SHENZHEN INTERNATIONAL ENTERPRISE CO., LTD.

INTERIM REPORT 2010

Disclosure Date: 20 August 2010

Contents

Section I Important Statement and Paraphrase

I. Important Notice

The Board of Directors and directors of Shenzhen International Enterprise Co., Ltd. (hereinafter referred to as the Company) guarantee that there are no any omissions, fictitious or serious misleading statements carried in the report and will take all responsibilities, individual and/or joint, for the authenticity, accuracy and completeness of the whole contents.

Principal of the Company Li Jinquan, Person-in-charge of the accounting work Chen Xiaohai and Person-in-charge of the accounting organization (Person-in-charge of accounting) Zhou Xiaoliang hereby confirm that the financial report enclosed in the interim report is authentic and complete.

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

II. Paraphrase

Meanings of shortened forms in this report were as follows unless otherwise stated:
The Company, Company: Shenzhen International Enterprise Co., Ltd.
Multi Profit Asia Pacific: Multi Profit Asia Pacific Investment Ltd.
Maoye Emporium: Shenzhen Maoye Emporium Ltd
SDG: Shenzhen Special Economic Zone Development (Group) Co., Ltd.
Rongfa Company: Shenzhen Rongfa Investment Co., Ltd.

Section II Company Profile

I. Basic information

1. Legal Chinese Name: 深圳市国际企业股份有限公司
   Legal English Name: SHENZHEN INTERNATIONAL ENTERPRISE CO., LTD.
2. Stock Exchange Listed with: Shenzhen Stock Exchange
   Short Form of the Stock: SZIEC, SZIEC-B
   Stock Code: 000056, 200056
3. Registered Address/Office Address: 23/F, Development Center Bldg., Renmin South Road, Shenzhen
   Post Code: 518001
   Main office address: 44/F, Rongchao Economic and Trading Center, No.4028 Jintian Road, Futian District, Shenzhen
   Post code: 518035
   Company's Internet Website: http://www.china-ia.com
   E-mail: sgs000056@163.com
4. Legal representative of the Company: Li Jinquan
5. Secretary of the BOD: Cao Jian
   Securities Affairs Representative: Wu Xiaoshuang
   Tel: 0755-82281888, 82285565
   Contact Address: Investment & Management Dept., 44/F, Rongchao Economic and Trading Center, No.4028 Jintian Road, Futian District, Shenzhen
   Fax: 0755-82285573
   E-mail: cj000056@21cn.com
6. Newspapers Chosen by the Company for Disclosing the Information: Securities Times and Hong Kong Ta Kung Pao
   Internet Website Designated by CSRC for Publishing the Interim Report: http://www.cninfo.com.cn
   The Place Where the Interim Report is Prepared and Placed: Investment & Management Dept. of the Company
7. Other relevant information
   Initial Registration Date: March 1993;
   Place: Shenzhen, Guangdong
   Registration Code of Enterprise Legal Person's Business License: 4403011016891
   Registration Code of Tax: 440303192179083
   Domestic Accounting Firm Engaged by the Company:
   Name: Reanda Certified Public Accountants Co., Ltd.
   Office Address: Room 808, Xin Dong'an Market, No. 138, Wangfujing Av., Dongcheng District, Beijing

II. Main financial data and indices

Unit: RMB Yuan

	At the end of the report period	At the period-end of last year	Increase/decrease compared with the period-end of last year (%)
Total assets	1,434,990,062.55	1,451,667,225.56	-1.15%
Owners' equity attributable to shareholders of list companies	204,037,277.23	225,778,093.67	-9.63%
Share capital	220,901,184.00	220,901,184.00	0.00%
Net asset per share attributable to shareholders of list companies (Yuan/share)	0.92	1.02	-9.80%
	In the report period (Jan.-Jun.)	The same period of last year	Increase/decrease compared with the same period of last year (%)
Operating revenue	6,003,596.33	9,235,803.11	-35.00%
Operating profit	-37,605,701.21	-9,479,005.49	
Total profit	-39,774,544.55	6,132,420.86	-748.59%
Net profit attributable to shareholders of listed companies	-21,740,816.44	11,022,189.39	-297.25%
Net profit attributable to shareholders of listed companies after deducting non-recurring gains and losses	-21,520,971.89	-5,237,409.15	
Basic earnings per share (Yuan/share)	-0.0984	0.0499	-297.19%
Diluted earnings per share (Yuan/share)	-0.0984	0.0499	-297.19%
Net return on equity (%)	-10.12%	4.79%	-14.91%
Net cash flow from operating activities	14,066,656.87	-21,169,359.11	
Net cash flow from operating activities per share (Yuan/share)	0.06	-0.10	

Note 1: Items and amount of non-recurring gains and losses deducted

Items of non-recurring gains and losses	Amount	Notes (if applicable)
Gain/loss from disposal of non-current assets, including the offset amount for which asset impairment provisions have been withdrawn	2,816,468.43	
Other non-operating incomes and expenses besides the items above	-5,065,356.57	
Effect on minority interest income	2,029,043.59	.
Total	-219,844.55	-

Note 2: Difference between PRC GAAP and IFRS is inapplicable.

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

I. Particulars about changes in share capital

Share capital of the Company remained unchanged in the report period.

II. Statement of changes in share capital of the Company in the report period

Unit: Share

	Before the change		Increase/decrease in this time (+, -)					After the change	
	Number	Proportion	New shares	Bonus shares	Capitalization of public reserves	Others	Subtotal	Number	Proportion
I. Shares subject to trading moratorium	320,760	0.15%						320,760	0.15%
1. Shares held by the state									
2. Shares held by state-owned corporation									
3. Shares held by other domestic investor									
Including: shares held by non-state-owned domestic corporation									
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	220,580,424	99.85%						220,580,424	99.85%
1. RMB ordinary shares	118,892,232	53.82%						118,892,232	53.82%
2. Domestically listed foreign shares	101,688,192	46.03%						101,688,192	46.03%
3. Foreign shares listed in domestic									
4. Others									
III. Total shares	220,901,184	100.00%						220,901,184	100.00%

III. Particulars about shares held by principal shareholders

Total shareholders	18,235

Particulars about shares held by the top ten shareholders					
Name of shareholders	Nature of shareholders	Shareholding ratio	Total shares held	Number of shares held subject to trading moratorium	Shares pledged or frozen
Multi Profit Asia Pacific Investment Ltd	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	0	10,780,000
UOB Investment (China) Limited	Foreign corporation	7.03%	15,528,941	0	0
Shenzhen Maoye Emporium Ltd	Domestic non-state-owned corporation	6.15%	13,577,548	0	0
Zhong Zhiqiang	Foreign natural person	3.72%	8,215,594	0	0
Shenzhen Taitian Industrial Development Co., Ltd.	Domestic non-state-owned corporation	2.63%	5,816,012	0	0
Chen Qiaoling	Domestic natural person	1.41%	3,109,255	0	0
Fang Ruiping	Domestic natural person	1.15%	2,534,800	0	0
Chen Shaolan	Domestic natural person	1.14%	2,528,341	0	0
Chen Shu	Domestic natural person	0.97%	2,149,327	0	0

Particulars about shares held by the top ten shareholders not subject to trading moratorium		
Name of shareholder	Number of shares held subject to trading moratorium	Type of shares
Multi Profit Asia Pacific Investment Ltd	30,264,192	Domestically listed foreign shares
Shenzhen Special Economic Zone Development (Group) Co., Ltd.	21,566,857	RMB ordinary shares
UOB Investment (China) Limited	15,528,941	Domestically listed foreign shares
Shenzhen Maoye Emporium Ltd	13,577,548	RMB ordinary shares
Zhong Zhiqiang	8,215,594	Domestically listed foreign shares
Shenzhen Taitian Industrial Development Co., Ltd.	5,816,012	RMB ordinary shares
Chen Qiaoling	3,109,255	RMB ordinary shares
Fang Ruiping	2,534,800	RMB ordinary shares
Chen Shaolan	2,528,341	RMB ordinary shares
Chen Shu	2,149,327	Domestically listed foreign shares

Explanation on associated relationship or action-in-concert among the above shareholders	Inquired by the Company with letter, there was no related relationship between Multi Profit Asia Pacific, SDG and other shareholders in the above table; Shenzhen Maoye Emporium Ltd and UOB Investment (China) Limited was person acting in concert, they totally held 29,106,489 A shares and B shares of the Company, tanking up 13.18% of total share capital. And 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.

Ⅳ. Controlling shareholder and actual controller of the Company during the report period

The equity structure of the Company is decentralized and shareholding ratios of the top three principal shareholders are so close that the Company is unable to judge which its actual controller is. Shareholders holding over 5% of the Company's shares are Multi Profit Asia Pacific Investment Ltd. (holding 13.7% shares), Shenzhen Maoye Emporium Ltd. and its acting-in-concert party UOB Investment (China) Limited (holding 13.18% shares) and Shenzhen Special Economic Zone Development (Group) Co., Ltd. (holding 9.76% shares. For more details, please refer to Section Ⅳ Changes in Share Capital and Particulars about Shareholders in the 2009 Annual Report.

Section IV Particulars about Directors, Supervisors and Senior Executives

I. Changes in shares held by directors, supervisors and senior executives in the report period

In the report period, shares held by directors, supervisors and senior executives of the Company remained unchanged.

II. Changes in engagement of directors, supervisors and senior executives in the report period

In the report period, engagement of directors, supervisors and senior executives of the Company remained unchanged.

Section V Report of the Board Directors

I. Operation of the Company in the first half year of 2010

1. Analysis and discussion of management

For the report period, the Company achieved an operating income of RMB 6,003,596.33, down by 35% year on year; an operating profit amounting to RMB -37,605,701.21, down by 296.73%，year on year; a net profit of RMB -39,774,544.55, down by 748.59% year on year; and a net profit attributable to the parent company of RMB -21,740,816.44, representing a year-on-year decrease of 297.25%.

In the report period, the Company adhered to primary target of benefit and development strategy of "Commercial real estate and Forestry Industry" as principal guideline, stably pushed construction of IA Mall and accelerated development of forestry industry project.

The Company worked hard to push forward the financing for Rongfa Company in the report period. Up until the disclosure date of this report, a financing of RMB 1.3 billion has been obtained, which eases the Company's short-term liability pressure, basically removes various obstacles to housing property certificate handling for the IA Mall Project, and greatly accelerates the project progress in various aspects.

During the report period, preparation for main construction settlement, completion and acceptance of the IA Mall Project was basically accomplished. Currently, relevant work such as the housing property ownership certificate handling, fine decoration and business invitation is in progress.

For the first half of 2010, various forestry bases of the Company already obtained ownership certificates for 83,558-mu woods that the Company had grown, and 512-mu woods were re-seeded. Meanwhile, various preparations for cultivating and fertilizing 29,094-mu woods that needed to be cultivated and fertilized in the year 2010 were already finished. The cultivation and fertilization would start soon. The 15,000-mu woods grown by the Wengyuan and Wuhua bases in the year 2005 entered the mature period and were ready to be cut down. At present, the Company has completed the investigation and assessment on the woods to be cut down, confirmation of the method to turn woods into capital, relevant market researches, negotiations with customers, woods cutting approval and other relevant work. And the cutting work is about to start.

In terms of the forestry business, it was the key task for the Company to manage and protect forestry resources in the first half of 2010. The Company paid ceaseless effort to work on management and protection of woods. To be specific, it formulated the Pre-plan for Forest Fire Prevention and Fighting, implemented a wood and land protection responsibility mechanism, and strengthened patrol, examination and supervision on the woods.

Analysis on main financial data:

	The report period (Jan.-Jun.)	The same period of last year	Increase/decrease (%)
Total operating income	6003596.33	9,235,803.11	-35%
Financial expenses	23,228,909.22	1,345,681.54	1626.18%
Operating profit	-37,605,701.21	-9,479,005.49	-
Net profit attributable to owners of the parent company	-21,740,816.44	11,022,189.39	−297.25%

Notes:

(1) Operating income decreased mainly due to the operating income decrease of the Company's subsidiary—Rongfa Company.

(2) Financial expenses increased mainly because capitalization of interest of IA Mall borrowings terminated in the report period.

(3) Operating profit increased mainly because income decreased and expenses increased.

(4) Net profit attributable to the parent company decreased mainly because fewer assets were activated and interest of IA Mall borrowings ceased to be capitalized in the report period.

2. Operation status of the Company in the report period

(1) Main businesses classified according to industries

Unit: RMB Ten thousand

Main businesses classified according to industries						
Industry or product	Operating income	Operating cost	Gross profit ratio (%)	Increase/decrease of operating income year-on-year (%)	Increase/decrease of operating cost year-on-year (%)	Increase/decrease of gross profit ratio year-on-year (%)
Income from property management	581.68	544.83	6.34%	-22.43%	-26.65%	5.40%

(2) Main businesses classified according to regions

Unit: RMB Ten thousand

Region	Operating income	Increase/decrease of operating income over last year (%)
Shenzhen	581.68	-26.99%

3. In the report period, profit composing, main business and its composing remained unchanged.

4. In the report period, there was no other operating business that greatly impacted the Company's net profit.

5. Holding companies and share-holding companies that greatly influenced net profit of the Company

(1) Shenzhen Rongfa Investment Co., Ltd, whose 60% equity is held by the Company, is mainly engaged in development of real estate with a registered capital of USD 5 million. In the report period, total assets of Rongfa Company stood at RMB 1,408,512,442.21 and it achieved an operating income of RMB 15,000.00, with its total profit standing at RMB -45,048,791.02.

(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, total assets of the enterprise stood at RMB 163,184,480.28 and it achieved an operating income of RMB 0, with its total profit standing at RMB -120,349.52.

(3) Shenzhen International Commercial Property Management Co., Ltd., whose 61% equity is held by the Company, is mainly engaged in property management with a registered capital of RMB 7 million. During the reporting period, total assets of the enterprise stood at RMB 27,680,983.26 and it achieved an operating income of RMB 5,816,796.33, with its total profit standing at RMB -1,425,521.59.

6. Problems and difficulties in the operation in the report period

The Company developed IA Project and forestry project in full sail, which both was in period of investment input and has not benefit yet.

7. Business plan for the second half

The Company will continue to work on the IA Mall Project and the woods project according to the annual work plan.

The Company will try to obtain housing property ownership certificates for the IA Mall Project, start the second fine decoration and at the same time invite business in an all-round manner so as to open business for the IA Mall Project as soon as possible.

The forestry subsidiaries will focus on selling woods planted in 2005 and turning them into capital according to the annual work plan.

8. Statement given by the Board of Directors about the progress in handling matters mentioned in the “Non-standard Audit Report” issued by the CPA firm last year

In the 2009 Annual Audit Report, Reanda Certified Public Accountants Co., Ltd. issued the Statement on Issuing Unqualified Audit Opinion with Pinpointed Matters for 2009 Annual Financial Report to Shenzhen International Enterprise Co., Ltd., pointing out that the Company’s ability to pay was weak and its going-concern capability for the future was uncertain.

In order to solve the aforesaid problems, the Company focused on pushing forward financing in the first half of this year. In Jul. 2010, Rongfa Company obtained a financing of RMB 1.3 billion from Bohai International Trust Co., Ltd.. (For more details, please refer to the public notice published on Securities Times, Ta Kung Pao (HK) and http://www.cninfo.com.cn dated 3 Jul. 2010.) Such a move greatly eased the Company’s short-term liability pressure. Upon arrival of the financing, the Company quickly paid off mature loans creating a comparatively higher pressure, and removed various obstacles to the housing property ownership certificates handling for the IA Mall Project. At present, housing property ownership certificates for the IA Mall Project are in the handling process. After obtaining those certificates, the Company will start the next round of financing.

It is expected that along with completion of various subsequent work of the IA Mall Project, the normal operation of the project will generate enough capital for the Company to repay liabilities step by step. Meanwhile, the woods projects will enter the mature period this year. All these will basically solve the pressure from mature loans on the Company.

II. Investment of the Company

1. In the report period, the Company had no raised proceeds or raised proceeds in the

previous periods carried over to the report period.

2. Other significant investment projects with non-raised proceeds.

In the report period, the non-raised proceeds of the Company were mainly used to invest in the construction of Shenzhen CDB IA Mall. 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. At present, the project has basically been completed and accepted upon check-up and is in the process of housing property ownership certificate handling, business invitation and a second refined decoration.

Section VI Significant Events

I. Corporate Governance

During the report period, the Company continuously perfected corporate governance structure, further improved operation of the Company according to requirements of the Company Law, Securities Law and relevant laws and regulations. Corporate governance organ of the Company was perfected and the efficiency was high. Responsibilities of Shareholders' General Meeting, the Board of Directors, the Supervisory Committee and other internal organ were definite, which was operated in accordance with relevant provisions and rules.

In Apr. 2010, according to relevant requirements of Document No. (2009) 34 from CSRC-Proper Handling the 2009 Annual Report of Listed Companies and Relevant Work, the 3rd Provisional Meeting of the 5th Board of Directors of Company 2010 reviewed and approved the Administrative System on External Information User, which enhanced management on external information user during the period of preparation, review and approve and disclose of periodic report and interim report.

In May 2010, In accordance with requirements of Notice on General and Deepened Developing a Special Campaign on Standardization of Basic Work of Finance and Accounting by Listed Companies in Shenzhen from CSRC Shenzhen Bureau, the Company set up specific work team for standardization of basic work of finance and accounting, formulated work scheme on carrying out special campaign, and conducted self-examination and self-correction on financial officer & set up, foundation of financial accounting, management on assets and management on tax, as well as establishment and execution of financial administrative system, setup and use of financial information system, and finished self-examination report in setting time.

The Company was independent in operation. The principal shareholders neither violate the rights of listed company nor served illegal external guarantee. The Company perfected modification of the Articles of Association, financial management system and internal decision-making mechanism which exerted favorable effect on preventing violation of rights in listed company by principal shareholder.

II. The Company has not carried out any profit distribution, capitalization of public reserves or issuance of new shares in the report period. Neither profit distribution nor capitalization of pubic reserves will be implemented in the interim of 2010.

III. Significant lawsuits and arbitrations

No new lawsuits or arbitrations occurred in the report period. Progress of the lawsuits and arbitrations that happened in previous periods is as follows:

(I) The case on house-leasing dispute between subsidiary of the Company-Shenzhen Rongfa Investment Co., Ltd. (hereinafter called “Rongfa Investment”) and Shenzhen Baotian Investment Co., Ltd. (hereinafter called “Baotian Investment”)

On 31 Jan. 2007, Rongfa Investment entered into the Contract on Transfer of Use Right of Housing with Baotian Investment. Due to dispute in the execution of the contract, Baotian Investment has not yet paid the fees for use right of housing to Rongfa Investment by now. Shenzhen Municipal Intermediate People’s Court of Guangdong Province made the civil ruling paper with (2008) SZFMWZ Zi No. 2867, which has took effect on 11 Sep. 2009. (For details, please refer to the public notice with serial number 2009-039 disclosed in Securities Times, Ta Kung Pao and http://www.cninfo.com.cn on 29 Oct. 2009).

Up till now, Baotian Investment failed to pay the fees for use right of housing to Rongfa Investment according to the clauses of the ruling. Presently, the case is being executed.

(II)The case on Construction Contract for Construction Project between Rongfa Company and Shenzhen Fanhua Engineering Group Co., Ltd. (hereinafter called “Fanhua Company”)

Rongfa Company entered into the Construction Contract for Construction Project with Fanhua Company on 12 Jan. 2005, in which Fanhua Company contracted to build the IA Mall Project developed by Rongfa Company. Rongfa Company paid the part of construction costs, and the rest costs failed to be paid to Fanhua Company. In Dec. 2009, Fanhua Company brought an action against Rongfa Company to ask for paying unpaid construction costs, overdue interests and other expenses. In Feb. 2010, through mediation of Higher People’s Court of Guangdong Province, the both parties negotiated a settlement, and the Higher People’s Court of Guangdong Province issued the paper of civil mediation with (2009) YGFMYC Zi No. 7 (For more details, please refer to public notice published on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 12 Feb. 2012). Since the paper of civil mediation became effective, Rongfa Investment actively raised money to repay the debt. On 12 Jun. 2010, the Company published public notice that due to fund arrangement, repayment as stated in Clause (3) has been overdue. On 2 Aug. 2010, Rongfa Investment signed Agreement with Fanhua Company, which adjusted part of repayment term as stated in the paper of civil mediation. It was agreed to adjust repayment term stated in Clause 4,5 of Article VI in the paper of civil mediation to repay RMB 150 million before 15 Aug. 2010; pay off the balance (excluding quality guarantee deposit with rate of 3%) before 26 Aug. 2010. Up to the disclose date of the Interim Report 2010, Rongfa Investment has been return engineering fund as stated in agreement. After negotiation, Fanhua Company agreed that they would not charge double interest of non-payment of accounts payable or penalty calculated from 14 Nov. 2009 to 25 Jan. 2010 as stated in Article VII of the paper of civil mediation.

IV. There were no significant purchases or sales of assets in the report period.

V. The Company has no material related transactions in the report period.

VI. Significant contracts in report period and their implementation

1. No trusteeship, contract, and tenancy of the Company's assets by other companies happened or vice versa during the reporting period.

2. Important guarantee contracts of the Company in the reporting period

Guarantees provided for external parties (excluding guarantees provided for subsidiaries)								
Name of the guaranteed	Date and No. of Relevant public notice	Guarantee line	Date of occurrence (Date of signing agreement)	Actual amount of guarantee	Type of guarantee	Term of guarantee	Implementation accomplished or not	Guarantee for related parties or not
Shum Kong Industry & Trade	The Annual Report 2009	600.00	1 Jan. 1999	600.00	Security of guarantee	Has been executed	Yes	No
Guarantee for Sales of Rongfa Investment	The Annual Report 2009	1,233.84	1 Dec. 1999	1,233.84	Security of guarantee	Till the property owner return the loan	No	No
Guarantee for Sales of Rongfa Investment	The Annual Report 2009	603.69	1 May 2004	603.69	Security of guarantee	Till the property owner return the loan	No	No
Total external guarantees lines examined and approved in the reporting period (A1)		0.00		Total external guarantees occurred in the reporting period (A2)		0.00		
Total external guarantee lines examined and approved at the period end (A3)		1,837.53		Balance of actual guarantees at the period end (A4)		1,837.53		
Guarantees provided for subsidiary companies								
Name of the guaranteed	Date and No, of Relevant public notice	Guarantee line	Date of occurrence (Date of signing agreement)	Actual amount of guarantee	Type of guarantee	Term of guarantee	Implementation accomplished or not	Guarantee for related parties or not
Shenzhen Rongfa Investment Co., Ltd	Public Notice No. 2008-41 on 27 Aug. 2008	22,500.00	15 Feb. 2010	22,500.00	Pledge	One year	No	No
Shenzhen Rongfa Investment Co., Ltd	Public Notice No. 2010-09 on 24 Feb. 2010	15,000.00	10 Sep. 2008	15,000.00	Pledge	Two years	No	No
Total guarantees lines for subsidiaries examined and approved in the reporting period (B1)		22,500.00		Total guarantees for subsidiaries occurred in the reporting period (B2)		0.00		
Total guarantee lines for subsidiaries examined and approved at the period		37,500.00		Balance of actual guarantees at the period end (B4)		37,500.00		

end (B3)			
Total guarantees of the Company (Total of the two above)			
Total guarantees lines examined and approved in the reporting period (A1+B1)	22,500.00	Total guarantees occurred in the reporting period (A2+B2)	0.00
Total guarantees lines examined and approved at the report period (A3+B3)	39,337.53	Total balance of actual guarantees at the period end (A4+B4)	39,337.53
Proportion of total actual guarantee amount (A4+B4) in net assets of the Company		192.80%	
Among which:			
Amount of guarantees provided for shareholders, actual controller and other related parties (C)		0.00	
Amount of debt guarantees provided directly or indirectly for parties with asset-liability ratio exceeding 70% (D)		39,337.53	
Proportion of total guarantee amount exceeding 50% of the Company's net assets (E)		29,135.67	
Total amount of the above three guarantees (C+D+E)		39,337.53	
Explanation on possibility of taking several and joint liability involving immature guarantees		-	

(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 30 Jun. 2010, the balance of the mortgage guarantees provided by Rongfa Company stood at RMB 20,564,192.10.
(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 30 Jun. 2010, the balance of the mortgage guarantees provided by Huizhou Rongfa was RMB 9,330,530.49.
(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:
In the first half year of 2010, Resolution on Approval of Loan Extension of Shenzhen Rongfa Investment Co., Ltd and Offering Guarantee was reviewed and approved at the 1st Shareholders' General Meeting of the Company. Rongfa Company, subordinate company of the Company, borrowed RMB 225,000,000 from China Construction Bank Shenzhen Branch, which will be extended 1 more year when it was due. Ronghua Company pledged with title deed of IA Mall Project for guarantee, and the Company will provide guarantee with irrevocable joint responsibility for the loan.
The borrowing had been returned when Rongfa Company financed to Bohai International Trust Co., Ltd in Jul. 2010.

3. In the report 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 report period

VII. In the report period, the Company or shareholders holding over 5% shares of the Company did not make any other commitments and disclose them on the designated newspapers and website.

VIII. In the report period, the Company's Board of Directors, Supervisory Committee, directors, supervisors and senior management staff received no investigations, administrative punishments or criticism by circular from CSRC, as well as no open criticism from Shenzhen Stock Exchange.

IX. Other significant events

For the purpose of supplementary financing for development of IA Mall Project (i.e. Futian CBD Project), in Mar. 2005, the Company entered into the Subscription Agreement of in IA Mall Shops with its employees in accordance with the market condition at that time and internal subscription mode, the employees subscribed a few shops in IA Mall Project at the price of RMB 15000 – 16000 per square meter at that time, raising capital of RMB 34,400,984.61 in total (for details, please refer to "Item 2 under VIII. Other major events of the Annual Report 2008). Due to involving the major employees and capitals in such events, the Company is researching and working out a feasible scheme in accordance with the actual operation conditions, then shall submit relevant decision-making procedure to review and approve. In accordance with the principle of prudence, the Company shall withdraw interest of RMB 9,462,606.00 in the light of the higher of bank lending benchmark interest rates for the same period of 5.85% or 20% of contractual premium, and record it into the financial expense of current year.

X. Index for information disclosed in report period

No.	Information disclosed	Date
2010-01	Public Notice on Rectification of Shareholders of the Company	14 Jan. 2010
2010-02	Public Notice on Changes in Shareholders of Powerland Holdings Limited	21 Jan. 2010
2010-03	Public Notice on Reelection of the Board of Directors of the Company	26 Jan. 2010
2010-04	Public Notice on Reelection of the Supervisory Committee	26 Jan. 2010
2010-05	Public Notice on Achievement Estimation	26 Jan. 2010
2010-06	Public Notice on Clarify	27 Jan. 2010
2010-07	Public Notice on the Progress of Rectification of Shareholders of the Company	3 Feb. 2010
2010-08	Public Notice on the Progress of Significant Lawsuit	12 Feb. 2010
2010-09	Public on Guarantee for Significant Loan	24 Feb. 2010
2010-10	Public Notice on Resolutions of the 2nd Provisional Meeting 2010 of the 5th Board of Directors of the Company	16 Mar. 2010
2010-11	Public Notice on Resolutions of the 1st Provisional Shareholders' General Meeting 2010 of the Company	1 Apr. 2010
2010-12	Public Notice on the Progress of Significant Lawsuit	24 Apr. 2010
2010-13	Public Notice on Resolutions of the 3rd Meeting 2010 of the 5th Board of Directors of the Company	28 Apr. 2010

2010-14	Summary Report 2009	28 Apr. 2010
2010-15	Public Notice on the 1st Meeting of the 5th Supervisory Committee of the Company 2010	28 Apr. 2010
2010-16	The 1st Quarterly Report 2010	28 Apr. 2010
2010-17	Public Notice on Selling Property located the 23rd Floor of Shenzhen Development Centre	6 May 2010
2010-18	Public Notice on Resolutions of the 5th Provisional Shareholders' General Meeting 2010 of the Company	2 Jun. 2010
2010-19	Notice on Holding the Annual Shareholders' General Meeting 2009 by the 5th Board of Directors of the Company	2 Jun. 2010
2010-20	Public Notice on the Progress of Significant Lawsuit	12 Jun. 2010
2010-21	Public Notice on Resolutions of the Annual Shareholders' General Meeting 2009	23 Jun. 2010

Section VII Financial Report (Un-audited)

The Interim Financial Report 2010 of the Company has not been audited, with details attached below.

Section VIII Documents Available for Reference

The following documents are available for reference:
(I) Text of the Interim Report with the signature of the Chairman of the Board of Directors;
(II) Accounting Statements with the signatures and seals of the legal representative, the financial chief and the person in charge of accounting work;
(III) Originals of all documents and public notices ever disclosed on Securities Times and Hong Kong Ta Kung Pao in the report period;
(IV) Articles of Association of the Company;
(V) Other relevant materials.
the aforesaid documents are placed in the Investment Administration Department of the Company.
Chairman of the Board of Directors: Li Jinquan

Board of Directors
Shenzhen International Enterprise Co., Ltd
20 Aug. 2010

Consolidated Balance Sheet

As at June 30, 2010

Name of the company: Shenzhen International Enterprise Co., Ltd **Monetary unit : (RMB) Yuan**

Assets	Notes	30.06.2010	31.12.2009
Current Assets:			
Monetary funds	Ⅴ.1	13,057,613.33	18,673,470.06
Held for trading financial assets			
Notes receivable			
Accounts receivable	Ⅴ.2	821,338.70	1,399,439.55
Advances to suppliers	Ⅴ.3	480,825.00	381,095.00
Interests receivable			
Dividend receivable			
Other accounts receivable	Ⅴ.4	5,729,396.89	8,271,682.45
Inventories	Ⅴ.5	1,352,560,720.73	1,347,795,365.80
Non-current assets due within one year			
Other current assets			
Total Current Assets		**1,372,649,894.65**	**1,376,521,052.86**
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term account receivables			
Long-term equity investments	Ⅴ.6	6,570,262.84	6,570,262.84
Investment properties	Ⅴ.7	1,206,984.91	1,445,567.83
Fixed assets	Ⅴ.8	54,412,920.15	66,950,342.03
Construction in progress			
Construction materials			
Liquidation of fixed assets			
Productive biology assets			
Oil and gas assets			
Intangible assets			
Development expenses			
Goodwill			
Long-term deferred assets	Ⅴ.9	150,000.00	180,000.00
Deferred income tax assets			
Other non-current assets			
Total non-current assets		**62,340,167.90**	**75,146,172.70**
Total assets		**1,434,990,062.55**	**1,451,667,225.56**

Legal Representative: Li Jinquan

Person in charge of accounting work: Chen Xiaohai

Person in charge of accounting department: Zhou Xiaoliang

Consolidated Balance Sheet（Continued）

As at June 30, 2010

Name of the company: Shenzhen International Enterprise Co., Ltd **Monetary unit : (RMB) Yuan**

Liabilities and Shareholders' equity	**Notes**	**30.06.2010**	**31.12.2009**
Current liabilities:			
Short-term loans	Ⅴ.12		6,000,000.00
Held for trading financial liabilities			
Notes payable			
Accounts payable	Ⅴ.13	495,872,460.15	570,599,631.60
Advance from customers	Ⅴ.14	46,073,971.75	46,073,971.75
Payroll payables	Ⅴ.15	3,442,608.10	4,034,257.43
Tax payable	Ⅴ.16	-424,803.21	4,782.62
Interest payables		665,041.67	768,248.25
Dividend payables	Ⅴ.17	5,127,701.36	5,127,701.36
Other accounts payable	Ⅴ.18	361,090,251.10	238,935,399.95
Non-current liabilities due within one year	Ⅴ.19	383,000,000.00	184,000,000.00
Other current liabilities			
Total current liabilities		**1,294,847,230.92**	**1,055,543,992.96**
Non-current liabilities:			
Long-term borrowings	Ⅴ.20	44,000,000.00	254,000,000.00
Bonds payable			
Long-term accounts payable			
Grants&Subsidies received			
Accrued liabilities	Ⅴ.21		6,000,000.00
Deferred income tax liabilities			
Deferred income	Ⅴ.22	823,425.69	1,029,282.11
Total non-current liabilities		**44,823,425.69**	**261,029,282.11**
Total liabilities		**1,339,670,656.61**	**1,316,573,275.07**
Shareholders' equity:			
Share capital	Ⅴ.23	220,901,184.00	220,901,184.00
Capital reserve	Ⅴ.24	72,315,347.06	72,315,347.06
Less: inventory shares			
Surplus reserve	Ⅴ.25	125,929,834.48	125,929,834.48
Undistributed profits	Ⅴ.26	-215,109,088.31	-193,368,271.87
Exchange difference of foreign currency financial statements translation			
Equity attributable to the shareholders of parent company		**204,037,277.23**	**225,778,093.67**
Minority interests		-108,717,871.29	-90,684,143.18
Total shareholders' equity		**95,319,405.94**	**135,093,950.49**
Total liabilities and shareholders' equity		**1,434,990,062.55**	**1,451,667,225.56**

Legal Representative: Li Jinquan

Person in charge of accounting work: Chen Xiaohai

Person in charge of accounting department: Zhou Xiaoliang

Balance Sheet

As at June 30, 2010

Name of the company: Shenzhen International Enterprise Co., Ltd **Monetary unit : (RMB) Yuan**

Assets	Notes	30.06.2010	31.12.2009
Current Assets:			
Monetary funds		211,543.41	252,948.06
Held for trading financial assets			
Notes receivable			
Accounts receivable			
Advances to suppliers		180,000.00	180,000.00
Interests receivable			
Dividend receivable			
Other accounts receivable	XI.1	142,021,484.61	175,779,689.75
Inventories			
Non-current assets due within one year			
Other current assets			
Total Current Assets		**142,413,028.02**	**176,212,637.81**
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term account receivables			
Long-term equity investments	XI.2	65,944,253.87	65,944,253.87
Investment properties		860,975.69	1,084,763.51
Fixed assets		5,137,363.99	16,311,714.31
Construction in progress			
Construction materials			
Liquidation of fixed assets			
Production biology assets			
Oil and gas assets			
Intangible assets			
Development expenses			
Goodwill			
Long-term deferred assets		150,000.00	180,000.00
Deferred income tax assets			
Other non-current assets			
Total non-current assets		**72,092,593.55**	**83,520,731.69**
Total assets		**214,505,621.57**	**259,733,369.50**

Legal Representative: Li Jinquan

Person in charge of accounting work: Chen Xiaohai

Person in charge of accounting department: Zhou Xiaoliang

Balance Sheet（Continued）

As at June 30, 2010

Name of the company: Shenzhen International Enterprise Co., Ltd **Monetary unit : (RMB) Yuan**

Liabilities and Shareholders' equity	Notes	30.06.2010	31.12.2009
Current liabilities:			
Short-term loans			
Held for trading financial liabilities			
Notes payable			
Accounts payable			
Advance from customers		80,000.00	80,000.00
Payroll payables		1,044,723.33	1,385,993.95
Tax payable		2,401,138.86	2,497,675.52
Interest payables			
Dividend payables		5,127,701.36	5,127,701.36
Other accounts payable		68,296,056.25	68,613,377.28
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		**76,949,619.80**	**77,704,748.11**
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Long-term accounts payable			
Grants&Subsidies received			
Accrued liabilities			6,000,000.00
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities			**6,000,000.00**
Total liabilities		**76,949,619.80**	**83,704,748.11**
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
Undistributed profits		-245,137,653.21	-206,665,033.59
Total shareholders’ equity		**137,556,001.77**	**176,028,621.39**
Total liabilities and shareholders’ equity		**214,505,621.57**	**259,733,369.50**

Legal Representative: Li Jinquan

Person in charge of accounting work: Chen Xiaohai

Person in charge of accounting department: Zhou Xiaoliang

Consolidated Income Statement

For the year ended June 30, 2010

Name of the company: Shenzhen International Enterprise Co., Ltd **Monetary unit : (RMB) Yuan**

Items	Notes	Jan-Jun 2010	Jan-Jun 2009
I. Total operating income	Ⅴ.27	**6,003,596.33**	**9,235,803.11**
Less: Operating costs	Ⅴ.27	5,655,724.21	7,987,664.00
Business taxes and surtax	Ⅴ.28	380,643.65	398,564.21
Selling expenses		661,010.17	661,010.65
Administrative expenses		13,703,388.45	9,212,821.37
Financial costs	Ⅴ.29	23,228,909.22	1,345,681.54
Impairment loss of assets	Ⅴ.30	-20,378.16	-140,933.17
Add: gains from the fair value changes (The loss is listed beginning with "-")			
Investment income (The loss is listed beginning with "-")	Ⅴ.31		750,000.00
Including: the investment income from associated and joint ventures enterprises			
II. Operating profit(The loss is listed beginning with "-")		**-37,605,701.21**	**-9,479,005.49**
Add: non-operating income	Ⅴ.32	2,999,252.66	15,678,607.55
Less: non-operating expense	Ⅴ.33	5,168,096.00	67,181.20
Including: loss from disposal of non-current assets			
III. Total profits (The net loss is listed beginning with "-")		**-39,774,544.55**	**6,132,420.86**
Less: income tax expenses	Ⅴ.34		-9,427.98
IV. Net profits (the net loss is listed beginning with "-")		**-39,774,544.55**	**6,141,848.84**
Net profits attributable to shareholders of the parent company		-21,740,816.44	11,022,189.39
Minority interests		-18,033,728.11	-4,880,340.55
V. Earnings per share:			
(i) Basic earnings per share	XIII	-0.0984	0.0499
(ii) Diluted earnings per share	XIII	-0.0984	0.0499
VI. Other comprehensive gains			
VII.Total comprehensive gains		**-39,774,544.55**	**6,141,848.84**
Total comprehensive gains attributable to shareholders of the parent company		-21,740,816.44	11,022,189.39
Total comprehensive gains attributable to minority		-18,033,728.11	-4,880,340.55

shareholders			

Legal Representative: Li Jinquan

Person in charge of accounting work: Chen Xiaohai

Person in charge of accounting department: Zhou Xiaoliang

Income Statement

For the year ended June 30, 2010

Name of the company: Shenzhen International Enterprise Co., Ltd **Monetary unit : (RMB) Yuan**

Items	Notes	Jan-Jun 2010	Jan-Jun 2009
I. Total operating income	XI.3	**171,800.00**	**967,010.00**
Less: Operating costs	XI.3	202,743.58	223,280.42
Business taxes and surtax			
Selling expenses			
Administrative expenses		5,752,504.28	4,209,538.02
Financial costs		-8,412,757.07	-6,999,890.60
Impairment loss of assets		44,005,982.58	-1,405,382.59
Add: gains from the fair value changes (The loss is listed beginning with "-")			
Investment income (The loss is listed beginning with "-")	XI.4		750,000.00
Including: the investment income from associated and joint ventures enterprises			
II. Operating profit(The loss is listed beginning with "-")		**-41,376,673.37**	**5,689,464.75**
Add: non-operating income		2,910,912.64	15,589,639.29
Less: non-operating expense		6,858.89	4,235.95
Including: loss from disposal of non-current assets			
III. Total profits (The net loss is listed beginning with "-")		**-38,472,619.62**	**21,274,868.09**
Less: income tax expenses			
IV. Net profits (the net loss is listed beginning with "-")		**-38,472,619.62**	**21,274,868.09**

Legal Representative: Li Jinquan

Person in charge of accounting work: Chen Xiaohai

Person in charge of accounting department: Zhou Xiaoliang

Consolidated Cash Flow Statement

For the year ended June 30, 2010

Name of the company: Shenzhen International Enterprise Co., Ltd **Monetary unit : (RMB) Yuan**

Items	Notes	Jan-Jun 2010	Jan-Jun 2009
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		6,544,612.36	9,208,211.97
Refund of taxes and levies			
Cash received related to other operating activities		115,259,513.46	13,835,929.87
Subtotal of cash inflow from operating activities		121,804,125.82	23,044,141.84
Cash paid for goods and services		78,459,700.62	21,501,234.75
Cash paid to and on behalf of employees		9,035,961.49	7,706,262.02
Payments of taxes and levies		1,067,337.33	2,629,593.89
Cash paid related to other operating activities		19,174,469.51	12,376,410.29
Subtotal of cash outflow from operating activities		107,737,468.95	44,213,500.95
Net cash flow arising from operating activities	Ⅴ.35	**14,066,656.87**	**-21,169,359.11**
II. Cash flows from investment activities:			
Cash received from investments			20,000.00
Cash dividends received from investment			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13,696,125.00	7,737,798.60
Net cash received from disposal of subsidiaries and other business units			
Cash received related to other investing activities			
Subtotal of cash inflow from investing activities		13,696,125.00	7,757,798.60
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		68,832.00	43,110.00
Cash paid to acquire investments			
Net cash paid to acquire subsidiaries and other business units			
Cash paid related to other investing activities			
Subtotal of Cash outflow from investing activities		68,832.00	43,110.00
Net cash flow arising from investing activities		**13,627,293.00**	**7,714,688.60**
Ⅲ、**Cash flows from financing activities**：			
Cash received from investments			
Cash received from loans		35,000,000.00	26,000,000.00
Cash received related to other financing activities		270,000.00	
Subtotal of cash inflow from financing activities		35,270,000.00	26,000,000.00
Repayment of loans or debts		52,000,000.00	8,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		16,579,806.60	17,249,302.61
Cash paid related to other financing activities			3,760,000.00
Subtotal of cash outflow from financing activities		68,579,806.60	29,009,302.61

Net cash flow arising from financing activities		**-33,309,806.60**	**-3,009,302.61**
IV. Effects on cash and cash equivalents for the change of foreign exchange rates			
V. Net increase in cash and cash equivalents	Ⅴ.36	**-5,615,856.73**	**-16,463,973.12**
Add: beginning balance of cash and cash equivalents		**18,673,470.06**	**68,414,884.06**
VI .Ending balance of cash and cash equivalents		**13,057,613.33**	**51,950,910.94**

Legal Representative: Li Jinquan **Person in charge of accounting work: Chen Xiaohai**

Person in charge of accounting department: Zhou Xiaoliang

Cash Flow Statement

For the year ended June 30, 2010

Name of the company: Shenzhen International Enterprise Co., Ltd **Monetary unit : (RMB) Yuan**

Items	Notes	Jan-Jun 2010	Jan-Jun 2009
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		51,800.00	967,010.00
Refund of taxes and levies			
Cash received related to other operating activities		22,518,052.99	4,149,503.66
Subtotal of cash inflow from operating activities		22,569,852.99	5,116,513.66
Cash paid for goods and services			
Cash paid to and on behalf of employees		3,292,130.53	2,194,835.41
Payments of taxes and levies		173,200.48	1,080,941.29
Cash paid related to other operating activities		32,800,277.63	34,374,585.35
Subtotal of cash outflow from operating activities		36,265,608.64	37,650,362.05
Net cash flow arising from operating activities		**-13,695,755.65**	**-32,533,848.39**
II. Cash flow from investment activities:			
Cash received from investments			20,000.00
Cash dividends received from investment			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13,693,825.00	7,737,798.60
Net cash received from disposal of subsidiaries and other business units			
Cash received related to other investing activities			
Subtotal of cash inflow from investing activities		13,693,825.00	7,757,798.60
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		39,474.00	9,750.00
Cash paid to acquire investments			
Net cash paid to acquire subsidiaries and other business units			
Cash paid related to other investing activities			
Subtotal of Cash outflow from investing activities		39,474.00	9,750.00
Net cash flow arising from investing activities		**13,654,351.00**	**7,748,048.60**
III. Cash flow from financing activities:			
Cash received from investments			
Cash received from loans		5,000,000.00	
Cash received related to other financing activities			
Subtotal of cash inflow from financing activities		5,000,000.00	
Repayment of loans or debts		5,000,000.00	
Cash payments for interest expenses and distribution of dividends or profits			444,332.76
Cash paid related to other financing activities			

Subtotal of cash outflow from financing activities		5,000,000.00	444,332.76
Net cash flow arising from financing activities			**-444,332.76**
IV. Effects on cash and cash equivalents for the change of foreign exchange rates			
V. Net increase in cash and cash equivalents		**-41,404.65**	**-25,230,132.55**
Add: beginning balance of cash and cash equivalents		**252,948.06**	**26,129,141.95**
VI .Ending balance of cash and cash equivalents		**211,543.41**	**899,009.40**

Legal Representative: Li Jinquan **Person in charge of accounting work: Chen Xiaohai**

Person in charge of accounting department: Zhou Xiaoliang

Consolidated Statement of Changes in Owners' Equity

For the first half year of 2010

Prepared by Shenzhen International Enterprise Co., Ltd | Unit: RMB Yuan

Items	Amount for the current period										Amount of last year									
	Owners' equity attributable to parent company								Minority interest	Total owners' equity	Owners' equity attributable to parent company								Minority interest	Total owners' equity
	Paid-in capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserves	Surplus public reserve	General risk reserve	Retained profits	Others			Paid-in capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserves	Surplus public reserve	General risk reserve	Retained profits	Others		
I. Balance at the end of last year	220,901,184.00	72,315,347.06			125,929,834.48		-193,368,271.87		-90,684,143.18	135,093,950.49	220,901,184.00	72,315,347.06			125,929,834.48		-200,284,817.12		-70,232,951.83	148,628,596.59
Add: change of accounting policy																				
Correction of errors in previous periods																				
Others																				
II. Balance at the beginning of this year	220,901,184.00	72,315,347.06			125,929,834.48		-193,368,271.87		-90,684,143.18	135,093,950.49	220,901,184.00	72,315,347.06			125,929,834.48		-200,284,817.12		-70,232,951.83	148,628,596.59
III. Increase/ decrease of amount in this year ("-" means decrease)							-21,740,816.44		-18,033,728.11	-39,774,544.55							11,022,189.39		-4,880,340.55	6,141,848.84
(I) Net profit							-21,740,816.44		-18,033,728.11	-39,774,544.55							11,022,189.39		-4,880,340.55	6,141,848.84
(II) Other composite income																				
Subtotal of (I) and (II)							-21,740,816.44		-18,033,728.11	-39,774,544.55							11,022,189.39		-4,880,340.55	6,141,848.84
(III) Capital input and reduction by owners																				

1. Capital input of owners																				
2. Amount of stock payment included in owners' equity																				
3. Others																				
(IV) Profit distribution																				
1. Withdrawing surplus public reserve																				
2. Withdrawing general risk reserve																				
3. Distribution to owners (or shareholders)																				
4. Others																				
(V) Internal carrying forward of owners' equity																				
1. New increase of capital (or share capital) from capital reserves																				
2. Converting surplus reserves to capital (or share capital)																				
3. Surplus reserves make up losses																				
4. Others																				
(VI) Specific reserves																				
1. Appropriated in current period																				
2. Used in current period																				
IV. Balance at the end of this period	220,901,184.00	72,315,347.06			125,929,834.48		-215,109,088.31		-108,717,871.29	95,319,405.94	220,901,184.00	72,315,347.06			125,929,834.48		-189,262,627.73		-75,113,292.38	154,770,445.43

Legal Representative: Li Jinquan

Person in charge of accounting work: Chen Xiaohai

Person in charge of accounting department: Zhou Xiaoliang

Statement of Change in Owners' Equity of Parent Company

For the first half year of 2010

Prepared by Shenzhen International Enterprise Co., Ltd Unit: RMB Yuan

Items	Amount for the current period								Amount of last year							
	Paid-in capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserves	Surplus public reserve	General risk reserve	Retained profit	Total owners' equity	Paid-in capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserves	Surplus public reserve	General risk reserve	Retained profit	Total owners' equity
I. Balance at the end of last year	220,901,184.00	64,951,444.59			96,841,026.39		-206,665,033.59	176,028,621.39	220,901,184.00	64,951,444.59			96,841,026.39		-199,809,084.10	182,884,570.88
Add: change of accounting policy																
Correction of errors in previous periods																
Others																
II. Balance at the beginning of this year	220,901,184.00	64,951,444.59			96,841,026.39		-206,665,033.59	176,028,621.39	220,901,184.00	64,951,444.59			96,841,026.39		-199,809,084.10	182,884,570.88
III. Increase/ decrease of amount in this year ("-" means decrease)							-38,472,619.62	-38,472,619.62							21,274,868.09	21,274,868.09
(I) Net profit							-38,472,619.62	-38,472,619.62							21,274,868.09	21,274,868.09
(II) Other composite income																
Subtotal of (I) and (II)							-38,472,619.62	-38,472,619.62							21,274,868.09	21,274,868.09
(III) Capital input and reduction by owners																
1. Capital input of owners																
2. Amount of stock payment included in owners' equity																
3. Others																
(IV) Profit distribution																
1. Withdrawing surplus public reserve																
2. Withdrawing general risk reserve																

3. Distribution to owners (or shareholders)																
4. Others																
(V) Internal carrying forward of owners' equity																
1. New increase of capital (or share capital) from capital reserves																
2. Converting surplus reserves to capital (or share capital)																
3. Surplus reserves make up losses																
4. Others																
(VI) Specific reserves																
1. Appropriated in current period																
2. Used in current period																
IV. Balance at the end of this period	220,901,184.00	64,951,444.59			96,841,026.39		-245,137,653.21	137,556,001.77	220,901,184.00	64,951,444.59			96,841,026.39		-178,534,216.01	204,159,438.97

Legal Representative: Li Jinquan

Person in charge of accounting work: Chen Xiaohai

Person in charge of accounting department: Zhou Xiaoliang

Shenzhen International Enterprise Co., Ltd.

Notes to Financial Statements

For the year ended June 30, 2010

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

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

Ⅰ. General Information

1. History of the company

Shenzhen International Enterprise Co., Ltd. (“the Company”) on the approval of People's Government of Shenzhen and issued Shenfubanfu [1992]No. 1867 document to restructured as a stock limited company in March 1993 and directional issued 41,701,800 shares. The Company on the approval of Securities Administration Office Shenzhen the Company issued 41,701,800 bonus shares by the ratio 10:10 in 1994. The Company on the approval of Document No. 48 [1995] Shenfubanhan the company issued 50,000,000 B shares and lisited in the in the Shenzhen Stock Exchange in 1995. The Compnay 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 lisited in the Shenzhen Stock Exchange in 1996. The Company on the approval of board of directors and Securities Administration Office Shenzhen’s Document No. 38 [1997] Shenzhengbanfu 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’s Document No. 45 [1998] Shenzhengbanfu that the share capital of company increased 36,816,864 shares by the transfer of the capital fund by the ratio 10:2 in May 1998, by now the shares of the company are increased to 220,901,184 shares. The company has acquired the Qiguyuezong business license with No.110114, that issued by Shenzhen Administration for Iudustry and Commerce, the total registered share capital of the compnay is RMB 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 scop: Merchandise retail, real estate, purchasing, distribution, plant, tree sales, import and export.

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

1. Basis for preparation

The Company maintain its accounting records and prepare its statutory financial statement based on the assumption of going concern, recognition and measurement in accordance with the fact and substance of transactions, and in accordance with the China Enterprise Accounting Standards issued by the Ministry of Finance on 15th February 2006, as well as based on those accounting policies and accounting estimates that described as below.

2. Declaration of Compliance with the Enterprise Accounting Standards

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

3. Accounting Year

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

4. Reporting currency

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

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

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

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

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

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

6. Basis of Consolidated Financial Statement

(1) Consolidation Scope

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

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

(2) Buy and sale the shares of subsidiaries

The effective purchase day and sales day recognized, should has transferred the material risk and reward of ownership of share of subsidiaries. The consolidated income statement and consolidated cash flow statement has included the results of operation and cash flow of subsidiaries(not under the same control) before disposal or after acquired the share; for the subsidiaries under the same control from business combination, the operation results and cash flow has been included in the consolidated income statement and consolidated cash flow statement from beginning of combination period to consolidation date and disclosed in statement individual, the comparative amount in consolidation statement has been adjusted correspond to it.

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

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

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

(4) Consolidation method

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

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

7. Standards of cash equivalents

Cash equivalents of the company refers to 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.

8. Foreign currency translation and convertion of foreign currency financial statement

（1）Foreign currency transactions

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

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

（2）Conversion of foreign currency financial statement

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

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

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

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

9. Financial Instruments: Recognition and Measurement

(1) Classification of financial assets and financial liabilities

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

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

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

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

a、Acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or

b、Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

c、A derivative (except for a derivative that is a designated and effective hedging instrument, a derivative of financial guarantee contract, a derivative that settle by equity instrument, which the price of instrument could not be quoted in active market and the fair value could not measure reasonably).

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

a、The designation can be eliminated or significantly reduced the inconsistent situation or relate profit and loss cause by different measurement basis of financial assets and financial liabilities;

b、Company risk management or investment strategy has been enshrined in a formal written document that the financial assets portfolio, the financial liabilities portfolio, or the financial assets and financial liabilities portfolio are management in fair value-based and evaluation and report to key management person.

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

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

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

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

(2) Measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities:

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

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

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

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

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

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

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

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

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

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

(3) Transfers and derecognize of financial assets

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

a. terminate the contractual rights of cash flows from the financial asset;

b. the financial assets have been transferred, and the ownership of the risks and rewards of financial assets transfered to other party;

c. The financial assets have been transferred, but the Company neither transfered the ownership of the risks and rewards of financial assets, nor retained, and gives up control of the financial assets.

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

a. The carrying value of transferred financial assets;

b. The consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the shareholders’ equities.

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

a. The portion of carrying value derecognized;

b. The consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the shareholders’ equities.

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

(4) Impairment of financial assets

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

a. significant financial difficulty of the issuer or obligor;

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

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

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

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

f. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group;

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

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

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

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

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

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

10. Accounts receivable

（1）Method of provision for bad debts for individual accounts receivable with significant amounts:

At the end of the period, the balance of accounts receivable and other accounts receivable more than RMB 1 million (including RMB 1 million) should classified as individual significant accounts receivable, 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.

（2）Method of provision for bad debts for individual accounts receivable with non- significant amounts, but in according to the characteristics of credit risk portfolio, the risk of the portfolio is high:

For other non-significant receivables, classification primarily on the basis of account age, those accounts receivable’s account age more than three year and individual account balance less than RMB 1 million, that shall be classified as non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high.

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.

(3) The Company adopt age analysis method to estimate the following percentage of provision for bad debts:

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

11. Inventory: Recognition and Measurement

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

（2）Inventories stock physical count system

The Company adopts the perpetual stocktaking system.

（3）Valuation methods of inventories input and output

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

①Retail merchandise is accounted for by purchase price.

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

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

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

The inventory output valued in weighted average cost.

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

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

（6）Mothod of provision for inventory impairment loss

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

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

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

12．Biological Assets

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

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

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

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

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

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

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

13. Long-term Equity Investment

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

（1）Initial measurement

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

① Long-term equity investment obtained through business combinations:

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

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

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

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

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

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

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

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

（2）Subsequent Measurement

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

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

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

a、When using cost method, increase or recovery of investment need to adjust the cost of long term equity investment. Cash dividends or profit distributions declared by the investee shall be recognized as investment income in the current period. However, investment income recognized by the investing enterprise shall be limited to the amount distributed to it out of accumulated net profits of the investee arising after the investment was made. Any cash dividends or distributions received in excess of this amount shall be treated as a recovery of initial investment cost.

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

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

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

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

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

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

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

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

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

14. Investment property

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

（1）Depreciation or amortization method of property investment is measured by cost model:

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. The Company’s expected useful life, net residual rate and annual depreciation rate of investment property as follow:

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

（2）Basis of impairment of property investment is measured by cost model

At the balance sheet date, the evaluation criteria should base on the lower value between costs and net realizable value. When net realizable values are lower than costs, provision for impairment loss of property investment shall be made. If the value of the impaired investment property recovered, the provided impairment loss in prior period cannot be carry back.

15. Fixed Assets

（1）Recognition of fixed assets:

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

① The economic benefits related to fixed asset probably flows to the enterprise;

② The cost of fixed asset may be reliably measured.

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

（2）The depreciation method of fixed assets:

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

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

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

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

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

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

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

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

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

⑤ significant changes with an adverse effect on the entity have taken place during the period, These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date;

⑥ evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. For example: the net cash inflow or realized operating profits(or losses) made by the assets has declined significantly more than would be expected.

⑦ Other indications that an asset may be impaired.

（4）Recognision of finance leased fixed assets

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

16. Borrowing costs

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

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

①The capital expenditures have been incurred.

② The borrowing costs have been incurred.

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

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

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

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

（2）Measurement of capitalized borrowing costs

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

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

17. Intangible assets

(1) Measurement of intangible assets:

Intangible assets were recognized initially at cost.

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

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

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

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

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

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

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

a. significant changes with an adverse effect on the profitability of intangible assets have taken place during the period, These changes include the intangible replaced by other new technique;

b. The market value has declined in current period, and may not rise in the future residual period;

c. Other indication to prove that the carrying value higher than the recoverable value.

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

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

18. Long-term deferred expenses

The Long-term deferred expenses are defined as those expenses in this year but should be allocated in following few years (more than one year, not include one year). The amount transfer to the account are the amount actual paid, and allocate equally in beneficial period.

19. Accrued liabilities

(1) Recognition of accrued liabilities:

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

①This obligation is current obligation of the Company; and,

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

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

（2）Measurement of accrued liabilities

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

（3）Optimum evaluation of accrued liabilities

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

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

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

20．Revenue

Recognition and measurement of revenue:

（1）Revenue from sale of goods

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

①the entity has transferred the significant risks and reward ownership of goods to the buyer;

②the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over goods sold;

③the amount of revenue can be measured reliably;

④relate economic benefit is probably inflow to the enterprise;

⑤the associated costs incurred or to be incurred can be measured reliably.

（2）Contract revenue

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

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

a. total contract revenue can be measured reliably;

b. it is probable that the economic benefits associated with the contract will flow to the enterprise;

c. the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates; and

d. both the contract costs to complete the contract and the stage of contract completion at the balance sheet date can be measured reliably.

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

a. it is probable that the economic benefits associated with the contract will flow to the enterprise; and

b. the contract costs attributable to the contract, can be clearly identified and measured reliably.

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

② When the outcome of a construction contract cannot be estimated reliably:

a. Revenue should be recognised only to the extent of contract costs incurred that it is probable will be recoverable; and

b. If the cost can not be recovered, contract costs should be recognised as an expense in the period in which they are incurred.

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

（3）Revenue from rendering of services

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

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

a. the amount of revenue can be measured reliably;

b. relate economic benefit is probably inflow to the enterprise;

c. the complete of schedule could be determined reliably;

d. the associated costs incurred or to be incurred can be measured reliably.

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

a. revenue shall be recognized to the extent of costs incurred that are expected to be recoverable if compensation are predict to be award;

b. to those cost that without compensation in predict, through to profit and loss account without recognize revenue.

（4）Transfer of asset use rights

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

①the economic benefits related to the transaction are probably will flow into enterprise;

②the amounts can be reliably measured.

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

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

21、Deferred income tax assets and deferred income tax liabilities

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

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

（1）Recognition of deferred income tax assets

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

a. The transaction is not business combination;

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

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

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

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

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

（2）Recognition of deferred income tax liabilities

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

① the initial recognition of goodwill;

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

a. the transaction is not a business combination;

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

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

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

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

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

22. Changes in accounting policies、accounting estimates

（1）Change in accounting policies

There are no changes in accounting policy during current period.

（2）Change in accounting estimates

There are no changes in accounting estimates during current period.

23. Correct previous accounting period errors

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

Ⅲ. Taxation

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

Categories of taxes	Tax base	Tax rate
VAT	Revenue from sale of products	17%
Land Value Added Tax	Revenue from sale of real estates- amount of deductable items	According to progressive tax rates 30% - 60%
Business Tax	Revenue from sale of real estates, Leasing and Rendering of service	5%
Corporation Tax	Taxable Income	22%、25% Note
Urban Construction Tax	VAT payable, consumption tax payable and business tax payable	1%
Education Surcharge	VAT payable, consumption tax payable and business tax payable	3%

Note: （1）Shenzhen Special Economic Zone: The applicable Corporation Tax rate in Shenzhen Special Economic Zone is 22% in 2010、24% in 2011、25% in 2012. （2）Other Cities: The applicable Corporation Tax rate in other cities is 25%.

Ⅳ. Enterprise Consolidation and Consolidation Statement Scope

1. Information of subsidiaries

（1）Subsidiary through the establishment or investment method obtained

Subsidiaries' name	Subsidiaries' type	Registration location	Nature of business	Registered capital	Business scope
Shenzhen ShenGuoShang Business Management Co., Ltd（Business Company）	Wholly owned subsidiary	Shanzhen	Retail store	15,000,000.00	Retail store
Shenzhen International Arcade Chain Store （Chain Store）	Wholly owned subsidiary	Shanzhen	Retail store	10,000,000.00	Retail store
Shenzhen International Arcade Property Management Co., Ltd. （Guoshang Property）	Holding subsidiary	Shanzhen	Property management	7,000,000.00	Property management
Shenzhen Rongfa Investment Co., Ltd (Rongfa Investment）	Holding subsidiary	Shanzhen	Real estate development	USD5,000,000.00	Real estate development
Huizhou Rongfa Industry Investment Co., Ltd （Huizhou Rongfa）	Holding subsidiary's subsidiary	Huizhou	Real estate development	6,000,000.00	Real estate development
Wengyuan Guoshanglinhai Development Co., Ltd. （Wengyuan Guoshang）	Holding subsidiary's subsidiary	Wengyuan	Afforestation、forest management	7,000,000.00	Afforestation、forest management
Wuhua Guoshanglinye Development Co., Ltd （Wuhua Guoshang）	Holding subsidiary's subsidiary	Wuhua	Afforestation、forest management	10,000,000.00	Afforestation、forest management
Shenzhen Guoshanglinye Development Co., Ltd （Guoshanglinye）	Holding subsidiary's subsidiary	Shanzhen	Lumber purchase and sale, Industrial establishment	10,000,000.00	Lumber purchase and sale, Industrial establishment
Shenzhen Longgang International Arcade Enterprise Co., Ltd. （Guoshang Enterprise）	Holding subsidiary's subsidiary	Shanzhen	Retail store	3,000,000.00	Retail store
XingningGuoshanglineye Development Co., Ltd	Holding subsidiary's	Xingning	Afforestation、forest	5,000,000.00	Plant、and lumber sales

（XingningGuoshang）	subsidiary		management		
Luoyang Rongfazhiye Co., Ltd（Rongfazhiye）	Holding subsidiary's subsidiary	Luoyang	Real estate development	10,000,000.00	Real estate development and sales, property management and rental
Shenzhen International Enterprise Trading Co., Ltd （International Trade） Note1	Holding subsidiary	Shanzhen	International trade	5,600,000.00	International trade
Shenzhen Chunhua Medicine United Enterprise Co., Ltd （Chunhua Medicine） Note1	Holding subsidiary	Shanzhen	Drugs and medical appliances	3,000,000.00	Drugs and medical appliances
Shenzhen Guoshang Medicine Co., Ltd （Guoshang Medicine） Note1	Holding subsidiary	Shanzhen	Drugs and medical treatment	3,000,000.00	Drugs and medical treatment
Shenzhen Royal Noble Industry Co., Ltd （Gangyi East Club） Note2	Holding subsidiary's subsidiary	Shanzhen	Healthcare massage	5,000,000.00	Industrial establishment、Healthcare massage

Subsidiary through the establishment or investment method obtained（Continued）

Subsidiaries' name	Actual investment amount	The balance of other project, substantially constitute the net investment in subsidiary.	Holding proportion	Voting rights proportion
Shenzhen ShenGuoShang Business Management Co., Ltd（Business Company）	21,427,272.93	0.00	100.00%	100.00%
Shenzhen International Arcade Chain Store （Chain Store）	10,000,000.00	0.00	100.00%	100.00%
Shenzhen International Arcade Property Management Co., Ltd. （Guoshang Property）	4,270,000.00	0.00	61.00%	75.00%
Shenzhen Rongfa Investment Co., Ltd (Rongfa Investment）	35,296,718.10	0.00	60.00%	60.00%
Huizhou Rongfa Industry Investment Co., Ltd （Huizhou Rongfa）	6,000,000.00	0.00	64.70%	100.00%
Wengyuan Guoshanglinhai Development Co., Ltd. （Wengyuan Guoshang）	7,000,000.00	0.00	60.00%	100.00%
Wuhua Guoshanglinye Development Co., Ltd （Wuhua Guoshang）	10,000,000.00	0.00	60.00%	100.00%
Shenzhen Guoshanglinye Development Co., Ltd （Guoshanglinye）	10,000,000.00	0.00	60.00%	100.00%
Shenzhen Longgang International Arcade Enterprise Co., Ltd. （Guoshang Enterprise）	3,000,000.00	0.00	90.00%	100.00%
XingningGuoshanglineye Development Co., Ltd	5,000,000.00	0.00	60.00%	100.00%

（XingningGuoshang）				
Luoyang Rongfazhiye Co., Ltd （Rongfazhiye）	10,000,000.00	0.00	60.00%	100.00%
Shenzhen International Enterprise Trading Co., Ltd （International Trade） Note1	5,320,000.00	0.00	98.75%	100.00%
Shenzhen Chunhua Medicine United Enterprise Co., Ltd （Chunhua Medicine） Note1	2,250,000.00	0.00	75.00%	75.00%
Shenzhen Guoshang Medicine Co., Ltd （Guoshang Medicine） Note1	3,000,000.00	0.00	98.00%	100.00%
Shenzhen Royal Noble Industry Co., Ltd （Gangyi East Club） Note2	5,000,000.00	0.00	64.00%	5.00%

Subsidiary through the establishment or investment method obtained（Continued）

Subsidiaries' name	Whether consolidated statements	Minority equity	The amount of minority equity used for decrease the profits and losses of minority shareholders	The balance of parent company's equity, that is equal to the parent shareholders' equity less the subsidiary's current loss undertaken by the minority shareholders according their quotient of the beginning of the period
Shenzhen ShenGuoShang Business Management Co., Ltd （Business Company）	Yes	0.00	0.00	0.00
Shenzhen International Arcade Chain Store （Chain Store）	Yes	0.00	0.00	0.00
Shenzhen International Arcade Property Management Co., Ltd. （Guoshang Property）	Yes	-5,260,548.36	0.00	0.00
Shenzhen Rongfa Investment Co., Ltd (Rongfa Investment）	Yes	-103,457,322.93	0.00	0.00
Huizhou Rongfa Industry Investment Co., Ltd （Huizhou Rongfa）	Yes	0.00	0.00	0.00
Wengyuan Guoshanglinhai Development Co., Ltd. （Wengyuan Guoshang）	Yes	0.00	0.00	0.00
Wuhua Guoshanglinye Development Co., Ltd （Wuhua Guoshang）	Yes	0.00	0.00	0.00
Shenzhen Guoshanglinye Development Co., Ltd （Guoshanglinye）	Yes	0.00	0.00	0.00
Shenzhen Longgang International Arcade Enterprise Co., Ltd. （Guoshang Enterprise）	Yes	0.00	0.00	0.00
XingningGuoshanglineye Development Co., Ltd （XingningGuoshang）	Yes	0.00	0.00	0.00
Luoyang Rongfazhiye Co., Ltd （Rongfazhiye）	Yes	0.00	0.00	0.00
Shenzhen International Enterprise Trading Co., Ltd （International Trade） Note1	No	0.00	0.00	0.00
Shenzhen Chunhua Medicine United Enterprise Co., Ltd	No	0.00	0.00	0.00

（Chunhua Medicine） Note1				
Shenzhen Guoshang Medicine Co., Ltd （Guoshang Medicine） Note1	No	0.00	0.00	0.00
Shenzhen Royal Noble Industry Co., Ltd （Gangyi East Club） Note2	No	0.00	0.00	0.00

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

Note 2: On January 31, 2007, Rongfa Investment and Shenzhen International Commercial Centre Co.,Ltd(“International Commercial Centre”), with Shenzhen Baotian Investment Development Co., Ltd (“ Baotian Investment”), signed the < Shareholding Transfer Contract>, according to contract signed by both parties: Rongfa Investment and International Commercial Centre transferred 85% and 10% shareholdings of Gangyi East Club respectively to Baotian Investment. After the shareholding transfer, Baotian Investment and Rongfa Investment hold 95% and 5% shareholdings of Gangyi East Club respectively. After accepted the 95% shareholdings, within six years of operating period, Baotian Investment must tranferred the shareholdings to Rongfa Investment or any party designated by Rongfa Investment, and the consideration of the transfer is must be RMB 1 million. Then, Rongfa Investment with Baotian Investment signed < Shareholding Transfer Contract: Supplemental Agreement >, according to agreement signed by both parties: Rongfa Investment decided to given up the gains and future gains from the 5% shareholdings of Gangyi East Club, that is mean, after the shareholdings transfer, Rongfa Investment within six years shall be not enjoy the distribution of incomes of Gangyi East Club’s operation, and undertaken any operating losses.

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

2. Changes in consolidation scope

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

Ⅴ. Main Notes In The Consolidation Statement

1. Monetary Funds

Items	30.6.2010	31.12.2009
Cash on hand	202,642.75	62,560.46
Bank deposit	12,764,635.12	18,520,665.63
Other monetary funds	90,335.46	90,243.97

Total	13,057,613.33	18,673,470.06

2. Accounts Receivable

（1）Account receivable listed according to the categories:

Items	30.6.2010				31.12.2009			
	Book value	Proportion	Provision for bad debts	Carrying value	Book value	Proportion	Provision for bad debts	Carrying value
Individual significant amounts	0.00	0.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high	328,546.13	33.59%	87,185.11	241,361.02	344,596.43	21.71%	90,395.18	254,201.25
Other non-significant receivables	649,593.30	66.41%	69,615.62	579,977.68	1,242,338.49	78.29%	97,100.19	1,145,238.30
Total	978,139.43	100.00%	156,800.73	821,338.70	1,586,934.92	100.00%	187,495.37	1,399,439.55

（2）Account receivable listed according to the account age:

Age	30.6.2010				31.12.2009			
	Book value	Proportion	Provision for bad debts	Carrying value	Book value	Proportion	Provision for bad debts	Carrying value
Within 1 year	199,840.43	20.43%	9,992.02	189,848.41	792,585.62	49.94%	37,476.60	755,109.02
1-2 years	156,786.71	16.03%	15,678.67	141,108.04	156,786.71	9.88%	15,678.67	141,108.04
2-3 years	292,966.16	29.95%	43,944.92	249,021.24	292,966.16	18.46%	43,944.92	249,021.24
3-4 years	113,787.21	11.63%	22,757.44	91,029.77	129,837.51	8.18%	25,967.50	103,870.01
4-5 years	0.00	0.00%	0.00	0.00	0.00	0.00%	0.00	0.00
More than 5 years	214,758.92	21.96%	64,427.68	150,331.24	214,758.92	13.54%	64,427.68	150,331.24
Total	978,139.43	100.00%	156,800.73	821,338.70	1,586,934.92	100.00%	187,495.37	1,399,439.55

（3）There is no Accounts receivable balance due from shareholders who own five or over five percent voting rights as at June 30, 2010.

（4）Up to 30 June 2010, the total balance of top five accounts receivable balance is RMB 338,243.96, as 34.58% of total of accounts receivable.

3. Advance To Suppliers

（（1）Age analysis

Age	30.6.2010	Proportion	31.12.2009	Proportion
Within 1 year	99,730.00	20.74%	70,112.00	18.40%
1-2 years	73,112.00	15.21%	3,000.00	0.79%

2-3 years	20,000.00	4.16%	20,000.00	5.25%
More than 3 years	287,983.00	59.89%	287,983.00	75.56%
Total	480,825.00	100.00%	381,095.00	100.00%

（2）Up to 30 June, 2010, the total balance of the top five advance to supplier is RMB414,310.00, account for 86.17% of advance to supplier.

（3）There is no Advance to supplier balance due from shareholders who own five or over five percent voting rights as at June 30, 2010.

4. Other Accounts Receivable

（1）Other accounts receivable listed according to the categories:

Items	30.6.2010				31.12.2009			
	Book value	Proportion	Provision for bad debts	Carrying value	Book value	Proportion	Provision for bad debts	Carrying value
Individual significant amounts	14,371,194.52	80.84%	10,869,657.99	3,501,536.53	14,406,990.20	70.94%	10,610,249.93	3,796,740.27
Non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high	1,032,220.71	5.81%	933,243.69	98,977.02	1,532,018.96	7.54%	993,478.48	538,540.48
Other non-significant receivables	2,373,418.56	13.35%	244,535.22	2,128,883.34	4,369,793.71	21.52%	433,392.01	3,936,401.70
Total	17,776,833.79	100.00%	12,047,436.90	5,729,396.89	20,308,802.87	100.00%	12,037,120.42	8,271,682.45

（2）Other accounts receivable listed according to the account age:

Age	30.6.2010				31.12.2009			
	Book value	Proportion	Provision for bad debts	Carrying value	Book value	Proportion	Provision for bad debts	Carrying value

Within 1 year	1,157,647.35	6.51%	57,882.37	1,099,764.98	1,672,534.86	8.24%	83,626.75	1,588,908.11
1-2 years	2,120,564.57	11.93%	212,056.45	1,908,508.12	1,762,805.87	8.68%	176,280.59	1,586,525.28
2-3 years	1,130,738.02	6.36%	169,610.70	961,127.32	1,128,838.02	5.56%	169,325.70	959,512.32
3-4 years	928,702.83	5.23%	185,740.57	742,962.26	928,702.83	4.57%	185,740.57	742,962.26
4-5 years	1,315,649.09	7.40%	328,912.28	986,736.81	1,315,649.09	6.48%	328,912.28	986,736.81
More than 5 years	11,123,531.93	62.57%	11,093,234.53	30,297.40	13,500,272.20	66.47%	11,093,234.53	2,407,037.67
Total	17,776,833.79	100.00%	12,047,436.90	5,729,396.89	20,308,802.87	100.00%	12,037,120.42	8,271,682.45

（3）List the balance of top five other accounts receivable:

Company name	Balance	Proportion of total other accounts receivable	Age	Reason of arrearage
Shenzhen Shengang Gongmao Import and Export Co.,Ltd	10,180,249.93	57.27%	More than 5 years	Note
Shenzhen Mantingfang Trading Investment Co., Ltd	1,850,000.00	10.41%	3-4 years、4-5 years	Current account
Guangzhou Sun-Star Company	900,000.00	5.06%	More than 5 years	Current account
Shenzhen Zhengzhong Real Estate Development Co., Ltd	560,852.00	3.15%	Within 1 year	Deposit
Shenzhen Baotian Investment Development Co., Ltd	506,272.02	2.85%	2-3 years	Deposit
Total	13,997,373.95	78.74%		

Note: the amount is due to existing historical issues between the Group and Shenzhen Shengang Gongmao Import and Export Co., Ltd (“ Shenggang 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 10 millions loan principal and the overdue interests. On February 27, 2001, the court made (2001) Shenzhongfajingyichuzi No.53 civil judgments, and ruled the Group has jointly 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 Shenggang Gongmao, meanwhile, the Group would claim the repayment from Shenggang Gongmao. Shenggang

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 method of joint operation as following: the Group contributed capital for development, and the initial profits after completion of development shall be 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 Shenggang Gongmao for repayment of debts, the Group had confirmed that ownership of the above-mentioned properties and land use rights were unable to transfer, and Shenggang Gongmao had no other executive property. Therefore, the Group decided to made full bad debt provision for unrecognized loss of 10,180,249.93.

（4）The details of full amount of provision for bad debts:

Company name	Amount	Content	Amount of Provision	Age	Reason of provision
Shenzhen Shengang Gongmao Import and Export Co.,Ltd	10,180,249.93	Guarantee for debt repayment	10,180,249.93	More than 5 years	Refer FS Note Ⅴ、4、(3) Note for details
Guangzhou Sun-Star Company	900,000.00	Current account	900,000.00	More than 5 years	Predict unable recovered
Total	11,080,249.93		11,080,249.93		

（5）There is no Other accounts receivable balance due from shareholders who own five or over five percent voting rights as at June 30, 2010.

5. Inventory

（1）Category of inventory:

Items	30.6.2010			31.12.2009		
	Book value	Provision for impairment loss	Carrying value	Book value	Provision for impairment loss	Carrying value
Raw materials	290,742.27	0.00	290,742.27	290,742.27	0.00	290,742.27

Consumable forest assets	91,587,308.45	0.00	91,587,308.45	88,423,146.65	0.00	88,423,146.65
Development costs	1,193,992,797.46	16,631,692.55	1,177,361,104.91	1,191,961,778.51	16,631,692.55	1,175,330,085.96
Development products	35,240,279.76	0.00	35,240,279.76	35,240,279.76	0.00	35,240,279.76
Lease development products	48,081,285.34	0.00	48,081,285.34	48,511,111.16	0.00	48,511,111.16
Total	1,369,192,413.28	16,631,692.55	1,352,560,720.73	1,364,427,058.35	16,631,692.55	1,347,795,365.80

① Development costs

Items	Start Date	Estimated completed date	Estimated investment	31.12.2009	Provision for impairment loss	30.6.2010	Provision for impairment loss
Bantian industrial estate				47,893,568.15	16,631,692.55	47,893,568.15	16,631,692.55
Rongfu Garden second phase				6,448,481.22	0.00	6,448,481.22	0.00
Crystal Island International Shopping Center	January 2003	Year 2011	1300 million	1,137,619,729.14	0.00	1,139,650,748.09	0.00
Total				1,191,961,778.51	16,631,692.55	1,193,992,797.46	16,631,692.55

② Development products

Items	Completed Date	31.12.2009	Provision for impairment loss	30.6.2010	Provision for impairment loss
Gangyihaoting	December 2000	35,240,279.76	0.00	35,240,279.76	0.00
Total		35,240,279.76	0.00	35,240,279.76	0.00

③ Lease development products

Items	31.12.2009	Increment	Amortization	Decrement	30.6.2010	Remaining amortization life
Gangyihaoting	42,810,646.86	0.00	379,355.01	0.00	42,431,291.85	32-42 years
Guoqi Building	298,498.33	0.00	3,927.61	0.00	294,570.72	37.5 years
Huizhou Sunshine 100	5,401,965.97	0.00	46,543.20	0.00	5,355,422.77	57.5 years
Total	48,511,111.16	0.00	429,825.82	0.00	48,081,285.34	

(2) The total amount of capitalization of borrowing costs for current year is RMB1,502,433.60.

(3) Provision for inventory impairment

Item	31.12.2009	Increment	Decrement	30.6.2010
Development costs	16,631,692.55	0.00	0.00	16,631,692.55
Total	16,631,692.55	0.00	0.00	16,631,692.55

Note 1: The Company pledged part of retail shops of Gangyihaoting to the bank as guaranty for borrowings, the carrying value of those retail shops is RMB 42,306,260.32.

Note 2: The Company pledged Development costs-Crystal Island Project to the bank as guaranty for borrowings, the carrying value of those retail shops is RMB 1,139,650,748.09.

Note 3: The Company pledged consumptive forestry assets to the bank as guaranty for borrowings, the carrying value of those retail shops is RMB 73,933,275.78.

6. Long-term Equity Investment

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

Items	30.6.2010			31.12.2009		
	Book value	Provision for impairment loss	Carrying value	Book value	Provision for impairment loss	Carrying value
Long-term equity investment	15,570,000.00	8,999,737.16	6,570,262.84	15,570,000.00	8,999,737.16	6,570,262.84
Include: - Investment in subsidiary	15,570,000.00	8,999,737.16	6,570,262.84	15,570,000.00	8,999,737.16	6,570,262.84
- Investment in other companies	0.00	0.00	0.00	0.00	0.00	0.00

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

Name of investee	Initial investment	31.12.2009	Increment	Decrement	30.6.2010
Shenzhen Chunhua Medicine United Enterprise 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 Trading Co., Ltd	5,320,000.00	5,320,000.00	0.00	0.00	5,320,000.00

Shenzhen Royal Noble Industry Co., Ltd	5,000,000.00	5,000,000.00	0.00	0.00	5,000,000.00
Total	15,570,000.00	15,570,000.00	0.00	0.00	15,570,000.00

Notes: The registration of Shenzhen Chunhua Medical Union Enterprise Co., Ltd, Shenzhen Guoshang Medical Co., Ltd and Shenzhen International Arcade Medical Co., Ltd have been cancelled due to no renewal of registration certificates, and not included in the scope of financial statements consolidation in current period. An amount of 3,999,737.16 impairment loss provision has been made for the long-term equity investment.

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

Name of investee	2009.12.31	Increment	Decrement	2010.6.30
Shenzhen Chunhua Medicine United 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 Trading Co., Ltd	3,075,930.02	0.00	0.00	3,075,930.02
Shenzhen Royal Noble Industry Co., Ltd	5,000,000.00	0.00	0.00	5,000,000.00
Total	8,999,737.16	0.00	0.00	8,999,737.16

7. Investment Properties

Items	31.12.2009	Increment	Decrement	30.6.2010
ⅰ. Total book values:	2,663,988.11	0.00	289,920.00	2,374,068.11
1．Buildings and structures	2,663,988.11	0.00	289,920.00	2,374,068.11
ⅱ. Total accumulated depreciation and accumulated amortization:	1,218,420.28	38,538.12	89,875.20	1,167,083.20
1．Buildings and structures	1,218,420.28	38,538.12	89,875.20	1,167,083.20
ⅲ.Total accumulated impairment loss:	0.00	0.00	0.00	0.00
1．Buildings and structures	0.00	0.00	0.00	0.00
ⅳ. Total carrying value:	1,445,567.83	0.00	0.00	1,206,984.91
1．Buildings and structures	1,445,567.83	0.00	0.00	1,206,984.91

8. Fixed Assets and Accumulated Depreciation

Items	31.12.2009	Increment	Decrement	30.6.2010
ⅰ. Total book values:	116,350,344.69	138,485.00	36,141,049.56	80,347,780.13
Buildings and structures	102,894,508.85	0.00	35,851,665.67	67,042,843.18
Vehicles	7,038,571.00	0.00	0.00	7,038,571.00

Electronic device and other equipments	6,417,264.84	138,485.00	289,383.89	6,266,365.95
ⅱ． Total accumulated depreciation	37,683,108.47	2,119,185.98	13,867,434.47	25,934,859.98
Buildings and structures	29,986,355.45	1,152,430.33	13,645,916.12	17,492,869.66
Vehicles	3,149,873.10	521,387.10	0.00	3,671,260.20
Electronic device and other equipments	4,546,879.92	445,368.55	221,518.35	4,770,730.12
ⅲ. Total accumulated impairment loss:	11,716,894.19	0.00	11,716,894.19	0.00
Buildings and structures	11,716,894.19	0.00	11,716,894.19	0.00
Vehicles	0.00	0.00	0.00	0.00
Electronic device and other equipments	0.00	0.00	0.00	0.00
ⅳ. Total carrying value:	66,950,342.03	0.00	0.00	54,412,920.15
Buildings and structures	61,191,259.21	0.00	0.00	49,549,973.52
Vehicles	3,888,697.90	0.00	0.00	3,367,310.80
Electronic device and other equipments	1,870,384.92	0.00	0.00	1,495,635.83

Note: The decrease of fixed assets is mainly due to dispose of the 23th floor of Shenzhen Development Center.

9. Long-term Deferred Expense

Type	Original Amount	31.12.2009	Increment	Amortization	Transfer out	Accumulated Amortization	30.6.2010
software	300,000.00	180,000.00	0.00	30,000.00	0.00	150,000.00	150,000.00
Total	300,000.00	180,000.00	0.00	30,000.00	0.00	150,000.00	150,000.00

10. Provision for Assets Impairment Loss

Items	31.12.2009	Increment	Decrement		30.6.2010
			Reversal	Write-off	
Provision for bad debts	12,224,615.79	-20,378.16	0.00	0.00	12,204,237.63
Provision for inventory impairment loss	16,631,692.55	0.00	0.00	0.00	16,631,692.55
Provision for long-term equity investment impairment loss	8,999,737.16	0.00	0.00	0.00	8,999,737.16
Provision for fixed assets impairment loss	11,716,894.19	0.00	0.00	11,716,894.19	0.00
Total	49,572,939.69	-20,378.16	0.00	11,716,894.19	37,835,667.34

11. Restricted Assets Ownership

（1）Reasons of assets' ownership that restricted

That is due to assets are pledged to obtain bank loans.

（2）List of assets' ownership that restricted

Types of restricted assets	31.12.2009	Increment	Decrement	30.6.2010
1.Fixed assets-buildings and structures	10,758,289.27	0.00	10,758,289.27	0.00
2.Investment properties	577,489.80	0.00	577,489.80	0.00
3.Inventories-Development products	9,112,926.74	33,193,333.58	0.00	42,306,260.32
4.Inventories-Development costs	1,137,619,729.14	2,031,018.95	0.00	1,139,650,748.09
5. Inventories-Consumable forest assets	70,996,669.12	2,936,606.66	0.00	73,933,275.78
Total	1,229,065,104.07	38,160,959.19	11,335,779.07	1,255,890,284.19

12. Short-term Loan

Loan condition	30.6.2010	31.12.2009
Pledge loan	0.00	6,000,000.00
Total	0.00	6,000,000.00

13. Accounts Payable

（1）Age analysis:

Age	30.6.2010	31.12.2009
Within 1 year	330,923,031.12	355,241,325.40
More than 1 year	164,949,429.03	215,358,306.20
Total	495,872,460.15	570,599,631.60

（2）Account payable balance which age is more than one year are mainly payments for Shenzhen Fanhua Engineering Group Co., Ltd for Crystal Island Project, refer to Note Ⅸ.3 for details.

（3）There is no Accounts payable balance due to shareholders who own five or over five percent voting rights as at June 30, 2010.

14. Advanced From Customers

（1）Age analysis:

Age	30.6.2010	31.12.2009
Within 1 year	0.00	40,000.00
More than 1 year	46,073,971.75	46,033,971.75

Total	46,073,971.75	46,073,971.75

（2）The year end balance of advanced from customers, which accounts age have over one year, is mainly due to the amount received from selling the shops in Gangyihaoting. Because of the buyer has buy-back option, therefore the amounts not satisfied with revenue recognition principle.

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

Item	30.6.2010	31.12.2009	Completed date	Content
Gangyihaoting	35,467,753.05	35,467,753.05	December 2000	Sales of shops
Total	35,467,753.05	35,467,753.05		

（4）There is no Advanced from customers balance due to shareholders who own five or over five percent voting rights as at June 30, 2010.

15. Payroll Payable

Items	31.12.2009	Increased provision	Payment	30.6.2010
1.Salary, bonus and allowance	1,793,578.03	6,093,394.41	6,669,724.56	1,217,247.88
2.Employee welfare	0.00	1,279,207.83	1,279,207.83	0.00
3.Social insurance:	88,127.30	895,266.23	983,393.53	0.00
Including:①Medical insurance	42,492.90	117,730.29	160,223.19	0.00
②Basic retirement insurance	42,344.66	728,474.11	770,818.77	0.00
③Unemployment insurance	957.28	21,511.74	22,469.02	0.00
④Injury insurance	948.35	11,240.03	12,188.38	0.00
⑤Pregnancy insurance	1,384.11	16,310.06	17,694.17	0.00
4.Housing accumulation fund	0.00	0.00	0.00	0.00
5. Labour union fee and employee education fee	2,152,552.10	159,884.32	87,076.20	2,225,360.22
6. Non-monetary welfare	0.00	0.00	0.00	0.00
7. Redemption for termination of labor contract	0.00	19,583.00	19,583.00	0.00
8.Others:	0.00	0.00	0.00	0.00
Including: share payment by cash	0.00	0.00	0.00	0.00
Total	4,034,257.43	8,447,335.79	9,038,985.12	3,442,608.10

16. Tax Payable

Types	30.6.2010	31.12.2009
VAT	-494,269.08	-431,541.96

Business Tax	-1,813,375.18	-1,574,462.34
Consumption Tax	-31,516.27	-31,516.27
Urban construction tax	145,252.68	147,641.27
Corporation Tax	1,548,328.26	1,548,888.51
Property tax	159,572.22	255,587.86
Land Add-Value Tax	45,991.56	77,700.41
Personal income Tax	12,321.36	9,297.73
Education Surcharge	1,780.24	1,795.24
Others	1,111.00	1,392.17
Total	-424,803.21	4,782.62

17. Dividend Payable

Name of investor	30.6.2010	31.12.2009
Shareholder of Legal shares	5,127,701.36	5,127,701.36
Total	5,127,701.36	5,127,701.36

18. Other Accounts Payable

（1）Age analysis

Age	30.6.2010	31.12.2009
Within 1 year	163,815,374.12	49,581,664.38
More than 1 year	197,274,876.98	189,353,735.57
Total	361,090,251.10	238,935,399.95

（2）As at December 31, 2009, the other accounts payable balance due to shareholders who own five or over five percent voting rights, refer Note VI. 3. (2) for details.

（3）The details of other accounts payable, which is significant in amount:

Company name	Balance	Age	Proportion	Nature or Content
Employee borrowings	10,479,072.30	Year 2005	2.90%	Refer Note X
Wei Baotong Gao Song	25,619,213.35	Year 2006	7.09%	Borrowings Note1
Chen Jianqi	36,100,242.20	Year 2006	10.00%	Borrowings Note1
Lin Wanyin	42,558,868.81	Year 2006	11.79%	Borrowings Note1
Zheng Kanghao	76,539,900.55	Year 2009、Year2010	21.20%	Current account
Shenzhen Huangting Real Estate Group Co., Ltd	8,234,139.79	Year 2009、Year2010	2.28%	Current account
Xu Chunlong	30,291,600.00	Year 2010	8.39%	Borrowings Note2
Total	229,823,037.00		63.65%	

Note 1: According to the agreement signed by Rongfa Investment with Wei Baotong and Gao

Song, the Company paid 10‰ interest rate monthly for the borrowings; and according to the agreement signed by Rongfa Investment with Chen Jianqi and Lin Wanyin, the Company paid 9‰ interest rate monthly, if not timely returned the borrowings and relevant interests, the ratio of payments overdue is 0.40‰ per day, based on the total of outstandings, until the settlement date. Up to 30 June 2010, the accumulated default payments provision is RMB10, 966,244.40.

Note 2: Rongfa Investment has signed Borrowing Agreement with Xu Chunlong, the borrowing amount is RMB 30 million, the loan interest rate is four times of the loan interest rate stipulated by the People's Bank of China, and the partly shops of the Lease development products- Gangyihaoting as guarantees. Up to 30 June 2010, the accumulated provision of interest is RMB 291,600.00.

19. Non-current Liability Due Within One Year

（1）Category

Item	30.6.2010	31.12.2009
Long-term borrowing due within one year	383,000,000.00	184,000,000.00
Total	383,000,000.00	184,000,000.00

（2）Long-term borrowing due within one year

①Categories of long-term borrowing due within one year

Types	30.6.2010	31.12.2009
Pledge loan	8,000,000.00	9,000,000.00
Pledge and assure loan	375,000,000.00	175,000,000.00
Total	383,000,000.00	184,000,000.00

② Circumstance of long-term borrowing due within one year:

Creditors	The start date	The termination date	Currency	Interest rate%	30.6.2010
Wengyuan County Rural Credit Cooperatives Note	29.04.2007	29.04.2011	RMB	8.62%	8,000,000.00
Construction bank of China,Shenzhen Shangbu Branch	10.09.2008	09.09.2010	RMB	floating interest	150,000,000.00
Construction bank of China,Shenzhen Aihua Subbranch	16.04.2007	15.02.2011	RMB	floating interest	225,000,000.00
Total					383,000,000.00

Note: Wengyuan Guoshang has been borrowed RMB 9million from Wengyuan County Rural Credit Cooperatives, the mature date is on 15 February 2010, in 2010, Wengyuan Guoshang signed < Loan Renewal Agreement> with Wengyuan County Rural Credit Cooperatives, the renewal term is one year, and the amount of renewal is RMB 8million.

20. Long-term Loans

（1）Types of long-term loans:

Type	30.6.2010	31.12.2009
Pledge loan	44,000,000.00	29,000,000.00
Pledge and assure loan	0.00	225,000,000.00
Total	44,000,000.00	254,000,000.00

（2）Circumstance of long-term loans

Creditors	The start date	The termination date	Currency	Interest rate%	30.6.2010
Agricultural Bank of China, Wu Hua Town Subbranch	19.03.2010	18.03.2013	RMB	floating interest	10,000,000.00
Agricultural Bank of China, Wu Hua Town Subbranch	03.04.2010	18.03.2013	RMB	floating interest	5,000,000.00
Wengyuan County Rural Credit Cooperatives	07.08.2008	06.08.2011	RMB	8.820%	9,000,000.00
Agricultural Bank of China, Wu Hua Town Subbranch	30.06.2009	29.06.2012	RMB	5.40%	20,000,000.00
Total					44,000,000.00

Note: Details of the pledged assets please refer NoteⅤ. 5 and Ⅴ. 11.

21. Accrued Liabilities

Item	31.12.2009	Increment	Decrement	30.6.2010	Reason
Guarantee liabilities	6,000,000.00	0.00	6,000,000.00	0.00	Loan guarantee
Total	6,000,000.00	0.00	6,000,000.00	0.00	

Note: Please refers to Note VII、3、for details.

22. Deferred Income

Item	30.6.2010	31.12.2009
Unrecognized leaseback income	823,425.69	1,029,282.11
Total	823,425.69	1,029,282.11

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

23. Share Capital

Items	31.12.2009	Chang in current year（+、－） Allotment of shares	Bonus shares	Transfer reserves into shares	Others	Subtotal	30.6.2010
ⅰ. Restricted shares							
Including:							
shares held by states	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares held by domestic legal persons	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares held by overseas legal persons	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Executives shares	320,760.00	0.00	0.00	0.00	0.00	0.00	320,760.00
Sub-total	320,760.00	0.00	0.00	0.00	0.00	0.00	320,760.00
ⅱ. Unrestricted shares							
1. Ordinary shares listed in mainland	118,892,232.00	0.00	0.00	0.00	0.00	0.00	118,892,232.00
2. Foreign shares listed in mainland	101,688,192.00	0.00	0.00	0.00	0.00	0.00	101,688,192.00
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	220,580,424.00	0.00	0.00	0.00	0.00	0.00	220,580,424.00
ⅲ. Total shares	220,901,184.00	0.00	0.00	0.00	0.00	0.00	220,901,184.00

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

24. Capital Reserves

Type	31.12.2009	Increment	Decrement	30.6.2010
Share premium	50,995,056.63	0.00	0.00	50,995,056.63
Other capital reserves	21,320,290.43	0.00	0.00	21,320,290.43
Total	72,315,347.06	0.00	0.00	72,315,347.06

25. Surplus Reserves

Type	31.12.2009	Increment	Decrement	30.6.2010
Statutory surplus reserves	84,526,481.13	0.00	0.00	84,526,481.13
Discretionary surplus reserve	41,403,353.35	0.00	0.00	41,403,353.35
Total	125,929,834.48	0.00	0.00	125,929,834.48

26. Undistributed Profits

Items	Jan-Jun 2010	Jan-Jun 2009
Openning balance of undistributed profits	-193,368,271.87	-200,284,817.12
Add: Net profit for current year	-21,740,816.44	11,022,189.39
Appropriation of statutory surplus reserves	0.00	0.00
Appropriation of staff incentive and welfare fund	0.00	0.00
Appropriation 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	0.00	0.00
Closing balance of undistributed profits	-215,109,088.31	-189,262,627.73

27. Operating Revenues and Operating Costs

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

Items	Jan-Jun 2010			Jan-Jun 2009		
	Operating revenue	Operating cost	Operating profit	Operating revenue	Operating cost	Operating profit
ⅰ. Main operation	5,816,796.33	5,448,294.02	368,502.31	7,966,798.76	7,713,188.26	253,610.50
Income from sales of real estat	0.00	0.00	0.00	468,196.00	285,300.09	182,895.91

Property management income	5,816,796.33	5,448,294.02	368,502.31	7,498,602.76	7,427,888.17	70,714.59
ii. Other operation	186,800.00	207,430.19	-20,630.19	1,269,004.35	274,475.74	994,528.61
Disposal of investment property	120,000.00	200,044.80	-80,044.80	878,270.00	219,149.04	659,120.96
Rental income	66,800.00	7,385.39	59,414.61	390,734.35	55,326.70	335,407.65
Total	6,003,596.33	5,655,724.21	347,872.12	9,235,803.11	7,987,664.00	1,248,139.11

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

Item	Jan-Jun 2010			Jan-Jun 2009		
	Operating revenue	Operating cost	Operating profit	Operating revenue	Operating cost	Operating profit
Shenzhen City	6,003,596.33	5,655,724.21	347,872.12	9,235,803.11	7,987,664.00	1,248,139.11
Total	6,003,596.33	5,655,724.21	347,872.12	9,235,803.11	7,987,664.00	1,248,139.11

（3）Details of operating revenues from top five clients

Clients name	Operating revenues	Proportion to total operating revenues
The First	694,277.93	11.56%
The Second	199,333.57	3.32%
The Third	100,000.00	1.67%
The Fourth	100,000.00	1.67%
The Fifth	72,793.06	1.21%
Total	1,166,404.56	19.43%

28. Business Tax and Surtax

Items	Jan-Jun 2010	Jan-Jun 2009
Business tax	307,968.28	390,489.26
Urban construction tax	3,078.56	3,816.79
Land Value Added Tax	67,016.35	0.00
Others	2,580.46	4,258.16
Total	380,643.65	398,564.21

29. Financial Expenses

Items	Jan-Jun 2010	Jan-Jun 2009
Interest expenses	23,228,199.64	1,331,344.95

Less: Interest Incomes	19,978.75	4,620.84
Exchange losses	5.31	0.00
Less: Exchange gains	0.00	27.81
Bank charges	20,683.02	18,985.24
Total	23,228,909.22	1,345,681.54

30. Assets Impairment Loss

Item	Jan-Jun 2010	Jan-Jun 2009
Bad debts	-20,378.16	-140,933.17
Total	-20,378.16	-140,933.17

31. Investment Income

Item	Jan-Jun 2010	Jan-Jun 2009
Gains from transfer of equity investment	0.00	750,000.00
Total	0.00	750,000.00

32. Non-operating Income

Items	Jan-Jun 2010	Jan-Jun 2009
Gains from disposal of fixed assets	2,913,212.64	15,589,639.29
Income from Reimbursement	0.00	0.00
Others	86,040.02	88,968.26
Total	2,999,252.66	15,678,607.55

Note: The Gains from disposal of fixed assets is mainly due to dispose of the 23th floor of Shenzhen Development Center.

33. Non-operating expenses

Items	Jan-Jun 2010	Jan-Jun 2009
Loss on disposal of fixed assets	16,699.41	10,797.66
default payment	5,149,396.59	0.00
Penalty payment	0.00	56,247.36

Others	2,000.00	136.18
Total	5,168,096.00	67,181.20

Note: The default payment is caused by borrowings with Chen Jianqi and Lin Wanying, please refer to Note 18.(3).1 for details.

34. Income Tax Expense

Items	Jan-Jun 2010	Jan-Jun 2009
Income tax for current period	0.00	-9,427.98
Total	0.00	-9,427.98

35. Supplemental Information for Cash Flow Statement

Supplemental informations	Jan-Jun 2010	Jan-Jun 2009
Adjusting net profit to cash flow from operating activities:		
Net profits	-39,774,544.55	6,141,848.84
Add: Provision for assets impairment loss	-20,378.16	-140,933.17
Depreciation of fixed assets、oil and gas assets and productbility biological assets	2,157,724.10	2,233,453.97
Amortization of intangible assets	0.00	0.00
Amortization of Long-term deferred expenses	30,000.00	30,000.00
Loss on disposal of fixed assets、intangible assets and other long-term assets (The gain is listed beginning with “-“)	-2,816,468.43	-16,237,962.59
Losses on scraped fixed assets (The gain is listed beginning with “-“)	0.00	0.00
Losses from fluctuation in fair values (The gain is listed beginning with “-“)	0.00	0.00
Financial costs (The gain is listed beginning with “-“)	23,228,204.95	1,331,317.14
Losses on investment (The gain is listed beginning with “-“)	0.00	-750,000.00
Decrease of deferred income tax assets (The increase is listed beginning with “-“)	0.00	0.00
Increase of deferred income tax liabilities (The decrease is listed beginning with “-“)	0.00	0.00
Decrease of inventories (The increase is listed beginning with “-“)	-3,262,921.33	-9,859,383.64
Decrease of operating receivables (The increase is listed beginning with “-“)	3,041,034.57	469,089.02
Increase of operating payables (The decrease is listed beginning with “-“)	31,484,005.72	-4,386,788.68
Others	0.00	0.00
Net cash flow arising from operating activities	14,066,656.87	-21,169,359.11

36. Cash and Cash Equivalent

Items	Jan-Jun 2010	Jan-Jun 2009

1、Cash	13,057,613.33	51,950,910.94
Including: Cash on hand	202,642.75	74,206.20
Unrestricted bank deposit	12,764,635.12	51,786,552.59
Unrestricted other monetary funds	90,335.46	90,152.15
Deposit in central bank	0.00	0.00
Placement in other banks or financial institutions	0.00	0.00
Due to other banks or financial institutions	0.00	0.00
2、Cash equivalents	0.00	0.00
Including: Bond investment due within three month	0.00	0.00
3、Ending balance of cash and cash equivalents	13,057,613.33	51,950,910.94
Including: restricted cash and cash equivalents for the parent or subsidiaries in the Group	0.00	0.00

Ⅵ. Related Party Relationships and Transactions

1. Identification norm of related party

The Company has control, jointly control or significant influence on the other party or any party can control, jointly control or significant influence on the Company; 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

Name of company	Relationship with the Company
Baili Asia-Pacific Investment Co., Ltd	Holding 13.70% equity interests of the Company
ShenzhenTefa Group Limited	Holding9.76% equity interests of the Company
Dahua Investment (China) Co., Ltd	Holding7.03% equity interests of the Company
Shenzhen Maoye Shangsha Co., Ltd	Holding6.15% equity interests of the Company

Note1: Because the Company's equity structure is quite decentralizing, and has no absolute control shareholder for the Company, therefore the Company listed Baili Asia-Pacific Investment Co., Ltd (The first Shareholder), ShenzhenTefa Group Limited (The second Shareholder), Dahua Investment (China) Co., Ltd (The third Shareholder), and Shenzhen Maoye Shangsha Co., Ltd (The fourth Shareholder)as related parties with non-controllable relationship.

Note2: Malaysia Foh Chong & Sons SDN.BHD with Baili Asia-Pacific Investment Co., Ltd signed the 《Shenzhen international limited liability company negotiable B shares transfer agreement》, that 30,264,192 B shares hold by Malaysia Foh Chong & Sons SDN.BHD transferred to Multi Profit Asia Pacific Investment Limited. The above mentioned shareholding transfer have completed on 7 July 2009.

3. Related party transactions

（1）Details of guarantee between related parties

Up to 31 December 2009, The Company has provided guarantee for the following subsidiaries:

Company name of provide guarantee	Guaranteed company	Type	Amount	Guarantee period	Whether the performance of the guarantee has finished
Shenzhen International Enterprise Co., Ltd	Shenzhen Guoshanglinye Development Co., Ltd	Pledge guarantee	6,000,000.00	17.3.2009-16.3.2010	Yes
Shenzhen International Enterprise Co., Ltd Shenzhen Guoshanglinye Development Co., Ltd	Shenzhen Rongfa Investment Co., Ltd	Credit guarantee	150,000,000.00	10.9.2008- 9.9.2010	No
Shenzhen International Enterprise Co., Ltd	Shenzhen Rongfa Investment Co., Ltd	Credit guarantee	225,000,000.00	16.4.2007-15.2.2011	No

（2）The balance of payables and receivables among related parties:

Related parties	30.6.2010		31.12.2009	
	Balance	Proportion	Balance	Proportion
Other accounts payables:				
Shenzhen Chunhua Medicine United Co., Ltd.	2,090,239.43	0.58%	2,090,239.43	0.87%
Shenzhen Guoshang Medicine Co., Ltd	1,479,767.33	0.41%	1,479,767.33	0.62%
Shenzhen International Enterprise Trading Co., Ltd	4,160,185.75	1.15%	4,160,185.75	1.74%
Total	7,730,192.51	2.14%	7,730,192.51	3.23%

VII. Contingency

1. Guarantee

（1）According to common practices of the sale of mortgage properties in the property investment industry, Shenzhen Rongfa Investment Co., Ltd. provides guarantees for those mortgage property sales which developed by itself. Until June 30, 2010, Rongfa Investment provides guarantees for mortgage property sales for RMB 20,564,192.10.

（2）According to common practices of the sale of mortgage properties in the property investment industry, Huizhou Rongfa Investment Co., Ltd. provides guarantees for those mortgage property sales which developed by itself. Until June 30, 2010, Huizhou Rongfa Investment Co., Ltd provides guarantees for mortgage property sales for RMB 9,330,530.49.

2. Pledge

The Company has no other pledge event except mentioned in Notes Ⅴ. 5 and Ⅴ. 11.

3. Litigation

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

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

In the year 2004, Bank of China , Shangbu subbranch transferred all the rights of above mentioned borrowing contract to China Orient Asset Management Corporation, Shenzhen Branch (“Orient Asset Shenzhen Branch”), on July 19, 2009, Orient Asset Shenzhen Branch transferred the debts to Dongxin United Asset Management Co., Ltd, then Orient Asset Shenzhen Branch accepted the entrustment by Dongxin United Asset Management Co., Ltd, in Orient Asset Shenzhen Branch’ s own name to deal with the aboved mentioned debts.

In the year 2009, the Company with Orient Asset Shenzhen Branch comes to a settlement agreement, according to the agreement: if the Company can be paid RMB 6 million before June 20, 2010, exempt the duties undertaken by the Company, that is caused by the joint and several liability for payment. On April 22, 2010, the Company has paid RMB 6 million to Orient Asset Shenzhen Branch.

VIII. Commitment

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

Maturity date	Rental payable	Deferred investment income
Within one year	5,129,423.12	411,712.84
1-2 years	0.00	411,712.84
Total	5,129,423.12	823,425.68

IX. Events after the Balance Sheet Date

1. On July 2010, Rongfa Investment borrowed 1300 million from Bohai International Trust Ltd. Co, the loan term is twelve months, and the annual interest rate is 9.18% within first six month, after the half year, the annual interest rate is 15%. The Company and Shenzhen Huangting Real Estate Group Co., Ltd (Huangting Real Estate) provide full joint and several guarantee liability. At the same time, The POWERLAND HOLDINGS LIMITED (controlled by Zheng Kanghao) using the 40% shareholdings of Rongfa Investment provide pledge guarantee for the 460 million loans (part of the 1300 million loan).

2. On 4 August 2010, Zheng Kanghao with Zhang Jing, who is the substantial shareholder of Baili Asia-Pacific Investment Co., Ltd, signed < Agreement About Sold Shares of Baili Asia-Pacific Investment Co., Ltd >, obtained 51% shareholdings of Baili Asia-Pacific Investment Co., Ltd, simultaneously Zheng Kanghao with Xu Yuling, who is another shareholder of Baili Asia-Pacific Investment Co., Ltd, signed the agreement, obtained 49% shareholdings of Baili Asia-Pacific Investment Co., Ltd also. Up to the reporting date, the procedure of transfer ownership has been completed.

3. On 30 November 2009, Shenzhen Fanhua Engineering Group Co., Ltd (Fanhua Engineering) appealled to Guangdong Province Higher People's Court for the project construction contract dispute that is caused by Rongfa Investment – Crystal Island Project. On 25 January 2010, hosted by Guangdong Province Higher People's Court, an agreement has reached upon mediation, and Fanhua Engineering with Rongfa Investment has signed < Mediation Agreement >. On 2 August 2010, Rongfa Investment with Fanhua Engineering signed < Agreement >, adjusted partly repayment deadline that agreed within the < Mediation Agreement >.Up to the reporting date, Rongfa Investment has according to the repayment deadline to paid the construction costs of Crystal Island Project.

X. Other Significant Events

In order to supplement the Crystal Island project development funds, In March 2005, according to the market situation the company signed the <Subscription Agreement> for the retail shop of Crystal Island with employees by the way of internal subscription, in the price of 15000 Yuan per square meter, totally raise fund 34,750,984.61Yuan. <Subscription Agreement> convention: 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 Crystal 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. On 13 November 2008, the resolution of the 《Staff on the proper handling of the motion within the subscription shops》, to give up the implementation of employee incentive programs. On November 29, 2008 hold 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, the Company accumulated provided interests in RMB10, 494,710.24, that is based on the higher of same period bank loans benchmark interest rate 5.85% and agreed compensation 20%.

XI. Main Notes to Financial Statements of Parent Company

1. Other Accounts Receivable

（1）Other accounts receivable listed according to the categories

	30.6.2010				31.12.2009			
Items	Book value	Proportion	Provision for bad debts	Carrying value	Book value	Proportion	Provision for bad debts	Carrying value
Individual significant amounts	425,314,474.18	99.54%	284,272,091.15	141,042,383.03	414,995,048.24	99.51%	240,270,138.63	174,724,909.61
Non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high	1,060,491.71	0.25%	935,669.67	124,822.04	1,060,491.71	0.25%	935,669.68	124,822.03
Other non-significant receivables	914,112.67	0.21%	59,833.13	854,279.54	985,761.17	0.24%	55,803.06	929,958.11
Total	427,289,078.56	100.00%	285,267,593.95	142,021,484.61	417,041,301.12	100.00%	241,261,611.37	175,779,689.75

（2）Other accounts receivable listed according to the age

Age	30.6.2010 Book value	Proportion	Provision for bad debts	Carrying value	31.12.2009 Book value	Proportion	Provision for bad debts	Carrying value
Within 1 year	331,395,662.62	77.56%	247,660,804.58	83,734,858.04	340,732,830.57	81.70%	205,613,316.54	135,119,514.03
1-2 years	64,593,060.60	15.12%	6,459,306.06	58,133,754.54	45,008,115.21	10.79%	4,500,811.52	40,507,303.69
2-3 years	20,059,613.70	4.69%	20,031,563.70	28,050.00	20,059,613.70	4.81%	20,031,563.70	28,050.00
3-4 years	89,065.00	0.02%	17,813.00	71,252.00	89,065.00	0.02%	17,813.00	71,252.00
4-5 years	71,426.71	0.02%	17,856.68	53,570.03	71,426.71	0.02%	17,856.68	53,570.03
More than 5 years	11,080,249.93	2.59%	11,080,249.93	0.00	11,080,249.93	2.66%	11,080,249.93	0.00
Total	427,289,078.56	100.00%	285,267,593.95	142,021,484.61	417,041,301.12	100.00%	241,261,611.37	175,779,689.75

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

Company name	Balance	Age	Nature	Proportion of total other accounts receivable
Shenzhen Rongfa Investment Co., Ltd	308,818,679.89	Within 1 year	Current account	72.27%
Shenzhen Guoshanglinye Development Co., Ltd	86,288,930.66	Within 1 year,1-2 years	Current account	20.19%
Shenzhen International Arcade Chain Store	17,122,151.90	2-3 years	Current account	4.01%
Shenzhen Shengang Industrial Trading Inport & Export Company	10,180,249.93	More than 5 years	Please refer Note V、4、(3) note for details	2.38%
Shenzhen Royal Noble Industry Co., Ltd	2,904,461.80	2-3 years	Current account	0.68%
Total	425,314,474.18			99.53%

2. Long-term Equity Investment

（1）Long-term equity investment and provision for impairment

Items	30.6.2010 Book value	Provision for impairment	Carrying value	31.12.2009 Book value	Provision for impairment	Carrying value
Long-term equity investment	79,943,991.03	13,999,737.16	65,944,253.87	79,943,991.03	13,999,737.16	65,944,253.87
Including: Investment for	79,943,991.03	13,999,737.16	65,944,253.87	79,943,991.03	13,999,737.16	65,944,253.87

subsidiaries						
Investment for other companies	0.00	0.00	0.00	0.00	0.00	0.00

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

Name of investees	Initial investment cost	31.12.2009	Increment	Decrement	30.6.2010
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
Total	79,943,991.03	79,943,991.03	0.00	0.00	79,943,991.03

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

Name of investees	31.12.2009	Increment	Decrement	30.6.2010
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	10,000,000.00	0.00	0.00	10,000,000.00
Total	13,999,737.16	0.00	0.00	13,999,737.16

3. Operating Revenue and Operating Costs

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

Items	Jan-Jun 2010			Jan-Jun 2009		
	Operating revenue	Operating costs	Operating profits	Operating revenue	Operating costs	Operating profits
Rental income	51,800.00	2,698.78	49,101.22	88,740.00	4,131.38	84,608.62
Disposal of inves property	120,000.00	200,044.80	-80,044.80	878,270.00	219,149.04	659,120.96
Total	171,800.00	202,743.58	-30,943.58	967,010.00	223,280.42	743,729.58

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

Items	Jan-Jun 2010	Jan-Jun 2009

	Operating revenue	Operating costs	Operating profits	Operating revenue	Operating costs	Operating profits
Shenzhen	171,800.00	202,743.58	-30,943.58	967,010.00	223,280.42	743,729.58
Total	171,800.00	202,743.58	-30,943.58	967,010.00	223,280.42	743,729.58

4. Investment Income

Items	Jan-Jun 2010	Jan-Jun 2009
Gains from disposal of lon-term equity investment	0.00	750,000.00
Total	0.00	750,000.00

XII. Details of Extraordinary Profits or Losses

Items	Jan-Jun 2010
(1) Profit and loss from disposal of non-current assets, including the offset part of the impaired assets;	2,816,468.43
(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
Items	Jan-Jun 2010
(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 restruction	0.00
(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 beginning of the period to the merger day	0.00
(13) Profit and loss on contingency that has no relation with the normal operation of the company	0.00
(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	0.00

the requirements of the tax as well as accounting laws and rules	
(19) Custody fees of entrusted operation;	0.00
(20) Other non-operating income and expenses besides the above items	-5,065,356.57
(21) Other items that conform to the definition of extraordinary profit and loss	0.00
Subtotal	-2,248,888.14
Less：Amount influenced by income tax	0.00
Less：Non-recurring profit attributable to minority interest	-2,029,043.59
Total	-219,844.55

XIII. Yield Rate of Net Assets and Earnings Per Share

Profit in the report period	Weighted Average Yield Rate of Net Assets	Earnings Per Share	
		Basic EPS	Basic EPS
Net profits attributable to ordinary shareholders	-10.12%	-0.0984	-0.0984
Net profits attributable to ordinary shareholders that have deducted extraordinary profits or losses.	-10.01%	-0.0974	-0.0974

XIV. Reasons and details of extraordinary movement of line items of financial statements

（1）Monetary Funds: The decrease of 30.07% from the beginning balance to closing balance, that is mainly due to repaid borrowings and construction debts.

（2）Accounts receivable: The decrease of 38.36% from the beginning balance to closing balance, that is mainly due to reclaimed partly mortgages from proprietor.

（3）Other accounts payable: The increase of 51.12% from the beginning balance to closing balance, that is mainly due to increased borrowings.

（4）Non-current liabilities due within one year: The increase of 1.08 times from the beginning balance to closing balance, that is mainly due to reclassification of long-term borrowings.

（5）Long-term borrowings: The decrease of 82.68% from the beginning balance to closing balance, that is mainly due to reclassification as non-current liabilities due within one year and loan repayment.

（6）Operating Revenue: The decrease of 35.00% from the previous reporting period to current reporting period, that is mainly due to decreased in the revenues from property management.

（7）Operating Cost: The decrease of 29.19% from the previous reporting period to current reporting period, that is mainly due to decreased in the operating revenue.

（8）Administrative expenses: The increase of 48.74% from the previous reporting period to current reporting period, that is mainly due to rental payments increased.

（9）Financial expenses: The increase of 16.26 times from the previous reporting period to current reporting period, that is mainly due suspend the interests capitalization of Crystal Island International Shopping Center.

（10）Non-operating income: The decrease of 80.87% from the previous reporting period to current reporting period, that is mainly due to disposal of fixed assets in last year.

（11）Non-operating expense: The increase of 75.93 times from the previous reporting period to current reporting period, that is mainly due to provision of default payment increased.

Shenzhen International Enterprise Co., Ltd