

**SHENZHEN INTERNATIONAL ENTERPRISE CO., LTD.**

**INTERIM REPORT 2012**

**(Unaudited)**



**Disclosure Date: 23 August 2012**

## I. Important Notes

The Board of Directors, the Supervisory Committee as well as directors, supervisors and senior executives of Shenzhen International Enterprise Co., Ltd (hereinafter referred to as “the Company”) warrant that this report does not contain any false or misleading statements or omit any material facts, and will take all responsibilities, individual and joint for the authenticity, accuracy and completeness of the report.

All directors attend the Board meeting for reviewing the interim report.

This interim report of the Company hasn’t been audited by certified public account firm.

Chairman of the Board of the Company Mr.Zheng Kanghao, CFO and GM Chen Xiaohai as well as Financial Manager Xu Xiaoyun hereby confirm that the Financial Report of the Interim Report 2012 is true and complete.

Explanation

Item	Refer to	Content for explanation
The Company, Company	Refer to	Shenzhen International Enterprise Co., Ltd.
Multi Profit Asia Pacific	Refer to	Multi Profit Asia Pacific Investment Ltd.
SDG	Refer to	Shenzhen Special Economic Zone Development (Group) Co., Ltd.
Rongfa Company	Refer to	Shenzhen Rongfa Investment Co., Ltd.
Forestry Company	Refer to	Shenzhen International Enterprise Forestry Development Co., Ltd. and its subordinated subsidiaries
Wongtee Mall	Refer to	Shenzhen Wongtee IA Shopping Mall (formerly known as Wongtee Mall)

## II. Company Profile

### (I) Basic information

A-share code	000056	B-share code	200056
A-share abbreviation	*ST SZIEC-A	B-share abbreviation	*ST SZIEC-B
Stock exchange listed with	Shenzhen Stock Exchange		
Legal Chinese name of the Company	深圳市国际企业股份有限公司		
Abbr. of the legal Chinese name of the Company			
Legal English name of the Company	SHENZHEN INTERNATIONAL ENTERPRISE CO.,LTD.		
Abbr. of the legal English name of the Company			
Legal representative of the Company	Zheng Kanghao		
Registered address	A of 6/F Huang Gang Business Centre, 2028JinTian Rd. Futian District Shenzhen		
Postal code for the registered address	518100		
Office address	6/F Huang Gang Business Centre, 2028JinTian Rd. Futian District Shenzhen		
Postal code for the office address	518100		
Internet website of the	<a href="http://www.china-ia.com">http://www.china-ia.com</a>		

Company	
Email	sgs000056@163.com

## (II) For contact

	Secretary to the Board of Directors	Securities Affairs Representative
Name	Cao Jian	Wu Xiaoshuang
Contact address	6/F Huang Gang Business Centre, 2028JinTian Rd. Futian District Shenzhen	6/F Huang Gang Business Centre, 2028JinTian Rd. Futian District Shenzhen
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## (III) About information disclosure and where the interim report is placed

Newspapers designated by the Company for information disclosure	Securities Times, Ta Kung Pao
Internet website designated by CSRC for disclosing the semi-annual report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Where the semi-annual report is placed	Securities Affairs Dep. of the Company

# III. Financial and Business Highlights

## (I) Major accounting data and indexes

Any retrospective adjustment in previous financial statements?

Yes No Inapplicable

Major accounting data

Major accounting data	Reporting period (Jan.-Jun.)	Same period of last year		Increase/decrease (%)
		Before adjustment	After adjustment	After adjustment
Gross operating revenues (RMB Yuan)	33,927,324.83	6,482,200.61	6,482,200.61	423.39%
Operating profit (RMB Yuan)	62,008,494.68	-21,111,728.17	-21,111,728.17	
Total profit (RMB Yuan)	62,602,092.73	-20,656,273.71	-20,656,273.71	
Net profit attributable to shareholders of the Company (RMB Yuan)	67,663,758.14	-15,518,392.05	-15,518,392.05	
Net profit attributable to shareholders of the Company after deducting non-recurring gains and losses (RMB Yuan)	-23,275,148.05	-15,814,437.44	-15,814,437.44	
Net cash flow from operating activities (RMB Yuan)	-91,931,077.98	-69,614,199.80	-69,614,199.80	
	As at the end of this reporting period	As at the end of last year		Increase/decrease (%)
		Before adjustment	After adjustment	After adjustment
Total assets (RMB Yuan)	1,711,777,392.37	1,537,761,372.58	1,545,337,848.28	10.77%
Owners' equity attributable to shareholders of the Company (RMB Yuan)	-17,879,024.12	-84,350,914.14	-79,115,509.33	
Total shares (share)	220,901,184.00	220,901,184.00	220,901,184.00	

## Major financial indexes

Major financial indexes	Reporting period (Jan.-Jun.)	Same period of last year		Increase/decrease (%)
		Before adjustment	After adjustment	After adjustment
Basic EPS (RMB Yuan/share)	0.306	-0.07	-0.07	
Diluted EPS (RMB Yuan/share)	0.306	-0.07	-0.07	
Basic EPS after deducting non-recurring gains and losses (RMB Yuan/share)	-0.105	-0.072	-0.072	
Fully diluted ROE (%)				
Weighted average ROE (%)		-33.34%	-33.34%	
Fully diluted ROE after deducting non-recurring gains and losses (%)				
Weighted average ROE after deducting non-recurring gains and losses (%)		-33.97%	-33.97%	
Net cash flow per share from operating activities (RMB Yuan/share)	-0.416	-0.32	-0.32	
	As at the end of this reporting period	As at the end of last year		Increase/decrease (%)
		Before adjustment	After adjustment	After adjustment
Net assets per share attributable to shareholders of the Company (RMB Yuan/share)	-0.0809	-0.38	-0.36	
Liability/asset ratio (%)	117.93%	123.99%	123.5%	

Notes to major accounting data and financial indexes before the end of this reporting period (please write an adjustment note if there's any retrospective adjustment)

In accordance with resolutions approved on the Third Special Shareholders' General Meeting 2012, the subsequent accounting method of investment property was changed into fair value model from cost model in accounting policies of the Company.

In accordance with rules of Corporate Accounting Standard, this change of accounting policies shall conduct retrospective adjustment to financial statement dated 31 Dec. 2011. As for the investment property in progree-Wongtee IA Shopping Mall was not complicated, the said item continued to measured by cost model until it reached an estimated operation status. Thereof, on the aspect of investment property, this change of accounting policies shall conduct retrospective adjustment to relevant effect arising from fair value change of lease out house and buildings excepted to Wongtee IA shopping Mall.

## (II) Accounting data differences under the domestic and overseas accounting standards

### 1. Net profit and net asset differences between financial reports disclosed according to the international and Chinese accounting standards respectively

Applicable Inapplicable

### 2. Net profit and net asset differences between financial reports disclosed according to the overseas and Chinese accounting standards respectively

Applicable Inapplicable

### 3. Specific items involving significant difference

Applicable Inapplicable

### 4. Notes to accounting data differences under the domestic and overseas accounting standards

Applicable Inapplicable

## (III) Items of non-recurring gains and losses

Applicable Inapplicable

Items	Jan.-Jun. 2012 (RMB Yuan)	Notes
Gains and losses on disposal of non-current assets	103,675,861.68	
Tax rebate, reduction or exemption due to un-authorized approval or the lack of formal approval documents		
Government grants recognized in the current year, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the country's unified standards		
Capital occupation fees received from non-financial enterprises that are included in current gains and losses		
Gains generated when the investment costs of the Company's acquiring subsidiaries, associates and joint ventures are less than the fair value of identifiable net assets in the investees attributable to the Company in the acquisition of the investments		
Exchange gains and losses of non-monetary assets		
Gains and losses through entrusting others to invest or manage assets		
Various asset impairment provisions due to acts of God such as natural disasters		
Gains and losses on debt restructuring		
Enterprise reorganization expenses, such as expenses on employee settlement and integration		
Gains and losses on the parts exceeding the fair value when prices of transactions become unfair		
Net current gains and losses from the period-begin to the combination date of subsidiaries due to business combinations under the same control		
Gains and losses on contingent matters which are irrelevant to the normal operation of the Company		
Gains and losses on fair value changes of transactional financial assets and liabilities, and investment gains on disposal of transactional financial assets and liabilities and available-for-sale financial assets, except for the effective hedging business related to the Company's normal operation		
Reversal of impairment provisions for accounts receivable which are separately tested for impairment signs		
Gains and losses on entrustment loans from external parties		
Gains and losses on fair value changes of investing properties for which the fair value method is adopted for subsequent measurement	-149,546.00	
Current gain and loss effect due to a just-for-once adjustment to current gains and losses according to requirements of taxation and accounting laws and regulations		
Custodian fee income from entrusted operations with the Company		
Other non-operating incomes and expenses besides the items above	-654.50	
Other gain and loss items that meet the definition of non-recurring gains and losses		
Minority interests effects	-12,586,754.99	
Income tax effects		
Total	90,938,906.19	--

## IV. Changes in Share Capital and Particulars about Shareholders

### (I) Changes in share capital

#### 1. Statement of changes of shares

√Applicable □Inapplicable

	Before the change		Increase/decrease (+, -)					After the change	
	Number	Proportion (%)	Issuance of new shares	Bonus shares	Capitalization of public reserve fund	Others	Subtotal	Number	Proportion (%)
I. Shares subject to trading moratorium	340,431.00	0.15%	0.00	0.00	0.00	0.00	0.00	340,431.00	0.15%
1. State-owned shares	0.00	0%						0.00	0%
2. State-owned legal person shares	0.00	0%						0.00	0%
3. Other domestic shares	0.00	0%						0.00	0%
Including: Shares held by domestic legal persons	0.00	0%						0.00	0%
Shares held by domestic individuals	0.00	0%						0.00	0%
4. Shares held by overseas shareholders	0.00	0%						0.00	0%
Including: Shares held by overseas legal persons	0.00	0%						0.00	0%
Shares held by overseas individuals	0.00	0%						0.00	0%
5. Shares held by senior management staff	340,431.00	0.15%						340,431.00	0.15%
II. Shares not subject to trading moratorium	220,560,753.00	99.85%	0.00	0.00	0.00	0.00	0.00	220,560,753.00	99.85%
1. Ordinary shares denominated in RMB	119,212,992.00	53.97%						119,212,992.00	53.97%
2. Domestically listed foreign shares	101,347,761.00	45.88%						101,347,761.00	45.88%
3. Overseas listed foreign shares	0.00	0%						0.00	0%
4. Others	0.00	0%						0.00	0%
III. Total shares	220,901,184.00	100%	0.00	0.00	0.00	0.00	0.00	220,901,184.00	100%

#### 2. Changes of shares subject to trading moratorium

√Applicable □Inapplicable

Name of shareholder	Number of shares subject to trading moratorium at year-begin	Number of shares released from trading moratorium in current year	Number of shares subject to trading moratorium increased in current year	Number of shares subject to trading moratorium at year-end	Reason	Date of releasing trading moratorium
Zheng Kanghao	340,431.00	0.00	0.00	340,431.00	Shares held by senior management	Defined in accordance with regulations on changes of shares held by senior

						management
Total	340,431.00	0.00	0.00	340,431.00	--	--

## (II) Issuance and listing of securities

### 1. Securities issues in the previous three years

Applicable Inapplicable

### 2. Changes of the Company's share number and structure, as well as the corresponding changes in its asset-liability structure

Applicable Inapplicable

### 3. Existing employee shares

Applicable Inapplicable

## (III) Shareholders and actual controller

### 1. Total number of shareholders at the end of the reporting period

The Company had 13,961.00 shareholders at the end of reporting period.

### 2. Shareholding of the top ten shareholders

Particulars about shares held by the top ten shareholders						
Name of shareholder (full name)	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Number of shares held subject to trading moratorium	Pledged or frozen shares	
					Status of shares	Number of shares
MULTI PROFIT ASIA PACIFIC INVESTMENT LTD	Foreign corporation	13.7%	30,264,192.00	0.00	In pledge	30,000,000.00
SHENZHEN SPECIAL ECONOMIC ZONE DEVELOPMENT (GROUP) CO., LTD.	State-owned corporation	9.06%	20,010,772.00	0.00		
UOB INVESTMENT (CHINA) LIMITED	Foreign corporation	7.03%	15,528,941.00	0.00		
ZHONG ZHIQIANG	Foreign natural person	3.72%	8,215,594.00	0.00		
GUOYUAN SECURITIES (HK) CO., LTD.	Foreign corporation	3.46%	7,637,130.00	0.00		
SHENZHEN WONGTEE REAL ESTATE INVESTMENT CO., LTD.	Domestic non-state-owned corporation	2.31%	5,106,702.00	0.00		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign corporation	1.01%	2,229,808.00	0.00		
CHEN SHU	Domestic natural person	0.97%	2,149,327.00	0.00		
ZENG HAIXING	Domestic natural person	0.97%	2,148,715.00	0.00		
SHANGHAI HONG KONG WANGUO SECURITIES CO., LTD.	Foreign corporation	0.89%	1,970,878.00	0.00		
Notes to particulars about shareholders	Note: (1) Shenzhen Special Economic Zone Development (Group) Co., Ltd. holds shares of the Company on behalf of the state.					

### Particulars about shares held by the top ten shareholders holding shares not subject to trading moratorium

Applicable Inapplicable

Name of shareholder	Number of shares held not subject to trading moratorium at the period-end	Type and number of shares	
		Type	Number

MULTI PROFIT ASIA PACIFIC INVESTMENT LTD	30,264,192.00	B-share	30,264,192.00
SHENZHEN SPECIAL ECONOMIC ZONE DEVELOPMENT (GROUP) CO., LTD.	20,010,772.00	A-share	20,010,772.00
UOB INVESTMENT (CHINA) LIMITED	15,528,941.00	B-share	15,528,941.00
ZHONG ZHIQIANG	8,215,594.00	B-share	8,215,594.00
GUOYUAN SECURITIES (HK) CO., LTD.	7,637,130.00	B-share	7,637,130.00
SHENZHEN WONGTEE REAL ESTATE INVESTMENT CO., LTD.	5,106,702.00	A-share	5,106,702.00
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	2,229,808.00	B-share	2,229,808.00
CHEN SHU	2,149,327.00	B-share	2,149,327.00
ZENG HAIXING	2,148,715.00	B-share	2,148,715.00
SHANGHAI HONG KONG WANGUO SECURITIES CO., LTD.	1,970,878.00	B-share	1,970,878.00

Explanation on associated relationship or/and persons acting in concert among the above-mentioned shareholders Inquired by the Company, Multi Profit Asia Pacific and Shenzhen Wongtee Real Estate Investment Co., Ltd. were persons acting in concert. In the meanwhile, actual controlling holder of Multi Profit Asia Pacific, MR. Zheng Kanghao personally holds 571,511 shares of B shares (as at 30 Jun. 2012). SDG and other shareholders in the above table are not related parties. Other than that, it is unknown whether there were other related relations or action-in-concert regulated in Administrative Measures for Takeover of Listed Companies among the above shareholders.

### 3. Controlling shareholder and actual controller

#### (1) Change of the controlling shareholder and actual controller

Applicable Inapplicable

#### (2) Particulars about the controlling shareholder and actual controller

Is there a new actual controller?

Yes No Applicable

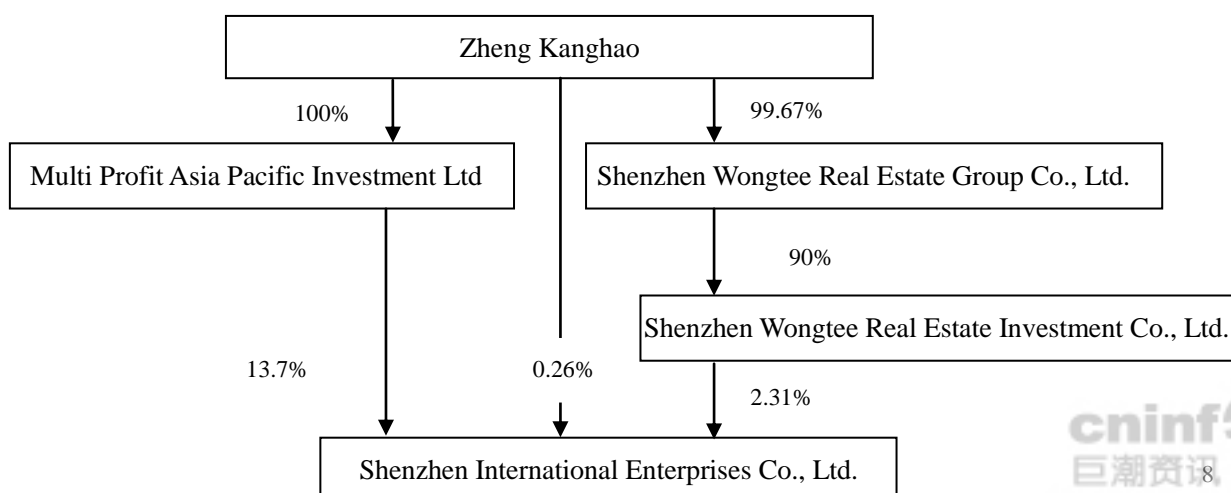
Name of the actual controller	
Type of the actual controller	Other

Notes:

Equity structure of the Company was decentralized that as to 30 Jun. 2012, shares held by the first three principal shareholders were equal. They are Multi Profit Asia Pacific Investment Ltd., holding 13.7% shares of the Company; Shenzhen Special Economic Zone Development (Group) Co., Ltd., holding 9.06% shares of the Company and UOB Investment (China) Limited, holding 7.03% shares of the Company.

Chairman of the Company, Mr. Zheng Kanghao is actual controller of Multi Profit Asia Pacific, Mr. Zheng Kanghao, his controlling Multi Profit Asia Pacific and Shenzhen Wongtee Real Estate Group Co., Ltd. hold 16.27% shares of the Company in total.

#### (3) Property right relationship and control relationship between the Company and actual controller





**(4) The actual controller controls the Company via trust or other ways of asset management**

Applicable Inapplicable

**4. Other corporate shareholders with a shareholding over 10%**

Applicable Inapplicable

**(IV) Convertible corporate bonds**

Applicable Inapplicable

## **V. Directors, Supervisors and Senior Management**

**(I) Shareholding changes of directors, supervisors and senior management**

Name	Office title	Sex	Age	Starting date of office	Ending date of office	Number of shares held at period-begin	Number of shares increased in reporting period	Number of shares decreased in reporting period	Number of shares held at period-end	Of which: number of restricted shares held	Number of stock options held at period-end	Reason for change	Receives payment from shareholder units or other related units?
Zheng Kanghao	Chairman	Male	36.00	10 Sep. 2010	9 Sep. 2013	453,909.00	117,602.00	0.00	571,511.00	340,431.00	0.00	Increasing shares in secondary market	Yes
Total	--	--	--	--	--	453,909.00	117,602.00	0.00	571,511.00	340,431.00	0.00	--	--

Equity incentives granted to directors, supervisors and senior management during the reporting period

Applicable Inapplicable

## (II) Post-holding particulars

Post-holding in shareholders units

√Applicable □Inapplicable

Name of the person holding any post in any shareholder unit	Name of the shareholder unit	Position in the shareholder unit	Beginning date of office term	Ending date of office term	Receives payment from the shareholder unit?
Zheng Kanghao	Multi Profit Asia Pacific	Director	2 Aug. 2010		No
Zhang Jianmin	SDG	Deputy GM	1 Jan. 1997		Yes
Zhang Xinliang	SDG	Chief of Audit and Supervision Dep.	2 Jun. 2008		Yes
Notes to post-holding in other shareholding units					

Information of post-holding in other units

√Applicable □Inapplicable

Name of employee	Name of other unit	Post taken in other units	Starting date of post	Ending date of post	Whether withdrawal remuneration in other units?
Zheng Kanghao	Shenzhen Wongtee Real Estate Group Co., Ltd.	Chairman and president	8 Aug. 2005		Yes
	Shenzhen Wongtee Real Estate Development Co., Ltd.	Executive director and president	9 Aug. 2004		Yes
Chen Yong	Shenzhen Wongtee Real Estate Group Co., Ltd.	Vice president	6 Jun. 2007		Yes
Deng Weijie	Shenzhen Wongtee Real Estate Group Co., Ltd.	Vice president	15 Sep. 2004		Yes
Liu Xiaohong	Shenzhen Wongtee Hotel Company	Executive director	3 Feb. 2012		Yes
	WONGTEE V Hotel Shenzhen	Executive director	3 Feb. 2012		Yes
Xie Ruxuan	Shenzhen Rainbow Fine Chemical Industry Co., Ltd.	Independent director	18 Jan. 2007		Yes
Sun Changxing	University of Science and Technology of	Vice	18 Aug. 1996		Yes

	China	president, director of teaching and research of law, master's tutor			
	Anhui Zhongding Sealing Parts Co., Ltd.	Independent director	16 Dec. 2007		Yes
	Wuhu Yaxia Automobile Co., Ltd.	Independent director	28 Nov. 2009		Yes
	ANHUI JINHE INDUSTRIAL CO., LTD.	Independent director	28 Jun. 2010		Yes
Notes to post-holding in other units					

### (III) Remuneration for directors, supervisors and senior management

Decision-making procedure for the remuneration of directors, supervisors and senior management	According to regulations of the Articles of Association, remuneration of directors, supervisors was defined by shareholders' general meeting, remuneration of senior executives was defined by the Board of Directors. Senior Executives hold posts in the Company all withdraw remuneration from the Company.
Basis for determining the remuneration of directors, supervisors and senior management	In accordance with Remuneration System of Directors, Supervisors and Senior Executives, the Company undertook an appraisal system of "remuneration is link up with work performance" to senior management. The Remuneration and Appraisal Committee under the Board of the Company conducted appraisal to work performance of senior management, and decided remuneration with a basis on the appraisal result.
Actual payment of the remuneration of directors, supervisors and senior management	Payment of the remuneration is paid by stage with accordance of Remuneration Management System and Performance Appraisal System of the Company.

### (IV) Change of directors, supervisors and senior management

Name	Position	Way of change	Date of change	Reason for change
Ding Jian	Deputy GM	Left office	22 May 2012	Personal affairs

### (V) Employees

Number of on-job employees	361.00
Number of retired employees for whom the Company shall bear expenses	0.00
Function structure	
Type of function	Number of personnel
Production	135.00

Sale	18.00
Technical	131.00
Financial	26.00
Administration	51.00
Level of education	
Level of education	Number of personnel
Master	6.00
University	82.00
Junior college	96.00
High school and below	177.00

Notes about particulars of employee:

1. Management personnel refer to personnel takes posts of vice GM of Dept. or above;
2. Technicians refer to personnel of engineer, design, cost, audit, IT, law, labour or drivers etc.
3. Production personnel refer to public securities, cleaners, waiters and customer service of IA property clubs.

## Section VI Report of the Board of Directors

### (I) Management Discussion and Analysis

During the reporting period, the Company achieved operating revenues of RMB 33,927,324.83, up 423.39% from a year earlier; operating profits of RMB 62,008,494.68, representing a profit increase of RMB 83,120,222.85 as compared with the same period of last year; net profits of RMB 62,635,024.36, representing a profit increase of RMB 83,291,298.07 on the year-on-year basis; and net profits attributable to shareholders of the Company of RMB 67,663,758.14 represented a profit increase of RMB 83,182,150.19.

In the 1st half of 2012, on the basis of annual operating plan, the Company put all the strength on carrying forward the construction of Wongtee Plaza, and speeded up decoration projects and business promotion. So far, the transformation of civil engineering and electromechanical equipment has been basically accomplished. Due to the new amending requirements proposed by Shenzhen Government for the design plan of the south elevation of the project, together with more weathers of typhoon and thunderstorm in Shenzhen in the 2<sup>nd</sup> half year, the dates of project completion and trial-operation are expected to be delayed as compared with the original plan. However, the Company will try to start trial-operation before the end of 2012. At present, the progress of business promotion can satisfy the demand of trial-operation, and the proportion of area of confirmed commercial tenants (including circumstances of signed contracts and letters of intent, as well as agreements to be signed after discussion) to the total rental area is expected to reach 80% before the opening of operation. The detail date of opening will be confirmed regarding the progress of business promotion and project decoration.

In the 1st half of 2012, the Company turned standing timbers covering 6,000 mu area into cash, and timely updated sprouts in cut-over land where standing timbers had been cut and turned into cash. With the tightening policy made by some local governments in northeastern Guangdong, the cash

realization from forests of the Company is restricted. The Company has now got a cut indicator for 7,000 mu.

In the 1st half of 2012, in order to liquidize assets, focus resources to get core projects of the Company well done, strengthen main businesses of the Company, as well as solve the cash flow problem of the Company, the Company and its owned subsidiaries respectively sold the equity of Shenzhen International Enterprise Business Administration Co., Ltd. and Shenzhen Longgang International Enterprise Co., Ltd. at a total price of RMB 120 million, which provided a certain amount of cash flow for company operation.

In the 1<sup>st</sup> half of 2012, the owned subsidiary of the Company, Rongfa Company, borrowed RMB 1.2 billion from Ping An Trust, of which RMB 1 billion was used by the Company to return previous loan from the bank and Bohai International Trust Co., Ltd., and RMB 0.2 billion was used for decoration, business promotion, and preliminary promotion before the operation opening of Wongtee Plaza.

In the 1st half of 2012, with the purpose of more precisely reflecting the values of investment properties held by the Company, improving the accuracy of financial information of the Company, and enabling the Company management and investors know about the real financial condition and operating results of the Company in time, the Company altered preliminary research and planning of accounting policies, and got the proposals about alteration of preliminary research and planning of accounting policies approved by the Board and Shareholders General Meeting. The subsequent measurement for investment properties of the Company would be changed from cost measurement to fair value measurement from 1 Jan 2012. The aforesaid item would cause significant effect on financial statements of the Company. For example, in 2012, Wongtee Plaza, the core project of the Company, achieved the standard of fair value measurement. Based on the evaluation opinion of property evaluation company, market value of the project as at 31 Mar 2012 could reach RMB 5.97 billion with the assumption of putting Wongtee International Enterprise Shopping Plaza into operation; if the fluctuation between market value as at 31 Dec 2012 and market value as at 31 Mar 2012 is small, fair value measure measurement of the project at the end of the year is expected to increase RMB 3.315 billion on net profit of Y2012 of the Company, and increase RMB 1.989 billion on net profit attributable to the parent company. (For details, please refer to related announcements respectively published on 15 Jun 2012 and 3 Jul 2012 in [www.cninfo.com.cn](http://www.cninfo.com.cn), Securities Times, and Hong Kong Ta Kung Pao, as well as notes to financial reports of the Interim Report.)

Whether the actual operating results of the Company is lower or higher than the profit estimation or operation plan publically disclosed in the reporting period by 20%

Yes  No  Inapplicable

Operating status and results analysis of main subsidiaries and joint-stock companies of the Company

(1) The registered capital of Shenzhen Rongfa Investment Co., Ltd. is USD 5 million, of which 60% equity is owned by the Company. The company mainly engages in property development. In the reporting period, the company owned total asset of RMB 1,630,418,815.96, and realized operating revenue of RMB 27,196,978.00 and operating profit of RMB -9,572,445.51.

(2) The registered capital of Shenzhen International Enterprise Forestry Development Co., Ltd., the wholly-owned subsidiary of Rongfa Company, the Company's subsidiary, is RMB 10 million. The company mainly engages in forest planting projects. In the reporting period, the company owned

total asset of RMB 89,045,570.41, and realized operating revenue of RMB 0 and operating profit of RMB -5,156,497.14.

(3) The registered capital of Shenzhen International Enterprise Property Management Co., Ltd. is RMB 7 million, of which 61% equity is owned by the Company. The company mainly engages in property management. In the reporting period, the company owned total asset of RMB 14,584,166.95, and realized operating revenue of RMB 6,696,746.83 and operating profit of RMB 747,688.93.

All risk factor possibly causing negative effects on the realization of future development strategy and operating purpose of the Company:

(1) Risk of industry competitions: The area of shopping centers in Shenzhen will exceed 3 million square meters by the end of 2012, and more than 10 commercial complexes will be put into market, which will cause extremely fierce pattern for industry competition.

(2) Policy risk: In recent years, eucalyptus planting has been rapidly developed. However, due to the unplanned early eucalyptus development, which lacked guidance from governments, local original species were exceedingly suppressed and vegetation was reduced, causing some ecological problems. Cities in Guangdong, such as Meizhou and Heyuan, have introduced local policies restricting eucalyptus.

(3) Risk of rising cost of human resources: The Company can always face risks of lacking various senior business administration management and other talents in transitional period. The shortage of talents in commercial property may restrict the rapid development of the Company. The Company will further strengthen the building of talent team and enterprise culture, and enrich the Company's talent team by multi channels.

## 1. Main business and operating status of the Company

### (1) Main business by industry and product

Unit: RMB Yuan

By industry/product	Operating revenue	Operating cost	Gross margin (%)	YoY increase/decrease of operating revenue (%)	YoY increase/decrease of operating cost (%)	YoY increase/decrease of gross margin (%)
By industry						
Sales revenue of properties	27,156,978.00	29,083,411.56	-7.09%			
Property management revenue	6,696,746.83	4,734,753.18	29.3%	7.79%	-20.6%	25.22%

The reason for large YoY change of gross margin

Gross margin in property management largely increased, because the depreciation and property taxes of parking lot of Gangyi Haoting, parking lot of International Enterprise building, and Gangyi Haoting Club were included into operating cost in the same period of last year, and according to audit opinion issued by the accounting firm at the end of last year, in the reporting period, the aforesaid asset depreciation and property taxes were recorded under Rongfa Company, the owner of

those assets, decreasing operating cost as a result.

## (2) Main businesses by region

Unit: RMB Yuan

Region	Operating revenue	YoY increase/decrease of operating revenue (%)
Shenzhen	33,853,724.83	463.72%

Explanation on main businesses by region

In the reporting period, there's no significant change in the market of the Company's main businesses.

Explanation on structure of the Company's main businesses

In the reporting period, there's no significant change in cost structure of the Company's main businesses.

## (3) Reason for significant change in main businesses and structure thereof

Applicable  Inapplicable

## (4) Reason for significant YoY change in profitability (gross margin) of main businesses

Applicable  Inapplicable

## (5) Reason for significant YoY change of profit structure

Applicable  Inapplicable

In the reporting period, the Company and its owned subsidiaries respectively sold the equity of Shenzhen International Enterprise Business Administration Co., Ltd. and Shenzhen Longgang International Enterprise Co., Ltd. at a total price of RMB 120 million, which brought large investment profit.

## (6) Business nature, main products, or service, or net profit of joint-stock companies holding more than 10% net profit

Applicable  Inapplicable

## (7) Problems and difficulties in operation

(i) Wongtee Plaza, the Company's core project, has not been put into formal operation yet. At the same time, there'll be more than 10 commercial complexes put into market in 2012, causing extremely fierce industry competition pattern. (ii) Due to the lack of further processing of the Company's forestry, no establishment of industry chain for processing and value adding, together with the way of direct cash realization of forests, the additional value of forests are not high. Meanwhile, local policies introduced by local departments of eucalyptus planting area to restrict eucalyptus development would cause certain impact on eucalyptus planting, cutting, and cash realization.



## 2. Internal control systems related to fair value measurement

√Applicable □Inapplicable

The Company intended to take fair value measure for investment properties from 1 Jan 2012. To ensure accurate and effective execution of fair value measurement for investment properties, as well as the coherence and accuracy of related accounting information, according to related rules, including Accounting Standards for Business Enterprises No.3 – Investment Property and Articles of Association issued by Ministry of Finance, the Company drafted Management Method of Fair Value Measurement for Investment Properties of the Company with the combination of actuality of the Company, and got it approved by the 5<sup>th</sup> Special Session in 2012 of the 6<sup>th</sup> Board. For details, please refer to announcement No. 2012-33 published in designated information disclosure media, including Securities Times and Hong Kong Ta Kung Pao, on 15 Jun 2012.

Items related to fair value measurement

Unit: RMB Yuan

Item	Beginning of the period	Profit/loss from change of fair value of the period	Change of accumulated fair value recorded into equity	Impairment provision of the period	End of the period
Financial assets					
Of which: 1 Financial assets measured by fair value and whose change is recorded into current profit/loss					
Of which: derivative financial assets					
2 Financial assets available for sale					
Subtotal of financial assets					
Financial liabilities					
Investment properties	8,674,078.00	-149,546.00			8,524,532.00
Productive biological assets					
Others					

Total	8,674,078.00	-149,546.00			8,524,532.00
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Is there significant difference between evaluated results when fair values of the same or similar items were confirmed by evaluation technologies? If yes, please specify.

Yes  No  Inapplicable

### 3. Holding of financial assets and financial liabilities in foreign currency

Applicable  Inapplicable

## (II) Investment of the Company

### 1. Total usage of raised funds

Applicable  Inapplicable

### 2. Promised projects for raised funds

Applicable  Inapplicable

### 3. Change of projects for raised funds

Applicable  Inapplicable

### 4. Significant projects without investment of raised funds

Applicable  Inapplicable

Unit: RMB 10 thousand

Project name	Date of initial disclosure	Project amount	Project progress	Project profit
Wongtee International Enterprise Shopping Plaza		155,000	Development period	No profit so far
Total		155,000	--	--
Explanation on significant projects without investment of raised funds				

## (III) Amending plan for operation plan of the Board in the 2nd half year

Applicable  Inapplicable

The Wongtee Plaza was originally planned to put into trial-operation in Aug 2012. Due to the new amending requirements proposed by Shenzhen Government for the design plan of the south elevation of the project, together with more weathers of typhoon and thunderstorm in Shenzhen in the 2<sup>nd</sup> half year, the dates of project completion and trial-operation are expected to be delayed as compared with the original plan. However, the Company will try to start trial-operation before the end of 2012.

## (IV) Estimation for operating result of Jan-Sep 2012

Warning and reason for estimation of loss or significant YoY change of accumulated net profit from the beginning of the year to the end of next reporting period

Applicable  Inapplicable

**(V) Statement of the Board for Non-standard Audit Report issued by the accounting firm for the reporting period**

Applicable  Inapplicable

**(VI) Statement of the Board for change and handing of concerned items in Non-Standard Audit Report issued by the accounting firm for last year**

Applicable  Inapplicable

On 18 Apr 2012, China Audit International Certified Public Accountants LTD. issued audit report with emphasized paragraphs for items and qualified opinion for Y2011. Statement of the Board for change and handling of concerned items is listed below:

(1) Qualified item: Shops of staffs are classified as the Company's historical problems, which will be positively processed by the Board. Management of the Company organized a focused tem to positively communicate and process the issue with staffs who subscribed shops at that time. Besides, the Company has sued to the court regarding the item of shop subscription by some staffs, and some subscribers have sued Rongfa Company. (For details, please refer to VII (III) Significant Events of Litigation and Arbitration)

(2) Emphasized item

Problems regarding sustainable operating capability of the Company:

① Operating condition of the Company will be substantially improved after the opening of Wongtee Plaza.

② In Mar 2012, the Company borrowed a new loan of RMB 0.2 billion, which provided capital guarantee for company operation and project construction. With the progress of the project, the Company is expected to further increase financing and improve liability structure, so as to meet the development need of the Company's core projects.

③ In 2012, the Company would intensify the efforts of cash realization of forests, and has turned standing timbers covering 6,000 mu area into cash.

④ In order to liquidize assets, the Company and its owned subsidiary, Rongfa Company, respectively sold the equity of Shenzhen International Enterprise Business Administration Co., Ltd. and Shenzhen Longgang International Enterprise Co., Ltd. at a total price of RMB 120 million, which provided a certain amount of cash flow for company operation.

**(VII) Statement of discussion result of the Board for reason and impact of change in accounting policy and accounting estimation, as well as correction of significant accounting errors**

Applicable  Inapplicable

At present, main businesses of the Company are development and operation of commercial properties. Based on the actual situation of business operation of the Company, some properties of the Company are rented out in the way of operating lease and belong to investment properties. With the purpose of more precisely reflecting the values of investment properties held by the Company,

improving the accuracy of financial information of the Company, and enabling the Company management and investors know about the real financial condition and operating results of the Company in time, the 5<sup>th</sup> Special Session in 2012 of the 6<sup>th</sup> Board and the 3<sup>rd</sup> Special Shareholders General Meeting in 2012 reviewed and approved the Proposal of Changing Subsequent Measurement for Investment Properties of the Company from Cost Measurement to Fair Value Measurement, deciding to change the subsequent measurement for investment properties of the Company from cost measurement to fair value measurement from 1 Jan 2012.

According to related rules in Accounting Standards for Business Enterprises No.3 – Investment Properties, the Company shall change the subsequent measurement for investment properties concerned in the alteration of accounting policy from cost measurement to fair value measurement. The alteration of measurement will change accounting indicators, such as owners' equity and net profit, but will not cause actual cash flow, and won't have huge impact on the Company's actual profitability. (For details, please refer to related announcements published in Securities Times, Ta Kung Pao, and [www.cninfo.com.cn](http://www.cninfo.com.cn) on 15 Jun 2012 and 3 Jul 2012.)

#### **(VIII) Formulation and execution of cash dividend policy of the Company**

According to the Notice on Further Implementing Related Items of Cash Dividends of Listed Companies (hereinafter referred to as the Notice) issued by China Securities Regulatory Commission and the Notice on Seriously Carrying out and Implementing “the Notice on Further Implementing Related Items of Cash Dividends of Listed Companies” (SZJGS Zi No. (2012) 43) issued by Shenzhen Securities Regulatory Bureau, Shenzhen International Enterprise Co., Ltd. (hereinafter referred to as the Company) conveyed the Notice and related document spirit to controlling shareholders, actual controllers, directors, supervisors, and senior management of the Company, and organized related personnel to learn it hard. For the sake of enhancing the transparency of cash dividends of the Company, and concurrently taking care of reasonable return for investors and long-term development of the Company, strengthening corporate governance structure of the Company, and forming highly-efficient, timely, and accurate discussion and decision mechanism, on 3 Aug 2012, the 7<sup>th</sup> Session of the 6<sup>th</sup> Board of the Company reviewed and approved the Proposal on Return Plan for Shareholders of the Company for the Future Three Years (2012-2014), and the Proposal on Amending Articles of Association. (For details, please refer to announcements published on Securities Times, Hong Kong Ta Kung Pao, and [www.cninfo.com.cn](http://www.cninfo.com.cn) on 4 Aug 2012.) Meanwhile, the Proposal on Amending Articles of Association was submitted on 21 Aug 2012, and was reviewed and approved by the 4<sup>th</sup> Special Shareholders General Meeting in 2012. The new standards and proportion of cash dividends are specified and clear, the decision procedures are legal, and the mechanism is complete. Independent directors have fully declared their opinions. The Company has thoroughly protected legal interest of minority shareholders by asking and taking advices from them on the phone.

#### **(IX) Preplan of profit distribution or capitalization of capital reserve**

Applicable  Inapplicable

#### **(X) No preplan of cash dividends is proposed when the accumulated undistributed profit of the Company is positive as at the end of 2011**

Applicable  Inapplicable

#### **(XI) Other disclosure items**

**(XII) Liabilities, change of credit standing, as well as cash arrangement in future years for returning liabilities of the Company (The form is only used for and filled by listed companies issuing convertible bonds)**

Applicable  Inapplicable

## **Section VII Significant Events**

### **(I) Corporate governance**

During the reporting period, the Company continuously improved corporate governance structure, further improved operation of the Company, perfected internal control systems, and strengthened information disclosure, positively developed investor relations management, and further realized standardized operation according to requirements of the Company Law, Securities Law and relevant laws and regulations. The Company continued to carry out the spirit of special events about corporate governance required by CSRC and Shenzhen Stock Exchange. Shareholders General Meeting, Board of Directors, and the Supervisory Committee can independently fulfill their own duties according to related laws and regulations. As at the end of the reporting period, there're no problems of horizontal competition and connected transaction caused by mechanism transformation, industry feature, state policy, acquisition, or merger. There're no non-standard behavior of the Company, such as providing un-disclosed information to major shareholders and actual controllers. The actual governance of the Company basically complies with requirements of standardization documents issued by CSRC for the governance of listed companies.

The Company proactively pushed forward the implementation of internal control norms.

According to the Basic Norms of Internal Control for Enterprises and its mating guidelines (hereinafter referred to as "internal control norms"), the Guidelines for Standardized Operation of Companies Listed on the Main Board promulgated by Shenzhen Stock Exchange, the Notice of CSRC Shenzhen Bureau on Doing a Good Job in Pilot Implementation of Internal Control Norms in Listed Companies in Shenzhen (SZJGS Zi [2011] No. 31) and the Notice of CSRC Shenzhen Bureau on Doing a Better Job in Implementation of Internal Control Norms in Listed Companies in Shenzhen (SZJF [2012] No. 105), the Company proactively improved its internal control system; adjusted, optimized and evaluated its internal control system with help from the internal control advisory agency; and hired BDO China Shu Lun Pan Certified Public Accountants LLP as the internal control audit agency for 2012 and to produce an internal control audit report regarding the internal control effectiveness as at 31 Dec. 2012.

In the first half of 2012, based on the previous internal control improvements that had been made, the Company proactively carried on the internal control improvement project mainly regarding the following aspects. According to the Work Plan for Implementation of Internal Control Norms reviewed and approved by the Board of Directors in a session, the Company completed the implementation of basic internal control norms and built up an internal control system regarding financial reporting.

A. Internal control evaluation task groups were set up, which improved the leadership and evaluation execution of internal control improvement.

The Company set up the Internal Control Guiding Committee headed by Chairman Mr. Zheng Kanghao as the leading organ for the internal control improvement project and appointed the Department of Securities & Legal Affairs, the Financial Department and the Audit Department to work with the committee. Under the leadership of the committee, internal control evaluation groups were set up with the Audit Department as the group leader and specific personnel designated by relevant departments. These groups worked as the routine operation organs for internal control evaluation. In terms of internal control evaluation execution, according to the Company's Work Plan for Implementing the Basic Norms for Internal Control of Listed Companies, these evaluation groups were responsible for the specific implementation work regarding internal control evaluation, as well as evaluating fields and units with high risk included in the evaluation scope.

B. The specific work regarding internal control improvement proceeded as scheduled.

1. The Company further improved the internal control system. Based on the internal control improvements that had been made in 2011, according to the internal control norms, changes to the Company's actual situation and problems found in execution of the internal control process and rules, the Company revised the relevant rules, flowcharts and sheets; optimized the approval procedure; and formulated an internal control system for financial reporting.

2. The self-evaluation on internal control for the first half of 2012 was completed. The Company formulated, issued and executed the Notice on Conducting the First Internal Control Evaluation for 2012 to provide guidance for the self-evaluation on internal control.

3. Trainings regarding internal control were enhanced for various personnel. The Company carried out trainings at multiple tiers and in many ways, sending core personnel out for trainings and providing general trainings within the Company, which created a favorable environment and basis for the in-depth execution of the internal control norms.

4. The internal control supervision mechanism was also further perfected. The Company carried out thorough and systematic tests on various management activities, rules and procedures so as to spot defects and risks. Strict, normative and delicate management and appraisal was carried out from the control environment to specific control activities. Development, execution and appraisal of the internal control system were improved. And the running efficiency, the supervision mechanism and the risk prevention effect regarding the internal control system were also improved. Legal operation, asset safety, factuality and completeness of financial reports and relevant information of the Company were better safeguarded.

**(II) Execution of plans of profit distribution, capitalization of capital reserve, and issuance of new shares drafted in previous period and implemented during the reporting period**

Applicable  Inapplicable

### (III) Significant events of litigation and arbitration

√ Applicable □ Inapplicable

Prosecutor (Apply)	Respondent (Be applied)	Party taking joint responsibility	Type of litigation and arbitration	Basic information of litigation (arbitration)	Involved amount (RMB 10 thousand) of litigation (arbitration)	Progress of litigation (arbitration)	Trial result and impact of litigation (arbitration)	Execution of verdict of litigation (arbitration)	Disclosure date of related provisional announcements	No. of related provisional announcements
Shenzhen Zhongtie Property Co., Ltd.	Shenzhen Rongfa Investment Co., Ltd.	Non	Contract dispute	For details, please refer to specified explanation for significant events of litigation and arbitration.		The Company has appealed, and the case is the process of the second trial.	For details, please refer to specified explanation for significant events of litigation and arbitration.			
Malaysia Foh Chong & Sons SDN.BHD.	Shenzhen International Enterprise Co., Ltd.	Non	Equity dispute	For details, please refer to specified explanation for significant events of litigation and arbitration.		The Company has appealed, and the case is the process of the second trial.	For details, please refer to specified explanation for significant events of litigation and arbitration.		7 Apr 2012	2012-14
									5 Aug 2011	2011-32
Shenzhen International Enterprise Co., Ltd.	Shum Kong Industry & Trade Co., Ltd.	Non	Dispute for recovery of guaranteed liabilities	For details, please refer to specified explanation for		Under the auspices of Shenzhen Intermediate	For details, please refer to specified explanation for	The Company has received RMB 2,646,498.19	24 Apr 2010	2010-12

				significant events of litigation and arbitration.		People's Court, the Company made friendly negotiation with other creditors sealing up the land of Shum Kong Industry & Trade, and reached an agreement on the account for selling the sealed-up land, the Company could receive RMB 2,651,149.33 from it.	significant events of litigation and arbitration.	of the account for selling the sealed-up land in Mar. 2012.		
Shenzhen Rongfa Investment Co., Ltd.	Shenzhen Yahaoyuan Investment Co., Ltd.	Non	Equity dispute	For details, please refer to specified explanation for significant events of litigation and arbitration.		The Company has appealed, and the case is the process of the second trial.	For details, please refer to specified explanation for significant events of litigation and arbitration.		22 Feb 2012	2012-07
									26 Oct 2011	2011-37



Shenzhen Rongfa Investment Co., Ltd.	3 people, including Chen XX, Song XX, and Li XX	Non	Dispute for subscription contract of commodity properties	For details, please refer to specified explanation for significant events of litigation and arbitration.		Rongfa Company received the paper of civil judgment for the 1 <sup>st</sup> trial from Shenzhen Futian District People's Court in Jul 2012.	For details, please refer to specified explanation for significant events of litigation and arbitration.	The Company intends to appeal.	5 Jul 2012	2012-44
7 people, including Yang XX	Shenzhen Rongfa Investment Co., Ltd.	Non	Dispute for subscription contract of commodity properties	For details, please refer to specified explanation for significant events of litigation and arbitration.		In the process of the first trial	No result or impact so far		5 Jul 2012	2012-44

Liabilities accrued for litigation and arbitration are RMB 25.26 million.

#### Specified explanation for significant events of litigation and arbitration

(1) The case on contract dispute between Shenzhen Zhongtie Property Co., Ltd. (hereinafter referred as “Zhongtie Property”) and Shenzhen Rongfa Investment Co., Ltd. (hereinafter called “Rongfa Company”):

Overview of the case: On 17 Feb. 2009, Rongfa Company and Zhongtie Property signed a Property Management Agreement on the Shopping Mall Project in Futian CBD. Due to the company's overall planning and position for the project, it required to release the contract with Rongfa Company in 2010.

Zhongtie Property sued to Shenzhen Futian District People's Court on 15 Dec. 2010, appealing Rongfa Company to pay the penalty as RMB 5 million

and other losses as RMB 8,658,315.88.

Progress of the case: the Company received a Judgment Letter for the first instance from Shenzhen Futian District People's Court in Oct. 2011, sentencing it to pay a penal sum of RMB 4 million to Zhongtie Property. And the Company has raised the appeal, which is under the trial for the second instance.

(2) The case on equity transfer dispute between Malaysia Foh Chong & Sons SDN.BHD. (hereinafter referred as "Foh Chong Company", which sued the Company) and the Company:

Overview of the case: according to the statement of complaint from Foh Chong Company, Foh Chong Company (the plaintiff) and the Company (defendant) signed Equity Transfer Contract with Shenzhen Rongfa Investment Co., Ltd. on 31 May 2001, Foh Chong Company transferred its 10% equity of Shenzhen Rongfa Investment Co., Ltd. to the Company with the transfer price as RMB 20.6 million. However, after the contract taking into effect, the Company didn't pay the equity transfer payment.

In Aug. 2011, the Company received the charging document from Shenzhen Intermediate People's Court by Foh Chong Company, Foh Chong Company required that: (i) sentencing the defendant to pay it the principal, interest and overdue penalty totaling RMB 37,077,645.55 to the plaintiff; (ii) sentencing the defendant to undertake all the losses caused by non-fulfillment of its legal obligation and the RMB 37,077,645.55 costs as well as other expenses related with the case.

Progress of the case: the Company received a Judgment Letter for the first instance from Shenzhen Intermediate People's Court at the end of Mar. 2012, sentencing the Company to pay the principal of RMB 20.6 million, interest and overdue penalty within 10 days since the judgment coming into effect (the interest was based on the principal of RMB 20.6 million and at the loan interest rate of the People's Bank of China calculated from 1 Jun. 2001 to 31 Dec. 2009; and the overdue penalty was calculated by 0.3‰ of the total accounts payable per day from 1 Jan. 2010 to the payment date decided by the judgment.) (For details, please refer to the Company's announcements about significant litigation published on [www.cninfo.com.cn](http://www.cninfo.com.cn), Securities Times, and Hong Kong Ta Kung Pao on 4 Apr 2012)

The Company has raised an appeal to the Higher People's Court of Guangdong Province for the case, which is under the trial for the second instance.

(3) The case on dispute for guarantee obligation recovery between the Company and Shum Kong Industry & Trade Co., Ltd. (hereinafter referred as Shum Kong Industry & Trade):

Overview of the case: On 27 Sep. 1999, Shum Kong Industry & Trade gained a loan of RMB 10 million from Shennan East Road Branch of Shenzhen Development Bank, for which the Company provided the joint guarantee. After the expiry date of the Loan Contract, Shum Kong Industry & Trade only paid part of the interest, which still owed the principal sum and part of interest for the bank.

On 30 Dec. 2002, the Company undertook the joint obligation in accordance with the (2002) SZFJYC Zi No. 5 document of Civil Mediation Paper from Shenzhen Intermediate People's Court, and paid the principal sum and remained interest for Shum Kong Industry & Trade. On 26 Mar. 2003, the Company applied to Shenzhen Intermediate People's Court for compulsory execution of the (2002) SZFJYC Zi No. 5 document of Civil Mediation Paper, requiring to recover the security of RMB 13,583,873.68 paid in advance from Shum Kong Industry & Trade. The case was executed by Intermediate Court of Guangzhou Railway Transport with the case number: (2005) GTZFZ Zi No. 59. On 16 Jun. 2009, the Company had sent the application for joining in the distribution to Shenzhen Intermediate People's Court and Intermediate Court of Guangzhou Railway Transport, requiring joining in the distribution for sales income of about RMB 18 million from the land of Shum Kong Industry & Trade with land No. T102-0001. Progress of the case: Under the auspices of Shenzhen Intermediate People's Court, the Company made friendly negotiation with other creditors sealing up the land of Shum Kong Industry & Trade, and reached an agreement on the account for selling the sealed-up land, the Company could receive RMB 2,651,149.33 from it. And the Company has received RMB 2,646,498.19 of the account for selling the sealed-up land (after deducting the paid executive expenses) in Mar. 2012.

(4) The case on equity transfer dispute between Shenzhen Rongfa Investment Co., Ltd. and Shenzhen Yahaoyuan Investment Co., Ltd. (hereinafter referred as “Yahaoyuan”):

Overview of the case: For the case of equity transfer dispute between Rongfa Company and Shenzhen Yahaoyuan Investment Co., Ltd., Rongfa Company sued to Shenzhen Longgang People's Court in Oct. 2011.

Progress of the case: In Feb. 2012, Rongfa Company received the Civil Judgment Letter [(2011) SLFMEC Zi No. 4549] from Shenzhen Longgang People's Court, and the court believed that the evidence provided by the plaintiff couldn't prove the land, which is agreed in the three contracts between the plaintiff and the defendant, is the No. G10205-0267 land required to be returned the land use right to the plaintiff by the defendant. Therefore, the plaintiff should undertake the negative result for vague agreement in the contract. The court judged for the first instance to reject the appeal of the plaintiff. And the case's acceptance fee of RMB 171,800 should be undertaken by the plaintiff. (For details please refer to the announcements on significant lawsuits disclosed in Securities Times, Hong Kong Ta Kung Pao and <http://www.cninfo.com.cn> on 26 Oct. 2011 and 22 Feb. 2012 respectively).

The Company has raised an appeal for the case, which is under the trial for the second instance.

(5) The case on shop subscription from staffs

Overview of the case: To properly settle the event of internal subscription from staffs for shops in Wongtee International Enterprise Shopping Plaza (For details about the event of internal subscription, please refer to X. Other significant events in the Notes to 2011 Annual Report of the Company.),

Rongfa Company sued 3 people, including Chen XX, Song XX, and Li XX, to Shenzhen Futian District People's Court in Aug. 2011.

Progress of the case: In Jul. 2012, Rongfa Company received a Civil Judgment Letter for the first instance from Shenzhen Futian District People's Court regarding Shenzhen Rongfa Investment Co., Ltd.'s separate prosecution for contract dispute on commodity properties subscription of 3 people (including Chen XX, etc.).

The judgment result for the case in which Rongfa Company sued Chen XX and Li XX is listed below:

① The Paper of Internal Subscription signed by the plaintiff and defendants for Shops in IA Mall is legal and effective; ② The fulfillment of subscription paper signed by the plaintiff and defendants should be terminated; ③ Other claims from the plaintiff are rejected; ④ Other counterclaims from the defendants are rejected.

The judgment result for the case in which Rongfa Company sued Song XX to confirm the internal subscription relation between the plaintiff and the defendant as invalid is as the following: The claim from the plaintiff, Shenzhen Rongfa Investment Co., Ltd., is rejected.

The Company intended to raise an appeal.

In addition, Rongfa Company successively received the litigation documents, including the Notice of Responding to Action and the Notice of Adducting Evidence, related to the case in which other 7 people (including Yang XX, etc.) sued Rongfa Company to Shenzhen Futian District People's Court regarding the event of internal subscription of shops. They required the court to decree Rongfa Company to deliver shops to the plaintiffs immediately and undertake the lawsuit charge. The aforesaid case is under the trial for the first instance. (For details, please refer to the Company's announcements on significant litigation published on <http://www.cninfo.com.cn>, Securities Times, and Hong Kong Ta Kung Pao on 5 Jul. 2012)

**(IV) Events related to bankruptcy reorganization**

Applicable  Inapplicable

**(V) Holding equity of other listed companies and joint financial enterprises**

**1. Securities investment**

Applicable  Inapplicable

Explanation on securities investment

**2. Holding equity of other listed companies**

Applicable  Inapplicable

Explanation on holding equity of other listed companies

**3. Holding equity of non-listed financial enterprises**

Applicable  Inapplicable

Explanation on holding equity of non-listed financial enterprises

**4. Trading stocks of other listed companies**

Applicable  Inapplicable

Explanation on trading stocks of other listed companies

**(VI) Assets transaction events**

## 1. Purchase of assets

Applicable  Inapplicable

Explanation on purchase of assets

## 2. Sale of assets

Applicable  Inapplicable

Transaction party	Asset sold	Date of sale	Transaction price (RMB Ten thousand)	Net profit (RMB Ten thousand) contributed by the asset to the listed company from the period-begin to the date of sale	Gain/loss on sale (RMB Ten thousand)	Related-party transaction or not	Pricing principle for the sale of asset	Whether or not the ownership of the asset involved has been fully transferred	Whether or not the creditor's right and liabilities involved have been fully transferred	Ratio of the net profit contributed to the listed company by the asset sale to the total profit (%)	Relationship between the transaction party and the Company (applicable for related-party transactions)	Disclosure date of the provisional initial announcement
Shenzhen Leanju Property Development Co., Ltd.	Total equity of Shenzhen International Enterprise Business Administration Co., Ltd. and equity owned by Rongfa Company in	May 11, 2012	12,000	-0.364	10,308.16	No	Market Pricing	Yes	Yes	134.61%		20 Apr. 2012

Shenzhen Longgang International Enterprise Co., Ltd.												
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#### Explanation on sale of asset

In order to liquidize assets, focus resources to get core projects of the Company well done, strengthen main businesses of the Company, as well as solve the cash flow problem of the Company, on 11 May 2012, the Company convened the Annual Shareholders General Meeting of Y2011, which reviewed and approved the Proposal on the Sale of Total Equity of Shenzhen International Enterprise Business Administration Co., Ltd. and Equity Owned by Rongfa Company in Shenzhen Longgang International Enterprise Co., Ltd.

The Company and its owned subsidiary, Rongfa Company, have separately signed the Agreement of Equity Transfer with the equity transferee, Shenzhen Leanju Property Development Co., Ltd. (hereinafter referred to as Leanju Company), transferring 100% equity owned by the Company in Shenzhen International Enterprise Business Administration Co., Ltd. and 25% equity owned by Rongfa Company in Shenzhen Longgang International Enterprise Co., Ltd. (hereinafter referred to as Longgang International Enterprise) with a total transfer amount of RMB 120 million.

As at the end of the reporting period, the Company and Rongfa Company had fully received a sum of RMB 109 million for equity transfer. Leanju Company would pay the rest amount for equity transfer according to payment progress agreed in the Agreement of Equity Transfer.

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### 3. Exchange of assets

Applicable Inapplicable

Notes to exchange of assets:



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**4. Business combination**

Applicable Inapplicable

**5. Progress of these events after the publication of the assets reorganization report or public notices on the purchases or sales of assets, as well as the influences of these events on the operation results and financial status of the Company in this reporting period**

Applicable Inapplicable

**(VII) Explanation on shareholding increase scheme during the reporting period proposed or implemented by the principal shareholders and act-in-concert persons**

Applicable Inapplicable

**(VIII) Implementation situation and influence of equity incentive plan of the Company**

Applicable Inapplicable

**(IX) Significant related-party transactions**

### 1. Related-party transactions relevant to routine operation

Applicable Inapplicable

### 2. Related-party transactions regarding purchase and sales of assets

Applicable Inapplicable

### 3. Significant related-party transitions with joint investments

Applicable Inapplicable

### 4. Significant credits and liabilities with related parties

Applicable Inapplicable

Non-operating credits and liabilities with related parties exist or not?

Yes No

Related party	Relationship	Lending funds to related parties (RMB Ten Thousand)						Borrowing funds from related parties (RMB Ten Thousand)					
		Opening balance	Amount occurred	Amount repaid	Closing balance	Interest income	Interest expenses	Opening balance	Amount occurred	Amount repaid	Closing balance	Interest income	Interest expenses
Non-operation													
ZHENG KANGHAO	Legal Representative, Chairman of the Board							159.71			108.49		
SHENZHEN WONGTEE REAL ESTATE GROUP CO., LTD.	Company under the control of Mr. Zheng Kanghao							2,198.98			1,100		

POWERLANDHOLDINGLIMITED	Company under the control of Mr. Zheng Kanghao							699.96			699.96		
Subtotal								3,058.65		1,150.2	1,908.45		
Operation													
SHENZHEN WONGTEE COMMERCIAL MANAGEMENT CO., LTD.	Company under the control of Mr. Zheng Kanghao	78.02		37.75	40.27								
SHENZHEN WONGTEE HOTEL CO., LTD.	Company under the control of Mr. Zheng Kanghao		25		25								
Subtotal			78.02	25	37.75	65.27							
Total		78.02	25	37.75	65.27			3,058.65		1,150.2	1,908.45		
Amount of lending funds to controlling shareholder and its subsidiaries during the reporting period (RMB 0'000)													25
Of which: non-operating amount (RMB 0'000)													0
Balance of lending funds to controlling shareholder and its subsidiaries during the reporting period (RMB 0'000)													65.27
Of which: non-operating balance (RMB 0'000)													0
Reason of forming the credits and liabilities with related parties		Loan and interest; Rental deposit											
Situation on clearing the credits and liabilities with related parties													
Commitments relevant to the credits and liabilities with related parties													
Effects of the credits and liabilities with related parties on the													

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business results and financial situation of the Company	
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Capital occupation during the reporting period and debt-clearing progress

Applicable Inapplicable

The accountability plan put forward by the Board of Directors when the Company had not completed collecting the capital occupied for non-operating purposes by the end of the reporting period

Applicable Inapplicable

## 5. Other significant related-party transactions

Due to the house lease contract on the 6/F, Huanggang Business Center, Futian District rented as the office of the Company has been expired, the Company reviewed and approved the Proposal on the House Lease Contract Planed to be Signed Between the Company and Shenzhen Wongtee Commercial Management Co., Ltd. at the 8<sup>th</sup> Special Session of the 6<sup>th</sup> Board of Directors for Y2011. Then the Company signed a House Lease Contract with Shenzhen Wongtee Commercial Management Co., Ltd. under the control of Mr. Zheng Kanghao, with a lease term of three years.

At the same time, to facilitate our work carried out smoothly, the company subsidiary financial investment the Huanggang business center 27 V2 room as a grand square business center for business, reception and Exhibition center. Rental price of 180000 yuan / month.

The related transaction was based on the needs for the Company's self operation development, which is good for the Company's long-term development. The rent was referred to the market price for the real estate leased around, and executed the market pricing after negotiation by both parties, which existed no behaviors of using the related-party relationship to harm the interest of the Company, and it was predicted that such related transactions would continue. The above transaction wouldn't affect the Company's independence or cause reliance on the related parties in terms of main business of the Company.

### (X) Significant contracts and execution

#### 1. The trust, contract and lease whose profits reaching more than 10% (including 10%) of the total profits of the Company in the reporting period

##### (1) Status of trust

Applicable Inapplicable

##### (2)Particulars about contracting

Applicable Inapplicable

##### (3)Particulars about leasing

Applicable Inapplicable

#### 2. Guarantees provided by the Company

Applicable Inapplicable

Unit: RMB Ten thousand

Guarantees provided by the Company for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure	Amount for	Actual	Actual	Type of	Period of	Executed	Guarante

	date of relevant announcement	guarantee amount	occurrence date (date of agreement)	guarantee amount	guarantee type	guarantee period	or not executed	Guarantee for a related party or not
Sales guarantee for Rongfa Company	20 Apr. 2012	722.09	1 Dec. 1999	722.09	Warranty guarantee	Until the date when the property owners finish the loan	No	No
Sales guarantee for Huizhou Rongfa	20 Apr. 2012	610.12	1 May 2004	610.12	Warranty guarantee	Until the date when the property owners finish the loan	No	No
Total external guarantee line approved during the reporting period (A1)				0	Total actual occurred amount of external guarantee during the reporting period (A2)		0	
Total external guarantee line that has been approved at the end of the reporting period (A3)		1,332.21		Total actual external guarantee balance at the end of the reporting period (A4)		1,332.21		
Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date of relevant announcement	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Shenzhen Rongfa Investment Co., Ltd.	4 Jun. 2011	120,000	2 Jul. 2011	49,000	Mortgage	Ten years	No	No
Total guarantee line approved for the subsidiaries during the reporting period (B1)				0	Total actual occurred amount of guarantee for the subsidiaries during the reporting period (B2)		0	
Total guarantee line that has been approved for the subsidiaries at the end of the reporting period (B3)		49,000		Total actual guarantee balance for the subsidiaries at the end of the reporting period (B4)		49,000		
Total guarantee amount provided by the Company (total of the above-mentioned two kinds of guarantees)								
Total guarantee line approved during the reporting period				0	Total actual occurred amount of guarantee during the		0	

(A1+B1)		reporting period (A2+B2)	
Total guarantee line that has been approved at the end of the reporting period (A3+B3)	50,332.21	Total actual guarantee balance at the end of the reporting period (A4+B4)	50,332.21
Proportion of total guarantee amount (A4+B4) to the net assets of the Company			
Of which:			
Amount of guarantee for shareholders, actual controller and related parties (C)		0	
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (D)		50,332.21	
Part of the amount of the total guarantee over 50% of net assets (E)		0	
Total amount of the above three guarantees (C+D+E)		50,332.21	
Explanation on possible bearing joint responsibility of liquidation due to immature guarantee			
Explanation on provision of guarantees for external parties in violation of the prescribed procedure			

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### 3. Entrusted financial management

Applicable Inapplicable



**4. Execution of significant contracts relevant to routine operation**

**5. Other significant contracts**

Applicable Inapplicable

**(XI) Explanation on issuing corporate bonds**

Applicable Inapplicable

**(XII) Performance of commitments**

**1. Commitments made by the Company or shareholders holding over 5% of the Company's shares in the reporting period, or such commitments carried down into the reporting period**

Applicable Inapplicable

Commitment	Commitment maker	Contents of commitment	Time of making commitment	Period of commitment	Execution
Commitments concerning the share reform					
Commitments made in the Acquisition Report or the Report on Equity Changes	Zheng Kanghao	The obligor for information disclosure shall not reduce the shares of Multi Profit Asia Pacific Investment Ltd. held the obligor from this acquisition or reduce the shares of SZIEC indirectly held by the obligor from this acquisition within the future 60 months,.	6 Aug. 2010	60 months	Strictly fulfilled the commitments
Commitments made in exchange of assets					
Commitments made when issuing shares					
Other commitments made for minority shareholders of the Company					
Executed timely or not?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Inapplicable				

Detailed reason for failing to execute and the next plan	
Make commitments on causing the problems of horizontal competition and related-party transactions or not?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Inapplicable
Settlement period of commitment	
Way of settlement	
Execution of commitment	

**2. The Company's assets or projects exist profitable prediction and the reporting period is in such prediction period, it states the profits from the assets or projects reaching original prediction and relevant reasons**

Applicable  Inapplicable

**(XIII) Items of other comprehensive income**

Unit: RMB Yuan

Items	This reporting period	Same period of last year
1. Profits/(losses) from available-for-sale financial assets		
Less: Effects on income tax generating from available-for-sale financial assets		
Net amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period		
Subtotal		
2. Interests in the investee entities' other comprehensive income as per equity method		
Less: Effects on income tax generating from the interests in the investee entities' other comprehensive income as per equity method		
Net amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period		
Subtotal		
3. Profits/(losses) from cash flow hedging instrument		
Less: Effects on income tax generating from cash flow hedging instrument		
Net amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period		
The adjustment value that is the converted initial recognition amount of arbitrage project		
Subtotal		
4. Converted amount of foreign currency financial statements		
Less: Net value of disposal of oversea operations that recognized into		

current profit and loss		
Subtotal		
5. Other		
Less: Effects on income tax generating from the others that included into other comprehensive income		
Net amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period		
Subtotal		
Total	0	0

**(XIV) Particulars about researches, visits and interviews received in this reporting period**

Time of reception	Place of reception	Way of reception	Visitor type	Visitor	Main discussion and materials provided by the Company
4 May 2012	6/F, Huanggang Business Center	Field research	Individual	Shareholder	The Company's operation and project progress
25 May 2012	6/F, Huanggang Business Center	Field research	Individual	Shareholder	The Company's operation and project progress
20 Jun. 2012	6/F, Huanggang Business Center	Field research	Individual	Shareholder	The Company's operation and project progress

**(XV) Particulars about engagement and disengagement of CPAs firm**

Has this semi-annual report been audited?

Yes  No  Inapplicable

Whether changed to engage the CPAs firm?

Yes  No  Inapplicable

CPAs firm engaged for now

Name of domestic CPAs firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration for domestic CPAs firm (RMB 0'000)	90
Consecutive years of audit service provided by domestic CPAs firm	
Name of registered accounts of domestic CPAs firm	
Name of overseas CPAs firm	
Remuneration of overseas CPAs firm (RMB 0'000)	
Consecutive years of audit service provided by overseas CPAs firm	
Name of registered accountants of overseas CPAs	

firm	
The original CPAs firm	
Name of domestic CPAs firm	China Audit International Certified Public Accountants Ltd.
Remuneration for domestic CPAs firm (RMB 0'000)	72
Consecutive years of audit service provided by domestic CPAs firm	One year
Name of registered accounts of domestic CPAs firm	Xie Jun and Ding Weiping
Name of overseas CPAs firm	
Remuneration of overseas CPAs firm (RMB 0'000)	
Consecutive years of audit service provided by overseas CPAs firm	
Name of registered accountants of overseas CPAs firm	

Change to engage the CPAs firm during the audit period or not?

Yes  No  Inapplicable

Execute the approval procedures upon changing the CPAs firm or not?

Yes  No  Inapplicable

Notes of engagement and disengagement of CPAs firm:

In light that the contract between the Company and China Audit International Certified Public Accountants Ltd. has been expired, the Company no longer engaged it as the Company's financial audit agency after friendly negotiation. In accordance with Articles of Association and Rules for the Implementation of Audit Committee as well as other regulations, the Audit Committee under the Board proposed to engage BDO China Shu Lun Pan Certified Public Accountants LLP as the Company's financial audit agency for 2012, with a term of one year and an audit fee of RMB 900,000

The Proposal on Changing to Engage the CPAs Firm was reviewed and approved at the 6<sup>th</sup> Special Session of the 6<sup>th</sup> Board of Directors for 2012 and the 4<sup>th</sup> Special Shareholders' General Meeting for 2012. (For details, please refer to relevant public notice disclosed in Securities Times, Ta Kung Pao (HK) and <http://www.cninfo.com.cn> on 22 Jun. 2012 and 22 Aug. 2012 respectively)

**(XVI) Particulars about punishment and rectification order received by the Company, its directors, supervisors, senior executives, shareholders, actual controller and acquirer**

Applicable  Inapplicable

**(XVII) Explanation on other significant events**

Applicable  Inapplicable

**(XVIII) Particulars about significant changes in the profitability, asset status and**

## credit status of the Company's convertible bonds guarantor

(Only listed companies which issue convertible corporate bonds are required to fill the form below.)

Applicable Inapplicable

### (XIX) Index for information disclosure

Event	Newspapers for disclosing information and relevant page	Publishing date	Internet website for disclosing information and the searching approach
Announcement on Resolutions Made at the 1 <sup>st</sup> Special Session of the 6 <sup>th</sup> Board of Directors for 2012 of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	18 Jan. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Approving Rongfa Company to Gain Loans from Ping An Trust Co., Ltd. and Financial Institutions by the Six Board of Directors of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	18 Jan. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Notice on Convening the First Special Shareholders' General Meeting for 2012 by the Six Board of Directors of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	18 Jan. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
2011 Annual Earnings Forecast of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	19 Jan. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Suggestive Notice on Convening the First Special Shareholders' General Meeting for 2012 by the Six Board of Directors of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	7 Feb. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Resolutions Made at the First Special Shareholders' General Meeting for 2012 by the Six Board of Directors of Shenzhen	Securities Times and Ta Kung Pao	15 Feb. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>

International Enterprise Co., Ltd.			
Announcement on Progress of Significant Litigations of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	22 Feb. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Resolutions Made at the Second Special Session of the Six Board of Directors for 2012 of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	8 Mar. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Rongfa Company Gaining Loans from Financial Institutions & Project Progress of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	8 Mar. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Notice on Convening the Second Special Shareholders' General Meeting for 2012 by the Six Board of Directors of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	8 Mar. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Shareholding Increase by Shareholders of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	13 Mar. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Suggestive Announcement on Shareholding Decrease by Shareholders of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	22 Mar. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Resolutions Made at the Second Special Shareholders' General Meeting for 2012 by the Six Board of Directors of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	24 Mar. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Progress of	Securities Times and Ta Kung	7 Apr. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>

Significant Litigations of Shenzhen International Enterprise Co., Ltd.	Pao		
Announcement on Progress of Rongfa Company Gaining Loans from Financial Institutions of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	7 Apr. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
2011 Annual Preliminary Earnings Estimates of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	14 Apr. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Earnings Forecast for the First Quarter of 2012 of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	14 Apr. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Resolutions Made at the Third Special Session of the Six Board of Directors for 2012 of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	20 Apr. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Resolutions Made at the First Special Session of the Six Supervisory Committee for 2012 of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	20 Apr. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Selling the Whole Equities of Business Company and Rongfa Company Selling Its Equities Held in Shenzhen International Enterprise (Longgang) Co., Ltd. for Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	20 Apr. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Notice on Convening the 2011 Annual Shareholders' General Meeting by the Six Board of Directors of Shenzhen International Enterprise Co.,	Securities Times and Ta Kung Pao	20 Apr. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>

Ltd.			
Announcement on Delisting Risks Alarm for Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	20 Apr. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Summary of the 2011 Annual Report of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	20 Apr. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Summary of the First Quarterly Report for 2012 of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	20 Apr. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Correction of Accounting Errors of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	20 Apr. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Abnormal Fluctuations in Stock Trading of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	3 May 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Resolutions Made the 4 <sup>th</sup> Special Session of the 6 <sup>th</sup> Board of Directors for 2012 of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	11 May 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Resolutions Made at the 2011 Annual Shareholders' General Meeting of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	12 May 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Resignation of Vice GM of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	22 May 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Correction in Periodical Report of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	26 May 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Progress of Selling the Whole Equities of	Securities Times and Ta Kung Pao	1 Jun. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>



Business Company and Rongfa Company Selling Its Equities Held in Shenzhen International Enterprise (Longgang) Co., Ltd.			
Announcement on Trading Suspension Due to Significant Events	Securities Times and Ta Kung Pao	7 Jun. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Suggestive Announcement of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	13 Jun. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Resolutions Made at the 5 <sup>th</sup> Special Session of the 6 <sup>th</sup> Board of Directors for 2012 of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	15 Jun. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Resolutions Made at the Second Special Session of the Six Supervisory Committee for 2012 of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	15 Jun. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Notice on Convening the Third Special Shareholders' General Meeting for 2012 of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	15 Jun. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Changes in Accounting Policies of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	15 Jun. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Trading Suspension of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	20 Jun. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Abnormal Fluctuations in Stock Trading of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	21 Jun. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Resolutions Made at the 6 <sup>th</sup> Special Session of the 6 <sup>th</sup> Board of Directors for	Securities Times and Ta Kung Pao	22 Jun. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>

2012 of Shenzhen International Enterprise Co., Ltd.			
Announcement on Changing to Engage the CPAs Firm of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	22 Jun. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Suggestive Notice on Convening the Third Special Shareholders' General Meeting for 2012 of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	22 Jun. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Announcement on Corrections in Notice on Convening the Third Special Shareholders' General Meeting for 2012 of Shenzhen International Enterprise Co., Ltd.	Securities Times and Ta Kung Pao	22 Jun. 2012	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>

## VIII. Financial Report

### (I) Audit opinion

Has this semi-annual report been audited?

Yes  No  Inapplicable

### (II) Financial statements

Consolidated statements or not?

Yes  No  Inapplicable

The monetary unit in the financial statements of the financial report is RMB Yuan if not specified otherwise.

Monetary unit of notes to financial statements: RMB Yuan

#### 1. Consolidated balance sheet

Prepared by Shenzhen International Enterprise Co., Ltd.

Unit: RMB Yuan

Item	Note	30 Jun. 2012	31 Dec. 2011
Current Assets:			
Monetary funds		124,655,446.69	19,989,682.85
Settlement reserves			

Intra-group lendings			
Transactional financial assets			
Notes receivable			
Accounts receivable		21,509,528.20	515,018.36
Accounts paid in advance		22,943,278.12	16,772,527.40
Premiums receivable			
Reinsurance premiums receivable			
Receivable reinsurance contract reserves			
Interest receivable			
Dividend receivable			
Other accounts receivable		4,428,723.68	6,160,436.94
Financial assets purchased under agreements to resell			
Inventories		1,469,856,794.69	1,405,632,415.91
Non-current assets due within 1 year			
Other current assets			1,050,000.00
Total current assets		1,643,393,771.38	1,450,120,081.46
Non-current assets:			
Loans by mandate and advances granted			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investment		5,699,905.49	5,699,905.49
Investing property		8,524,532.00	8,674,078.00
Fixed assets		51,359,230.73	52,552,621.28
Construction in progress			
Engineering materials			
Disposal of fixed assets			
Production biological assets			
Oil-gas assets			
Intangible assets		97,633.20	25,413,328.71
R&D expense			

Goodwill			
Long-term deferred expenses		2,702,319.57	2,877,833.34
Deferred income tax assets			
Other non-current assets			
Total of non-current assets		68,383,620.99	95,217,766.82
Total assets		1,711,777,392.37	1,545,337,848.28
Current liabilities:			
Short-term borrowings			
Borrowings from Central Bank			
Customer bank deposits and due to banks and other financial institutions			
Intra-group borrowings			
Transactional financial liabilities			
Notes payable		0.00	0.00
Accounts payable		20,654,562.23	76,992,945.52
Accounts received in advance		9,045,080.51	1,243,980.07
Financial assets sold for repurchase			
Handling charges and commissions payable			
Employee's compensation payable		3,216,768.71	9,635,793.00
Tax payable		3,869,926.44	5,384,922.31
Interest payable		4,351,444.44	3,640,635.05
Dividend payable		5,127,701.36	5,127,701.36
Other accounts payable		160,961,513.06	174,760,938.23
Reinsurance premiums payable			
Insurance contract reserves			
Payables for acting trading of securities			
Payables for acting underwriting of securities			
Non-current liabilities due within 1 year		13,000,000.00	314,000,000.00
Other current liabilities			

Total current liabilities		220,226,996.75	590,786,915.54
Non-current liabilities:			
Long-term borrowings		1,709,670,000.00	1,228,850,000.00
Bonds payable			
Long-term payables			
Specific payables			
Estimated liabilities		86,817,813.72	86,813,170.64
Deferred income tax liabilities		1,861,187.29	1,894,118.92
Other non-current liabilities		148,725.29	148,725.29
Total non-current liabilities		1,798,497,726.30	1,317,706,014.85
Total liabilities		2,018,724,723.05	1,908,492,930.39
Owners' equity (or shareholders' equity)			
Paid-up capital (or share capital)		220,901,184.00	220,901,184.00
Capital reserves		65,888,074.13	72,315,347.06
Less: Treasury stock			
Specific reserves			
Surplus reserves		125,929,834.48	125,929,834.48
Provisions for general risks			
Retained profits		-430,598,116.73	-498,261,874.87
Foreign exchange difference			
Total equity attributable to owners of the Company		-17,879,024.12	-79,115,509.33
Minority interests		-289,068,306.56	-284,039,572.78
Total owners' (or shareholders') equity		-306,947,330.68	-363,155,082.11
Total liabilities and owners' (or shareholders') equity		1,711,777,392.37	1,545,337,848.28

Legal representative: Zheng Kanghao  
Chen Xiaohai

Person-in-charge of the accounting work:

Chief of the accounting division: Xu Xiaoyun

## 2. Balance sheet of the Company

Unit: RMB Yuan

Item	Note	30 Jun. 2012	31 Dec. 2011
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Current Assets:			
Monetary funds		266,860.58	119,729.05
Transactional financial assets			
Notes receivable			
Accounts receivable		18,000,000.00	
Accounts paid in advance			
Interest receivable			
Dividend receivable			
Other accounts receivable		107,526,427.88	44,463,138.71
Inventories			
Non-current assets due within 1 year			
Other current assets			
Total current assets		125,793,288.46	44,582,867.76
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investment		43,646,623.59	65,073,896.52
Investing property		6,740,865.00	6,885,080.00
Fixed assets		4,875,611.29	5,524,253.95
Construction in progress			
Engineering materials			
Disposal of fixed assets			
Production biological assets			
Oil-gas assets			
Intangible assets			
R&D expense			
Goodwill			
Long-term deferred expenses		657,333.34	657,333.34
Deferred income tax assets			
Other non-current assets			
Total of non-current assets		55,920,433.22	78,140,563.81
Total assets		181,713,721.68	122,723,431.57
Current liabilities:			

Short-term borrowings			
Transactional financial liabilities			
Notes payable			
Accounts payable			
Accounts received in advance		60,000.00	60,000.00
Employee's compensation payable		1,507,522.08	4,945,706.86
Tax payable		4,223,818.63	4,227,138.69
Interest payable			
Dividend payable		5,127,701.36	5,127,701.36
Other accounts payable		55,654,658.96	62,152,881.86
Non-current liabilities due within 1 year			
Other current liabilities			
Total current liabilities		66,573,701.03	76,513,428.77
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Long-term payables			
Specific payables			
Estimated liabilities		18,387,017.96	18,387,017.96
Deferred income tax liabilities		1,488,210.67	1,521,658.94
Other non-current liabilities			
Total non-current liabilities		19,875,228.63	19,908,676.90
Total liabilities		86,448,929.66	96,422,105.67
Owners' equity (or shareholders' equity)			
Paid-up capital (or share capital)		220,901,184.00	220,901,184.00
Capital reserves		58,524,171.66	64,951,444.59
Less: Treasury stock			
Specific reserves			
Surplus reserves		96,841,026.39	96,841,026.39
Provision for general risks			
Retained profits		-281,001,590.03	-356,392,329.08
Foreign exchange difference			

Total owners' (or shareholders') equity		95,264,792.02	26,301,325.90
Total liabilities and owners' (or shareholders') equity		181,713,721.68	122,723,431.57

### 3. Consolidated income statement

Unit: RMB Yuan

Item	Note	Jan.-Jun. 2012	Jan.-Jun. 2011
I. Total operating revenues		33,927,324.83	6,482,200.61
Including: Sales income		33,927,324.83	6,482,200.61
Interest income			
Premium income			
Handling charge and commission income			
II. Total operating cost		74,850,893.28	27,593,928.78
Including: Cost of sales		33,945,931.43	6,816,911.34
Interest expenses			
Handling charge and commission expenses			
Surrenders			
Net claims paid			
Net amount withdrawn for the insurance contract reserve			
Expenditure on policy dividends			
Reinsurance premium			
Taxes and associate charges		1,860,002.40	380,097.83
Selling and distribution expenses		11,602,352.79	
Administrative expenses		18,333,324.64	15,116,490.87
Financial expenses		8,864,069.65	5,142,446.26
Asset impairment loss		245,212.37	137,982.48
Add: Gain/(loss) from change in fair value ("-" means loss)		-149,546.00	
Gain/(loss) from investment ("-" means loss)		103,081,609.13	



Including: share of profits in associates and joint ventures			
Foreign exchange gains (“-” means loss)			
III. Business profit (“-” means loss)		62,008,494.68	-21,111,728.17
Add: non-operating income		1,480,534.58	504,910.00
Less: non-operating expense		886,936.53	49,455.54
Including: loss from non-current asset disposal		877,995.93	
IV. Total profit (“-” means loss)		62,602,092.73	-20,656,273.71
Less: Income tax expense		-32,931.63	
V. Net profit (“-” means loss)		62,635,024.36	-20,656,273.71
Including: Net profit achieved by combined parties before the combinations			
Attributable to owners of the Company		67,663,758.14	-15,518,392.05
Minority shareholders’ income		-5,028,733.78	-5,137,881.66
VI. Earnings per share		--	--
(I) Basic earnings per share		0.306	-0.07
(II) Diluted earnings per share		0.306	-0.07
VII. Other comprehensive incomes			
VIII. Total comprehensive incomes		62,635,024.36	-20,656,273.71
Attributable to owners of the Company		67,663,758.14	-15,518,392.05
Attributable to minority shareholders		-5,028,733.78	-5,137,881.66

Where business mergers under the same control occurred in this report period, the net profit achieved by the merged parties before the business mergers was RMB .

Legal representative: Zheng Kanghao  
work: Chen Xiaohai

Person-in-charge of the accounting

Chief of the accounting division: Xu Xiaoyun

#### 4. Income statement of the Company

Unit: RMB Yuan

Item	Note	Jan.-Jun. 2012	Jan.-Jun. 2011
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I. Total sales		33,600.00	34,271.10
Less: cost of sales		0.00	8,345.70
Business taxes and surcharges		1,884.96	1,851.36
Distribution expenses			
Administrative expenses		9,223,416.11	7,523,918.78
Financial costs		-12,533,330.39	-10,353,542.25
Impairment loss		1,962,127.61	12,508,247.20
Add: gain/(loss) from change in fair value (“-” means loss)		-144,215.00	
Gain/(loss) from investment (“-” means loss)		75,000,000.00	
Including: income from investment on associates and joint ventures			
II. Business profit (“-” means loss)		76,235,286.71	-9,654,549.69
Add: non-business income			3,650.00
Less: non-business expense		877,995.93	5,883.88
Including: loss from non-current asset disposal			
III. Total profit (“-” means loss)		75,357,290.78	-9,656,783.57
Less: income tax expense		-33,448.27	
IV. Net profit (“-” means loss)		75,390,739.05	-9,656,783.57
V. Earnings per share		--	--
(I) Basic earnings per share			
(II) Diluted earnings per share			
VI. Other comprehensive income			
VII. Total comprehensive income		75,390,739.05	-9,656,783.57

## 5. Consolidated cash flow statement

Unit: RMB Yuan

Item	Jan.-Jun. 2012	Jan.-Jun. 2011
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	38,961,808.12	11,046,772.54
Net increase of deposits from customers and dues from banks		
Net increase of loans from the central		

bank		
Net increase of funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase of deposits of policy holders and investment fund		
Net increase of disposal of tradable financial assets		
Cash received from interest, handling charges and commissions		
Net increase of intra-group borrowings		
Net increase of funds in repurchase business		
Tax refunds received		
Other cash received relating to operating activities	96,120,915.55	30,447,863.13
Subtotal of cash inflows from operating activities	135,082,723.67	41,494,635.67
Cash paid for goods and services	95,029,835.42	74,059,575.03
Net increase of customer lendings and advances		
Net increase of funds deposited in the central bank and amount due from banks		
Cash for paying claims of the original insurance contracts		
Cash for paying interest, handling charges and commissions		
Cash for paying policy dividends		
Cash paid to and for employees	29,303,899.64	12,803,130.49
Various taxes paid	4,894,102.10	2,193,105.67
Other cash payment relating to operating activities	97,785,964.49	22,053,024.28
Subtotal of cash outflows from	227,013,801.65	111,108,835.47

operating activities		
Net cash flows from operating activities	-91,931,077.98	-69,614,199.80
II. Cash flows from investing activities:		
Cash received from withdrawal of investments		
Cash received from return on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,350.00
Net cash received from disposal of subsidiaries or other business units	99,000,000.00	
Other cash received relating to investing activities		411.00
Subtotal of cash inflows from investing activities	99,000,000.00	2,761.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	682,004.02	1,341,213.58
Cash paid for investment	8,000,000.00	
Net increase of pledged loans		
Net cash paid to acquire subsidiaries and other business units	7,200,000.00	
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	15,882,004.02	1,341,213.58
Net cash flows from investing activities	83,117,995.98	-1,338,452.58
III. Cash Flows from Financing Activities:		
Cash received from capital contributions	8,000,000.00	
Including: Cash received from minority shareholder investments by subsidiaries		
Cash received from borrowings	1,200,000,000.00	2,222,000,000.00
Cash received from issuance of bonds		

Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	1,208,000,000.00	2,222,000,000.00
Repayment of borrowings	1,027,344,776.57	2,056,349,444.44
Cash paid for interest expenses and distribution of dividends or profit	59,422,210.92	70,546,890.32
Including: dividends or profit paid by subsidiaries to minority shareholders		
Other cash payments relating to financing activities	7,754,166.67	6,526,710.00
Sub-total of cash outflows from financing activities	1,094,521,154.16	2,133,423,044.76
Net cash flows from financing activities	113,478,845.84	88,576,955.24
IV. Effect of foreign exchange rate changes on cash and cash equivalents	0.00	-916.69
V. Net increase in cash and cash equivalents	104,665,763.84	17,623,386.17
Add: Opening balance of cash and cash equivalents	19,989,682.85	153,356,391.84
VI. Closing balance of cash and cash equivalents	124,655,446.69	170,979,778.01

## 6. Cash flow statement of the Company

Unit: RMB Yuan

Item	Jan.-Jun. 2012	Jan.-Jun. 2011
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service		
Tax refunds received		
Other cash received relating to operating activities	28,923,233.77	26,913,139.76
Subtotal of cash inflows from operating activities	28,923,233.77	26,913,139.76
Cash paid for goods and services		
Cash paid to and for employees	7,721,957.67	4,540,865.14
Various taxes paid	1,257,451.76	723,193.79

Other cash payment relating to operating activities	86,752,680.31	21,022,072.23
Subtotal of cash outflows from operating activities	95,732,089.74	26,286,131.16
Net cash flows from operating activities	-66,808,855.97	627,008.60
II. Cash flows from investing activities:		
Cash received from retraction of investments		
Cash received from return on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	-3,135.00	2,350.00
Net cash received from disposal of subsidiaries or other business units	72,000,000.00	
Other cash received relating to investing activities		
Subtotal of cash inflows from investing activities	71,996,865.00	2,350.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	40,777.50	572,030.00
Cash paid for investment		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	40,777.50	572,030.00
Net cash flows from investing activities	71,956,087.50	-569,680.00
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Cash received from borrowings		
Cash received from issuance of bonds		
Other cash received relating to		

financing activities		
Subtotal of cash inflows from financing activities	0.00	0.00
Repayment of borrowings	5,000,100.00	
Cash paid for interest expenses and distribution of dividends or profit		
Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities	5,000,100.00	0.00
Net cash flows from financing activities	-5,000,100.00	0.00
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-896.18
V. Net increase in cash and cash equivalents	147,131.53	56,432.42
Add: Opening balance of cash and cash equivalents	119,729.05	360,786.67
VI. Closing balance of cash and cash equivalents	266,860.58	417,219.09

## 7. Consolidated statement of changes in owners' equity

Reporting period

Unit: RMB Yuan

Item	Reporting period									
	Equity attributable to owners of the Company								Minority interests	Total owners' equity
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Others		
I. Balance at the end of the previous year	220,901,184.00	72,315,347.06			125,929,834.48		-498,261,874.87		-284,039,572.78	-363,155,082.11
Add: change of accounting policy										
Correction of errors in previous periods										
Other										
II. Balance at the beginning of	220,901,184.00	72,315,347.06			125,929,834.48		-498,261,874.87		-284,039,572.78	-363,155,082.11

the year	,184.00	47.06			,834.48		1,874.87		572.78	82.11
III. Increase/ decrease of amount in the year (“-” means decrease)		-6,427,272.93					67,663,758.14		-5,028,733.78	56,207,751.43
(I) Net profit							67,663,758.14		-5,028,733.78	62,635,024.36
(II) Other comprehensive incomes										
Subtotal of (I) and (II)							67,663,758.14		-5,028,733.78	62,635,024.36
(III) Capital paid in and reduced by owners	0.00	-6,427,272.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-6,427,272.93
1. Capital paid in by owners										
2. Amounts of share-based payments recognized in owners' equity										
3. Others		-6,427,272.93								-6,427,272.93
(IV) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Appropriations to surplus reserves										
2. Appropriations to general risk provisions										
3. Appropriations to owners (or shareholders)										
4. Other										
(V) Internal carry-forward of owners' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. New increase of capital (or share capital) from capital public reserves										
2. New increase of capital (or share capital) from surplus reserves										
3. Surplus reserves for making up losses										
4. Other										
(VI) Specific reserve										



1. Withdrawn for the period										
2. Used in the period										
(VII) Other										
IV. Closing balance	220,901,184.00	65,888,074.13			125,929,834.48		-430,598,116.73		-289,068,306.56	-306,947,330.68

Last year

Unit: RMB Yuan

Item	Last year									
	Equity attributable to owners of the Company								Minority interests	Total owners' equity
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Others		
I. Balance at the end of the previous year	220,901,184.00	72,315,347.06			125,929,834.48		-364,837,764.72		-204,357,096.15	-150,048,495.33
Add: retrospective adjustments due to business combinations under the same control										
Add: change of accounting policy							5,235,404.81		446,951.97	5,682,356.78
Correction of errors in previous periods							-14,884,902.73			-14,884,902.73
Other										
II. Balance at the beginning of the year	220,901,184.00	72,315,347.06			125,929,834.48		-374,487,262.64		-203,910,144.18	-159,251,041.28
III. Increase/ decrease of amount in the year ("-" means decrease)							-123,774,612.23		-80,129,428.60	-203,904,040.83
(I) Net profit							-123,774,612.23		-80,129,428.60	-203,904,040.83
(II) Other comprehensive incomes										
Subtotal of (I) and (II)							-123,774,612.23		-80,129,428.60	-203,904,040.83
(III) Capital paid in and reduced by owners	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

1. Capital paid in by owners											
2. Amounts of share-based payments recognized in owners' equity											
3. Others											
(IV) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Appropriations to surplus reserves											
2. Appropriations to general risk provisions											
3. Appropriations to owners (or shareholders)											
4. Other											
(V) Internal carry-forward of owners' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. New increase of capital (or share capital) from capital public reserves											
2. New increase of capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Other											
(VI) Specific reserve											
1. Withdrawn for the period											
2. Used in the period											
(VII) Other											
IV. Closing balance	220,901,184.00	72,315,347.06			125,929,834.48		-498,261,874.87		-284,039,572.78		-363,155,082.11

## 8. Statement of changes in owners' equity of the Company

Reporting period

Unit: RMB Yuan

Item	Reporting period							
	Paid-up	Capital	Less:	Specific	Surplus	General	Retained	Total

	capital (or share capital)	reserve	treasury stock	reserve	reserve	risk reserve	profit	owners' equity
I. Balance at the end of the previous year	220,901,18 4.00	64,951,444 .59			96,841,026 .39	-356,392,3 29.08		26,301,325 .90
Add: change of accounting policy								
Correction of errors in previous periods								
Other								
II. Balance at the beginning of the year	220,901,18 4.00	64,951,444 .59			96,841,026 .39	-356,392,3 29.08		26,301,325 .90
III. Increase/ decrease of amount in the year (“-” means decrease)		-6,427,272. 93				75,390,739 .05		68,963,466 .12
(I) Net profit						75,390,739 .05		75,390,739 .05
(II) Other comprehensive incomes								
Subtotal of (I) and (II)						75,390,739 .05		75,390,739 .05
(III) Capital paid in and reduced by owners	0.00	-6,427,272. 93	0.00	0.00	0.00	0.00	0.00	-6,427,272. 93
1. Capital paid in by owners								
2. Amounts of share-based payments recognized in owners' equity								
3. Others		-6,427,272. 93						-6,427,272. 93
(IV) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Appropriations to surplus reserves								
2. Appropriations to general risk provisions								
3. Appropriations to owners (or shareholders)								
4. Other								
(V) Internal carry-forward of owners' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

1. New increase of capital (or share capital) from capital public reserves								
2. New increase of capital (or share capital) from surplus reserves								
3. Surplus reserves for making up losses								
4. Other								
(VI) Specific reserve								
1. Withdrawn for the period								
2. Used in the period								
(VII) Other								
IV. Closing balance	220,901,18 4.00	58,524,171 .66			96,841,026 .39	-281,001,5 90.03		95,264,792 .02

Last year

Unit: RMB Yuan

Item	Last year							
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total owners' equity
I. Balance at the end of the previous year	220,901,18 4.00	64,951,444 .59			96,841,026 .39	-304,552,8 78.43		78,140,776 .55
Add: change of accounting policy						4,564,976. 83		
Correction of errors in previous periods						-14,884,90 2.73		
Other								
II. Balance at the beginning of the year	220,901,18 4.00	64,951,444 .59			96,841,026 .39	-314,872,8 04.33		67,820,850 .65
III. Increase/ decrease of amount in the year ("-" means decrease)						-41,519,52 4.75		-41,519,52 4.75
(I) Net profit						-41,519,52 4.75		-41,519,52 4.75
(II) Other comprehensive incomes								
Subtotal of (I) and (II)						-41,519,52		-41,519,52

						4.75		4.75
(III) Capital paid in and reduced by owners	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Capital paid in by owners								
2. Amounts of share-based payments recognized in owners' equity								
3. Others								
(IV) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Appropriations to surplus reserves								
2. Appropriations to general risk provisions								
3. Appropriations to owners (or shareholders)								
4. Other								
(V) Internal carry-forward of owners' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. New increase of capital (or share capital) from capital public reserves								
2. New increase of capital (or share capital) from surplus reserves								
3. Surplus reserves for making up losses								
4. Other								
(VI) Specific reserve								
1. Withdrawn for the period								
2. Used in the period								
(VII) Other								
IV. Closing balance	220,901,184.00	64,951,444.59			96,841,026.39	-356,392,329.08		26,301,325.90

# Shenzhen International Enterprise Co., Ltd.

## Notes to Financial Statements

For the year ended June 30, 2012

(All amounts are expressed in RMB yuan unless otherwise stated)

English translation for reference only, should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

### I. General Information

#### 1. History of the company

Shenzhen International Enterprise Co., Ltd. (“the Company”) on the approval of People's Government of Shenzhen and issued Shenfubanfu [1992]No. 1867 document to restructured as a stock limited company in March 1993 and directional issued 41,701,800 shares. The Company on the approval of Securities Administration Office Shenzhen issued 41,701,800 bonus shares by the ratio 10:10 in 1994. The Company on the approval of Document No. 48 [1995] Shenfubanhuan issued 50,000,000 B shares and listed in the in the Shenzhen Stock Exchange in 1995. The Company on the approval of Document No. 99 [1996] Zhengjianfashen zi which issued by China Securities Regulatory Commission, issued 20,000,000 A shares and listed in the Shenzhen Stock Exchange in 1996. The Company on the approval of board of directors and Securities Administration Office Shenzhen's Document No. 38 [1997] Shenzhengbanfu, issued bonus shares by the ratio 10:1 and the capital fund transferred to shared capital by the ratio 10:1, in the total of 30,680,720 shares. In May 1998 on the approval of board of directors and Securities Administration Office Shenzhen's Document No. 45 [1998] Shenzhengbanfu that the shared capital of company increased 36,816,864 shares by the transfer of the capital fund by the ratio 10:2 in May 1998, by now the shares of the company are increased to 220,901,184 shares. The company has acquired the Qiguyuezhong business license with No.110114, that issued by Shenzhen Administration for Industry and Commerce, the total registered shared capital of the company is RMB 220,901,184 Yuan.

Legal representative: Haokang Zheng

Registered Address: Luohu District, Shenzhen

#### 2. The Industry

The company operates within real estate, commercial retail, forestry industry

#### 3. Scope of business

The approved business scop: Merchandise retail, real estate, purchasing, distribution, plant, tree sales, import and export.

### II. Summary of Significant Accounting Policies 、 Accounting Estimates and Correct Previous Accounting Period Errors

#### 1. Basis for preparation

The Company maintain its accounting records and prepare its statutory financial statement based on the assumption of going concern, recognition and measurement in accordance with the fact and substance of transactions,

and in accordance with the China Enterprise Accounting Standards issued by the Ministry of Finance on 15th February 2006, as well as based on those accounting policies and accounting estimates that described as below.

## **2. Declaration of Compliance with the Enterprise Accounting Standards**

The Company's financial statements prepared follow the requirements of the Enterprises Accounting Standard promulgated by the Ministry of Finance; fairly and completely present the financial position, operation result and cash flows, and other relevant information of the Company.

## **3. Accounting Year**

The Company employs a period of calendar days from January 1 to December 31 each year as accounting year.

## **4. Reporting currency**

The Company's reporting currency is Renminbi ("RMB").

## **5. Accounting treatment of the business combination that is under the common control and not under the common control.**

### **(1) Accounting treatment of the business combination that is under the common control**

Those assets and liabilities obtained by the Company during the business combination should be recognized in the carrying value of the shareholder's equity of the subsidiary on the merger date. The difference between the carrying amount of the net assets obtained and carrying amount of the merger consideration shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

### **(2) Accounting treatment of the business combination that is not under the common control**

The consideration paid for the business combination exceeds the acquirer's interest in the fair value of the bargainor's identifiable net assets, the difference shall be recognized as goodwill; Where the cost of combination is less than the acquirer's interest in the fair value of the bargainor's identifiable net assets, should be review the fair value of bargainor's identifiable assets、 liabilities and contingency liabilities , as well as the computation of combination cost, after reassessment, the difference shall be recognized in profit or loss to the current period.

## **6. Basis of Consolidated Financial Statement**

### **(1) Consolidation Scope**

The consolidated financial statements prepared are in accordance with the No. 33 Enterprise Accounting Standards – Consolidated Financial Statement issued in February, 2006. The consolidated financial statements incorporate the financial statements of the Company and enterprises direct controlled or indirect controlled by the Company ("its subsidiaries"). Control is refer to the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its operating activities.

If there is evidence provide that the invested company can not controlled by holding company, the invested company shall not include in consolidation scope.

### **(2) Buy and sale the shares of subsidiaries**

The effective purchase day and sales day recognized, should has transferred the material risk and reward of ownership of share of subsidiaries. The consolidated income statement and consolidated cash flow statement has included the results of operation and cash flow of subsidiaries(not under the same control) before disposal or after acquired the share; for the subsidiaries under the same control from business combination, the operation results and cash flow has been included in the consolidated income statement and consolidated cash flow statement from

beginning of combination period to consolidation date and disclosed in statement individual, the comparative amount in consolidation statement has been adjusted correspond to it.

If the Company acquires minority equity shares of subsidiaries, thus hold the long-term equity investment, on the date of prepare consolidation statement, the difference between the value of the new long-term equity investment and the value of subsidiary's net assets enjoyed by proportion of shareholdings(begin with acquired date or combination date), shall be adjusted to capital reserve, if the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings

(3) Adjusted the subsidiaries' financial statement, when the subsidiaries have different accounting policy and reporting period.

If the subsidiaries has different accounting policy and reporting period with the parent company, the consolidated financial statement prepared according to the parent company's accounting policy ,and adjusted the subsidiaries' financial statement; For those subsidiaries acquired not under the same control, according to the fair value of identifiable assets、liabilities and contingency liabilities of the subsidiary on the acquisition date, to adjusted subsidiaries' financial statement.

(4) Consolidation method

All significant intercompany transaction and balances between group enterprises are eliminated on consolidation.

The minority interest should disclose in consolidation statement alone. Decrease minority interest if the minority shareholders should afford to the loss of the subsidiaries that allocate to minorities, otherwise, the Company would bear the loss of exceed.

## **8. Foreign currency translation and conversion of foreign currency financial statement**

(1) Foreign currency transactions

The Company's foreign currency transactions are converted into presentation currency (RMB) at spot exchange rates (Usually refers to the middle rate of the exchange price quotation that announced by the People's bank of China) prevailing on the day in which the transactions take place.

On the balance sheet date, those foreign currency monetary items within the financial statement should be converted at the spot rates prevailing on the balance sheet date. The exchange difference caused by the change in the exchange rate from the initial recognized date and the current balance sheet date, included in profit and loss for the year. With historical cost measurement of foreign currency non-monetary items, the transaction is converted at the spot exchange rate of transaction day, without changing its presentation currency amount. In the fair value measurement of foreign currency non-monetary items, converted at the spot exchange rate at that day when the fair value can be determined, the difference between amount after converted into presentation currency and the original presentation currency amount, as the changes in the fair value, recognized in the current profits and losses.

(2) Conversion of foreign currency financial statement

① Assets and liability items in balance sheet are converted at the spot rates prevailing on the balance sheet date; items in shareholders' equity are converted at the spot rates prevailing on date of transaction except undistributed profit.

② Revenue and expense in income statement are converted at the approximate rates of spot rates prevailing on



the transaction date.

The exchange differences caused by above method are disclosure in the shareholders' equity individually.

③ Cash flow statement items converted at the spot rates prevailing on the cash flow date. The exchange differences should disclosure individually in the cash flow statement.

## **9. Financial Instruments: Recognition and Measurement**

### **(1) Classification of financial assets and financial liabilities**

The Company in accordance with the investment purpose and economic substance of the ownership of financial assets are divided into four category, which is fair value through profit or loss; Held-to-maturity investments; Loans and receivables; Available-for-sale financial assets.

According to the economic substance those financial liabilities are divided into fair value through profit or loss and others.

① Financial assets or financial liabilities at fair value through profit or loss: including held for trading financial assets or financial liabilities and designated by the Company as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if it is:

- a、Acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- b、Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- c、A derivative (except for a derivative that is a designated and effective hedging instrument, a derivative of financial guarantee contract, a derivative that settle by equity instrument, which the price of instrument could not be quoted in active market and the fair value could not measure reasonably).

A financial asset or financial liability is classified as designated fair value through profit or loss if it is:

- a、The designation can be eliminated or significantly reduced the inconsistent situation or relate profit and loss cause by different measurement basis of financial assets and financial liabilities;
- b、Company risk management or investment strategy has been enshrined in a formal written document that the financial assets portfolio, the financial liabilities portfolio, or the financial assets and financial liabilities portfolio are management in fair value-based and evaluation and report to key management person.

② Held-to-maturity investments: are non-derivative financial assets with fixed or determinable payments and fixed maturity that company has the positive intention and ability to hold to maturity. Mainly include the Company's management has a clear intention and ability to hold to maturity of fixed-rate national bonds, floating-rate corporate bonds.

③ Receivables: are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables of the Company mainly refer to the Company's sales of goods or rendering of services to form the accounts receivable and other receivables.

④ Available-for-sale financial assets: are those non-derivative financial assets that are designated as available for sale at initial recognized, or those financial assets are not measured in fair value based and through to profit and loss, or loans and receivables, or held-to-maturity investments.

⑤ Other financial liabilities: financial liabilities not divided into measurement in fair value base and through into profit and loss account.

## (2) Measurement of financial assets and financial liabilities

The Company's financial asset or financial liability is recognized at its fair value initially. For financial assets or financial liabilities at fair value through profit or loss, relevant transaction costs that are directly attributable to current profit and loss; for other types of financial assets or financial liabilities, transaction costs related to the amount included in the initial confirmation cost.

Subsequent measurement of financial assets and financial liabilities:

① Financial assets or financial liabilities at fair value through profit or loss measured at its fair value, at balance sheet date, the changed difference of fair value are accounted for profit and loss in current period.

② Held-to-maturity investments, which shall be measured at amortized cost using the effective interest method, the profit or loss of termination confirmation, impairment or amortization included in the profit and loss account.

③ Loans and receivables, which shall be measured at amortized cost using the effective interest method, the profit or loss from termination confirmation, impairment or amortization included in the profit and loss account.

④ Available-for-sale financial assets, are measured with fair value, any changes of fair value of available-for-sale financial assets at the end of period are accounted for capital reserve (other capital reserve). Disposal of available-for-sale financial assets, the difference between consideration received and carrying value of the financial assets included into investment profit or loss account; at the same time, turn out the original cumulative amount of fair value change of corresponding part within the equity, included into investment profit or loss account. The impairment losses and exchange differences of foreign monetary financial assets including into current profit and loss. Interest received and cash dividends received during the hold period are recognized as investment income.

⑤ Other financial liabilities, together with the equity instrument that price not be quoted in active market and the fair value could not measure reasonably measured, as well as the subsequent measurement should according to the cost of derivative financial liabilities.

The financial guarantee contract is not belong to financial liabilities designated by the Company as at fair value through profit or loss, as well as the loan commitment is not belong to financial liabilities designated by the Company as at fair value through profit or loss and belower than market rate, After initial recognition, measured higher of: (a)Amount confirmed by < Enterprise Accounting Standard 13-- Provisions, Contingent Liabilities and Contingent Assets>; (b)Balance of initial recognition amount minus the accumulated amortization refer to <Enterprise Accounting Standard 14—Revenue>.

Other financial liabilities adopt the effective interest method, subsequent measured by amortization cost, recognized the profits and losses by termination confirmation or amortization to current profit and loss account.

⑥ Fair value: It's the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In a fair deal, the transaction should the two sides are continuing operations enterprises, do not intend to carry out the liquidation or a major reduction in scale of operation, or under adverse conditions is still trading. The existence of an active market of financial assets or financial liabilities, the quotation within the active market should be used to determine its fair value. If there is no active market, company should adopt valuation techniques to determine the fair value.

⑦ The amortized cost of a financial asset or financial liability: it's the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial recognized amount and the

maturity date amount, and minus any reduction for impairment or unrecoverable.

⑧ The effective interest method: It's a method of using effective interest calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Then calculating the effective interest rate, company shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

(3) Transfers and derecognize of financial assets

① Derecognize financial asset if, and only if, meets one of the following three conditions:

- a. terminate the contractual rights of cash flows from the financial asset;
- b. the financial assets have been transferred, and the ownership of the risks and rewards of financial assets transferred to other party;
- c. The financial assets have been transferred, but the Company neither transferred the ownership of the risks and rewards of financial assets, nor retained, and gives up control of the financial assets.

② When termination conditions of entire transferred assets have been satisfied, the differences between the amounts of following items shall be recognised in the current period profits and losses account:

- a. The carrying value of transferred financial assets;
- b. The consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the shareholders' equities.

③ If the transfer of partial financial assets satisfies the conditions of derecognize, the entire book value of the transferred financial asset shall apportion, between the portion whose derecognize and the recognized portion (under such circumstance, the service asset retained shall be deemed as a portion of financial asset whose derecognize), be apportioned according to their respective relative fair value, and the difference between the amounts of the following two items shall be accounted for the profits and losses of the current period .

- a. The portion of carrying value derecognized;
- b. The consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the shareholders' equities.

④ If the Company fails to satisfy the conditions of derecognize for transferred financial assets, it shall continue to recognize the entire financial assets to be transferred and shall recognize the consideration it receives as a financial liability. For those financial assets transfer adopt continuing involvement method, the Company should recognize one financial asset and one financial liability, according to the extent of the transferred financial assets of continuing involvement.

(4) Impairment of financial assets

① If the Company have the following evidence to prove the impairment of financial assets, should recognize the provision of impairment:

- 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;

g. adverse changes in the payment status of borrowers in the group, let the lender may cannot recover the investment cost;

h. the fair value of financial instrument investment incur serious or non-temporary decline;

i. other objective evidence that prove impairment of financial assets.

② On the balance sheet date, the Company should adopt different impairment test method for different type financial assets, and recognize provision of impairment:

a. Held-to-maturity investments: on the balance sheet date, if there are objective evidence of impairment for the investment, the Company has recognized the impairment loss by the asset's carrying amount and the present value of estimated future cash flows.

b. Available-for-sale financial assets: on the balance sheet date, the Company analyse the impairment evidences of the financial assets, experienced judgement whether continuing decline in the fair value. Generally, if the fair value of financial assets incurred serious decline, after consideration of all relevant factors, anticipate this is non-temporary, therefore can identified the available-for-sale financial assets has impaired, should recognize the impairment loss. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in impairment loss account of income statement.

(2) Methods of provision for bad debt for account receivables in accordance with the characteristics of credit risk portfolio

Standard of portfolio recognition:	
Portfolio Name	Basis of portfolio recognition
Portfolios that estimate bad debt provision by aging analysis	as well as other individual non-significant receivable accounts that not impaired after impairment test, these account receivables will carry out age analysis by the Company and consider the debtor's actual business situation and cash flow to determine the recoverable amount of receivables, a reasonable estimate of bad debts.
Methods of provision for bad debt for account receivables in accordance with the characteristics of credit risk portfolio:	
Portfolio Name	Methods of provision for bad debt

Portfolios that estimate bad debt provision by aging analysis	Age analysis
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The Company adopt age analysis method to estimate the following percentage of provision for bad debts of account receivables in accordance with the characteristics of credit risk portfolio:

<u>Age</u>	<u>Percentage of accounts receivable</u>	<u>Percentage of other accounts receivable %</u>
Within 1 year (including 1 year)	5%	5%
1-2 years (including 2 years)	10%	10%
2-3 years (including 3 years)	15%	15%
3-4 years (including 4 years)	20%	20%
4-5 years (including 5 years)	25%	25%
More than 5 years	30%-100%	30%-100%

(3) Method of provision for bad debts for individual accounts receivable with non- significant amounts,

Reasons to estimate bad dept provision individually	if there is objective evidence that the accounts receivable have been impaired specifically or impaired due to specific accounts characteristics , although with non-significant amounts individually, these account receivables shall carry out impairment test one by one , the impairment loss shall be recognized based on the difference of the book values higher than the present value of future cash flows.
Method of provision for bad debts	One by one to carry out impairment test, the impairment loss shall be recognized based on the difference of the book values higher than the present value of future cash flows.

## 11. Inventory: Recognition and Measurement

(1) Inventory of the Company refers to enterprises in the day-to-day activities of the holder for the sale of finished goods, product that in the production process, and materials consumed in the production process or provision of services. Including inventory finished goods, consigned goods, development costs, development products, low-value consumable supplies, package materials, and consumable biology assets etc.

(2) Inventories stock physical count system

The Company adopts the perpetual stocktaking system.

(3) Valuation methods of inventories input and output

The acquired inventory of the company to be initially measured at cost, the inventory includes costs of purchase and processing costs and other costs.

①Retail merchandise is accounted for by purchase price.

②All direct and indirect costs incurred in development process for real estate development enterprise are accounted for development costs, and transfer to development products when the projects are completed. Among of them:

a、Land used in development: Land is entirely transferred to work-in-process when the whole project is developed; Land is transferred partially to work-in-process when the project is developed by installment, and undeveloped land is still accounted for inventory.

b、Public facilities: Public facilities are initially accounted for as development costs by actual cost, and transferred to salable properties such as residences etc when the projects are completed. If the public facilities own their operation values and developers own the right of profit inflows from the public facilities, then those public facilities are accounted for lease development products or finished development products by individually.

The inventory output valued in weighted average cost.

(4) Low consumable supplies or package materials are amortized at one time when they are issued.

(5) Amortization method for lease development products and turnover properties: Amortize by straight-line method on predicted useful lives.

(6) Method of provision for inventory impairment loss

At the balance sheet date, the evaluation criteria should base on the lower value between costs and net realizable value. When net realizable values are lower than costs, provision for impairment loss of inventories shall be made. Under normal circumstances, the Company provision impairment loss in according to individual inventory items, but for large quantity and low-unit-price inventories, provision for impairment loss of inventories shall be made based on the category of inventories; for those inventories that relating to the same product line that have similar purposes or end uses, are produced and marketed in the same geographical area, and cannot be practicably evaluated separately from other items in that product line, their impairment loss provision shall be consolidated.

When the circumstances that previously caused inventories to be written off below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-off is reversed (i.e. the reversal is limited to the amount of the original write-off) so that the new carrying amount is the lower of the cost and the revised net realizable value. The amount reversed recording into current profit and loss.

Estimates of net realizable value: For those stocks used for directly sale, the net realizable value is referred to the estimated selling price minus the estimated selling expenses and related tax and fees in normal operating process. Those stocks need to process; the net realizable value is referred to the estimated selling price minus the estimated finished cost and estimated selling expenses and related tax and fees in normal operating process; the net realizable value of the quantity of inventory held to satisfy firm sales or service contracts is based on the contract price. If the sales contracts are for less than the inventory quantities held, the net realisable value of the excess is based on general selling prices.

## 12. Biological Assets

(1) The biological assets of the Company refer to the consumable forest assets.

(2) The initial measurement shall be made to the biological asset at its cost. The cost of a purchased biological asset consists of the purchase price, the relevant taxes, freight, insurance premium and other expenses that may be indirectly attributable to the purchase of this asset. An investor shall ascertain the cost of biological asset in accordance with the value as stipulated in the investment contract or agreement, unless the fair value is stipulated in the contract or agreement. The cost of self-planting consumable forest assets consists of the necessary expenses for forestation, forest tending, forest operating facilities, testing of good species, investigation and design, indirect apportionment.

The subsequent expenses for the management and protection or for the breeding of a biological asset after closure or after the accomplishment of the expected objective of production and operation shall be included in the current profits and losses.

The Company's crown density of forest assets is 0.8.

For the consumable forest assets, when harvesting, carry down to costs by their carrying value, the month of carry down including weighted average method.

(3) At the end of each year, the company examines the consumable forest assets. If any well established evidence indicates that the net realizable value of any consumable forest assets is lower than its book value as a result of natural disaster, plant diseases and insect pests, animal disease or change of market demand, the Company shall, based on the difference between the net realizable value and the book value, make provision for the loss on decline in value of or for the impairment of the biological asset and shall include it into the current profits and losses.

If the factors causing any provision for impairment of a consumable forest asset have disappeared, the write-down value shall be resumed and shall be reversed from the provision for the loss on decline in value of the consumable forest asset that has been made. The reversed amount shall be included in the current profits and losses.

### **13. Long-term Equity Investment**

Long-term equity investment including the equity investments held by the Company, who can able to exercise control, joint control or significant influence to the invested entity, or the Company do not have control, joint control or significant influence on the invested entity, and there is no active market quotation, the fair value measurement should not be reliable.

#### **(1) Initial measurement**

The Company separates the following two cases of long-term equity investment in the initial measurement:

##### **① Long-term equity investment obtained through business combinations:**

a. For obtaining subsidiary under common control, the consideration cost can be cash payment, non-monetary assets transfer or taking over the subsidiary's liability. Under this situation, the initial investment cost is carrying amount of shareholder's equity of the subsidiary on the merger date. The difference between the carrying amount of the net assets obtained and initial investment cost of long-term equity investment shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. In the case of company issues equity securities as the consideration, the initial investment cost is carrying amount of shareholder's equity of the subsidiary on the merger date. If the book value amount of the issued shares is deemed as the capital, the difference between the carrying amount of the issued shares and initial investment cost of long-term equity investment shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference,

any excess shall be adjusted against retained earnings. All direct expenses related to the merger, including the auditor fee, evaluation expense, legal service expense, etc. will be accrued to the current profit and loss.

b. For obtaining subsidiary not under common control, the cost of long-term equity investment is fair value of assets paid, liabilities undertaken by the Company, or the fair value of equity bonds issued. Where the cost of a business combination exceeds the acquirer's interest in the fair value of the bargainor's identifiable net assets, the difference shall be recognized as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the bargainor's identifiable net assets, after reassessment, the difference shall be recognized in profit or loss for the current period (non-operating income). The costs directly related to business combinations shall be included in the cost of business combinations (except issuing expenses of bonds and equity instruments).

② Other types of long-term equity investment, accordance with the following principles to determine their initial investment costs:

a. Long-term equity investment, which is acquired by cash consideration, the actual cash payment amount will be deemed as the initial investment cost. The initial investment cost includes the direct expenses related to the long-term equity investment, taxes and other necessary expenses. But if the actual payment contains cash dividend that has not been received but has been announced, that should be accounted separately.

b. Long-term equity investment, which is acquired by issuing equity securities, the fair value of the issued equity will be deemed as the initial investment cost.

c. For the long-term equity investment made by the investors, the values agreed in the investment contracts or agreements will be deemed as the initial investment cost, except that the contracts or agreements provide that the values are not fair.

d. Long-term equity investment is acquired by exchange of non-monetary assets, if this transaction has commercial substance or the fair values of exchange assets can be reliably measured, the fair values of these assets and relevant taxes will be deemed as the initial investment cost; the difference between the fair values of the assets and book values will be recorded into the current profit and loss; if the non-currency asset exchange does not satisfy these two conditions mentioned above, the book values of the assets and relevant taxes will be deemed as the initial investment cost.

e. Long-term equity investment, which is acquired by the debt restructuring, the fair values of the obtained equities will be deemed as the initial investment cost; the difference between the initial investment cost and book values of credit will be recorded into the current profit and loss.

## (2) Subsequent Measurement

The cost method is employed to calculate the long-term equity investment of subsidiaries and will be adjusted in accordance with the equity method in the preparation of the consolidated financial statements.

The Company uses cost method for the following conditions: a long-term equity investment where the investing enterprise does not have joint control or significant influence over the investee, the investment is not quoted in an active market and its fair value can't be reliably measured.

The Company uses equity method for the following conditions: a long-term equity investment where the investing enterprise has joint control or significant influence over the investee.

a. When using cost method, increase or recovery of investment need to adjust the cost of long term equity investment. Cash dividends or profit distributions declared by the investee shall be recognized as investment income



in the current period. However, investment income recognized by the investing enterprise shall be limited to the amount distributed to it out of accumulated net profits of the investee arising after the investment was made. Any cash dividends or distributions received in excess of this amount shall be treated as a recovery of initial investment cost.

b、When using equity method, after the investing enterprise has acquired a long-term equity investment, it shall recognize its share of net profits or losses made by the investee as investment income or losses, and adjust the carrying amount of the investment accordingly.

The Company shall recognize current period investment profits or losses following its share of the net profits or losses made by the investee. Base on the investee's book value of net profit, if the investee used inconsistent accounting policies with the Company, the Company shall adjust the net profits by the balances of the depreciation or amortization of the investee's fixed assets and intangible assets measured by fair value on the investment acquired date, as well as adjust the net profits by the balance of the impairment losses of investee's assets measured by fair value on the investment acquired date. Set off the internal transaction profit and loss between the Company and the joint enterprises or the jointly-run enterprises, and then recognize the investment profit or loss on this basis. The internal transaction profit and loss between the Company and the joint enterprises or the jointly-run enterprises, refer to the < Enterprise Accounting Standard 8: Impairment of assets>, belong to asset impairment loss is recognized in full.

If an investor's share of losses of an associate equals or exceeds its interest in the associate, the investor discontinues recognizing its share of further losses, after the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate; If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized, recover investment interests, and in the book value of the long-term equity investment successively.

Those long term equity for affiliated company and joint company, hold before first executive date, if ther is relevant investment debit difference, according to residual time to amortize in straight line method, the amortization amount recognized in current profit and loss account.

### (3) Scope of common control and significant influence for investee

①The existence of jointly control by an investor is usually evidenced in one or more of the following ways: a.any venturer cannot control the jointly controlled company's operation alone; b. the strategy decision of the jointly controlled company, should be agreed by each venture parties; c. the venturers may appoint one of them to manage the jointly controlled company, through control or agreement, but the management must follow all venturers 's financial and operation strategies. When the jointly controlled company during legal reconstruction or bankrupt, or the transfer funds to investors strictly restricted in long time, the venturers cannot exercise joint control to the investee. However, if the joint control is really exsist can be certified, the venturers still adopt equity method of long term equity investment principle to account.

②The existence of significant influence by an investor is usually evidenced in one or more of the following ways: a. representation on the board of directors or equivalent governing body of the investee; b. participation in policy-making processes, including participation in decisions about dividends or other distributions; c. material transactions between the investor and the investee; d. dispatch of managerial personnel; or e. provision of essential technical information.

(4) Method of impairment test of long term equity investment and provision for impairment:

On the balance sheet date, the Company shall assess the long term equity investment one by one ,according to the investee's operation strategy、legal environment、market demand、industry and profitability etc, to decide whether there are impairment indicators. The long term equity investment is impaired when its carrying amount exceeds its recoverable amount, the differences should be recognized as provision for impairment. If the impairment loss has recognized, never carry back in future accounting periods.

#### **14. Investment property**

Investment property is held to earn rentals or for capital appreciation or for both. Investment property includes leased or ready to transfer after capital appreciation land use rights and leased buildings.

(1) The company adopts the fair value pattern to make the follow-up measure for Investment property

For the investment property measured through the fair value pattern, where there is no accrual depreciation or amortization made for it, its book value shall be adjusted on the basis of its fair value on the date of the balance sheet, and the difference between the fair value and its original book value shall be included in the current profits and losses.

(2) Measurement for investment property in construction process

If the fair value of or investment property in construction process is not able to be obtained in areliable way but is expected to be obtained in be obtained in a continuous and reliable way, the Company measure the investment property in cost partern, until the construction of the investment property in complete or the fair value of the investment property is able to be obtained in a reliable way, which is ealier, the company then change to fair value pattern to make the follow-up measurement.

Currently the Company' s main investment property in construction process is located in the CBD of Futian District,Shenzhen City, and all the buildings of the comoany that are leased out are all located in the city centre of Guangzhou, Haikou or Shenzhen etc. There is an active trading market of real estate in the locations of the each of the above mentioned investment property; and The company is able to obtain the market prices of the identical or similar real estates and other relevant information from the trading market of each of the above mentioned investment properties, so as to be able to scientifically and reasonably estimate the fair value of the investment properties. The fair value of all the above mentioned investment properties can be obtained in a continuous and reliable way, the follow-up mearment pattern complies with the requirements for investment property to adopt fair value pattern to make follow-up mearement ruled by <Accounting Standards for Enterprises 2006>. The company' s main investment property is used to lease, to adopt fair value pattern to make follow-up measurement is internationally Internationally accepted method, for the reason to trulier and more objectively reflect the Company' s value helps a wide range of investors to comprehend the Company' s operation and assets value, and the Company to state its

financial condition and management performance. Therefore, based on the <Accounting Standards for Enterprises 2006 No.3-Investment property> and <Accounting Standards for Enterprises 2006 No.28-Changes of Accounting Policies and Accounting Estimates and Error Correction> , the Company changed the follow-up measurement for investment property from cost pattern into fair value pattern upon the approval of 2012 5<sup>th</sup> provisional meeting of 6<sup>th</sup> board of directors

## 15. Fixed Assets

### (1) Recognition of fixed assets:

Fixed assets are tangible assets, held for use in production or supply of goods or services, for rental to others, or for administrative purpose, and have high unit price, as well as useful lives more than one accounting year. Fixed assets shall be recognized by actual costs incurred, if they meet the following conditions:

- ① The economic benefits related to fixed asset probably flows to the enterprise;
- ② The cost of fixed asset may be reliably measured.

The expenses relate meet above condition to fixed asset would be capitalized in the cost of asset, if not, it would be recognized as expense in profit and loss account of that period.

### (2) The depreciation method of fixed assets:

Straight-line method is in used to calculate the depreciation of fixed assets.

The estimated useful lives, expected residual value and annual depreciation rate of different kinds of fixed assets are listed as follows:

<u>Categories of fixed assets</u>	<u>Estimated useful life</u>	<u>Estimated residual value rate</u>	<u>Estimated annual depreciation rate</u>
Buildings and structures	30 years	10%	3%
Vehicles	5 years	10%	18%
Electronic device and other equipments	5 years	10%	18%

### (3) Method of impairment test and provision for impairment loss of fixed assets:

At the balance sheet date, the Company assess all types of fixed assets whether there is any indication that an asset may be impaired, if any such indication exists, the entity shall estimate the recoverable amount of the asset, reducing the carrying value to the estimated recoverable amount, the difference recognized into the current profit and loss account, simultaneous recognize the provision for impairment. Once the impairment loss has recognized, never carry back in future accounting period. In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

- ① during the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- ② significant changes with an adverse effect on the entity 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 entity 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 significant changes with an adverse effect on the entity have taken place during the period, These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans 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 inflow or realized operating profits( or losses) made by the assets has declined significantly more than would be expected.

⑦ Other indications that an asset may be impaired.

(4) Recognition and measuring methods of finance leased fixed assets

When have transferred substantially all the risks and rewards incidental to ownership, the Company recognize the fixed assets of finance lease. At the commencement of the lease term, the Company shall recognise finance leases as assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned. If there is reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the lease term, however, if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

## 16. Borrowing costs

(1) Recognition of capitalization of borrowing costs and capitalization period:

Borrowing costs that are direct attributable to construction, purchase and production of assets and comply with capitalization conditions, shall be capitalized and accounted to costs of relate assets; otherwise, borrowing costs shall be recognized as expenses when incurred and accounted through in profit and loss in current period. The capitalization of borrowing costs shall satisfy the following conditions:

①The capital expenditures have been incurred.

② The borrowing costs have been incurred.

③Activities relating to acquisition, construction or production that are necessary to make the assets being intended for use or sales have been launched.

Other borrowing costs、discount or premium and difference of foreign exchange, should be recognized in the current profit and loss account.

Capitalization of borrowing costs shall be suspended during periods in which acquisition, construction or production of assets is interrupted abnormally, and is interrupted for over continuous period of three months.

Capitalisation of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs should be recognised as an expense in the subsequent period

(2) Measurement of capitalized borrowing costs

For a specific purpose borrowing, the amount of interest to be capitalized shall be the actual interest expenses incurred for the period less deposit interests of the borrowing funds or investment income from the temporary investment.

Where funds are borrowed under general purpose, the entity shall determine the amount of interest to be capitalized by applying capitalization rate to weighted average of the excess amount between cumulative expenditures on the asset and the amount of specific-purpose borrowings. The capitalization rate shall be weighted average of the interest rates applicable to the general-purpose borrowings.

## **17. Intangible assets**

### (1) Measurement of intangible assets:

Intangible assets were recognized initially at cost.

### (2) Estimate of useful life and impairment of intangible assets:

Period of intangible asset that could bring future economic benefit inflow to company could determined reasonably according to the judgment according to reason of contract right or other legal right, condition in same industry, history experience, and demonstrate of expert would be recognize as finite useful life assets. Otherwise, the asset would be recognize as infinite useful life assets.

① To estimate the life of finite useful years asset would consider factor of: a. The life cycle of the product produced by the assets, and the information of similar asset; b. The development of craftwork and technology, and the estimate of future development trend; c. The demand condition in market of the product produced by the asset; d. The estimated action would be taken by competitor or potential competitor; e. The expense expected to maintain the assets to bring future economic benefits and the ability of the Company to pay for it; f. The relevant law restriction on control period of the asset or other similar restriction such as franchise, lease period; g. Relation with other assets' useful life, that hold by the Company.

② The intangible asset with finite useful years should be amortization on a systematic and rational basic according its economic benefit achievement plan. A straight line method would be used if the plan could not define.

### (3) Method of impairment test and provision for impairment of infinite useful years asset:

Intangible asset with infinite useful years would not amortize, but would conduct impairment test every year. the useful life of such an asset should be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset., if still under uncertainty situation after the revaluation, shall conduct impairment test. When the net recoverable amount lower than the carrying value, reducing the carrying value to the estimated recoverable amount, the difference recognized into the current profit and loss account, simultaneous recognize the provision for impairment. Once the impairment loss has recognized, never carry back in future accounting period.

Excise impairment test for intangible assets, if meet the one or more the following conditions:

- a. significant changes with an adverse effect on the profitability of intangible assets have taken place during the period, These changes include the intangible replaced by other new technique;
- b. The market value has declined in current period, and may not rise in the future residual period;
- c. Other indication to prove that the carrying value higher than the recoverable value.

(4) The rules of divide the research stage and the development stage of internal research and development project:

Internal organizational research expenses are accounted through profit and loss in current period; development costs which are recognized as intangible assets shall satisfy the following conditions: ① it is technical feasible for use or sales upon the completion of the intangible assets; ② it is intended for use or sales upon the completion of the intangible assets; ③ the manner to provide that expect future economic benefits that are attributable to the intangible assets including a market is exist for the asset or product of the asset or provide evidence of serviceable if asset are inside used; ④ the entity should have enough technology, financial and other resources to support the completion of development, and have ability to use or sale the intangible assets; ⑤ the cost of intangible asset can be measured reliably.

## **19. Accrued liabilities**

### (1) Recognition of accrued liabilities:

Obligation with contingency factor such as external hypothecate, lawsuit or arbitrage in dispute, guarantee on quality of product, cut-down plan, loss of contract, recombine obligation, obligation on abandon fixed asset, and meet the follow condition simultaneously would determined as liabilities:

- ① This obligation is current obligation of the Company; and,
- ② The performance of this obligation will probably cause economic benefits outflow of the Company; and,
- ③ The amount of this obligation can be reliably measured.

Loss contracts and restructuring obligations of the Company meet the above conditions shall be recognized as accrued liabilities.

### (2) Measurement of accrued liabilities

Accrued liabilities would be measured initial according to the optimum evaluation of outflow of economic benefit, and the Company perform relate obligation that consider risk, incertitude, time value of currency of contingency factor. Discount future cash flow to present value to determine the optimum evaluation if the time value of currency has great impact. On balance sheet date, check the carry amount of accrued liabilities, and make adjustment to carry amount to reflect the optimum evaluation. The increase amount in carry amount of accrued liabilities cause by time process would be determined as interest fee.

### (3) Optimum evaluation of accrued liabilities

If the necessary payments have scopes, the optimum evaluation shall be determined based on the average amount between the upper and lower limit amount of scope ; if the necessary payments do not have such scopes, then the optimum evaluation shall be determined in the following method:

① If the contingent event is involved in an individual project, the optimum evaluation amount will be determined base on the most possible amount;

② If the contingent event is involved more than one project, the optimum evaluation amount shall be determined base on possible amount and occurrence probability. In case of all or part of payments about the confirmed liquidation liabilities are expected to be compensated by the third parties or other parties, and the compensation amounts are surely received, then such amounts shall be separately recognized as assets. The confirmed compensation amounts shall not exceed book values of confirmed liabilities.

## **20. Revenue**

Recognition and measurement of revenue:

(1) Revenue from sale of goods

Revenue from the sale of goods shall be recognized when all of the following conditions are satisfied:

- ① the entity has transferred the significant risks and reward ownership of goods to the buyer;
- ② the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over goods sold;
- ③ the amount of revenue can be measured reliably;
- ④ relate economic benefit is probably inflow to the enterprise;
- ⑤ the associated costs incurred or to be incurred can be measured reliably.

(2) Revenue from construction contract

① When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract should be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The recognition of revenue and expenses by reference to the stage of completion of a contract is often referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

In the case of a fixed price contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- a. total contract revenue can be measured reliably;
- b. it is probable that the economic benefits associated with the contract will flow to the enterprise;
- c. the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates; and
- d. both the contract costs to complete the contract and the stage of contract completion at the balance sheet date can be measured reliably.

In the case of a cost plus contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- a. it is probable that the economic benefits associated with the contract will flow to the enterprise; and
- b. the contract costs attributable to the contract, can be clearly identified and measured reliably.

On the balance sheet date, under the percentage of completion method, contract revenue is recognised as revenue in the income statement in the accounting periods in which the work is performed. Contract costs are usually recognised as an expense in the income statement in the accounting periods in which the work to which they relate is performed. The Company may have incurred contract costs, indemnity or reward, caused by the change of the contract. Such contract costs can be recognised as revenue, if such costs represent an amount due from the customer and there is an agreement with the customer.

- ② When the outcome of a construction contract cannot be estimated reliably:
  - a. Revenue should be recognised only to the extent of contract costs incurred that it is probable will be recoverable; and
  - b. If the cost can not be recovered, contract costs should be recognised as an expense in the period in which they

are incurred.

③ An expected loss on the construction contract should be recognised as an expense immediately.

(3) Revenue from rendering of services

① The entity recognize revenue from rendering of service when come out of rendering of service can be measured reliably at balance sheet date, and adopt percentage of completion method in recognition of revenue. The method depends on schedule of complete to determined revenue and expense.

the outcome of service can be estimated reliably when all the following conditions are satisfied:

- a. the amount of revenue can be measured reliably;
- b. relate economic benefit is probably inflow to the enterprise;
- c. the complete of schedule could be determined reliably;
- d. the associated costs incurred or to be incurred can be measured reliably.

② When the outcome of rendering of service cannot be measured reliably at balance sheet date:

- a. revenue shall be recognized to the extent of costs incurred that are expected to be recoverable if compensation are predict to be award;
- b. to those cost that without compensation in predict, through to profit and loss account without recognize revenue.

(4) Revenue from transferring of asset use rights

The revenue of transfer of asset use right including : interest income 、 user charges etc, recognized when all the following conditions are satisfied:

- ① the economic benefits related to the transaction are probably will flow into enterprise;
- ② the amounts can be reliably measured.

Interest income, compute base on the funds used time by other peoples and the actual interest rate.

User charges, compute base on the chargeable time and method arranged in the contract or agreement.

**21、Deferred income tax assets and deferred income tax liabilities**

The Company uses balance sheet-liability method in calculation of income taxes.

According the difference between carry amount of asset and liability and its tax base, apply tax rate to determine deferred income tax asset or liability according the predict period of recover asset or discharge liability.

(1) Recognition of deferred income tax assets

① Deferred income tax assets shall be recognized according to deductible temporary differences to the extent that is probable that tax profits will be available against which the deductible temporary differences can be utilized, but deferred income tax asset arise from initial recognize of asset and liabilities in transaction that have character listed below would not recognised:

- a. The transaction is not business combination;
- b. At the time of the transaction, it affects neither accounting profit nor taxable profit (or deductible loss).

② The company and subsidiaries, associated companies and joint venture investments that can be related to deductible temporary differences, while meeting the following conditions, to confirm the corresponding deferred income tax assets:

- a. Temporary differences in the foreseeable future is likely to switch back to; and



b. It is likely to be used for deductible temporary differences in taxable income in the future.

③ The Company can carry forward for the subsequent year's tax losses and tax credits, to very likely be used to offset tax losses and tax credits amount of future taxable income limit, verify the corresponding deferred income tax assets.

(2) Recognition of deferred income tax liabilities

Deferred tax liabilities shall be recognized for all taxable temporary differences, except to the extent that the deferred tax liabilities arise from:

① the initial recognition of goodwill;

② the initial recognition of assets or liabilities, when all the following conditions are satisfied:

a. the transaction is not a business combination;

b. at the time of the transaction, it affects neither accounting profit nor taxable profit (or deductible loss).

③ Temporary differences arise from the investments in subsidiaries, associates and interests in joint ventures, when all the following conditions are satisfied:

a. the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and

b. it is probable that the temporary difference will not reverse in the foreseeable future.

(3) The carrying amount of a deferred tax asset should be reviewed at each balance sheet date. The Company should reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction should be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

## 22. Significant accounting estimates and judgements

The company applies continuous assessment to significant accounting estimates and key assumption in consideration of historical experience and other relevant factors, including reasonable expectation of future events.

## 23. Changes in accounting policies、 accounting estimates

(1) Change in accounting policies

① Briefing of change in accountitng policies

A、 The changed accounting policies

The Company changed the follow-up measurement for investment property from cost pattern into fair value pattern upon the approval of 2012 5<sup>th</sup> provisional meeting of 6<sup>th</sup> board of directors

B、 Reasons and basis for the change of accounting policies

The board of directors believes that the Company' s main investment property in construction process is located in the CBD of Futian District, Shenzhen City, and all the buildings of the comoany that are leased out are all located in the city centre of Guangzhou, Haikou or Shenzhen etc. There is an active trading market of real estate in the locations of the each of the above mentioned investment property; and The company is able to obtain the market prices of the

identical or similar real estates and other relevant information from the trading market of each of the above mentioned investment properties, so as to be able to scientifically and reasonably estimate the fair value of the investment properties. The fair value of all the above mentioned investment properties can be obtained in a continuous and reliable way, the follow-up measurement pattern complies with the requirements for investment property to adopt fair value pattern to make follow-up measurement ruled by <Accounting Standards for Enterprises 2006>. The company's main investment property is used to lease, to adopt fair value pattern to make follow-up measurement is internationally Internationally accepted method, for the reason to trulier and more objectively reflect the Company's value helps a wide range of investors to comprehend the Company's operation and assets value, and the Company to state its financial condition and management performance. Therefore, based on the <Accounting Standards for Enterprises 2006 No.3-Investment property> and <Accounting Standards for Enterprises 2006 No.28-Changes of Accounting Policies and Accounting Estimates and Error Correction> , the Company changed the follow-up measurement for investment property from cost pattern into fair value pattern upon the approval of 2012 5<sup>th</sup> provisional meeting of 6<sup>th</sup> board of directors

C、 Date of change of accounting policies

The date of change of accounting policies of current accounting period is January 1st 2012 upon the approval of 2012 5<sup>th</sup> provisional meeting of 6<sup>th</sup> board of directors

D、 Investment properties that are involved with the change of accounting policies

As at the end of 31<sup>st</sup> March 2012, the carrying amount of investment property before change of accounting policies of the Company was RMB1,296,420,499.70, including RMB1,079,782.84 leased buildings and RMB1,295,340,716.86 investment property in construction process.

E、 Accounting policies before and after the change

a、 Accounting policies before the change

The 2007 4<sup>th</sup> meeting of the 5<sup>th</sup> board of directors approved the Company to use cost pattern to make the follow-up measurement of investment property, according to expected useful life and net residual rate on buildings and land-use right to calculate depreciation. The Company's expected useful life, net residual rate and annual depreciation rate of investment property as follow:

<u>Categories</u>	<u>Expected residual rate</u>	<u>Expected useful life</u>	<u>Annual depreciation rate</u>
Buildings 、 structures	10%	30 years	3%

At the balance sheet date, the evaluation criteria should base on the lower value between costs and net realizable

value. When net realizable values are lower than costs, provision for impairment loss of property investment shall be made. If the value of the impaired investment property recovered, the provided impairment loss in prior period cannot be carry back.

b、Accounting policies after the change

As approved by the Company's 2012 5<sup>th</sup> provisional meeting of the 6<sup>th</sup> board of directors, the company adopts the fair value pattern to make the follow-up measure for Investment property

For the investment property measured through the fair value pattern, where there is no accrual depreciation or amortization made for it, its book value shall be adjusted on the basis of its fair value on the date of the balance sheet, and the difference between the fair value and its original book value shall be included in the current profits and losses. If the fair value of or investment property in construction process is not able to be obtained in areliable way but is expected to be obtained in be obtained in a continuous and reliable way, the Company measure the investment property in cost partern, until the construction of the investment property in complete or the fair value of the investment property is able to be obtained in a reliable way, which is ealier, the company then change to fair value pattern to make the follow-up measurement.

Influence of changes of the accounting policies upon the Company

According to the <Accounting Standards for Enterprises 2006>, the financial statements for the accounting period ended at Dec 31<sup>st</sup> 2011 shall be adjusted retroactively. The investment property in construction process, the IA Mall is still not completed, therefore IA Mall project shall be measured with cost pattern before it reaches the condition ready for its intended use. Retroactive adjustment shall be made for the influence of fair value change of the company's leased buildings; the above mentioned influence upon consolidated statement of changes in shareholders' equity and as at 31<sup>st</sup> Dec 2011 and consolidated income statement is presented as below:

A、Influence upon consolidated statement of changes in shareholders' equity and as at 31<sup>st</sup> Dec 2011 and consolidated income statement

(Unit: RMB Yuan)

Items	Before change of accounting policies	After change of accounting policies	Adjusted amount	Adjust ed ratio %
Shared capital	220,901,184.00	220,901,184.00	-	-
Capital reserve	72,315,347.06	72,315,347.06	-	-
Surplus reserve	125,929,834.48	125,929,834.48	-	-

Retained profit	-503,497,279.68	-498,261,874.88	5,235,404.80	-1.04
Owner' s equity attribute to the parent company	-84,350,914.14	-79,115,509.34	5,235,404.80	-6.21
Minority interests	-284,486,524.75	-284,039,572.78	446,951.97	-0.16
Total owner' s equity	-368,837,438.89	-363,155,082.12	5,682,356.77	-1.54
Net profit	-203,904,040.83	-204,135,655.20	-231,614.37	0.11
Including : Net profit attribute to the parent company	-123,774,612.23	-123,991,050.56	-216,438.33	0.17
Net Profit attribute to minority	-80,129,428.60	-80,144,604.64	-15,176.04	0.02

B、Influence of changes of the accounting policies upon the Company' s financial statements of 2012 accounting period

The main influence of change of accounting policies upon the Company' s financial statements of 2012 accounting period is from the fair value change of IA Mall in construction process, after it starts operation this year. The Company confirmed the operation strategy of merchants invitation to lease for IA Mall in 2007, Operation and management team was formed specifically for the Merchants invitation, promotion, and management after it starts operation for IA Mall project. As at March 31<sup>st</sup> 2012, the carrying amount of IA Mall in construction process was RMB 1,295,000,000. The total cost of the completed construction of IA Mall was predicted to be RMB1,550,000,000 by the Company. IA Mall now is not completed, there fore it is investment property still in construction process, it does not meet the requirements of fair value pattern follow-up measurement currently, but the fair value of IA Mall after construction complete is expected to be obtained in continuous and reliable way, according to the opinion of appraisal company, on the assumption that IA Mall starts operation with year 2012, the fair value of IA Mall as at appraisal date 31<sup>st</sup> Dec 2012 was 5,970,000,000. Based on the above mentioned reasons, on the assumption of fair value of real-estate market without significant fluctuation during 31<sup>st</sup> Mar 2012 to 31<sup>st</sup> Dec 2012, if IA Mall project completes construction and leases out all the units, the change of accounting policies will increase the deferred tax liabilities by RMB1,105,000,000 and increase Net profit of 2012 by RMB3,315,000,000, including net profit attribute to parental company RMB1,989,000,000.

C、Predicted Influence of changes of the accounting policies upon the Company' s income tax

The predicted Influence of changes of the accounting policies upon the Company' s income tax after 2012 accounting period is mainly from depreciation and the fair value change of the IA Mall, which is still in construction process, after it starts operation.

According to <Accounting standards for Enterprises 2006>, for the investment property measured through the fair value pattern, where there is no accrual depreciation or amortization made for it, its book value shall be adjusted on the basis of its fair value on the date of the balance sheet, and the difference between the fair value and its original book value shall be included in the current profits and losses.

According to the Tax Law, profit or loss from the fair value change is not accounted in the taxable income. Meanwhile, depreciation or amortization shall be made according to the Tax Law to adjust in order to decrease current taxable income. Therefore, the changes of accounting policies only have influence on the profit and loss, and no influence on taxable income. The above mentioned difference from the discrepancy between carrying amount and tax base of investment property, shall be treated by recognition of deferred tax and income tax adjustment. According to the current fixed assets depreciation policy of property, after the operation of IA Mall, around RMB 46,500,000 depreciation per year is allowed to be accounted as pre-tax expense, the Company can decrease income tax expense by RMB 11,600,000 and increase deferred tax assets by RMB 11,600,000, until the expected useful life of IA Mall ends. Meanwhile and accordingly, the profit and loss from fair value change of current year is not accounted as taxable income and deferred tax liability is to be adjusted.

D、 Influence of changes of the accounting policies upon the Company' s cash flow of 2012 accounting period

There is no influence of changes of the accounting policies upon the Company' s cash flow

(2) Change in accounting estimates

There are no changes in accounting estimates during current period.

**24. Correct previous accounting period errors**

There are no items of correct previous accounting period error in current period.

**III. Taxation**

The type of tax and tax rate for the Company are list below:

<u>Categories of taxes</u>	<u>Tax base</u>	<u>Tax rate</u>
VAT	Revenue from sale of products	17%
Land Value Added Tax	Revenue from sale of real estates- amount of deductible items	According to progressive tax rates 30% - 60%
Business Tax	Revenue from sale of real estates, Leasing and Rendering of service	5%
Corporation Tax	Taxable Income	24%、 25% Note

Urban Construction Tax VAT payable, consumption tax payable and business tax payable 7%

Education Surcharge VAT payable, consumption tax payable and business tax payable 3%

Note:

(1) Shenzhen Special Economic Zone: The applicable Corporation Tax rate in Shenzhen Special Economic Zone is 22% in 2010、24% in 2011、25% in 2012.

(2) Other Cities: The applicable Corporation Tax rate in other cities is 25%.

#### IV. Enterprise Consolidation and Consolidation Financial Statements

##### 1. Information of subsidiaries

###### (1) Subsidiary through the establishment or investment method obtained

<u>Subsidiaries' name</u>	<u>Subsidiaries' type</u>	<u>Registration location</u>	<u>Nature of business</u>	<u>Registered capital</u>	<u>Business scope</u>
Shenzhen International Arcade Chain Store (Chain Store)	Wholly owned subsidiary	Shenzhen	Retail store	10,000,000.00	Retail store
Shenzhen International Arcade Property Management Co., Ltd. (Guoshang Property)	Holding subsidiary	Shenzhen	Property management	7,000,000.00	Property management
Shenzhen Rongfa Investment Co., Ltd (Rongfa Investment)	Holding subsidiary	Shenzhen	Real estate development	USD5,000,000.00	Real estate development
Huizhou Rongfa Industry Investment Co., Ltd (Huizhou Rongfa)	Holding subsidiary's subsidiary	Huizhou	Real estate development	6,000,000.00	Real estate development
Wengyuan Guoshanglinhai Development Co., Ltd. (Wengyuan Guoshang)	Holding subsidiary's subsidiary	Wengyuan	Afforestation、forest management	7,000,000.00	Afforestation、forest management
Wuhua Guoshanglinye Development Co., Ltd (Wuhua Guoshang)	Holding subsidiary's subsidiary	Wuhua	Afforestation、forest management	10,000,000.00	Afforestation、forest management
Shenzhen Guoshanglinye Development Co., Ltd (Guoshanglinye)	Holding subsidiary's subsidiary	Shenzhen	Lumber purchase and sale, Industrial establishment	10,000,000.00	Lumber purchase and sale, Industrial establishment
XingningGuoshanglineye Development Co., Ltd (XingningGuoshang)	Holding subsidiary's subsidiary	Xingning	Afforestation、forest management	5,000,000.00	Planting、and lumber sales
Luoyang Rongfazhiye Co., Ltd (Rongfazhiye)	Holding subsidiary's	Luoyang	Real estate	10,000,000.00	Real estate

	subsidiary		development		development and sales, property management and rental
Shenzhen International Enterprise Trading Co., Ltd (International Trade) Note1	Holding subsidiary	Shenzhen	International trade	5,600,000.00	International trade
Shenzhen Chunhua Medicine United Enterprise Co., Ltd (Chunhua Medicine) Note1	Holding subsidiary	Shenzhen	Drugs and medical appliances	3,000,000.00	Drugs and medical appliances
Shenzhen Guoshang Medicine Co., Ltd (Guoshang Medicine) Note1	Holding subsidiary	Shenzhen	Drugs and medical treatment	3,000,000.00	Drugs and medical treatment
Shenzhen Royal Noble Industry Co., Ltd (Gangyi East Club) Note2	Holding subsidiary's subsidiary	Shenzhen	Healthcare massage	5,000,000.00	Industrial establishment, Healthcare massage
Shenzhen Rongfa Business Management Co., Ltd	Holding subsidiary	Shenzhen	Business marketing and promotion management	8,000,000.00	Business marketing and promotion management, enterprise management consulting, property management, trading.

Note 1: Shenzhen International Enterprise Trading Co., Ltd, Shenzhen Chunhua Medicine United Enterprise Co., Ltd and Shenzhen Guoshang Medicine Co., Ltd have suspended their business for several years, and their registration therefore have been cancelled due to no renewal of registration certificates, according to the Shenzhen Stock Exchange <The implementation of new accounting standards listed Memorandum No. 5> provisions, they were not included in the scope of financial statements consolidation in current period.

Note 2: On January 31, 2007, Rongfa Investment and Shenzhen International Commercial Centre Co.,Ltd(“International Commercial Centre”), with Shenzhen Baotian Investment Development Co., Ltd (“ Baotian Investment”), signed the < Shareholding Transfer Contract>, according to contract signed by both parties: Rongfa Investment and International Commercial Centre transferred 85% and 10% shareholdings of Gangyi East Club respectively to Baotian Investment. After the shareholding transfer, Baotian Investment and Rongfa Investment hold 95% and 5% shareholdings of Gangyi East Club respectively. After accepted the 95% shareholdings, within six years of operating period, Baotian Investment must transferred the shareholdings to Rongfa Investment or any party designated by Rongfa Investment, and the consideration of the transfer must be RMB 1 million. Then, Rongfa

Investment with Baotian Investment signed < Shareholding Transfer Contract: Supplemental Agreement >, according to agreement signed by both parties: Rongfa Investment decided to give up the gains and future gains from the 5% shareholdings of Gangyi East Club, which means, after the shareholdings transfer, Rongfa Investment within six years shall be not enjoy the distribution of incomes of Gangyi East Club's operation, and undertaken any operating losses.

The substance of this shareholding transfer is Shenzhen Baotian Investment Development Co., Ltd ("Shenzhen Baotian") shall lease Shenzhen Royal Noble Industry Co., Ltd's business qualification and business location in future six years, and Shenzhen Rongfa shall not control Shenzhen Royal Noble Industry Co., Ltd's business operation and financial activities in the six years, so the Company accounts for it using Cost method. According to the agreement, Shenzhen Rongfa accepted Shenzhen Royal Noble Enterprise Co., Ltd's assets and liabilities prior to the transferring date. After the shareholding the Shenzhen Gangyi Oriental Club Industrial Co., Ltd was renamed as Shenzhen Royal Noble Industry Co., Ltd.

## 2、Explanation of change of consolidation range

Compared to last year, one consolidated entity has been included in the consolidation range since this year, for the reason of new establishment

Compared to last year, two consolidated entity have been excluded from the consolidation range since this year, for the reason of subsidiary disposal

## 3、Introductions of entities that have been included in or excluded from consolidation range since current reporting period

### Entity that has been included in consolidated range since current reporting period

Entity's name	Net assets as at the end of current reporting period	Net profit of current reporting period
Shenzhen Rongfa Business Management Co., Ltd	8,000,000.00	-813.62

### Entities that have been excluded from consolidated range since current reporting period

Entity's name	Net assets as at the end of current reporting period	Net profit of current reporting period
Shenzhen ShenGuoShang Business Management Co., Ltd (Business Company)	30,455,691.35	-3,640.00
Shenzhen Longgang International Arcade Enterprise Co., Ltd. (Guoshang Enterprise)	-4,863,667.55	---

## v Main Notes In The Consolidation Statement

### 1. Monetary Funds



Currency	30.6.2012			31.12.2011		
	Original currency	Exchange rate	Presentation currency	Original currency	Exchange rate	Presentation currency
Cash in hand						
CNY	-	1.0000	143,457.27	-	1.0000	134,617.07
HKD	10,678.30	0.8107	8,656.90	10,678.30	0.8107	8,656.90
MYD	575.00	1.2335	709.25	357.00	1.9867	709.25
EUR				21,080.00	8.1625	172,065.50
Subtotal			152,823.42			316,048.72
Demand deposits						
CNY	-	1.0000	124,495,781.42	-	1.0000	19,666,801.82
HKD	8,353.97	0.8186	6,838.70	8,423.78	0.8107	6,829.16
USD	0.50	6.3000	3.15	0.50	6.3000	3.15
Subtotal			124,502,623.27			19,673,634.13
Other monetary funds						
CNY	-	-	-	-	-	-
Subtotal			--			--
Total	-	-	124,655,446.69	-	-	19,989,682.85

RMB 4,551,706.86 of the period end balance is mortgage deposit.

## 2. Accounts Receivable

(1) Account receivable listed according to the categories:

Items	30.6.2012				31.12.2011			
	Book value (CNY)	Proportion (%)	Provision for bad debts (CNY)	Proportion (%)	Book value (CNY)	Proportion (%)	Provision for bad debts (CNY)	Proportion (%)
Receivables of individual significance subject to individual assessment for impairment	21,000,000.00	95.73%	-	-	-	-	-	-
Receivables subject to credit risk portfolio assessment for impairment								

By nature of credit risk portfolio	937,834.83	4.27%	428,306.63	100.00%	943,324.99	100.00%	428,306.63	100.00%
Subtotal of receivables subject to credit risk portfolio assessment for impairment	937,834.83	4.27%	428,306.63	100.00%	943,324.99	100.00%	428,306.63	100.00%
Receivables of individual insignificance subject to individual assessment for impairment	-	-	-	-	-	-	-	-
<b>Total</b>	<b>21,937,834.83</b>	<b>100.00%</b>	<b>428,306.63</b>	<b>100.00%</b>	<b>943,324.99</b>	<b>100.00%</b>	<b>428,306.63</b>	<b>100.00%</b>

(2) Account receivable subject to credit risk portfolio assessment for impairment according by account age:

Age	30.6.2012				31.12.2011			
	Book value (CNY)	Proportion (%)	Provision for bad debts (CNY)	Proportion (%)	Book value (CNY)	Proportion (%)	Provision for bad debts (CNY)	Proportion (%)
Within 1 year	-	-	-	-	-	-	-	-
1-2 years	-	-	-	-	-	-	-	-
2-3years	194,350.27	20.72%	29,976.06	7.00%	199,840.43	21.18%	29,976.06	7.00%
3-4years	156,786.71	16.72%	31,357.34	7.32%	156,786.71	16.62%	31,357.34	7.32%
4-5years	292,966.16	31.24%	73,241.54	17.10%	292,966.16	31.06%	73,241.54	17.10%
More than 5 years	293,731.69	31.32%	293,731.69	68.58%	293,731.69	31.14%	293,731.69	68.58%
<b>Total</b>	<b>937,834.83</b>	<b>100.00%</b>	<b>428,306.63</b>	<b>100.00%</b>	<b>943,324.99</b>	<b>100.00%</b>	<b>428,306.63</b>	<b>100.00%</b>

(3) The top five account receivables:

Ranks of the company	Relationship with the Company	Amount (CNY)	Age	% of total accounts receivables
1 <sup>st</sup>	Unrelated party	21,000,000.00	Within 1 year	95.73%
2 <sup>nd</sup>	Unrelated party	102,999.36	More than 5 years	0.47%
3 <sup>rd</sup>	Unrelated party	54,535.98	More than 5 years	0.25%
4 <sup>th</sup>	Unrelated party	26,433.96	More than 5 years	0.12%

<u>Ranks of the company</u>	<u>Relationship with the Company</u>	<u>Amount (CNY)</u>	<u>Age</u>	<u>% of total accounts receivables</u>
5 <sup>th</sup>	Unrelated party	26,000.00	More than 5 years	0.12%
<b>Total</b>		<b>21,209,969.30</b>		<b>96.68%</b>

### 3. Advance To Suppliers

#### (1) Age analysis

Age	30.6.2012		31.12.2011	
	Balance	Proportion of total advance to suppliers	Balance	Proportion of total advance to suppliers
Within 1 year	22,898,069.12	99.80%	16,725,968.40	99.72%
1-2 years	-	-	-	-
2-3 years	45,209.00	0.20%	46,559.00	0.28%
More than 3 years	-	-	-	-
<b>Total</b>	<b>22,943,278.12</b>	<b>100.00%</b>	<b>16,772,527.40</b>	<b>100.00%</b>

#### (2) List the balance of top five Advance To Suppliers:

Name of supplier	30.6.2012	Proportion of total advance to suppliers	Age
Shenzhen Jialeixin Industrial Co.,Ltd	8,750,000.00	52.17%	Within 1 year
Shantou Jian'an Industrial (Group) Co.,Ltd	6,300,000.00	37.56%	Within 1 year
Shenzhen Duotian Gardens Design and Construction Co.,Ltd	6,000,000.00	4.54%	Within 1 year
Shenzhen Baoying Construction Group Co., Ltd	882,000.00	2.98%	Within 1 year
Shenzhen Shuda Elevator Construction Co., Ltd	500,000.00	0.95%	Within 1 year
<b>Total</b>	<b>22,432,000.00</b>	<b>97.77%</b>	

#### 4、 Other receivables

##### (1) Other receivables listed according to the categories:

Items	30.6.2012				31.12.2011			
	Balance	Proportion of total other	Provision	Proportion of total provision	Balance	Proportion of total other	Provision	Proportion of total provision

		receivables		other receivables		receivables		other receivables
Other receivables of individual significance subject to individual assessment for impairment	7,201,728.50	53.80%	7,201,728.50	80.41%	11,698,226.69	69.49%	9,047,077.36	84.76%
Other receivables subject to credit risk portfolio assessment for impairment								
credit risk portfolio by nature of other receivables	5,283,505.61	39.47%	854,781.93	9.54%	4,235,635.92	25.16%	726,348.31	6.81%
Subtotal of other receivables subject to credit risk portfolio assessment for impairment	5,283,505.61	39.47%	854,781.93	9.54%	4,235,635.92	25.16%	726,348.31	6.81%
Other receivables of individual insignificance subject to individual assessment for impairment	900,000.00	6.72%	900,000.00	10.05%	900,000.00	5.35%	900,000.00	8.43%
<b>Total</b>	<b>13,385,234.11</b>	<b>100.00%</b>	<b>8,956,510.43</b>	<b>100.00%</b>	<b>16,833,862.61</b>	<b>100.00%</b>	<b>10,673,425.67</b>	<b>100.00%</b>

(2) Other receivables of individual significance subject to individual assessment for impairment

Name of debtor	30.6.2012			Reason for provision
	Balance	Provision	Provision proportion (%)	

Shenzhen Shengang Gongmao Import and Export Co.,Ltd	7,201,728.50	7,201,728.50	100.00%	Note
<b>Total</b>	<b>7,201,728.50</b>	<b>7,201,728.50</b>	<b>100.00%</b>	

(3) Other receivables subject to credit risk portfolio assessment for impairment-Age Analysis:

Age	30.6.2012				31.12.2011			
	Balance	Proportion of other receivables subject to credit risk portfolio assessment for impairment	Provision	Proportion of other receivables subject to credit risk portfolio assessment for impairment	Balance	Proportion of other receivables subject to credit risk portfolio assessment for impairment	Provision	Proportion of other receivables subject to credit risk portfolio assessment for impairment
Within 1 year	1,533,030.40	29.02%	76,651.51	8.97%	1,117,819.12	26.39%	55,890.95	7.69%
1-2 years	1,002,207.72	18.97%	100,220.77	11.72%	106,400.00	2.51%	10,640.00	1.46%
2-3 years	97,460.00	1.84%	14,619.00	1.71%	217,168.70	5.13%	32,575.31	4.48%
3-4 years	1,015,430.24	19.22%	203,086.05	23.76%	1,748,905.87	41.29%	349,781.17	48.16%
4-5 years	608,172.02	11.51%	152,043.01	17.79%	722,836.02	17.07%	180,709.01	24.88%
Over 5 years	1,027,205.23	19.44%	308,161.59	36.05%	322,506.21	7.61%	96,751.87	13.32%
<b>Total</b>	<b>5,283,505.61</b>	<b>100.00%</b>	<b>854,781.93</b>	<b>100.00%</b>	<b>4,235,635.92</b>	<b>100.00%</b>	<b>726,348.31</b>	<b>100.00%</b>

(4) 期末单项金额虽不重大但单独计提坏账准备的其他应收款:

Name of debtor	Balance	Provison	Proportion of provision	Reasons of provison
Guangzhou Sun-Star Company	900,000.00	900,000.00	100.00%	Debtor Missing

Name of debtor	Balance	Provison	Proportion of provision	Reasons of provison
<b>Total</b>	<b>900,000.00</b>	<b>900,000.00</b>		

(5) Other receivables of individual insignificance subject to individual assessment for impairment

Name of Debtor	Balance	Proportion of total other receibles	Age	Nature of other receivables
Shenzhen Shengang Gongmao Import and Export Co.,Ltd	7,201,728.50	53.80%	Over 5 years	Note
Guangzhou Sun-Star Company	900,000.00	6.72%	Over 5 years	Current Account
Shenzhen Baotian Investment Development Co., Ltd	506,272.02	3.78%	4-5 years	Current Account
Foh Chong & Sons Sdn Bhd	454,986.40	3.40%	Over 5 years	Loan
Shenzhen Wongtee Real Estate Group Co., Ltd.	402,714.00	3.01%	Within 1 year	Loan for employees
<b>Total</b>	<b>9,465,700.92</b>	<b>70.72%</b>		

Note: The balance arisen from the mutual guarantee between the Company and Shenzhen-Hongkong Industry and Commerce Import and Export Company (hereafter, SH Industry and Commerce). In 2000, Shenzhen Development Bank, ShennandongLu Branch (hereafter, the Bank) initiated litigation against the Company to the Shenzhen Intermediate People's Court (hereafter, the Count) for that the Company shall be liable for the principal of the loan lent to SH Industry and Commerce amounting to 10 million and the interests on the loan. As provided by the Count Judgement (2001) ShenZhongFaJingYiChuZiDi53Hao ((2001) issued by the Count on February 27th, 2001, the Company is liable for the principal of the loan lent to SH Industry and Commerce amounting to 10 million and the interests on the loan. On December 30th, 2002, compromise was reached between the Company and the Bank under the Count's arbitration that the Company shall repay to the Bank the principal of and the interests on the loan on behalf of SH Industry and Commerce, and that the Company is entitled to recover damage from SH Industry and Commerce. While exercising the recovery in 2004, ownerships of the Sun House and the Land were found non-transferrable, and SH Industry and Commerce held no executable assets. As approved by the Board of Directors, 100% bad debt allowance was recognised for the recognized loss in 2004. Full amount CNY17,953,448 of sales revenue (execution cost deducted) from auction of the land NO.T102-1 located in Moon Bay Avenue, Nanshan District, Shenzhen City owned by SH Industry Commerce and seizure by Shenzhen Investment Holding Corporation was assigned to Shenzhen Investment Holding Corporation by the court decision on March 17th 2011. Objection letter was submitted to the court by the Company on March 22rd 2011. Coordination meeting was held on Nov 25th 2011 by the Court, suggesting mediation to settle the case. Preliminary settlement plan was such that: 10,000,000

shall be assigned to seizer first in order; 8,000,000 remained shall be assigned among the three queuing seizers upon principal proportion; 2,651,149.33 shall be assigned to each seizer; and the settlement plan shall be effective upon written confirmation by all seizers. Application to suspend the trial of the case was submitted to the court by the Company on Dec 5th 2011. The settlement agreement was signed by four parties on Feb 9th 2012, the company received CNY2,646, 498.19 (execution cost deducted) court remittance. Bad debt provision amounting to 2,651,149.33 was written off by the Company at the end of the year.

(6) Details of other receivables written off in current reporting period

Name of debtor	Nature of other receivables written off	Time of other receivables written off	Balance of other receivables written off	Reason for other receivables written off	Related party transaction
Shenzhen Longgang International Arcade Enterprise Co., Ltd. (Guoshang Enterprise)	Current account	2012.6	1,962,127.61	Uncollectable	Not
Total			1,962,127.61		

5、Inventory

(1) Category of inventory:

Item	30.6.2012			31.12.2011		
	Balance	Provision for impairment loss	Carrying amount	Balance	Provision for impairment loss	Carrying amount
Raw materials	304,560.86	-	304,560.86	283,946.81	-	283,946.81
Consumable forest assets	79,300,862.09	12,599,702.43	66,701,159.66	80,145,739.84	13,658,854.91	66,486,884.93
Development expenditure	1,362,594,395.66	6,448,481.22	1,356,145,914.44	1,265,423,298.10	6,448,481.22	1,258,974,816.88
Development projects	41,206,578.65	-	41,206,578.65	58,839,914.87	-	58,839,914.87
Lease development projects	5,498,581.08	-	5,498,581.08	21,046,852.42	-	21,046,852.42

<b>Total</b>	<b>1,488,904,978.34</b>	<b>19,048,183.65</b>	<b>1,469,856,794.69</b>	<b>1,425,739,752.04</b>	<b>20,107,336.13</b>	<b>1,405,632,415.91</b>
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Note 1: Afforestation area of consumptive forestry inventories as at 30<sup>th</sup> June 2012 was 95, 255.10 Mu (a Chinese unit), area of forestry as at Dec 31st 2011 was 86,696.99 Mu.

Note 2: Consumptive forestry inventories had been pledged for bank loans by the Company's subsidiaries Wengyuan Guoshang and Wuhua Guoshang. The carrying amount as at 30<sup>th</sup> June 2012 of the pledged assets was RMB37,012,980.13, with area as 34,775 Mu.

① Development expenditure

Items	Construction start time	Predicted completing time	Predicted total investment	Balance as at 31 <sup>st</sup> .Dec.2011	Impairment loss provision	Balance as at 30 <sup>th</sup> June 2012	Impairment loss provision
Rongfu Garden 2 <sup>nd</sup> phase				6,448,481.22	6,448,481.22	6,448,481.22	6,448,481.22
IA Mall	Jan, 2007		1.55 billion	1,258,974,816.88	-	1,356,145,914.44	-
<b>Total</b>				<b>1,265,423,298.10</b>	<b>6,448,481.22</b>	<b>1,362,594,395.66</b>	<b>6,448,481.22</b>

Note 1: The Company accrued 100% impairment loss for Rongfu Garden Phase 2 according to the Court's first judge, see Note 7.3.4 for details.

Note 2: Chinese name of IA Mall was changed from 晶岛国商购物中心 into 皇庭国商购物广场 on Nov 30th 2010 under the approval of the First Administration Bureau Directly Under Urban Planning, Land and Resources Commission of Shenzhen Municipality.

Note 3: The Development expenditure of IA MALL had been pledged for bank loans

Note 4: The capitalized interests of IA MALL for current reporting period amounted to RMB70,216,530.60

② Development projects

Project Name	Project construction complete date	Balance as at 31st .Dec.2011	Increase in current reporting period	Decrease in current reporting period	Balance as at 30th June 2012	Remark
Shops of Grace Mansion repurchased	Dec 2000	20,675,800.97	-	123,371.97	20,552,429.00	Pending ownership registration
Shops of Grace Mansion owned by the Company	Dec 2000	25,562,844.95	123,371.97	13,535,140.22	12,151,076.70	



Stereo Garage of Grace Mansion		12,601,268.95	-	4,098,196.00	8,503,072.95	Without ownership registration
<b>Total</b>		<b>58,839,914.87</b>	<b>123,371.97</b>	<b>17,756,708.19</b>	<b>41,206,578.65</b>	

① Lease development projects

Project Name	Balance as at 31st .Dec.2011	Increase in current reporting period	Amortization in current reporting period	Decrease in current reporting period	Balance as at 30th June 2012	Remaining life	Remark
Grace Mansion (港逸豪庭)	15,348,271.34	-		15,348,271.34	-		
Shenzhen Enterprise Mansion (国企大厦)	282,787.89	-			282,787.89		Pending Ownership Registration
Huizhou Sunrise 100 (惠州阳光 100)	5,215,793.19	-			5,215,793.19		Without Ownership Registration
<b>Total</b>	<b>21,046,852.42</b>			<b>15,348,271.34</b>	<b>5,498,581.08</b>		

6、Long-term Equity Investment

(1) Disclosure

Name of Investee	Balance as at 31st .Dec.2011	Changes in current reporting period	Balance as at 30th June 2012	Impairment Loss Provision	Impairment Loss Provision accrued in current reporting period
1. Investments accounted for using the historical cost convention					

Shenzhen Chunhua Pharmaceuticals United Enterprise Co., Ltd.	2,250,000.00	-	2,250,000.00	418,949.38	-
Shenzhen Guoshang Pharmaceuticals Co., Ltd.	3,000,000.00	-	3,000,000.00	1,375,215.11	-
Shenzhen Internationaional Enterprise Commerce Co., Ltd	5,320,000.00	-	5,320,000.00	3,075,930.02	-
Shenzhen Royal Noble Industry Co., Ltd.	5,000,000.00	-	5,000,000.00	5,000,000.00	-
<b>Total</b>	<b>15,570,000.00</b>	<b>-</b>	<b>15,570,000.00</b>	<b>9,870,094.51</b>	<b>-</b>

Continued:

Name of investee	Initial investment cost(CNY)	Shareholding proportion(%)	Voting right(%)	Cash dividends in current reporting period (CNY)
1. Investments accounted for using the historical cost convention				
Shenzhen Chunhua Pharmaceuticals United Enterprise Co., Ltd.	2,250,000.00	75.00%	75.00%	-
Shenzhen Guoshang Pharmaceuticals Co., Ltd.	3,000,000.00	98.00%	100.00%	-
Shenzhen Internationaional Enterprise Commerce Co., Ltd	5,320,000.00	98.75%	100.00%	-
Shenzhen Royal Noble Industry Co., Ltd.	5,000,000.00	64.00%	-	-
<b>Total</b>	<b>15,570,000.00</b>			<b>-</b>

Note: The business licence of Shenzhen Chunhua Medical Union Enterprise Co., Ltd, Shenzhen Guoshang Medical Co., Ltd and Shenzhen International Arcade Medical Co., Ltd have been cancelled due to no renewal of registration certificates, and not included in the scope of financial statements consolidation in current period. An amount of RMB 4,870,094.51 impairment loss provision has been made for the long-term equity investment.

#### 7. Investment property

##### (1) Investment property measured using fair value convention

Item	Fair value as at 31 <sup>st</sup> Dec 2011	Increase in current reporting period	Decrease in current reporting period	Fair value as at 30 <sup>th</sup> June 2012

		Purchase	Transferred in this category from Use for its won or Inventory	Profit and loss from fair value change	Disposal	Transferred out from this category to use for its won	
1. Total cost	8,674,078.00						8,674,078.00
Houses and buildings	8,674,078.00						8,674,078.00
2. Cumulative fair value change				(149,546.00)			(149,546.00)
Houses and buildings				(149,546.00)			(149,546.00)
3. Balance of investment property in total	8,674,078.00			(149,546.00)			8,524,532.00
Houses and buildings	8,674,078.00			(149,546.00)			8,524,532.00

(2) As at 30<sup>th</sup> June 2012, all the investment properties were without restricted ownership

(3) As at 30<sup>th</sup> June 2012, the carrying amount of houses and buildings which without asset ownership registration is RMB1,300,000.00, And the carrying amount of houses and buildings with ownership belonging to parties other than parties within the scope of consolidation is RMB1,783,667.00

Name of Investment property	Fair value as at 30th June 2012	Remark
#22 Hostel, Dabeixin Jie, Jiefangbei Lu, Guangzhou	1,300,000.00	Without ownership registration
#121, #131, #132 Block 4, Yihe Garden Haikou	734,858.00	Ownership belonging to parties other than parties within the scope of consolidation
#111 Block 8 Yihe Garden, Haikou	1,048,809.00	
<b>Total</b>	3,083,667.00	

## 8、Fixed assets and accumulated depreciation

### (1) Classification

Items	As at 31 <sup>st</sup> Dec 2011	Increase in current reporting period	Decrease in current reporting period	30 <sup>th</sup> June 2012	
<b>i . Total book values:</b>	80,211,797.87	868,820.59	247,584.67	80,833,033.79	
Houses and Buildings	67,042,843.18	-	-	67,042,843.18	
Vehicles	9,132,973.25	501,000.52	-	9,633,973.77	
Electronic device and other equipments	4,035,981.44	367,820.07	247,584.67	4,156,216.84	
		Increase in current reporting period	Accrued in current reporting period		
<b>ii . Total accumulated depreciation</b>	27,659,176.59	-	1,963,582.03	148,955.56	29,473,803.06
Houses and Buildings	20,586,815.68	-	979,838.10	-	21,566,653.78
Vehicles	4,865,353.09	-	705,800.34	-	5,571,153.43
Electronic device and other equipments	2,207,007.82	-	277,943.59	148,955.56	2,335,995.85
<b>iii . Total accumulated impairment loss:</b>	52,552,621.28				51,359,230.73
Houses and Buildings	46,456,027.50				45,476,189.40
Vehicles	4,267,620.16				4,062,820.34
Electronic device and other equipments	1,828,973.62				1,820,220.99
<b>iv . Total impairment loss</b>			-	-	
<b>V. Total carrying value:</b>	52,552,621.28				51,359,230.73
Houses and Buildings	46,456,027.50				45,476,189.40
Vehicles	4,267,620.16				4,062,820.34
Electronic device and other equipments	1,828,973.62				1,820,220.99

(2) As at 30<sup>th</sup> June 2012, there' s no houses or buildings with restricted ownership in fixed assets.

(3) RMB1,963,582.03 accumulated depreciation has been accrued during current reporting period.

(4) As at 30<sup>th</sup> June 2012, Houses and buildings without ownership registration or ownership belonging to parties other than parties within the scope of consolidation are as below:

Items	Book value	Acumulated depreciation or amortization	Carrying amount	Remark
2-floor underground carpark of Shenzhen Enterprise Mansion ( 国企大厦地下 1-2 层车库 )	22,942,599.85	10,094,719.17	12,847,880.68	Without ownership registration
Tsui Chuk Garden 6-C	304,800.00	114,300.00	190,500.00	Ownership belonging to parties other than parties within the scope of consolidation
Tsui Chuk Garden B2,66	474,730.00	274,436.51	200,293.49	

#### 9、Intangible assets

##### (1) Disclosure of intangible assets

Items	As at 31 <sup>st</sup> Dec 2011	Increase in current reporting period	Decrease in current reporting period	As at 30 <sup>th</sup> June 2012
i. Total book value	47,893,568.15	99,288.00	47,893,568.15	99,288.00
Land use rights	47,893,568.15	-	47,893,568.15	-
Others		99,288.00		99,288.00
ii Accumulated amortization	17,901,761.54	1,654.80	17,901,761.54	1,654.80
Land use rights	17,901,761.54	-	17,901,761.54	-
Others		1,654.80		1,654.80
iii Total net value	29,991,806.61	-	-	97,633.20
Land use rights	29,991,806.61	-	-	-
Others				97,633.20
iv Total impairment provision	4,578,477.90	-	4,578,477.90	
Land use rights	4,578,477.90	-	4,578,477.90	
Others				
v Total carrying amount	25,413,328.71	-	-	97,633.20
Land use rights	25,413,328.71	-	-	-
Others				97,633.20

(2) Amortization accrued in current reporting period is RMB1,654.80.

10. Long-term Deferred Expense

Items	Historical cost	31 <sup>st</sup> Dec 2011	Increase in current period	Amortization in current reporting period	Transferred out from Deferred expense in current reporting period	Accumulated amortization	30 <sup>th</sup> June 2012
Kingtee Software	300,000.00	60,000.00	-	-	-	240,000.00	60,000.00
Widesoft OA Software	290,000.00	270,666.67	-	-	-	19,333.33	270,666.67
Smartdot IC Software	350,000.00	326,666.67	-	-	-	23,333.33	326,666.67
static electricity Install	380,000.00	342,000.00	-	342,000.00	-	380,000.00	-
Office renovation	2,684,617.69	1,878,500.00	474,617.69	308,131.46	-	639,631.46	2,044,986.23
<b>Total</b>	<b>4,004,617.69</b>	<b>2,877,833.34</b>	<b>474,617.69</b>	<b>650,131.46</b>	<b>-</b>	<b>1,302,298.12</b>	<b>2,702,319.57</b>

12. Assets with restricted ownership

(1) reasons for restricted ownership of assets

Assets with restricted ownership of the company are mainly because assets are pledged to obtain bank loans.

(2) List of assets with restricted ownership

Types of restricted assets	As at 31 <sup>st</sup> Dec 2011	Increase in current reporting period	Decrease in current reporting period	As at 30 <sup>th</sup> June 2012
1. Inventory-Development cost	1,258,974,816.88	97,171,097.56	-	1,356,145,914.44
2. Inventory-Consumptive forestry assets	42,039,764.66	-	5,026,784.53	37,012,980.13
<b>Total</b>	<b>1,301,014,581.54</b>	<b>97,171,097.56</b>	<b>5,026,784.53</b>	<b>1,393,158,894.57</b>

13、Accounts payable

(1) Age analysis:

Age	As at 30 <sup>th</sup> June 2012	As at 31 <sup>st</sup> Dec 2011
Within 1 year	1,448,671.63	52,818,972.13
More than 1 year	19,205,890.60	24,173,973.39
<b>Total</b>	<b>20,654,562.23</b>	<b>76,992,945.52</b>

(2) Disclosure of accounts payable with age of more than 1 year.

Name of creditors	Balance	Age	Reasons for not paying back	Post balance sheet date payment
Shenzhen Fanhua Construction Group Co., Ltd.	15,159,203.44	1-2 years	Payment not due	-
Shenzhen Guanghua insulating glass Construction Co., Ltd	406,108.53	1-2 years	Payment not due	-
RTKL International Ltd	645,713.25	1-2 years	Payment not due	-
Li Daihao	969,500.00	1-2 years	Payment not due	-
<b>Total</b>	<b>17,180,525.22</b>			

(3) There is no Accounts payable balance due to shareholders who own 5% or over 5% voting rights as at 30<sup>th</sup> June, 2012.

14. Advanced From Customers

(1) Age analysis

Age	As at 30 <sup>th</sup> June 2012	As at 31 <sup>st</sup> Dec 2011
Within 1 year	8,985,080.51	1,130,000.00
More than 1 year	60,000.00	113,980.07
<b>Total</b>	<b>9,045,080.51</b>	<b>1,243,980.07</b>

(2) There is no Accounts payable balance due to shareholders who own 5% or over 5% voting rights as at 30<sup>th</sup> June, 2012.

15. Payroll Payable

Items	As at 31 <sup>st</sup> Dec 2011	Increase in current reporting period	Payment in current reporting period	As at 30 <sup>th</sup> June 2012
1.Salary, bonus and allowance	7,172,598.65	12,239,174.10	18,875,154.70	536,618.05
2.Employee welfare	-	977,440.68	968,456.53	8,984.15
3.Social insurance:	-	2,441,363.16	2,441,363.16	-
Including:①Medical insurance	-	652,465.23	652,465.23	-
②Basic retirement insurance	-	1,667,544.75	1,667,544.75	-
③Unemployment insurance	-	33,299.15	33,299.15	-
④Injury insurance	-	44,325.04	44,325.04	-
⑤Pregnancy insurance	-	43,728.99	43,728.99	-
4.Housing accumulation fund	5,615.00	908,191.80	906,561.80	7,245.00
5. Labour union fee and employee education fee	2,457,579.35	341,705.46	135,363.30	2,663,921.51
6. Non-monetary welfare	-	-	-	-
7. Redemption for termination of labor contract	-	496,752.92	496,752.92	-
8.Others:	-	-	-	-
Including: share payment by cash	-	-	-	-
<b>Total</b>	<b>9,635,793.00</b>	<b>17,404,628.12</b>	<b>23,823,652.41</b>	<b>3,216,768.71</b>

16. Tax payable

Categories	As at 30 <sup>th</sup> June 2012	As at 31 <sup>st</sup> Dec 2011



Categories	As at 30 <sup>th</sup> June 2012	As at 31 <sup>st</sup> Dec 2011
VAT	-20,295.25	-3,004.13
Business tax	-61,749.64	576.58
Consumption Tax	-	-31,516.27
Urban construction tax	1,988.45	166,892.05
Corporation Income Tax	1,928,973.70	1,548,888.51
Property tax	-	127,950.05
Land Add-Value Tax	45,991.56	45,991.56
Personal income Tax	1,924,665.31	1,377,377.56
Education Surcharge	50,290.72	57,742.65
Land use tax	-	1,802,634.00
Others	61.59	291,389.75
<b>Total</b>	<b>3,869,926.44</b>	<b>5,384,922.31</b>

#### 17.Dividend Payable

Name of investor	As at 30 <sup>th</sup> June 2012	As at 31 <sup>st</sup> Dec 2011
Shareholder of Legal shares	5,127,701.36	5,127,701.36
<b>合计</b>	<b>5,127,701.36</b>	<b>5,127,701.36</b>

#### 18、 Other payables

##### (1) Age analysis

Age	As at 30 <sup>th</sup> June 2012	As at 31 <sup>st</sup> Dec 2011
Within 1 year	1,494,302.98	38,208,711.14
More than 1 year	159,467,210.08	136,552,227.09
<b>Total</b>	<b>160,961,513.06</b>	<b>174,760,938.23</b>

##### (2) Other payables with single significant amount

Name of creditors	Balance as at 30 <sup>th</sup> June 20 12	Age	Proportion of total other receivables	Nature

Foh Chong & Sons Sdn Bhd	21,473,130.10	Over 3 years	13.34%	Payables of equity transfer
Chen Songqing	11,169,202.22	1-2 years	6.94%	Loan principal and interests
Shenzhen Wongtee Real-estate Group Co., Ltd	11,000,000.00	1-3 years	6.83%	Loan principal and interests
Shenzhen International Enterprise Trading Co., Ltd (International Trade)	4,160,185.75	Over 3 years	2.58%	Current account
Beijing Bona Starlight Cinema Management Co., Ltd	2,894,009.20	1-2 years	1.80%	Rent deposit
<b>Total</b>	<b>50,696,527.27</b>		31.50%	

Compensation for Internal Shop Sales (inclusive of principal and compensation) payables amounted to 24,825,065.38 as at 30<sup>th</sup> June, 2012

Principal payables arisen from shops of Grace Mansion repurchase amounted to 34,040,775.04, interests and return on investment payables amounted to 3,058,533.37 as at 30<sup>th</sup> June 2012.

(3) Other payables owed to shareholders or related parties with 5% or more voting right as at 30<sup>th</sup> June 2012

Name of creditors	Nature	2012年6月30日
Shenzhen Wongtee Real Estate Group Co., Ltd.	Loan principal and interests	11,000,000.00
Zheng Kanghao	Loan interests	1,084,860.00
Shenzhen Chunhua Medicine United Enterprise Co., Ltd	Current account	2,085,211.19
Shenzhen Guoshang Medicine Co., Ltd	Current account	1,474,784.89
Shenzhen International Enterprise Trading Co., Ltd	Current account	4,160,185.75
<b>Total</b>		<b>19,805,041.83</b>

#### 19. Non-current Liability Due Within One Year

(1) Category

Items	As at 30 <sup>th</sup> June 2012	As at 31 <sup>st</sup> Dec 2011

Long-term loan due within 1 year	13,000,000.00	314,000,000.00
<b>Total</b>	<b>13,000,000.00</b>	<b>314,000,000.00</b>

(2) Long-term loan due within 1 year

① Nature of long-term loan due within 1 year

Nature	As at 30 <sup>th</sup> June 2012	As at 31 <sup>st</sup> Dec 2011
Loans secured by non-current assets	-	-
Loans secured by pledge or/and guarantees	13,000,000.00	14,000,000.00
Loans secured by collateral, pledge or/and guarantees	-	300,000,000.00
<b>Total</b>	<b>13,000,000.00</b>	<b>314,000,000.00</b>

② Disclosure of long-term loan due within 1 year

Name of creditors	Start date	Due date	Currency	Rate%	As at 30 <sup>th</sup> June 2012	As at 31 <sup>st</sup> Dec 2011
Agricultural Bank of China Wuhua Branch*1	2010-3-19	2013-3-18	RMB	7.32%	8,000,000.00	
Agricultural Bank of China Wuhua Branch*1	2010-3-19	2013-3-18	RMB	7.32%	5,000,000.00	
Agricultural Bank of China Wuhua Branch	2009-6-30	2012-6-29	RMB	5.4%		14,000,000.00
Bohai International Trust Co.,Ltd	2011-7-3	2012-12-2	RMB	Floating interest		300,000,000.00
<b>Total</b>					<b>13,000,000.00</b>	<b>314,000,000.00</b>

Note 1: Loan from Agricultural Bank of China, Wuhua Branch with outstanding balance of 10,000,000.00 as at 30th June 2012 was lent to the Company's subsidiary Wuhua Guoshang. Consumptive forestry inventories had been pledged for the loan and the loan had been guaranteed by Guoshang Linye. RMB2,000,000 principal has been paid back, See Note 5.12 for details of pledged assets.

20、 Long-term loan

## (1) Categories of long-term loan

Category	As at 30 <sup>th</sup> June 2012	As at 31 <sup>st</sup> Dec 2011
Loans secured by non-current assets	19,670,000.00	20,850,000.00
Loans secured by pledge or/and guarantees	-	13,000,000.00
Loans secured by collateral, pledge or/and guarantees	1,690,000,000.00	1,195,000,000.00
<b>Total</b>	<b>1,709,670,000.00</b>	<b>1,228,850,000.00</b>

## (2) Disclosure of long-term loan

Name of creditors	Start date	Due date	Currency	Rate%	As at 30 <sup>th</sup> June 2012	As at 31 <sup>st</sup> Dec 2011
Ping An Trust *1	2012-3-30	2014-3-29	RMB	10.00%	1,200,000,000.00	-
Agricultural Bank of China Wuhua branch	2010-3-19	2013-3-18	RMB	5.94%	-	8,000,000.00
Agricultural Bank of China Wuhua branch	2010-3-19	2013-3-18	RMB	5.94%	-	5,000,000.00
Agricultural Bank of China branch in Wengyuan *2	2011-4-26	2014-4-25	RMB	floating	19,670,000.00	20,850,000.00
China Construction Bank branch in Shenzhen City Department of *3	2011-6-21	2021-6-20	RMB	7.48%	490,000,000.00	490,000,000.00
<b>Total</b>					<b>1,709,670,000.00</b>	<b>1,228,850,000.00</b>

Note 1: Loan from PingAn Trust Co., Ltd with principal of 1,200,000,000.00 was lent to the Company's subsidiary Shenzhen Rongfa Investment Co., Ltd to repay the previous loan with principal of 1,000,000,000 and to invest in renovation, merchants invitation, and promotion for IA Mall' s pre-opening. The ownership registration certification of IA Mall was pledged for the loan. And the loan is also garranteed by Shenzhen Wongtee Real Estate Group Co., Ltd, holding subsidiary of Mr Zheng kanghao, the chairman of board of directors of the Company. 40% shares of the Company' s subsidiary Shenzhen Rongfa Investment Co., Ltd held by Powerland Holdings Limited was pledged for the loan, Annual rate of the loan is 10% and the Company has to pay 0.6% financial consulting fee for the loan.

Note 2: Loan from Agricultural Bank of China, Wengyuan Branch with principal of 22,000,000.00 was lent to the Company's subsidiary Wengyuan Guoshang. Consumptive forestry inventories held by Wengyuan Guoshang had been pledged for the loan. 2,330,000 of the principal had been repaid as at 30<sup>th</sup> June 2012.

Note 3: Loan from China Construction Bank Co., Ltd, Shenzhen Branch with principal of 1,200,000,000.00 was lent to the Company's subsidiary Shenzhen Rongfa Investment Co., Ltd to lever the liability structure and to decorate IA MALL project. IA MALL, which is located in Futian Central with area of 80,608.64 Square-meters, (Ownership Registration No.: ShenFangDiZiDi3000627642) held by Shenzhen Rongfa Investment Co., Ltd. had been pledged for the loan. Rent receivables may arisen from the IA MALL was pledge for the loan; and the loan had been guaranteed by the Company. 710Million of the loan had been repaid as at 30<sup>th</sup> June 2012. Interest rate of the loan was 10% upwards central bank benchmark lending rate of the value date (June 23rd 2011). Interest rate shall float in accordance with the central bank benchmark lending rate every 12 month from value date to the date of full repayment of the loan (principal and interests inclusive). Interest adjust date shall be the corresponding date in current month of value date. If there should be no corresponding date in current month, interest adjust day shall be the last day of current month. That the interests shall be settled monthly and the last interest shall be cleared with principal had been reached by the bank and the Company. See Note 5.12 for details for ownership of pledged assets.

#### 21. Accrued Liabilities

Items	As at 31 <sup>st</sup> Dec 2012	Increase in current reporting period	Decrease in Current reporting period	As at 30 <sup>th</sup> June 2012	Reasons for accrued liabilities
Pending litigation 1	4,030,087.50			4,030,087.50	Terminated contract
Pending litigation 2	2,840,387.29			2,840,387.29	Labor disputes
Pending litigation 3	18,387,017.96			18,387,017.96	Equity transfer payables
Compensation for Internal shop sales	61,555,677.89	4,643.08		61,560,320.97	Compensation for Internal shop sales
<b>Total</b>	<b>86,813,170.64</b>	4,643.08		<b>86,817,813.72</b>	

Note1: Liability was accrued according to judgement and ruling of the first trial concerning contract termination between Shenzhen Zhongtie Real-estate Management Development Co.,Ltd and the Company's subsidiary Shenzhen

Rongfa Investment Co.,Ltd

Note2: Liability was accrued according to judgement and ruling of the first trial concerning litigation of project process bonus and economics compensation between the Company's subsidiary Shenzhen Rongfa Investment Co.,Ltd and its former employee

Note3: Liability was accrued according to judgement and ruling of the first trial concerning payables arisen from equity transfer between the Company and Foh Chong & Sons Sdn Bhd. See Note 7.3.2 for details.

Note4: See Note 7.3.5 for details concerning compensation of Grace Mansion shops internal sales

**22. Deferred Income**

<u>Item</u>	<u>30.6.2012</u>	<u>31.12.2011</u>
Unrecognized leaseback income	148,725.29	148,725.29
Total	148,725.29	148,725.29

Note: The unrecognized leaseback income is the unrecognized income from leaseback of shops in Gangyihaoing.

**23. Share Capital**

<u>Items</u>	<u>31.12.2010</u>	<u>Chang in current year (+, -)</u>					<u>30.6.2012</u>
		<u>Allotment of shares</u>	<u>Bonus shares</u>	<u>Transfer reserves into shares</u>	<u>Others</u>	<u>Subtotal</u>	
i . Restricted shares							
Including: shares held by states	-	-	-	-	-	-	-
Shares held by domestic legal persons	-	-	-	-	-	-	-
Shares held by overseas legal persons	-	-	-	-	-	-	-
Executives shares	340,431.00	-	-	-	-	-	340,431.00
Sub-total	340,431.00	-	-	-	-	-	340,431.00

ii . Unrestricted shares					-	-	
1. Ordinary shares listed in mainland	119,212,992.00	-	-	-	-	-	119,212,992.00
2. Foreign shares listed in mainland	101,347,761.00	-	-	-	-	-	101,347,761.00
3. Foreign shares listed in overseas	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total listed shares	220,560,753.00	-	-	-	-	-	220,560,753.00
iii. Total shares	220,901,184.00	-	-	-	-	-	220,901,184.00

Note: The share capital has been verified by Zhongqing Certified Public Accountants and issued a Capital Verification Report with Yanqianzi [1998] No. S006.

#### 24. Capital Reserves

Type	31.12.2011	Increment	Decrement	30.6.2012
Share premium	50,995,056.63	-	-	50,995,056.63
Other capital reserves	21,320,290.43	-	6,427,272.93	14,893,017.50
Total	<b>72,315,347.06</b>	-	<b>6,427,272.93</b>	<b>65,888,074.13</b>

#### 25. Surplus Reserves

Type	31.12.2011	Increment	Decrement	30.6.2012
Statutory surplus reserves	84,526,481.13	-	-	84,526,481.13
Discretionary surplus reserve	41,403,353.35	-	-	41,403,353.35
Total	<b>125,929,834.48</b>	-	-	<b>125,929,834.48</b>

#### 26. Undistributed Profits

Items	30.6.2012	31.12.2011
Opening balance of undistributed profits	-498,261,874.87	-364,837,764.72

Add:Change of accounting policies		5,235,404.81
Adjusted undistributed profits brought forward		-14,884,902.73
Corrected errors from previous reporting peir	-498,261,874.87	-374,487,262.64
Net profit attributable to shareholders of the parent	67,663,758.14	-123,774,612.23
Less: Statutory surplus reserve	-	-
Discretionary surplus reserve	-	-
Provision for general risks	-	-
Dividends payable for ordinary shares	-	-
Dividends for ordinary shares transfer into capital	-	-
Closing balance of undistributed profits	-430,598,116.73	-498,261,874.87

## 27. Minority interests

Investees	Proportion	30.6.2012 (CNY)	31.12.2011 (CNY)
Guoshang Property	39.00%	-4,753,483.99	-4,753,483.99
Rong Fa Investment	40.00%	-284,102,943.80	-279,246,674.00
Guoshang Qiye	10%	-	-486,366.76
Total		<b>-289,068,306.56</b>	<b>-284,486,524.75</b>

## 28. Operating Revenues and Operating Costs

(1) Operating revenues and operating costs listed according to the categories

Items	Current reporting period (CNY)			Last reporting period (CNY)		
	Operating revenue	Operating cost	Operating profit	Operating revenue	Operating cost	Operating profit
i . Main operation	33,853,724.83	33,818,164.74	35,560.09	6,432,929.51	6,120,785.31	312,144.20
Income from sales of real es	27,156,978.00	29,083,411.56	-1,926,433.56	0.00	0.00	0.00
Property management income	6,696,746.83	4,734,753.18	1,961,993.65	6,212,929.51	5,959,431.31	253,498.20



Income from forestry				220,000.00	161,354.00	58,646.00
ii. Other operation	73,600.00	127,766.69	-54,166.69	49,271.10	9,172.20	40,098.90
Disposal of investment property				0.00	0.00	0.00
Rental income	73,600.00	127,766.69	-54,166.69	49,271.10	9,172.20	40,098.90
Total	33,927,324.83	33,945,931.43	-18,606.60	<b>6,482,200.61</b>	<b>6,129,957.51</b>	<b>352,243.10</b>

(2) Operating revenues and operating costs listed according to the areas

Item	Current reporting period (CNY)			Last reporting period (CNY)		
	Operating revenue	Operating cost	Operating profit	Operating revenue	Operating cost	Operating profit
Shenzhen City	33,927,324.83	33,945,931.43	-18,606.60	6,039,713.41	5,667,895.57	371,817.84
Huizhou City				207,487.20	299,881.44	-92,394.24
Haikou City				15,000.00	826.50	14,173.50
Shaoguan City				220,000.00	161,354.00	58,646.00
Total	<b>33,927,324.83</b>	<b>33,945,931.43</b>	<b>-18,606.60</b>	<b>6,482,200.61</b>	<b>6,129,957.51</b>	<b>352,243.10</b>

(3) Details of operating revenues from top five clients

Clients name	Operating revenues	Proportion to total operating revenues
The First	27,156,978.00	80.04%
The Second		
The Third		
The Fourth		
The Fifth		
Total		

**39. Business Tax and Surtax**

<u>Items</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Business tax	1,696,366.24	344,214.55
Urban construction tax	114,905.06	24,447.96
Land Value Added Tax	48,731.10	0.00
Others	---	11,435.32
<b>Total</b>	<b>1,860,002.40</b>	<b>380,097.83</b>

### 30、Sales expenses

<u>Items</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Wages and Salaries	1,255,298.15	
Benefits	24,638.90	
Employee education funds	6,080.00	
Social insurance	264,354.07	
Advertisement expense	8,095,303.21	
Car expense	35,700.00	
Travel expense	58,058.52	
Entertainment expense	22,429.60	
Lease expense	360,000.00	
Other expense	1,480,490.34	
<b>Total</b>	<b>11,602,352.79</b>	

### 31、General and administrative expenses

<u>Items</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Wages and salaries	7,015,601.45	6,605,547.72
Entertainment expense	951,099.82	913,629.10
Administration fee	1,127,139.46	388,337.16
Car expense	786,808.27	734,706.33

Items	Current reporting period (CNY)	Last reporting period (CNY)
Depreciation	1,707,035.23	1,180,855.55
Litigation expense	738,179.90	279,054.50
Travel expense	246,625.84	145,045.50
Telecom expense	238,977.59	102,681.98
Others	5,521,857.08	4,766,633.03
<b>Total</b>	<b>18,333,324.64</b>	<b>15,116,490.87</b>

### 32. Financial Expenses

Items	Current reporting period (CNY)	Last reporting period (CNY)
Interest expenses	7,454,681.19	991,504.26
Less: Interest Incomes	29,562.83	311,551.26
Exchange losses		0.00
Less: Exchange gains		0.00
Bank charges	22,908.07	330,503.26
Other	1,416,043.22	4,131,990.00
<b>Total</b>	<b>8,864,069.65</b>	<b>5,142,446.26</b>

### 33. Impairment loss on assets

Items	Current reporting period (CNY)	Last reporting period (CNY)
Bad and doubtful debt expenses	245,212.37	137,982.48
Impairment loss of inventory		
Impairment loss of long-term equity investment		
<b>Total</b>	<b>245,212.37</b>	<b>137,982.48</b>

### 34. Investment Income

<u>Item</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Gains from transfer of equity investment	103,081,609.13	0.00
<b>Total</b>	<b>103,081,609.13</b>	<b>0.00</b>

### 35. Non-operating Income

<u>Items</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Gains from disposal of fixed assets	1,472,248.48	1,410.00
Government subsidy		
Fines		
Debts unable to repay		
Others	8,286.10	503,500.00
<b>Total</b>	<b>1,480,534.58</b>	<b>504,910.00</b>

### 36. Non-operating expenses

<u>Items</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Loss on disposal of fixed assets	877,995.93	47,255.54
Penalty charges		2,200.00
Compensation for Internal Shop		
Sales		0.00
Overdue fin		-
Others	8,940.60	-
<b>Total</b>	<b>886,936.53</b>	<b>49,455.54</b>

### 37. Income Tax Expense

Items	Current reporting period (CNY)	Last reporting period (CNY)
Income tax for current period	-	-
Deferred Income tax	-32,931.63	
Total	<b>-32,931.63</b>	

### 38、 Basic Earnings Per Share and Dilution of Earnings Per Share

Profit in the reporting date	Current reporting period (CNY)		Last reporting period (CNY)	
	Basic EPS	Dilution of EPS	Basic EPS	Dilution of EPS
Net profit belongs to company's ordinary shares' shareholder of the company	0.306	0.306	-0.070	-0.070
Net profit that discount non-usual profit and loss belongs to company's ordinary shares' shareholder	-0.105	-0.105	-0.072	-0.072

$$\text{Basic EPS} = P_0 \div S$$

$$S = S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$$

Including: P<sub>0</sub> is net profit belongs to company's ordinary shares' shareholder of the company or net profit that discount non-usual profit and loss belongs to company's ordinary shares' shareholder; S is issued weighted average ordinary shares; S<sub>0</sub> is the opening balance of total number of shares; S<sub>1</sub> is the increase of shares in current reporting period due to capital reserve converting to shared capital or stock dividends distribution; S<sub>i</sub> is the increase of shares in current reporting period due to new issue of shares or debt-to-equity swap; S<sub>j</sub> is the decrease of shares in current reporting period due to repurchase of shares; S<sub>k</sub> is the shares that drawn back by the Company; M<sub>0</sub> is number of months in current reporting period; M<sub>i</sub> is the number of months in the period from next month after share increase to the end of current reporting period; M<sub>j</sub> is the number of months in the period from next month after share decrease to the end of current reporting period.

Diluted EPS = P<sub>1</sub> / (S<sub>0</sub> + S<sub>1</sub> + S<sub>i</sub> × M<sub>i</sub> ÷ M<sub>0</sub> - S<sub>j</sub> × M<sub>j</sub> ÷ M<sub>0</sub> - S<sub>k</sub> + Weighted average of increased number of shares due to warrant of purchase, stock option and/or convertible bond..

Including: P<sub>1</sub> is net profit belongs to company's ordinary shares' shareholder of the company or net profit that discount non-usual profit and loss belongs to company's ordinary shares' shareholder adjusted according to

regulations about shares dilution of<Accounting Standards for Enterprise 2006>.

39. Notes to the consolidated cash flow statement

(1) Other cash receipts in relation to operating activities

Items	Jan to June 2012	Jan to June 2011
Current account	75,523,959.20	29,433,468.66
Deposit	13,465,799.53	-
Others	7,131,156.82	1,014,394.47
<b>Total</b>	<b>96,120,915.55</b>	<b>30,447,863.13</b>

(2) Other cash payments in relation to operating activities

Items	Jan to June 2012	Jan to June 2011
Current account	79,523,253.50	15,683,633.08
Advertisement service fee	8,095,303.21	-
Rent	3,626,826.59	928,823.20
Entertainment	951,099.82	913,629.10
Forestry management fee	913,246.50	1,036,043.18
Litigation fee	738,179.90	279,054.50
Car maintainance	786,808.27	734,706.33
Others	3,151,246.70	2,477,134.89
<b>Total</b>	<b>97,785,964.49</b>	<b>22,053,024.28</b>

40. Supplemental Information for Cash Flow Statement

<u>Supplemental informations</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Adjusting net profit to cash flow from operating activities:		
Net profits	62,635,024.36	-20,656,273.71
Add: Provision for assets impairment loss	245,212.37	137,982.48
Depreciation of fixed assets、oil and gas assets and productibility biological assets	1,963,582.03	1,704,641.81
Amortization of intangible assets	1,654.80	417,753.35

Amortization of Long-term deferred expenses	650,131.46	30,000.00
Loss on disposal of fixed assets、 intangible assets and other long-term assets (The gain is listed beginning with “-”)	877,995.93	48,045.54
Losses on scrapped fixed assets (The gain is listed beginning with “-”)		0.00
Losses from fluctuation in fair values (The gain is listed beginning with “-”)	149,546.00	0.00
Financial costs (The gain is listed beginning with “-”)	8,864,069.65	7,241,529.57
Losses on investment (The gain is listed beginning with “-”)	-103,081,609.13	0.00
Decrease of deferred income tax assets (The increase is listed beginning with “-”)		0.00
Increase of deferred income tax liabilities (The decrease is listed beginning with “-”)	-32,931.64	0.00
Decrease of inventories (The increase is listed beginning with “-”)	-63,165,226.30	0.00
Decrease of operating receivables (The increase is listed beginning with “-”)	-23,716,632.06	-46,658,843.49
Increase of operating payables (The decrease is listed beginning with “-”)	22,678,104.55	-11,879,035.35
Others		0.00
Net cash flow arising from operating activities	(91,931,077.98)	-69,614,199.80

#### 41 . Cash and Cash Equivalent

<u>Items</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
1、 Cash	124,655,446.69	170,979,778.01
Including: Cash on hand	152,823.42	373,860.53
Unrestricted bank deposit	124,502,623.27	170,585,917.48
Unrestricted other monetary funds	-	20,000.00
Deposit in central bank	-	0.00
Placement in other banks or financial institutions	-	0.00
Due to other banks or financial institutions	-	0.00
2、 Cash equivalents	-	0.00
Including: Bond investment due within three month	-	0.00
3、 Ending balance of cash and cash equivalents	124,655,46.69	170,979,778.01

Including: restricted cash and cash equivalents for the parent or subsidiaries in the Group	-	0.00
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## VI Related party relationships and transactions

### 1. Definition of related party

A related party is an entity which is controlled, jointly controlled or significantly influenced by the Company, or an entity has control, joint control or significant influence over the Company, or an entity which is under common control, joint control, or significant influence with the Company.

### 2. Related parties

Related parties without control relationship:

Name of related party	Relationship with the Company
Multi Profit Asia Pacific Investment Co., Ltd.	13.70% shareholding in the Company
Shenzhen Tefa Group Co., Ltd.	Shenzhen Tefa Group Co., Ltd.
Shenzhen Tefa Group Co., Ltd.	7.03% shareholding in the Company
Shenzhen Maoye Emporium Ltd.	6.15% shareholding in the Company
Zheng Kanghao	Legal representative and chairman of board of directors of the Company
Shenzhen Wongtee Real Estate Group Co.,Ltd	Enterprise actually controlled by Zheng Kanghao
Shenzhen Wongtee Business Management Co.,Ltd	Enterprise actually controlled by Zheng Kanghao
POWERLAND HOLDING LIMITED	Enterprise actually controlled by Zheng Kanghao

The Company has a dispersed shareholding structure. No investor has absolute control over the Company. Therefore, the first, second, third and fourth largest shareholders, namely, Multi Profit Asia Pacific Investment Co., Ltd., Shenzhen Tefa Group Co., Ltd. Dahua Investment (China) Co., Ltd. and Shenzhen Maoye Emporium Ltd. are recognised as related parties without control relationship.

#### (4). Related party transactions:

(1) See Note5.20 and Note5.21 for details of related party guarantee.

(2) Related party lending and borrowing

Related party	Balance	Start date	Due date	Remark
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Borrowing				
Shenzhen Wongtee Real Estate Group Co.,Ltd	11,000,000.00	2012-6-29	2012-9-29	
<b>Subtotal</b>	<b>11,000,000.00</b>			

(3) Related party lease

Disclosure

Name of lessors	Name of Lessees	Assets leased	Start date of lease	Expiring date of lease	Pricing basis of rental fee	Rental fee accrued in current reporting period
Shenzhen Wongtee Business Management Co., Ltd	Shenzhen International Enterprise Co.,Ltd	F6 Huanggang Business Centre, NO.2028, Jintian Road, Shenzhen City	2012-2-1	2015-1-31	Both parties' agreement based on market price	390,600.00
Shenzhen Wongtee Business Management Co., Ltd	Shenzhen Rongfa Investment Co.,Ltd	F6 Huanggang Business Centre, NO.2028, Jintian Road, Shenzhen City	2012-2-1	2015-1-31	Both parties' agreement based on market price	390,600.00
Shenzhen Wongtee Hotel Management Co.,Ltd	Shenzhen Rongfa Investment Co.,Ltd	V2 Meeting room, F27, Huanggang Business Centre, NO.2028, Jintian Road, Shenzhen City	2012-1-1	2012-8-31	Both parties' agreement based on market price	390,600.00

Related parties	30.6.2012		31.12.2011	
	Balance	Proportion	Balance	Proportion
<b>Other receivables:</b>				
Shenzhen Wongtee Business Management Co.,Ltd	402,714.00	3.01%	780,205.00	4.64%
Shenzhen Wongtee Hotel Management Co.,Ltd	250,000.00	1.87%		

<b>Other payables:</b>				
Shenzhen Chunhua Medicine United Co., Ltd.	2,085,211.19	1.30%	2,085,211.19	1.50%
Shenzhen Guoshang Medicine Co., Ltd	1,474,784.89	0.92%	1,474,784.89	1.06%
Shenzhen International Enterprise Trading Co., Ltd	4,160,185.75	2.58%	4,160,185.75	2.99%
Zhengkanghao	1,084,860.00	0.67%	1,597,050.00	1.15%
Shenzhen Huangting Real Estate Group Co., Ltd	11,000,000.00	6.83%	21,989,799.94	15.81%
POWERLAND HOLDING LIMITED	6,999,584.65	4.35%	6,999,584.65	5.03%
Total	<b>26,804,626.48</b>	<b>16.65%</b>	<b>38,306,616.42</b>	<b>27.54%</b>

## VII Contingency

### 1. Guarantee

(1) Rong Fa Investment follows the property industry working practice that the property developer provides guarantee for purchase-by-mortgage of property developed. As at 30<sup>th</sup> June 2012, the carrying amount of the mortgages guaranteed by Rong Fa Investment amounted to RMB 12,034,900.

(2) Huizhou Rongfa follows the property industry working practice that the property developer provides guarantee for purchase-by-mortgage of property developed. As at December 31st, 2011, the carrying amount of the mortgages guaranteed by Huizhou Rongfa amounted to RMB 9,430,000.

### 2. Assets pledged

Apart from disclosures in Note 5.5, Note 5.12 and Note 12.2, no other asset was being pledged as security.

### 3. Pending litigation

(1) Contract dispute between Shenzhen Zhongtie Property Management Co.,Ltd (Thereafter Zhongtie Property) and Shenzhen Rongfa Investment Co., Ltd (Thereafter Tongfa Investment):

Case briefing: A property management contract was signed by both Rongfa Investment and Zhongtie Property on 17<sup>th</sup> Feb 2009 concerning a shopping mall project in CBD Futian District. Rongfa request a revoke of this property management contract because of its adjustment about the operation planning and targeting. Zhongtie Property filed a lawsuit against the Company on 15<sup>th</sup> Dec 2010 to Intermediate People' s court of Futian District Shenzhen. Request RMB 5,000,000 as penalty of breach contract and RMB8,658,315.88 as other loss from Rongfa Investment.

Case progress update: In Oct 2011 the Company received the first trial decision that the Company shall pay

Zhongtie Property RMB 4,000,000 as the contract breach penalty. The Company appealed, the case is in the progress of second trial currently.

(2) Equity dispute between the Company and Foh Chong & Sons Sdn Bhd

Case briefing:

Malaysia Foh Chong & Sons Sdn Bhd (There after Foh Chong) and the Company signed <Contract concerning transfer of equity share Shenzhen Rongfa Investment Co., Ltd> on 31st May 2011, Foh Chong shall transfer 10% equity share of Rongfa Investment to the Company at the price of RMB20,600,000, the Company had not paid for the equity share transfer after the contract went effective. The company received the lawsuit notice of Foh Chong filed to Intermediate People's Court of Shenzhen city. Foh Chong request ① The Company shall pay for the principal, the interests and penalty of breaching contract for the equity transfer in total RMB 37,077,645.55. ②The Company shall pay for the loss and litigation fee arisen from the dispute.

Case progress update: The Company received the first trial decision that The Company shall pay the principal, interests and penalty for breach contract for the equity transfer in March 2012 based on the original price RMB20,600,000. The interest shall be calculated in accordance with the loan interest rate stipulated by the People's Bank of China for the corresponding period from 1<sup>st</sup> June 2001 to 31<sup>st</sup> Dec 2009; Penalty shall be calculated as 0.03% of total payables per day from 1<sup>st</sup> Jan 2010 to the date of payment confirmed by the court decision. See the Significant lawsuit announcement announced by the Company on 7<sup>th</sup> April on [cninfo.com.cn](http://cninfo.com.cn), Stock Times Cn and Dakungpao HK.

The company has appealed the case to Higher People's court of Guangdong province, and the case is in second trial progress currently.

(3) Guarantee liability dispute between between the Company and Shenzhen-Hongkong Industry and Commerce Import and Export Company (hereafter, SH Industry and Commerce)

Case briefing: In 2000, Shenzhen Development Bank, ShennandongLu Branch (hereafter, the Bank) initiated litigation against the Company to the Shenzhen Intermediate People's Court (hereafter, the Count) for that the Company shall be liable for the principal of the loan lent to SH Industry and Commerce amounting to 10 million and the interests on the loan. As provided by the Count Judgement (2001) ShenZhongFaJingYiChuZiDi53Hao ((2001) issued by the Count on February 27th, 2001, the Company is liable for the principal of the loan lent to SH Industry and Commerce amounting to 10 million and the interests on the loan. On December 30th, 2002, compromise was reached between the Company and the Bank under the Count's arbitration that the Company shall repay to the Bank the principal of and the interests on the loan on behalf of SH Industry and Commerce, and that the Company is

entitled to recover damage from SH Industry and Commerce. While exercising the recovery in 2004, ownerships of the Sun House and the Land were found non-transferrable, and SH Industry and Commerce held no executable assets. As approved by the Board of Directors, 100% bad debt allowance was recognised for the recognized loss in 2004. Full amount CNY17,953,448 of sales revenue (execution cost deducted) from auction of the land NO.T102-1 located in Moon Bay Avenue, Nanshan District, Shenzhen City owned by SH Industry Commerce and seizure by Shenzhen Investment Holding Corporation was assigned to Shenzhen Investment Holding Corporation by the court decision on March 17th 2011. Objection letter was submitted to the court by the Company on March 22rd 2011. Coordination meeting was held on Nov 25th 2011 by the Court, suggesting mediation to settle the case. Preliminary settlement plan was such that: 10,000,000 shall be assigned to seizer first in order; 8,000,000 remained shall be assigned among the three queuing seizers upon principal proportion; 2,651,149.33 shall be assigned to each seizer; and the settlement plan shall be effective upon written confirmation by all seizers.

Case process update:

Application to suspend the trial of the case was submitted to the court by the Company on Dec 5th 2011. The settlement agreement was signed by four parties on Feb 9th 2012, the company received CNY2,646, 498.19 (execution cost deducted) court remittance.

(4) Equity dispute between Shenzhen Rong Fa Investment Co. Ltd and Shenzhen Yahaoyuan Investment Co.,Ltd.

Case briefing:

Shenzhen Rong Fa Investment Co., Ltd filed a lawsuit against Shenzhen Yahaoyuan Investment Co.,Ltd in Oct 2011 concerning the Equity dispute between Shenzhen Rong Fa Investment Co. Ltd and Shenzhen Yahaoyuan Investment Co.,Ltd to the People's court of Longgang District Shenzhen city.

Case progress update:

Rongfa Investment received the court decision <(2011) Shenlongfaminerchuzi NO.4549> that the accuser didn't provide sufficient proof to support that Land G10205-0267 was the land stated in the three contracts signed by the accuser and the defendant. Therefore, the consequences of obscure statement of the contract shall be beared by the accuser. The first trial courtdecision overruled the accusers request and litigation fee of RMB 171,800 shall be paid by the accuser.

See the significant lawsuit announcement announced by the Company on 26<sup>th</sup> Oct 2011 and 22<sup>nd</sup> Feb 2012 on on

7<sup>th</sup> April on cninfo.com.cn, Stock Times Cn and Dakungpao HK. for details

The company has appealed the case to Intermediate People’s court of Shenzhen, and the case is in second trial progress currently.

(5) Disputes between the Company and its employees concerning IA Mall internal sales repurchase

Case briefing:

Rongfa Investment filed lawsuits against three of its former employees surnamed Chen, Song and Li in Aug 2011 to People’s court of Futia District of Shenzhen city to properly solve the disputes between the Company and its employees concerning IA Mall internal sales repurchase. (See Note 10 of the Company’s 2011 financial report for details of IA Mall internal sales)

Case progress update:

Rongfa investment received the first trial decision of the court in July 2012 that ①The <Crystal Island Shopping Mall Internal Sales Agreement> signed by the accuser and the defendant is legally effective. ②①The <Crystal Island Shopping Mall Internal Sales Agreement> signed by the accuser and the defendant shall be revoked. ③Other requests by accuser rejected④counter-charge from the defendant rejected

Including: The Court’s decision about Rongfa vs Song concerning the effectiveness of internal sales agreement is request from accuser rejected.

The Company plans to appeal

And, Rongfa Investment received lawsuit notice from 7 other former employees surnamed Yang etc, requesting Rongfa deliver the shop immediately and bear the litigation fee. The case is in first trial progress currently. (See the significant lawsuit announcement announced by the Company on 5<sup>th</sup> July 2012 on on 7<sup>th</sup> April on cninfo.com.cn, Stock Times Cn and Dakungpao HK. for details)

## VIII. Commitment

As at the reporting date, the Company signed non-revocable operating lease contracts with third party as follows:

<u>Maturity date</u>	<u>Rental payable</u>	<u>Deferred investment income</u>
Within one year	250,365.16	148,725.29

## **IX. Events after the Balance Sheet Date**

N/A

## **X. Other Significant Events**

About IA Mall (The previously named Crystal Island) Internal sales

For the purpose of financing the IA MALL project, the Company adopted the then prevailing financing option by entering into internal sales agreement of part of the shops at IA MALL (hereafter, the Internal Sales Agreements) with employees in March 2005.

On December 31st, 2010, the proposal regarding settlement of the Internal Sales Agreements was approved by the 2010 4th Extraordinary General Meeting. The resolution authorised that the Company shall compensate each purchaser for an amount not exceeding 300% of the amount originally received from that purchaser (inclusive of principal and compensation, not exceeding 45,000.00/square-metre) and shall revoke the Internal Sales Agreements upon the compensation.

In addition, as provided by the Resolution for the 2nd Proposal regarding Internal Shop Sales (hereafter, the 2011 BD Resolution) issued by the 2011 2nd Meeting of the 6th Term of the Board of Directors held on April 25th, 2011, the Group shall be responsible for any personal income tax chargeable on employees arising from the compensation. The Group had cumulative recognised loss amounting to RMB86,370,519.24 (including RMB76,907,913.24 recognised in nonoperating income for the year ended December 31st, 2010 and 9,462,606.00 recognised for the reporting period prior to the year ended December 31st, 2010).

As at 30<sup>th</sup> June 2012, the Group has entered into agreements directed by the 2010 GM Resolution and the 2011 BD Resolution with eleven buyers out of thirty-five. Total compensation agreed by the agreements amounting to 9,925,919.23 and total size of shop area of the agreements is 660.39 square-metres. Due to disagreement on the amount of compensation, the Group had not reached agreement with the remaining twenty-four buyers. Total size of shop area of the remaining twenty-four buyers is 1,647.33 square-metres.

## **11 Measures for maintenance and improvement of the going concern status**

The carrying amount of total assets of the Company as at 30<sup>th</sup> June, 2012 was 1,711,777,400.00; the total

liabilities at 30th June, 2012 was 2,018,724,700.00; and, the Total shareholders' equity of the Company as at 30th June, 2012 was -17,879,000.00. The Company has implemented measures, including acceleration of project development, improvement of asset utilisation and extra financing, etc., to improve the going concern status, such as:

(1) The Company's investment property IA Mall is on comprehensive pre-opening preparation, and IA Mall is predicted to start trial operation prior to the end of August 2012. As at the reporting day, certain results of merchants invitation has been achieved, around 70% of the area of IA Mall has been leased. IA Mall's operation is expected to improve the Company's operation.

(2) the Company had obtained another 200,000,000 loan in March 2012. Extra financing and optimization of financing structure were expected in accordance with the project processes to insure the smooth going of the Company's core projects.

(3) To utilize the assets, the Company and its holding subsidiaries sold their shares of Shenzhen Shen GuoShang Business Management Co., Ltd (Business Company) and Shenzhen Longgang International Arcade Enterprise Co., Ltd. (Guoshang Enterprise), the total price of transaction was RMB110 Million. The predicted increase of net profit attribute to the parent company was RMB93 Million, provided certain cash flow for the Company.

(4) Strengthened act to liquidate forestry assets had been implemented by the Company. Liquidated forestry was expected to reach 24,000 Mu during reporting period ended December 31st 2012, and 6,000 Mu had been liquidated as at 30<sup>th</sup> June 2012.

## XII. Main Notes to Financial Statements of Parent Company

### 1. Other Accounts Receivable

(1) Other accounts receivable listed according to the categories

Item	30.6.2012(CNY)				31.12.2012(CNY)			
	Book value	% of total	Provision for bad debts	% of total	Book value	% of total	Provision for bad debts	% of total
Receivables of individual significance	483,164,483. 34	99.56%	376,771,862. 19	99.74%	373,850,389.7 0	88.54%	371,199,240. 37	98.26%
Credit-risk-categorised receivables								
Categorisation by nature of receivables	1,217,582.08	0.25%	83,775.35	0.02%	47,468,386.55	11.24%	5,656,397.17	1.50%
Subtotal	1,217,582.08	0.25%	83,775.35	0.02%	47,468,386.55	11.24%	5,656,397.17	1.50%

Receivables of individual insignificance subject to individual assessment for impairment	900,000.00	0.19%	900,000.00	0.24%	900,000.00	0.21%	900,000.00	0.24%
Total	<b>485,282,065.42</b>	<b>100.00%</b>	<b>377,755,637.54</b>	<b>100.00%</b>	<b>422,218,776.25</b>	<b>100.00%</b>	<b>377,755,637.54</b>	<b>100.00%</b>

(2) Other accounts receivable listed according to the age

Age	30.6.2012(CNY)				31.12.2011(CNY)			
	Book value	Proportion	Provision for bad debts	Carrying value	Book value	Proportion	Provision for bad debts	Carrying value
Within 1 year	1,122,217.08	24.05%	56,110.85	1,066,106.23	11,416,614.97	24.05%	570,830.75	10,845,784.22
1-2 years	0.00	14.14%	0.00	0.00	6,711,181.33	14.14%	671,118.13	6,040,063.20
2-3 years	6,300.00	61.62%	945.00	5,355.00	29,251,525.25	61.62%	4,387,728.79	24,863,796.46
3-4 years	-	0.00%	0.00	0.00	0.00	0.00%	0.00	0.00
4-5 years	-	0.00%	0.00	0.00	0.00	0.00%	0.00	0.00
More than 5 years	89,065.00	0.19%	26,719.50	62,345.50	89,065.00	0.19%	26,719.50	62,345.50
Total	<b>1,217,582.08</b>	<b>100.00%</b>	<b>83,775.35</b>	<b>1,133,806.73</b>	<b>47,468,386.55</b>	<b>100.00%</b>	<b>5,656,397.17</b>	<b>41,811,989.38</b>

(3) List the amount of top five other accounts receivable

Company name	Balance	Age	Nature	Proportion of total other accounts receivable
Shenzhen Rongfa Investment Co., Ltd	399,429,741.86	Within 1 year, 1-3year	Current account	82.31%
Shenzhen Guoshanglinye Development Co., Ltd	56,506,399.28	Within 1 year, 1-3 years	Current account	11.64%
Shenzhen International Arcade Chain Store	17,122,151.90	4-5 years	Current account	3.53%



Shenzhen Shengang Industrial Trading Import & Export Company	7,201,728.50	More than 5 years	Please refer Note V、4、(3) note for details	1.48%
Shenzhen Gangyidongfanghui business Co., Ltd	2,904,461.80	3-4 years	Current account	0.60%
Total	<b>483,164,483.34</b>			<b>99.56%</b>

## 2. Long-term Equity Investment

### (1) Long term equity investment and its impairment loss provision

Items	As at 30 <sup>th</sup> June 2012			As at 31 <sup>st</sup> Dec 2011		
	<u>Book value</u>	<u>Provision for impairment</u>	<u>Carrying value</u>	<u>Book value</u>	<u>Provision for impairment</u>	<u>Carrying value</u>
Long-term equity investment	58,516,718.10	14,870,094.51	43,646,623.59	79,943,991.03	14,870,094.51	65,073,896.52
Including: Investment for subsidiaries	58,516,718.10	14,870,094.51	43,646,623.59	79,943,991.03	14,870,094.51	65,073,896.52
Investment for other companies	-	-	-	-	-	-

### (2) Long-term equity investment account by cost method

<u>Name of investees</u>	<u>Initial investment cost</u>	<u>31.12.2011</u>	<u>Increment</u>	<u>Decrement</u>	<u>30.6.2012</u>
Shenzhen Chunhua Medicine United Co., Ltd.	2,250,000.00	2,250,000.00	0.00	0.00	2,250,000.00
Shenzhen Guoshang Medicine Co., Ltd.	2,850,000.00	2,850,000.00	0.00	0.00	2,850,000.00
Shenzhen International trade enterprise Co., Ltd	5,320,000.00	5,320,000.00	0.00	0.00	5,320,000.00
Shenzhen International Arcade Property Management Co., Ltd	2,800,000.00	2,800,000.00	0.00	0.00	2,800,000.00
Shenzhen Rongfa Investment Co., Ltd.	35,296,718.10	35,296,718.10	0.00	0.00	35,296,718.10

Shenzhen Longgang International Arcade Enterprise Co., Ltd.	21,427,272.93	21,427,272.93	0.00	21,427,272.93	0.00
Shenzhen International Arcade Chain Store	10,000,000.00	10,000,000.00	0.00	0.00	10,000,000.00
Total	<b>79,943,991.03</b>	<b>79,943,991.03</b>	<b>0.00</b>	<b>21,427,272.93</b>	<b>58,516,718.10</b>

(3) Provision for impairment loss of long-term equity investment

Name of investees	31.12.2011	Increment	Decrement	30.6.2012
Shenzhen Chunhua Medicine United Co., Ltd	418,949.38	-	-	418,949.38
Shenzhen Guoshang Medicine Co., Ltd.	1,375,215.11	-	-	1,375,215.11
Shenzhen International trade enterprise Co., Ltd	3,075,930.02	-	-	3,075,930.02
Shenzhen International Arcade Chain Store	10,000,000.00	-	-	10,000,000.00
Total	<b>14,870,094.51</b>	-	-	<b>14,870,094.51</b>

### 3. Operating Revenue and Operating Costs

(1) Operating revenues and operating costs listed according to the categories

Items	Current reporting period (CNY)			Last reporting period (CNY)		
	Operating revenue	Operating costs	Operating profits	Operating revenue	Operating costs	Operating profits
Rental income	33,600.00	8,345.70	25,254.30	34,271.10	8,345.70	25,925.40
Disposal of investment property	-	-	-	-	-	-
Total	<b>33,600.00</b>	<b>8,345.70</b>	<b>25,254.30</b>	<b>34,271.10</b>	<b>8,345.70</b>	<b>25,925.40</b>

(2) Operating revenues and operating costs listed according to the areas

Items	Current reporting period (CNY)			Last reporting period (CNY)		
	Operating revenue	Operating costs	Operating profits	Operating revenue	Operating costs	Operating profits
Shenzhen	33,600.00	8,345.70	25,254.30	34,271.10	8,345.70	25,925.40

#### 4. Supplemental Information for Cash Flow Statement

<u>Supplemental informations</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Adjusting net profit to cash flow from operating activities:	-	-
Net profits	75,390,739.05	-9,667,205.48
Add: Provision for assets impairment loss	1,962,127.61	12,508,247.20
Depreciation of fixed assets、oil and gas assets and productivity biological assets	644,710.38	522,615.20
Amortization of intangible assets		0.00
Amortization of Long-term deferred expenses		30,000.00
Loss on disposal of fixed assets、intangible assets and other long-term assets (The gain is listed beginning with “-”)	877,995.93	5,733.88
Losses on scraped fixed assets (The gain is listed beginning with “-”)		0.00
Losses from fluctuation in fair values (The gain is listed beginning with “-”)		0.00
Financial costs (The gain is listed beginning with “-”)	-12,672,166.43	-10,354,438.43
Losses on investment (The gain is listed beginning with “-”)	-75,000,000.00	0.00
Decrease of deferred income tax assets (The increase is listed beginning with “-”)		0.00
Increase of deferred income tax liabilities (The decrease is listed beginning with “-”)	-33,448.27	0.00
Decrease of inventories (The increase is listed beginning with “-”)		0.00
Decrease of operating receivables (The increase is listed beginning with “-”)	-48,039,086.50	-1,389,332.72
Increase of operating payables (The decrease is listed beginning with “-”)	-9,939,727.74	8,971,388.95
Others		0.00
Net cash flow arising from operating activities	-66,808,855.97	627,008.60

#### 5. Cash and Cash Equivalent

<u>Items</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
1、Cash	266,860.58	417,219.09
Including: Cash on hand	86,367.36	287,919.67
Unrestricted bank deposit	180,493.22	109,299.42
Unrestricted other monetary funds	-	20,000.00

Deposit in central bank	-	
Placement in other banks or financial institutions	-	
Due to other banks or financial institutions	-	
2、Cash equivalents	-	
Including: Bond investment due within three month	-	
3、Ending balance of cash and cash equivalents	266,860.58	417,219.09
Including: restricted cash and cash equivalents for the parent or subsidiaries in the Group	-	

### XIII. Details of Extraordinary Profits or Losses

<u>Items</u>	<u>Jan-Jun 2012</u>
(1) Profit and loss from disposal of non-current assets, including the offset part of the impaired assets;	103,675,861.68
(2) Unauthorized examination and approval, or lack of official approval documents, or occasional tax revenue return and abatement;	-
(3) Governmental subsidies counted into the current profit and loss, except for the one closely related with the normal operation of the company and gained constantly at a fixed amount or quantity according to certain standard based on state policies;	-
<u>Items</u>	-
(4) Capital occupation fees charged to the non-financial enterprises and counted into the current profit and loss; -	-
(5) Gains when the investment cost of acquiring a subsidy, an allied enterprise and a joint venture is less than the fair value of the identifiable net assets of the invested entity;	-
(6) Profit and loss from non-monetary assets exchange	-
(7) Profit and loss from entrusting others for investment or asset management	-
(8) Retained asset impairment provisions resulting from force majeure such as natural disasters	-
(9) Profit and loss from debt restructuring	-
(10) Enterprises' reorganization fees, such as staffing expenses and integration fees	-
(11) Profit and loss that exceeds the fair value in transaction with unfair price	-
(12) Current net profit and loss of the subsidiaries established by merger of enterprises under unified	-

control from the beginning of the period to the merger day	
(13) Profit and loss on contingency that has no relation with the normal operation of the company	-
(14) 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	-
(15) Switch -back of impairment provisions of accounts receivable that have undergone impairment test alone;	-
(16) Profit and loss from outward entrusted loaning	
(17) Profit and loss from the change of investment property' s fair value by follow-up measurement in fair value mode	-149,546.00
(18) Impact on the current profit and loss by one-off adjustment to the current profit and loss according to the requirements of the tax as well as accounting laws and rules	-
(19) Custody fees of entrusted operation;	-
(20) Other non-operating income and expenses besides the above items	-654.50
(21) Other items that conform to the definition of extraordinary profit and loss	
Subtotal	
Less: Amount influenced by income tax	-
Less: Non-recurring profit attributable to minority interest	-12,586,754.99
Total	<b>90,938,906.19</b>

#### XIV. Yield Rate of Net Assets and Earnings Per Share

Profit in the report period	Weighted Average Yield Rate of Net Assets	Earnings Per Share	
		Basic EPS	Basic EPS
Net profits attributable to ordinary shareholders	---	0.306	0.306
Net profits attributable to ordinary shareholders that have deducted extraordinary profits or losses.	---	-0.105	-0.105

## 15. Significant year-to-year movement of main elements of the Financial Statements

(1) Cash and cash equivalents: compared to last year there was a 5.24 times of increase in cash and cash equivalents because of the increased bank loan and decreased interests expenses, operation expenses and the IA Mall construction expenses.

(2) Account receivable: Compared to the beginning of current reporting period, there was a 40.76 times of increase due to the increase of account receivables from supplier.

(3) Intangible Assets: Compared to the beginning of current reporting period, there was a 100% decrease because of the disposal of Shenzhen Longgang International Arcade Enterprise Co., Ltd. (Guoshang Enterprise) together with its intangible assets.

(4) Operating Income: The 4.23 times of increase in operating income from the previous reporting period to current reporting period is mainly due to the disposal of shops of Grace Mansion.

(5) Operating cost: The 3.98 times of increase in operating cost from the previous reporting period to current reporting period is mainly due to the disposal of shops of Grace Mansion.

(6) Sales expenses: The increase of RMB11,602,400 from the previous reporting period to current reporting period is mainly due to the increase of advertisement fee, rental fee and sales service fee in current reporting period.

(7) financial expenses: The increase of 72.37% from the previous reporting period to current reporting period is mainly due to the decrease of capitalized borrowing expensesinterests.

## 16. Issuance of the Financial Statements

The Financial Statements was approved and declared for issuance by the Board of Directors on Aug 21,2012.

Shenzhen International Enterprise Co., Ltd.

The Financial Statements and the Notes to the Financial Statements were signed by the following management personnel::

Legal representative:	Person in charge of accounting work:	Person in charge of accounting department:
Zheng Kanghao	Chen Xiaohai	Xu Xiaoyun
Date: Aug 21,2012.	Date: Aug 21,2012.	Date: Aug 21,2012.

