



SHENZHEN INTERNATIONAL ENTERPRISE CO., LTD.

ANNUAL REPORT 2008

Date to disclose: 17 Apr. 2009

Section I Important Notes, Paraphrase and Contents

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 all information set forth herein are true, accurate and complete.

Director **Xiao Guangsheng** was absent from the Board Meeting due to business trip to abroad and authorized director **Li Jinquan** to vote on his behalf; director **Li Mugui** was absent from the Board Meeting due to business trip and authorized director **Li Jinquan** to vote on his behalf; independent director **Chen Weihuai** was absent from the Board Meeting and authorized independent director **Zhao LiJin** to vote on his behalf.

Reanda Certified Public Accountants issued a standard unqualified Auditor’s Report for the Company.

Chairman of the Board of the Company Mr. Li Jinquan, General Manager Ms. Song Shengjun and Person in charge of accounting work and accounting organization Mr. Zhou Xiaoliang hereby confirm that the Financial Report of the Annual Report is true and complete.

II. Paraphrase

Meanings of shortened forms in this report were as follows unless otherwise stated:

The Company, Company: Shenzhen International Enterprise Co., Ltd.

Maoye Emporium: Shenzhen Maoye Emporium Ltd

SDG: Shenzhen Special Economic Zone Development (Group) Co., Ltd.

Foh Chong & Sons: Malaysia Foh Chong & Sons Limited

Rongfa Company: Shenzhen Rongfa Investment Co., Ltd.

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Section II Company Profile

- I. Legal Name of the Company
In Chinese: 深圳市国际企业股份有限公司
In English: SHENZHEN INTERNATIONAL ENTERPRISE CO., LTD.
- II. Legal Representative: Li Jinquan
- III. Secretary of the Board of Directors: Cao Jian
E-mail: cj000056@21cn.com
Securities Affairs Representative: Wu Xiaoshuang
E-mail: zhaiwu2006@21cn.com
Tel: (0755)-82281888, 82285565
Contact Address: Investment and Management Dept., 23/F, Development Center Bldg., Renmin South Road, Shenzhen
Fax: (0755) 755-82285573
- IV. Registered Address and Office Address: 23/F, Development Center Bldg., Renmin South Road, Shenzhen
Post Code: 518001
Internet Website: <http://www.china-ia.com>
E-mail: sgs000056@163.com
- V. Newspapers Chosen for Information Disclosure of the Company: Securities Times and Hong Kong Ta Kung Pao
Internet Website Designated by CSRC for Publishing the Annual Report: <http://www.cninfo.com.cn>
The Place Where the Annual Report is Prepared and Placed: Investment and Management Dept. of the Company
- VI. Stock Exchange Listed with: Shenzhen Stock Exchange
Short Form of the Stock: SZIEC-A SZIEC-B
Stock Code: 000056 200056
- VII. Initial Registration Date: Mar. 1993; Place: Shenzhen, Guangdong
Registration Date after the Adjustment: Dec. 2002; Place: Shenzhen, Guangdong
Registration Code of Enterprise Corporate Business License: QGYSZ Zi 110114
Registration Code of Tax: SNTD Zi 440300192179083
SLT Zi 440300192179083
Domestic Accounting Firms Engaged by the Company: Reanda Certified Public Accountants
Office Address: Room 808, Sun Dong An Plaza, No. 138, Wangfujing Av., Dongcheng District, Beijing

Section III Summary of Financial Highlights and Business Highlights

I. Summary of financial highlights and business highlights

Unit: RMB Yuan

Items	Amount
Operating income	27,053,285.28
Operating profit	-53,394,903.67
Total profit	-49,755,375.79
Net profit attributable to shareholders of listed company	-25,491,736.24
Net profit attributable to shareholders of listed company after deducting non-recurring gains and losses	-29,894,648.50
Net cash flow from the operation activities	-154,090,402.80

[Note]: Items and amount of non-recurring gains and losses

Unit: RMB Yuan

Items	Amount
Gains and losses from disposal of non-current assets, including offset listed to impairment of asset	-76,615.93
Gains and losses from contingencies not relating to Company's normal business	-782,925.00
Other operating income and expense	4,499,068.81
Other non-current gains and losses in line with definition	3,806,856.35
Impact on income tax	-92,502.34
Impact on minority interest	-2,950,969.63
Total	4402912.26

II. Main accounting data and financial indices of the Company over the past three years

1. Main accounting data

Unit: RMB Yuan

	2008	2007	Increase/ decrease than last year (%)	2006
Operating income	27,053,285.28	42,587,072.00	-36.48%	80,672,544.38
Net profit	-49,755,375.79	52,198,977.44	-195.32%	-76,918,719.43
Net profit attributable to shareholders of listed company	-25,491,736.24	67,866,231.38	-137.56%	-42,874,333.22
Net profit attributable to shareholders of listed company after deducting non-recurring gains and losses	-29,894,648.50	-12,507,353.57	139.02%	-23,174,091.58
Net cash flow from the operation activities	-154,090,402.80	-230,704,565.63	-33.21%	27,579,780.19
	At the end of 2008	At the end of 2007	Increase/ decrease than last year (%)	At the end of 2006
Total assets	1,126,126,509.48	1,035,265,567.86	8.78%	735,350,540.68
Owners' equity (or shareholders' equity)	218,861,548.42	244,353,284.66	-10.43%	181,473,839.16
Share capital	220,901,184.00	220,901,184.00	0.00%	220,901,184.00

2. Main financial indices

Unit: RMB Yuan

	2008	2007	Increase/ decrease than last year (%)	2006
Basic earnings per share (Yuan/share)	-0.12	0.31	-138.71%	-0.19
Diluted earnings per share (Yuan/share)	-0.12	0.31	-138.71%	-0.19
Basis earnings per share after deducting non- recurring gains and losses (Yuan/share)	-0.14	-0.06	-11.00%	-0.10
Fully diluted return on equity (%)	-11.65%	27.77%	-39.42%	-23.63%
Weighted average return on equity (%)	-11.01%	34.13%	-45.14%	-22.73%
Fully diluted return on equity after deducting non- recurring gains and losses (%)	-13.66%	-5.12%	-8.54%	-12.77%
Weighted average return on equity after deducting non- recurring gains and losses(%)	-13.03%	-7.10%	-5.93%	-27.69%
Net cash flow per share arising from operating activities (Yuan/share)	-0.70	-1.04	32.70%	0.12
	At the end of 2008	At the end of 2007	Increase/ decrease than last year (%)	At the end of 2006
Net assets per share attributable to shareholders of listed companies (Yuan/share)	0.99	1.11	-10.81%	0.82

Section IV Changes in Share Capital and Particulars about Shareholders

I. Changes in share

1. Statement on changes in share capital (as of 31 Dec. 2008)

Unit: Share

	Before the change		Increase/ decrease in this change (+,-)					After the change	
	Amount	Proportion	Issuance of new share	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Shares subject to trading moratorium	20,013,565	9.06%				-12,443,972	-12,443,972	7,569,593	3.43%
1. Shares held by state									
2. Shares held by state-owned corporation	18,293,893	8.28%				-11,045,060	-11,045,060	7,248,833	3.28%
3. Shares held by domestic investors	1,398,912	0.63%				-1,398,912	-1,398,912		
Including: shares held by domestic non-state-owned corporation	1,398,912	0.63%				-1,398,912	-1,398,912		
Shares held by domestic natural person									
4. Shares held by foreign investors									
Including: shares held by foreign corporation									
Shares held by foreign natural person									
5. Shares held by senior executives	320,760	0.15%						320,760	0.15%
II. Shares not subject to trading moratorium	200,887,619	90.94%				12,443,972	12,443,972	213,331,591	96.57%
1. RMB ordinary shares	99,199,427	44.91%				12,443,972	12,443,972	111,643,399	50.54%
2. Domestically listed foreign shares	101,688,192	46.03%						101,688,192	46.03%
3. Overseas listed foreign shares									
4. Others									
III. Total shares	220,901,184	100.00%						220,901,184	100.00%

Statement on change in shares subject to moratorium

Unit: Share

Name of shareholder	Shares subject to moratorium at the year-begin	Shares released in current year	Additional shares in current year	Shares subject to moratorium at the year-end	Reason	Date of release
Shenzhen Special Economic Zone Development (Group) Co., Ltd.	18,293,893	11,045,060	—	7,248,833	Implementation of commitment of share merger reform	30 Jan. 2008
Shenzhen Taitian Industrial Development Co., Ltd.	1,398,912	1,398,912	—	—	Implementation of commitment of share merger reform	30 Jan. 2008
Li Jinquan	145,800	—	—	145,800	Director	

Song Shengjun	174,960	—	—	174,960	Senior executive	
Total	20,013,565	12,443,972	—	7,569,593	—	—

2. Issuance and listing of shares

(1) Issuance of shares and derivative securities in the past three years: by the end of the report, the Company didn't issue new shares and derivative securities in the past three years.

(2) In the report period, the Company's structure of share capital changed due to implementation of share merger reform. But total share capital remained unchanged subsequent to implementation of share merger reform.

(3) There was inner employee shares in the Company.

II. Particulars about shareholders

1. As of Dec. 31, 2008, the Company has 21,261 shareholders in total.

2. Particulars about shares held by the top ten shareholders (as of 31 Dec. 2008)

Unit: share

Total number of shareholders	21,261				
Particulars about shares held by the top ten shareholders					
Name of shareholders	Nature of shareholders	Proportion	Total shares held	Shares subject to moratorium held	Frozen or pledged share
Malaysia Foh Chong & Sons Limited	Foreign corporation	13.70%	30,264,192	0	0
Shenzhen Special Economic Zone Development (Group) Co., Ltd.	State-owned corporation	9.76%	21,566,857	7,248,833	0
Shenzhen Maoye Emporium Ltd	Domestic non-state-owned corporation	6.15%	13,577,548	0	0
First Shanghai Securities Limited	Foreign corporation	4.63%	10,231,568	0	0
F.C. (ASIA) HOLDINGS SDN. BHD.	Foreign corporation	3.93%	8,684,194	0	0
Shenzhen Taitian Industrial Development Co., Ltd.	Domestic non-state-owned corporation	3.82%	8,447,602	0	0
Hong Kong Mengxing Industrial Co., Ltd.	Foreign corporation	0.98%	2,170,200	0	0
Dapu Foh Chong Chemical Co., Ltd.	Domestic non-state-owned corporation	0.85%	1,877,800	0	0
Yang Jun	Foreign nature	0.71%	1,560,000	0	0
LETSCON HOLDINGS SDN. BHD.	Foreign corporation	0.68%	1,497,172	0	0
Particulars about shares not subject to moratorium held by the top ten shareholders					
Name of shareholders		Shares not subject to moratorium held		Type of shares	
Malaysia Foh Chong & Sons Limited		30,264,192		Domestically listed foreign shares	
Shenzhen Special Economic Zone Development (Group) Co., Ltd.		14,318,024		RMB ordinary shares	
Shenzhen Maoye Emporium Ltd		13,577,548		RMB ordinary shares	
First Shanghai Securities Limited		10,231,568		Domestically listed foreign shares	
F.C. (ASIA) HOLDINGS SDN. BHD.		8,684,194		Domestically listed foreign shares	
Shenzhen Taitian Industrial Development Co., Ltd.		8,447,602		RMB ordinary shares	

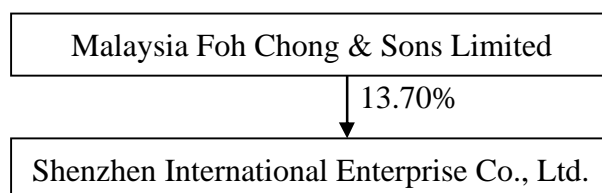
Hong Kong Mengxing Industrial Co., Ltd.	2,170,200	Domestically listed foreign shares
Dapu Foh Chong Chemical Co., Ltd.	1,877,800	RMB ordinary shares
Yang Jun	1,560,000	RMB ordinary shares
LETSCON HOLDINGS SDN. BHD.	1,497,172	Domestically listed foreign shares
Explanation on associated relationship or action-in-concert among the above shareholders	Shenzhen Maoye Emporium Ltd and UOB investment (China) Limited was person acting in concert, they totally held 22,791,516 A shares and B shares of the Company , tanking up 10.32% of total share capital; As of 31 Dec. 2008, UOB investment (China) Limited acquired 9,213,968 shares by entrust of First Shanghai Securities Limited. Besides, 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	

[Note]: (1) Shenzhen Special Economic Zone Development (Group) Co., Ltd held shares of the Company on behalf of the State.

3. The first principal shareholder of he Company

Malaysia Foh Chong & Sons Limited holds 30,264,192 shares of the Company, taking up 13.70% of total shares capital of the Company. Malaysia Foh Chong & Sons Limited was established in 1958, registration place is Malaysia, legal representative is Xiao Guangsheng. Business scope includes: plantation of rubber, development of real estate, chemical, metal wares, import & export of raw material, financial companies and securities investment.

Property right and controlling relationship between the actual controller and the Company are as follows:



4. Other corporate shareholders holding over 10% (including 10%) of total share of the Company:

Other shareholder holding over 10% of shares of the Company is Shenzhen Maoye Emporium Ltd and its person acting in concert UOB investment (China) Limited, who hold 22,791,516 shares of the Company, taking up 10.32% of total share capital. Registered capital of Shenzhen Maoye Emporium Ltd is USD 170 million, legal representative is Huang Maoru and nature belongs to company limited and it registered in Shenzhen, Guangdong. Business scope includes: engage in property operation and management of center square in Dongmen, operating catering, retail of general merchandise (including sales on commission and consignment) (referred industrial management of the state operated by license); organization export business of domestic products; import & export business of self-supporting goods. Shenzhen Maoye operated bowling room, chess & card room, squash room, billiard room and instrument gymnasium; engaged in park service of Maoye Emporium Department store park lots. Set up catering branch in 7-8/F, the 3rd Phase of Center Square, Dongmen and attached retails of cigarette and wine. Engaged in hair & beauty salon

and gymnasium in 6/F, the 3rd Phase of Center Square, Dongmen; engaged in retails of golden and silver jewelry in No. 13, Dongmen Middle Road, Shenzhen. And retails of food (Food sanitation license was valid till 20 Jun. 2011)

Section V. Directors, Supervisors, Senior Executives and Employees

I. Particulars about directors, supervisors and senior executives

1. Basic information

Name	Title	Sex	Age	Starting date of office term	Ending date of office term	Shares held at the year-begin	Shares held at the year-end	Reason for change
Li Jinquan	Chairman of the Board	Male	63	6 Mar. 2007	6 Mar. 2010	194,400	194,400	
Song Shengjun	General Manager	Female	54	6 Mar. 2007	6 Mar. 2010	233,280	233,280	
Zhang Jianmin	Director	Male	50	6 Mar. 2007	6 Mar. 2010			
Xiao Guangsheng	Director	Male	61	6 Mar. 2007	6 Mar. 2010			
Li Mugui	Director	Male	64	6 Mar. 2007	6 Mar. 2010			
Zhao Lijin	Independent director	Male	70	6 Mar. 2007	6 Mar. 2010			
Zhi Guozhen	Independent director	Male	67	6 Mar. 2007	6 Mar. 2010			
Chen Weihuai	Independent director	Male	42	6 Mar. 2007	6 Mar. 2010			
Zhou Xiaoxing	Supervisor	Female	52	6 Mar. 2007	6 Mar. 2010			
Guo Jian	Supervisor	Female	44	6 Mar. 2007	27 Jun. 2008			
Cui Xiaoli	Supervisor	Female	44	6 Mar. 2007	6 Mar. 2010			
Zhang Xinliang	Supervisor	Male	39	27 Jun. 2008	6 Mar. 2010			
Li Yuanchen	Deputy General Manager	Male	55	23 Apr. 2008	6 Mar. 2010			
Zhou Xiaoliang	CFO	Male	39	14 Jan. 2008	6 Mar. 2010			
Zhou Meng	Secretary of the Board	Male	36	6 Mar. 2007	23 Apr. 2008			
Cao Jian	Secretary of the Board	Male	27	23 Apr. 2008	6 Mar. 2010			

[Note]: Position of directors or supervisors held in shareholding company

Director Mr. Zhang Jianmin take the post of Deputy General Manager and member of CPC in Shenzhen Special Economic Zone Development (Group) Co., Ltd; director Mr. Xiao Guangsheng was director of Malaysia Foh Chong & Sons Limited; supervisor Mr. Li Mugui acted as Chairman of the Board in Hong Kong Foh Chong Chemical Co., Ltd; supervisor Mr. Zhang Xinliang served as secretary of Audit Supervision Department, employee supervisor as well as secretary of the Board in Shenzhen Special Economic Zone Development (Group) Co., Ltd.

2. Main work experiences and position or concurrent position in other companies excluding the shareholder's company

Mr. Li Jinquan: once took the post of Deputy General Manager in Shenzhen Special Economic Zone Development Co., Ltd and President in Shenzhen Commercial & Trading Holding Company. He worked as Manager in Shenzhen International Marketplace in 1983, and now is Chairman of the Board of the Company. He was in engaged in leading work of trade and commerce over 20 years and has rich experiences in commerce management.

Ms. Song Shengjun: entered into the Company from 1984 to now, from engaging

marketplace to promoting trade, from engaging commerce, estates to disparate operation, accumulated very rich extraordinarily abundant experiences of trade major management and enterprise leading, and now is director and General Manager of the Company.

Mr. Zhang Jianmin: once took posts as deputy secretary of Commission for Disciplinary Inspection in Shantou as well as deputy secretary of CDI, manager of auditing and supervision department and manager of law affairs department in SDG, and now is Deputy General Manager of SDG and concurrently Chairman of the Board of Shenzhen Communications Industry Co., Ltd and director of the Company.

Mr. Xiao Guangsheng: now is director, General Manager of Malaysia Foh Chong & Sons Limited and director of the Company.

Mr. Li Mujia: now is director and General Manager of Hong Kong Foh Chong Chemical Co., Ltd and member of the 10th Commission of Dapu County, Guangdong Province of CPPCC, and supervisor of the Company.

Zhi Guozhen, male, was born on 7 Dec. 1942 in Xian, ancestral home was Xinji City of Hebei Province. He was member of CPC, graduated from Tsinghua University with civil engineering major, Senior Engineer, Primary Registered Structural Engineer. He ever took the posts of Deputy Chief Engineer of Railway Construction Engineering, Chief Engineer of Shenzhen Construction Bureau, Chief Engineer of Qinghua Yuan Design Company. He served as Independent Director of the Company.

Zhao Lijin, male, was born in Zhang Jiakou, Hebei on Nov. 24, 1939, graduated from BJ University of Finance & Economics with major of Economics Law; Certified Public Accountant. He took the posts of Deputy Director of Guangxi Geology and Mineral Resources Bureau of Ministry of Geology and Mineral Resources; Deputy Director of Special Commissioners' Office in Shenzhen of National Audit Office; Director of Case Investigation Department; Chief Economist of Shenzhen Energy Group Co., Ltd; CFO of Shenzhen Nanshan Power Co., Ltd.; CFO of Shenzhen Huishen Power Investment Co., Ltd., Deputy Superintendent of Tin Wha CPAS, Shenzhen; Independent Director of Shenzhen International High-tech Property Exchange Co., Ltd.; as Independent Director of the Company from Mar. 2007.

Chen Weihuai, male, was born on Jan. 20, 1967, from Xingning, Guangdong., graduated from Zhongnan University of Law (now Zhongnan University of Economics and Law as Economics Law. He took the post in Shenzhen Special Economic Zone Development (Group) Co., Ltd; partner and lawyer in Guangdong China Commercial Law Co. He took post of Independent Director of the Company.

Ms. Zhou Xiaoxing, female, born in May 1956, from Shanghang, Fujian, associate degree holder, began to work from 1974. She once acted as section chief in Shenzhen

Foreign Trade Chemical Machinery Import & Export Company; and now is Chairman of the Supervisor Committee and Manager of Personnel Department of the Company.

Mr. Guo Jian, male, born in Apr. 1965, from Sichuan, Master, graduated from Harbin Institute of Technology with major of Communication and Electric. He served as Associate Researcher in Harbin Institute of Technology in 1989, worked in Shenzhen Changhong Communication Equipment Co., Ltd from 1994 and successively acted as Software Engineer, person in charge of the project; participated in Shenzhen Special Economic Zone Development (Group) Co., Ltd in 1996, now acts as Secretary of Enterprise Management Department. He was supervisor of the Company till 27 Jun. 2008.

Mr. Zhang Xinliang, born in Jun. 1970, maser of management, senior accountant, with tile of economist, member of CPC, graduated from Economic School of Jinan University with accounting major, and gained bachelor degree of economic. In Jun. 2002, he got management master degree of Accounting School of Zhongnan University of Economics and Law. He participated in Shenzhen Special Economic Zone Development (Group) Co., Ltd in 1997, and now acts as Secretary of Audit Supervision Department, employ supervisor and concurrently secretary of the Supervisor Committee in SDG. He has been supervisor of the Company since Jun. 2008.

Ms Cui Xiaoli, born in Oct. 1963, graduated from National University of Defense Technology with computer major, is bachelor degree holder and engineer. She worked in Wuhan Changjiang River Shipping Information Center from 1988 to 1991, participated in the Company in 1991, has been acting as manager of Information Department since Mar. 2007.

Mr. Zhou Meng, graduated from Rinmin University of China with major of Investment, participated in the Company in 1993, took the posts successively as Deputy Manager of Planning & Financing Department, Manager of Investment Management Department, Secretary of the Board and Deputy General Manager of Chain Commerce Company. He acted as Deputy General Manager and Secretary of the Board of the Company till 23 Apr. 2008.

Mr. Li Yuanchen, Han nationality, born o 15 Jan. 1954, is bachelor of Economic School of Nanjing Normal University and senior economist. He participated in SDG in 1996, acting as manager of Development Department and manager of Enterprise Management. From 1998 to Apr. 2007, he was Chairman and Secretary of CPC of Shenzhen SDG Longfei Radio Communication Development Co., Ltd. He participated in the Company in Apr. 2007. He once worked as General Manager of Luoyang Rongfa Property Co., Ltd, now is Deputy General Manager of the Company.

Mr. Zhou Xiaoliang, Han nationality, born in 1969, 38 years old, Master of finance

management of University of Liverpool, Finance management of Shanghai Huahong Group Co., Ltd; CFO in Sweden New Wave Group, CFO of Aohua Medical Company, served as CFO of the Company from Jan. 2008.

Mr. Cao Jian, born in May 1981, member of CPC, graduated from Guangdong University of Business Studies with major of finance, is master of economy. He worked in Investment Management of the Company in Jun. 2007, now is secretary of the Board.

3. Particulars about annual remuneration received by directors, supervisors and senior executives

Name	Title	Payment drawn from the Company in the report period (Unit: RMB '0000)	Remarks
Li Jinquan	Chairman of the Board	36	Whole year
Song Shengjun	General Manager	36.43	Whole year
Zhang Jianmin	Director	-	Whole year
Xiao Guangsheng	Director	3.00	Whole year
Li Mugui	Director	3.00	Whole year
Zhao Lijin	Independent director	3.00	Whole year
Zhi Guozhen	Independent director	0.00	-
Chen Weihuai	Independent director	3.00	Whole year
Zhou Xiaoxing	Supervisor	11.41	Whole year
Guo Jian	Supervisor	-	Whole year
Zhang Xinliang	Supervisor	1	Office term in 2008
Cui Xiaoli	Supervisor	11.51	Whole year
Zhou Meng	Deputy General Manager and Secretary of the Board	1.8	Office term in 2008
Li Yuanchen	Deputy General Manager	18	Whole year
Zhou Xiaoliang	CFO	24	Whole year
Cao Jian	Secretary of the Board	8	Whole year

Remuneration of directors and supervisors was decided by the Shareholders' General Meeting while that of senior executives determined by the Board of Directors. During the report period, all senior executives of the Company drew their remuneration from the Company.

(1) In the report period, allowances for directors, independent directors and supervisors were paid according to a standard determined in the Resolution on Adjusting Remuneration of Part Directors, Independent Directors and Senior Executives examined and passed at the 2nd Extraordinary Shareholders' General Meeting 2007 and other regulations of the Company. Directors and independent directors taking no position in the Company drew allowance of RMB 30,000 (tax excluded) per year from the Company; supervisors taking position in the Company drew allowance of RMB 10,000 (tax excluded) from the Company. The Company bore such fees as traffic fee, residence fee, investigation fee and meeting fee occurred

which Independent directors performed their duties.

Director Xiao Guangsheng, Li Mugui, Zhao Jinli, Chen Weihuai, Zhi Guozhen drew allowance of RMB 30,000 respectively, director Zhang Jianmin and supervisor Guo Jian didn't draw remuneration or allowance in the Company. Other supervisors didn't draw except Zhang Xinliang drew allowance RMB 10,000 in the Company. Of which director Zhang Jianming, Xiao Guangsheng, Li Mugui and supervisors Guo Jian and Zhang Xinlaing drew payments from shareholder company.

(2) All senior executives holding position in the Company drew their remuneration from the Company. The remuneration of senior executives was composed of wage (including basic wage and benefit wage), allowance and year-end bounty.

(3) Annual remuneration paid by the Company to directors, supervisors and senior executives totaled up RMB 1,591,500.

4. Particulars about resigned directors, supervisors and senior executives in the report period.

(1) Supervisor Mr. Guo Jian resigned from the position due to job transfer, and Mr. Zhang Xinliang was elected as supervisor of the company, which was approved by the Annual Shareholders' General Meeting 2007.

(2) Deputy General Manager, also Secretary of the Board, Mr. Zhou Meng resigned due to personal reason in Apr. 2008. The 5th Meeting of the 5th Board of Directors of the Company engaged Mr. Li Yuanchen as Deputy General Manager and Mr. Cao Jian as Secretary of the Board.

The information of all above change disclosed in Securities Times, Hong Kong Ta Kung Pao and <http://www.cninfo.com.cn>.

II. Particulars about employees

As of Dec. 31, 2008, the Company had totally 284 employees. The composing of professional and background of education and the retiree are as follows:

Composing of professional: 8 management staff, 72 technicians, 15 administrative personnel and 126 production personnel.

Background of education: 2 postgraduates, 52 personnel with bachelor degree, 50 personnel with association degree, 23 personnel graduated from technical secondary school and 155 personnel graduated from senior high school or below.

Section VI Corporate Governance Structure

I. Actual situation of corporate governance

In accordance with the requirements of Company Law, Securities Law and relevant laws and statutes, the Company earnestly carried out the spirit of special campaign on corporate governance issued by CSRC and Shenzhen Stock Exchange, further perfected the system of corporate governance, and continuously improved the consciousness of standard operation and level of corporate governance to standardize operation of the Company. In line with the requirements of corporate governance and CSRC, the Company formulated Work System on Annual Report for Independent Directors, Work Procedure for Audit Committee, Specific Management System on Shares Held by Directors, Supervisors and Senior Executives of Shenzhen International Enterprise Co., Ltd and Its Change and Management System on Prevention Capital Occupation by Shareholding Company and Related Party of Shenzhen International Enterprise Co., Ltd, further perfected construction of internal control system, strengthened ability to execute internal regulations.

The Shareholders' General Meeting, the Board of Directors and the Supervisory Committee performed their duty independently in conformity with provisions stipulated in related laws and statutes.

Meanwhile, in order to advance corporate governance, the Company determined members of special committee under the Board of Directors in line with relevant procedure.

Corporate governance of the Company was in accordance with the requirement concerning normative documents on corporate governance of listed companies issued by CSRC.

II. Significant activities and work to establish and perfect internal control and the achievements

In 2008, according to requirements of Public Notice No. [2008] 27 issued by CSRC, the Company carried out corporate governance item by item and further perfected internal control system.

1. The Board of Directors held the 7th meeting in Jul. 2008, reviewed and approved Proposal concerning Explanation on Rectification of Corporate Governance, which explained and published rectification on events listed in rectification report on corporate governance as of 30 Jun. 2008;
2. The Company executed self-inspection on capital occupation by shareholding company and related party. The Board of Directors held the 8th Board Meeting in Jul. 2008, reviewed and approved Management System on Prevention Capital Occupation by Shareholding Company and Related Party of Shenzhen International Enterprise Co., Ltd and published Shenzhen International Enterprise Co., Ltd Self-inspection Report on Capital Flow of Principal Shareholders and Related Parties;
3. In order to carry out work to be rectify listed in rectification report on corporate governance, the Board of Directors held the 11th meeting on 13 Nov. 2008, reviewed and approved Proposal on Proper Handling Store Subscription of Staff; the Company

held the 1st Extraordinary Shareholders' General Meeting on 30 Nov. 2008, reviewed Proposal on Proper Handling Store Subscription of Staff and Proposal on Borrowing Capital for Exploitation of Jingdao Project from Individuals, which was not approved.

III. Duty performance of Independent Directors

The Board of Director consists of three independent directors, of which one is construction professional personnel, one is auditing expert, and another is a lawyer. In the report period, independent directors attended the Board meetings and Shareholders' General Meetings actively, fulfilled the duties of independent directors seriously and expressed independent opinions on the significant events of the Company.

In the period of auditing the annual report, independent director reviewed arrangement on audit work in current year and financial statement compiled by the Company, which was submitted by person in charge of finance, before the certified public accountant began to audit; heard the production and operation situation and progress of significant events reported by the management officers, meanwhile, discussed the problem found in process of audit with certified public accountant after CPAs issued the primary audit opinions.

Presence of independent directors at the Board Meeting:

Name	Times should be present at the Board meeting	Times of personal presence	Presence on commission	Times of absence	Notes
Chen Weihuai	12	7	5	-	-
Zhao Lijin	12	12	-	-	-
Zhi Guozhen	12	10	2	-	On business

IV. The Company was separated from the principal shareholder in personnel, assets financing, organization and business were independent. All companies independently settled and undertook liabilities and risk respectively.

1. In respect of personnel, the Company is absolutely independent in management of labor, personnel and salaries; senior executives of the Company including Chairman of the Board, General Manager, Deputy General Manager, Financial Principal and secretary of the Board never concurrently take specific managerial position or draw payment from shareholder companies.
2. In respect of assets, the Company has clear property right of assets, and no assets occupied by principal shareholders or related parties.
3. In respect of finance, the Company has established independent finance department, established independent accounting system and financial management system according to relevant systems, opened independent bank account and paid taxes independently.
4. In respect of organization, the Board of Directors, the Supervisory Committee and other internal organizations have been functioning independently. The principal shareholder and its subsidiary organizations have neither assigned operating plan or order to the Company or the Company's subsidiaries, nor impacted the independency of the Company's management and administration in other ways.

5. In respect of business, the Company has independent purchase and sales system as well as independent and complete business and management capabilities.

V. Appraisal & incentive mechanism for senior executives

The Company was actively formulating effective appraisal and incentive mechanism for senior executives.

VI. Establishment and improvement of internal control

(I) Self-appraisal report on internal control system

For details, please refer to Self-appraisal report on Internal Control 2008 of Shenzhen International Enterprise Co., Ltd in <http://www.coinfo.com.cn> on 17 Apr. 2009.

(II) Appraisal opinions

1. Opinions on self-appraisal of internal control expressed by supervisors

After examination and verification, supervisors of the Company believed that: the internal control of the Company was in accordance with requirements of Guidelines of Shenzhen Stock Exchange for Internal Control of Listed Companies. The format of self-appraisal report on internal control was in conformity with the requirement of Circular on Fulfilling Annual Report 2008 of Listed Companies with document No. SZS (2008) 168, and truly, objectively and completely reflected the implementation and effects of internal control.

2. Opinions on self-appraisal of internal control expressed by independent directors
After examination and verification, independent directors Zhao Lijin, Zhi Guozhen, Chen Weihuai believed that: the internal control of the Company was in accordance with requirements of Circular on Fulfilling Annual Report 2008 of Listed Companies with document No. SZS (2008) 168, and was also in line with provisions in Basic Standard for Enterprise Internal Control jointly issued by Ministry of Finance, CSRC and so on and Guidelines for Internal Control of Listed Companies issued by Shenzhen Stock Exchange. Appraisal on internal control and procedure of appraisal was in line with Guidelines of Shenzhen Stock Exchange for Internal Control of Listed Companies

Section VII Brief Introduction to the Shareholders' General Meeting

During the report period, the Company totally held three Shareholders' General Meetings with details as follows:

I. The Annual Shareholders' General Meeting for the Year 2007

The 6th Meeting of the 5th Board of Directors for the Year 2008 was held on 5 Jun. 2008, at which made resolution to hold the Annual Shareholders' General Meeting for the Year 2007. The Annual Shareholders' General Meeting was held at the meeting room of the Company on 23/F, Development Center Building, Renmin South Road, Luohu District, Shenzhen at 10:00 am on 26 Jun. 2008. Mr. Li Jinquan, Chairman of the Board, presided over the said meeting. Totally 12 shareholders and shareholder's proxy attended the meeting, representing 73,529,200 shares, taking up 33.29% of total share with voting rights. The Company's directors, supervisors, senior executives and lawyers engaged by the Company attended the meeting. The following resolutions were examined and approved at this meeting:

1. Annual Report 2007 and its summary;
2. Work Report of the Board of Directors for the Year 2007;
3. Work Report of the Supervisory Committee for the Year 2007;
4. Reports on Final Finance Account for the Year 2007;
5. Profit Distribution Plan of 2007;
6. Proposal on Reengagement of domestic Accounting Firm;
7. Proposal on Replacement of Supervisors

Public notice on resolutions of the meeting was published in Securities Times, Hong Kong Ta Kung Pao and <http://www.cninfo.com.cn> dated 28 Jun. 2008.

II. The 1st Extraordinary Shareholders' General Meeting 2008

The 11th Meeting of the 5th Board of Directors for the Year 2008 was held on 13 Nov. 2008, at which made resolution to hold the 1st Extraordinary Shareholders' General Meeting 2008. The 1st Extraordinary Shareholders' General Meeting 2008 was held at the meeting room of the Company on 23/F, Development Center Building, Renmin South Road, Luohu District, Shenzhen at 9:00 am on 29 Nov. 2008. Mr. Li Jinquan, Chairman of the Board, presided over the said meeting. Totally 35 shareholders and shareholder's proxy attended the meeting, representing 93,032,124 shares, taking up 42% of total share with voting rights. The Company's directors, supervisors, senior executives and lawyers engaged by the Company attended the meeting. The following resolutions were examined and approved at this meeting:

1. Proposal on Revising Articles of Association
2. Proposal on Proper Handling Store Subscription of Staff
3. Proposal on Borrowings for Supplement of Exploitation Fund of Project.

The aforesaid three proposals didn't be approved.

Public notice on resolutions of the meeting was published in Securities Times, Hong Kong Ta Kung Pao and <http://www.cninfo.com.cn> dated 2 Dec. 2008.

Section VIII Report of the Board of Directors

I. Operation status in the report period

1. Overall operation

In 2008, the Company continued to develop two core projects mainly: Jingdao shopping center and forestry project, which developed rapidly with efforts of staff of the Company. In the report period, the Company realized operating income to RMB 27,053,285.28, down -36.48% year-on-year; operating profit amounting to RMB -53,394,903.67, down -204.12% year-on-year; realized net profit RMB -49,847,878.13, down -136.30% year-on-year, of which attributable to listed company was RMB -25,491,736.24, down -137.56% year-on-year. Profit in current year decreased by a large margin, which was mainly because:

(1) The Company was in progress of transition, wholly seceded from the traditional retail general merchandise industry, vigorously developed large shopping center and forestry. The two projects was in input period, and has not profited yet.

(2) The Company withdrawal of impairment of accountants receivable according to relevant regulations.

In 2008, international economic environment and domestic economic status was severe. From the international point of view, outburst of subprime mortgaging crisis in the USA of last year triggered global economic financial crisis and further spread to real economy. Otherwise, our country had experienced uncommon snow disaster and Sichuan earthquake. Influenced by this, development of economy in our country slowed down, capital market and price of assets fluctuated fiercely. However, economy in China still kept active. Its largest market, stable political environment as well as investment and domestic demand, the two factors pulling economy, and the macro adjustment measure was trending to mature, which guaranteed durative and rapid development of economy.

In 2008, the Company continue to carry out strategic guideline, and actively advanced IA Mall (that is Jindao international shopping center) and forestry. At present, project of IA MALL has completed, and was in period of refined decoration and as made acceptance; in order to build Jingdao as shinning point in Shenzhen, in respect of invitation of investment, the Company discussed and cooperated with international famous brand and continuously extend advantages of project.

The Company stably advanced all woks of forestry companies, continued to develop three bases in Wengyuan, Wuhua and Xingning, then exploited two bases in Zijin and Ganzhou; up to 2008, the Company has planted fast-growing and high-yield forest about 100,000 mu; as at the end of 2008, land expropriation of the Company amounted to 101,887 mu, which offered enough land reserve for afforestation of 2010. Meanwhile, the Company put in time and effort on establish work team and basic management. The Company recruited 27 staff, and replenished technicians and senior engineers for forestry companies and bases, perfected working teams and established Ganzhou Office. On the other side, in order to improve quality of staff, forestry company developed off-the-job training for staff and improved professional technical

level and management level by frontline lead ship training and technology & management training. Moreover, the Company cooperated with Central South Forestry University to development of forestry soft.

2. Main business and operation status in the report period

(1) Main business classified according to industries:

Unit: RMB'0000 Yuan

Main business classified according to industries						
Industries or products	Operating income	Operating Cost	Operating profit Rate (%)	Increase/decrease of operating income than last year (%)	Increase/decrease of operating cost than last year (%)	Increase/decrease of operating profit rate than last year (%)
Sales of commodity	182.00	135.20	25.71%	-0.61%	24.90%	-37.12%
Sales of real estate	1,208.48	1,318.51	-9.10%	7.07%	13.66%	-134.34%

(2) Income from main business classified according to regions

Region	Operating income	Increase/decrease of operating income than last year (%)
Shenzhen	2,705.33	-36.48%

(3) Principal supplier and customers

Name of customer	Amount of this year (RMB Yuan)		Amount of last year (RMB Yuan)	
	Sales amount	Proportion in total sales amount	Sales amount	Proportion in total sales amount
Total sales income of the top five customers	11,850,460.00	43.80%	10,465,752.00	24.57%

3. Composing of assets of the Company in the report period

Items	2008		2007		Proportion of increase/decrease (%)	Reason
	Amount (Yuan)	Proportion in total assets	Amount (Yuan)	Proportion in total assets		
Accounts receivable	1,287,719.72	0.11%	1,328,901.67	0.13%	-15.38%	—
Inventories	965,170,729.88	85.71%	826,728,755.33	79.86%	7.33%	Recognize of IA MALL according to progress
Investing property	1,755,450.46	0.16%	9,684,331.58	0.94%	-82.98%	Revitalization of property
Long-term equity investment	6,570,262.84	0.58%	6,570,262.84	0.63%	-7.94%	—
Fixed assets	75,972,488.11	6.75%	80,372,214.68	7.76%	-13.02%	Disposal of fixed assets and sales of real estate
Short-term borrowings	8,000,000.00	0.71%	—	—	100%	Increase of loan
Long-term Borrowings	418,000,000.00	37.12%	274,918,800.00	26.56%	39.56%	Increase of loan, which was used in development of IA Mall
Long-term deferred expense	240,000.00	0.02%	13,345,514.72	1.29%	98.45%	

4. Expense of the Company in the report period

Items	2008	2007	Proportion of increase/decrease (%)	Reason
Sales expense	21,222,151.97	21,298,572.87	-0.36%	—
Administrative expense	19,508,122.14	20,822,122.49	-6.31%	—
Financial expense	5,925,391.14	-3,077,474.27	232.54%	Expense increased due to increase of loan
Investment income	0	86,047,999.77	-100%	The Company was in the period of transition, income decreased.

5. Composition of cash flow

Items	2008	2007	Proportion of increase/decrease (%)	Reason
Net cash flow from operating activities	-154,090,402.80	-230,704,565.63	-33.21%	Decrease of operating activities
Net cash flow from investing activities	40,062,751.24	69,403,789.82	-42.28%	Note 1
Net cash flow from financing activities	121,099,537.53	196,597,497.20	-38.4%	Repayment of loan
Increase of cash and cash equivalent	7,071,885.97	35,296,721.39	-79.96%	Influence of the above

Note 1: The Company was in the period of transition. The Company wholly seceded from traditional retail general merchandise industry after sales of equity of Shenzhen International Arcade in 2007, and mainly built IA MALL, which caused decrease of net cash flow from investing activities.

6. Operation and achievements of principal holding companies and share-holding companies

(1) Shenzhen Rongfa Investment Co., Ltd, whose 60% equity is held by the Company, is mainly engaged in development of real estate with registered capital of USD 5 million. In the report period, total assets was RMB 1,055,286,326.67, realized operating income amounting to RMB 2,803,680, operating profit amounting to RMB -63,735,061.47.

(2) Shenzhen International Arcade Forestry Development Co., Ltd is the wholly-owned subsidiary of Shenzhen Rongfa Investment Co., Ltd, which is the subsidiary of the Company. It has registered capital of RMB 10,000,000, and mainly engages in farming and forestry projects. During the reporting period, its total assets reached RMB 128,465,246.57, with income from major business of RMB 0, and profit from major business of RMB -1,740,775.33.

(3) Shenzhen SIEC Property Management Co., Ltd, whose 61% equity is held by the Company, mainly engages in property management with registered capital of RMB 7 million. In the reporting period, its total assets reached RMB 24,462,178.97, with income from major business of RMB 18,401,445.28, and profit from major business of RMB -146,113.86.

II. Operation Plan of 2009

(I) Development Trend of the Industry

In 2009, the Central Government set several tasks of maintaining stable growth of economy, expanding domestic demand as well as optimizing economic structure, and released measures such as an investment of 4 trillion, to ensure the rapid and stable growth of economy. As the frontline of reform and opening up, Shenzhen continuously reform and innovate, making every effort to become the center of finance, exhibitions, logistics and new high-tech industries in Pearl River Delta. Under such economic situation, the development and operation of the Company is facing with many favorable factors as well as challenges.

1. In 2008, the total output value of Shenzhen was RMB 780,654,000,000, up by 12.1% compared with that of last year. The average per capital output value, calculated based on the average annual permanent residents of the area, was RMB 89,814, up by 10.2% compared with that of last year, ranking among the top in the country. The rapid developing economy and leading per capita income of Shenzhen will be powerful guarantee of demand for high and medium level consumption in retail business industry. After years' construction, the centre area of Shenzhen is becoming better and better, with the high-end hotels and office buildings near IA-MALL put into operation one after another. The stream of people of exhibitions, high-end business, and metro-stations will provide sufficient passenger flow for the shopping center. Besides, the construction of subway station and underground railway station will significantly promote the sound development and improve the market valuation of IA-MALL in the future.

With the change of retail industry, the development of large shopping centre will become one of the future trends. Currently, there have already been several large shopping centers, which have already opened or will soon open, in Shenzhen. Such situation will pose a challenge to the operation of IA-MALL after it starts business. The Company will base itself on the excellent geographical location of the Project, make appropriate market orientation, focus on attracting the targeted customer base and stick to the operation guideline of alienation. Besides, it takes a long time for large shopping centers to gain reasonable profits, which, as a result, will pose some pressure on the business achievement of the Company in short term.

2. In Jul. 2008, the Central Committee of CPC and the State Council issued the Opinion on Promoting Overall Reform of Collective Forest Property Right System, to push forward the reform of forest property right. The issuance of the Opinion has extremely important policy significance for the forestry project of the Company. Later, relevant supporting measures were released to specify the property reform of the forestry project and expand the financing channel for the forestry project.

Although the Company has made some achievements in the forestry project, yet large-scale plantation in the forestry project is still a huge challenge to the Company's

capability of operation and management. Since 2008, the Company will launch off-job training among the team regularly, build up teams of forestry rangers at local areas, and cooperate with forest schools to develop software for forestry informatization, so as to improve the management level of forestry industry.

(II) Future Development Strategy

In 2009, the Company will stick to the goal of efficiency and focus on the two core events of IA MALL and Forestry, so as to realize a new leap in development of the Company.

1. To make every effort to ensure IA MALL starts business smoothly. Since 2005, the Company has invested a large amount of money into the project IA MALL, which has been accomplished now. The Company will concentrated on attracting business, conduct overall activities, and accomplish the work of every section based on the orientation and overall arrangement of the project. It aims at making a medium and high level shopping mall through sound and overall preparation as well as propagation for opening business.

2. Forestry is the one of the starting points of the Company's strategic transition, therefore the project is a new profit growth point of Shenzhen International Arcade, and it is also a firm step forward that the Company strides for long-term development. After 5 years' exploration in afforestation, it is currently of primary importance among priorities to buy more land and better land within limited time, so as to ensure sufficient land reserve for afforestation in 2010. According to the Company's plan, the preparation for 100,000 mu afforestation will begin in early Sep. 2009. Besides, the eucalyptuses planted in the first period will soon enter the harvest time, and the Company will make sure the sale of 12000 mu that meet the requirement of being cut down, including the sale of logs and process of planks, is done well, so as to raise capital in cash for the operation of the forestry company. In order to complete the forestry industrial chain, the Company plans to establish fertilizer plants and Rough Machining Plant of Wood through means of joint-stock, equity participation, and purchase etc. in 2009.

3. To improve corporate governance and build a stable team of the Company. The Company will further improve internal competitive mechanism, clearly specify the responsibility and rights of each position, as well as establish scientific and orderly management mode. It will strengthen talent cultivation, promote some backbones of staff in transparent way as well as adopt trainings in new manners and forms, so as to improve the quality of the team.

4. To actively and steadily carry forward the introduction of strategic cooperative partner of IA MALL. The Company will further emancipate the mind, renew the thoughts, stick to the path of combining capital operation with industry development,

and grasp the opportunity of strategic transformation, so as to realize a leap-forward development of the Company.

(III) Capital Requirement and Financing Plan

In 2009, the Company's demand for capital will mainly be the continuous investment in IA-MALL project and the forestry project, and major expenses include financing expenses in project financing and investment in project funds.

In 2009, the Company's main sources of capital will include rents from the operation of IA-MALL project and sales income from the realization of forestry project. Besides, the Company will apply for operating loans against collateral from banks, based on the progress of IA-MALL project.

III. Investment in the Reporting Period

1. Use of Raised Proceeds in the Reporting Period

There was no raised proceed in the reporting period, and the proceeds raised last time has been used up in the previous periods.

2. Investment with Non-Raised Proceeds in the Reporting Period

In the reporting period, the non-raised proceeds of the Company were mainly used to invest in the construction of the IA MALL project in the Shenzhen Central District. The Company formally obtained the land use right of the project in 2002. Based on that, the Company engaged RTKL International Co., Ltd. of America to conduct architectural design, as well as a design company of Japan to conduct landscape design. A foundation was formally laid for the project on Jan.17, 2005, and the project has been accomplished, with fine fitment in progress now.

IV. Changes in Accounting Policy and Accounting Estimation, as well as Correction of Accounting Errors

1. Changes in Accounting Policy

There was no change in accounting policy in the reporting period.

2. Changes in Accounting Estimation

There was no change in accounting estimation in the reporting period.

3. Correction of Accounting Errors

There was no correction of accounting errors in the reporting period.

V. Routine Work of the Board

In the reporting period, the Company totally held 12 Board meetings with details as follows:

1. The 1st meeting of the 5th Board in 2008 was held at meeting room on 23/F,

Development Center Building, Renmin South Road, Shenzhen at 10:00 on Jan. 14, 2008. There were 8 Directors in the Company and 8 Directors actually exercising voting right. The meeting deliberated and approved the following resolutions:

- (1) Resolution of Deciding the Staff in the Special Committees under the Board
- (2) Resolution of Handling Equity of Xinnuo Co., Ltd
- (3) Resolution of Approving the Resignation of Cai Yanhong as Chief Financial Officer
- (4) Resolution of Shenzhen Rongfa Investment Co., Ltd Establishing Project and Commerce Management Company

Public notice on the meeting resolutions was published on Securities Times and Ta Kung Pao and [http:// www.cninfo.com.cn](http://www.cninfo.com.cn) on Jan. 15, 2008.

2. The 2nd meeting of the 5th Board in 2008 was held at meeting room on 23/F, Development Center Building, Renmin South Road, Shenzhen at 10:00 on Jan. 31, 2008. There were 8 Directors in the Company and 8 Directors actually exercising voting right. The meeting deliberated and approved the following resolutions:

- (1) Resolution of Implementing the Notice on Rectification of CSRC
- (2) Resolution of Adjusting the Staff in the Special Committees under the Board

Public notice on the meeting resolutions was published on Securities Times and Ta Kung Pao and [http:// www.cninfo.com.cn](http://www.cninfo.com.cn) on Feb. 1, 2008.

3. The 3rd meeting of the 5th Board in 2008 was held by communication means on Feb. 5, 2008. There were 8 Directors in the Company and 8 Directors actually exercising voting right. The meeting deliberated and approved the following resolutions:

- (1) Resolution of Providing Guarantee for Shenzhen International Arcade Forestry Development Co., Ltd

4. The 4th meeting of the 5th Board in 2008 was held by communication means on Apr. 2, 2008. There were 8 Directors in the Company and 8 Directors actually exercising voting right. The meeting deliberated and approved the following resolutions:

- (1) Resolution of Independent Directors Work System about Annual Report
- (2) Resolution of Working Regulation for the Audit Committee

Public notice on the meeting resolutions was published on Securities Times and Ta Kung Pao and [http:// www.cninfo.com.cn](http://www.cninfo.com.cn) on Apr. 3, 2008.

5. The 5th meeting of the 5th Board in 2008 was held at meeting room on 23/F, Development Center Building, Renmin South Road, Shenzhen at 9:30 on Apr. 22, 2008. There were 8 Directors in the Company and 8 Directors actually exercising voting right. The meeting deliberated and approved the following resolutions:

- (1) 2007 Annual Report on the Work of the Board

- (2) 2007 Annual Report on the Work of General Managers
- (3) 2007 Annual Report and Its Summery
- (4) 2007 Annual Auditing Report
- (5) 2007 Profit Distribution Plan
- (6) Resolution of Reappointment of the Certified Public Accountant
- (7) The First Quarterly Report 2008 and Its Summery
- (8) Resolution of Appointment of Secretary of the Board
- (9) Resolution of Appointment of Deputy General Manager
- (10) Resolution of Handling Equity of Shenzhen Xinnuo Co., Ltd
- (11) Resolution of Self-Appraisal Report on Internal Control of the Company
- (12) Resolution of Correction of Accounting Errors

Public notice on the meeting resolutions was published on Securities Times and Ta Kung Pao and [http:// www.cninfo.com.cn](http://www.cninfo.com.cn) on Apr. 23, 2008.

6. The 6th meeting of the 5th Board in 2008 was held by communication means on Jun. 5, 2008. There were 8 Directors in the Company and 8 Directors actually exercising voting right. The meeting deliberated and approved the following resolutions:

- (1) Resolution of Convening 2007 Shareholders' General Meeting

Public notice on the meeting resolutions was published on Securities Times and Ta Kung Pao and [http:// www.cninfo.com.cn](http://www.cninfo.com.cn) on Jun. 6, 2008.

7. The 7th meeting of the 5th Board in 2008 was held by communication means on Jul. 18, 2008. There were 8 Directors in the Company and 7 Directors actually exercising voting right. The meeting deliberated and approved the following resolutions:

- (1) Resolution of Shenzhen International Arcade Forestry Development Co., Ltd putting certificate of forest rights in pledge for a loan
- (2) Resolution of Explanation on Rectification of Corporate Governance
- (3) Resolution of Borrowing from Mr. Zheng Kaide
- (4) Resolution of Special Management System over Shares Held by Directors, Supervisors, and Senior Executives of Shenzhen International Arcade Forestry Development Co., Ltd and Their Changes

Public notice on the meeting resolutions was published on Securities Times and Ta Kung Pao and [http:// www.cninfo.com.cn](http://www.cninfo.com.cn) on Jul. 19, 2008.

8. The 8th meeting of the 5th Board in 2008 was held by communication means on Jul. 30, 2008. There were 8 Directors in the Company and 7 Directors actually exercising voting right. The meeting deliberated and approved the following resolutions:

- (1) Resolution of Self-Check Report on Capital Transaction of Big Shareholders and Affiliated Parties in Shenzhen International Enterprise Co., Ltd
- (2) Resolution of Management System Preventing Controlling Shareholders and Affiliated Parties Appropriating Capital of Shenzhen International Enterprise Co., Ltd

Public notice on the meeting resolutions was published on Securities Times and Ta Kung Pao and [http:// www.cninfo.com.cn](http://www.cninfo.com.cn) on Jul. 31, 2008.

9. The 9th meeting of the 5th Board in 2008 was held at meeting room on 23/F, Development Center Building, Renmin South Road, Shenzhen at 10:00 on Aug. 26, 2008. There were 8 Directors in the Company and 8 Directors actually exercising voting right. The meeting deliberated and approved the following resolutions:

- (1) 2008 Semi-Annual Report and Its Summery
- (2) Resolution of Approving Shenzhen Rongfa Investment Co., Ltd to Get a Loan from China Construction Bank
- (3) Resolution of Establishing Ganzhou Forestry Company
- (4) Resolution of Convening the 1st Extraordinary Shareholders ' General Meeting in 2008

Public notice on the meeting resolutions was published on Securities Times and Ta Kung Pao and [http:// www.cninfo.com.cn](http://www.cninfo.com.cn) on Aug. 27, 2008.

10. The 10th meeting of the 5th Board in 2008 was held by communication means on Oct. 24, 2008. There were 8 Directors in the Company and 8 Directors actually exercising voting right. The meeting deliberated and approved the following resolutions:

- (1) Resolution of the Third Quarterly Report 2008

11. The 11th meeting of the 5th Board in 2008 was held at meeting room on 23/F, Development Center Building, Renmin South Road, Shenzhen at 10:00 on Nov. 13, 2008. There were 8 Directors in the Company and 8 Directors actually exercising voting right. The meeting deliberated and approved the following resolutions:

- (1) Resolution of Revising the Articles of Association
- (2) Resolution of Properly Handling Subscription of Retail Shops by the Staff
- (3) Resolution of Convening the 1st Extraordinary Shareholders ' General Meeting in 2008

Public notice on the meeting resolutions was published on Securities Times and Ta Kung Pao and [http:// www.cninfo.com.cn](http://www.cninfo.com.cn) on Nov. 14, 2008.

12. The 12th meeting of the 5th Board in 2008 was held by communication means on Dec. 18, 2008. There were 8 Directors in the Company and 8 Directors actually exercising voting right. The meeting deliberated and approved the following resolutions:

- (1) Resolution of Approving the Transfer of Property Mutoulong No. 38

(II) Execution of Resolutions at Shareholders ' General Meeting by the Board of Directors

In the reporting period, the Board of Directors stringently followed the resolutions at the Shareholders' General Meeting, arranged related staff to execute the resolutions with positive attitude, which has safeguarded shareholders' interests quite well.

(III) Summary Report on Performance of the Audit Committee

The Audit Committee under the Board of Directors was consisted of 5 people, including 3 Independent Directors, who were mainly responsible for examination over communication and supervision of the Company's internal and external audit, as well as examination over annual report:

1. During the examination of annual report, the Audit Committee and the Independent Directors fulfilled their duties seriously according to the relevant requirement of CSRC on properly handling the work of annual report. Before the audit institution began auditing, the Audit Committee, Independent Directors and CPAs responsible for the Company's Annual Audit took the procedure of meeting each other, deliberated and discussed the time, plan and preliminary scheme for the annual auditing, and formed the preliminary opinion as well.
2. According to the related regulations, the financial statements of the Company were reviewed before the CPAs began annual audit.
3. After the CPAs began annual audit, the Audit Committee and Independent Directors actively communicated with the CPAs, paid close attention to the progress of auditing, and made sure the auditing progressed as scheduled. After the audit institution issued the preliminary opinion, the Audit Committee and the Independent Directors communicated with the CPAs responsible for the Company's Annual Audit again in Apr.2009. After hearing the audit institution's opinion on the Company's Annual Report, the Audit Committee again audited the financial report, which had been audited, and formed opinions that agreed to prepare the 2008 Annual Report of the Company and Its Abstract based on these financial data.

4. The Audit Committee submitted the suggestion on reappointment of Reanda Certified Public Accountants in 2009 to the Board of Directors of the Company
- ### (IV) Summary Report on the Performance of the Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee under the Board of Directors was consisted of 5 Directors, including 3 Independent Directors. In the reporting period, the Remuneration and Appraisal Committee examined the remuneration of the Directors, Supervisors and Senior Executives of the Company, and expressed the following opinions:

1. The remuneration of the Directors, Supervisors and Senior Executives of the Company disclosed in 2008 Annual Report was in accordance with the actual situation.

2. So far, the Company hasn't established equity incentive mechanism, but the Company will continuously improve the internal incentive and constraint mechanism, and gradually establish the incentive mechanism combining short-term with long-term, so as to promote the integration of the Management Team and the interest of the Company and its shareholders.

VI. 2008 Profit Distribution Preplan

(1) Based on the auditing conducted by Reanda Certified Public Accountants according to domestic accounting principles, the profit of the Company after tax was RMB -25,491,736.24 as of Dec. 31, 2008. According to the principle of profit distribution, since the withdrawal statutory surplus reserves was RMB 0, withdrawal of statutory common welfare fund was RMB 0 and the undistributed retained profit at the end of 2007 was RMB -174,793,080.88, the total profit available for distribution to shareholders was RMB -200,284,817.12. The 2008 Profit Distribution Preplan of the Company is: the Company decided not to conduct profit distribution or capitalization of capital reserves. The Distribution Preplan will be implemented after examination and approval at the Shareholders' General Meeting.

(2) Dividends of the Company in the Last Three Years

Year	Amount of cash dividends (tax included)	Net profit of the year	Percentage (%)
2007	0	67,866,231.38	0
2006	0	-42,874,333.22	0
2005	0	-34,683,774.66	0

VII. The newspaper designated by the Company for information disclosure were Securities Times and Hong Kong Ta Kung Pao in 2008.

Section IX Report of the Supervisory Board

I. Work of Supervisory Board of the Company in the reporting period

Besides attending the meetings of the Board of Directors, the Supervisory Board convened a total of 4 meetings in the reporting period.

1. The 1st meeting of the 5th Supervisory Board in 2008 was convened at the meeting room of the Company at 11 a.m. on 31 Jan., with the supposed attendances of 3 supervisors and the actual attendances of 2 supervisors. The Circular on Implementing the Rectification as Required by CSRC was examined and approved.
2. The 2nd meeting of the 5th Supervisory Board in 2008 was convened at the meeting room of the Company at 11 a.m. on 22 Apr., with the supposed attendances of 3 supervisors and the actual attendances of 2 supervisors. And the following proposals were examined and approved at the meeting:

- (1) Full-text of 2007 Annual Report and its Summary
- (2) Proposal on the 1st Quarterly Report in 2008 and its Summary
- (3) Proposal on Electing Supervisor Candidates
- (4) Proposal on the Company's Self-assessment of its Internal Control
- (5) Proposal on Rectifying Accounting Errors
- (6) Proposal on Work Report of Supervisory Board

The resolutions made at the meeting were published in Securities Times, Ta Kung Pao (HK) and <http://www.cninfo.com.cn> dated 23 Apr. 2008.

3. The 3rd meeting of the 5th Supervisory Board in 2008 was convened by means of telecommunication on 30 Jul., with the supposed attendances of 3 supervisors and the actual attendances of 2 supervisors. The Self-Examination Report on Fund Flow between Controlling Shareholder or Other Related Parties and Shenzhen International Enterprise Co., Ltd. was reviewed and approved at the meeting.

The resolutions made at the meeting were published in Securities Times, Ta Kung Pao (HK) and <http://www.cninfo.com.cn> dated 30 Jul. 2008.

4. The 4th meeting of the 5th Supervisory Board in 2008 was convened by means of telecommunication on 24 Oct., with the supposed attendances of 3 supervisors and the actual attendances of the same number of supervisors. The Full-text of the 3rd Quarterly Report in 2008 was reviewed and approved at the meeting.

II. Independent opinions of Supervisory Board on the Company's operation

1. The Company's operation according to laws

In the reporting period, the Supervisory Board conducted supervisions on the Company's operation according to laws. And it was of the opinion that the Company strictly abided by the Company Law and other relevant laws and regulations, and conscientiously applied the principles of legality, supervision, self-discipline and standardization put forward by the CSRC. The Company timely and completely disclosed its relevant information, with no irregular cases. Meanwhile, it adopted a

legitimate procedure of decision-making, with a sound internal control system. The Company's directors, General Manager and other senior management personnel diligently, responsibly and faithfully performed their duties and executed the resolutions made at the shareholders' general meetings during the reporting period. And it was found that they conducted no acts in violation to laws, regulations and the Company's Articles of Association, as well as no acts harmful to the interests of the Company and its shareholders.

2. The Company's Finance

The Supervisory Board conducted careful examinations on the Company's financial structure and financial status. And it was of the opinion that the Company followed the relevant financial standards and accounting systems, with its quarterly financial reports, semi-yearly financial report and annual financial report factually and objectively presenting the Company's financial status, as well as its production and operation results. Rwanda Certified Public Accountants issued the unqualified audit report for the Company in 2008, which was also an objective presentation of the Company's financial status and its production and operation results.

3. In the reporting period, the Company did not raise and use proceeds.

4. Purchases and sales of assets by the Company in the reporting period

In the reporting period, the Company conducted purchases and sales of assets for the need of its normal operation business with reasonable transaction prices. There existed no insider dealings, no damage to the rights and interests of certain shareholders, and no causing the loss of the Company's assets.

5. Related transactions in the reporting period

In the reporting period, the Company conducted no related transactions.

6. Auditor's report on the Company's financial matters

Rwanda Certified Public Accountants conducted the audit on the Company's 2008 Annual Financial Report and issued the unqualified audit opinion.

Section X Significant Events

I. Significant lawsuits and arbitrations

(1) Concerning the case of loan dissension between Shenzhen Mingxing Industry Development Co., Ltd. (hereinafter referred to as Mingxing Industry) and the Company's subsidiary—Shenzhen Rongfa Investment Co., Ltd. (hereinafter referred to as Rongfa Company), Shenzhen Intermediate People's Court gave the verdict [(2005) SZFMEC Zi No. 327] on 17 Nov. 2005 by overruling the claim of Mingxing Industry. Mingxing Industry appealed to Guangdong Higher People's Court against the decision. And Guangdong Higher People's Court made a judgment of the case and issued Civil Judgment [(2006) YGFMEZ Zi No. 73] on 23 Jun. 2006.

Unsatisfied with the judgment, Mingxing Industry lodged another appeal. In the course of the appeal, Mingxing Industry and Rongfa Company reached reconciliation where Rongfa Company should paid RMB 5 million to Mingxing Industry as the settlement of the case. RMB 1 million should be paid before 20 Jan. 2008 as the first phase, RMB 2 million before 20 Mar. 2008 as the second phase, and RMB 2 million before 20 Jun. 2008 as the final phase. The Company received the mediation agreement on 1 Jan. 2008, which came into effect immediately. So far, the Company has finished the execution of the reconciliation agreement by paying all the above-mentioned sums to Mingxing Industry (For details, please refer to the Public Notice on Progress of Major Lawsuits of Shenzhen International Enterprise Co., Ltd. published in Securities Times, Ta Kung Pao and <http://www.cninfo.com.cn> dated 10 Oct. 2008, with Public Notice No. 2008-42).

(2) The case where the Company was involved as the guarantee provider, Shangbu Sub-Branch subordinate to Shenzhen Branch of Bank of China (Shangbu BOC) as the lender and **Shum Kong Industry & Trade** as the borrower

In Sept. 2009, Shenzhen Intermediate People's Court issued the Civil Final Judgment (2005) SZFMEZ Zi No. 22 concerning the retrial case where the Company was involved as the guarantee provider, Shangbu BOC as the lender and Shum Kong Industry & Trade as the borrower; According to the judgment, the Company should shoulder joint liabilities for the loan of Shum Kong Industry & Trade in 1999 (principal RMB 6 million and overdue interest). Later, the loan was listed by the bank as a non-performing loan, China Orient Asset Management Corp. was appointed to execute the creditor's right. Now the case has been transferred to Yangxi Court designated by Guangdong Higher People's Court. And the Company is currently in negotiation with China Orient Asset Management Corp..

In accordance with the principle of prudence, the Company included the aforesaid guaranteed amount of 8,670,209.16 (including the principle and the overdue interest)

into the item of projected liabilities in 2004, with the estimated interest reaching 782,925.00 during 2005 to 2008.

II. Significant acquisitions and sales of assets of the Company in the reporting period

In the reporting period, the Company conducted no significant acquisitions and sales of assets.

III. The Company conducted no significant related transactions in the reporting period.

IV. Important contracts in the reporting period and their implementation

(I) Shenzhen Rongfa Investment Co., Ltd. (Rongfa Investment) and Shenzhen International Shopping Mall Co., Ltd. signed the Contract of Share Transfer with Shenzhen Baotian Investment and Development Co., Ltd. (Baotian Investment) on 31 Jan. 2007. According to the contract, the 85% and 10% shares of Shenzhen Gangyi Oriental Club Industrial Co., Ltd. (Gangyi Oriental Club) respectively held by Rongfa Investment and Shenzhen International Shopping Mall were to be transferred to Baotian Investment. After the share transfer, Baotian Investment and Rongfa Investment respectively held 95% and 5% stocks of Gangyi Oriental Club. Upon the acceptance of the transferred 95% shares, Baotian Investment should, within a 6-year term of operation, transfer the said shares at the price of RMB 1 million to Rongfa Investment or a party designated by Rongfa Investment. Later, Rongfa Investment and Baotian Investment signed the Supplementary Agreement to the Contract of Share Transfer. As stated in the agreement, Rongfa Investment agreed to give up the profits which were brought or would be brought by its 5% shares of Gangyi Oriental Club, i.e. after the share transfer, Rongfa Investment would not share, within a 6-year term of operation, the profits and losses of Gangyi Oriental Club.

On 31 Jan. 2007, Rongfa Investment and Baotian Investment signed the Transfer Contract of the Use Right of Housing Properties. According to the contract, Rongfa Investment transferred to Baotian Investment the use right of the 1st-4th floors of its Gangyi Haoting Building, as well as the use right of all the auxiliary decoration and facilities (i.e. the operation site of Gangyi Oriental Club, the warehouse, the staff canteen, etc.) for a 6-year term from 1 Mar. 2007 to 28 Feb. 2013. And the transfer fee should be paid according to the schedule of RMB 600,000 per month for the first year, RMB 700,000 per month for the second and third year, RMB 800,000 per month for the fourth and fifth year, and RMB 850,000 per month for the sixth year. Meanwhile, both parties agreed and promised that with the moment of the actual handover of the building as a dividing point, Rongfa Investment should be responsible for the liabilities incurred before the moment, while Baotian Investment should be responsible for the liabilities, creditor's rights and operation expenses incurred after the moment. The registration procedure of the stock transfer was already

accomplished in 2007. And Rongfa Investment received the stock transfer fee and guarantee deposit from Baotian Investment. Due to dispute in the execution of the contract, Baotian investment refused to pay the rents to Rongfa Investment and the two parties are now in the process of lawsuit.

(II) Important guarantee contracts of the Company in the report period

1. According to the conventions of the sales of commercial housing through mortgage among real estate companies, the subsidiary Rongfa Company provided guarantees for the mortgages for the sales of the properties developed by itself. By Dec. 31, 2008, the balance of the mortgage guarantees provided by Rongfa Company stood at RMB 40,120,600.

2. According to the conventions of the sales of commercial housing through mortgage among real estate companies, the subsidiary Huizhou Rongfa Industrial Investment Co., Ltd (hereinafter referred to as Huizhou Rongfa) provided guarantees for the mortgages for the sales of the properties developed by itself. By Dec. 31, 2008, the balance of the mortgage guarantees provided by Huizhou Rongfa was RMB 11,652,700.

3. In the reporting period, according to the decision-making procedure as prescribed in the Articles of Association, the Company provided new guarantees for its subsidiaries as follows:

(1) In 2008, Huizhou Rongfa and Aihua Sub-branch subordinate to Shenzhen Branch of China Construction Bank signed a contract involving a loan of RMB 150 million from the bank. And the Company provided the joint responsibility guarantee for Huizhou Rongfa.

(2) In 2008, Shenzhen International Enterprise Forestry Development Co., Ltd. and Guomao Sub-branch subordinate to Shenzhen Branch of the Agricultural Bank of China signed a one-year contract involving a loan of RMB 8 million from the bank. The Company provided a guarantee for the said subsidiary company with the pledge of its own property—the 23rd floor of the Development Center Building.

3. In the reporting period, the Company did not entrust other parties to manage its cash and assets, or to get loans.

4. The Company had no other significant contracts in the reporting period.

V. No commitments made by the Company or shareholders holding over 5% equity were disclosed in newspapers or websites in the reporting period.

VI. In the reporting period, Reanda Certified Public Accountants (a domestic CPA firm) was engaged by the Company.

Reanda Certified Public Accountants Co., Ltd. has been providing audit service for the Company since 2001. And in 2008, the Company paid RMB 720,000 to the CPA firm as the audit fee.

VII. In the reporting period, the Company's Board of Directors, Supervisory Board, directors, supervisors and other senior management personnel received no investigations, administrative punishments or notices of criticism from the CSRC, as well as no public criticism from the Shenzhen Stock Exchange.

VIII. Other significant events

Shenzhen Maoye Commercial Building Co., Ltd. and its concerted party Dahua Investment (China) Co., Ltd. started to purchase the Company's stocks in Oct. 2008, with the Company's A-shares and B-shares held by them totaled 22,791,516 shares, taking up 10.32% of the Company's total shares (For details, please refer to the public notices on Securities Times, Ta Kung Pao (HK) and <http://www.cninfo.com.cn> on 4 Nov., 5 Nov., and 17 Dec. in the year 2008.

Section XI. Financial Report

- I. Auditor's Report (see the attachment)
- II. Financial Statements (see the attachment)
- III. Notes to the Financial Statements (see the attachment)

Auditors' Report

REANDA SHEN ZI[2009] No.1119

To the Shareholders of Shenzhen International Enterprise Co., Ltd

We have audited the accompanying financial statements of Shenzhen International Enterprise Co., Ltd. ("The Company"), which comprise the consolidated balance sheet as at December 31, 2008, and the consolidated income statement, consolidated cash flow statement for the year then end, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation of these financial statements in accordance with the Enterprises Accounting Standards of China. This responsibility includes: (1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and applying appropriate accounting policies; (3) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Certified Public Accountants' Auditing Standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditing opinion

In our opinion, the financial statements have been prepared in accordance with the requirements of the Enterprises Accounting Standards promulgated by the People 's Republic of China, and present fairly, in all material respects, the financial position of Shenzhen International Enterprise Co., Ltd as at December 31, 2008, and the results of its operations and its cash flows for the year then ended.

Reanda Certified Public Accountants Co., Ltd.

Beijing, China

Certified Public Accountant

Certified Public Accountant

April 15, 2009

Consolidated Balance Sheet (1/2)

December 31st, 2008

Prepared by: Shenzhen International Enterprise Co., Ltd

Monetary unit : (RMB) Yuan

Asset	Note	31/12/2008	31/12/2007
Current assets:			
Monetary funds	VIII、1	68,414,884.06	61,342,998.09
Tradable financial assets			
Note receivable			
Accounts receivable	VIII、2	1,287,719.72	1,328,901.67
Advance to suppliers	VIII、3	816,795.00	1,309,621.00
Interests receivable			
Dividend receivable			
Other accounts receivables	VIII、4	5,898,179.41	34,582,967.95
Inventories	VIII、5	965,170,729.88	826,728,755.33
Non-current assets due within one year			
Other current assets			
Total current assets		1,041,588,308.07	925,293,244.04
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investment			
Long-term accounts receivable			
Long-term equity investment	VIII、6	6,570,262.84	6,570,262.84
Investment property	VIII、7	1,755,450.46	9,684,331.58
Fixed assets	VIII、8	75,972,488.11	80,372,214.68
Construction in process			
Construction materials			

Liquidation of fixed assets			
Production biology assets			
Oil and gas assets			
Intangible assets			
Development expenses			
Goodwill			
Long-term deferred assets	VIII、9	240,000.00	13,345,514.72
Deferred income tax assets			
Other non-current assets			
Total non-current assets		84,538,201.41	109,972,323.82
Total assets		1,126,126,509.48	1,035,265,567.86

Legal representative : Chief accountant of accounting department Manager of accounting department :

Consolidated Balance Sheet (2/2)

Prepared by: Shenzhen International Enterprise Co., Ltd

Monetary unit : (RMB) Yuan

Liabilities and Shareholders' equities	Note	31/12/2008	31/12/2007
Current liability:			
Short-term loan	VIII、12	8,000,000.00	
Tradable financial liabilities			
Notes payable			
Accounts payable	VIII、13	243,472,627.76	253,682,750.53
Advance from customers	VIII、14	59,411,157.15	46,068,971.75
Payroll payable	VIII、15	3,357,743.19	3,287,503.55
Tax payable	VIII、16	17,096.76	394,064.95
Interests payable		1,002,787.50	562,100.00

Dividend payable	VIII、 17	5,127,701.36	5,127,701.36
Other accounts payable	VIII、 18	210,873,595.06	222,645,749.05
Non-current liabilities due within one year	VIII、 19	14,992,300.00	17,229,760.00
Other current liabilities			
Total current liabilities		546,255,008.78	548,998,601.19
Non-current liabilities:			
Long-term borrowings	VIII、 20	418,000,000.00	274,918,800.00
Bonds payable			
Long-term accounts payable			
Deferred income			
Accrued liabilities	VIII、 21	11,801,909.16	11,018,984.16
Deferred income tax liabilities			
Other non-current liabilities	VIII、 22	1,440,994.95	1,852,707.79
Total non-current liabilities		431,242,904.11	287,790,491.95
Total liabilities		977,497,912.89	836,789,093.14
Shareholders' equity:			
Share capital	VIII、 23	220,901,184.00	220,901,184.00
Capital reserve	VIII、 24	72,315,347.06	72,315,347.06
Less: inventory shares			
Surplus reserve	VIII、 25	125,929,834.48	125,929,834.48
Retained earnings	VIII、 26	-200,284,817.12	-174,793,080.88
Exchange difference of foreign currency financial statements translation			
Shareholders' equity attributable to parent company:		218,861,548.42	244,353,284.66

Minority interests	VIII、 27	-70,232,951.83	-45,876,809.94
Total shareholders' equities		148,628,596.59	198,476,474.72
Total liabilities and shareholders' equities		1,126,126,509.48	1,035,265,567.86

Legal representative: Chief accountant of accounting department Manager of accounting department :

Balance Sheet (1/2)

December 31st, 2008

Prepared by: Shenzhen International Enterprise Co., Ltd

Monetary unit : (RMB) Yuan

Asset	Note	31/12/2008	31/12/2007
Current assets:			
Monetary funds		26,129,141.95	11,369,551.37
Tradable financial assets			
Note receivable			
Accounts receivable			
Advance to suppliers		180,000.00	180,000.00
Interests receivable			
Dividend receivable			
Other accounts receivables	IX、1	158,069,588.23	257,258,130.51
Inventories			164,920.02
Non-current assets due within one year			
Other current assets			
Total current assets		184,378,730.18	268,972,601.90
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investment			
Long-term accounts receivable			
Long-term equity investment	IX、2	65,944,253.87	65,944,253.87
Investment property		1,365,055.94	7,744,828.67

Fixed assets		24,754,990.04	26,680,701.23
Construction in process			
Construction materials			
Liquidation of fixed assets			
Production biology assets			
Oil and gas assets			
Intangible assets			
Development expenses			
Goodwill			
Long-term deferred assets		240,000.00	210,000.00
Deferred income tax assets			
Other non-current assets			
Total non-current assets		92,304,299.85	100,579,783.77
Total assets		276,683,030.03	369,552,385.67

Legal representative: Chief accountant of accounting department Manager of accounting department :

Balance Sheet (2/2)

Prepared by:Shenzhen International Enterprise Co., Ltd

Monetary unit : (RMB) Yuan

Liabilities and Shareholders' equities	Note	31/12/2008	31/12/2007
Current liability:			
Short-term loan			
Tradable financial liabilities			
Notes payable			
Accounts payable			
Advance from customers		13,412,185.40	70,000.00
Payroll payable		1,318,426.30	1,621,727.06
Tax payable		2,453,401.54	2,624,676.14
Interests payable			
Dividend payable		5,127,701.36	5,127,701.36

Other accounts payable		44,692,535.39	72,695,222.70
Non-current liabilities due within one year		14,992,300.00	17,229,760.00
Other current liabilities			
Total current liabilities		81,996,549.99	99,369,087.26
Non-current liabilities:			
Long-term borrowings			15,918,800.00
Bonds payable			
Long-term accounts payable			
Deferred income			
Accrued liabilities		11,801,909.16	11,018,984.16
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		11,801,909.16	26,937,784.16
Total liabilities		93,798,459.15	126,306,871.42
Shareholders' equity:			
Share capital		220,901,184.00	220,901,184.00
Capital reserve		64,951,444.59	64,951,444.59
Less: inventory shares			
Surplus reserve		96,841,026.39	96,841,026.39
Retained earnings		-199,809,084.10	-139,448,140.73
Total shareholders' equities		182,884,570.88	243,245,514.25
Total liabilities and shareholders' equities		276,683,030.03	369,552,385.67

Legal representative:

Chief accountant of accounting department

Manager of accounting department

Consolidated Income Statement

Prepared by: Shenzhen International

Enterprise Co., Ltd

2008

Monetary unit : (RMB) Yuan

Item	Note	2008	2007
1. Total operating income	VIII、28	27,053,285.28	42,587,072.00
Minus: operating cost	VIII、28	22,305,564.61	28,359,968.76
Business taxes and surtax		547,764.24	1,520,203.37
Selling expense		21,222,151.97	21,298,572.87
Administration expense		19,508,122.14	20,822,122.49
Financial expenses	VIII、29	5,925,391.14	-3,077,474.27
Impairment loss of assets	VIII、30	10,939,194.85	1,838,286.28
Add: profits from the fair value changes (The loss is listed beginning with “-“)			
Investment income (The loss is listed beginning with “-“)	VIII、31		79,458,098.90
Including: the investment income from associated and joint ventures enterprises			
II. Operating profit		-53,394,903.67	51,283,491.40
Add: non-operating income	VIII、32	5,207,075.90	10,908,241.29
Less: non-operating expense	VIII、33	1,567,548.02	9,992,755.25
Including: loss from disposal of non-current assets			
III. Total profits (The loss is listed beginning with “-“)		-49,755,375.79	52,198,977.44
Less: income tax expense	VIII、34	92,502.34	438,402.97

IV. Net profits (the net loss is listed beginning with “-”)		-49,847,878.13	51,760,574.47
Net profits attributable to parent company		-25,491,736.24	67,866,231.38
Minority interests		-24,356,141.89	-16,105,656.91
V. Earnings per share			
1.Basic earnings per share	X VI、(1)	-0.12	0.31
2.Diluted earnings per share	X VI、(2)	-0.12	0.31

Legal representative: Chief accountant of accounting department ;
Manager of accounting department:

Income Statement

Prepared by: Shenzhen International Enterprise Co., Ltd 2008 Monetary unit : (RMB) Yuan

Item	Note	2008	2007
1. Total operating income	IX、 3	5,848,160.00	749,150.00
Minus: operating cost	IX、 3	6,068,381.52	45,214.39
Business taxes and surtax			
Selling expense			
Administration expense		11,245,075.95	5,204,606.18
Financial expenses		-23,118,244.12	-15,686,016.54
Impairment loss of assets		72,576,381.35	44,979,994.56
Add: profits from the fair value changes (The loss is listed beginning with “-”)			
Investment income (The loss is listed beginning with “-”)			36,547,552.95
Including: the investment income from			

associated and joint ventures enterprises			
II. Operating profit		-60,923,434.70	2,752,904.36
Add: non-operating income		1,512,229.33	2,961,251.59
Less: non-operating expense		949,738.00	3,089,206.04
Including: loss from disposal of non-current assets			
III. Total profits (The loss is listed beginning with “-.”)		-60,360,943.37	2,624,949.91
Less: income tax expense			
IV. Net profits (the net loss is listed beginning with “-.”)		-60,360,943.37	2,624,949.91
V. Earnings per share			
1.Basic earnings per share			
2.Diluted earnings per share			

Legal representative: Chief accountant of accounting department : Manager of accounting department :

Consolidated Cash Flow Statement

Prepared by:Shenzhen International Enterprise Co., Ltd 2008 Monetary unit : (RMB) Yuan

Item	Note	2008	2007
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		14,303,252.05	52,934,921.13
Tax refund			
Cash received related to other operating activities		22,580,463.30	65,453,356.37
Subtotal of cash inflow from operating activities		36,883,715.35	118,388,27

			7.50
Cash received from sales of goods or rendering of services		110,155,398.46	290,921,110.55
Cash paid to and on behalf of employees		14,882,310.26	11,728,768.22
Tax payments		3,101,887.48	4,633,059.01
Other cashes paid to operating activities		62,834,521.95	41,809,905.35
Subtotal of Cash outflow from operating activities		190,974,118.15	349,092,843.13
Net cash flow from operating activities	VIII、35	-154,090,402.80	-230,704,565.63
II. Cash flow from investment activities:			
Cash received from investments		730,000.00	
Cash dividends received from investment			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		24,020,325.40	2,674,354.11
Net cash amount received from the disposal of subsidiaries and other business units		16,000,000.00	71,080,000.00
Cash received related to other investment activities			
Subtotal of cash inflow from the investment activities		40,750,325.40	73,754,354.11
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		687,574.16	4,350,564.29
Cash paid to acquire investments			
Net cash amount paid to acquire the subsidiaries and other business units			
Cash paid related to other investment activities			
Subtotal of Cash outflow from investment activities		687,574.16	4,350,564.29

		40,062,751.24	69,403,789.82
Net cash flow from investment activities			
III. Cash flow from financing activities:			
Cash received from investors			
Cash received from loans		167,000,000.00	259,000,000.00
Cash received related to other financing activities			
Subtotal of cash inflow from the financing activities		167,000,000.00	259,000,000.00
repayment of loans		16,823,322.57	45,898,739.84
Cash dividends, profits and interests paid		25,227,139.90	16,503,762.96
Cash payments related to other financing activities		3,850,000.00	
Sub-total of cash outflow from the financing activities		45,900,462.47	62,402,502.80
Net cash flow from financing activities		121,099,537.53	196,597,497.20
IV. Effect of Foreign Exchange Rate Changes on Cash and cash equivalents			
V. Net increase in cash and cash equivalents		7,071,885.97	35,296,721.39
Add: beginning balance of cash and cash equivalents		61,342,998.09	26,046,276.70
VI ending balance of cash and cash equivalents		68,414,884.06	61,342,998.09

Legal representative: Chief accountant of accounting department : Manager of accounting department:

Cash Flow Statement

2008

Prepared by:Shenzhen International Enterprise Co., Ltd

Item	Note	2008	2007
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		518,160.00	749,150.00
Tax refund			
Cash received related to other operating activities		93,033,206.64	150,187,116.36
Subtotal of cash inflow from operating activities		93,551,366.64	150,936,266.36
Cash received from sales of goods or rendering of services		11,445.66	26,971.89
Cash paid to and on behalf of employees		4,257,398.29	2,803,066.99
Tax payments		943,981.26	1,733,507.26
Other cashes paid to operating activities		90,047,352.63	159,425,229.88
Subtotal of Cash outflow from operating activities		95,260,177.84	163,988,776.02
Net cash flow from operating activities		-1,708,811.20	-13,052,509.66
II. Cash flow from investment activities:			
Cash received from investments		730,000.00	
Cash dividends received from investment			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		18,027,175.40	2,935,849.53
Net cash amount received from the disposal of subsidiaries an other business units		16,000,000.00	71,080,000.00
Cash received related to other investment activities			
Subtotal of cash inflow from the investment activities		34,757,175.40	74,015,849.53
Cash paid to acquire and construct fixed assets, intangible assets and		182,808.00	1,597,525.00

other long-term assets			
Cash paid to acquire investments			
Net cash amount paid to acquire the subsidiaries and other business units			
Cash paid related to other investment activities			
Subtotal of Cash outflow from investment activities		182,808.00	1,597,525.00
Net cash flow from investment activities		34,574,367.40	72,418,324.53
III. Cash flow from financing activities:			
Cash received from investors			
Cash received from loans			
Cash received related to other financing activities			
Subtotal of cash inflow from the financing activities			
repayment of loans		16,823,322.57	44,008,739.84
Cash dividends, profits and interests paid		1,282,643.05	4,896,318.26
Cash payments related to other financing activities			
Sub-total of cash outflow from the financing activities		18,105,965.62	48,905,058.10
Net cash flow from financing activities		-18,105,965.62	-48,905,058.10
IV. Effect of Foreign Exchange Rate Changes on Cash and cash equivalents			
V. Net increase in cash and cash equivalents		14,759,590.58	10,460,756.77
Add: beginning balance of cash and cash equivalents		11,369,551.37	908,794.60
VI ending balance of cash and cash equivalents		26,129,141.95	11,369,551.37

Legal representative:

Chief accountant of accounting department

Manager of accounting department :

Shenzhen International Enterprise Co., Ltd

Notes to Financial Statements

For the year of 2008

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

I 、 Corporation Information

1、 History of the company

Shenzhen International Enterprise Co., Ltd. (“the Company”) was incorporated in 1983 in the People’s Republic of China and was restructured as a stock limited company in 1993 and issued 41,701,800 shares. In 2004 on the approval of Securities Administration Office ShenZhen the Company issued 41,701,800 bonus shares by the ratio 10:10. In 2005 on the approval of Document No. 48 [1995] ShenFuBanHan the company issued 50,000,000 B shares and listed in the Shenzhen Stock Exchange. In 2006 on the approval of Document No. 99 [1996] ZhengJianFaShen Zi which issued by China Securities Regulatory Commission the company issued 20,000,000 A shares and listed in the Shenzhen Stock Exchange. In May 1997 on the approval of board of directors and Securities Administration Office ShenZhen the company issued bonus shares by the ratio 10: 1 and the capital fund transferred to share 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 that the share capital of company increased 36,816,864 shares by the transfer of the capital fund by the ratio 10:2, by now the shares of the company are increased to 220,901,184. The company has acquired the QIGUYUEZONG business license with NO 110114, the total registered share capital of the company is 220,901,184 Yuan.

Legal representative: Jinquan Li

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 scope: Merchandise retail, real estate, purchasing, distribution, plant, tree sales, import and export.

II、 Basis for preparation

The company maintains their accounting record and prepares their statutory financial statements based on the assumption of going concern, accordance to transaction and item’s substance and economic reality, and according to the New Enterprise Accounting Standard issued by the Ministry of Finance on 15 February 2006, and also accordance to those Accounting policy and Accounting estimate that described in the notes.

III、 Declaration of Compliance with the Enterprise Accounting Standards

The Company's financial statements prepared meet the requirements of the Enterprise Accounting Standards; fairly and completely present the financial position, operation result and cash flow, and other relevant information of the company.

IV、 Summary of Significant accounting policies and accounting estimates and methods of preparation of consolidated financial statements

1、 Accounting year

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

2、 Reporting currency

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

3、 Measurement characters

The Company commonly measures accounting factors by historical cost method; if the determined accounting factor amount can be obtained or reliably measured, the replacement cost, net realizable value, net value and fair value method may be employed.

4、 Standard of cash equivalents

In preparing cash flow statement, cash equivalents of the company include the investments with short term (it usually expires within three months from the purchase date), highly liquidity, easy to convert into known amount of cash, and low-risk of changes in value. Equity investments shall not deem as cash equivalents.

5、 Foreign currency transactions

Foreign currency (currency other than the reporting currency) transactions are translated into reporting currency at spot exchange rates prevailing on the day in which the transactions take place. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing at the balance sheet date. The exchange differences between the spot exchange rate at balance sheet date and initial recognition rate or spot exchange rate at previous balance sheet date are accounted for as profit and loss account for the current period.

The exchange gains and losses arising from foreign currency borrowings especially related to the purchase or construction of fixed assets refer to Enterprise Accounting Standards

Borrowing Costs.

6、 Financial assets and financial liabilities

(1) The recognition of the financial instruments:

The company should recognize a financial asset or a financial liability on its balance sheet when, and only when the entity becomes a party to the contractual provision of the instrument.

(2) Classification of financial assets and financial liabilities:

Financial assets and liabilities include financial assets and liabilities held for trading, and

financial asset or financial liability at fair value through profit or loss; held-to-maturity investments; loans and accounts receivable; available-for-sale financial assets; and other financial liabilities.

①Financial asset or financial liabilities at fair value through profit or loss which including tradable financial assets or liability and designated financial asset or financial liability at fair value through profit or loss.

The tradable financial asset or liability is financial assets or liability meets one of the following criteria:

a、The purpose of the obtaining the financial asset or liability is for sale or repurchase in the near future.

b、Forming a part of the identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidences proving that the enterprise may manage the combination by way of short term profit making in the near future;

c、Being a derivative instrument, excluding the designated derivative instrument which are effective hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

The financial assets or financial liabilities meeting any of the following requirements can be designated, when they are initially recognized, as financial assets or financial liabilities as measured at its fair value and of which the variation is included in the current profits and losses:

a、The designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arisen from the different basis of measurement of the financial assets or financial liabilities;

b、The official written documents on risk management or investment strategies of the enterprise concerned have recorded that the combination of said financial assets, the combination of said financial liabilities, or the combination of said financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel.

②held-to-maturity investment" refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of reportable price and which the enterprise holds for a definite purpose or the enterprise is able to hold until its maturity.

③Loans and accounts receivable" refers to the non-derivative financial assets for which there is no quoted price in the active market and of which the repo amount is fixed or determinable.

④The "sellable financial assets" refers to the non-derivative financial assets which are designated as sellable when they are initially recognized as well as the financial assets other than

those as described below:

- (1) Loans and accounts receivables;
- (2) Investments held until their maturity; and
- (3) Financial assets measured at their fair values and of which the variation is recorded into the profits and losses of the current period.

⑤Other financial liability refers to financial liability are not measured at fair value through profit and loss.

(3) Measurement of Financial Instruments

The financial assets and financial liabilities initially recognized by an enterprise shall be measured at their fair values. For the financial assets and liabilities measured at their fair values and of which the variation is recorded into the profits and losses of the current period, the transaction expenses thereof shall be directly recorded into the profits and losses of the current period.

The subsequent measurement of the financial assets and financial liability:

①The financial asset and liability at fair value through profit and loss are subsequently measured at fair value, the profit and loss caused by changes in the fair value and de-recognition of the financial asset and liability should be recorded in the profit and loss accounts.

②The investments held until their maturity, are measured on the basis of the post-amortization costs by adopting the actual interest rate method; the profit and loss caused by de-recognition, impairment or amortization are recorded in the profit and loss account of the current period.

③The accounts receivable are measured on the basis of the post-amortization costs by adopting the actual interest rate method; the profit and losses caused by de-recognition, impairment or amortization is recorded in the profit and loss account of the current period.

④Available for sale financial asset, subsequently measured at fair value, the profit and losses caused by changes in fair value are recorded in the Capital reserve. The differences between purchase value and book value as disposal of available for sale financial asset should be recognized in the profit and loss on investments. At the same time, roll out the amount of the disposal part corresponding with the cumulative amount of the changes in the fair value recognized in the owner's equity into the Capital reserve. The interest and cash dividend received during hold for available for sale financial asset, are recognized in the profit and loss on investments.

⑤Other financial liability , the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments

For the financial guarantee contracts which are not designated as a financial liability measured at its fair value and the variation thereof is recorded into the profits and losses of the

current period, and for the commitments to grant loans which are not designated to be measured at the fair value and of which the variation is recorded into the profits and losses of the current period and which will enjoy an interest rate lower than that of the market, a subsequent measurement shall be made after they are initially recognized according to the higher one of the following:

a、 the amount as determined according to the Accounting Standards for Enterprises No. 13 - Contingencies; or

b、 The surplus after accumulative amortization as determined according to the principles of the Accounting Standards for Enterprises No. 14 - Revenues is subtracted from the initial recognized amount

Other financial liabilities are measured on the basis of the post-amortization costs by adopting the actual interest rate method; the profit and losses caused by de-recognition, impairment or amortizations are recorded in the profit and loss account of the current period.

⑥The "fair value" refers to the amount, at which both parties to a transaction who are familiar with the condition exchange their assets or clear off their debts under fair conditions. In a fair transaction, both parties to it shall be enterprises in continuous operation, and do not plan or do not need to carry out any liquidation, significantly reduce their operational scale or carry out transactions notwithstanding the unfavorable conditions they face.

⑦Amortized cost

Preferred term for the apportionment (charging or writing off) of the cost of an intangible asset as an operational cost over the asset's estimated useful life. It is identical to depreciation, the preferred term for tangible assets. The purpose of both terms is to (1) reflect reduction in the book value of the asset due to usage and/or obsolescence, (2) spread a large expenditure proportionately over a fixed period, and thereby (3) reduce the taxable income (not the actual or cash income) of a firm. In effect, it is a process by which invested capital of a firm is recovered by gradual sale of the firm's asset(s) to its customers over the years.

⑧Effective interest methods refers to a financial Asset (including a group of financial assets) or financial liability (including a group of financial liabilities), means a method of— calculating the amortized cost of the asset or liability, as the case may be; and allocating the interest income and interest expense of the asset or the interest income and interest expense of the liability, as the case may be, over the expected life of the asset or liability, as the case may be.

(4) Transfers and derecognize of financial assets

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

a、 the contractual rights to the cash flows from the financial asset expire;

b、 the financial assets have been transferred, and the ownership of financial assets of almost all the risks and rewards transfer to other party;

c、 The financial assets have been transferred, but the company neither retains the ownership

of financial assets of almost all the risks and rewards, nor gives up control of the financial assets.

② When derecognize condition of entire transferred assets has been satisfied, the differences between the amounts of following two items shall be accounted for profits and losses of current period.

a、The book value of transferred financial assets;

b、The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the shareholders' equities (in the event that the financial asset involved in the transfer is a financial asset available-for-sale)

③ If the transfer of partial financial assets satisfies the conditions of derecognize the entire book value of the transferred financial asset shall, 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 book value derecognized;

b、The sum of consideration of the portion whose derecognize and the portion of accumulative amount of the changes in the fair value originally recorded in the shareholders' equity which is corresponding to the portion whose derecognized (in the event that the financial assets involved in the transfer is a financial assets available-for-sale).

④ If the Company fails to satisfy the conditions of de-recognition 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.

(5) Impairment of financial assets

The Company assesses the financial assets that carry at fair value, and those financial assets which changes of fair value are recognized in profit and loss accounts at the balance sheet date. If there is objective evidence that the one or several financial assets are impaired, the Company shall determine the amount of any impairment loss.

① Accounts receivable

At the end of the period, the balance of individual accounts receivable and individual other receivable more than 1 million Yuan (include 1million Yuan) is considered as individual significant amounts, One by one to carry out impairment test, if there is objective evidence that the accounts receivable have been impaired, the impairment loss shall be recognized based on the difference of the book values higher than the present value of future cash flows.

At the end of the period, for those individual accounts receivable with not significant amounts, if there is objective evidence that the accounts receivable have been impaired, recognize impairment loss alone.

For other individual the amount of non-significant receivables, classification primarily on

the basis of account age, and those accounts receivable's account age more than one year will be classified as non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high, others classified as other non-significant receivables. For those account receivables classified as non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high, 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. On the basis of the actual loss rate of receivable accounts, with same or similar credit risk characteristics of accounts receivable package in previous year, the Company also considers current situation and determine the percentage of bad debt provision, the provision for the bad debt are as following:

Age	Percentage
Within 1 year	5%
1-2years	10%
2-3years	15%
3-4years	20%
4-5years	25%
Over 5years	30-100%

②Held-to-maturity investment

The measurement of impairment loss of held-to-maturity investment, please refer to impairment loss treatment of accounts receivable.

③ Available-for-sale financial assets

If there is objective evidence that available-for-sale financial assets have significant depreciated, or after considering various relevant factors, this downward tendency is deemed as not temporary, the impairment loss shall be recognized based on the difference between the expected cash inflow values and book values.

In case of impairment loss of available-for-sale financial assets recognized, it can not be written back.

7、Inventory

(1) Inventory categories: 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:

Perpetual inventory method.

(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.

(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) Impairment loss of inventories

For inventories at balance sheet date, the evaluation criteria should base on the lower value between costs and net values that can be converted into cash. When net values that can be converted into cash are lower than costs, provision for impairment loss of inventories shall be made.

Consumable forest assets are not made impairment loss provision before the trees are grown to cut for sales. The Company assesses consumable forest assets which are available to cut for sales at least once a year at balance sheet date for any impairment loss indications.

If the consumable forest assets are suffered by natural disasters, plant diseases, or animal epidemic diseases, and are resulted from the lower net values that converted into cash than costs, then the differences between net values that converted into cash and costs are accounted for impairment loss of inventories provision.

8、 Recognition and measurement of 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 reliable.

(1)Initial measurement

①Long-term Equity Investment Including the company's investment that was able to exercise control, joint control or equity investment which may have significant influence on the invested company or the Company's investment does not have control, joint control or significant

influence on the invested company, and there is no active market quotation, the fair value can not be reliably measured.

a、For the merger of enterprises under the same control, if the consideration of the merging enterprise is that it makes payment in cash, transfers non-cash assets or bear its debts, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

b、For obtaining subsidiary not under common control, the cost of long-term equity investment is fair value of assets paid or liabilities undertaken by the Company. Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill, goodwill shall be measured at cost less accumulated impairment losses. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, after reassessment, the difference shall be recognized in profit or loss for the current period.

Other types of long-term equity investment

Besides the long-term equity investments formed by the merger of

②Enterprises, the initial cost of a long-term equity investment obtained by other means shall be ascertained in accordance with the provisions as follows:

a、The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The initial cost consists of the expenses directly relevant to the obtainment of the long term equity investment, taxes and other necessary expenses.

b、The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

c、The initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement except the unfair value stipulated in the contract or agreement.

d、The initial cost of a long-term investment obtained by the exchange of nonmonetary assets shall be ascertained in accordance with the Accounting Standards for Enterprises No. 7

– Exchange of Non-monetary Assets.

e、The initial cost of a long-term equity investment obtained by recombination of liabilities shall be ascertained in accordance with Accounting Standards for Enterprises No. 12 – Debt Restructuring.

(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 can exercise control over the investee, or 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.

When an investing enterprise can exercise joint control or significant influence over the investee, a long-term equity investment shall be treated as a recovery of initial investment cost.

a、When using cost method, 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 carrying amount of the investment shall be reduced by the portion of any profit distributions or cash dividends declared by the investee that is attributed to the investing enterprise.

The impairment of a long-term equity investment which is measured by employing the cost method as prescribed in these Standards, for which there is no offer in the active market and of which the fair value cannot be reliably measured, its impairment shall be disposed in accordance with the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments. The impairment of any other long-term equity investment measured in accordance with these Standards shall be disposed in accordance with the Accounting Standards for Enterprises No. 8 – Asset Impairment.

9、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.

Property investment is measured by cost model, according to its expected useful life and net

residual rate on buildings and land-use right to calculate depreciation or amortization. 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(years)</u>	<u>Annual depreciation (amortization) rate</u>
Building	10%	30	3%

At the end of the balance date, if there is any evidence indicates that the Investment property has been impaired then the impairment provision should be provided in accordance with Note 4, 15.

10、Recognition and measurement of fixed asset

(1)Fixed assets refer to simultaneously have the following characteristics of tangible assets: for the production of merchandise, and providing labor services, lease or operation and management of holdings; life of more than one fiscal year.

(2)Fixed assets are tangible assets that are held for use in production or supply of goods or services, for rental to others, or for administrative purpose, and have useful lives more than one accounting year. Fixed assets shall be recognized if they meet the following conditions:

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

If the subsequent expenditure related to fixed assets, if they meet the above conditions then should be recognized in the cost of the fixed assets if not should be recognized in the profit and loss.

(3) Fixed assets shall be initially measured at cost method. The cost of fixed asset comprises purchase price, relate tax or duties, and any directly attributable cost of bringing the asset to working condition for its intended use, such as delivery cost, insurance etc.

(4) Depreciation method of fixed assets

The estimated useful lives and annual depreciation rate of various types fixed assets are listed as follows:

<u>Category</u>	<u>Expected residual rate</u>	<u>Estimated useful lives (years)</u>	<u>Annual depreciation rate</u>
Building and structures	10%	30 years	3%
Vehicles	10%	5 years	18%
Electronic device and other facilities	10%	5 years	18%

(5)The fixed asset would be recognized as idle fixed assets if the fixed asset be unused in 6months (except for seasonal disable), the deprecation method of idle fixed assets is in line with other types of fixed assets.

(6) If there is evidence provide that the value of fixed asset is imparied on each balance sheet date, the method of provision for the imparment would be prepared according to the method in Note 4.15 impairment of assets.

When the depreciation provided for the fixed asset which impairment provision has been provided the depreciation rate and depreciation amount should be remeasured according to their book value and remaining life, if the value of the impaired fixed asset could be recovered then the depreciation rate and depreciation amount should be remeasured in accordance with its recovered value and remaining life, for the fixed asset that full impairment provision has been provided then no longer be depreciated.

11、 Construction in progress

(1) Construction in progress shall be calculated based on the classification of proposed projects.

(2) Construction in progress is measured at actual cost. Construction in progress is transferred to fixed assets when the project is substantially ready for its intended use. Borrowing costs relating to construction in progress are measured according to borrowing costs measurement method.

(3) At the end of period, the company makes judgment if any provision of impairment loss is necessary. If the project has been stopped for a long time and will not be constructed within three years, the impairment loss for such construction in progress shall be made based on the differences between recoverable amount and book values. Once impairment loss is made, it can not be written back.

12、 Recognition and Initial Measurement of Biological Assets

(1) The biological assets of the company refer to consumable biological assets, productive biological assets and public welfare biological 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 directly 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 consumptive biological asset and the public welfare biological assets self-cultivating forest consists of the necessary expenses for forestation, forest tending, forest operating facilities, testing of good species, investigation and design, indirect apportionment. The cost of self-planting productive biological assets as forests consists of the necessary expenses for forestation, forest tending, forest operating facilities, testing of good species, investigation and design, indirect apportionment, etc., before accomplishing the expected objective of production and operation.

The subsequent expenses for the management and protection or for the breeding of a biological asset after canopy closure or after the accomplishment 2/2 of the expected objective of production and operation shall be included in the current profits and losses.

(3) At the end of each year, the company examines the consumptive biological assets and

productive biological assets. If any well-established evidence indicates that the realizable net value of any consumptive biological asset or the recoverable amount of any productive biological asset 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 enterprise shall, based on the difference between the realizable net value or the recoverable amount and the relevant book value, make provision for the loss on decline in value of or for the impairment of the biological asset and shall include it in 3/3 the current profits and losses. The aforesaid realizable net value and recoverable amount shall be ascertained in accordance with the Accounting Standards for Enterprises No. 1 – Inventories and Accounting Standards for Enterprises No. 8 – Asset Impairment, respectively.

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

Once the provision for impairment of a productive biological asset is made, it shall not be reversed.

13、 Intangible Assets

(1) Intangible asset are recognize initially at cost.

(2) 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 years asset. Otherwise, the asset would be recognizing as infinite useful years asset.

(3) To estimate the life of finite useful year's asset would consider factor of:

①The life cycle of the asset to produce product, and the information of similar asset;

②The development of craftwork and technology, and the estimate of future development trend

③The demand condition in market of the product produced by the asset;

④The estimate action would be taken by competitor or potential competitor;

⑤The expense expects to maintain the asset to bring future economic benefit and the ability of the company to pay for it.

⑥The relate law restriction on control period of the asset or other similar restriction such as franchise, lease period.

⑦Relation with other asset holds by company.

(4) 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. Intangible asset with infinite useful years would not amortize, but would conduct impairment test every year.

(5) Conduct test to ability of the asset to bring future economic benefit on balance sheet date, and make provision for impairment of intangible asset according to method describe in Notes 15.

(6) 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: It is technical feasible for use or sales upon the completion of the intangible assets; it is intended for use or sales upon the completion of the intangible assets; the manner to provide that expect future economic benefits that are attributable 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; 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; the cost of intangible asset can be measured reliably.

14、 Long-term deferred expenses

The Long-term deferred expenses are defined as those expenses in this year but should be allocated in flowing years. The amount transfer to the account are the amount actual paid, and allocate equally in project period.

15、 Impairment of Assets

(1)No matter whether there is any sign of possible assets impairment, the goodwill formed by the merger of enterprises and intangible assets with uncertain service lives shall be subject to impairment test every year. Fixed assets, construction in progress, intangible assets, the investment properties measured by cost method and long-term equity investments, if there is any indication for impairment at balance sheet date then impairment test need to be taken

Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets. The disposal expenses shall include the relevant legal expenses, relevant taxes, truck age as well as the direct expenses for bringing the assets into a marketable state. Where there is any evidence indicating a possible impairment of assets, the enterprise shall, on the basis of single item assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the asset belongs.

(2)The recognition of the impairment

①The current market price of a ssets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use;

②The economic, technological or legal environment in which the enterprise operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the enterprise;

③The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the enterprise for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets;

④Any evidence shows that the assets have become obsolete or have been damaged substantially;

⑤The assets have been or will be left unused, or terminated for use, or disposed ahead of schedule;

⑥Any evidence in the internal report of the enterprise shows that the economic performance of the assets have been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the expected amount, etc.; and Other evidence indicates that the impairment of assets has probably occurred.

(3)The recognition of an asset group shall base on whether the main cash inflow generated by the asset group is independent of those generated by other assets or other group assets. Simultaneously, when recognizing an asset group, the enterprise shall take into consideration how its managers manage the production and business activities (for example, according to the production lines, business varieties or according to the regions or areas), and the ways of decision-making for the continuous use or disposal of the assets, etc

Where there is an active market for the products manufactured by (or other outputs of) a combination of several assets, even if some or all of these products (or other outputs) are provided for the internal use, the enterprise shall also recognize this combination of assets as an asset group on the condition that the provisions of the preceding paragraph are accorded with

Where the cash inflow of the asset group is affected by the internal transfer price, the future cash flow of the asset group shall be determined on the basis of the best available estimate made by the managers of the enterprise for the future price in the fair transaction.

Once an asset group is recognized, it shall be kept consistent during different accounting periods, and not be changed at will.

16、 Measurement and recognition of employee Compensation

(1) Employee Compensation

Employee compensation refers to all kinds of payments and other relevant expenditures given by enterprises in exchange of the services offered by the employees. The employee compensation shall include:

- ① Wages, bonuses, allowances and subsidies for the employees;
- ② Welfare expenses for the employees;
- ③ Medical insurance, endowment insurance, unemployment insurance, work injury insurance, maternity insurance and other social insurances;

- ④ Housing accumulation fund;
- ⑤ Labor union expenditure and employee education expenses;
- ⑥ Non-monetary welfare;
- ⑦ Compensations for the cancellation of the labor relationship with the employees; and
- ⑧ Other relevant expenditures of services offered by the employees

(2) If an enterprise cancels the labor relationship with any employee prior to the expiration of the relevant labor contract or brings forward any compensation proposal for the purpose of encouraging the employee to accept a layoff, and the following conditions are met concurrently, the enterprise shall recognize the expected liabilities incurred due to the compensation for the cancellation of the labor relationship with the employee, and shall simultaneously record them into the profit or loss for the current period:

① Where the enterprise has formulated a formal plan on the cancellation of labor relationship or has brought forward a proposal on voluntary layoff and will execute it soon. This plan or proposal shall include the department at which the employee to be laid off works, the post of the employee and the number of the employees to be laid off, the amount of compensation for the cancellation of labor relationship or for layoff as determined on the basis of the job category or post according to the relevant provisions, and the planned time for the cancellation of labor relationship or layoff.

② The enterprise is unable to unilaterally withdraw the plan on the cancellation of labor relationship or the layoff proposal.

17、 The recognition and measurement of Share-based Payments

(1) Cash-settled Share-based Payments

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by an enterprise.

As to a cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly.

As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the enterprise.

(2) Equity-settled Share-based Payments

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees

As to an equity-settled share-based payment in return for services of employees, if the right

may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant; be included in the relevant cost or expense and the capital reserves shall be increased accordingly.

As to a equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant.

18、Accrued liabilities

(1) Principle of accrued liabilities

The obligations related to some items that meet the following conditions at the same time will be confirmed as the liabilities:

- ① This obligation is the current obligation of the company;
- ② The performance of this obligation will probably cause the economic benefits to flow out of the company;
- ③ The amount of this obligation can be reliably calculated.

(2) The measurement of accrued liabilities

The accrued liabilities are initially measured in accordance with the best estimated outflow of economic benefits to fulfill the current obligation as well as related risks regarding the contingencies, uncertainties and time value of money. Significant impact on the time value of money the best estimation is determined through the related discounted future cash outflows. The increase of book value of accrued liability caused due to the passage of time is recognized as interest.

(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, 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 based on the possible amount;
- ② If the contingent event is involved in some projects, the optimum evaluation amount shall be determined based 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. The confirmed compensation amounts shall not exceed book values of confirmed liabilities.

19、The recognition and measurement of transfer financial assets

- (1) The Company shall derecognize financial assets when all the risks and rewards have

been transferred to other party. The company differentiates the transfer of financial assets into entire transfer and the partial transfer of financial asset.

When derecognition condition of entire transferred assets has been satisfied, the differences between the amounts of following two items shall be accounted for profits and losses of current period.

①The book value of transferred financial assets;

②The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the shareholders' equities (in the event that the financial asset involved in the transfer is a financial asset available-for-sale)

20、Revenue recognition

(1) Recognition principle and method of Estate Revenue:

①The project has been completed, sale contract has been signed or any other notice of settlement has been received, the company has completed its obligation mention in the contract, and received payment from buyers, or the one sold under mortgage, which has satisfied with the mortgage condition, and cost of the project can be measured reliably.

②Sales under installment payment: Revenue shall be recognized on each installment payment date as the contract said.

③ Construction of buildings or construction projects: Revenue shall be recognized when the construction settlement bills are handed to consignor(s).

(2)Income from rental properties: the income is recognized by straight-line method under the contract signed.

(3) Recognition principle and method of other business:

①Sale of goods

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

a、the entity has transferred the significant risks and rewards of ownership of goods to the buyer;

b、the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over goods sold;

c、the amount of revenue can be measured reliably;

d、The associated costs incurred or to be incurred can be measured reliably.

② Rendering of services

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. When the outcome of rendering of service can not be measured reliably at balance sheet date, revenue shall be recognized to the extent of costs incurred that are expected to be recoverable.

③ Other business: The entity recognizes revenue when the related economic benefit shall probably flow into the company; and related income and cost can be measured reliably.

21、 Government Subsidies

(1) No government subsidy may be recognized unless the following conditions are met simultaneously as follows:

- ① The enterprise can meet the conditions for the government subsidies; and
- ② The enterprise can obtain the government subsidies.

(2) If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government subsidy is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount.

① The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. But the government subsidies measured at their nominal amounts shall be directly included in the current profits and losses.

② The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows:

a、 Those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall be included in the current profits and losses during the period when the relevant expenses are recognized; or

b、 Those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits and losses.

(3) If it is necessary to refund any government subsidy which has been recognized, it shall be treated respectively in accordance with the circumstances as follows:

① If there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; and

② If there is no deferred income concerned to the government subsidy, it shall be directly included in the current profits and losses.

22、 Measurement and recognition of borrowing cost

(1) Principle of capitalization of borrowing cost

Borrowing costs may be attributable to the construction and productions of assets and complied with the capitalization conditions, they shall be capitalized and accounted for as cost of assets; other borrowing costs shall be recognized as expenses when incurred and accounted for current profit and loss account. The assets complying with the capitalization conditions mean assets such as fixed assets, investment properties and inventories etc, that require a long time of construction and production activities before being intended for use or for sales.

The capitalization of borrowing costs shall satisfy the following conditions:

- ① The expenditure of assets has been incurred;
- ② The borrowing costs have been incurred;
- ③ Activities relating to acquisition, construction or production that are necessary to the assets being intended for use or sales have been launched.

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

(2) Capitalization period

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

Capitalization of borrowing costs also shall be suspended when the acquisition, construction or production of assets are prepared being intended for use or sales.

Borrowing costs which are incurred by the acquisition, construction or production of assets, and are satisfied with the aforesaid capitalization conditions, are recognized as cost of assets before those assets are intended for use or sales. Any borrowing costs incurred after those assets are intended for use or sales, are recognized as financial costs.

(3) Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing. The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs. During the period of capitalization, the amount of interest capitalized during each accounting period shall not exceed the amount of interest actually incurred to the relevant borrowings in the current period. During the period of capitalization, the exchange balance on foreign currency borrowings shall be capitalized, and shall be recorded into the cost of assets eligible for capitalization. For the ancillary expense incurred to a specifically borrowed loan, those incurred before a qualified asset under acquisition, construction or production is ready for the intended use or sale shall be capitalized at the incurred amount when they are incurred, and shall be recorded into the costs of the asset eligible for capitalization; those incurred after a qualified asset under acquisition and construction or production is ready for the intended use or sale shall be recognized as expenses on the basis of the incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period. The ancillary expenses arising from a general borrowing shall be recognized as expenses at their incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period.

23、 Measurement and recognition of income taxes

(1) The company uses deferred income tax liability method in calculation of income taxes

(2) Where the company obtains assets or liabilities, it shall determine its tax base. Where there is difference between the carrying amount of the assets or liabilities and its tax base, the deferred income tax assets or the deferred income tax liabilities shall be determined.

(3) The recognition of the deferred income tax assets

① The company should recognize the deferred income tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. However, the deferred income tax assets, which are arising from the initial recognition of assets or liabilities during a transaction which is simultaneously featured by the following, shall not be recognized:

- a、The transaction is not business combination;
- b、At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected

② Where the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises can meet the following requirements simultaneously, the enterprise shall recognize the corresponding deferred income tax assets:

- a、The temporary differences are likely to be reversed in the expected future; and
- b、It is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

③ As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax assets shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained

(4)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 good will;
- ② the initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following:
 - a、The transaction is not business combination;
 - b、At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

③The taxable temporary differences related to the investments of subsidiary companies, associated enterprises and joint enterprises shall recognize corresponding deferred income tax liabilities. However, those that can simultaneously meet the following conditions shall be excluded:

- a、The investing enterprise can control the time of the reverse of temporary differences; and
- b、The temporary differences are unlikely to be reversed in the expected future.

(5)The carrying amount of deferred income tax assets shall be reexamined on balance sheet day. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred income tax assets, the carrying amount of the deferred income tax assets shall be written down.

When it is probable to obtain sufficient taxable income taxes, such write down amount shall be subsequently reversed.

(6) The company and its subsidiary without sufficient taxable income in the foreseeable future to offset the timing differences therefore deferred income tax assets has been recognized.

24、Basis of Consolidation

(1) The recognition scope of the consolidation

The consolidated financial statements prepared are in accordance with the No. 33 Enterprise Accounting Standards – Consolidated Financial Statement issued in February, 2006. The recognition of the scope of the consolidated financial statement based on control bases the consolidation including the company, subsidiaries directly or indirectly controlled by the company and special-purpose financial statements of the entity. Control refers to the Company has the right to decide financial and operating policies of the invested company, and to obtain benefits from the business activities.

Company is not included in the scope of consolidation if there is evidence shows that the parent company can not exercise control over it.

(2) Purchase or sale of subsidiary share holding

The purchase and sale date will be confirmed with the time that major related risks and rewards of equity ownership have been transferred. For the acquisition or sale of a subsidiary under the different control of the consolidation, the operating results and cash flows have been properly included in the consolidated Income Statement and Consolidated Statements of Cash Flows before the sales day and after the purchase day. For the acquisition or sale of a subsidiary under the same control of the consolidation the operating results and cash flows have been properly included in the consolidated Income Statement and Consolidated Statements of Cash Flows and shown separately. The corresponding adjustments have been made for Comparative figures of the consolidated financial statements

(3) Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

If the accounting policy and accounting period of the subsidiary are inconsistent with the Company, financial statements of subsidiaries have been adjusted accordingly in accordance with the Company's accounting policies as preparation consolidated financial statements, for the subsidiary acquired under different control consolidation, financial statements of subsidiaries have been adjusted accordingly in accordance with fair value of subsidiary's identifiable assets, liabilities and contingent liabilities at purchase day.

(4) The method of consolidation

All significant intercompany transaction and balances between group enterprises are eliminated on consolidation. The part of net assets of consolidated subsidiaries belongs to the part of minority interests should be reported separately in equity of consolidated financial statements.

V.Change in accounting policies, accounting estimates and correct previous accounting period errors:

(1) Change in accounting policies

There are no changes in accounting in accounting period of 2008.

(2) Change in accounting estimates.

There are no changes in accounting estimates in accounting period of 2008.

(3) Correction of accounting errors

There are no accounting errors in accounting period of 2008.

VI. Taxation

<u>Types</u>	<u>Basis of taxation</u>	<u>Tax rate</u>
Value-Add-Tax(VAT)	Income from sales of products	17%
land value increment tax	Income from selling Estate -deductible items	30% - 60%
Business Tax	Income from Estate, Leasing and Rendering of service	5%
Enterprise Income Tax	Taxable Income	18%、25% (Note)
City Construction fee	VAT payable, consumption tax payable and business tax payable	1%
Education fee	VAT payable, consumption tax payable and business tax payable	3%

Note: (1) Shenzhen Special Economic Zone: The applicable Enterprise Income Tax rate in Shenzhen Special Economic Zone is 18% in 2008 , 20% in 2009, 22% in 2010 , 24% in 2012, 25% in 2012 (2) Other City: The applicable Enterprise Income Tax rate in other city is 25%.

VII. Corporate consolidate and the scope of consolidated financial statements

1. Subsidiaries were obtained through combination

<u>Company's name</u>	<u>Legal Representative</u>	<u>Registration Place</u>	<u>Registered capital</u>	<u>Interest held</u>	<u>Percentage of voting right</u>	<u>Principal activities</u>
Shenzhen ShenGuoShang Business ManagementCo., Ltd.	Song, Shengjun	Shenzhen	15,000,000.00	100%	100%	Retail store
Shenzhen International Arcade Chain Store	Zhou,Xiaoxing	Shenzhen	10,000,000.00	100%	100%	Retail store
Shenzhen International Arcade Property Management Co., Ltd.	Zhang,Zengkuan	Shenzhen	7,000,000.00	61%	61%	Property management
Shenzhen Rongfa Investment Co., Ltd. ("Shenzhen Rongfa")	Song, Shengjun	Shenzhen	USD5,000,000.00	60%	60%	Real estate development
Huizhou Rongfa Industry Investment Co., Ltd. ("Huizhou Rongfa")	Song, Shengjun	Huizhou	6,000,000.00	54.90%	100%	Real estate development
Wengyuan Guoshanglinhai Development Co., Ltd.	Long,Teng	Wengyuan	7,000,000.00	60%	100%	Afforestation
Wuhua Guoshanglinye Development Co., Ltd.	Zhou,Yalin	Wuhua	1,000,000.00	60%	100%	Afforestation

Shenzhen Guoshanglinye Development Co., Ltd.	Zhou,Yalin	Shenzhen	10,000,000.00	60%	100%	Lumber purchase and sale, Industrial establishment
Shenzhen Longgang International Arcade Enterprise Co., Ltd.	Zhou,Meng	Shenzhen	3,000,000.00	90%	100%	Retail store
XingningGuoshanglinye Development Co., Ltd (“Xingning Guoshang”)	Song,Shengjun	Xingning	5,000,000.00	60%	100%	Afforestation, and lumber sales
Luoyang Rongfazhiye Co., Ltd (“Luoyang Rongfa”)	Song,Shengjun	Luoyang	10,000,000.00	60%	100%	estate development and sales, property management and rental

Note: Shenzhen ShenGuoShang Business Management Co. Ltd.was formly known as Shenzhen Longgang International Arcade Enterprise Co., Ltd, the name has been changed in 2008

2. Subsidiaries were not obtained through combination

<u>Company's name</u>	<u>Legal representative</u>	<u>Registration Place</u>	<u>Registered capital</u>	<u>Interest Held</u>	<u>Percentage of voting right</u>	<u>Principal activities</u>
Shenzhen International Arcade trading Co., Ltd (Note 1)	Song, Shenjun	Shenzhen	5,600,000.00	98.75%	100%	International trade
Shenzhen Chunhua Medicine United Co., Ltd. (Note 1)	Song, Shenjun	Shenzhen	3,000,000.00	75%	75%	Medicine and medical machineries
Shenzhen Guoshang Medicine Co., Ltd. (Note 1)	Song, Shenjun	Shenzhen	3,000,000.00	98%	100%	Medicine and medical machineries
ShenZhen Royal aristocracy Co., Ltd (“Shenzhen Gangyi”) Note 2	Song, Shenjun	Shenzhen	5,000,000.00	64%	5%	Healthy message, industrial establishment

Note 1: Shenzhen International Arcade trading Co., Ltd, Shenzhen Chunhua Medicine United Co., Ltd. and Shenzhen Guoshang Medicine Co., Ltd have suspended their business for several years, and their registration of have been cancelled due to no renewal of registration certificates, and not included in the scope of financial statements consolidation in current period.

Note 2: As stated in the Notes XIV.1. According to agreement signed by both parties, the substance of this transfer is Shenzhen Baotian Investment Development Co., Ltd (“Shenzhen Baotian”) shall lease Shenzhen Gangyi ’s business qualification and business loation in future six years, and Shenzhen Rongfa shall not control Shenzhen Gangyi’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 Shenzheng Gangyi ’s assets and liabilities before the

transferring date. According to agreement signed by both parties, the substance of this transfer is Shenzhen Baotian Investment Development Co., Ltd (“Shenzhen Baotian”) shall lease Shenzhen Gangyi’s business qualification and business location in future six years, and Shenzhen Rongfa shall not control Shenzhen Gangyi’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 Gangyi’s assets and liabilities before the transferring date, after the equity transfer the Shenzhen Gangyi Oriental Club Industrial Co., Ltd was renamed as Shenzhen Royal aristocracy Co., Ltd

3. The change of scope of consolidated financial statements

There is no change on the scope of consolidated financial statements for the current period.

VIII .Main items of consolidated financial statements

1. Monetary Funds

<u>Items</u>	<u>2008.12.31</u>	<u>2007.12.31</u>
Cash on hand	132,394.91	339,495.03
Bank deposit	68,142,428.15	60,883,503.06
Other monetary fund	<u>140,061.00</u>	<u>120,000.00</u>
Total	<u>68,414,884.06</u>	<u>61,342,998.09</u>

2. Account receivable

(1) Classification by credit risk characters

<u>Items</u>	<u>2008.12.31</u>				<u>2007.12.31</u>			
	<u>Closing balance</u>	<u>Proportion</u>	<u>Bad debt provision</u>	<u>Net amount</u>	<u>Closing balance</u>	<u>Proportion</u>	<u>Bad debt provision</u>	<u>Net amount</u>
Individual transaction with significant amount	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Individual transaction with not so significant amount but significant recoverable risk	305,072.38	19.90%	91,521.71	213,550.67	376,218.36	24.38%	111,565.51	264,652.85
Other transaction with no significant amount	<u>1,228,049.51</u>	<u>80.10%</u>	<u>153,880.46</u>	<u>1,074,169.05</u>	<u>1,167,109.19</u>	<u>75.62%</u>	<u>102,860.37</u>	<u>1,064,248.82</u>
Total	<u>1,533,121.89</u>	<u>100.00%</u>	<u>245,402.17</u>	<u>1,287,719.72</u>	<u>1,543,327.55</u>	<u>100.00%</u>	<u>214,425.88</u>	<u>1,328,901.67</u>

Note: The recognition standard for Individual transaction with significant amount and

non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high refers to note 6、 5) ①

(2) Ages analysis

<u>Age</u>	<u>2008.12.31</u>				<u>2007.12.31</u>			
	<u>Closing balance</u>	<u>Proportion</u>	<u>Bad debt provision</u>	<u>Net amount</u>	<u>Closing balance</u>	<u>Proportion</u>	<u>Bad debt provision</u>	<u>Net amount</u>
Within 1								
year	156,786.71	10.23%	7,839.34	148,947.37	292,966.16	18.98%	14,648.31	278,317.85
1-2 years	292,966.16	19.11%	29,296.62	263,669.54	858,187.81	55.61%	85,818.78	772,369.03
2-3 years	778,296.64	50.76%	116,744.50	661,552.14	15,955.22	1.04%	2,393.28	13,561.94
3-4 years	0.00	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	26,000.00	1.68%	6,500.00	19,500.00
over 5 years	<u>305,072.38</u>	<u>19.90%</u>	<u>91,521.71</u>	<u>213,550.67</u>	<u>350,218.36</u>	<u>22.69%</u>	<u>105,065.51</u>	<u>245,152.85</u>
Total	<u>1,533,121.89</u>	<u>100.00%</u>	<u>245,402.17</u>	<u>1,287,719.72</u>	<u>1,543,327.55</u>	<u>100.00%</u>	<u>214,425.88</u>	<u>1,328,901.67</u>

(3) Up to December 31,2008, there is no accounts receivable balance due from shareholders who owns 5% or over 5% of voting right shares.

3、 Payment in advance

(1) Age analysis

<u>Age</u>	<u>2008.12.31</u>	<u>Percentage</u>	<u>2007.12.31</u>	<u>Percentage</u>
Within 1 year	109,720.00	13.43%	621,638.00	47.47%
1-2Years	21,092.00	2.58%	187,983.00	14.35%
2-3Years	187,983.00	23.01%	500,000.00	38.18%
3Years	<u>498,000.00</u>	<u>60.98%</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>816,795.00</u>	<u>100.00%</u>	<u>1,309,621.00</u>	<u>100.00%</u>

(2) The age of payment in advance more than year are mainly the advanced payment for mountain lease.

(3) The significant closing balance of the individual payment in advance account is the account that accounted for the total amount of the advance payment at the 30% and above.

<u>Name</u>	<u>Amounts</u>	<u>Details</u>
Wengyuan County Seedling Forestry Station	<u>498,000.00</u>	Deposit
Total	<u>498,000.00</u>	Advanced payment for mountain lease.

(4) Up to December 31,2008, there is no payment in advance balance owed by shareholders who owns 5% or over 5% of voting right shares.

4、 Other accounts receivable

(1) Classification by credit risk characters

<u>Item</u>	<u>2008.12.31</u>				<u>2007.12.31</u>			
	<u>Closing balance</u>	<u>Proportion</u>	<u>Bad debt provision</u>	<u>Net amount</u>	<u>Closing balance</u>	<u>Proportion</u>	<u>Bad debt provision</u>	<u>Net amount</u>
Individual transaction with significant amount	32,204,475.27	84.63%	30,691,975.27	1,512,500.00	56,530,394.64	93.97%	24,307,131.01	32,223,263.63
Individual transaction with not so significant amount but significant recoverable risk	1,765,998.20	4.64%	1,115,134.56	650,863.64	1,479,474.22	2.46%	1,073,792.27	405,681.95
Other transaction with no significant amount	<u>4,083,044.69</u>	<u>10.73%</u>	<u>348,228.92</u>	<u>3,734,815.77</u>	<u>2,150,033.85</u>	<u>3.57%</u>	<u>196,011.48</u>	<u>1,954,022.37</u>
Total	<u>38,053,518.16</u>	<u>100.00%</u>	<u>32,155,338.75</u>	<u>5,898,179.41</u>	<u>60,159,902.71</u>	<u>100.00%</u>	<u>25,576,934.76</u>	<u>34,582,967.95</u>

Note: The recognition standard for Individual transaction with significant amount and non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high refers to note 6 、 5) ①.

(2) Other accounts receivable with significant amount

<u>Company's Name</u>	<u>Amount due</u>	<u>Proportion</u>	<u>Age</u>	<u>Reason</u>
Shenzhen Yahaoyuan Investment Co.,Ltd	16,676,740.27	43.82%	Over 5years	Note 1
Shenzhen Shengang Gongmao Import and Export Co.,Ltd	<u>10,180,249.93</u>	<u>26.75%</u>	Over 5years	Note 2
Total	<u>26,856,990.20</u>	<u>70.57%</u>		

Note 1: The Company's subsidiary Shenzhen Rongfa Investment Co., Ltd ("Shenzhen Rongfa") signed an equity transfer contract with Shenzhen Yahaoyuan Investment Co., Ltd ("Yahaoyuan") in 2001 in relation to transfer its 75% equity interests in Shenzhen Longgang Rongfa Investment Co., Ltd ("Longgang Rongfa") to Yahaoyuan. The consideration for this equity transaction was 54.19 millions, meanwhile, Yahaoyuan agreed to reimburse 133.81 millions for Longgang Rongfa to Shenzhen Rongfa for construction prepayment. Up to December 31, 2008, the company received 171,323,259.73f rom Yahaoyuan for equity transfer price and repayment.

Note 2: the amount is due to existing historical issues between the Group and Shenzhen Shengang Gongmao Import and Export Co., Ltd ("Gongmao") in relation to the lender Shenzhen Development Bank, Shennandonglu Branch ("the Bank") sued the Group and filed a claim at the Intermediate People's Court of Shenzhen ("the Court") in 2000 and requested the Group shall has

joint repayment liability to a guaranteed loan with 11 millions loan principal and the overdue interests. On February 27, 2001, the court ruled the Group has joint repayment liability to the above-mentioned guaranteed loan.

On December 30, 2002, under the intermediation by the court, The Group and the Bank reached reconciliation, and agreed that, the Group would repay the loan principal and interests for Gongmao, meanwhile, the Group would claim the repayment from Gongmao. Gongmao promised to the Group except in assistance of transfer of its ownership on the sun house in top floor of Shengang haoyuan mingshang loft to the Group, also provided its land in Baoan Nan road in Luohu district (4000 square meters) and jointed construction for buildings with the Group. The joint operation was: the Group contributed capital for development, and the initial profits after completion of development shall used for repayment of the debts. The Group accounted for the estimated losses for the guaranteed loan which amounted to 3,403,456.00 as non-operating expense in 2002.

In 2004, during the claim of Gongmao for repayment of debts, the Group had confirmed that ownership of the above-mentioned property and land use right were unable to transfer, and Gongmao had no other executive property. Therefore, the Group decided to made full bad debt provision for unrecognized loss of 10,180,249.93.

(3) The details of full amount of bad debt provision:

<u>Company</u>	<u>Amount</u>	<u>Content</u>	<u>Provision Amount</u>	<u>Proportion</u>	<u>Reason</u>
Shenzhen Yahaoyuan					
Investment Co.,Ltd	16,676,740.27	Equity transfer price	16,676,740.27	Over 5 years	Probable for non-receivable
Shenzhen Shengang					
Gongmao Import and					
Export Co.,Ltd	10,180,249.93	Guarantee for debt repayment	10,180,249.93	Over 5 years	Details refer to notes VIII.4(2)-note 2
Guangzhou Sun Star Co.,					
Ltd	<u>900,000.00</u>	Current account	<u>900,000.00</u>	Over 5 years	Probable for non-receivable
Total	<u>27,756,990.20</u>		<u>27,756,990.20</u>		

(4) Age analysis

Age	<u>2008.12.31</u>				<u>2007.12.31</u>			
	<u>Closing</u>	<u>Proportion</u>	<u>Bad debt</u>	<u>Net amount</u>	<u>Closing</u>	<u>Proportion</u>	<u>Bad debt</u>	<u>Net amount</u>
	<u>balance</u>		<u>provision</u>		<u>balance</u>		<u>provision</u>	
Within1	2,054,341.14	5.40%	102,717.06	1,951,624.08	18,103,325.36	30.09%	905,166.27	17,198,159.09

year								
1-2 years	1,175,873.42	3.09%	117,587.34	1,058,286.08	3,768,138.72	6.26%	376,813.87	3,391,324.85
2-3 years	1,502,830.13	3.95%	225,424.52	1,277,405.61	1,772,943.16	2.95%	265,941.48	1,507,001.68
3-4 years	1,646,649.09	4.33%	329,329.82	1,317,319.27	500.00	0.00%	100.00	400.00
4-5 years	0.00	0.00	0.00	0.00	4,100,000.00	6.82%	4,100,000.00	0.00
over 5 years	<u>31,673,824.38</u>	<u>83.23%</u>	<u>31,380,280.01</u>	<u>293,544.37</u>	<u>32,414,995.47</u>	<u>53.88%</u>	<u>19,928,913.14</u>	<u>12,486,082.33</u>
Total	<u>38,053,518.16</u>	<u>100.00%</u>	<u>32,155,338.75</u>	<u>5,898,179.41</u>	<u>60,159,902.71</u>	<u>100.00%</u>	<u>25,576,934.76</u>	<u>34,582,967.95</u>

(5) The actual write-off of other account receivables in the current period

<u>Name</u>	<u>write-off amount</u>	<u>Nature</u>	<u>reason</u>	<u>Related party</u>
Beijing Daosen Real Estate Co.,Ltd	4,100,000.00	for joint project	Unrecoverable	No
Shenzhen Land Bureau Longgang branch	150,000.00	Current account	Unrecoverable	No
Shenzhen Jiajiahao Co., Ltd	<u>79,814.57</u>	Current account	Unrecoverable	No
Total	<u>4,329,814.57</u>			

(6) Up to December 31,2008, there is no other accounts receivable balance due from shareholders who owns 5% or over 5% of voting right shares.

(7) The balance of other account receivable has decreased in comparison with last year, this mainly caused by the balance of the equity transfer 16 million has been received from Shenzhen Baima Garment Co., Ltd.

5、Inventory

(1) Listed by category

<u>Items</u>	<u>2008.12.31</u>			<u>2007.12.31</u>		
	<u>Impairment los</u>			<u>Impairment los</u>		
	<u>Closing balance</u>	<u>provision</u>	<u>Net amount</u>	<u>Closing balance</u>	<u>provision</u>	<u>Net amount</u>
		¥			¥	
Finished goods	0.00	0.00	0.00	273,587.72	0.00	273,587.72
Consumable forest assets	555,524.86	0.00	555,524.86	0.00	0.00	0.00
Development costs	63,018,804.10	0.00	63,018,804.10	37,387,045.27	0.00	37,387,045.27
Development products	830,251,397.47	16,631,692.55	813,619,704.92	714,942,486.03	16,631,692.55	698,310,793.48

Lease development products	35,240,279.76	0.00	35,240,279.76	35,240,279.76	0.00	35,240,279.76
Total	<u>52,736,416.24</u>	<u>0.00</u>	<u>52,736,416.24</u>	<u>55,517,049.10</u>	<u>0.00</u>	<u>55,517,049.10</u>
Finished goods	<u>981,802,422.43</u>	<u>16,631,692.55</u>	<u>965,170,729.88</u>	<u>843,360,447.88</u>	<u>16,631,692.55</u>	<u>826,728,755.33</u>

① Development Costs

Items	Start Date	Estimated completed date	Estimated investment	Impairment loss		Impairment loss	
				2007.12.31	—	2008.12.31	s_
Bantian industrial estate				47,643,003.15	16,631,692.55	47,893,568.15	16,631,692.55
Rongfu Garden phase II				6,448,481.22	0.00	6,448,481.22	0.00
Futian Central District	Jan 2003	2009	0.9 billions	<u>660,851,001.66</u>	<u>0.00</u>	<u>775,909,348.10</u>	<u>0.00</u>
Total				<u>714,942,486.03</u>	<u>16,631,692.55</u>	<u>830,251,397.47</u>	<u>16,631,692.55</u>

②Development Products

<u>Item</u>	<u>Completed Date</u>	<u>2007.12.31</u>	<u>Impairment Loss</u>	<u>2008.12.31</u>	<u>Impairment</u>
			<u>Provision</u>		<u>Loss Provision</u>
Gangyihaoing	December 2000	<u>35,240,279.76</u>	<u>0.00</u>	<u>35,240,279.76</u>	<u>0.00</u>
Total		<u>35,240,279.76</u>	<u>0.00</u>	<u>35,240,279.76</u>	<u>0.00</u>

③Lease development Products

Item	2007.12.31	Increment	Amortization	Decrement	2008.12.31	emaining amortization life
Gangyihaoing	47,420,648.95	0.00	1,265,614.13	1,351,996.77	44,803,038.05	33-43Years
Guoqi Building	2,508,261.40	0.00	69,935.57	0.00	2,438,325.83	39years
Huizhou Sunshine 100	<u>5,588,138.75</u>	<u>0.00</u>	<u>93,086.39</u>	<u>0.00</u>	<u>5,495,052.36</u>	59years
Total	<u>55,517,049.10</u>	<u>0.00</u>	<u>1,428,636.09</u>	<u>1,351,996.77</u>	<u>52,736,416.24</u>	

(2) Ttal amount of cpitalization of borrowing costs this year is 37,759,060.18 yuan

(3) Inventory impairment loss provision

<u>Item</u>	<u>2007.12.31</u>	<u>Increment</u>	<u>Decrement</u>	<u>2008.12.31</u>
Development Products	<u>16,631,692.55</u>	<u>0.00</u>	<u>0.00</u>	<u>16,631,692.55</u>
Total	<u>16,631,692.55</u>	<u>0.00</u>	<u>0.00</u>	<u>16,631,692.55</u>

Note1:The company pledged the industrial land of BanTian to the bank as guaranty for borrowings, the book value of the land is 31,261,875.60 Yuan

Note2:The company pledged some of retail shops of GangYiHaoTing to the bank as guaranty for borrowings, the book value of the those retail shops is 10,719,041.28 Yuan

Note3:The company pledged Futian Central District to the bank as guaranty for borrowings, the book value of the those retail shops is 775,909,348.10 Yuan

Note4:The company pledged consumptive forestry assets to the bank as guaranty for borrowings, the book value of the those retail shops is 25,215,211.99 Yuan

6、Long-term equity investment

(1) long-term equity investment and impairment loss provision

<u>Item</u>	<u>2008.12.31</u>			<u>2007.12.31</u>		
	<u>Balance of book value</u>	<u>Impairment loss provision</u>	<u>Book value</u>	<u>Balance of book value</u>	<u>Impairment loss provision</u>	<u>Book value</u>
long-term equity investment	<u>25,570,000.00</u>	<u>18,999,737.16</u>	<u>6,570,262.84</u>	<u>25,570,000.00</u>	<u>18,999,737.16</u>	<u>6,570,262.84</u>
Include:Investment in subsidiary	<u>15,570,000.00</u>	<u>8,999,737.16</u>	<u>6,570,262.84</u>	<u>15,570,000.00</u>	<u>8,999,737.16</u>	<u>6,570,262.84</u>
Investment in Other Companies	10,000,000.00	10,000,000.00	0.00	10,000,000.00	10,000,000.00	0.00

(2) Long-term equity investment measured by cost method

<u>Investee</u>	<u>Initial investment</u>	<u>2007.12.31</u>	<u>Increment</u>	<u>Decrement</u>	<u>2008.12.31</u>
①subsidiary					
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.	3,000,000.00	3,000,000.00	0.00	0.00	3,000,000.00
Shenzhen International Enterprise Trade Co., Ltd.	5,320,000.00	5,320,000.00	0.00	0.00	5,320,000.00
Shenzhen Grace East Union Industry Co., Ltd.	5,000,000.00	5,000,000.00	0.00	0.00	5,000,000.00

Subtotal	<u>15,570,000.00</u>	<u>15,570,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>15,570,000.00</u>
② Other company					
Shenzhen Xinnuo Communication Co.,Ltd	10,000,000.00	10,000,000.00	0.00	0.00	10,000,000.00
Subtotal	<u>10,000,000.00</u>	<u>10,000,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>10,000,000.00</u>
Total	<u>25,570,000.00</u>	<u>25,570,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>25,570,000.00</u>

Notes: The registration of Shenzhen International Arcade Trading Co., Ltd, Shenzhen Chunhua Medical Union Enterprise 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 3,999,737.16 impairment loss provision has been made for the long-term equity investment.

(3) Long-term equity investment impairment loss provision

<u>Investee</u>	<u>Initial investment</u>	<u>2007.12.31</u>	<u>Increment</u>	<u>Decrement</u>
Shenzhen Chunhua Medical Union				
Enterprise Co., Ltd	418,949.38	0.00	0.00	418,949.38
Shenzhen Guoshang Medicine Co., Ltd.	504,857.76	0.00	0.00	504,857.76
Shenzhen International Enterprise				
Trade Co., Ltd.	3,075,930.02	0.00	0.00	3,075,930.02
Shenzhen Grace East Union Industry				
Co., Ltd.	5,000,000.00	0.00	0.00	5,000,000.00
Shenzhen Xinnuo Communication				
Co.,Ltd	<u>10,000,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>10,000,000.00</u>
Total	<u>18,999,737.16</u>	<u>0.00</u>	<u>0.00</u>	<u>18,999,737.16</u>

Note: The investee company Shenzhen Xinnuo TeleCom Co., Ltd (“Xinnuo”) was incurring financial difficulties. Up to December 31, 2004, the net book value of Xinnuo was 29.16 millions, including 2.916 million attributed to the Company. However, Xinnuo still owed huge amount of bank loan, and cash generated from inventories and creditors was quite low, the Company considered that the recoverable from the investment was very low, therefore, the Company decided to make full amount of impairment loss provision for this long-term equity investment. Up to December 31, 2007, the financial situation of Xinnuo still has no change. 。 In 2008 the company has transferred the Xinnuo’s equity to Wangjun in the price of 750000 Yuan and signed Equity Transfer Agreement, up to 31/12/2008 Procedures for transfer of shares has been in

processing.

7、Investment Properties

<u>Items</u>	<u>2007.12.31</u>	<u>Increment</u>	<u>Decrement</u>	<u>2008.12.31</u>
A. Total original price	<u>17,509,107.92</u>	<u>0.00</u>	<u>13,984,469.81</u>	<u>3,524,638.11</u>
1. Buildings and structures	17,509,107.92	0.00	13,984,469.81	3,524,638.11
2. Land use right	0.00	0.00	0.00	0.00
B.Total of Accumulated Depreciation				
and Accumulated Amortization	<u>7,824,776.34</u>	<u>412,937.47</u>	<u>6,468,526.16</u>	<u>1,769,187.65</u>
1. Buildings and structures	7,824,776.34	412,937.47	6,468,526.16	1,769,187.65
2. Land use right	0.00	0.00	0.00	0.00
C. Total impairment loss provision of				
investment property	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
1. Buildings and structures	0.00	0.00	0.00	0.00
2. Land use right	0.00	0.00	0.00	0.00
D. Total book value of investment				
property	<u>9,684,331.58</u>	<u>0.00</u>	<u>0.00</u>	<u>1,755,450.46</u>
1. Buildings and structures	9,684,331.58	0.00	0.00	1,755,450.46
2. Land use right	0.00	0.00	0.00	0.00

8、Fixed assets and Accumulated depreciation

(1) Details

<u>Items</u>	<u>2007.12.31</u>	<u>Increment</u>	<u>Decrement</u>	<u>2008.12.31</u>
A. total original price of fixed assets	<u>127,618,682.63</u>	<u>687,574.16</u>	<u>1,675,150.22</u>	<u>126,631,106.57</u>
Buildings and structures	114,796,017.19	0.00	0.00	114,796,017.19
Vehicles	5,892,815.00	178,915.00	563,000.00	5,508,730.00

Electronic and other devices	6,929,850.44	508,659.16	1,112,150.22	6,326,359.38
B.Total Accumulated Depreciation	<u>35,529,573.76</u>	<u>4,657,795.94</u>	<u>1,245,645.43</u>	<u>38,941,724.27</u>
Buildings and structures	30,090,392.81	2,812,557.08	0.00	32,902,949.89
Vehicles	1,761,503.22	892,010.00	393,420.00	2,260,093.22
Electronic and other devices	3,677,677.73	953,228.86	852,225.43	3,778,681.16
C. Impairment loss provision of fixed				
assets	<u>11,716,894.19</u>	<u>0.00</u>	<u>0.00</u>	<u>11,716,894.19</u>
Buildings and structures	11,716,894.19	0.00	0.00	11,716,894.19
Vehicles	0.00	0.00	0.00	0.00
Electronic and other devices	0.00	0.00	0.00	0.00
D. Net value of the fixed assets	<u>80,372,214.68</u>	<u>0.00</u>	<u>0.00</u>	<u>75,972,488.11</u>
Buildings and structures	72,988,730.19	0.00	0.00	70,176,173.11
Vehicles	4,131,311.78	0.00	0.00	3,248,636.78
Electronic and other devices	3,252,172.71	0.00	0.00	2,547,678.22

(2) proposed disposal of fixed assets

<u>Item</u>	<u>original price of fixed</u>	<u>Accumulated</u>	<u>Impairment loss</u>	<u>Book value</u>
	<u>assets</u>	<u>Depreciation</u>	<u>provision of fixed assets</u>	
Buildings and structures	<u>8,161,441.83</u>	<u>4,631,358.76</u>	<u>0.00</u>	<u>3,530,083.07</u>
Total	<u>8,161,441.83</u>	<u>4,631,358.76</u>	<u>0.00</u>	<u>3,530,083.07</u>

Note: Up to 31/12/2008, The company has signed the agreement with the buyer company and received par of the payment, the transfer of the title has been in processing.

(3) The book value of Buildings and structures as guaranties for short-term borrowings is 11,179,224.19 Yuan.

9、Long-term deferred expense

<u>Types</u>	<u>Original Amount</u>	<u>2007.12.31</u>	<u>Increment</u>	<u>Amortization</u>	<u>Transfer out</u>	<u>Accumulated</u>	<u>2008.12.31</u>
						<u>Amortization</u>	
Furnishing Cost	24,863,537.36	13,135,514.72	0.00	13,135,514.72	0.00	24,863,537.36	0.00

Other	<u>300,000.00</u>	<u>210,000.00</u>	<u>90,000.00</u>	<u>60,000.00</u>	<u>0.00</u>	<u>60,000.00</u>	<u>240,000.00</u>
Total	<u>25,163,537.36</u>	<u>13,345,514.72</u>	<u>90,000.00</u>	<u>13,195,514.72</u>	<u>0.00</u>	<u>24,923,537.36</u>	<u>240,000.00</u>

10、Impairment loss provision

<u>Items</u>	<u>2007.12.31</u>	<u>Increment</u>	<u>Decrement</u>		<u>2008.12.31</u>
			<u>Reversal</u>	<u>Reversal</u>	
Bad debt provision	25,791,360.64	10,939,194.85	0.00	4,329,814.57	32,400,740.92
Impairment provision for inventory	16,631,692.55	0.00	0.00	0.00	16,631,692.55
Impairment provision for long-term investment	18,999,737.16	0.00	0.00	0.00	18,999,737.16
Impairment provision for fixed asset	<u>11,716,894.19</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>11,716,894.19</u>
Total	<u>73,139,684.54</u>	<u>10,939,194.85</u>	<u>0.00</u>	<u>4,329,814.57</u>	<u>79,749,064.82</u>

11、Restricted assets

(1) Reason

Assets are pledged to obtain bank loans.

(2) List of restricted assets

<u>Types of restricted assets</u>	<u>Book value at the</u>	<u>Increment</u>	<u>Decrement</u>	<u>Book value at the end of</u>
	<u>beginning of the period</u>			<u>the period</u>
A. Pledged assets	<u>734,569,664.24</u>	<u>134,645,675.80</u>	<u>14,930,638.88</u>	<u>854,284,701.16</u>
1.Fixed assets-buildings and structures	1,798,535.71	9,380,688.48	0.00	11,179,224.19
2.Inventories-Development products	25,649,680.16	0.00	14,930,638.88	10,719,041.28
3.Inventories-Development costs	691,862,312.26	115,308,911.44	0.00	807,171,223.70
4.Consumable forest assets	<u>15,259,136.11</u>	<u>9,956,075.88</u>	<u>0.00</u>	<u>25,215,211.99</u>
Total	<u>734,569,664.24</u>	<u>134,645,675.80</u>	<u>14,930,638.88</u>	<u>854,284,701.16</u>

12、Short-term Loan

<u>Loan condition</u>	<u>2008.12.31</u>	<u>2007.12.31</u>
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Pledge loan	<u>8,000,000.00</u>	<u>0.00</u>
Total	<u>8,000,000.00</u>	<u>0.00</u>

13、Accounts payable

(1) Age analysis

<u>Age</u>	<u>2008.12.31</u>	<u>2007.12.31</u>
Within one year	61,515,737.73	251,872,953.50
Over one year	<u>181,956,890.03</u>	<u>1,809,797.03</u>
Total	<u>243,472,627.76</u>	<u>253,682,750.53</u>

(2) Account payable balance which age is over one year is mainly payment for Futian central project.

(3) There is no accounts payable balance due to shareholders who owns 5% or over 5% of voting right shares.

14、Advance from customers

(1) Age analysis

<u>Age</u>	<u>2008.12.31</u>	<u>2007.12.31</u>
Within one year	13,362,185.40	10,477,238.63
Over one year	<u>46,048,971.75</u>	<u>35,591,733.12</u>
Total	<u>59,411,157.15</u>	<u>46,068,971.75</u>

(2) The year end balance of advanced from customers, which age is over one year, is mainly due to the amount received from selling the shops in Gangyihaoing. Because of the buyer has reselling option, and they are not satisfied with revenue recognition principle

(3) Advance from customers related to real estate projects:

<u>Item</u>	<u>2008.12.31</u>	<u>2007.12.31</u>	<u>Completed date</u>	<u>Content</u>
Gangyihaoing	<u>35,467,753.05</u>	<u>35,467,753.05</u>	December 2000	Sales of shops
Total	<u>35,467,753.05</u>	<u>35,467,753.05</u>		

(4) There is no advance from customers balance due to shareholders who owns 5% or over 5% of voting right shares.

15、Payroll payable

<u>Items</u>	<u>2007.12.31</u>	<u>Increment</u>	<u>Pay out</u>	<u>2008.12.31</u>
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A. Salary, bonus and allowance	1,335,785.27	11,896,814.21	11,912,128.11	1,320,471.37
B. Employment welfare	0.00	905,927.08	905,927.08	0.00
C. Social insurance	0.00	1,780,468.17	1,780,468.17	0.00
Including:				
1. Medical insurance	0.00	970,546.02	970,546.02	0.00
2. Basic retirement insurance	0.00	621,868.67	621,868.67	0.00
3. Disability employment fund	0.00	5,250.66	5,250.66	0.00
4. Unemployment insurance	0.00	40,467.34	40,467.34	0.00
5. Injury insurance	0.00	125,918.14	125,918.14	0.00
6. Pregnancy insurance	0.00	16,417.34	16,417.34	0.00
D. Housing accumulation fund	0.00	0.00	0.00	0.00
E. Labor union fee and employee education fee	1,951,718.28	369,340.44	283,786.90	2,037,271.82
F. Non-monetary benefit	0.00	0.00	0.00	0.00
G. Redemption for termination of labor contract	0.00	0.00	0.00	0.00
H. Other	0.00	0.00	0.00	0.00
Including: share payment by cash	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>3,287,503.55</u>	<u>14,952,549.90</u>	<u>14,882,310.26</u>	<u>3,357,743.19</u>

16、Tax payable

<u>Types</u>	<u>2008.12.31</u>	<u>2007.12.31</u>
Add-Value Tax(VAT)	- 96,187.62	24,856.77
Business Tax	- 1,833,479.92	- 1,778,244.29
Consumption Tax	-3 1,516.27	- 13,345.07
City maintenance construction fee	145,029.69	147,490.97
Enterprise Income Tax	1,548,888.51	1,741,005.25
Property tax	271,202.96	200,808.57
Personal income Tax	8,710.67	10,234.52
Education fee	1,811.29	4,938.12
Others	<u>2,637.45</u>	<u>56,320.11</u>
Total	<u>17,096.76</u>	<u>394,064.95</u>

17、Dividend Payable

<u>Investors</u>	<u>2008.12.31</u>	<u>2007.12.31</u>
Legal person shareholders	<u>5,127,701.36</u>	<u>5,127,701.36</u>
Total	<u>5,127,701.36</u>	<u>5,127,701.36</u>

18、Other accounts payable

(1) Age analysis

<u>Age</u>	<u>2008.12.31</u>	<u>2007.12.31</u>
Within 1 year	22,286,382.20	74,623,976.78
1-2 years	48,143,644.82	80,941,194.57
2-3 years	77,148,453.89	35,098,757.00
Over 3 years	<u>63,295,114.15</u>	<u>31,981,820.70</u>
Total	<u>210,873,595.06</u>	<u>222,645,749.05</u>

(2) Please refer to Notes X.3.(2) for the detail about the amount of other accounts payable due to shareholders who own 5% or more than 5% voting right shares until December 31, 2008.

(3) Significant amount of other accounts payable:

<u>Name of Entities</u>	<u>Balance</u>	<u>Age</u>	<u>Proportion</u>	<u>Nature or Content</u>
Employee				
borrowings	41,837,483.01	Year 2005	19.84%	Note 14.3
Bao Tong Wei	22,619,765.35	Year2006	10.73%	Borrowings Note 1
Jian Qi Chen	30,964,617.38	Year2006	14.68%	Borrowings Note 1
Wan Ying Lin	36,386,218.08	Year2006	17.25%	Borrowings Note 1
Kai De Zheng	<u>3,000,000.00</u>	Year2007	<u>1.42%</u>	Borrowings Note 2
Total	<u>134,808,083.82</u>		<u>63.92%</u>	

Note 1: According to the agreement signed with Bao Tong Wei, Jian Qi Chen and Wan Ying Lin, the Company shall pay interests calculating at 10‰ interest rate monthly.

Note 2: No interest is involved in the borrowings from Kai De Zheng.

19、Non-current liabilities due within one year

<u>Item</u>	<u>2008.12.31</u>	<u>2007.12.31</u>
Long-term borrowings due within one year	<u>14,992,300.00</u>	<u>17,229,760.00</u>
Total	<u>14,992,300.00</u>	<u>17,229,760.00</u>

20、Long-term Borrowings

(1) Types

<u>Type</u>	<u>2008.12.31</u>	<u>2007.12.31</u>
Pledge loan	18,000,000.00	0.00
Pledge and assure loan	<u>400,000,000.00</u>	<u>274,918,800.00</u>
Total	<u>418,000,000.00</u>	<u>274,918,800.00</u>

(2) List of Creditors

<u>Lender</u>	<u>Amount</u>	<u>Annual interest rate</u>	<u>Loan condition</u>
Construction bank of China,Shenzhen Aihua Branch	250,000,000.00	Note:2	Pledged
Construction bank of China,Shenzhen Shangbu Branch	150,000,000.00	Note:2	Pledged
Wengyuan Rural Credit Cooperatives	9,000,000.00	8.0154%-8.6634%	Pledged
Wengyuan Rural Credit Cooperatives	<u>9,000,000.00</u>	10.584%	Pledged
Total	<u>418,000,000.00</u>		

Note 1: The long-term borrowing has increased in comparison with last year, this is mainly due to the subsidiary- Shenzhen Rongfa borrowed money for the Jingdao Project in Futian Central District.

Note 2: annual interest rate for long-term borrowings is on the benchmark interest rates go up 10%

Note 3: Details of the pledged assets are referring to Notes VIII、5, VIII、8 and VIII、11.

21、Accrued liabilities

<u>Items</u>	<u>2007.12.31</u>	<u>Increment</u>	<u>Decrement</u>	<u>2008.12.31</u>	<u>Reason</u>
Guarantee liabilities	<u>11,018,984.16</u>	<u>782,925.00</u>	<u>0.00</u>	<u>11,801,909.16</u>	Loan guarantee

Total	<u>11,018,984.16</u>	<u>782,925.00</u>	<u>0.00</u>	<u>11,801,909.16</u>
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Note: Please refer to Note X.B for details.

22、Deferred Income

<u>Items</u>	<u>2008.12.31</u>	<u>2007.12.31</u>
Unrecognized leaseback income	<u>1,440,994.95</u>	<u>1,852,707.79</u>
Total	<u>1,440,994.95</u>	<u>1,852,707.79</u>

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

23、Share Capital

		Current changes					(+, -)
Items	2007.12.31	Share Right	Bonus Shares	Capitalization of public reserve	Other	Sub-total	Unit: share
① Restricted shares							
Including:							
shares held by states	0.00	0.00	0.00	0.00	0.00	0.00	0.00
shares held by states	19,692,807.00	0.00	0.00	0.00	-12,443,974.00	-12,443,974.00	7,248,833.00
Shares held by overseas legal persons							
persons	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub-total	19,692,807.00	0.00	0.00	0.00	-12,443,974.00	-12,443,974.00	7,248,833.00
② Unrestricted shares							
1. Ordinary shares							
listed in mainland	129,208,377.00	0.00	0.00	0.00	12,443,974.00	12,443,974.00	141,652,351.00
2. Foreign shares							
listed in mainland	72,000,000.00	0.00	0.00	0.00	0.00	0.00	72,000,000.00
3. Foreign shares							
listed in overseas	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total listed shares	201,208,377.00	0.00	0.00	0.00	12,443,974.00	12,443,974.00	213,652,351.00

Total shares	<u>220,901,184.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>220,901,184.00</u>
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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

<u>Types</u>	<u>2007.12.31</u>	<u>Increment</u>	<u>Decrement</u>	<u>2008.12.31</u>
Share premium	50,995,056.63	0.00	0.00	50,995,056.63
Other capital				
reserves	<u>21,320,290.43</u>	<u>0.00</u>	<u>0.00</u>	<u>21,320,290.43</u>
Total	<u>72,315,347.06</u>	<u>0.00</u>	<u>0.00</u>	<u>72,315,347.06</u>

25、Retained earning

<u>Types</u>	<u>2007.12.31</u>	<u>Increment</u>	<u>Decrement</u>	<u>2008.12.31</u>
Statutory surplus reserves	84,526,481.13	0.00	0.00	84,526,481.13
Other surplus reserves	<u>41,403,353.35</u>	<u>0.00</u>	<u>0.00</u>	<u>41,403,353.35</u>
Total	<u>125,929,834.48</u>	<u>0.00</u>	<u>0.00</u>	<u>125,929,834.48</u>

26、Retained Earnings

<u>Items</u>	<u>2008</u>	<u>2007</u>
Balance at the beginning of the year of 2008	-174,793,080.88	-242,659,312.26
Add: Consolidated net profit	- 25,491,736.24	67,866,231.38
Withdrawal of statutory surplus reserve	0.00	0.00
Withdrawal of employees' reward and welfare		
fund	0.00	0.00
Withdrawal of reserve fund	0.00	0.00
Withdrawal of Enterprise development fund	0.00	0.00
Reimbursement of investment	0.00	0.00
Less: dividends payable for preference shares	0.00	0.00
Withdrawal of surplus reserves	0.00	0.00
Dividends payable for ordinary shares	0.00	0.00
Dividends for ordinary shares transfer into		
capital	<u>0.00</u>	<u>0.00</u>
Balance at the end of the year 2008	<u>-200,284,817.12</u>	<u>-174,793,080.88</u>

27. Minority Interest

<u>Name of investee</u>	<u>Proportion of minority interest</u>	<u>Beginning balance of Minority interest</u>	<u>Closing balance of Minority interest</u>
Shenzhen Guomao Property Management Co., Ltd	39.00%	-3,719,643.31	-3,621,575.21
Shenzhen Rongfa Investment Co.,Ltd	40.00%	-66,513,308.52	-42,255,234.73
Total		-70,232,951.83	-45,876,809.94

28、 Operating revenue and operating costs

(1) Operating revenue and operating costs

<u>Items</u>	<u>2008</u>			<u>2007</u>		
	<u>Operating revenue</u>	<u>Operating cost</u>	<u>Operating profit</u>	<u>Operating revenue</u>	<u>Operating cost</u>	<u>Operating profit</u>
1. Revenue from main operation	<u>13,904,820.34</u>	<u>14,537,067.40</u>	<u>-632,247.06</u>	<u>35,779,620.56</u>	<u>27,984,973.72</u>	<u>7,794,646.84</u>
Income from sales of goods	0.00	0.00	0.00	15,285,911.96	13,684,690.61	1,601,221.35
Income from sales of property	1,820,000.00	1,351,996.77	468,003.23	1,831,164.00	1,082,407.30	748,756.70
Property management income	12,084,820.34	13,185,070.63	-1,100,250.29	13,004,281.01	11,600,841.71	1,403,439.30
service income	0.00	0.00	0.00	5,658,263.59	1,617,034.10	4,041,229.49
2. Revenue from other operation	<u>13,148,464.94</u>	<u>7,768,497.21</u>	<u>5,379,967.73</u>	<u>6,807,451.44</u>	<u>374,995.04</u>	<u>6,432,456.40</u>
Disposal of investment property	11,322,800.00	7,576,469.93	3,746,330.07	0.00	0.00	0.00
Rental income	1,825,664.94	192,027.28	1,633,637.66	6,807,451.44	374,995.04	6,432,456.40
Total	<u>27,053,285.28</u>	<u>22,305,564.61</u>	<u>4,747,720.67</u>	<u>42,587,072.00</u>	<u>28,359,968.76</u>	<u>14,227,103.24</u>

(2) Listed by segments or areas

<u>Items</u>	<u>2008</u>			<u>2007</u>		
	<u>Operating revenue</u>	<u>Operating cost</u>	<u>Operating profit</u>	<u>Operating revenue</u>	<u>Operating cost</u>	<u>Operating profit</u>
Shenzhen						
city	<u>27,053,285.28</u>	<u>22,305,564.61</u>	<u>4,747,720.67</u>	<u>42,587,072.00</u>	<u>28,359,968.76</u>	<u>14,227,103.24</u>
Total	<u>27,053,285.28</u>	<u>22,305,564.61</u>	<u>4,747,720.67</u>	<u>42,587,072.00</u>	<u>28,359,968.76</u>	<u>14,227,103.24</u>

(3) Sales revenue from top five clients

<u>Name</u>	<u>2008</u>		<u>2007</u>	
	<u>Sales</u>	<u>Proportion to total sales</u>	<u>Sales</u>	<u>Proportion to total sales</u>
Total sales from top five clients	11,850,460.00	43.80%	10,465,752.00	24.57%

29、Financial costs

<u>Items</u>	<u>2008</u>	<u>2007</u>
Interest expenses	7,436,498.40	0.00
Less: interest income	115,926.07	451,728.63
Exchange losses	0.00	0.00
Less: Exchange gains	1,517,603.74	2,717,856.15
Bank charges	32,676.22	12,110.51
Others	<u>89,746.33</u>	<u>80,000.00</u>
Total	<u>5,925,391.14</u>	<u>-3,077,474.27</u>

30、Impairment loss for assets

<u>Item</u>	<u>2008</u>	<u>2007</u>
Bad debts provision	<u>10,939,194.85</u>	<u>1,838,286.28</u>
Total	<u>10,939,194.85</u>	<u>1,838,286.28</u>

31、Investment income

<u>Items</u>	<u>2008</u>	<u>2007</u>
Investment income from stocks, material funds, bonds	0.00	0.00
Distributed profits from associated or joint-venture company	0.00	0.00
Net increase/decrease of equity for investee companies at year end	0.00	0.00
Gains from transfer of equity investment	0.00	79,458,098.90
Amortization of equity investment differences	0.00	0.00
Impaired loss provisions for investments	0.00	0.00
Gains/losses from disposals of long-term equity investments	<u>0.00</u>	<u>0.00</u>
Total	<u>0.00</u>	<u>79,458,098.90</u>

Note: The gains from transfer of equity investment of last year for 79,458,098.90, is due from the gains from sales of the Company's subsidiary of Shenzhen International Arcade Co., Ltd.

32、Non-operating income

<u>Items</u>	<u>2008</u>	<u>2007</u>
Gains from disposal of fixed assets	16,420.00	3,016,402.00
Income from debts restructure	0.00	5,002,090.40
Income from Reimbursement	3,690,238.01	0.00
Other	<u>1,500,417.89</u>	<u>2,889,748.89</u>
Total	<u>5,207,075.90</u>	<u>10,908,241.29</u>

Note: Income from Reimbursement refer to Note X IV 、 2 for details.

33、 Non-operating expenses

<u>Items</u>	<u>2008</u>	<u>2007</u>
Losses from disposal of fixed assets	93,035.93	344,413.75
Losses from disposal of intangible assets	0.00	0.00
Income from debts restructure	0.00	7,883,244.61
Payout for guarantee	782,925.00	782,925.00
Other	<u>691,587.09</u>	<u>982,171.89</u>
Total	<u>1,567,548.02</u>	<u>9,992,755.25</u>

Note: Payout for guarantee refer to Note X I 、 3 for details.

34、 Income tax

<u>Item</u>	<u>2008</u>	<u>2007</u>
Income tax for current period	<u>92,502.34</u>	<u>438,402.97</u>
Total	<u>92,502.34</u>	<u>438,402.97</u>

35、 Supplemental information for cash flow statement

<u>Supplementary information</u>	<u>2008</u>	<u>2007</u>
1. Adjusting net profits into cash flows from operating activities:		
Net profits	-49,847,878.13	51,760,574.47
Add: Impairment loss provision of assets	10,939,194.85	1,838,286.28
Depreciation of fixed assets 、 oil and gas assets and production biological assets	5,070,733.41	5,319,263.57
Amortization of intangible assets	0.00	0.00
Amortization of Long-term deferred expenses	13,195,514.72	5,801,859.65
Loss on disposal of fixed assets 、 intangible assets and other long-term deferred assets (Loss/Gain +/—)	-3,730,240.42	-2,671,988.25
Loss from written off assets (Loss/Gain +/—)	0.00	0.00
Loss of fair value fluctuation on assets (Loss/Gain +/—)	0.00	0.00
Financial cost (Loss/Gain +/—)	5,918,894.66	-2,717,856.15
Loss on investment (Loss/Gain +/—)	0.00	-79,458,098.90
Decrease of deferred income tax assets (Decrease/Increase +/-)	0.00	0.00
Increase of deferred income tax liabilities(Increase/Decrease +/-)	0.00	0.00
Decrease of inventories (Decrease/Increase +/-)	-100,682,914.37	-265,770,677.07
Decrease of operating receivables (Decrease/Increase +/-)	2,279,601.64	26,823,736.68
Increase of operating payables(Increase/Decrease +/-)	-37,233,309.16	25,489,179.87

Losses on Debts restructure(Losses/Gains +/-)	0.00	2,881,154.21
Net cash flows arising from operating activities	-154,090,402.80	-230,704,565.63
2. Significant investing and financing activities that not involving cash flows:		
Conversion of debts into capital	0.00	0.00
Convertible corporate bond due within 1 year	0.00	0.00
Finance leased fixed assets	0.00	0.00
3. Net increase (decrease) of cash and cash equivalents		
Ending balance of cash	68,414,884.06	61,342,998.09
Less: Beginning balance of cash	61,342,998.09	26,046,276.70
Add : Ending balance of cash equivalents	0.00	0.00
Less: Beginning balance of cash equivalents	0.00	0.00
Ending balance of cash and cash equivalents	7,071,885.97	35,296,721.39

36、Cash and cash equivalents

<u>Items</u>	<u>2008</u>	<u>2007</u>
1. Cash	<u>68,414,884.06</u>	<u>61,342,998.09</u>
Including: Cash on hand	132,394.91	339,495.03
unrestricted bank deposits	68,142,428.15	60,883,503.06
unrestricted other monetary funds	140,061.00	120,000.00
Unrestricted central bank deposits	0.00	0.00
2.Cash equivalents	<u>0.00</u>	<u>0.00</u>
Including: Bond investment within three month	0.00	0.00
3. Ending balance of cash and cash equivalents	<u>68,414,884.06</u>	<u>61,342,998.09</u>
Including: restricted cash and cash equivalents for the parent or subsidiaries in the		
Group	0.00	0.00

XI. Notes to financial statements of the Parent company

1、Other receivable

(1) Classification by credit risk

	<u>2008.12.31</u>				<u>2007.12.31</u>			
<u>Item</u>	<u>Balance</u>	<u>Proportion</u>	<u>Bad debts</u>	<u>Book value</u>	<u>Balance</u>	<u>Proportion</u>	<u>Bad debts</u>	<u>Book value</u>
			<u>provision</u>				<u>provision</u>	

Individual account with significant amount	360,087,001.43	99.63%	202,412,208.64	157,674,792.79	386,851,746.07	99.69%	130,043,213.97	256,808,532.10
Individual transaction with not so significant amount but significant recoverable risk	916,702.05	0.25%	905,010.62	11,691.43	0.00	0.00	0.00	0.00
Other transaction with no significant amount	425,762.65	0.12%	42,658.64	383,104.01	1,189,880.99	0.31%	740,282.58	449,598.41
Total	<u>361,429,466.13</u>	<u>100.00%</u>	<u>203,359,877.90</u>	<u>158,069,588.23</u>	<u>388,041,627.06</u>	<u>100.00%</u>	<u>130,783,496.55</u>	<u>257,258,130.51</u>

(2) Age analysis:

Age	31/12/2008				31/12/2007			
	Closing balance	Proportion	Bad debts provision	Book value	Closing balance	Proportion	Bad debts provision	Book value
Within one year	143,390,123.01	39.67%	73,383,023.15	70,007,099.86	376,977,073.19	97.15%	119,878,242.89	257,098,830.30
1-2 years	206,984,414.36	57.27%	119,066,464.04	87,917,950.32	89,065.00	0.02%	8,906.50	80,158.50
2-3 years	89,065.00	0.02%	13,359.75	75,705.25	71,426.71	0.02%	10,714.01	60,712.70
3-4 years	71,426.71	0.02%	14,285.34	57,141.37	0.00	0.00	0.00	0.00
4-5 years	0.00	0.00	0.00	0.00	1,467,789.82	0.38%	1,467,789.82	0.00
Over 5 years	<u>10,894,437.05</u>	<u>3.02%</u>	<u>10,882,745.62</u>	<u>11,691.43</u>	<u>9,436,272.34</u>	<u>2.43%</u>	<u>9,417,843.33</u>	<u>18,429.01</u>
Total	<u>361,429,466.13</u>	<u>100.00%</u>	<u>203,359,877.90</u>	<u>158,069,588.23</u>	<u>388,041,627.06</u>	<u>100.00%</u>	<u>130,783,496.55</u>	<u>257,258,130.51</u>

2、Long-term equity investments

(1) Long-term equity investments and provision for impairment loss

Items	2008.12.31			2007.12.31		
	Closing balance	Provision for Impairment loss	Book value	Closing balance	Provision for Impairment loss	Book value
Long-term equity investments	<u>89,943,991.03</u>	<u>23,999,737.16</u>	<u>65,944,253.87</u>	<u>89,943,991.03</u>	<u>23,999,737.16</u>	<u>65,944,253.87</u>
Including : investment to	<u>79,943,991.03</u>	<u>13,999,737.16</u>	<u>65,944,253.87</u>	<u>79,943,991.03</u>	<u>13,999,737.16</u>	<u>65,944,253.87</u>

subsidiaries

investment to other company	10,000,000.00	10,000,000.00	0.00	10,000,000.00	10,000,000.00	0.00
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(2) Accounted for by cost method

<u>Name of investees</u>	<u>Initial</u>	<u>Opening balance</u>	<u>Addition</u>	<u>Deduction</u>	<u>Closing balance</u>
①Sub					
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	0.00	21,427,272.93
Shenzhen International Arcade Chain Store	10,000,000.00	10,000,000.00	0.00	0.00	10,000,000.00
Subtotal	<u>79,943,991.03</u>	<u>79,943,991.03</u>	<u>0.00</u>	<u>0.00</u>	<u>79,943,991.03</u>
② other company					
Shenzhen Xinnuo Communication Co., Ltd	10,000,000.00	10,000,000.00	0.00	0.00	10,000,000.00
Subtotal	<u>10,000,000.00</u>	<u>10,000,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>10,000,000.00</u>
Total	<u>89,943,991.03</u>	<u>89,943,991.03</u>	<u>0.00</u>	<u>0.00</u>	<u>89,943,991.03</u>

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

<u>Investment project</u>	<u>2007.12.31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2008.12.31</u>
Shenzhen Xinnuo Communication Co., Ltd	10,000,000.00	0.00	0.00	10,000,000.00
Shenzhen Chunhua Medicine United Co., Ltd	418,949.38	0.00	0.00	418,949.38
Shenzhen Guoshang Medicine Co., Ltd.	504,857.76	0.00	0.00	504,857.76
Shenzhen International trade enterprise Co., Ltd	3,075,930.02	0.00	0.00	3,075,930.02
Shenzhen International Arcade Chain Store	<u>10,000,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>10,000,000.00</u>
Total	<u>23,999,737.16</u>	<u>0.00</u>	<u>0.00</u>	<u>23,999,737.16</u>

3、Operating revenue and operating costs

(1) Listed by items

<u>Item</u>	<u>2008</u>	<u>2007</u>
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	<u>Operating</u> <u>revenue</u>	<u>Operating costs</u>	<u>Operating profits</u>	<u>Operating</u> <u>revenue</u>	<u>Operating costs</u>	<u>Operating profits</u>
rental income	518,160.00	42,410.90	475,749.10	749,150.00	45,214.39	703,935.61
Disposal of investment pro	<u>5,330,000.00</u>	<u>6,025,970.62</u>	<u>-695,970.62</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>5,848,160.00</u>	<u>6,068,381.52</u>	<u>-220,221.52</u>	<u>749,150.00</u>	<u>45,214.39</u>	<u>703,935.61</u>

(2) Listed by business or geography

	<u>2008</u>			<u>2007</u>		
<u>Item</u>	<u>Operating</u> <u>revenue</u>	<u>Operating</u> <u>costs</u>	<u>Operating</u> <u>profits</u>	<u>Operating</u> <u>revenue</u>	<u>Operating</u> <u>costs</u>	<u>Operating</u> <u>profits</u>
Shenzhen city	<u>5,848,160.00</u>	<u>6,068,381.52</u>	<u>-220,221.52</u>	<u>749,150.00</u>	<u>45,214.39</u>	<u>703,935.61</u>
Total	<u>5,848,160.00</u>	<u>6,068,381.52</u>	<u>-220,221.52</u>	<u>749,150.00</u>	<u>45,214.39</u>	<u>703,935.61</u>

X. Related party and related party transactions

1、Confirmation related parties

The Company has control, jointly control or significant influence on the other party, or is under same party's control, jointly control or significant influence with other company, is deemed as related parties.

2、The relationship of related parties

Related party with non-controllable relationship

<u>Company's name</u>	<u>Relationship with the Company</u>
Malaysia Foh Chong & Sons SDN.BHD.	Holding 13.70% of the Company's equity interests
ShenzhenTeFa Group Limited	Holding9.76%of the Company's equity interests
Shenzhen MaoYeShangXia Co., Ltd.	Holding6.15% of the Company's equity interests
DaHua Investment (China) Co., Ltd.	Holding4.17%of the Company's equity interests

(1) Because the Company's equity structure is quite decentralizing, and has no absolute controlshareholder for the Company, the Company lists Malaysia Foh Chong & Sons SDNBHD ,Shenzhen SDG Co., Ltd, Shenzhen MaoYeShangXia Co., Ltd. and DaHua Investment (China) Co ., Ltd. as related parties with non-controllable relationship.

(2) Shenzhen MaoYeShangXia Co., Ltd. and DaHua Investment (China) Co., Ltd. behave in

the concerted action, totally they hold 10.32% of the Company's equity interests.

3、Related party transactions

(1) Related party transaction:

Up to 31/12/2008 The company has provided guarantee for the flowing subsidiaries:

<u>Company</u>	<u>Type</u>	<u>Amount</u>	<u>Borrowing period</u>
Shenzhen Forestry Development Co., Ltd.	Short term borrowing	8,000,000.00	2008.2.27 to 2009.2.27
Shenzhen RongFa Investment Co., Ltd.	Long-term borrowing	150,000,000.00	2008.9.10 to 2010.9.9
Shenzhen RongFa Investment Co., Ltd.	Long-term borrowing	<u>250,000,000.00</u>	2007.4.16 to 2010.2.15
Total		<u>408,000,000.00</u>	

(2) Balance of account receivable and payable for related parties

<u>Name of enterprise</u>	<u>2008.12.31</u>		<u>2007.12.31</u>	
	<u>Balance</u>	<u>Proportion</u>	<u>Balance</u>	<u>Proportion</u>
Other payables:				
Malaysia Foh Chong & Sons SDN.BHD.	27,084,045.25	12.84%	25,449,040.65	11.43%
Shenzhen Chunhua Medicine United Co., Ltd.	2,090,239.43	0.99%	2,090,239.43	0.94%
Shenzhen Guoshang Medicine Co., Ltd.	1,479,767.33	0.70%	1,491,767.33	0.67%
Shenzhen International trade enterprise Co., Ltd	<u>4,160,185.75</u>	<u>1.97%</u>	<u>4,160,185.75</u>	<u>1.87%</u>
Total	<u>34,814,237.76</u>	<u>16.50%</u>	<u>33,191,233.16</u>	<u>14.91%</u>

XI. Contingency

1. Guarantee

(1) According to common practices of the sale of mortgage properties in the property investment industry, the Company's subsidiary Shenzhen Rongfa Investment Co., Ltd. provides guarantees for those mortgage property sales which developed by itself. Until December 31, 2008, Shenzhen Rongfa Investment Co., Ltd. provides guarantees for mortgage property sales for 40,120,610.84Yuan.

(2) According to common practices of the sale of mortgage properties in the property investment industry, the Company's subsidiary Huizhou Rongfa Investment Co., Ltd. provides guarantees for those mortgage property sales which developed by itself. Until December 31, 2008,

Huizhou Rongfa Investment Co., Ltd provides guarantees for mortgage property sales for 11,652,694.59yuan.

2. Pledge

The Company has no other pledge event except mentioned in Notes to financial statements VIII.5. VIII. 8 and VIII, 11.

3. Litigation

In September 2005, Shenzhen Intermediate People's Court issued Review Order [2005] SZMFZ No.22, ruled that the Group has joint liability to a guaranteed loan (RMB6 million and related overdue interest) borrowed from Bank of China, Shenzhen Shangbu branch by Shenzhen Shengang Gongmao Co., Ltd. ("Shengang Gongmao") in 1999.

In accordance with conservative principle, the Company accounted for guaranteed loan principal and its interest r 8,670,209.16 as accrued liabilities, and accrued interests for 782,925.00 for the year of 2005, 2006 ,2007and 2008.

XII. Commitment

Until December 31, 2008, The Company signed non-revocable operating lease contracts with third party as follows:

<u>Maturity</u>	<u>Rental payable</u>	<u>Deferred investment income</u>
Within one year	6,638,751.38	411,712.84
1-2 years	5,835,233.36	411,712.84
2-3 years	0.00	411,712.84
Over three years	<u>0.00</u>	<u>205,856.43</u>
Total	<u>12,473,984.74</u>	<u>1,440,994.95</u>

XIII. Non-adjustment event after balance sheet date

The Company has no after balance sheet date event to disclose as at the reporting date.

X IV.Other Significant events

1、 Shenzhen Rongfa and International Arcade signed an repurchase equity transfer contract with Shenzhen Baotian Investment Development Co.,Ltd (Shenzhen Baotian) on 31 January 2007. According to the contract, Shenzhen Rongfa and International Arcade would transfer their holding interests of 85% and 10% respectively in Shenzhen Gangyi to Shenzhen Baotian. After the equity transfer transaction, Shenzhen Baotian and Shenzhen Rongfa will hold 95% and 5% shares in Shenzhen Gangyi respectively. The contract requires that Shenzhen Baotian shall transfer the

equity interests back to Shenzhen Rongfa or designated party by Shenzhen Rongfa for RMB 1 million no later than six years since the contract signed. Shenzhen Rongfa and Baotian Investment signed a supplementary agreement of equity transfer contract late after, Shenzhen Rongfa agreed to give up the current or future benefits from its 5% interests in Shenzhen Gangyi, that is, Shenzhen Rongfa will not participate in any profit distribution or bear any loss from Shenzhen Gangyi within the six years after the equity transfer.

On January 31, 2007, Shenzhen Rongfa Investment Co., Ltd (Shenzhen Rongfa) signed Transfer Of House Using Right Agreement with Shenzhen Baotian Investment Development Co., Ltd (Shenzhen Baotian), according to the agreement Shenzhen Rongfa will transfer the using right of 1st-4th floor and its attachment which are the place of operation of GANGYI Dongfang, storage and Staff Cafeteria, of Gangyi Haoting to Shenzhen Baotian, the total period for 6 years from 1/3/2007 to 28/2/2007.

The installments of transfer payment: 600,000 per month in the first year, 700,000 per month in the second and third year, 800,000 per month in the fourth and fifth year, 850,000 per month in the sixth year. Both two parties agreed that the actual time for transfer the venue to be recorded as the cut-off point, Rongfa will be liable for the liability which incurred before the cut-off point and Tianbao will be responsible for liability, creditor's rights and operating costs which incurred after the cut-off point. In 2007 the procedures for the transfer of equity has been completed.

2、on 17/4/2008, intermediate court of ShenZhen issued SHENZHONGFAZHIZI NO.70 Closing Notice : The dispute in the quality of construction and installation contract among the executor (Rongfa) executee (China Railway Construction Engineering Group Co., Ltd. Shenzhen Branch and China Railway Construction Engineering Group Corporation Shenzhen Co.), Guangdong Provincial Higher People's Court (2006) Guangdong Supreme People's Court has the final word that applicants seeking the Court to enforce the defendant. In April 2008, the court paid executive payment 3,690,238.01 to the applicants, and then the dispute was closed.

In April 2008, the court paid executive payment 3,690,238.01 to Rongfa, this amount was recorded as non-operating income.

3、shop subscribe by employee

In order to supplement the Jingdao Island project development funds, In March 2005, according to the market situation the company signed the Subscription Agreement for the retail shop of JingDao with employees by the way of internal subscription, in the price of 15000 Yuan per square meter, totally raise fund 34,400,984.61 Yuan. If a company transfer or seizure of the premises resulted in the company could not be delivered to shops, people can subscribe for 20%

return of principal and payment of compensation. The matter has been the second time in 2007 the Board of Trustees of the fifth resolution, but not submitted to shareholders of the General Assembly to consider. Shopping malls operated by the special needs, in addition to JingDao Island has not yet been completed, the Board of Directors in all aspects of the comprehensive considerations of the staff decided to give up the implementation of the incentive plan. In November 29, 2008 was held in 2008 the first provisional shareholders meeting to consider the motion has not been adopted. Employees for the proper settlement of the follow-up section of the subscription, the company will be based on the actual operation of the company's research and the development of feasible options after the relevant decision-making to be considered for adoption. According to the principle of caution, at the end of bank loans in accordance with the same period of 5.85 percent benchmark interest rate and the agreed compensation is higher 20% of the principle of 7,436,498.40 yuan provision for interest, finance charges included in this year.

X V 、 Net profits after deduction of non-recurring profits and losses

<u>Item</u>	<u>2008</u>
Net profit	-25,491,736.24
Add: (1) Profit and loss from disposal of non-current assets, including the offset part of the impaired assets;	-3,730,240.42
(2) Unauthorized examination and approval, or lack of official approval documents, or occasional tax revenue return and abatement;	0.00
(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;	0.00
(4) Capital occupation fees charged to the non-financial enterprises and counted into the current profit and loss; -	0.00
(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;	0.00
(6) Profit and loss from non-monetary assets exchange	0.00
(7) Profit and loss from entrusting others for investment or asset management	0.00
(8) Retained asset impairment provisions resulting from force majeure such as natural disasters	0.00
(9) Profit and loss from debt restructuring	0.00
<u>Item</u>	<u>2008</u>
(10) Enterprises ' reorganization fees, such as staffing expenses and integration fees	0.00
(11) Profit and loss that exceeds the fair value in transaction with unfair price	0.00
(12) Current net profit and loss of the subsidies established by merger of enterprises under unified control from the	0.00

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	782,925.00
(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	0.00
(15) Switch -back of impairment provisions of accounts receivable that have undergone impairment test alone;	0.00
(16) Profit and loss from outward entrusted loaning	0.00
(17) Profit and loss from the change of investment property's fair value by follow-up measurement in fair value mode	0.00
(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	0.00
(19) Custody fees of entrusted operation;	0.00
(20) Other non-operating income and expenses besides the above items	-4,499,068.81
(21) Other items that conform to the definition of extraordinary profit and loss	0.00
Subtotal	<u>-7,446,384.23</u>
Add: Amount influenced by income tax	92,502.34
Add: Non-recurring profit attributable to minority interest	2,950,969.63
Non-recurring profit attributable to Parent company	<u>-29,894,648.50</u>

XVI、Supplementary Information

Return on equity and earnings per share

Net profits of year 2008	<u>Return on equity</u>		<u>earnings per share</u> <u>(Yuan/Share)</u>		
	<u>Full</u> <u>dilution</u>	<u>Weighted</u> <u>average</u>	<u>Basic profit</u> <u>per share</u>	<u>Profit per</u> <u>share after</u> <u>dilution</u>	
Net profits attributable to ordinary shareholders	-25,491,736.24	-11.65%	-11.01%	-0.12	-0.12
Net profits or net profits after deduction of non-recurring profits and losses attributable to ordinary shareholders	-29,894,648.50	-13.66%	-13.03%	-0.14	-0.14

Calculation of earning per share: :

(1) Basic earning per share:

<u>Items</u>	<u>calculation</u>	<u>2008</u>		<u>2007</u>	
		<u>Amount</u>	<u>After deduction of non-recurring</u>	<u>Amount</u>	<u>after deduction of non-recurring</u>
Net profit attributable to ordinary shareholder of the Company	(1)	-25,491,736.24	-29,894,648.50	67,866,231.38	-12,410,242.68
The number of shares issued to the public at the beginning of the period	(2)	220,901,184.00	220,901,184.00	220,901,184.0	220,901,184.00
The number of shares newly issued in the current period	(3)	0.00	0.00	0.00	0.00
The number of shares repurchase in the current period	(4)	0.00	0.00	0.00	0.00
The weighted average number of ordinary shares issued to the public	(5)=(2)+(3)-(4)	220,901,184.00	220,901,184.00	220,901,184.0	220,901,184.00
Basic earning per share	(6)=(1)÷(5)	-0.12	-0.14	0.31	-0.06

(2) Diluted earning per share:

<u>Items</u>	<u>calculation</u>	<u>2008</u>		<u>2007</u>	
		<u>Amount</u>	<u>After deduction of non-recurring</u>	<u>Amount</u>	<u>After deduction of non-recurring</u>
Net profit attributable to ordinary shareholder of the Company	(1)	-25,491,736.24	-29,894,648.50	67,866,231.38	-12,410,242.68
The interest of the potential diluted ordinary shares determined to be expenses in the current period	(2)	0.00	0.00	0.00	0.00
The gains or expenses to be resulted from conversion of diluted ordinary shares	(3)	0.00	0.00	0.00	0.00
Income tax rate	(4)	0.00	0.00	0.00	0.00
The adjustment of the net profit attributable to ordinary shareholder of the Company	(5)=(1)+[(2)-(3)]1-(4)]	-25,491,736.24	-29,894,648.50	67,866,231.38	-12,410,242.68
Total number of ordinary shares	(6)	220,901,184.00	220,901,184.00	220,901,184.00	220,901,184.00
Assumed that the dilution of potential ordinary shares converted into ordinary shares in issue increased the weighted average number of ordinary shares	(7)	0.00	0.00	0.00	0.00
Total number of diluted ordinary shares	(8)=(6)+(7)	220,901,184.00	220,901,184.00	220,901,184.00	220,901,184.00
Diluted earning per share	(9)=(5)÷(8)	-0.12	-0.14	0.31	-0.06

XVII、 Approval of financial statements

The consolidated financial statements for the year of 2008 are approved and authorized for issuance by the Board of Directors on April 15, 2009.

Shenzhen International Enterprise Co., Ltd

Financial statement and the Notes is signature by:

Legal representative: LI JINQUAN

Chief accountant of accounting

Manager of accounting department :

department: SONG SHENJUN

ZHOU XIAOLIANG

Date: 15/4/2009

Date: 15/4/2009

Date: 15/4/2009

Section XII. Documents Available for Reference

1. Accounting statements with the signatures and seals of the Legal Representative, the person in charge of the accounting work and the person in charge of the accounting agency.
2. Original of the Auditor's Report with the seals of the CPA firm, as well as the signatures and seals of the CPAs.
3. Reserved copies of all the documents of the Company disclosed in the Securities Times, Ta Kung Pao (HK) and <http://www.cninfo.com.cn> in the reporting period, as well as the originals of the public notices.

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

Signature of the Chairman of the Board: Li Jinquan

Shenzhen International Enterprise Co., Ltd
Board of Directors
17 Apr. 2009