses				
Goodwill				
Long-term deferred expenses	2,248,690.95	2,248,690.95	2,243,026.34	2,243,026.34
Deferred income tax assets	42,009,568.19		51,695,501.02	
Other non-current assets				
Total non-current assets	562,622,183.50	441,217,498.43	580,621,466.16	394,855,881.51
Total assets	2,769,294,105.41	1,229,351,306.85	2,834,417,954.60	941,334,730.25
Current Liabilities:				

Short-term borrowings	50,000,000.00	50,000,000.00	200,000,000.00	50,000,000.00
Transactional financial liabilities				
Notes payable				
Accounts payable	139,948,109.34	33,930,056.60	112,470,139.39	37,032,127.61
Accounts received in advance	708,793,267.09	122,312.00	745,527,226.22	1,026,694.63
Financial assets sold under agreement to repurchase				
Service charge and commission payables				
Payroll payable	27,470,385.55	6,378,716.75	51,982,204.97	9,345,999.43
Taxes payable	176,282,950.90	1,508,353.68	205,331,877.94	2,912,148.33
Dividends payable				
Interest payable				
Other payables	222,655,008.32	402,678,556.22	208,240,882.65	125,331,899.26
Non-current liabilities due within 1 year			200,000,000.00	
Other current liabilities				
Total current liabilities	1,325,149,721.20	494,617,995.25	1,723,552,331.17	225,648,869.26
Non-current Liabilities:				
Long-term borrowings	470,720,000.00		263,480,000.00	
Bonds payable				
Long-term payables				
Special payables				
Estimated liabilities	61,254,234.44	61,254,234.44	69,284,708.83	69,284,708.83
Deferred income tax liabilities				
Other non-current liabilities	123,357,840.43	12,315,309.38	115,796,274.42	12,315,309.38
Total Non-current Liabilities	655,332,074.87	73,569,543.82	448,560,983.25	81,600,018.21
TOTAL LIABILITIES	1,980,481,796.07	568,187,539.07	2,172,113,314.42	307,248,887.47
Owners' equity (or shareholders' equity):				
Paid-in capital (or share capital)	595,979,092.00	595,979,092.00	595,979,092.00	595,979,092.00
Capital reserves	25,332,931.52	226,883.79	25,332,931.52	226,883.79
Less: Treasury stock				
Surplus reserves	69,712,050.51	69,712,050.51	69,712,050.51	69,712,050.51
General risk provision				
Retained earnings	100,715,553.13	-4,754,258.52	-26,036,870.39	-31,832,183.52
Foreign exchange difference	-3,789,404.88		-3,544,650.52	
Total shareholders' equity attributable to parent company	787,950,222.28	661,163,767.78	661,442,553.12	634,085,842.78
Minority interests	862,087.06		862,087.06	
Total owner's equity	788,812,309.34	661,163,767.78	662,304,640.18	634,085,842.78
Total liabilities and owner's equity	2,769,294,105.41	1,229,351,306.85	2,834,417,954.60	941,334,730.25

Income Statement

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

Jan.-Jun. 2010 Unit: (RMB) Yuan

Items	Current period		Same period of last year	
	Consolidation	Parent company	Consolidation	Parent company
I. Total sales	697,428,583.67	17,749,203.17	536,738,584.88	13,680,918.93
Including: Sales	697,428,583.67	17,749,203.17	536,738,584.88	13,680,918.93
II. Total cost of sales	553,077,908.86	-4,258,704.82	406,296,629.50	28,562,271.97
Including: Cost of sales	484,094,910.86	6,724,019.13	251,443,084.02	5,075,317.74
Taxes and associate charges	55,987,291.87	1,044,046.92	97,185,166.54	713,127.58
Selling and distribution expenses	5,750,823.99		9,657,906.01	
Administrative expenses	33,364,276.21	13,809,239.79	37,914,659.32	15,859,164.75
Financial expense	-112,265.18	1,584,483.40	9,395,168.40	2,624,905.30
Impairment loss	-26,007,128.89	-27,420,494.06	700,645.20	4,289,756.60
Add: gain/(loss) from change in fair value (“-” means loss)	39,900.00	39,900.00	2,182,553.30	89,100.00
Investment income (“-” means loss)	2,162,387.76	2,162,387.76	2,087,219.72	1,866,234.08
Including: income form investment on affiliated enterprise and jointly enterprise	622,481.40	622,481.40	1,866,234.08	1,866,234.08
Foreign exchange difference (“-” means loss)				
III. Business profit (“-” means loss)	146,552,962.57	24,210,195.75	134,711,728.40	-12,926,018.96
Plus: non-operation income	6,584,473.90	2,592,417.93	2,003,580.52	386,193.53
Less: non- operation expense	226,870.06	-275,311.32	257,700.38	104,079.53
Including: loss from non-current asset disposal	47,253.80	1,173.62	134,079.53	54,079.53
IV. Total profit (“-” means loss)	152,910,566.41	27,077,925.00	136,457,608.54	-12,643,904.96
Less: Tax expense	26,158,142.89		30,160,380.71	
V. Net profit (“-” means loss)	126,752,423.52	27,077,925.00	106,297,227.83	-12,643,904.96
Attributable to parent company	126,752,423.52	27,077,925.00	106,297,227.83	-12,643,904.96
Minority interest				
VI. Earnings per share				
(I) basic earnings per share	0.2127	0.0454	0.1784	-0.0212
(II) diluted earnings per share	0.2127	0.0454	0.1784	-0.0212
VII. Other composite income	-244,754.36		36,336.87	
VIII. Total composite income	126,507,669.16	27,077,925.00	106,333,564.70	-12,643,904.96
Attributable to owners of parent company	126,507,669.16	27,077,925.00	106,333,564.70	-12,643,904.96
Minority interest				

Cash Flow Statement

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

Jan.-Jun. 2010 Unit: (RMB) Yuan

Items	Current period		Same period of last year	
	Consolidation	Parent company	Consolidation	Parent company
Ⅰ.Cash flows from operating activities:				
Cash received from sale of commodities and rendering of service	714,318,827.68	360,650.31	887,319,881.83	8,348,212.61
Net increase of disposal of tradable financial assets				
Tax refunds received				
Other cash received relating to operating activities	21,789,909.96	10,548,995.85	54,653,344.05	170,423,938.07
Subtotal of cash inflows from operating activities	736,108,737.64	10,909,646.16	941,973,225.88	178,772,150.68
Cash paid for purchase of commodities and reception of service	425,507,670.13	47,420.36	227,219,945.13	277,690.32
Cash paid to and for employees	91,922,579.85	151,646.50	103,676,738.28	6,626,025.09
Various taxes paid	134,131,780.63	59,001.14	81,506,570.58	3,198,250.51
Other cash paid relating to operating activities	35,219,395.28	10,490,126.04	72,270,634.87	51,776,591.76
Subtotal of cash outflows from operating activities	686,781,425.89	10,748,194.04	484,673,888.86	61,878,557.68
Net cash flows from operating activities	49,327,311.75	161,452.12	457,299,337.02	116,893,593.00
Ⅱ. Cash flows from investment activities:				
Cash received from disposal of investments	1,550,000.00		1,054,529.64	
Investment income				
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	903,120.00		960,351.26	890,741.54
Net cash received from disposal of subsidiaries or other operating business units				
Other cash received relating to investment activities			16,972.86	
Subtotal of cash inflows from investment activities	2,453,120.00		2,031,853.76	890,741.54
Cash paid to acquire fixed assets, intangible assets and other long-term assets	17,056,128.48	152,154.58	2,263,086.72	1,212,039.46
Cash paid for investment			57,169.68	
Net increase of pledged loans				
Net cash paid by subsidiaries and other operating units				
Other cash paid relating to investment activities				
Subtotal of cash outflows from investment activities	17,056,128.48	152,154.58	2,320,256.40	1,212,039.46
Net cash flows from investment activities	-14,603,008.48	-152,154.58	-288,402.64	-321,297.92

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	212,000,000.00		319,000,000.00	119,000,000.00
Cash received from issuance of bonds				
Other cash received relating to financing activities				
Subtotal of cash flows from financing activities	212,000,000.00		319,000,000.00	119,000,000.00
Cash paid for repaying liabilities	354,760,000.00		405,682,881.55	235,000,000.00
Cash paid for interest expenses and distribution of dividends or profit	15,051,190.87		25,594,733.03	6,215,639.50
Of which: stock dividends and profits paid to minority shareholders by subsidiaries.				
Other cash paid relating to financing activities	1,162,500.00		2,131,000.00	
Subtotal of cash outflows from financing activities	370,973,690.87		433,408,614.58	241,215,639.50
Net cash flows from financing activities	-158,973,690.87		-114,408,614.58	-122,215,639.50
Ⅳ. Effect of foreign exchange changes on cash and cash equivalents	-43,517.06	-123.92	-570.38	
Ⅴ. Net increase of cash and cash equivalents	-124,292,904.66	9,173.62	342,601,749.42	-5,643,344.42
Plus: beginning balance of cash and cash equivalents	830,055,588.25	2,539,358.76	271,708,727.86	7,802,612.88
Ⅵ. Closing balance of cash and cash equivalents	705,762,683.59	2,548,532.38	614,310,477.28	2,159,268.46

Notes to Cash Flow Statement

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

30 Jun. 2010 Unit: (RMB) Yuan

Supplementary items	Amount for current period		Amount for last year	
	Consolidation	Parent company	Consolidation	Parent company
1. Transferring net profit into cash flows of operating activities:				
Net profit	126,752,423.52	27,077,925.00	106,297,227.83	-12,643,904.96
Add: Reserve for impairment of assets	-26,007,128.89	-27,420,494.06	700,645.20	4,289,756.60
Depreciation of fixed assets, oil and gas assets and productive biological assets	14,151,383.67	7,235,231.07	12,658,511.15	5,997,519.11
Amortization of intangible assets	3,254,331.90		3,254,331.90	
Amortization of long-term deferred expenses	110,249.27	85,775.39	135,576.54	83,075.04
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” for gains)	-2,126,627.73	-326,049.31	30,365.63	30,365.63
Loss on scrapping fixed assets (“-” for gains)	27,139.68	1,154.18	92,713.90	12,713.90

Loss on changes in fair value ("-" for gains)	-39,900.00	-39,900.00	-2,182,553.30	-89,100.00
Financial expenses ("-" for gains)	2,056,720.96	1,946,846.03	9,930,573.32	2,517,002.00
Loss on investments ("-" for gains)	-2,162,387.76	-2,162,387.76	-2,087,219.72	1,866,234.08
Decrease of deferred income tax assets ("-" for increase)	9,685,932.83		-23,663,301.53	
Increase of deferred income tax liabilities ("-" for decrease)				
Decrease of inventories ("-" for increase)	-21,265,374.02	-770,267.00	8,209,866.65	-76,600.00
Decrease in operating receivables ("-" for increase)	-13,621,245.49	-214,922,302.05	-4,062,700.41	212,483,311.23
Increase in operating payables ("-" for decrease)	-40,841,043.95	209,455,920.63	349,261,570.27	-93,900,211.99
Others	-647,162.24		-1,276,270.41	55,900.52
Net cash flows arising from operating activities	49,327,311.75	161,452.12	457,299,337.02	116,893,593.00
2. Significant investing and financing activities that involve no cash income or expenses				
Conversion of debt into capital				
Convertible corporate bonds due within one year				
Fixed assets leased by financing				
3. Net change in cash and cash equivalents				
Cash balance at period-end	705,762,683.59	2,548,532.38	614,310,477.28	2,159,268.46
Less: beginning cash balance	830,055,588.25	2,539,358.76	271,708,727.86	7,802,612.88
Add: closing balance of cash equivalents				
Less: beginning balance of cash equivalents				
Net increase of cash and cash equivalents	-124,292,904.66	9,173.62	342,601,749.42	-5,643,344.42

Cash and cash equivalents

Items	Amount for current period		Amount for last year	
	Consolidation	Parent company	Consolidation	Parent company
I. Cash	705,762,683.59	2,548,532.38	614,310,477.28	2,159,286.46
Of which: cash on hand	403,656.61	17,104.64	325,780.68	55,612.61
Bank deposits immediately available for payment	699,876,568.17	1,106,344.56	605,927,627.06	1,440,682.32
Other monetary funds immediately available for payment	4,057,964.27	588.64	7,034,664.51	586.50
II. Cash equivalents				
Of which: bonds investment due within three months				
III. Balance of cash and cash equivalents at period-end	705,762,683.59	2,548,532.38	614,310,477.28	2,519,286.46
Of which: cash and cash equivalents concerning whose use the parent company	1,424,494.54	1,424,494.54	1,022,405.03	1,022,405.03

and subsidiaries in the Group are restricted				

Consolidated Statement of Changes in Owners' Equity

Jun. 2010

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

Items	Amount for current period (Jun. 2010)							
	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	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
Add: Change of accounting policy								
Correction of errors in previous period								
II. Balance at the beginning of this year	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
III. Increase/ decrease of amount in this year ("-" means decrease)					-126,752,423.52	-244,754.36		126,507,669.16
(I) Net profit					-126,752,423.52			126,752,423.52
(II) Other composite income						-244,754.36		-244,754.36
Subtotal of (I) and (II)					126,752,423.52	-244,754.36		126,507,669.16
(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	595,979,092.00	25,332,931.52		69,712,050.51	100,715,553.13	-3,789,404.88	862,087,06	788,812,309.34

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

Jun. 2010

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

Items	Amount for the last year (Jun. 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	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								
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)					106,297,227.83	36,336.87		106,333,564.70
(I) Net profit					106,297,227.83			106,297,227.83
(II) Other composite income						36,336.87		36,336.87
Subtotal of (I) and (II)					106,297,227.83	36,336.87		106,333,564.70
(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	25,332,931.52		62,919,127.11	50,367,035.72	-3,469,339.24	861,751.06	677,810,681.17

Statement of Changes in Owners' Equity

Jun. 2010

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

Items	Amount for current period (Jun. 2010)							
	Owners' equity attributable to parent company							
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Surplus reserve	Retained profit	Other	Minority interests	Total owners' equity
I. Balance at the end of last year	595,979,092.00	226,883.79		69,712,050.51	-31,832,183.52			634,085,842.78
Add: Change of accounting policy								
Correction of errors in previous period								
II. Balance at the beginning of this year	595,979,092.00	226,883.79		69,712,050.51	-31,832,183.52			634,085,842.78
III. Increase/ decrease of amount in this year ("-" means decrease)					27,077,925.00			27,077,925.00
(I) Net profit					27,077,925.00			27,077,925.00
(II) Other composite income								
Subtotal of (I) and (II)					27,077,925.00			27,077,925.00
(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	595,979,092.00	226,883.79		69,712,050.51	-4,754,258.52			661,163,767.78

Statement of Changes in Owners' Equity (Con.)

Jun. 2010

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

Items	Amount for the last year (Jun. 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								
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)					-12,643,904.96			-12,643,904.96
(I) Net profit					-12,643,904.96			-12,643,904.96
(II) Other composite income								
Subtotal of (I) and (II)					-12,643,904.96			-12,643,904.96
(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	-440,372,655.09			164,572,530.81

NOTES TO THE FINANCIAL STATEMENTS

As of June 30, 2010

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 SQFZ No. 440301103570124.

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 26th session of the sixth conference of the Company's board of directors on July 30, 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 parent 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 financial 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 accordance 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 “Impairment 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. Capitalization 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
Sichuan Tianhe Industry Co., Ltd	Wholly-owned subsidiary	Chengdu	Trading	800	Wholesale in domestic market

Subsidiaries	Categories	Registered address	Business nature	Registered capital (0'000)	Business scope
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 Construction Supervision Co., Ltd.	Wholly-owned subsidiary	Shenzhen	Construction Supervision	300	Supervision of general industrial and civil construction 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.,	Wholly-owned subsidiary	Hongkong	Real estate development	HKD2,000	Property agency and investment

Subsidiaries	Categories	Registered address	Business nature	Registered capital (0’000)	Business scope
Ltd.					
Wayhang Development Co., Ltd.	Wholly-owned subsidiary	Hongkong	Real estate development	HKD0.0002	Property development
Chief Link Properties Co., Ltd.	Wholly-owned subsidiary	Hongkong	Real estate development	HKD0.01	Property agency and investment
Syndis Investment Co., Ltd.	Wholly-owned subsidiary	Hongkong	Real estate development	HKD0.0004	Property investment
PRD Group Xuzhou Dapeng Real Estate Development Co., Ltd.	Wholly-owned subsidiary	Xuzhou	Real estate development	5,000	Development and sale of real estate, construction management, commodity sales

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		100	100	Yes
Shenzhen ITC Food Co., Ltd.	200	45.66	100	100	Yes
Shenzhen Property and Real Estate Development Co., Ltd.	3,095	19,706.64	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
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 (Note 1)
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

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
Shenzhen Property Construction Supervision Co., Ltd.	300	115.01	100	100	Yes
Shenzhen International Trade Plaza	1,200		100	100	Yes
Shenzhen Real Estate Exchange	138	38.55	100	100	Yes
Shum Yip Properties Development Co., Ltd.	HKD2,000	3,108.19	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 (Note 2)	70	Yes
PRD Group Xuzhou Dapeng Real Estate Development Co., Ltd.	5000		100	100	Yes

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.

(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 period	Net assets at the end of period
PRD Group Xuzhou Dapeng Real Estate Development Co., Ltd.	New founded Company	March 2010	-512,448.88	49,487,551.12

(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 (1:0.8724)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 average exchange rate of RMB against HKD (1:0.8765) when trade occurred.

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 June 30, 2010 and December 31, 2009 respectively; the current period refers to January to June 2010, and the last period refers to January to June 2009; all amounts are presented in RMB.)

1．Cash and cash equivalents

Item	Closing balance	Opening balance
Cash on hand	403,656.61	227,928.12
Bank deposit	701,301,062.71	822,829,335.90
Other cash and cash equivalents	4,057,964.27	6,998,324.23
Total	705,762,683.59	830,055,588.25

Note 1: Other cash and cash equivalents refer to other margin account in Securities Companies.

Note 2: In closing balance of bank deposit, RMB 1,424,494.54 is frozen by the courthouse, due to pending action of Haiyi case, details refers to Note VII-1(1), Note V- 14.

Item	Closing balance			
	Currency	Original currency	Exchange rate	RMB
Cash on hand	RMB	363,746.57	1.0000	363,746.57
	USD	863.58	6.7909	5,864.49
	HKD	39,025.16	0.8724	34,045.55
	Sub-Total	--	--	403,656.61
Bank deposit	RMB	696,587,118.18	1.0000	696,587,118.18
	USD	184.16	6.7909	1,250.61
	HKD	5,401,987.53	0.8724	4,712,693.92
	Sub-Total	--	--	701,301,062.71
Other cash and cash equivalents	RMB	4,057,964.27	1.0000	4,057,964.27
	HKD		6.7909	0.00
	Sub-Total	——	——	0.00
Total		——	——	705,762,683.59

Item	Opening 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

2. Trading financial assets

Item	Closing balance (fair value)	Opening balance (fair value)
Held-for-trading equity instrument	272,100.00	232,200.00
Total	272,100.00	232,200.00

Note 1: The market price at the end of period was determined according to the closing price at June 30, 2010 declared by Stock Exchange;

Note 2: The investment refers to 30,000 shares of ST stock "Sunrise", fair value of closing balance is RMB 272,100.00, which is frozen by the courthouse, due to pending action of Haiyi case, details refers to Note VII-1(1), Note V- 14.

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	107,633,538.20	87.64%	48,266,173.89	93.34%

Individually insignificant receivables with high credit risk in group assessment	3,269,913.65	2.66%	3,258,115.65	6.30%
Other insignificant amount	11,910,917.22	9.70%	187,843.80	0.36%
Total	122,814,369.07	100.00%	51,712,133.34	100.00%

Categories	Opening 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

(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 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 (top five) 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	80.29%
Rainbow Plaza Co., Ltd	Non-related parties	3,367,364.31	1-2years	2.74%
Shenzhen Tewei Industry Co.,Ltd.	Non-related parties	2,836,561.00	Over 3 years	2.31%
Shenzhen Lunan Industry Development Co., Ltd.	Non-related parties	2,818,284.84	Over 3 years	2.29%
Chongqing Xinqiao Hospital	Non-related parties	1,554,455.46	Within 1year	1.27%
Total		109,187,993.66		88.90%

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	132,082,233.97	86.20%	95,596,667.61	91.63%
Individually insignificant receivables with high credit risk in group assessment	12,304,397.04	8.03%	8,679,356.01	8.32%
Other insignificant amount	8,849,802.39	5.78%	52,816.90	0.05%
Total	153,236,433.40	100.00%	104,328,840.52	100.00%

Categories	Opening balance			
	Balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables	139,151,685.65	87.80%	95,719,449.61	91.37%

Individually insignificant receivables with high credit risk in group assessment	11,722,999.09	7.40%	8,679,356.01	8.30%
Other insignificant amount	7,606,992.68	4.80%	52,816.90	0.33%
Total	158,481,677.42	100.00%	104,451,622.52	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
Anhui Nanpeng Papermaking Co., Ltd	8,618,528.00	8,618,528.00	Over 3 years	Uncollectible for a long period
Shenzhen Shengfenglu, ITC Jewel & Gold Co., Ltd	6,481,353.60	6,481,353.60	Over 3 years	There is no asset to execute the verdict, thus lead to uncollectibility
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
Duokuai Elevator (Far East) Co., Ltd.	5,446,693.00	1,478,071.21	Over 3 years	Receivables cannot be offset by executable property, referring to Note VII- 1(3)
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 project
Elevated Train Project	2,542,332.43	2,542,332.43	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	100,915,164.93	96,946,543.14		

(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	36.94%
Shenzhen ITC Tian'an Properties Co., Ltd	Joint ventures	19,705,931.45	Over 3 years	12.86%
Anhui Nanpeng Papermaking Co., Ltd	Interests in associates	8,618,528.00	Over 3 years	5.62%
Shenzhen Shengfenglu, ITC Jewel & Gold Co., Ltd	Non-related parties	6,481,353.60	Over 3 years	4.23%
Shanghai Yutong Real estate development Co., Ltd	Non-related parties	5,676,000.00	Over 3 years	3.70%
Total		97,081,813.05		63.35%

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

5. Prepayment

(1) Aging analysis

Aging	Closing balance		Opening balance	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year (including 1 year)	61,035,193.34	99.14%	46,717,982.28	99.69
1-2 years (including 2 years)	488,143.06	0.79%	134.03	0.00
2-3 years (including 3 years)	26,911.62	0.04%	129,879.00	0.28
Over 3 years	15,878.80	0.03%	14,878.80	0.03
Total	61,566,126.82	100.00%	46,862,874.11	100.00

(2) The significant prepayments are as following:

Company	Relationship	Amount	Aging	Notice
Prepayment of taxes	Non-related	53,845,488.54	Within	Note

	parties		1year	
Jinan Sanxiang Properties Co., Ltd.	Non-related parties	1,622,506.00	Within 1 year	Prepayment for building purchase
Shenzhen Great Wall Intelligent System Engineering Co., Ltd.	Non-related parties	347,942.06	1-2 years	Prepayment for projects
Finance Bureau of Tongshan County	Non-related parties	154,990.00	Within 1 year	Special fund paid in advance
Chongqing Xinqiao Hospital	Non-related parties	100,000.00	Within 1 year	Deposit paid in advance for risk
Total		56,070,926.60		

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 advance), 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	1,549,985.45	1,997,186.27	1,728,197.16	1,818,974.56		0.02%
Finished products	118,193.99	100,849.10	92,662.70	126,380.39		
Low-value consumption goods	163,872.46	272,272.50	172,909.70	263,235.26		
Land use right held for real estate development	145,055,247.84	198,445,333.49	462,164.97	343,038,416.36		7.58%
Properties under	946,488,448.65	229,015,258.64	553,906,471.12	621,597,236.17	57,014,384.92	

Categories	Opening balance	Increase	Decrease	Closing balance	Including: Capitalized borrowing cost	Proportion of reversal of provision for impairment of inventories to closing balance
development						
Completed properties for sale	260,264,084.20	553,906,471.12	390,222,382.68	423,948,172.64	12,492,035.65	
Total	1,353,639,832.59	983,737,371.12	946,584,788.33	1,390,792,415.38	69,506,420.57	7.60%

Note: Details of ownership restricted stock refer to Note.V-14.

(2) Provision for impairment of inventories

Categories	Opening balance	Increase	Decrease			Closing balance
			Reversal	Written off	Currency translation effects	
Raw materials	436,509.19		384.00			436,125.19
Land use right held for real estate development	68,407,654.35	46,550.00	26,002,128.89		275,864.97	42,176,210.49
Completed properties for sale	29,118,896.81					29,118,896.81
Total	97,963,060.35	46,550.00	26,002,512.89		275,864.97	71,731,232.49

Note 1: Provision for "Land use right held for real estate development" is carried forward to provision for failing price of project "Shenhui Garden", referring to Note V-6 (3) A.

Note 2: 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				

Hainan Qiongshan Land	6,648,404.13	6,648,404.13	6,648,404.13	6,648,404.13
Shenhui Garden	35,729,014.89		35,574,848.40	26,002,128.89
Fuchang Second Term Land	5,816,127.11	5,816,127.11	5,769,577.11	5,769,577.11
Hong Kong Tingjiu Land	49,776,879.25	29,711,679.25	50,239,044.22	29,987,544.22
Xuzhou Tongshan County Land	198,244,617.00			
Total	343,038,416.36	42,176,210.49	145,055,247.84	68,407,654.35

Note 1: During the reporting period, the Company eliminated barriers in land use of Shenhui Garden. Such project has acquired exploitative condition. The management team has drawn up the development plan. Up to the end of reporting period, it is estimated that the net realizable value of Shenhui Garden Land is more than carrying value. Therefore, the accrued provision for falling price of inventories was switched back.

Note 2: 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	321,865,736.06	256,171,231.97
Shenwuye -Langqiao Residence (original HuangYu Garden District D)	2008.3	2012.2	420,000,000.00	240,015,933.55	201,623,511.09
Shenwuye – Xinhua City (original FHRL Group B)	2005.9	2010.6	422,280,000.00		436,180,001.02
Cai Tian Yi Se	2009.7	2011.6	110,000,000.00	59,715,566.56	52,513,704.57
Sundry project					
Total				621,597,236.17	946,488,448.65

C. Completed properties for sale

Item	Completion time	Opening balance	Increase	Decrease	Closing balance	Provision for impairment of inventories
ITC Plaza	1995.12	46,366,867.68			46,366,867.68	
Huangyu Garden District A	2001.06	2,617,557.11			2,617,557.11	
Huangyu Garden District B	2003.12	15,346,340.13			15,346,340.13	
Imperial Garden (original HuangYu Garden District C-A)	2008.11	5,863,700.42		3,923,785.85	1,939,914.57	
Huangcheng Plaza	1997.05	165,983,041.16			165,983,041.16	29,118,896.81
Xinda Building	2001.10					
Fenrun Garden	1998.02	169,771.18			169,771.18	
Haikou Waterfront of Blue Island	2008.12	12,840,707.89		4,453,843.69	8,386,864.20	
Rihao Garden		4,654,651.00			4,654,651.00	
Fuchang Comprehensive Building		6,421,447.63			6,421,447.63	
Shenwuye – Xinhua City (original FHRL Group B)	2010.06		553,906,471.12	381,844,753.14	172,061,717.98	
Total		260,264,084.20	553,906,471.12	390,222,382.68	423,948,172.64	29,118,896.81

Note: The decreased balance of Imperial Garden, Haikou Waterfront of Blue Island and Xinhua City, which was mainly resulted from carrying down cost by the Company.

7. Joint ventures, 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

Name of company	Business nature	Registered capital (0'000)	Business scope
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
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 Properties 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%	
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.

8. 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	23,186,124.00	36,571,572.82	51,531.49	36,623,104.31	50	50

Properties Co., Ltd						
Shenzhen Jifa Warehouse Company Limited	30,645,056.04	26,016,589.45	267,080.33	26,283,669.78	50	50
Shenzhen Tian'an International Building Property Management Co., Ltd	1,500,000.00	1,807,048.16	303,869.58	2,110,917.74	50	50
II. Investment under cost method						
East Land Properties Limited	93.64	93.64	-93.64			
Shenzhen Huajing Glass Bottle Company Limited	7,600,000.00	7,600,000.00	-7,600,000.00			
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 persons	1,350,000.00	1,350,000.00		1,350,000.00	0.28	0.28

shares						
Shensan Co., Ltd.	17,695.09	17,695.09		17,695.09		
Macao Huashen Enterprise Co., Ltd.	85,485.44	85,485.44	-786.41	84,699.03	10	10
Chongqing Guangfa Real estate development Co., Ltd.	2,593,937.15	2,593,937.15	-23,862.45	2,570,074.70	27.25	27.25
Saipan Project	1,932,111.97	1,932,111.97	-17,774.12	1,914,337.85	30	30
Total		144,173,265.61	-7,020,035.22	137,153,230.39		

Company	Note for difference between proportions of voting rights and shareholding hold	Provision for impairment	Provision increased 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		
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.		84,699.03	-786.41	
Chongqing Guangfa Real estate development Co., Ltd.		2,570,074.70	-23,862.45	
Saipan Project		1,914,337.85	-17,774.12	
Total		56,833,339.01	-7,642,422.98	

Note 1: The details of significant Joint ventures, associates refer to Note V. -7.

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 VII.-1(1), Note V.- 14.

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.

Note 4: The decreased balance of long-term equity investment of East Land Properties Limited, which was due to completion of liquidation, and cancellation of industrial and commercial registration and tax registration.

Note 5: The decreased balance of investment and impairment provision of Shenzhen Huajing Glass Bottle Company Limited, which was because the Company transferred equity of this company.

9. **Investment property**

(1) Details are as following:

Item	Opening balance	Increase	Decrease	Closing balance
1. Cost	390,329,319.59	340,272.76	6,370,984.51	384,298,607.84
Including: Property and building	379,359,365.19	340,272.76	3,370,984.51	376,328,653.44
Land use right	10,969,954.40	0.00	3,000,000.00	7,969,954.40
2. Accumulated depreciation and amortization	133,223,353.65	7,619,372.15	248,446.81	140,594,278.99
Including: Property and building	130,752,892.34	7,343,123.29	70,701.15	138,025,314.48
Land use right	2,470,461.31	276,248.86	177,745.66	2,568,964.51
3.The net book value	257,105,965.94	——	——	243,704,328.85
Including: Property and building	248,606,472.85	——	——	238,303,338.96
Land use right	8,499,493.09	——	——	5,400,989.89
4. Provision for impairment loss				

Item	Opening balance	Increase	Decrease	Closing balance
Including: Property and building				
Land use right				
5. Carrying amount	257,105,965.94	——	——	243,704,328.85
Including: Property and building	248,606,472.85	——	——	238,303,338.96
Land use right	8,499,493.09	——	——	5,400,989.89

Note: Amount of accumulated depreciation and amortization is RMB 7,619,372.15 in current period.

Note 2: The investment properties with restricted ownership, referring to Note V.-14.

Note 3: The reason for decreased balance of investment real estate: 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 5,274,080.00. On June 9, 2010, the Company obtained the repurchase fund of RMB 5,274,080.00, which was recognized as revenue. Meanwhile, the carry book of "Sihui Land" was carried down.

10. Fixed assets

(1) Details:

Item	Opening balance	Increase	Decrease	Closing balance
1. Cost	173,582,555.83	15,516,373.59	18,563,118.73	170,535,810.69
Including: Property and buildings	113,702,741.43	2,891,549.17	754,950.86	115,839,339.74
Machineries	39,889.00	0.00	0.00	39,889.00
Vehicles	44,725,152.17	12,110,736.00	17,585,726.52	39,250,161.65
Electronic and other equipment	10,866,362.64	514,088.42	222,441.35	11,158,009.71
Decoration	4,248,410.59	0.00	0.00	4,248,410.59
2. Depreciation	96,521,046.55	6,532,011.52	17,293,323.45	85,759,734.62
Including: Property and buildings	56,846,066.61	2,116,163.73	377,589.94	58,584,640.40
Machineries	26,471.91	3,505.44	0.00	29,977.35

Item	Opening balance	Increase	Decrease	Closing balance
Vehicles	28,462,605.94	3,871,679.70	16,703,548.40	15,630,737.24
Electronic and other equipment	7,337,620.21	493,716.85	212,185.11	7,619,151.95
Decoration	3,848,281.88	46,945.80	0.00	3,895,227.68
3. Total impairment provision	75,717.16			75,717.16
Including: Property and buildings				
Machineries				
Vehicles				
Electronic and other equipment	75,717.16			75,717.16
Decoration				
4. The net book value	76,985,792.12	——	——	84,700,358.91
Including: Property and buildings	56,856,674.82	——	——	57,254,699.34
Machineries	13,417.09	——	——	9,911.65
Vehicles	16,262,546.23	——	——	23,619,424.41
Electronic and other equipment	3,453,025.27	——	——	3,463,140.60
Decoration	400,128.71	——	——	353,182.91

Note 1: Amount of accumulated depreciation is RMB 6,532,011.52 in current period.

Note 2: Increased and decreased balance of cost, which was due to taxi replacement.

(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	20,900,567.46	5,359,977.61		15,540,589.85	
Total	20,900,567.46	5,359,977.61		15,540,589.85	

(3)The fixed assets with restricted ownership, is referring to Note V.-14.

11. Intangible assets

Item	Opening balance	Increase	Decrease	Closing balance

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	33,904,820.19	3,254,331.90		37,159,152.09
-Operating license plate	33,465,836.04	3,197,651.10		36,663,487.14
-Repurchased operating right of taxi's operating license plate	438,984.15	56,680.80		495,664.95
3. The net book value	112,893,677.12	——	——	109,639,345.22
-Operating license plate	111,385,307.66	——	——	108,187,656.56
-Repurchased operating right of taxi's operating license plate	1,508,369.46	——	——	1,451,688.66
4. Provision for impairment loss				
-Operating license plate				
-Repurchased operating right of taxi's operating license plate				
5. Carrying amount	112,893,677.12	——	——	109,639,345.22
-Operating license plate	111,385,307.66	——	——	108,187,656.56
-Repurchased operating right of taxi's operating license plate	1,508,369.46	——	——	1,451,688.66

Note 1: Accumulated amortization is RMB 3,254,331.90 in current period.

Note 2: The intangible assets with restricted ownership, referring to Note V.-14.

12. Deferred tax assets and liabilities

(1) Recognized deferred tax assets and liabilities

Item	Closing balance	Opening balance
Deferred tax assets:		
1. Carrying amount of other receivables less than its tax base	330,715.82	330,715.82

2. Carrying amount of inventories less than its tax base	8,420,479.18	10,306,489.74
3. Carrying amount of taxes payable greater than its tax base	32,844,451.12	32,844,451.12
4. Carrying amount of payroll payable greater than its tax base	243,105.78	686,097.78
5. Losses on taxable income to be recovered	170,816.29	7,527,746.56
Subtotal	42,009,568.19	51,695,501.02
Deferred tax liabilities:		
None		
Subtotal		

(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	37,903,883.25
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	1,105,026.28
5. Losses on taxable income to be recovered	683,265.17
Total	190,488,388.09

13. Provision for impairment loss

Item	Opening balance	Increase	Decrease			Closing balance
			Reversal	Written off	Foreign currencies effects	
I. Provision for bad debt	156,163,755.86		51,166.00		71,616.00	156,040,973.86
Including: Accounts receivable	51,712,133.34					51,712,133.34
Other receivables	104,451,622.52		51,166.00		71,616.00	104,328,840.52
II. Provision for impairment of inventories	97,963,060.35	46,550.00	26,002,512.89		275,864.97	71,731,232.49
III. Provision for impairment of long-term equity investments	64,475,761.99			7,600,000.00	42,422.98	56,833,339.01
VI. Provision	75,717.16					75,717.16

Item	Opening balance	Increase	Decrease			Closing balance
			Reversal	Written off	Foreign currencies effects	
for impairment of fixed assets						
Total	318,678,295.36	46,550.00	26,053,678.89	7,600,000.00	389,903.95	284,681,262.52

Note 1: Reversal of provision for inventories impairment, is referring to Note.V-6 (3) A.

Note 2: Written off of provision for impairment of long-term equity investment, which was because the Company transferred the equity of Shenzhen Huajing Glass Bottle Company Limited.

14. 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 June 30, 2010, 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 10,720,000.00.

B. 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. 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 June 30, 2010, 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 June 30, 2010, the collateral guaranty has not been released.

E. Up to the end of reporting period, 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 49,096.14 square meter, the year-end book value is RMB 78,446,819.93.

（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	10,911,211.81		625,272.96	10,285,938.85
Investment property -property and building	106,842,307.85		3,282,480.54	103,559,827.31
Inventories-costs	175,007,383.76	50,730,441.00		225,667,824.76
- developments	35,700,358.40		28,328,107.45	7,372,250.95
Intangible asset - operating license plate	36,166,666.66		1,808,333.30	34,358,333.36
Subtotal	364,627,928.48	50,730,441.00	34,044,194.25	381,314,175.23
The assets sealed up or frozen due to lawsuit				
cash and cash equivalents	1,423,898.44	596.10		1,424,494.54
Trading financial assets	232,200.00	39,900.00		272,100.00
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

Categories	Opening balance	Increase	Decrease	Closing balance
Fixed asset- property and building	11,881,191.46		803,868.84	11,077,322.62
Investment property -property and building	86,475,296.75		2,804,283.12	83,671,013.63
Inventories- property and building	47,836,352.35			47,836,352.35
Subtotal	177,151,138.55	40,496.10	3,608,151.96	173,583,482.69
Less: Assets used for collateral and sealed up, frozen	81,219,595.85		2,772,775.92	78,446,819.93
Total	460,559,471.18	50,700,937.10	34,879,570.29	476,450,837.99

Note 1: 95% shares of Shenzhen Huangcheng Real Estate Company Limited held by the company have been frozen. Up to June 30, 2010, 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 183,325,800.00.

Note 2: The decreased balance of the assets sealed up or frozen due to lawsuit, which was due to withdrawal of depreciation.

15. Short -term borrowings

Categories	Closing balance	Opening balance
Credit loan	50,000,000.00	200,000,000.00
Mortgaged loan		
Total	50,000,000.00	200,000,000.00

Note 1: Unpaid amount after balance sheet date

Note 2: The period-end credit loan is the loan made by the Company through the bank to Shenzhen Investment Holding Co., Ltd. See Note (VI) 3 (2).

16. Trade payable

(1) Trade payable details

Item	Closing balance	Opening balance
Amount	139,948,109.34	112,470,139.39

(2) There was no amount due to shareholders with more than 5% (including 5%) of the voting shares of the Company in trade payables.

17. Advance from customers

(1) Advance from customers details

Item	Closing balance	Opening balance
Amount	708,793,267.09	745,527,226.22

(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	1,172,093.00	3,040,791.00	Completion
Huangcheng Plaza	1-2years	2,176,421.15	2,176,421.15	Completion
Huangyu Garden District A	1-4years	846,495.63	846,495.63	Completion
Huangyu Garden District B	1-4years	218,413.26	218,413.26	Completion
Fengrun Garden	3-4years	70,638.00	70,638.00	Completion
Xinhua City	Within 2 year	51,286,006.00	488,378,752.00	June 2010
Shengang No.1	Within 1 year	645,645,672.00	246,228,024.00	January 2011
Total		701,415,739.04	740,959,535.04	

Note: Advances from customers with the aging over 1 year is due to the terms of revenue reorganization having not been satisfied.

(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.

18. Payroll payable

Categories	Opening balance	Increase	Decrease	Closing balance
I. Salary, bonus, allowance, subsidy	35,744,813.86	58,641,476.95	76,185,744.36	18,200,546.45
II. Employee welfare		562,717.97	562,717.97	
III. Social insurance	438,879.64	6,303,387.13	6,799,213.89	-56,947.12
Including: 1.Medical insurance	10,247.34	1,089,689.36	1,134,215.62	-34,278.92
2.Basic retirement insurance	27,784.64	3,120,124.95	3,174,740.88	-26,831.29

Categories	Opening balance	Increase	Decrease	Closing balance
3.Annuity fee	394,920.00	1,756,341.10	2,150,771.10	490.00
4.Unemployment insurance	3,387.24	94,784.46	96,072.79	2,098.91
5.Injury insurance	1,354.89	108,653.13	109,168.46	839.56
6.Pregnancy insurance	1,185.53	109,455.87	109,906.78	734.62
7.Labor cooperation medical care		23,938.26	23,938.26	
8.Other social insurance		400.00	400.00	
IV. Public housing fund	74,444.34	28,207.20	28,207.20	74,444.34
V. Labour union fee and employee education fee	2,553,402.06	1,590,072.74	1,390,468.99	2,753,005.81
VI. Non-monetary welfare		1,102,829.38	1,102,829.38	
Ⅶ.Redemption for termination s of labor contract	13,170,665.07	302,693.00	6,974,022.00	6,499,336.07
Total	51,982,204.97	68,531,384.37	93,043,203.79	27,470,385.55

Note: The employee payroll balance at the end of the period drops 47.15% in comparison to the balance at the beginning of the period. It is mainly resulted from paying the payment for performance and the dismissal welfare in accordance to the employee dismissal plan made last year. Details refer to Note Ⅸ 3.

19. Taxes payable

Categories	Closing balance	Opening balance
1.VAT	59,596.11	24,686.83
2.Business tax	6,524,986.51	9,551,059.52
3.Income tax	11,756,274.64	33,444,737.01
4.Stamp tax	211,795.00	47,309.79
5.Education surtax	200,311.44	287,991.28
6.Land value appreciation tax	155,916,485.79	158,676,881.17
7.Urban maintenance and construction tax	142,662.12	201,419.84
8.Property tax	723,967.56	845,667.42
9.Individual income tax	722,336.02	2,236,551.30

Categories	Closing balance	Opening balance
10.Embankment maintenance fee	8,722.53	14,789.69
11.Others	15,813.18	784.09
Total	176,282,950.90	205,331,877.94

20. Other payables

(1) Other payables details

Item	Closing balance	Opening balance
Totals	222,655,008.32	208,240,882.65

(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
HaiNan Yirun Real Estate Co., Ltd	39,609,267.28	Receipts under custody
Rent deposits	23,643,658.95	Deposits
Shenzhen Guanghong Investment Co., Ltd	18,670,000.00	Current account
Guangzhou Lishifeng Motor Company Limited	15,000,000.00	Current account
Shenzhen Fulin Industrial Co., Ltd.	9,528,506.00	Current account
Certificate-making fees under custody	9,315,861.54	Receipts under custody
Shenzhen Jifa Warehouse Co., Ltd	9,262,932.00	Current account
Shenzhen ITC Petroleum Co., Ltd.	7,196,769.67	Current account
Total	188,530,622.84	

(4) The details of the account payables to other related party in other account payables of this reporting period refer to Note Ⅵ3 (4).

21. Non-current liabilities due within 1 year

(1) Details

Item	Closing balance	Opening balance

Long-term borrowings		200,000,000.00
Total		200,000,000.00

(2) Long-term borrowings due within 1 year

Item	Closing balance	Opening balance
Guarantee borrowings		200,000,000.00
Total		200,000,000.00

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
Total					——		——	200,000,000.00

22. Long-term borrowings

(1) Classification

Borrowing terms	Closing balance	Opening balance
Mortgage borrowings	10,720,000.00	13,480,000.00
Guarantee borrowings	460,000,000.00	250,000,000.00
Total	470,720,000.00	263,480,000.00

（2）Details:

Loan	starting date	maturity date	currency	Interest rate	Closing balance		Opening balance	
					Foreign currency	Home Currency	Foreign currency	Home Currency
Shenzhen East Branch of Agricultural Bank of China	20 March 2009	19 March 2012	RMB	4.86%	——	200,000,000.00	——	200,000,000.00
Shenzhen East Branch of Agricultural Bank of China	26 October 2009	25 October 2011	RMB	4.86%	——	248,000,000.00	——	50,000,000.00
Central Commercial	8 December	8 November	RMB	5.67%	——	10,720,000.00	——	13,480,000.00

Loan	starting date	maturity date	currency	Interest rate	Closing balance		Opening balance	
					Foreign currency	Home Currency	Foreign currency	Home Currency
branch of Ping'an Bank	2008	2011						
Hongbao Subbranch of Ping'an Bank	10 March 2010	10 February 2012	RMB	5.40%		12,000,000.00		
Total					——	470,720,000.00	——	263,480,000.00

23. 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	69,284,708.83		8,030,474.39	61,254,234.44

Note 1: Details of Haiyi case refer to Note VII.1 (1).

Note 2: The details of inspection matter of provision for contingent liabilities refer to Note IX. 6

24. Other non-current liabilities

Item	Closing balance	Opening balance
1.Utility specific fund	28,582,448.02	20,588,927.64
2.Housing principle fund	11,170,248.34	9,596,210.03
3.House warming deposit	7,892,825.23	8,403,367.49
4.Electric Equipment Maintenance fund	4,019,415.44	4,019,415.44
5.Deputed Maintenance fund	25,883,901.39	25,928,572.02
6.Taxi Deposit	29,240,000.00	28,080,000.00
7.Lease income of taxi license to be written off	16,079,502.01	16,732,781.41
8.Others	489,500.00	2,447,000.39
Total	123,357,840.43	115,796,274.42

Note: "Others" is borrowing of Shenzhen ITC Automobile Industry Co., Ltd, Shenzhen ITC Industry car rental Co., Ltd. due to the drivers.

25. 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)	Subtotal (0'000)l	Quantity (0'000)	Proportion (%)
A. Shares subject to trading moratorium	38,863.66	65.21						38,863.66	65.21
1、 State owned shares									
2.State-owned corporate shares	38,250.94	64.18						38,250.94	64.18
3Other domestic owned shares	612.72	1.03						612.72	1.03
Including									
Shares held by domestic legal persons	559.92	0.94						559.92	0.94
Shares held by domestic natural person	52.80	0.09						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. Shares not subject to trading moratorium	20,734.25	34.79						20,734.25	34.79
1． RMB-denominated ordinary shares	13,973.73	23.45						13,973.73	23.45
2、Domestically listed foreign shares	6,760.52	11.34						6,760.52	11.34
3、 Overseas listed foreign shares									
4、Others									
Total	59,597.91	100.00						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

4 November 2010	808.05	38,055.61	21,542.30	
4 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.

26. 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

27. Surplus reserves

Item	Opening balance	Increase	Decrease	Closing balance
Legal reserve	69,712,050.51			69,712,050.51
Total	69,712,050.51			69,712,050.51

28. Retained earnings

Item	Amounts	Extraction or allocation proportion
Before beginning retained earnings	-26,036,870.39	
plus：Retained earnings at the beginning of the year		
Adjusted retained earnings at the beginning of the year	-26,036,870.39	
Plus: Net profit attributable to parent company transferred in	126,752,423.52	
Less: the statutory reserved fund		
Ordinary stock dividends payable		

Item	Amounts	Extraction or allocation proportion
Ordinary dividend from shares transferred to share capital		
Retained earnings at the end of the year	100,715,553.13	

29. Revenue and Cost of Sales

(1) Revenue

Item	Jan.-Jun. 2010	Jan.-Jun. 2009
1．Sales	682,795,978.92	528,146,386.17
2．Other operating income	14,632,604.75	8,592,198.71
Total	697,428,583.67	536,738,584.88

(2) Cost of sales

Item	Jan.-Jun. 2010	Jan.-Jun. 2009
1．Cost of sales	479,484,835.00	248,886,848.15
2．Other operating cost	4,610,075.86	2,556,235.87
Total	484,094,910.86	251,443,084.02

Note: Revenue for the current period increased by 29.94% than that in last period, mainly due to the increase in revenue of project carried down than that of last year. Cost of sales for the current period increased 92.53% than that in last period, which increase is more than that of revenue, mainly because the margin profit of Xinhua City project carried down is less than that of Imperial Garden carried down last period.

(3) Listed by the categories of production or business

Categories	Revenue	Cost of sales	Margin profit
Hotel and restaurant operations	7,873,726.48	6,141,783.73	1,731,942.75
Sale of properties	552,327,378.25	394,584,976.21	157,742,402.04
Transportation services	24,623,306.06	12,120,951.47	12,502,354.59
Property rental and management services income	98,313,786.24	77,183,777.77	21,130,008.47

Others	7,252,152.42	3,961,478.55	3,290,673.87
Elimination	-7,594,370.53	-14,508,132.73	6,913,762.20
Total	682,795,978.92	479,484,835.00	203,311,143.92

Categories	Other operating income	Other operating cost	Other operating margin profit
Parking lots	8,213,255.05	1,565,591.02	6,647,664.03
Revenue from disposal of "Sihui Land"	5,274,080.00	2,822,254.34	2,451,825.66
Others	1,145,269.70	222,230.50	923,039.20
Total	14,632,604.75	4,610,075.86	10,022,528.89

(4) Details of revenue

Business segment	Jan.-Jun. 2010	Jan.-Jun. 2009
Hotel and restaurant operations	7,873,726.48	6,885,893.08
Sale of properties	552,327,378.25	417,013,314.49
Transportation services	24,623,306.06	23,634,531.98
Property rental and management services income	98,313,786.24	81,972,375.93
Others	7,252,152.42	5,684,950.89
Subtotal	690,390,349.45	535,191,066.37
Elimination	-7,594,370.53	-7,044,680.20
Total	682,795,978.92	528,146,386.17

(5) Details of cost of sales

Business segment	Jan.-Jun. 2010	Jan.-Jun. 2009
Hotel and restaurant operations	6,141,783.73	3,042,657.95
Sale of properties	394,584,976.21	163,770,717.39
Transportation services	12,120,951.47	11,334,397.41
Property rental and management services income	77,183,777.77	68,697,983.96
Others	3,961,478.55	3,804,497.16
Subtotal	493,992,967.73	250,650,253.87
Elimination	-14,508,132.73	-1,763,405.72

Total	479,484,835.00	248,886,848.15

30. Business taxes and surcharges

Item	Jan.-Jun. 2010	Jan.-Jun. 2009	Base of payment
Business tax	35,243,324.39	27,045,753.62	3% or 5% of taxable income
Urban maintenance and construction tax	460,735.10	354,087.79	1% or 7% of VAT and Business tax
Additional education Fees	1,057,714.57	818,936.02	3% of VAT and Business tax
Land appreciation tax	19,121,492.51	68,920,000.00	30%－60% four level progressive rates
Levee fee	99,621.40	46,389.11	0.01% of operating revenue.
Others	4,403.90		
Total	55,987,291.87	97,185,166.54	

Note: Business taxes and surcharges in current period decreased by 42.39% than that in last period, which mainly because the margin profit of Xinhua City project carried down is less than that of Imperial Garden carried down in same period of last year, resulting in decrease of accrued land appreciation tax.

31. Financial costs

Categories	Jan.-Jun. 2010	Jan.-Jun. 2009
Interest expense	2,056,720.96	9,780,573.32
Less: Interest income	2,301,053.14	1,022,654.56
Exchange loss, net	-61,672.71	
Others	193,739.71	637,249.64
Total	-112,265.18	9,395,168.40

Note: The decreased balance of financial expense than that of last year, which was due to decrease of circulating fund credit and increase of interest income.

32. Impairment loss

Items	Jan.-Jun. 2010	Jan.-Jun. 2009
Bad debt	-51,166.00	-80,000.00
Depreciation of inventory	-25,955,962.89	
Depreciation of long-term equity investment		780,645.20
Total	-26,007,128.89	700,645.20

Note: The decreased balance of assets impairment loss over the same period of last year, which was because the Company carried forward to provision for failing price of project "Shenhui Garden", referring to Note V-6 (3) A.

33. Gain/loss on change in fair value

Source	Jan.-Jun. 2010	Jan.-Jun. 2009
Trading financial assets	39,900.00	2,182,553.30
Total	39,900.00	2,182,553.30

Note: The decrease of gain/loss on change in fair value over the same period of last year, which was due to decrease in trading financial assets.

34. Gain/loss on investment

Source	Jan.-Jun. 2010	Jan.-Jun. 2009
1.Gain on investment under equity method	622,481.40	1,866,234.08
2.Gain on investment from disposal of long-term equity investment	1,539,906.36	
3. Gain on investment from disposal of trading financial assets		220,985.64
Total	2,162,387.76	2,087,219.72

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.

35. Non-operating income

Item	Jan.-Jun. 2010	Jan.-Jun. 2009

1. Income from disposal of non-current assets	316,049.31	11,000.00
Including: Disposal of fixed assets	316,049.31	11,000.00
2． Others	6,268,424.59	1,992,580.52
including: Debts unable to pay	3,608,476.00	
Penalty of House rental deposit	2,276,368.62	58,292.63
Income from Forfeit	262,362.34	1,736,193.20
Income from compensation	65,759.35	33,171.16
Other	55,458.28	164,923.53
Total	6,584,473.90	2,003,580.52

36. Non-operating expense

Item	Jan.-Jun. 2010	Jan.-Jun. 2009
1. Loss on disposal of non-current assets	47,253.80	134,079.53
Including: Disposal of fixed assets	47,253.80	134,079.53
2. Public welfare donations	25,000.00	90,000.00
3. Compensation	401,062.35	
6. Estimated liability	-279,047.46	
7. Others	32,601.37	33,620.85
Total	226,870.06	257,700.38

37. Income tax expense

Item	Jan.-Jun. 2010	Jan.-Jun. 2009
Income tax for the current period	7,181,860.70	54,965,003.63
Plus: Deferred income tax expense	19,147,098.48	440,000.00
Less: Deferred income tax income	170,816.29	25,244,622.92
Income tax expense	26,158,142.89	30,160,380.71

38. Earnings per share

Item	Jan.-Jun. 2010	Jan.-Jun. 2009

Basic Earnings Per Share	0.21	0.18
Diluted Earnings Per Share	0.21	0.18

Calculation of earnings per share is as following:

Basic Earnings Per Share＝126,752,423.52÷595,979,092＝0.21

Diluted Earnings Per Share＝126,752,423.52÷595,979,092＝0.21

Recalculation of earnings per share of last period is as following

Basic Earnings Per Share＝106,297,227.83÷(541,799,175+54,179,917)＝0.18

Diluted Earnings Per Share＝106,297,227.83÷(541,799,175+54,179,917)＝0.18

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_1 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, 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.

39. Other comprehensive income

Items	Jan.-Jun. 2010	Jan.-Jun. 2009
Foreign exchange difference	-244,754.36	36,336.87
Less: net amount transfer into net profit and losses from oversea business		
Subtotal	-244,754.36	36,336.87
Total	-244,754.36	36,336.87

40. Relevant information about cash flow statement

a) Other cash received from operating activities

Item	Amount
Other cash received from operating activities	21,789,909.96
Including: Collecting fees for getting property ownership certificates	8,645,237.12
Duokuai Elevator	3,280,000.00
Interest income	2,301,053.14
Collecting utilities from house owners	910,046.69
Principle fund	636,046.31

b) Other cash paid relating to operating activities

Item	Amount
Other cash paid relating to operating activities	35,219,395.28
Including: Hainan Yirun Real Estate Co., Ltd.	12,500,000.00
Paying CSRC penalties	7,751,426.93
Administrative expenses	7,747,126.60
Sales expenses	2,996,343.84
Paying various fees collected by taxi drivers, etc.	621,422.05

c) Other cash paid relating to financing activities

Item	Amount
Other cash paid relating to financing activities	1,162,500.00
Including: financial consulting fees	1,162,500.00

d) Supplementary information of cash flow statement

Supplementary information	Jan.-Jun. 2010	Jan.-Jun. 2009
1.Adjustment from net profit to cash flows from operating activities		
Net profit	126,752,423.52	106,297,227.83
Plus: Provision for impairment of assets	-26,007,128.89	700,645.20
Depreciation of fixed assets, Oil-gas assets and Productive biological assets	14,151,383.67	12,658,511.15
Amortization of intangible assets	3,254,331.90	3,254,331.90
Amortization of long-term deferred expense	110,249.27	135,576.54
Loss on disposal of fixed assets, intangible assets and other non-current assets(“-” for gain)	-2,126,627.73	30,365.63
Loss on fixed assets retirement (“-” for gain)	27,139.68	92,713.90
Loss on change in fair value(“-” for gain)	-39,900.00	-2,182,553.30
Financial costs(“-” for gain)	2,056,720.96	9,930,573.32
Loss on investment(“-” for gain)	-2,162,387.76	-2,087,219.72
Decrease of deferred tax assets(“-” for increase)	9,685,932.83	-23,663,301.53
Increase of deferred tax liabilities(“-” for decrease)	0.00	0.00
Decrease of inventory(“-” for increase)	-21,265,374.02	8,209,866.65
Decrease in operating receivables(“-” for increase)	-13,621,245.49	-4,062,700.41
Increase in operating payables(“-” for decrease)	-40,841,043.95	349,261,570.27
Others	-647,162.24	-1,276,270.41
Net cash flow from operating activities	49,327,311.75	457,299,337.02
2..Significant investment and financing activities irrelevant to cash flow		
Debt transferred to capital		

Supplementary information	Jan.-Jun. 2010	Jan.-Jun. 2009
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	705,762,683.59	614,310,477.28
Less: Cash at the beginning of the period	830,055,588.25	271,708,727.86
Plus: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Increase in cash and cash equivalents	-124,292,904.66	342,601,749.42

e) Cash and cash equivalents:

Supplementary information	Jan.-Jun. 2010	Jan.-Jun. 2009
Cash	705,762,683.59	614,310,477.28
Including: Cash on hand	403,656.61	325,780.68
Bank deposit on demand	699,876,568.17	605,927,627.06
Other monetary assets on demand	4,057,964.27	7,034,664.51
Cash and cash equivalents at the end of the period	705,762,683.59	614,310,477.28
Including: Restricted Cash and cash equivalents held by parent company or subsidiaries	1,424,494.54	1,022,405.03

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.	323,158,332.20	54.22			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

Name	Opening balance		Increase/Decrease		Closing balance	
	Amount	%	Amount	%	Amount	%
Shum Yip Properties Development Co., Ltd.	HKD20,000,000.00	100			HKD20,000,000.00	100
Wayhang Development Co., Ltd.	HKD2.00	100			HKD2.00	100
Chief Link Properties Co., Ltd.	HKD100.00	70			HKD100.00	70
Syndis Investment Co., Ltd. (Note)	HKD4.00	70			HKD4.00	70
East Land Properties Limited	HKD100.00	100	-HKD100.00	100		
PRD Xuzhou Dapeng Real Estate Development Co., Ltd.			50,000,000.00	100	50,000,000.00	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

The Company have not provide guarantee to other company outside consolidated financial statements, the details about guarantee provided to the subsidiary company see Note Ⅶ. 2

(2) Entrust 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 Branch	Shenzhen Huangcheng Real Estate Co., Ltd	5.0523	15,000.00		15,000.00		197.88
Shenzhen Branch of Agricultural Bank of China	Shenzhen Property and Real Estate Development Co., Ltd.	5.3100	5,000.00			5,000.00	127.59
Total			20,000.00		15,000.00	5,000.00	325.47

(3) Amount due to/from related parties

Name	Balances		%	
	30 Jun. 2010	31 Dec. 2009	30 Jun. 2010	31 Dec. 2009
Other receivables:				
Shenzhen ITC Tian’an Property Co., Ltd	19,705,931.45	19,705,931.45	12.86	12.43
Anhui Nanpeng Papermaking Co., Ltd	8,618,528.00	8,690,144.00	5.63	5.48
Shenzhen ITC Industrial Development Co., Ltd	2,431,652.48	2,431,652.48	1.59	1.53
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	1,747,264.2	1,747,264.25	1.14	1.10
Short-term borrowings:				
Shenzhen Investment Holdings Co., Ltd.	50,000,000.00	200,000,000.00	100.00	100.00
Other payables:				
Shenzhen ITC Petroleum Co., Ltd	7,196,769.67	7,196,769.67	3.46	3.46
Shenzhen Jifa Warehouse Co., Ltd	9,262,932.00	6,288,296.00	4.16	3.02
Guangzhou Lishifeng Motor Co., Ltd	15,344,017.08	15,344,017.08	7.37	7.37

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 RMB41,772,906.07 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. Guangdong Higher Court retried the case on 18 Jun. 2008.

On 6 Apr. 2009, the Company received 34 copies of Enforcement Restore Notice issued by the Shenzhen Intermediate Court on Match 23, 2009, claimed that the eight house owners including Haiyi Industrial (Shenzhen) Co., Ltd. applied to the court for restoration the enforcement of the 34 copies of verdict issued at 1999. Shenzhen Intermediate People's Court accepted this application. In 2008, an additional prospective damage is RMB 19,481,328.37 due to change in market price of properties drawn by the Company. The Company received, on 2 Jun. 2009 and 25 Jun. 2009 respectively, the Notice on Sealing up and Freezing Properties issued by the Shenzhen Intermediate People's Court. And some properties, equities and bank accounts of the Company were frozen. See Note Ⅴ 15 for more details.

In Oct. 2009, the Supreme People's Court decided that the (1998) YGFMZ Zi No.311 Verdict concerning the lawsuit filed by Jinhaijing Company should be overruled and the case should be retried. On 3 Mar. 2010, the case was reheard. And no new verdict has been reached by now.

On 15 Jul. 2010, the Supreme Court issued another 32 civil judgments to the Company. Upon retrial examination on the 32 civil judgments (1998) YFMZ Zi No.284-297, 299-310 and 312-317, which were part of the 34 cases of "Haiyi Company", the Supreme Court believed that the Company's appeal met legal standards for retrial. Pursuant to the Article 177 and 185 of the Law of Civil Procedure of the People's Republic of China, the Supreme Court decided to command the Guangdong Higher Court to retry the said cases and that execution of the original judgments should be suspended during the retrial period.

So far, concerning the 34 cases of "Haiyi Company", the Supreme Court has overruled all the second-instance judgments for those cases and commanded the Guangdong Higher Court to retry the said cases. Up until the report date, all the 34 cases have entered the retrial process.

Due to the application of Haiyi Company and other seven companies to the Shenzhen Intermediate People's Court (hereinafter referred to as "the Shenzhen Intermediate Court") to resume execution of the 34 cases, the Shenzhen Intermediate Court froze some of the Company's properties. The Company has applied to the Shenzhen Intermediate Court for suspending execution of the said 34 cases according to relevant laws.

(2) 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 to RMB 5.87 million.

In May 2009, the case was reheard by the Shenzhen Luohu People's Court. Besides the original claims, the plaintiff added another claim for RMB 1.5 million of overdue interest.

On 1 Dec. 2009, the Shenzhen Luohu People's Court made the verdict for the first trial of the case and delivered the Civil Judgment Letter (2003) SLFMEC Zi No.240 to the Company, according to which, Jiyong Company should, within 10 days after the verdict took effect, pay RMB 2,132,521.62 of construction payment and corresponding interest to Huaxi Company. As stated by the first-instance verdict, the Company needed not to take any responsibility. Huaxi Company later lodged an appeal. And the second instance took place on 13 May 2010. And the court has not reached a verdict for the second instance by now.

The Company believes that since it is not the main party of the contract and it has won the first instance, the case, based on facts and legal grounds, will not cause loss to the Company.

(3) Cases concerning 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.

In 2009, two real estate under the name of Duokuai Elevator, that is podium building of Huangcheng Plaza and Shimao Plaza with total areas of 957.31 square meters had been auctioned through the Shenzhen Mediate People's Court at an auction price of RMB 4,280,000. In Apr. 2009, Huangcheng Real Estate received RMB 3 million transferred from Shenzhen Intermediate Peoples' Court. According to Notice (2006) SZFZ Zi No. 516, Shenzhen Intermediate Peoples' Court auctioned five real estates with auction price of RMB 5.14 million on 24 Apr. 2009

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.

Upon multiple times of negotiation and discussion, the contesting parties reached, on 15 Mar. 2010, the Settlement Agreement Concerning Lawsuits Between Huangcheng Real Estate & Tao Boming and His Company (hereinafter referred to as "the Settlement Agreement"), so as to finally make clear rights and duties of parties concerned. According to the Settlement Agreement, the Company received an execution sum of RMB 3.28 million from the Shenzhen Intermediate People's Court on 11 May 2010. Up until the report date, since the properties due to Huangcheng Real Estate are being transferred, execution of the case is thus considered unfinished.

Huangcheng Real Estate Co., Ltd should receive a balance of RMB 5,446,693 at the period-end from Duokuai Elevator. According to the Settlement Agreement, the Company conducted a depreciation provision test on the book balance of the said receivable account and the bad debt reserve withdrawn at the period-end was recognized at RMB 1,478,071.21.

(4) 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 finally 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 2 Jul. 2009, Shenzhen Intermediate People's Court opened a court session for the case.

On 22 Dec. 2009, the Company received a written verdict from the Guangdong Higher People's Court. Upon investigations, the Guangdong Higher People's Court considered that the Company's appeal against the Administrative Verdict (2008) SZFXZ Zi No.223 issued by the Shenzhen Intermediate People's Court was in compliance with relevant laws, and thus ruled that: ① The case would be removed for trial by the Guangdong Higher People's Court; ② Execution of the original verdict should be suspended during the second trial.

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. 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 Shenzhen East branch of China Agricultural Bank, with properties at No.4-01 and 3/F of A Block of Shenzhen International Trade Center as pledges. And the closing balance of the said loan stood at RMB 200 million.

(2) The Company and its subsidiaries—Shenzhen Wuye Real Estate Development Co., Ltd. and Shenzhen Guomao Automobile Industry Co., Ltd.—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 East branch of China Agricultural Bank. And the closing balance of the said loan stood at RMB 248 million.

(3) The Company provided a joint-liability guarantee for the long-term loan of RMB 90 million borrowed by Shenzhen Guomao Automobile Industry Co., Ltd. from the Shenzhen Hongbao sub-branch of China Ping'an Bank. And the closing balance of the said loan stood at RMB 12 million.

(4) Guarantee for the house owners: The Company and its subsidiaries provide mortgage guarantee for commodity premise purchasers. The total unsettled guarantee is RMB 703.81 million as at June 30, 2010. It is common that the real estate developer provides mortgage guarantee for small owners.

3. 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 People's 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. And the trial has not yet been held so far.

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 Luohu 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 settlement with Zhuhai Western Yingzhu Industrial Development Co., Ltd.. And a civil mediation letter was issued by the Luohu Court, 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) According to the Document SFB 【2006】No.79 and other relevant documents, based on statistics, the 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 said documents. And government compensation for the cost price was expected. Among those community facilities, costs of the Huangyuyuan kindergarten and school—community facilities that must be transferred by the Company's subsidiary—were already confirmed by relevant government departments. According to a reply recently issued by the property management office of Futian District to the Company, "the Huangyuyuan

Kindergarten is not among facilities that must be transferred”. Meanwhile, it depended on the municipal education authority’s reply whether the Huangyuyuan School would be transferred or not. As such, the aforesaid facilities have not been transferred to the government and no government compensation has been awarded in this respect. The public facilities that the head office of the Company was required to transfer were old projects developed by the Company years ago. The Futian Property Management Office required the said facilities to be transferred as a whole. However, except for the kindergarten and school, other facilities could not meet the prescribed standards. Therefore, the head office of the Company cannot transfer the facilities as a whole for now. Consequently, the relevant government compensation has not been awarded. At present, it is uncertain or immeasurable when the government will approval the transfer, when costs can be recovered and how much can be recovered. As such, the Company did not recognize the aforesaid contingent assets in the financial statements. Now the Company is actively handling the said matter.

Note VIII. Events after balance sheet date

On 15 Jul. 2010, through bidding on site, the Company acquired use right of the state-owned land parcel No.2010G048 located in Dalang Town, Dongguan City, Guangdong Province at the total price of RMB 214 million. The Confirmation Letter on Conclusion of Land Use Right Transaction in Dongguan (hereinafter referred to as “the Confirmation Letter”), the Contract on Granting Use Right of State-owned Land Used for Building and other relevant documents were signed. The basic information and relevant planning indicators of the land are as follows: 1. Grantor: Dongguan State-owned Land and Resources Bureau; 2. Location of the land: Dalang Town, Dongguan; 3. Land Area: 66,881 square meters; 4. Use of land: commercial housing; 5. Main planning indicators: plot ratio≤2.2, building density≤28%; 6. Tenure of use: 70 years; 7. Way of acquisition: via tender invitation, auction and listing.

According to the public notice on the said land grant and other documents, the Company shall pay 50% of the transaction price within one month upon signing of the Confirmation Letter, and pay the remaining 50% within two months. Besides the price for the land transaction, the Company also have to pay relevant taxes and fares.

Note IX. Other significant events

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

(1) The Company’s non-tradable share holders Shenzhen Construction Investment Holdings (hereinafter as “SCIH”) and Shenzhen Investment Management Corporation (hereinafter as “SIMC”) 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 SCIH and SIMC 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.

Implementation: Up to the date of public notice, SCIH and SIMC never sold shares of 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 Construction Holdings and Investment Management Company, which was controlled 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.

Implementation: Up to the date of public notice, Investment Holdings never sold shares of the Company actually controlled.

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.

Implementation: Investment Holdings applied to China Securities Depository and Clearing Corporation Limited Shenzhen Branch to freeze 30,000,000 shares of the Company under name of Construction Holdings but actually controlled by Investment Holdings in Nov. 2009; Investment Holdings and the Company had planned reorganization committed, and suspension stock trade of the Company started since Jun. 22, 2010; according to regulations, the Company disclosed progress of the significant event respectively on Jun. 29, Jul. 6, Jul. 13 and Jul. 20 2010. For details please refer to provisional public notice published in Securities Times, Ta Kung Pao and http://www.cninfo.com.cn on that day. On 21 Jul. 2010, the Proposal on Implementing Share Reform Commitments to Conduct Asset Exchange & Significant Related-party Transaction (Drafted) was reviewed and approved at the 25th Meeting of the 6th Board of Directors. On the same day, the Suggestive Public Notice on Implementing Share Reform Commitments to Conduct Asset Exchange & Significant Related-party Transaction was disclosed. And stocks of the

Company relisted again on Jul. 22, 2010. The Company will closely focused assets replacement and disclose relevant information in time strictly according to relevant requirements of laws and statutes.

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.

Implementation: Up to the date of public notice, Investment Holdings entrusted bank to loan RMB 50 million to the Company, which both occurred before the list date of non-tradable shares. On Mar. 18, 2010, the Company held the Annual Shareholders' General Meeting 2009, at which reviewed and approved Proposal on Application to Controlling Shareholder to Entrust Loan. The Shareholders' General Meeting authorized the Board of Directors of the Company to deal with signature of entrusted loan agreement, renewal of loan, borrow a new loan to repay old within RMB 500 million according to actual need of operation and based on negotiation with Investment Holdings and relevant banks. The Company disclosed the above on Mar. 19, 2010, and the public notice published in Securities Times, Ta Kung Pao and http://www.cninfo.com.cn.

The Board of Directors of the Company will decide to apply entrust loan to Investment Holdings in proper time.

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.

Implementation: whether the commitment will be implemented is according to net profit of 2010.

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 56,303,627.40 exemption 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 receivable house payment from Shenzhen Jiyong Property Development Co., Ltd Jinlinhua Plaza to the Company amounted to RMB 98,611,328.05, the provision for bad debts is amounted to RMB 42,611,328.05 and the net amount is RMB 56,000,000.

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 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 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. Up until 30 Jun. 2010, balance of the redundancy compensation stood at RMB 6,499,336.07.

4. On January 14, 2009, a resolution regarding transferring the entire stakeholders' equity of Hainan Xinda Development Co., Ltd hold by the Company based on appraisal value through public listing was approved by the tenth session of the sixth conference of the Company's board of directors. According to the resolution of the said board meeting, the Company has entrusted the Shenzhen branch of BDO China Shu Lun Pan CPAs and Shenzhen Dezhengxin Asset Valuation Co., Ltd. to conduct audit and valuation on Hainan Xinda. After the audit and valuation results are confirmed by the Group's board of directors and are recorded and approved by Shenzhen Investment Holdings Co., Ltd., the Company will, based on the valuation results, continue to carry forward the transfer of Hainan Xinda as a whole. Up until the report date, the transfer remains unfinished.

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.

In Jun. 2010, the Guidelines for Reporting Urban Renewal Unit Planning of Shenzhen (Trial) was promulgated. According to the Guidelines and the Urban Renewal Methods for Shenzhen, no projects developed by the Company met the reporting standards for the report period. (reporting standards include: the total area of urban renewal units shall not be less than three hectares; areas in the urban renewal unit planned for demolishing and rebuilding shall not be less than 70% of the total renewal areas; existing buildings have been built over 20 years; etc.) The Company planned to conduct researches in advance and make estimations on economic value for some projects that might be renewed. And the relevant work would be started when the time was right. The Company would closely follow new policies and specific implementation rules. At present, the Urban Renewal Methods for Shenzhen is considered to have no substantial influence on the Company.

1. Investigations

The Company received from CSRC Shenzhen Inspection Bureau the Investigation notice on September 10, 2008, to investigate the Company's suspicion on the violation of Security Law and Regulation before the year 2007. On 3 Dec. 2009, the Company received the Advance Notification of Administrative Punishments issued by CSRC, which confirmed that the Company had violated securities laws and regulations. As such, CSRC intended to administer the following punishments on the Company for its irregular securities behaviors: 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. In the year 2009, based on the sum of penalties converted into RMB, the Company withdrew an estimated liability of RMB 8,030,474.39. According to the Law of Administrative Punishments and the Rules of CSRC for Administrative Punishment Hearings, the relevant parties respectively enjoy the rights of statement and defense or asking for hearing. The said irregular behaviors of the Company all happened before the year 2007 and the Company made its statement and defense according to laws. On 6 Apr. 2010, CSRC issued the Administrative Punishment Decision [2010] No.12, according to which CSRC decided to: confiscate the illegal income of RMB 250,849.80 obtained by the Company through trading securities via personal accounts, and confiscate the illegal income of HKD 8,544,744.97 obtained by the Company through trading B shares via other corporate accounts. On May 18, 2010, the Company paid RMB 250,849.80 and HKD 8,544,744,97 from sales of B shares (which equal to RMB 7,500,577.13 according to exchange rate when received Written Decision of Administrative Punishments on May 10, 2010).

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	104,815,253.36	99.95	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				
Total	104,869,633.71	100.00	45,502,269.40	100.00

Categories	Opening 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

(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 Properties & Resources Development Company	Non-related parties	98,611,328.05	Over 3 years	94.03
Rainbow Plaza Co., Ltd	Non-related parties	3,367,364.31	1-2 years	3.21
Shenzhen Tewei Industry Co., Ltd.	Non-related parties	2,836,561.00	Over 3 years	2.70
Total		104,815,253.36		99.94

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	505,672,020.16	98.57	203,550,969.41	98.82
Individually insignificant receivables with high credit risk in group assessment	5,110,171.26	1.00	2,421,326.23	1.18
Other insignificant amount	2,224,893.01	0.43		
Total	513,007,084.43	100.00	205,972,295.64	100.00

Categories	Opening 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

(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.	107,130,946.02	66,568,921.55	Over 3 years	Uncollectible for a long period
Gintian Industry (Group) Co., Ltd.	56,600,000.00	56,600,000.00	2-3 years & over 3 years	Payment for discharging of guaranty responsibility that was difficult to be recollected
Hainan Xinda Development Co., Ltd	48,783,897.88	48,783,897.88	Within 1 year & over 3 years	Uncollectible for a long period
Anhui Nanpeng Papermaking Co., Ltd	8,618,528.00	8,618,528.00	Over 3 years	Uncollectible for a long period
Shenzhen Shengfenglu ITC Jewel & Gold Co., Ltd	6,481,353.60	6,481,353.60	Over 3 years	There is no asset to execute the verdict, thus lead to uncollectibility
Shanghai Yutong Real Estate Development Co., Ltd	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	245,860,258.13	205,298,233.66		

(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 (%)
PRD Xuzhou Dapeng Real Estate Development Co., Ltd.	Subsidiary	150,711,440.00	Within 1 year	29.38
Shum Yip Properties Development Co., Ltd.	Subsidiary	107,130,946.02	Over 3 years	20.88
Gintian Industry (Group) Co., Ltd.	Non-related parties	56,600,000.00	2-3 years & over 3 years	11.03
Shenzhen ITC Vehicles Industry Co., Ltd.	Subsidiary	50,000,000.00	Within 1 year	9.75
Hainan Xinda Development Co., Ltd.	Subsidiary	48,783,897.88	Within 1 year & over 3 years	9.51
Total		413,226,283.90		80.55

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	36,571,572.82	51,531.49	36,623,104.31	50	50
Shenzhen Jifa Warehouse Company Limited	30,645,056.04	26,016,589.45	267,080.33	26,283,669.78	50	50
Shenzhen Tian'an International Building Property Management Co., Ltd	1,500,000.00	1,807,048.16	303,869.58	2,110,917.74	50	50
II. Investment under cost method						
Shenzhen ITC Vehicles Industry Co., Ltd.	29,850,000.00	29,850,000.00		29,850,000.00	90	90
Hainan Xinda Development Co., Ltd	20,000,000.00	20,000,000.00		20,000,000.00	100	100

Company	Amount of initial investment	Opening balance	Increase/ Decrease	Closing balance	Proportions of shareholding (%)	Proportions of voting rights (%)
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	100	100
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
Shum Yip Properties Development Co., Ltd.	15,834,000.00	15,834,000.00		15,834,000.00	100	100
PRD Xuzhou Dapeng Real Estate Development Co., Ltd.	50,000,000.00		50,000,000.00	50,000,000.00	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	18,983,614.14	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						
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
Sanya Oriental Tourism Co., Ltd.	230,500.00		230,500.00	230,500.00	0.28	0.28
Total	——	289,355,731.05	43,252,887.76,	332,608,618.81	——	——

Company	Note for difference between proportions of voting rights and shareholding hold	Provision for impairment	Increase 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.				

Company	Note for difference between proportions of voting rights and shareholding hold	Provision for impairment	Increase in current year	Cash dividends
Shenzhen Huangcheng Real Estate Co., Ltd				
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		
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		
Shum Yip Properties Development Co., Ltd.		15,834,000.00		
PRD Xuzhou Dapeng Real Estate Development Co., Ltd.				
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		
Sanya Oriental Tourism Co., Ltd.		230,500.00	230,500.00	
Total		103,108,727.43	-7,369,500.00	

Note 1The 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 Note VII. - 1(1).

Note 2: The decreased balance of investment and impairment provision of Shenzhen Huajing

Glass Bottle Company Limited, which was because the Company transferred equity of this company.

4. Revenue and cost of sales

（1）Revenue

Item	Jan.-Jun. 2010	Jan.-Jun. 2009
Revenue from main operation	17,749,203.17	13,680,918.93
Total	17,749,203.17	13,680,918.93

（2）Cost of sales

Item	Jan.-Jun. 2010	Jan.-Jun. 2009
Cost of main operation	6,724,019.13	5,075,317.74
Total	6,724,019.13	5,075,317.74

(3) Listed by the categories of production or business:

Categories	Revenue	Cost of sales	Margin profit
Property rental and management services income	17,749,203.17	6,724,019.13	11,025,184.04
Total	17,749,203.17	6,724,019.13	11,025,184.04

5. Gain/loss on investment

Source	Jan.-Jun. 2010	Jan.-Jun. 2009
1.Gain on investment under equity method	622,481.40	1,866,234.08
2.Gain on investment from disposal of long-term equity investment	1,539,906.36	
Total	2,162,387.76	1,866,234.08

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.

6. Supplementary information of cash flow statement

Supplementary information	Jan.-Jun. 2010	Jan.-Jun. 2009
1.Adjustment from net profit to cash flows from operating activities		
Net profit	27,077,925.00	-12,643,904.96
Plus: Provision for impairment of assets	-27,420,494.06	4,289,756.60
Depreciation of fixed assets, Oil-gas assets and Productive biological assets	7,235,231.07	5,997,519.11
Amortization of intangible assets		
Amortization of long-term deferred expense	85,775.39	83,075.04
Loss on disposal of fixed assets, intangible assets and other non-current assets("-" for gain)	-326,049.31	30,365.63
Loss on fixed assets retirement ("-" for gain)	1,154.18	12,713.90
Loss on change in fair value("-" for gain)	-39,900.00	-89,100.00
Financial costs("-" for gain)	1,946,846.03	2,517,002.00
Loss on investment("-" for gain)	-2,162,387.76	-1,866,234.08
Decrease of deferred tax assets("-" for increase)		
Increase of deferred tax liabilities("-" for decrease)		
Decrease of inventory("-" for increase)	-770,267.00	-76,600.00
Decrease in operating receivables("-" for increase)	-214,922,302.05	212.,483,311.23
Increase in operating payables("-" for decrease)	209,455,920.63	-93,900,211.99
Others		55,900.52
Net cash flow from operating activities	161,452.12	116,893,593.00
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	2,548,532.38	2,159,268.46
Less: Cash at the beginning of the period	2,539,358.76	7,802,612.88

Supplementary information	Jan.-Jun. 2010	Jan.-Jun. 2009
Plus: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Increase in cash and cash equivalents	9,173.62	-5,643,344.42

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	Jan.-Jun. 2010	Note
Gains and Losses on disposal of non-current assets, including provision for asset impairment write-off	3,639,394.41	Note 1
Corporate restructuring cost, such as employee resettlement expense, integration costs etc.	-302,693.00	Note 2
Gains and losses on non-operational contingencies	279,047.46	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	39,900.00	Note 4
Non-operational income and expense apart from the above items	5,809,760.87	Note 5
Sub-total	9,465,409.74	
Less: extraordinary gains and losses income tax influence	276,884.21	
Total	9,188,525.53	

Note 1. “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.

Note 2. “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).

Note 3. “Gains and losses on non-operational contingencies” refers to reversal of the estimated liabilities withdrawn for inspection matters made by Securities Regulatory Bureau, details in Note V.-23, Note IX.-6

Note 4. “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 gains and losses from the change in the fair value of trading financial assets.

Note 5. “Non-operational income and expense apart from the above items” refers to default security deposit for rent and the payment that need not be paid.

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 data are as following:

Profit in report period	Weighted average ROE (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	17.49	0.21	0.21
Net profit attributable to ordinary shareholders after deducting extraordinary gain or loss	16.22	0.20	0.20

Legal representative: Chen Yugang

Senior accountant:Wang Hangjun

Chief financial officer:Shen Xueying