



SHENZHEN INTERNATIONAL ENTERPRISE CO., LTD.

INTERIM REPORT 2011

(unaudited)

Disclosure Date: 24 August 2011

Section I Important Statement, Paraphrase and Contents

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.

This interim report has not been audited by any law firm.

Chairman of the Board of the Company Mr. Zheng Kanghao, CFO and GM Chen Xiaohai as well as Financial Manager Xu Xiaoyun hereby confirm that the financial report 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.

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Section II Company Profile

I. Basic information

1. Legal Name of the Company

In Chinese: 深圳市国际企业股份有限公司

In English: SHENZHEN INTERNATIONAL ENTERPRISE CO., LTD.

2. Legal Representative: Zheng Kanghao

3. Secretary of the Board of Directors: Cao Jian

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Securities Affairs Representative: Wu Xiaoshuang

E-mail: zhaiwu2006@21cn.com

Tel: (0755)82281888、82535565

Contact Address: 6/F Huang Gang Business Centre, 2028JinTian Rd. Futian District Shenzhen

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4. Registered Address and Office Address: 23/F, Development Center Bldg., Renmin

South Road, Shenzhen

Post Code: 518001

Office address: 6/F Huang Gang Business Centre, 2028JinTian Rd. Futian District Shenzhen

Post Code: 518100

Internet Website: <http://www.china-ia.com>

E-mail: sgs000056@163.com

5. Newspapers Chosen for Information Disclosure of the Company: Securities Times and Hong Kong Ta Kung Pao

Internet Website Designated by CSRC for Publishing the Annual Report:

<http://www.cninfo.com.cn>

The Place Where the Annual Report is Prepared and Placed: Securities Affairs Dep. of the Company

6. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock: SZIEC-A SZIEC-B

Stock Code: 000056 200056

II. Main financial data and indices

Unit: RMB Yuan

	At the end of the reporting period	At the period-end of last year	Increase/decrease compared with the period-end of last year (%)
Total assets	1,677,965,868.79	1,540,732,957.65	8.91%
Owners' equity attributable to shareholders of list companies	38,790,208.77	54,308,600.82	-28.57%
Share capital	220,901,184.00	220,901,184.00	0.00%
Net asset per share attributable to shareholders of list companies (Yuan/share)	0.18	0.25	-28.00%
	In the reporting period (Jan.-Jun.)	The same period of last year	Increase/decrease compared with the same period of last year (%)
Operating revenue	6,482,200.61	6,003,596.33	7.97%
Operating profit	-21,111,728.17	-37,605,701.21	43.86%
Total profit	-20,656,273.71	-39,774,544.55	48.07%
Net profit attributable to shareholders of listed companies	-15,518,392.05	-21,740,816.44	28.62%
Net profit attributable to shareholders of listed companies after deducting non-recurring gains and losses	-15,814,437.44	-88,603,612.28	82.15%
Basic earnings per share (Yuan/share)	-0.070	-0.0984	28.86%
Diluted earnings per share (Yuan/share)	-0.070	-0.0984	28.86%
Net return on equity (%)	-33.34%	-10.12%	-23.22%
Net return on equity after deducting non-current gains and losses	-33.97%	-10.01%	-23.96%
Net cash flow from operating activities	-69,614,199.80	14,066,656.87	-594.89%
Net cash flow from operating activities per share (Yuan/share)	-0.32	0.06	-633.33%

Unit: RMB Yuan

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

Items of non-recurring gains and losses	Amount	Notes (if applicable)
Gains and losses from disposal of non-current assets	-45,845.54	
Government subsidies recorded into current gains and losses, excluding those related closely to the routine business of the Company and continuously enjoyed by the Company at fixed amounts or ratios according to state policies and regulations	450,000.00	Discount for loans for the forest business
Other non-operating income/expense	51,300.00	
Income tax effects	-113,863.62	
Minority interests effects	-45,545.45	

Total	296,045.39	
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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 reporting period (as to 30 Jun. 2011)

Unit: Share

	Before the change		Increase/decrease in this time (+, -)					After the change	
	Amount	Proportion	Issuance of new shares	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Shares subject to trading moratorium	427,680	0.19%				-87,249	-87,249	340,431	0.15%
1. Shares held by state									
2. Shares held by state-owned corporation									
3. Shares held by domestic investors									
Including: shares held by domestic non-state-owned 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	427,680	0.19%				-87,249	-87,249	340,431	0.15%
II. Shares not subject to trading moratorium	220,473,504	99.81%						220,560,753	99.85%
1. RMB ordinary shares	118,785,312	53.77%				427,680	427,680	119,212,992	53.97%
2. Domestically listed foreign shares	101,688,192	46.03%				-340,431	-340,431	101,347,761	45.88%
3. Overseas listed foreign									

shares									
4. Others									
III. Total shares	220,901,184	100.00%						220,901,184	100.00%

III. Particulars about shares held by principal shareholders (as to 30 Jun. 2011)

Total shareholders	15,125 shareholders (including 10,884 ones of A-share, 4,241 ones of B-share)				
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	9.26 %	20,448,857	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
Guoyuan Asset Management (Hong Kong) Limited	Foreign corporation	2.54%	5,611,463	0	0
Chen Qiaoling	Domestic natural person	1.41%	3,109,255	0	0
Zhou Di	Domestic natural person	1.36%	3,004,100	0	0
Chen Shaolan	Domestic natural person	1.14%	2,528,341	0	0
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign corporation	1.06 %	2,329,147	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.	20,448,857	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			
Guoyuan Asset Management (Hong Kong) Limited	5,611,463	Domestically listed foreign shares			
Chen Qiaoling	3,109,255	RMB ordinary shares			

Zhou Di	3,004,100	RMB ordinary shares
Chen Shaolan	2,528,341	RMB ordinary shares
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	2,329,147	Domestically listed foreign shares
Explanation on associated relationship or action-in-concert among the above shareholders		Inquired by the Company, Shenzhen Wongtee Real Estate Investment Co., Ltd. which was holding by Mr. Zheng Kanghao, actual controller of Multi Profit Asia Pacific Investment Ltd., holds 2,202,546 ones of A-share of the Company, and Mr. Zheng's private account holds 453,909 ones of B-share of the Company, Mr. Zheng and Multi Profit Asia Pacific Investment Ltd. were person acting in concert. There exists no related relationship between Shenzhen Special Economic Zone Development (Group) Co., Ltd. and companies listed above. Shenzhen Maoye Emporium Ltd and UOB Investment (China) Limited were person acting in concert. Besides, it is unknown whether there were other related relations or action-in-concert regulated in Administrative Measures for Takeover of Listed Companies among the above shareholders.

IV. Particulars about controlling shareholder and actual controller of the Company during the reporting period

Controlling shareholder and actual controller of the Company remained unchanged during the reporting period.

Section IV Particulars about Directors, Supervisors and Senior Executives

I. Particulars about changes in shares held by directors, supervisors and senior executives in the reporting period.

Name	Title	Shares held at period-begin	Increment in current period	Decrement in current period	Shares held at period-end	Including: shares held with trading moratorium	Stock options held at period-end	Reasons of change
Zheng Kanghao	Chairman of the Board	0	453,909	0	453,909	340,431	0	Shareholding increase in the aftermarket

Note: Except for the above person, there are no other directors, supervisors or senior executives holding shares of the Company.

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

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

Section V Report of the Board of Directors

I. Business review for the first half of 2011

1. Analysis and discussion by the management

For the reporting period, the Company achieved operating revenues of RMB 6,482,200.61, up 7.97% from a year earlier; operating profits of RMB -21,111,728.17, representing a loss reduction of 43.86% as compared with the same period of last year; net profits of RMB -20,656,273.71, representing a loss reduction of 48.07% on the year-on-year basis; and net profits attributable to shareholders of the Company of RMB -15,518,392.05, representing a loss reduction of 28.62%.

In the first half of 2011, according to the annual business plan, the Company went all out to carry on with the shopping mall project in Futian CBD, beefing up decoration of the shopping mall. Currently, the external façade restructuring design has been accomplished, the internal structural reconstruction has been basically finished, the shopping mall is in the elaborate decoration process, and relevant business solicitation is moving on steadily.

During the reporting period, Shenzhen Rongfa Investment Co., Ltd., one of the Company's controlled subsidiary, successfully borrowed RMB 1.2 billion from China Construction Bank And RMB 0.3 billion of the borrowing provided by Bohai International Trust Co., Ltd. was also successfully extended upon its maturity. These moves reduced the Company's financial pressure and boosted the shopping mall's elaborate decoration and preparation made to open business.

In the first half of 2011, all bases of forestry subsidiaries carried on with their intermediate culture. A total of 29,094-mu forest land in the three bases of Wengyuan, Xingning and Wuhua has been fertilized. Some forests in the Wengyuan and Wuhua bases planted in 2005 have been available for cutting. Up to the end of Jun. 2011, about 3,000-mu forests in the Wengyuan base had been realized.

Analysis on main financial data:

	The reporting period (Jan.-Jun.)	The same period of last year	Increase/decrease (%)
Total operating income	6,482,200.61	6,003,596.33	7.97%
Financial expenses	5,142,446.26	23,228,909.22	-77.86%
Operating profit	-21,111,728.17	-37,605,701.21	43.86%
Net profit attributable to owners of the Company	-15,518,392.05	-21,740,816.44	28.62%

Notes:

- (1) Operating income increased mainly due to increase of the income from property management.
- (2) Financial expenses decreased mainly due to increase of interest capitalization in the reporting period.

(3) Operating profit increased mainly due to decrease of period expenses.
 (4) Net profit attributable to owners of the Company increased mainly due to decrease of period expense.

2. Business performance of the Company in the reporting 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 (%)
Property management	621.29	595.94	4.08%	6.81%	9.38%	-2.26%
Forestry	22	16.14	26.64%	-	-	-

(2) Main businesses classified according to regions

Unit: RMB Ten thousand

Region	Operating income	Increase/decrease of operating income over the same period of last year (%)
Shenzhen	600.54	33.63%
Shaoguan, Guangdong Province	22.00	-
Huizhou, Guangdong Province	20.75	-

3. In the reporting period, profit breakdown, main business and its breakdown remained unchanged as compared with last year.

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

5. Controlled subsidiaries and share-holding subsidiaries that greatly influenced net profit of the Company:

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 subsidiary stood at RMB 13,046,715.76 and it achieved an operating income of RMB 6,212,929.51, with its total profit standing at RMB -863,452.81.

6. Problems and difficulties in operation in the reporting period:

The Company was still in the transformation period, the project of shopping center in central area of Futian District was still under construction, and, despite that some forests were realized into cash, the forestry project just brought tiny revenue on the whole. As a result, profits from main businesses of the Company were low, and the Company's cash flow became tense.

The Company is now pushing forward the construction of shopping center with strong

efforts, and positively seeking for and enlarging new commercial real estates projects.

7. 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 2010 Annual Audit Report, Reanda Certified Public Accountants Co., Ltd. issued the Statement on Issuing Unqualified Audit Opinion with Paragraphs of Pinpointed Matters for 2010 Annual Financial Report to Shenzhen International Enterprise Co., Ltd. Statement given by the Board of Directors about the progress in handling matters mentioned in the report are as the following:

Qualified matters:

(1) Internal-staff subscription of shops in the project of shopping center in central area of Futian District: In line with resolutions made by the Shareholders' General Meeting, the Board of Directors and the management personnel of the Company organized a special group to actively communicate and negotiate with subscribers, and kept promoting settlement and disposal of that event. As at the reporting date of this Semi-Annual Report, the Company has reached agreements with 10 subscribers and completed relevant compensation work. On the one hand, the Company, in an active manner, negotiated with subscribers for solution; on the other hand, the Company is also seeking for and demonstrating other ways, including filing a lawsuit, to solve that problem.

(2) Land use right of Rongfa East Road, Pingdi Town:

The Company has actively communicated and negotiated with the transferee of equity at that time, and confirmed the ownership of use right of the land. However, it's hard to search related materials due to long-term duration period of the event, and the transferee of equity hasn't cooperated with the Company to confirm the ownership. The Company is now demonstrating other ways to solve the problem.

Pinpointed matters:

The Company emphasized on financing in the 1st half year, and its subsidiary Rongfa Company finished the whole procedure of borrowing RMB 1.2 billion from China Construction Bank in Jun. 2011; moreover, the Company extended the term of the matured loan of RMB 300 million from Bohai International Trust Co., Ltd. The above activities cut down financial expenses of the Company, relieved the tension of cash flow, and provided capital guarantee for the construction of the project of shopping center in central area of Futian District.

Along with overall promotion of investment invitation of the project of shopping center in central area of Futian District, the Company will receive leasing income in succession, which will gradually relieve current tension of cash flow. It is expected that cash flow of the Company will be substantially improved after the shopping center opens.

II. Investment of the Company

1. In the reporting period, the Company had no raised proceeds or raised proceeds in the previous periods carried over to the reporting period.

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

In the reporting period, non-raised proceeds of the Company were mainly used to replace trust loans and invest on the construction of the project of shopping center in central area of Futian District, Shenzhen.

Section VI Significant Events

I. Corporate governance and progress in construction of internal control standards of the Company

(I). Corporate Governance

During the reporting 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. Governance and operation of the Company basically complied with requirements of governance rules of listed companies. 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.

(II). Progress in construction of internal control standards

In accordance with the unified arrangement, the Company actively implemented the requirements stipulated by the Circular on Doing Well the Internal Control Pilot Work in Listed Companies in Shenzhen (Shen-Zheng-Ju-Gong-Si-Zi (2011) No. 31). As the pilot unit for Enterprise Internal Control Basic Rules and relevant supporting guidelines, the Company will actively promote the internal control construction.

During the reporting period, the Company promulgated the Work Plan on Implementation of Internal Control Basic Rules, which was reviewed and approved by the Board of Directors. The Company also established the Internal Control Construction Steering Committee, including the implementation work of Internal Control Basic Rules in the Company's internal control management system to carry out as a whole. Besides, the Company also strengthened its staffs' awareness on internal control system construction by convening work sessions on implementing Internal Control Basic Rules and carrying out special training on Internal Control Rules, etc.. In the next half year, the Company will advance the implementation work of Internal Control Rules with the assistance by agency for internal control construction as schedule, improve its internal control system, prevent risks and create environment to realize its development goal.

II. The Company has not carried out any profit distribution, capitalization of public reserves or issuance of new shares in the reporting period. Neither profit distribution nor capitalization of public reserves will be implemented in the interim of 2011.

III. Significant lawsuits and arbitrations

The Company's significant lawsuits or arbitrations occurred in the reporting period are as follows:

(I) The case on contract between Shenzhen Zhongtie Property Co., Ltd. (hereinafter

referred as “Zhongtie Property”) and Shenzhen Rongfa Investment Co., Ltd. (hereinafter called “Rongfa Company”)

On 17 Feb. 2009, the Company’s subsidiary, Rongfa Company, and Zhongtie Property signed a Property Management Agreement on the Shopping Mall Project in Futian CBD. Due to the Company’s overall planning and position for the project, the Company required to releasing the contract with Rongfa Company on 8 Dec. 2010.

Zhongtie Property sued to Shenzhen Futian District People’s Court of Guangdong Province, appealing Rongfa Company to pay the penalty as RMB 5 million and other losses as RMB 8,658,315.88.

Up to the disclosure date of this report, the case is still under trial.

(II) The case on equity transfer distribute between Malaysia Foh Chong & Sons SDN.BHD. (hereinafter referred as “Foh Chong Company”) and Shenzhen International Enterprise Co., Ltd.

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

In Aug. 2011, the Company received the charging document from Shenzhen Intermediate People’s Court by Foh Chong Company, Foh Chong Company required that: (1) sentencing the defendant to pay it the principal, interest and overdue penalty totaling RMB 37,077,645.55; (2) sentencing the defendant to undertake all the losses caused by not fulfillment its legal obligation and the litigation costs as well as other expenses related with the case.

Up to the disclosure date of this report, the case has not been open for trial by Shenzhen Intermediate People’s Court.

(III) The case on guarantee obligation dispute between Shenzhen International Enterprise Co., Ltd. and Shum Kong Industry & Trade Co., Ltd. (hereinafter referred as Shum Kong Industry & Trade)

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

On 30 Dec. 2002, Shenzhen International Enterprise Co., Ltd. undertook the joint obligation in accordance with the (2002) SZFJYC Zi No. 5 document of Civil Mediation Paper from Shenzhen Intermediate People’s Court, and paid the principal sum and remained interest for Shum Kong Industry & Trade. On 26 Mar. 2003, the Company applied to Shenzhen Intermediate People’s Court for compulsory execution of the (2002) SZFJYC Zi No. 5 document of Civil Mediation Paper, requiring to recovering the security of RMB 13,583,873.68 paid in advance from Shum Kong Industry & Trade. The case was executed by Intermediate Court of Guangzhou

Railway Transport with the case number: (2005) GTZFZ Zi No. 59. On 16 Jun. 2009, the Company had sent the application for joining in the distribution to Shenzhen Intermediate People's Court and Intermediate Court of Guangzhou Railway Transport, requiring joining in the distribution for sales income of about RMB 18 million from the land of Shum Kong Industry & Trade with land No. T102-0001. On 17 Mar. 2011, Shenzhen Intermediate People's Court made a notification to notify the Company that it was not qualified to join the distribution by law, thus couldn't gain the distribution. The Company has put forward the objection in the stipulated time. Now there was no further information.

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

V. Significant related transaction in the reporting period

1. Up to 30 Jun. 2011, the outgoing and incoming of the Company's non-operating creditor's rights and debts with related parties are as follows:

Unit: RMB Ten Thousand

Related parties	Funds provided by the Company to related parties		Funds provided by related parties to the Company	
	Occurred amount	Balance	Occurred amount	Balance
SHENZHEN CHUNHUA MEDICINE UNITED CO., LTD	0.00	0.00	0.00	208.52
SHENZHEN GUOSHANG MEDICINE CO., LTD	0.00	0.00	0.00	147.48
SHENZHEN INTERNATIONAL ARCADE TRADING CO., LTD	0.00	0.00	0.00	414.02
ZHENG KANGHAO	0.00	0.00	0.00	181.65
SHENZHEN WONGTEE REAL ESTATE GROUP CO., LTD.	0.00	0.00	1,054.27	1,376.69
POWERLAND HOLDING LIMITED	0.00	0.00	0.00	699.96
Total	0.00	0.00	1,054.27	3,028.32

Of which: the funds provided by the Company to controlling shareholder and its subsidiaries during the reporting period totaled RMB 0.00, as well as the balance of RMB 0.00.

2. The Company convened the First Special Session for Y2011 of the Sixth Board of Directors on 10 Jan. 2011, at which reviewed and approved the Proposal on the House Leasing Contract Planned to Be Signed with Shenzhen Wongtee Commercial Management Co., Ltd. by the Company. The Company planned to rent the 6th floor of Huanggang Business Centre in Futian District as the new office (for details, please refer to the No. 2011-03 public notice disclosed in Securities Times, Ta Kung Pao (HK) and <http://www.cninfo.com.cn> on 12 Jan. 2011)

VI. Significant contracts in reporting period and their implementation

1. Except for the contracts already disclosed in this report, there is 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

(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. 2011, the balance of the mortgage guarantees provided by Rongfa Company stood at RMB 15,478,800.

(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. provided guarantees for the mortgages for the sales of the properties developed by itself. By 30 Jun. 2011, the balance of the mortgage guarantees provided by Huizhou Rongfa was RMB 12,061,600.

(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:

No.	Guarantor	Name of the guaranteed (Proportion of equity held Shenzhen International Enterprise Co., Ltd.)	Guarantee amount	Explanation on the guarantee	Starting date and ending date of the guarantee
1	Shenzhen International Enterprise Co., Ltd.	Shenzhen Rongfa Investment Co., Ltd. (60%)	RMB 300 million	Providing guarantee for the loan of RMB 300 million	2 Jul. 2011 – 2 Jan. 2013
2	Shenzhen International Enterprise Co., Ltd.	Shenzhen Rongfa Investment Co., Ltd. (60%)	RMB 1.2 billion	Providing guarantee for the loan of RMB 1.2 billion	25 Jun. 2011 – 24 Jun. 2021

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

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

5. Special explanation and independent opinion on the Company's cash flow with its related parties and external guarantee by the independent directors:

There is no controlling shareholder or other related parties occupying the Company's capital.

During the reporting period, the Company strictly controlled its risk of external guarantee, with no new external guarantee except for the guarantee provided for its controlling subsidiaries for developing its main business. During the reporting period, the decision-making and approval procedure on external guarantee was legal and compliant. The Company didn't provide guarantee for its shareholders, actual controller, other related parties, any non-legal-person units or individuals, existing no harm to the interest of the listed company and its shareholders.

VII. Other commitments made by the Company or shareholders holding over 5% shares of the Company and disclosed on the designated newspapers and website in the reporting period.

1. The commitments made by the Company, directors, supervisors, senior executives, the shareholders holding over 5% shares of the Company and other actual controllers and other relevant parties during the reporting period or continued to the reporting period:

Commitment	Commitment maker	Contents of commitment	Execution
Commitments concerning the share reform	-	-	Shareholders have fulfilled the commitment.
Commitments made in the Acquisition Report or the Report on Equity Changes	-	-	Shareholders have fulfilled the commitment.
Commitments made in significant asset reorganization	Zheng Kanghao	In Aug. 2010, the obligor for information disclosure shall not reduce the shares of Multi Profit Asia Pacific Investment Ltd. obtained from this acquisition or reduce the shares of SZIEC indirectly held by the obligor from this acquisition within the coming 60 months.	The commitment was being strictly executed.
Commitments made when issuing shares	-	-	-
Other commitments (including supplementary ones)	-	-	-

2. Particulars in fulfillment of commitments

Strictly performed

VIII. In the reporting 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 details, please refer to the qualified matters in "Section V (I). 7—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", otherwise, no other significant events existed.

X. Surveys, interviews and visits received in the reporting period

Time	Location	Way of reception	Visitors	Main discussion and materials provided by the Company
5 May 2011	6/F, Huanggang Business Center	Field research	Dacheng Fund	1. Particulars about development projects; 2. Particulars about the

				land parcel in Bantian; 3. Performance of the forestry business; 4. Financing Plan; 5. Shareholder composition; 6. Plan for the future.
10 May 2011	6/F, Huanggang Business Center	Field research	Ping An Asset Management	1. Particulars about development projects; 2. Financing progress; 3. Progress of repurchasing employee-owned shops; 4. Plan for the future.
13 Jun. 2011	6/F, Huanggang Business Center	Field research	Zexi Investment	1. Particulars about development projects; 2. Financing progress; 3. Performance of the forestry business; 4. Progress of repurchasing employee-owned shops; 5. Progress of business solicitation; 6. Land Parcel in Longguan; 7. Whether the majority shareholder will give financial support

XI. Index for information disclosed in the reporting period

No.	Information disclosed	Date
2011-01	Public Notice on Resolutions of the Fourth Special Shareholders' General Meeting for Y2010	1 Jan. 2011
2011-02	Public Notice on Resolutions of the First Special Session of the Sixth Board of Directors for Y2011	12 Jan. 2011
2011-03	Public Notice on Related Transaction of Signing House Leasing Contract Signed with Shenzhen Wongtee Commercial Management Co., Ltd. by the Company.	12 Jan. 2011
2011-04	Public Notice on Estimated Business Performance of Shenzhen International Enterprise Co., Ltd. for Y2010	28 Jan. 2011
2011-05	Public Notice on Abnormal Fluctuation of Stock Price	22 Feb. 2011
2011-06	Public Notice on Abnormal Fluctuation of Stock Price	15 Mar. 2011
2011-07	Public Notice on Reduction of Shares Held by Shareholders	25 Mar. 2011
2011-08	Public Notice on Changing the Company's Office Address	29 Mar. 2011
2011-09	Public Notice on Equity Transfer Progress of the Controlling Subsidiary of Shenzhen International Enterprise Co., Ltd.	13 Apr. 2011
2011-10	Public Notice on Earnings Forecast of Shenzhen International Enterprise Co., Ltd. for Y2010	14 Apr. 2011
2011-11	Public Notice on Earnings Forecast for the First Quarter of 2011	14 Apr. 2011
2011-12	Public Notice on Resolutions of the Second Session of the Sixth Board	26 Apr. 2011

	of Directors for Y2011	
2011-13	Public Notice on Resolutions of the First Session of the Sixth Supervisory Committee for Y2011	26 Apr. 2011
2011-14	Public Notice on the Summary of the Annual Report of Shenzhen International Enterprise Co., Ltd. for Y2010	26 Apr. 2011
2011-15	Public Notice on the Test of the First Quarterly Report of Shenzhen International Enterprise Co., Ltd. for Y2011	26 Apr. 2011
2011-16	Public Notice on Correction of Accounting Errors	26 Apr. 2011
2011-17	Public Notice on the Related Transaction of Abandoning the Preemptive Right for the 40% Equity of Rongfa Company	26 Apr. 2011
2011-18	Public Notice on the Correction of Periodic Report	27 Apr. 2011
2011-19	Clarification Public Notice	10 May 2011
2011-20	Suggestive Notice on Reduction of Shares Held by Shareholders	12 May 2011
2011-21	Public Notice on Resolutions of the Board Session	4 Jun. 2011
2011-22	Circular on Shareholders' General Meeting	4 Jun. 2011
2011-23	Public Notice on Borrowing from Banks or Other Financial Institutes and Authorizing the Board of Directors to Handle the Borrowing and Relevant Guarantee Events	4 Jun. 2011
2011-24	Suggestive Notice on Convening the Shareholders' General Meeting for Y2010	18 Jun. 2011
2011-25	Public Notice on Resolutions of the Shareholders' General Meeting for Y2010	25 Jun. 2011
2011-26	Public Notice on Borrowing from Banks or Other Financial Institutes and Providing Guarantee Therefore	25 Jun. 2011
2011-27	Public Notice on Progress of Borrowing from Banks or Other Financial Institutes and Providing Guarantee Therefore	30 Jun. 2011

Section VII Financial Report (Un-audited)

The Semi-annual Report 2011 of the Company has not been audited, with details attached below.

Consolidated Balance Sheet (1/2)

30 Jun. 2011

Prepared by Shenzhen International Enterprise Co., Ltd.

Unit: RMB Yuan

Assets	Notes	30 Jun. 2011	31 Dec. 2010
Current Assets:			
Monetary funds		170,979,778.01	153,356,391.84
Transactional financial assets		-	-
Notes receivable		-	-
Accounts receivable		739,576.54	1,275,452.62
Accounts paid in advance		45,715,687.62	173,112.00
Interest receivable		-	-
Dividend receivable		-	-
Other accounts receivable		3,680,453.57	3,990,327.14
Inventories		1,370,048,608.41	1,295,921,630.89
Non-current assets due within 1 year		-	
Other current assets		2,100,000.00	
Total current assets		1,593,264,104.15	1,454,716,914.49
Non-current assets:			
Available-for-sale financial assets		-	-
Held-to-maturity investments		-	-
Long-term accounts receivable		-	-
Long-term equity investment		5,699,905.49	5,699,905.49
Investing property		1,133,241.22	1,168,880.14
Fixed assets		51,947,535.87	52,778,422.12
Construction in progress		-	-
Engineering materials		-	-
Disposal of fixed assets		-	-
Production biological assets		-	-
Oil-gas assets			
Intangible assets		25,831,082.06	26,248,835.41
R&D expense			
Goodwill			
Long-term deferred expenses		90,000.00	120,000.00
Deferred income tax assets			

		-	-
Other non-current assets		-	-
Total of non-current assets		84,701,764.64	86,016,043.16
Total assets		1,677,965,868.79	1,540,732,957.65

Legal representative: Zheng Kanghao Head of the accounting work: Chen Xiaohai

Head of the accounting department: Xu Xiaoyun

Consolidated Balance Sheet (2/2)

30 Jun. 2011

Prepared by Shenzhen International Enterprise Co., Ltd.

Unit: RMB Yuan

Liabilities and shareholders' equity	Notes	30 Jun. 2011	31 Dec. 2010
Current liabilities:			
Short-term borrowings		-	1,300,000,000.00
Transactional financial liabilities		-	-
Notes payable		-	-
Accounts payable		35,128,437.63	45,178,810.77
Accounts received in advance		36,040,472.12	32,310,622.12
Employee's compensation payable		2,064,443.34	4,059,693.09
Tax payable		2,598,822.50	3,500,382.04
Interest payable		-	3,981,587.16
Dividend payable		5,127,701.36	5,127,701.36
Other accounts payable		144,461,005.43	177,632,900.99
Non-current liabilities due within 1 year		20,000,000.00	16,590,000.00
Other current liabilities		-	-
Total current liabilities		245,420,882.38	1,588,381,697.53
Non-current liabilities:			
Long-term borrowings		1,535,850,000.00	35,000,000.00
Bonds payable		-	-
Long-term payables		-	-
Specific payables		-	-
Estimated liabilities		66,839,317.32	66,839,317.32
Deferred income tax liabilities		-	-

Deferred earnings		560,438.13	560,438.13
Total non-current liabilities		1,603,249,755.45	102,399,755.45
Total liabilities		1,848,670,637.83	1,690,781,452.98
Shareholders' equity:			
Share capital		220,901,184.00	220,901,184.00
Capital reserves		72,315,347.06	72,315,347.06
Less: Treasury stock		-	-
Surplus reserves		125,929,834.48	125,929,834.48
Retained profits		(380,356,156.77)	(364,837,764.72)
Foreign exchange difference		-	-
Total equity attributable to owners of the Company		38,790,208.77	54,308,600.82
Minority interests		(209,494,977.81)	(204,357,096.15)
Total shareholders' equity		(170,704,769.04)	(150,048,495.33)
Total liabilities and shareholders' equity		1,677,965,868.79	1,540,732,957.65

Legal representative: Zheng Kanghao Head of the accounting work: Chen Xiaohai

Head of the accounting department: Xu Xiaoyun

Balance Sheet of the Company (1/2)

30 Jun. 2011

Prepared by Shenzhen International Enterprise Co., Ltd.

Unit: RMB Yuan

Assets	Notes	30 Jun. 2011	31 Dec. 2010
Current Assets:			
Monetary funds		417,219.09	360,786.67
Transactional financial assets		-	-
Notes receivable		-	-
Accounts receivable		-	-
Accounts paid in advance		-	-
Interest receivable		-	-
Dividend receivable		-	-
Other accounts receivable		67,362,747.31	64,562,300.84
Inventories			

		-	-
Non-current assets due within 1 year		-	-
Other current assets		-	-
Total current assets		67,779,966.40	64,923,087.51
Non-current assets:			
Available-for-sale financial assets		-	-
Held-to-maturity investments		-	-
Long-term accounts receivable		-	-
Long-term equity investment		65,073,896.52	65,073,896.52
Investing property		819,288.05	840,131.87
Fixed assets		4,847,429.86	4,738,121.88
Construction in progress		-	-
Engineering materials		-	-
Disposal of fixed assets		-	-
Production biological assets		-	-
Oil-gas assets		-	-
Intangible assets		-	-
R&D expense		-	-
Goodwill		-	-
Long-term deferred expenses		90,000.00	120,000.00
Deferred income tax assets		-	-
Other non-current assets		-	-
Total of non-current assets		70,830,614.43	70,772,150.27
Total assets		138,610,580.83	135,695,237.78

Legal representative: Zheng Kanghao Head of the accounting work: Chen Xiaohai

Head of the accounting department: Xu Xiaoyun

Balance Sheet of the Company (2/2)

30 Jun. 2011

Prepared by Shenzhen International Enterprise Co., Ltd.

Unit: RMB Yuan

Liabilities and shareholders' equity	Notes	30 Jun. 2011	31 Dec. 2010
Current liabilities:			
Short-term borrowings		-	-
Transactional financial liabilities		-	-
Notes payable		-	-
Accounts payable		-	-
Accounts received in advance		70,000.00	70,000.00
Employee's compensation payable		714,215.98	1,820,873.54
Tax payable		4,079,568.66	3,987,373.26
Interest payable		-	-
Dividend payable		5,127,701.36	5,127,701.36
Other accounts payable		60,145,523.76	46,548,513.07
Non-current liabilities due within 1 year		-	-
Other current liabilities		-	-
Total current liabilities		70,137,009.76	57,554,461.23
Non-current liabilities:			
Long-term borrowings		-	-
Bonds payable		-	-
Long-term payables		-	-
Specific payables		-	-
Estimated liabilities		-	-
Deferred income tax liabilities		-	-
Other non-current liabilities		-	-
Total non-current liabilities			

		-	-
Total liabilities		70,137,009.76	57,554,461.23
Shareholders' equity:			
Share capital		220,901,184.00	220,901,184.00
Capital reserves		64,951,444.59	64,951,444.59
Less: Treasury stock		-	-
Surplus reserves		96,841,026.39	96,841,026.39
Retained profits		(314,220,083.91)	(304,552,878.43)
Total equity attributable to owners of the Company		68,473,571.07	78,140,776.55
Minority interests		-	-
Total shareholders' equity		68,473,571.07	78,140,776.55
Total liabilities and shareholders' equity		138,610,580.83	135,695,237.78

Legal representative: Zheng Kanghao Head of the accounting work: Chen Xiaohai
 Head of the accounting department: Xu Xiaoyun

Consolidated Income Statement

Jan.-Jun. 2011

Prepared by Shenzhen International Enterprise Co., Ltd.

Unit: RMB Yuan

Items	Notes	Jan.-Jun. 2011	Jan.-Jun. 2010
I. Operating revenues		6,482,200.61	6,003,596.33
Less: Operating costs		6,816,911.34	5,655,724.21
Taxes and associate charges		380,097.83	380,643.65
Selling and distribution expenses		-	661,010.17
Administrative expenses		15,116,490.87	13,703,388.45
Financial expenses		5,142,446.26	23,228,909.22
Asset impairment loss		137,982.48	-20,378.16
Add: Gain/(loss) from change in fair value ("—" means loss)		-	-
Gain/(loss) from investment ("—" means loss)		-	-
Including: share of profits in associates and joint ventures		-	-
II. Business profit ("(" means loss)		(21,111,728.17)	(37,605,701.21)
Add: non-operating income		504,910.00	2,999,252.66

Less: non-operating expense		49,455.54	5,168,096.00
Including: loss from non-current asset disposal		-	-
III. Total profit ("(" means loss)		(20,656,273.71)	(39,774,544.55)
Less: Income tax expense		-	-
IV. Net profit ("(" means loss)		(20,656,273.71)	(39,774,544.5)
Attributable to owners of the Company		(15,518,392.05)	(21,740,816.44)
Minority shareholders' income		(5,137,881.66)	(18,033,728.11)
V. Earnings per share			
(I) Basic earnings per share		-0.070	-0.0984
(II) Diluted earnings per share		-0.070	-0.0984
VI. Other comprehensive incomes			-
VII. Total comprehensive incomes		(20,656,273.71)	(39,774,544.55)
Attributable to owners of the Company		(15,518,392.05)	(21,740,816.44)
Attributable to minority shareholders		(5,137,881.66)	(18,033,728.11)

Legal representative: Zheng Kanghao Head of the accounting work: Chen Xiaohai
 Head of the accounting department: Xu Xiaoyun

Income Statement of the Company

Jan.-Jun. 2011

Prepared by Shenzhen International Enterprise Co., Ltd.

Unit: RMB Yuan

Items	Notes	Jan.-Jun. 2011	Jan.-Jun. 2010
I. Operating revenues		34,271.10	171,800.00
Less: Operating costs		8,345.70	202,743.58
Taxes and associate charges		1,851.36	-
Selling and distribution expenses		-	-
Administrative expenses		7,534,340.69	5,752,504.28
Financial expenses		(10,353,542.25)	(8,412,757.07)
Asset impairment loss		12,508,247.20	44,005,982.58

Add: Gain/(loss) from change in fair value ("—" means loss)			-
Gain/(loss) from investment ("—" means loss)		-	-
Including: share of profits in associates and joint ventures		-	-
II. Business profit ("(" means loss)		(9,664,971.60)	(41,376,673.37)
Add: non-operating income		3,650.00	2,910,912.64
Less: non-operating expense		5,883.88	6,858.89
Including: loss from non-current asset disposal		-	-
III. Total profit ("(" means loss)		(9,667,205.48)	(38,472,619.62)
Less: Income tax expense		-	-
IV. Net profit ("(" means loss)		(9,667,205.48)	(38,472,619.62)
Attributable to owners of the Company		(9,667,205.48)	(38,472,619.62)

Legal representative: Zheng Kanghao Head of the accounting work: Chen Xiaohai

Head of the accounting department: Xu Xiaoyun

Consolidated Cash Flow Statement

Jan.-Jun. 2011

Prepared by Shenzhen International Enterprise Co., Ltd.

Unit: RMB Yuan

Items	Notes	Jan.-Jun. 2011	Jan.-Jun. 2010
I. Cash flows from operating activities:			
Cash received from sale of commodities and rendering of service		11,046,772.54	6,544,612.36
Tax refunds received		-	-
Other cash received relating to operating activities		30,447,863.13	115,259,513.46
Subtotal of cash inflows from operating activities		41,494,635.67	121,804,125.82
Cash paid for goods and services		74,059,575.03	78,459,700.62
Cash paid to and for employees		12,803,130.49	9,035,961.49
Various taxes paid		2,193,105.67	1,067,337.33
Other cash payment relating to operating activities		22,053,024.28	19,174,469.51
Subtotal of cash outflows from operating activities		111,108,835.47	107,737,468.95
Net cash flows from operating activities		(69,614,199.80)	14,066,656.87
II. Cash flows from investing activities:			
Cash received from retraction of investments		-	-

Cash received from return on investments		-	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,350.00	13,696,125.00
Net cash received from disposal of subsidiaries or other business units		-	-
Other cash received relating to investing activities		411.00	-
Subtotal of cash inflows from investing activities		2,761.00	13,696,125.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,341,213.58	68,832.00
Cash paid for investment		-	-
Net cash paid to acquire subsidiaries and other business units		-	-
Other cash payments relating to investing activities		-	-
Subtotal of cash outflows from investing activities		1,341,213.58	68,832.00
Net cash flows from investing activities		(1,338,452.58)	13,627,293.00
III. Cash Flows from Financing Activities:		-	-
Cash received from capital contributions		-	-
Cash received from borrowings		2,222,000,000.00	35,000,000.00
Other cash received relating to financing activities		-	270,000.00
Subtotal of cash inflows from financing activities		2,222,000,000.00	35,270,000.00
Repayment of borrowings		2,056,349,444.44	52,000,000.00
Cash paid for interest expenses and distribution of dividends or profit		70,546,890.32	16,579,806.60
Other cash payments relating to financing activities		6,526,710.00	-
Sub-total of cash outflows from financing activities		2,133,423,044.76	68,579,806.60
Net cash flows from financing activities		88,576,955.24	(33,309,806.60)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(916.69)	-
V. Net increase in cash and cash equivalents		17,623,386.17	(5,615,856.73)
Add: Opening balance of cash and cash equivalents		153,356,391.84	18,673,470.06
VI. Closing balance of cash and cash equivalents		170,979,778.01	13,057,613.33

Legal representative: Zheng Kanghao Head of the accounting work: Chen Xiaohai
 Head of the accounting department: Xu Xiaoyun

Cash Flow Statement of the Company
Jan.-Jun. 2011

Prepared by Shenzhen International Enterprise Co., Ltd.

Unit: RMB Yuan

Items	Notes	Jan.-Jun. 2011	Jan.-Jun. 2010
I. Cash flows from operating activities:			
Cash received from sale of commodities and rendering of service		-	51,800.00

Tax refunds received		-	-
Other cash received relating to operating activities	26,913,139.76	22,518,052.99	
Subtotal of cash inflows from operating activities	26,913,139.76	22,569,852.99	
Cash paid for goods and services	-	-	-
Cash paid to and for employees	4,540,865.14	3,292,130.53	
Various taxes paid	723,193.79	173,200.48	
Other cash payment relating to operating activities	21,022,072.23	32,800,277.63	
Subtotal of cash outflows from operating activities	26,286,131.16	36,265,608.64	
Net cash flows from operating activities	627,008.60	(13,695,755.65)	
II. Cash flows from investing activities:			
Cash received from retraction of investments	-	-	-
Cash received from return on investments	-	-	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,350.00	13,693,825.00	
Net cash received from disposal of subsidiaries or other business units	-	-	-
Other cash received relating to investing activities	-	-	-
Subtotal of cash inflows from investing activities	2,350.00	13,693,825.00	
Cash paid to acquire fixed assets, intangible assets and other long-term assets	572,030.00	39,474.00	
Cash paid for investment	-	-	-
Net cash paid to acquire subsidiaries and other business units	-	-	-
Other cash payments relating to investing activities	-	-	-
Subtotal of cash outflows from investing activities	572,030.00	39,474.00	
Net cash flows from investing activities	(569,680.00)	13,654,351.00	
III. Cash Flows from Financing Activities:			

			-
Cash received from capital contributions		-	-
Cash received from borrowings		-	5,000,000.00
Other cash received relating to financing activities		-	-
Subtotal of cash inflows from financing activities		-	5,000,000.00
Repayment of borrowings		-	5,000,000.00
Cash paid for interest expenses and distribution of dividends or profit		-	-
Other cash payments relating to financing activities		-	-
Sub-total of cash outflows from financing activities		-	5,000,000.00
Net cash flows from financing activities		-	-
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(896.18)	
V. Net increase in cash and cash equivalents		56,432.42	(41,404.65)
Add: Opening balance of cash and cash equivalents		360,786.67	252,948.06
VI. Closing balance of cash and cash equivalents		417,219.09	211,543.41

Legal representative: Zheng Kanghao Head of the accounting work: Chen Xiaohai

Head of the accounting department: Xu Xiaoyun

Consolidated Statement of Changes in Shareholders' Equity

Jan.-Jun. 2011

Prepared by Shenzhen International Enterprise Co., Ltd.

Unit: RMB Yuan

Items	Reporting period									Last year									Total owners' equity
	Equity attributable to owners of the Company								Minority interests	Total owners' equity	Equity attributable to owners of the Company								Other
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specif ic reserv e	Surplus reserve	Gen eral risk reser ve	Retained profit	Others			Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specif ic reserv e	Surplus reserve	Gener al risk reserv e	Retained profit		
I. Balance at the end of the previous year	220,901,184.00	72,315,347.06			125,929,834.48		-364,837,764.72		-204,357,096.15	-150,048,495.33	220,901,184.00	72,315,347.06			125,929,834.48		-197,128,052.01	-91,101,896.53	130,916,417.00
Add: change of accounting policy																			
Correction of errors in previous periods																			
Other																			
II. Balance at the beginning of the year	220,901,184.00	72,315,347.06			125,929,834.48		-364,837,764.72		-204,357,096.15	-150,048,495.33	220,901,184.00	72,315,347.06			125,929,834.48		-197,128,052.01	-91,101,896.53	130,916,417.00
III. Increase/ decrease of amount in the year ("-" means decrease)							-15,518,392.05		-5,137,881.66	-20,656,273.71							-167,709,712.71	-113,255,199.62	-280,964,912.33
(I) Net profit							-15,518,3		-5,137,881	-20,656,							-167,709,	-113,255,	-280,964

						92.05		.66	273.71							712.71	199.62	,912.33
(II) Other comprehensive incomes																		
Subtotal of (I) and (II)						-15,518,3 92.05		-5,137,881 .66	-20,656, 273.71							-1677097 12.71	-113,255, 199.62	-280,964 ,912.33
(III) Capital paid in and reduced by owners																		
1. Capital paid in by owners																		
2. Amounts of share-based payments recognized in owners' equity																		
3. Others																		
(IV) Profit distribution																		
1. Appropriations to surplus reserves																		
2. Appropriations to general risk provisions																		
3. Appropriations to owners (or shareholders)																		
4. Other																		
(V) Internal carry-forward of owners' equity																		
1. New increase of capital (or share capital) from capital public reserves																		

2. New increase of capital (or share capital) from surplus reserves																	
3. Surplus reserves for making up losses																	
4. Other																	
(VI) Specific reserve																	
1. Withdrawn for the period																	
2. Used in the period																	
IV. Closing balance	220,901,184 .00	72,315,3 47.06		125,929, 834.48	-380,356, 156.77	-209,494,9 -77.81	-170,704 ,769.04	220,901,18 4.00	72,315,3 47.06		125,929, 834.48	-364,837, 764.72	-204,357, 096.15	-150,048 ,495.33			

Legal representative: Zheng Kanghao

Head of the accounting work: Chen Xiaohai

Head of the accounting department: Xu Xiaoyun

Statement of Changes in Shareholders' Equity of the Company

Jan.-Jun. 2011

Prepared by Shenzhen International Enterprise Co., Ltd.

Unit: RMB Yuan

Items	Reporting period							Last year								
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total owners' equity	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total owners' equity
I. Balance at the end of the previous year	220,901,18 4.00	64,951,4 44.59			96,841,02 6.39		-304,552, 878.43	78,140,77 6.55	220,901,1 84.00	64,951,44 4.59			96,841,02 6.39		-206,665, 033.59	176,028,6 21.39
Add: change of accounting policy																

Correction of errors in previous periods																
Other																
II. Balance at the beginning of the year	220,901,18 4.00	64,951,4 44.59			96,841,02 6.39		-304,552, 878.43	78,140,77 6.55	220,901,1 84.00	64,951,44 4.59			96,841,02 6.39		-206,665, 033.59	176,028,6 21.39
III. Increase/ decrease of amount in the year ("—" means decrease)							-9,667,20 5.48	-9,667,20 5.48							-97,887,8 44.84	-97,887,8 44.84
(I) Net profit							-9,667,20 5.48	-9,667,20 5.48							-97,887,8 44.84	-97,887,8 44.84
(II) Other comprehensive incomes																
Subtotal of (I) and (II)							-9,667,20 5.48	-9,667,20 5.48							-97,887,8 44.84	-97,887,8 44.84
(III) Capital paid in and reduced by owners																
1. Capital paid in by owners																
2. Amounts of share-based payments recognized in owners' equity																
3. Others																
(IV) Profit distribution																
1. Appropriations to surplus reserves																
2. Appropriations to general risk provisions																
3. Appropriations to owners (or shareholders)																

4. Other																
(V) Internal carry-forward of owners' equity																
1. New increase of capital (or share capital) from capital public reserves																
2. New increase of capital (or share capital) from surplus reserves																
3. Surplus reserves for making up losses																
4. Other																
(VI) Specific reserve																
1. Withdrawn for the period																
2. Used in the period																
IV. Closing balance	220,901,18 4.00	64,951,4 44.59			96,841,02 6.39		-314,220 083.91	68,473,57 1.07	220,901,1 84.00	64,951,44 4.59			96,841,02 6.39		-304,552 878.43	78,140,77 6.55

Legal representative: Zheng Kanghao

Head of the accounting work: Chen Xiaohai

Head of the accounting department: Xu Xiaoyun

Shenzhen International Enterprise Co., Ltd.

Notes to Financial Statements

For the year ended June 30, 2011

(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 Iudstry 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 converntion of foreign currency financial statement

(1) Foreign currency transactions

The Company's foreign currency transactions are converned 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 converned at the spot rates prevailing on the balance sheet date. The exchange

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

(2) Conversion of foreign currency financial statement

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

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

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

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

9. Financial Instruments: Recognition and Measurement

(1) Classification of financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

liabilities;

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

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 transferred to other party;
- c. The financial assets have been transferred, but the Company neither transferred the

ownership of the risks and rewards of financial assets, nor retained, and gives up control of the financial assets.

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

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

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

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

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

(4) Impairment of financial assets

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

- a. significant financial difficulty of the issuer or obligor;
- b. a breach of contract, such as a default or delinquency in interest or principal payments;
- c. the lender, for economic or legal reasons relating to the borrower' s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- d. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e. the disappearance of an active market for that financial asset because of financial difficulties;
- f. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group;
- g. adverse changes in the payment status of borrowers in the group, let the lender may cannot recover the investment cost;
- h. the fair value of financial instrument investment incur serious or non-temporary decline;
- i. other objective evidence that prove impairment of financial assets.

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

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

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

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 be directly attributable to the purchase of this asset. An investor shall ascertain the cost of biological asset in accordance with the value as stipulated in the investment contract or agreement, unless the 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 recorded into the current profit and loss; if the non-currency asset exchange does not satisfy these two conditions mentioned above, the book values of the assets and relevant taxes will be deemed as the initial investment cost.

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

(2) Subsequent Measurement

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

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

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

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

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

The Company shall recognize current period investment profits or losses following its share of the net profits or losses made by the investee. Based 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 there is relevant investment debit difference, according to residual time to amortize in straight line method, the amortization amount recognized in current profit and loss account.

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

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

<u>Categories</u>	<u>Expected residual rate</u>	<u>Expected useful life</u>	<u>Annual depreciation rate</u>
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:

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

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

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

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

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

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

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

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

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

⑦ Other indications that an asset may be impaired.

(4) Recognition of finance leased fixed assets

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

16. Borrowing costs

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

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

① The capital expenditures have been incurred.

② The borrowing costs have been incurred.

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

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

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

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

(2) Measurement of capitalized borrowing costs

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

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

17. Intangible assets

(1) Measurement of intangible assets:

Intangible assets were recognized initially at cost.

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

Period of intangible asset that could bring future economic benefit inflow to company could be 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 recognized as finite useful life assets. Otherwise, the asset would be recognized as infinite useful life assets.

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

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

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

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

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

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

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

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

(3) Revenue from rendering of services

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

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

a. the amount of revenue can be measured reliably;

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

c. the complete of schedule could be determined reliably;

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

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

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

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

(4) 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:

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

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

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

21、Deferred income tax assets and deferred income tax liabilities

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

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

(1) Recognition of deferred income tax assets

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

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

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

- a. Temporary differences in the foreseeable future is likely to switch back to; and
- b. It is likely to be used for deductible temporary differences in taxable income in the future.

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

(2) Recognition of deferred income tax liabilities

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

① the initial recognition of goodwill;

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

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

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

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

difference; and

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

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

22. Significant accounting estimates and judgements

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

Significant accounting estimates and judgements

The following significant estimates and judgements may render significant risk arising from significant adjustment to the carrying value of assets and liabilities for the next accounting year.

① Accounting estimates of accrued liabilities arising from obligation and compensation associated with terminated transactions

As disclosed in Note 10.3, the Board of Directors judged that liabilities shall be recognized for the year ended December 31st, 2010 for the probable loss arising from the obligation and compensation associated with the terminated contract between Shenzhen Rong Fa Investment Co., Ltd., a subsidiary of the Company, and a third party.

23. 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.

24. Correct previous accounting period errors

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

III. Taxation

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

<u>Categories of taxes</u>	<u>Tax base</u>	<u>Tax rate</u>
VAT	Revenue from sale of products	17%
Land Value Added Tax	Revenue from sale of real estates- amount of deductible items	According to progressive tax rates 30% - 60%
Business Tax	Revenue from sale of real estates, Leasing and Rendering of service	5%
Corporation Tax	Taxable Income	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%
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Note: (1) Shenzhen Special Economic Zone: The applicable Corporation Tax rate in Shenzhen Special Economic Zone is 22% in 2010、24% in 2011、25% in 2012. (2) Other Cities: The applicable Corporation Tax rate in other cities is 25%.

IV. Enterprise Consolidation and Consolidation Financial Statements

1. Information of subsidiaries

(1) Subsidiary through the establishment or investment method obtained

<u>Subsidiaries' name</u>	<u>Subsidiaries' type</u>	<u>Registration location</u>	<u>Nature of business</u>	<u>Registered capital</u>	<u>Business scope</u>
Shenzhen ShenGuoShang Business Management Co., Ltd (Business Company)	Wholly owned subsidiary	Shenzhen	Retail store	15,000,000.00	Retail store
Shenzhen International Arcade Chain Store (Chain Store)	Wholly owned subsidiary	Shenzhen	Retail store	10,000,000.00	Retail store
Shenzhen International Arcade Property Management Co., Ltd. (Guoshang Property)	Holding subsidiary	Shenzhen	Property management	7,000,000.00	Property management
Shenzhen Rongfa Investment Co., Ltd (Rongfa Investment)	Holding subsidiary	Shenzhen	Real estate development	USD5,000,000.00	Real estate development
Huizhou Rongfa Industry Investment Co., Ltd (Huizhou Rongfa)	Holding subsidiary's subsidiary	Huizhou	Real estate development	6,000,000.00	Real estate development
Wengyuan Guoshanglinhai Development Co., Ltd. (Wengyuan Guoshang)	Holding subsidiary's subsidiary	Wengyuan	Afforestation, forest management	7,000,000.00	Afforestation、forest management
Wuhua Guoshanglinye Development Co., Ltd (Wuhua Guoshang)	Holding subsidiary's subsidiary	Wuhua	Afforestation, forest management	10,000,000.00	Afforestation、forest management
Shenzhen Guoshanglinye Development Co., Ltd (Guoshanglinye)	Holding subsidiary's subsidiary	Shenzhen	Lumber purchase and sale, Industrial establishment	10,000,000.00	Lumber purchase and sale, Industrial establishment
Shenzhen Longgang International Arcade Enterprise Co., Ltd. (Guoshang Enterprise)	Holding subsidiary's subsidiary	Shenzhen	Retail store	3,000,000.00	Retail store
XingningGuoshanglineye Development Co., Ltd (XingningGuoshang)	Holding subsidiary's subsidiary	Xingning	Afforestation, forest management	5,000,000.00	Planting、and lumber sales
Luoyang Rongfazhiye Co., Ltd (Rongfazhiye)	Holding subsidiary's 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	Shenzhen	International trade	5,600,000.00	International trade	
Shenzhen Chunhua Medicine United Enterprise Co., Ltd (Chunhua Medicine) Note1	Holding subsidiary	Shenzhen	Drugs and medical appliances	3,000,000.00	Drugs and medical appliances	
Shenzhen Guoshang Medicine Co., Ltd (Guoshang Medicine) Note1	Holding subsidiary	Shenzhen	Drugs and medical treatment	3,000,000.00	Drugs and medical treatment	
Shenzhen Royal Noble Industry Co., Ltd (Gangyi East Club) Note2	Holding subsidiary's subsidiary	Shenzhen	Healthcare massage	5,000,000.00	Industrial establishment, Healthcare massage	

Subsidiary through the establishment or investment method obtained (Continued)

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

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

Subsidiary through the establishment or investment method obtained (Continued)

<u>Subsidiaries' name</u>	<u>Whether</u> <u>consolidated</u>	<u>Minority equity</u> <u>statements</u>	<u>The amount of</u> <u>minority equity used</u>	<u>The balance of parent company's equity, that is</u> <u>equal to the parent shareholders' equity less the</u> <u>for decrease in the</u> <u>subsidiary's current loss undertaken by the minority</u> <u>profits and losses of</u> <u>shareholders according their quotient of the</u> <u>minority shareholders</u> <u>beginning of the period</u>
Shenzhen ShenGuoShang Business Management Co., Ltd (Business Company)	Yes			
Shenzhen International Arcade Chain Store (Chain Store)	Yes			
Shenzhen International Arcade Property Management Co., Ltd. (Guoshang Property)	Yes		-4,525,426.00	
Shenzhen Rongfa Investment Co., Ltd (Rongfa Investment)	Yes	-199,831,670.15		
Huizhou Rongfa Industry Investment Co., Ltd (Huizhou Rongfa)	Yes			
Wengyuan Guoshanglinhai Development Co., Ltd. (Wengyuan Guoshang)	Yes			
Wuhua Guoshanglinye Development Co., Ltd (Wuhua Guoshang)	Yes			
Shenzhen Guoshanglinye Development Co., Ltd (Guoshanglinye)	Yes			
Shenzhen Longgang International Arcade Enterprise Co., Ltd. (Guoshang Enterprise)	Yes			
XingningGuoshanglinye Development Co., Ltd (XingningGuoshang)	Yes			
Luoyang Rongfazhiye Co., Ltd (Rongfazhiye)	Yes			
Shenzhen International Enterprise Trading Co., Ltd (International Trade) Note1	No			

Shenzhen Chunhua Medicine United Enterprise Co., Ltd

No

(Chunhua Medicine) Note1

Shenzhen Guoshang Medicine Co., Ltd

No

(Guoshang Medicine) Note1

Shenzhen Royal Noble Industry Co., Ltd

No

(Gangyi East Club) Note2

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

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

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

2. Changes in consolidation scope

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

V. Main Notes In The Consolidation Statement

1. Monetary Funds

Currency	Original currency	30.6.2011		31.12.2010	
		Exchange rate	Presentation currency	Original currency	Exchange rate
Cash in hand					
CNY	364,530.37	1.0000	364,530.37	113,033.44	1.0000
HKD	10,325.56	0.8316	8,586.74	10,678.30	0.8509
MYD	347.23	2.1410	743.42	357.00	2.1437
Subtotal			373,860.53		122,885.22
Demand deposits					
CNY	170,579,129.57	1.0000	170,579,129.57	152,829,405.81	1.0000
HKD	8,158.58	0.8316	6,784.67	8,002.46	0.8509
USE	0.50	6.4716	3.24	0.00	6.6227
Subtotal			170,585,917.48		152,836,215.34
Other monetary funds					
CNY	20,000.00	1.0000	20,000.00	397,291.28	1.0000
Subtotal	-		20,000.00		397,291.28
Total			170,979,778.01		153,356,391.84

2. Accounts Receivable

(1) Account receivable listed according to the categories:

Category	30.6.2011				31.12.2010			
	Book value (CNY)	Proportion (%)	Provision for bad debts (CNY)	Proportion (%)	Book value (CNY)	Proportion (%)	Provision for bad debts (CNY)	Proportion (%)
Receivables of individual significance	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
Credit-risk-categorised receivables								
Categorisation by nature of receivables	963,324.99	100.00%	223,748.45	100.00%	1,489,002.65	100.00%	213,550.03	100.00%
Subtoal	963,324.99	100.00%	223,748.45	100.00%	1,489,002.65	100.00%	213,550.03	100.00%
Receivables of individual insignificance subject to individual assessment for impairment	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
Total	963,324.99	100.00%	223,748.45	100.00%	1,489,002.65	100.00%	213,550.03	100.00%

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

	<u>30.6.2011</u>				<u>31.12.2010</u>			
	<u>Provision</u>				<u>Provision for</u>			
	<u>Book value</u>	<u>Proportion</u>	<u>for bad debts</u>	<u>Carrying value</u>	<u>Book value</u>	<u>Proportion</u>	<u>bad debts</u>	<u>Carrying value</u>
Within 1 year	20,000.00	2.08%	1,000.00	0.45%	545,677.66	36.65%	27,283.88	12.78%
1-2 years	0.00	0.00%	0.00	0.00%	199,840.43	13.42%	19,984.04	9.36%
2-3 years	199,840.43	20.74%	29,976.06	13.40%	156,786.71	10.53%	23,518.01	11.01%
3-4 years	156,786.71	16.28%	31,357.34	14.01%	292,966.16	19.68%	58,593.23	27.44%
4-5 years	292,966.16	30.41%	73,241.54	32.73%	78,972.77	5.30%	19,743.19	9.25%
More than 5 years	293,731.69	30.49%	88,173.51	39.41%	214,758.92	14.42%	64,427.68	30.16%
Total	<u>963,324.99</u>	<u>100.00%</u>	<u>223,748.45</u>	<u>100.00%</u>	<u>1,489,002.65</u>	<u>100.00%</u>	<u>213,550.03</u>	<u>100.00%</u>

5.2.3. The top five account receivables

<u>Name of company</u>	<u>Relationship with the</u>	<u>Amount (CNY)</u>	<u>Age</u>	<u>% of total accounts</u>
	<u>Company</u>			<u>receivables</u>
1 st	Unrelated party	102,999.36	Over 5 years	10.69%
2 nd	Unrelated party	54,535.98	Over 5 years	5.66%
3 rd	Unrelated party	26,433.96	Over 5 years	2.74%
4 th	Unrelated party	26,000.00	Over 5 years	2.70%
5 th	Unrelated party	20,000.00	Within 1 year	2.08%
Total		<u>229,969.30</u>		<u>23.87%</u>

3. Advance To Suppliers

(1) Age analysis

<u>Age</u>	<u>30.6.2011</u>	<u>Proportion</u>	<u>31.12.2010</u>	<u>Proportion</u>
Within 1 year	45,543,925.62	99.62%	-	-
1-2 years	-	-	63,392.00	36.62%
2-3 years	62,042.00	0.14%	109,720.00	63.38%
More than 3 years	109,720.00	0.24%	-	-
Total	<u>45,715,687.62</u>	<u>100.00%</u>	<u>173,112.00</u>	<u>100.00%</u>

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

<u>Company name</u>	<u>Balance</u>	<u>accounts receivable</u>	<u>Age</u>
Shenzhen Fanhua Project Group Co,Ltd	30,000,000.00	65.62%	Within one year
Shenzhen Hengrui Decoration & Design Project Co,Ltd,	6,300,000.00	13.78%	Within one year
Benoy Limited	3,846,850.62	8.41%	Within one year

Baoying Construction Group Stock Co,Ltd, Shenzhen City	2,152,000.00	4.71%	Within one year
Choushi Culture Spread Co,Ltd, Shenzhen City	664,778.00	1.45%	Within one year
Total	<u>42,963,628.62</u>	<u>93.98%</u>	

4. Other Accounts Receivable

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

Category	30.6.2011				31.12.2010				
	Book value (CNY)	Proportion (%)	Provision for bad debts (CNY)		Proportion (%)	Book value (CNY)	Proportion (%)	Provision for bad debts (CNY)	
			Proportion	(CNY)				Proportion (%)	(CNY)
Receivables of individual significance	11,932,131.44	68.52%	11,932,131.44		88.89%	11,932,131.44	68.52%	11,932,131.44	88.89%
Credit-risk-categorised receivables									
Categorisation by nature of receivables	<u>4,399,304.83</u>	<u>25.53%</u>	<u>718,851.26</u>		<u>5.30%</u>	<u>4,030,223.89</u>	<u>23.14%</u>	<u>591,067.20</u>	<u>4.40%</u>
Subtoal	4,399,304.83	25.53%	718,851.26		5.30%	4,030,223.89	23.14%	591,067.20	4.40%
Receivables of individual insignificance subject to individual assessment for impairment	<u>900,000.00</u>	<u>5.22%</u>	<u>900,000.00</u>		<u>6.64%</u>	<u>1,451,170.45</u>	<u>8.34%</u>	<u>900,000.00</u>	<u>6.70%</u>
Total	<u>17,231,436.27</u>	<u>100.00%</u>	<u>13,550,982.70</u>		<u>100.00%</u>	<u>17,413,525.78</u>	<u>100.00%</u>	<u>13,423,198.64</u>	<u>100.00%</u>

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

Age	30.6.2011				31.12.2010			
	Book value	Proportion	Provision for bad debts		Book value	Proportion	Provision for bad debts	
			Proportion	(CNY)			Proportion	(CNY)
Within 1 year	1,000,708.53	22.75%	50,035.43	6.96%	439,605.09	10.91%	21,980.28	3.72%
1-2 years	599,801.88	13.63%	59,980.19	8.34%	871,070.70	21.61%	87,107.05	14.74%
2-3 years	223,468.70	5.08%	33,520.31	4.66%	1,661,405.87	41.22%	249,210.88	42.16%
3-4 years	1,661,405.87	37.77%	332,281.17	46.22%	722,836.02	17.94%	144,567.20	24.46%
4-5 years	622,836.02	14.16%	155,709.01	21.66%	247,801.83	6.15%	61,950.47	10.48%
More than 5 years	291,083.83	6.62%	87,325.15	12.15%	87,504.38	2.17%	26,251.32	4.44%
Total	<u>4,399,304.83</u>	<u>100.00%</u>	<u>718,851.26</u>	<u>100.00%</u>	<u>4,030,223.89</u>	<u>100.00%</u>	<u>591,067.20</u>	<u>100.00%</u>

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

Details	Book value(CNY)	Bad and doubtful debt(CNY)	Proportion (%)	Comment
Consideration for share transfer receivable from Guangzhou Sun Star Company (广州太阳星公司)	900,000.00	900,000.00	100.00%	Debtor unlocatable

(4) List the balance of top five other receivable:

<u>Company name</u>	<u>Balance</u>	<u>receivable</u>	<u>Proportion of total</u>	<u>Reason of arrearage</u>
			<u>other accounts</u>	
Shenzhen Shengang Gongmao Import and Export Co.,Ltd	10,082,131.44	58.51%	Above 5 years	Note
Shenzhen Mantingfang Trading Investment Co., Ltd	1,850,000.00	10.74%	3-4 years、4-5 years	Current account
Guangzhou Sun-Star Company	900,000.00	5.22%	Above 5 years	Current account
Shenzhen Baotian Investment Development Co., Ltd	506,272.02	2.94%	2-3 years	Deposit
ZhengzhongRealEstateDevelopmentCo,Ltd, Shenzhen City	376,979.50	2.19%	1-2years	Rental pledge
Total	13,715,382.96	79.60%		

Note: The amount is due to existing historical issues between the Group and Shenzhen Shengang Gongmao Import and Export Co., Ltd (“Shenggang Gongmao”) 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 have joint repayment liability to a guaranteed RMB 10 millions loan and the overdue interests. On February 27, 2001, the court made (2001) Shenzhongfajingsyichuzi 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 the Group in assistance of transfer of its ownership on the sun house in top floor of Shenggang 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 RMB 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 make full bad debt provision for unrecognized loss of RMB 10,180,249.93.

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

<u>Company name</u>	<u>Amount</u>	<u>Content</u>	<u>Amount of Provision</u>	<u>Age</u>	<u>Reason of provision</u>
Shenzhen Shenggang					
Gongmao Import and Export Co.,Ltd	10,082,131.44	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
Mantingfang Business and Trade Investment					
Co,Ltd, Shenzhen City	1,850,000.0	Current accounts	1,850,000.0	More than 5 year	Expected no way to received
Total	<u>12,832,131.44</u>		<u>12,832,131.44</u>		

5. Inventory

(1) Category of inventory:

Items	30.6.2011			31.12.2010		
	Book value	Provision for impairment loss	Carrying value	Book value	Provision for impairment loss	Carrying value
Raw materials	479,763.66	-	479,763.66	607,252.16	-	607,252.16
Consumable forest assets	84,992,036.37	-	84,992,036.37	84,180,139.04	-	84,180,139.04
Development costs	1,204,898,019.13	-	1,204,898,019.13	1,130,768,496.61	-	1,130,768,496.61
Development products	33,156,769.72	-	33,156,769.72	33,156,769.72	-	33,156,769.72
Lease development products	46,522,019.53	-	46,522,019.53	47,208,973.36	-	47,208,973.36
Total	<u>1,370,048,608.41</u>	-	<u>1,370,048,608.41</u>	<u>1,295,921,630.89</u>	-	<u>1,295,921,630.89</u>

① Development costs

<u>Items</u>	<u>Start Date</u>	<u>Estimated completed date</u>	<u>Estimated investment</u>	<u>31.12.2010</u>	<u>Provision for impairment loss</u>	<u>30.6.2011</u>	<u>Provision for impairment loss</u>
Bantian industrial estate				-	-	4,600.00	-
Rongfu Garden second phase				6,448,481.22		6,448,481.22	-
Crystal Island International Shopping Center	January 2003	Year 2011	1300 million	1,124,320,015.39		1,198,444,937.91	-
Total				<u>1,130,768,496.61</u>		<u>1,204,898,019.13</u>	-

② Development products

<u>Items</u>	<u>Completed Date</u>	<u>31.12.2010</u>	<u>Provision for impairment loss</u>	<u>30.6.2011</u>	<u>Provision for impairment loss</u>
Gangyihaoting	December 2000	33,156,769.72	-	33,156,769.72	0.00

③ Lease development products

<u>Items</u>	<u>31.12.2010</u>	<u>Increment</u>	<u>Amortization</u>	<u>Decrement</u>	<u>30.6.2011</u>	<u>Remaining amortization life</u>
Gangyihaoting	41,609,450.67	-	636,483.02	-	40,972,967.65	30.5 – 40.5 years
Guoqi Building	290,643.11	-	3,927.61	-	286,715.50	36.5 years
Huizhou Sunshine 100	5,308,879.58	-	46,543.20	-	5,262,336.38	56.5 years
Total	<u>47,208,973.36</u>	-	<u>686,953.83</u>	-	<u>46,522,019.53</u>	

Inventory:

Note 1: The company moves developing cost of the Crystal Island project into pledge to be borrowed from bank, pledge accounts prices of RMB 1,198,444,937.91.

Note 2: The company moves consuming forest capital into pledge to be borrowed from bank, pledge accounts prices of RMB 52,755,061.81.

6. Long-term Equity Investment

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

<u>Name of investee</u>	<u>31.12.2009(CNY)</u>	<u>Changes in year(CNY)</u>	<u>31.12.2010(CNY)</u>	<u>Accumulated impairment</u>	<u>Impairment provision in</u>
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				provision(CNY)	year(CNY)
1. Investments accounted for using the historical convention					
Shenzhen Chunhua Pharmaceuticals United Enterprise Co., Ltd.	2,250,000.00	0.00	2,250,000.00	418,949.38	0.00
Shenzhen Guoshang Pharmaceuticals Co., Ltd.	3,000,000.00	0.00	3,000,000.00	1,375,215.11	870,357.35
Shenzhen Internaional Enterprise Commerce Co., Ltd.	5,320,000.00	0.00	5,320,000.00	3,075,930.02	0.00
Shenzhen Royal Noble Industry Co., Ltd.	<u>5,000,000.00</u>	<u>0.00</u>	<u>5,000,000.00</u>	<u>5,000,000.00</u>	<u>0.00</u>
Total	<u>15,570,000.00</u>	<u>0.00</u>	<u>15,570,000.00</u>	<u>9,870,094.51</u>	<u>870,357.35</u>

(Continued)

Name of investee	Initial investment cost(CNY)	Shareholding proportion(%)	Voting right(%)	Cash dividends (CNY)
A. Investments accounted for using the historical convention				
Shenzhen Chunhua Pharmaceuticals United Enterprise Co., Ltd.	2,250,000.00	75.00%	75.00%	0.00
Shenzhen Guoshang Pharmaceuticals Co., Ltd.	3,000,000.00	98.00%	100.00%	0.00
Shenzhen Internaional Enterprise Commerce Co., Ltd.	5,320,000.00	98.75%	100.00%	0.00
Shenzhen Royal Noble Industry Co., Ltd.	<u>5,000,000.00</u>	<u>64.00%</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>15,570,000.00</u>			<u>0.00</u>

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 RMB 4,870,094.51 impairment loss provision has been made for the long-term equity investment.

7. Investment Properties

(1) Investing real estate in terms of cost type accounting

Item	Increased in		Decreased in	
	31.12.2010(CNY)	year (CNY)	year (CNY)	30.6.2011(CNY)
A. Historical costs	<u>2,374,068.11</u>	<u>0.00</u>	<u>0.00</u>	<u>2,374,068.11</u>
1. Houses and buildings	2,374,068.11	0.00	0.00	2,374,068.11
2. Land use rights	0.00	0.00	0.00	0.00

B. Cumulative depreciation and cumulative amortisation	<u>1,205,187.97</u>	<u>35,638.92</u>	<u>0.00</u>	<u>1,240,826.89</u>
1. Houses and buildings	1,205,187.97	35,638.92	0.00	1,240,826.89
2. Land use rights	0.00	0.00	0.00	0.00
C. Cumulative impairment allowance	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
1. Houses and buildings	0.00	0.00	0.00	0.00
2. Land use rights	0.00	0.00	0.00	0.00
D. Net carrying amount	<u>1,168,880.14</u>	<u>-35,638.92</u>	<u>0.00</u>	<u>1,133,241.22</u>
1. Houses and buildings	1,168,880.14	-35,638.92	0.00	1,133,241.22
2. Land use rights	0.00	0.00	0.00	0.00

Note: In the period investing real estate of accrual depreciation (disposal of amounts) RMB 35,638.92.

(2) Until June 30th, 2011, non-property right's building Construction of account prices of RMB 107,557.81, property right not belonged to the company of Consideration Statement in which important accounts price of RMB 313,953.17 in building construction.

Capital Name	Original price of accounting	Accumulated depre ciation(disposal)	Net amounts of accounting	Note
Jiefang North Road, Dabei New Street	302,979.90	195,422.09	107,557.81	Non-property
Hotel No.22, Guangzhou				certification
Yuhe Garden Room 121、131、132, Floor 4, Haikou City	294,520.21	191,144.56	103,375.65	Important unit of property right whether
Yuhe Garden Room 111, Floor 8, Haikou City	689,958.00	479,380.48	210,577.52	belong to consideration

8. Fixed Assets and Accumulated Depreciation

Items	31.12.2010	Increment	Decrement	30.6.2011
i . Total book values:	77,973,454.60	911,477.75	650,897.78	78,234,034.57
Buildings and structures	67,042,843.18	-	-	67,042,843.18
Vehicles	7,747,371.00	541,258.00	395,000.00	7,893,629.00
Electronic device and other equipments	3,183,240.42	370,219.75	255,897.78	3,297,562.39
ii . Total accumulated depreciation	25,195,032.48	1,669,002.89	577,536.67	26,286,498.70
Buildings and structures	18,627,139.48	979,838.10	-	19,606,977.58
Vehicles	4,309,860.18	563,472.88	355,500.00	4,517,833.06

Electronic device and other equipments	2,258,032.82	125,691.91	222,036.67	2,161,688.06
iii. Total accumulated impairment loss:				
Buildings and structures	-	-	-	-
Vehicles	-	-	-	-
Electronic device and other equipments	-	-	-	-
iv. Total carrying value:	52,778,422.12			51,947,535.87
Buildings and structures	48,415,703.70			47,435,865.60
Vehicles	3,437,510.82			3,375,795.94
Electronic device and other equipments	925,207.60			1,135,874.33

(2) Accrual depreciation RMB 1,669,002.89 in the period.

(3) Until June 30th 2011, non-property certification of building construction is bellowed:

Capital Name	Original Accounts	Accumulated depreciation	Net amounts of accounting	Note
		(Disposal)		
National Enterprises building underground parking in 1-2 floor	22,942,599.85	9,406,439.61	13,536,160.24	Non-property Certification

9、Intangible assets

(1) The situation of intangible assets

<u>items</u>	<u>Accounts balance in the beginning year</u>	<u>Increased in the year</u>	<u>Decreased in the year</u>	<u>Accounts balance in the end of the year</u>
一、 Total of original accounts	47,893,568.15	-	-	47,893,568.15
Land using right	47,893,568.15	-	-	47,893,568.15
二、 Total of accumulated disposal	17,066,254.84	417,753.35	-	17,484,008.19
Land using right	17,066,254.84	417,753.35	-	17,484,008.19
三、 Total of net amounts of intangible assets	30,827,313.31	-417,753.35	-	30,409,559.96
Land using right	30,827,313.31	-417,753.35	-	30,409,559.96
四、 Total of depreciation reserves	4,578,477.90	-	-	4,578,477.90
Land using right	4,578,477.90	-	-	4,578,477.90

items	<u>Accounts balance i n the beginning ye ar</u>			<u>Accounts balance in the end of th e year</u>
		<u>Increased in the year</u>	<u>Decreased in the year</u>	
五、 Total of accounts price in intangible assets	26,248,835.41	-417,753.35	-	25,831,082.06
Land using right	26,248,835.41	-417,753.35	-	25,831,082.06

(2) Accrual disposal of RMB 417,753.35 in the period.

10. Long-term Deferred Expense

Type	Original Amount	31.12.2010	<u>Accumulated</u>				
			Increment	Amortization	Transfer out	Amortization	30.6.2011
software	300,000.00	120,000.00	-	30,000.00	-	210,000.00	90,000.00

11. Provision for Assets Impairment Loss

<u>Items</u>	<u>31.12.2010</u>	<u>Decrement</u>			<u>30.6.2011</u>
		<u>Increment</u>	<u>Reversal</u>	<u>Write-off</u>	
Provision for bad debts	13,636,748.67	137,982.48	-	-	13,774,731.15
Provision for inventory impairment loss	9,870,094.51	-	-	-	9,870,094.51
Provision for long-term equity investment impairment loss	4,578,477.90	-	-	-	4,578,477.90
Total	<u>28,085,321.08</u>	<u>137,982.48</u>	-	-	<u>28,223,303.56</u>

12. 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

<u>Types of restricted assets</u>	<u>31.12.2010</u>	<u>Increment</u>	<u>Decrement</u>	<u>30.6.2011</u>
1.Fixed assets-buildings and structures	175,289.05	-	175,289.05	-
2.Investment properties	728,029.36	-	728,029.36	-
3.Inventories-Development products	23,682,207.87	-	23,682,207.87	-
4.Inventories-Development costs	1,124,320,015.39	74,124,922.52	-	1,198,444,937.91
5. Inventories-Consumable forest assets	52,185,028.91	569,987.90	-	52,755,016.81
Total	<u>1,201,090,570.58</u>	<u>74,694,910.42</u>	<u>24,585,526.28</u>	<u>1,251,199,954.72</u>

13. Short-term Loan

<u>Loan condition</u>	<u>30.6.2011</u>	<u>31.12.2010</u>
Pledge loan	0.00	1,300,000,000.00

14. Accounts Payable

(1) Age analysis:

<u>Age</u>	<u>30.6.2011</u>	<u>31.12.2010</u>
Within 1 year	973,000.00	11,312,200.88
More than 1 year	34,155,437.63	33,866,609.89
Total	<u>35,128,437.63</u>	<u>45,178,810.77</u>

(2) Accounts payable of significant value of which the age is over 1 year.

<u>Name</u>	<u>Amount</u> <u>(CNY)</u>	<u>Age</u>	<u>Reason</u>	<u>Post balance-sheet</u> <u>date payment</u>
Shenzhen Fanhua Construction Group Co., Ltd.	27,259,701.72	1 to 2 years	Payment not due	0.00
Benoy Limited	1,629,701.14	1 to 2 years	Payment not due	0.00
RTKL International Ltd	645,713.25	1 to 2 years 2 to 3 years	Payment not due	0.00
广州经济技术开发区达一农业有限公司东莞肥料厂	400,000.00	Over 3 years	Payment not due	0.00
Total	<u>29,935,116.11</u>			<u>0.00</u>

(3) There is no Accounts payable balance due to shareholders who own five or over five percent voting rights as at June 30, 2011.

15. Advanced From Customers

(1) Age analysis:

<u>Age</u>	<u>30.6.2011</u>	<u>31.12.2010</u>
Within 1 year	3,729,850.00	-
More than 1 year	32,310,622.12	<u>32,310,622.12</u>
Total	<u>36,040,472.12</u>	<u>32,310,622.12</u>

(2) The reasons of accounts payable of significant value of which the age is over 1 year.

<u>Name</u>	<u>Amount (CNY)</u>	<u>Age</u>	<u>Reason</u>
-------------	---------------------	------------	---------------

Revenue from sales of shops at Grace Mansion	<u>32,186,642.05</u>	Over 5 years	Validity of buyer's option not expired
Total	<u>32,186,642.05</u>		

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

Item	30.6.2011	31.12.2010	Completed date	Content
Gangyihaoting	<u>32,186,642.05</u>	<u>32,186,642.05</u>	December 2000	Sales of shops

(4) There is no Advanced from customers balance due to shareholders who own five or over five percent voting rights on June 30, 2011.

16. Payroll Payable

Items	31.12.2010	Increased provision	Payment	30.6.2011
1. Salary, bonus and allowance	1,672,710.42	8,734,590.98	10,314,765.15	92,536.25
2. Employee welfare	-	554,578.44	1,059,682.10	-505,103.66
3. Social insurance:	28,174.52	1,517,697.06	1,547,589.11	-1,717.53
Including: ① Medical insurance	-	285,171.06	285,531.51	-360.45
② Basic retirement insurance	28,174.52	1,160,491.51	1,189,832.25	-1,166.22
③ Unemployment insurance	-	27,411.75	27,538.98	-127.23
④ Injury insurance	-	16,445.52	16,487.94	-42.42
⑤ Pregnancy insurance	-	28,177.22	28,198.43	-21.21
4. Housing accumulation fund	17,507.00	696,816.00	709,428.00	4,895.00
5. Labour union fee and employee education fee	2,341,301.15	347,911.43	215,379.30	2,473,833.28
6. Non-monetary welfare	-	-	-	-
7. Redemption for termination of labor contract	-	379,991.00	379,991.00	-
8. Others:	-	-	-	-
Including: share payment by cash	-	-	-	-
Total	<u>4,059,693.09</u>	<u>12,231,584.91</u>	<u>14,226,834.66</u>	<u>2,064,443.34</u>

17. Tax Payable

Types	30.6.2011	31.12.2010
VAT	-16,414.16	-6,597.55
Business Tax	-11,083.55	-98,526.08
Consumption Tax	-31,516.27	-31,516.27
Urban construction tax	166,082.25	164,306.08

Corporation Tax	1,548,888.51	1,548,888.51
Property tax	127,949.61	246,807.02
Land Add-Value Tax	45,991.56	45,991.56
Personal income Tax	3,594.04	-33,747.91
Education Surcharge	56,119.11	55,067.22
Others	709,211.40	1,609,709.46
Total	<u>2,598,822.50</u>	<u>3,500,382.04</u>

18.Dividend Payable

Name of investor	<u>30.6.2011</u>	<u>31.12.2010</u>
Shareholder of Legal shares	5,127,701.36	5,127,701.36

19. Other Accounts Payable

(1) Age analysis

<u>Age</u>	<u>30.6.2011</u>	<u>31.12.2010</u>
Within 1 year	31,706,777.29	50,715,437.20
More than 1 year	112,754,228.14	126,917,463.79
Total	<u>144,461,005.43</u>	<u>177,632,900.99</u>

(2) Below as other accounts receivable big amounts detailed listing:

<u>Unit Name</u>	<u>Owing Amounts</u>	<u>Owing date</u>	<u>Proportion of other accounts receivable</u>	<u>Accounts types or contents</u>
Malaysia Hechang Father and son Company	20,084,460.60	Above 3 years	13.90%	Dividend right changeable accounting
Huangting Real Estate Group Co,Ltd, Shenzhen City	13,766,940.04	Within 1 year	9.53%	Loan
Songqing Chen	10,750,000.00	Within 1 year	7.44%	Dividend right changeable accounting
POWERLAND HOLDING LIMITED	6,999,584.65	Above 3 years	4.85%	Dividend
International Trade	4,140,185.75	1-2year Above 3 years	2.87%	Current accounts
Total	<u>55,741,171.04</u>		<u>38.59%</u>	

Until June 30th,2011, staff purchase funds of shop and compensation total amounts of RMB 121,121,503.85

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

<u>Company name</u>	<u>Balance</u>	<u>Nature or Content</u>
Huangting Real Estate Group Co,Ltd, Shenzhen City	13,766,940.04	Loan

Zheng kang hao	1,816,504.52	Loan
POWERLAND HOLDING LIMITED	6,999,584.65	Borrowings Note1
Shenzhen Guoshang Medicine Co., Ltd	1,474,784.89	Current accounts
Shenzhen International Enterprise Trading Co., Ltd	4,140,185.75	Current account
Shenzhen Chunhua Medicine United Enterprise Co., Ltd	2,085,211.19	Current account
Total	<u>30,283,211.04</u>	

20. Non-current Liability Due Within One Year

(1) Category

<u>Item</u>	<u>30.6.2011</u>	<u>31.12.2010</u>
Long-term borrowing due within one year	<u>20,000,000.00</u>	<u>16,590,000.00</u>

(2) Long-term borrowing due within one year

① Categories of long-term borrowing due within one year

<u>Types</u>	<u>30.6.2011</u>	<u>31.12.2010</u>
Pledge loan	20,000,000.00	16,590,000.00

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

<u>Companies</u>	<u>Start date</u>	<u>Due date</u>	<u>Currency</u>	<u>Rate%</u>	<u>30.6.2011</u> (CNY)	<u>31.12.2010</u> (CNY)
Agricultural Bank of China, Wu Hua Town Subbranch	30.06.2009	29.06.2012	CNY	5.4%	20,000,000.00	0.00
Wengyuan Town Rural Credit						
Cooperatives	29.04.2007	28.04.2011	CNY	8.190%	0.00	7,590,000.00
Wengyuan Town Rural Credit						
Cooperatives	07.08.2008	06.08.2011	CNY	Floating rate	0.00	9,000,000.0
Total					<u>20,000,000.00</u>	<u>16,590,000.00</u>

21. Long-term Loans

(1) Types of long-term loans:

<u>Type</u>	<u>30.6.2011</u>	<u>31.12.2010</u>
Pledge loan	35,850,000.00	35,000,000.00
Pledge and assure loan	1,500,000,000.00	-
Total	<u>1,535,850,000.00</u>	<u>35,000,000.00</u>

(2) Circumstance of long-term loans

<u>Companies</u>	<u>Start date</u>	<u>Due date</u>	<u>Currency</u>	<u>Rate%</u>	<u>30.6.2011</u> (CNY)	<u>31.12.2010</u> (CNY)
Agricultural Bank of China, Wuhua Branch	30.06.2009	29.06.2012	CNY	5.4%	0.00	20,000,000.00
Agricultural Bank of China, Wuhua Branch	19.03.2010	18.03.2013	CNY	5.94%	0.00	10,000,000.00
Agricultural Bank of China, Wuhua Branch	19.03.2010	18.03.2013	CNY	5.94%	0.00	5,000,000.00
CHINA CONSTRUCTION BANK CORPORATION	15.06.2011	14.06.2021	CNY	6.60%	1,200,000,000.00	0.00
Bohai International Trust Co., Ltd.	02.07.2011	02.01.2013	CNY	Floating rate	300,000,000.00	0.00
Agricultural Bank of China, Wuhua Branch	19.03.2010	18.03.2013	CNY	5.94%	10,000,000.00	0.00
Agricultural Bank of China, Wuhua Branch	19.03.2010	18.03.2013	CNY	5.94%	5,000,000.00	0.00
Wengyuan County Rural Credit Cooperatives	26.04.2011	25.04.2014	CNY	Floating rate	20,850,000.00	0.00
Total					<u>1,535,850,000.00</u>	<u>35,000,000.00</u>

(1) Pledge guaranteed loans in the closing date of RMB 12 millions are provided by Rongfa Investment from China Construction Bank, Shenzhen Branch, the loan term is 10 years, by Shenzhen International Enterprises Stock Co,Ltd totally provided liability insurance, Rongfa Investment Co,Ltd makes holding 80,608.64 m² building property of Shenzhen building word No.3000627642 that located on the centre of Futian District, Shenzhen City to provide pledge guarantee for 12 billion Mortgage Payment, Rongfa Investment Co,Ltd will put arising rental receivable of the Crystal Island shopping centre totally pledge to Shenzhen Branch, China Construction Bank.

(2) Pledge guaranteed loans in the closing date of RMB 3 millions are provided by Bohai International Trust Co., Ltd., the loan term is 18 months, by Shenzhen International Enterprises Stock Co,Ltd totally provided liability insurance, POWERLAND HOLDING LIMITED provided the pledge guarantee for 460 million of the said loan with 40% equities of Rongfa Company held, Shenzhen International Enterprise Co., Ltd. provided the pledge guarantee for 485 million of the said loan with 60% equities of Rongfa Company held. Rongfa Company mortgaged with its IA MALL (80608.64m² , Property Certificate No.: SFD Zi No. 3000627642).

(3) Note: Details of the pledged assets please refer Note V . 5.

22. Accrued Liabilities

Item	December	Increased in the	Decreased in the	June 30th, 2011	Reason for shape
	<u>31th,2010</u>	<u>year</u>	<u>year</u>		
<u>Non-making law</u>	3,250,000.00	-	-	3,250,000.00	Finishing contract
<u>Staff shop expected compensation</u>	63,589,317.32	-	-	63,589,317.32	Staff shop compensation
<u>Total</u>	<u>66,839,317.32</u>	-	-	<u>66,839,317.32</u>	

23. Deferred Income

Item	<u>30.6.2011</u>	<u>31.12.2010</u>
Unrecognized leaseback income	560,438.13	1,029,282.11

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

24. Share Capital

Items	<u>31.12.2010</u>	<u>Chang in current year (+, -)</u>					<u>30.6.2011</u>
		<u>Allotment</u>	<u>Bonus</u>	<u>Transfer</u>	<u>Others</u>	<u>Subtotal</u>	
		<u>of shares</u>	<u>shares</u>	<u>reserves</u>			
<u>into</u>							
i . Restricted shares							
Including:							
shares held by states	-	-	-	-	-	-	-
Shares held by							
domestic legal persons	-	-	-	-	-	-	-
Shares held by							
overseas legal persons	-	-	-	-	-	-	-
Executives shares	427,680.00	-	-	-87,249.00	-87,249.00	340,431.00	
Sub-total	<u>427,680.00</u>	-	-	<u>-87,249.00</u>	<u>-87,249.00</u>	<u>340,431.00</u>	
ii . Unrestricted shares	-	-	-				
1. Ordinary shares listed in mainland	118,785,312.00	-	-	427,680.00	427,680.00	119,212,992.00	
2. Foreign shares listed in mainland	101,688,192.00	-	-	-340,431.00	-340,431.00	101,347,761.00	
3. Foreign shares listed	-	-	-	-	-	-	

in overseas

4. Others

Total listed shares	<u>220,473,504.00</u>	-	-	87,249.00	-	<u>220,560,753.00</u>
iii. Total shares	<u>220,901,184.00</u>	-	-	-	-	<u>220,901,184.00</u>

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

25. Capital Reserves

Type	31.12.2010	Increment	Decrement	30.6.2011
Share premium	50,995,056.63	-	-	50,995,056.63
Other capital reserves	21,320,290.43	-	-	21,320,290.43
Total	<u>72,315,347.06</u>	-	-	<u>72,315,347.06</u>

26. Surplus Reserves

Type	31.12.2010	Increment	Decrement	30.6.2011
Statutory surplus reserves	84,526,481.13	-	-	84,526,481.13
Discretionary surplus reserve	41,403,353.35	-	-	41,403,353.35
Total	<u>125,929,834.48</u>	-	-	<u>125,929,834.48</u>

27. Undistributed Profits

Items	30.6.2011	31.12.2010
Openning balance of undistributed profits	-364,837,764.72	-197,128,052.01
Add: Net profit for current year	-15,518,392.05	-167,709,712.71
Appropriation of statutory surplus reserves	-	-
Appropriation of staff incentive and welfare fund	-	-
Appropriation of reserve fund	-	-
Withdrawal of Enterprise development fund	-	-
Reimbursement of investment	-	-
Less: dividends payable for preference shares	-	-
Withdrawal of surplus reserves	-	-
Dividends payable for ordinary shares	-	-
Dividends for ordinary shares transfer into capital	-	-
Closing balance of undistributed profits	<u>-380,356,156.77</u>	<u>-364,837,764.72</u>

28. Minority interests

Investees	Proportion	30.6.2011 (CNY)	31.12.2010 (CNY)
Guoshang Property	39.00%	-4,880,475.41	-4,525,426.00

Rong Fa Investment	40.00%	<u>-204,614,502.40</u>	<u>-199,831,670.15</u>
Total		<u>-209,494,977.81</u>	<u>-204,357,096.15</u>

29. Operating Revenues and Operating Costs

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

Items	Current reporting period (CNY)			Last reporting period (CNY)		
	Operating revenue	Operating cost	Operating profit	Operating revenue	Operating cost	Operating profit
i . Main operation	6,432,929.51	6,120,785.31	312,144.20	5,816,796.33	5,448,294.02	368,502.31
Income from sales of real e	-	-	-	-	-	-
Property management						
income	6,212,929.51	5,959,431.31	253,498.20	5,816,796.33	5,448,294.02	368,502.31
Income from forestry	220,000.00	161,354.00	58,646.00			
ii . Other operation	49,271.10	9,172.20	40,098.90	186,800.00	207,430.19	-20,630.19
Disposal of investment						
property	-	-	-	120,000.00	200,044.80	-80,044.80
Rental income	49,271.10	9,172.20	40,098.90	66,800.00	7,385.39	59,414.61
Total	<u>6,482,200.61</u>	<u>6,129,957.51</u>	<u>352,243.10</u>	<u>6,003,596.33</u>	<u>5,655,724.21</u>	<u>347,872.12</u>

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

Item	Current reporting period (CNY)			Last reporting period (CNY)		
	Operating revenue	Operating cost	Operating profit	Operating revenue	Operating cost	Operating profit
Shenzhen						
City	6,039,713.41	5,667,895.57	371,817.84	6,003,596.33	5,655,724.21	347,872.12
Huizhou City	207,487.20	299,881.44	-92,394.24	-	-	-
Haikou City	15,000.00	826.50	14,173.50	-	-	-
Shaoguan						
City	220,000.00	161,354.00	58,646.00			
Total	<u>6,482,200.61</u>	<u>6,129,957.51</u>	<u>352,243.10</u>	<u>6,003,596.33</u>	<u>5,655,724.21</u>	<u>347,872.12</u>

(3) Details of operating revenues from top five clients

Clients name	Operating revenues	Proportion to total operating revenues
The First	434,911.19	6.71%
The Second	294,994.74	4.55%

The Third	187,469.77	2.89%
The Fourth	135,213.54	2.09%
The Fifth	80,348.13	1.24%
Total	<u>1,132,937.37</u>	<u>17.48%</u>

30. Business Tax and Surtax

<u>Items</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Business tax	344,214.55	307,968.28
Urban construction tax	24,447.96	3,078.56
Land Value Added Tax	-	67,016.35
Others	11,435.32	<u>2,580.46</u>
Total	<u>380,097.83</u>	<u>380,643.65</u>

31. Sale Expenses

<u>Item</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Inventory disposal	-	287,205.48
Fixed assets depreciation expenses	-	373,804.69
Total	<u>-</u>	<u>661,010.17</u>

32. Management Expenses

<u>Item</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Car Expenses	734,706.33	395,382.24
Salaries and Insurance	6,605,547.72	3,637,880.43
Labour union and staff education expenses	262,647.98	86,030.42
Social insurance expenses	920,973.90	403,659.29
Depreciation and disposal	1,180,855.55	820,347.49
Operational entertaining expenses	913,629.10	1,232,421.10
Office expenses	388,337.16	108,422.13
Water and electrical expenses	40,516.79	1,764,335.40
Message expenses	102,681.98	-
Rental expenses	928,823.20	2,435,850.40
Protecting expenses	1,036,043.18	-
Traveling expenses	145,045.50	147,154.71
Tax expenses	-90,286.57	128,966.71
Repairing expenses	1,348.80	31,450.00
Lawsuit expenses	279,054.50	-17,781.50

<u>Item</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Property managing expense	105,216.97	210,483.94
Advertisement expenses	450.00	21,000.00
Others	1,560,898.78	2,297,785.69
Total	<u>15,116,490.87</u>	<u>13,703,388.45</u>

33. Financial Expenses

<u>Items</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Interest expenses	991,504.26	23,228,199.64
Less: Interest Incomes	311,551.26	19,978.75
Exchange losses	-	5.31
Less: Exchange gains	-	-
Bank charges	329,586.57	20,683.02
Other	4,131,990.00	-
Total	<u>5,141,529.57</u>	<u>23,228,909.22</u>

34. Assets Impairment Loss

<u>Item</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Bad debts	137,982.48	<u>-20,378.16</u>

35. Investment Income

<u>Item</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Gains from transfer of equity investment	-	-

36. Non-operating Income

<u>Items</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Gains from disposal of fixed assets	1,410.00	2,913,212.64
Others	503,500.00	86,040.02
Total	<u>504,910.00</u>	<u>2,999,252.66</u>

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

37. Non-operating expenses

<u>Items</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Loss on disposal of fixed assets	47,255.54	16,699.41
default payment	2,200.00	5,149,396.59
Others	-	2,000.00
Total	<u>49,455.54</u>	<u>5,168,096.00</u>

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

38. Income Tax Expense

<u>Items</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Income tax for current period	-	-

39、Basic Earnings Per Share and Dilution of Earnings Per Share

<u>Profit in the reporting date</u>	<u>Current reporting period (CNY)</u>		<u>Last reporting period (CNY)</u>	
	<u>Basic EPS</u>	<u>Dilution of EPS</u>	<u>Basic EPS</u>	<u>Dilution of EPS</u>
Net profit belonged to company's ordinary shares' shareholder of the company	-0.070	-0.070	-0.0984	-0.0984
Net profit that discount non-usual profit and loss belonged to company's ordinary shares' shareholder	-0.072	-0.072	-0.0974	-0.0974

40. Notes to the consolidated cash flow statement

(1) . Other cash receipts in relation to operating activities

<u>Items</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Cash received from accounts balances	29,433,468.66	112,954,323.19
Others	1,014,394.47	2,305,190.27
Total	<u>30,447,863.13</u>	<u>115,259,513.46</u>

(2) . Other cash payments in relation to operating activities

<u>Items</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Cash received from accounts balances	15,683,633.08	10,418,998.69
Rent	928,823.20	2,435,850.40
Operating expenses	913,629.10	1,232,421.10
Legal fees	279,054.50	0.00

Protecting expenses	1,036,043.18	0.00
Audit fees	320,000.00	1,764,335.40
Car Expenses	734,706.33	395,382.24
Office expenses	596,236.11	466,060.78
Others	1,560,898.78	2,461,420.90
Total	<u>22,053,024.28</u>	<u>19,174,469.51</u>

41. Supplemental Information for Cash Flow Statement

<u>Supplemental informations</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
Adjusting net profit to cash flow from operating activities:		
Net profits	-15,518,392.05	-39,774,544.55
Add: Provision for assets impairment loss	137,982.48	-20,378.16
Depreciation of fixed assets、oil and gas assets and productbility biological assets	1,704,641.81	2,157,724.10
Amortization of intangible assets	417,753.35	-
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 “-“)	48,045.54	-2,816,468.43
Losses on scraped fixed assets (The gain is listed beginning with “-“)	-	-
Losses from fluctuation in fair values (The gain is listed beginning with “-“)	-	-
Financial costs (The gain is listed beginning with “-“)	7,241,529.57	23,228,204.95
Losses on investment (The gain is listed beginning with “-“)	-	-
Decrease of deferred income tax assets (The increase is listed beginning with “-“)	-	-
Increase of deferred income tax liabilities (The decrease is listed beginning with “-“)	-	-
Decrease of inventories (The increase is listed beginning with “-“)	-74,126,977.52	-3,262,921.33
Decrease of operating receivables (The increase is listed beginning with “-“)	-46,658,843.49	3,041,034.57
Increase of operating payables (The decrease is listed beginning with “-“)	57,110,060.51	31,484,005.72
Others	-	-
Net cash flow arising from operating activities	<u>-69,614,199.80</u>	<u>14,066,656.87</u>

42. Cash and Cash Equivalent

<u>Items</u>	<u>Current reporting period (CNY)</u>	<u>Last reporting period (CNY)</u>
--------------	---------------------------------------	------------------------------------

1、 Cash	170,979,778.01	<u>13,057,613.33</u>
Including: Cash on hand	373,860.53	202,642.75
Unrestricted bank deposit	170,585,917.48	12,764,635.12
Unrestricted other monetary funds	20,000.00	90,335.46
Deposit in central bank	-	-
Placement in other banks or financial institutions	-	-
Due to other banks or financial institutions	-	-
2、 Cash equivalents	-	-
Including: Bond investment due within three month	-	-
3、 Ending balance of cash and cash equivalents	<u>170,979,778.01</u>	<u>13,057,613.33</u>
Including: restricted cash and cash equivalents for the parent or subsidiaries in the Group	-	-

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

<u>Name of company</u>	<u>Relationship with the Company</u>
Baili Asia-Pacific Investment Co., Ltd	Holding 13.70% equity interests of the Company
ShenzhenTefa Group Limited	Holding 9.44% equity interests of the Company
Dahua Investment (China) Co., Ltd	Holding 7.03% equity interests of the Company
Shenzhen Maoye Shangsha Co., Ltd	Holding 6.15% 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, please refer to Note 5. 13

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

<u>Related parties</u>	<u>30.6.2011</u>		<u>31.12.2010</u>	
	<u>Balance</u>	<u>Proportion</u>	<u>Balance</u>	<u>Proportion</u>
Other accounts payables:				
Shenzhen Chunhua Medicine United Co., Ltd.	2,085,211.19	1.44%	2,085,211.19	1.17%
Shenzhen Guoshang Medicine Co., Ltd	1,474,784.89	1.02%	1,474,784.89	0.83%
Shenzhen International Enterprise Trading Co., Ltd	4,140,185.75	2.87%	4,140,185.75	2.33%
Zhengkanghao	1,597,050.00	1.11%	1,816,504.52	1.02%
Shenzhen Huangting Real Estate Group Co., Ltd	7,524,165.00	5.21%	3,224,248.50	1.82%
POWERLAND HOLDING LIMITED	6,999,584.65	4.85%	6,999,584.65	3.94%
Total	<u>23,820,981.48</u>	16.49%	<u>19,740,519.50</u>	11.11%

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, 2011, Rongfa Investment provides guarantees for mortgage property sales for RMB 15,478,761.11.

(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, 2011, Huizhou Rongfa Investment Co., Ltd provides guarantees for mortgage property sales for RMB 12,061,605.54.

2. Pledge

The Company has no other pledge event except mentioned in Notes V. 5 . 7. 8

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 above 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:

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

IX. Events after the Balance Sheet Date

On August 3rd,2011, company receive legal instruments which Shenzhen intermediate court accept and hear the case of quries of the company's dividend right changeable from Malasiya hechang father and son Co.Ltd (Below named as "hechang company"). According to plaintiff impleading presentation, hechang company and the company sign <<The changeable contract of

dividend right about Shenzhen Rongfa investment Co,Ltd> on May 13th,2001, hechang company will give holding 10% of dividend right to Shenzhen national business, the changeable expenses are RMB 20,600,000. After contract becomes effective, Shenzhen national business is not yet paid for changeable dividend fees. Hechang Company litigates and complain that the company pay for the capital of changeable dividend、interests and overdue penalty which comprises total RMB 37,077,645.55. The case relate to dividend fees of capital RMB 20,600,000 that write in the other accounts payable of the company.

Due to the case is not yet opened to hear, the law is no way to judge for the company's influence of profit in the period.

Except for above things、and ten、3 disclosed things, the company (include holding stock companies) is no existence of open and close other significant law、arbitration of things.

X. Other Significant Events

1 . For the purpose of financing the IA MALL project, the Company adopted the then prevailing financing option by entering into internal sales agreement of shops at IA MALL (hereafter, the Internal Sales Agreements) with employees. As provided by the Internal Sales Agreements, the internal sales were priced at 15,000.00/square-metre. Funding raised by the Internal Sales Agreement amounted to 34,750,984.61. The Internal Sale Agreements provide that non-delivery occurs, whether due to sales of shops by the Company to parties other than the purchasers or seizures, the Company shall reimburse the purchasers for the amount equal to the original consideration received plus 20% compensation. The provision noted in the previous sentence was approved by the 2007 2nd Meeting of the 5th Term of Board of Directors and is pending resolution by the General Meeting.

On November 13th, 2008, the Board of Director, in consideration of the special requirements of the mega shopping centre, that construction of IA MALL was yet to reach completion, and other relevant factors, approved the proposal regarding cancellation of the Internal Sales Agreements. The approval of the Board of Directors was submitted to the 2008 1st Extraordinary General Meeting held on November 29th, 2008 and was disapproved by the General Meeting. For the purpose of smooth settlement of issues surrounding the Internal Sales Agreements, the Company continued to develop feasible solution for consideration by relevant management authorities after the disapproval of the General Meeting.

On December 10th, 2010, Dacheng Law Offices issued its Legal Advice (DaCheng(Yi)Zi[2010]Di032Hao) stating that as provided by Article 58 of the Contract Law of the People's Republic of China, the Internal Sales Agreements were deemed invalid and the Company shall repay any amount received from the thirty-three purchasers plus interests calculated using the prevail lending rates for the same duration borrowing.

On December 31st, 2010, the proposal regarding settlement of the Internal Sales Agreements was approved by the 2010 4th Extraordinary General Meeting. The resolution authorised that the Company shall compensate each purchaser for an amount not exceeding 300% of the amount

originally received from that purchaser (inclusive of principal and compensation, not exceeding 45,000.00/square-metre) and shall revoke the Internal Sales Agreements upon the compensation.

On April 19th, 2011, the proposal regarding settlement of the Internal Sales Agreements was approved by the 2011 2nd Meeting of the 6th Term of Board of Directors. The resolution authorised that the Company shall reimburse any personal income tax chargeable on the purchasers arising from receipt of the compensation.

For the issues noted in the above paragraphs, the Company had cumulatively recognised loss amounting to 86,370,519.24 (including 76,907,913.24 recognised in non-operating expenses for the year ended December 31st, 2010 and 9,462,606.00 for the reporting periods prior to the year ended December 31st, 2010. As at the date of the issuance of the Financial Statements, the Company has entered into agreements directed by resolutions noted in the previous two paragraphs with ten buyers out of thirty-five buyers. Total compensation agreed by the agreements amounts to 31,893,682.70 and total size of shop area of the agreements is 606.16 square-metres. Due to disagreement on the amount of compensation, the Company has not reached agreement with the remaining twenty-five buyers. Total size of shop area of the remaining twenty-five buyers is 1,701.56 square-metres.

2. Shenzhen Rong Fa Investment Co., Ltd. and Shenzhen International Enterprise Commercial Management Co., Ltd. (previously known as Shenzhen Longgang International Arcade Co., Ltd.) disposed in full their shareholding in Shenzhen Longgang Rongfa Investment Co., Ltd. in 2001. As per agreements signed by Shenzhen Rong Fa Investment Co., Ltd. and Shenzhen YahaoYuan Investment Co., Ltd. on June 27th, 2001 and July 12th, 2002, the ownership of the land use right of a piece of land located at Rongfadong Lu, Pingdi Townshall belong to Shenzhen Rong Fa Investment Co., Ltd. The Land Serial of the land use right noted in the previous sentence is G10205—0011 and the land use right has a net carrying value amounting to 6,448,481.22 in the inventories account of Shenzhen Rong Fa Investment Co., Ltd.

Inspection of ownership revealed that the ownership of the land use right noted in the previous paragraph is registered to Shenzhen Eastern Landmark Industry Co., Ltd. (the descendants of Shenzhen Longgang Rongfa Investment Co., Ltd.), of which the registered name was changed to Eastern Landmark Group Co., Ltd. on February 14th, 2011.

3. Rong Fa Investment, a subsidiary of the Company, entered into the Property Management Contract with Shenzhen Zhongtie Property Development Co., Ltd. on February 17th, 2009. Rong Fa Investment unilaterally declared dismissal of the contract on December 8th, 2010. Shenzhen Zhongtie Property Development Co., Ltd. initiated litigation against Rong Fa Investment to Futian People's Court demand payment by Rong Fa Investment including penalty charge amounting to 5 million and other losses amounting to 8,658,315.88. On the basis of the estimate provided by the independent practicing solicitor, the Board of Directors estimated that the Company may incur contingent liabilities for the litigation for the year ended December 31st, 2010.

As at the date of issuance of the Financial Statements, the litigation is still in its due process.

XI. The changeable project of going concern competences

Until June 30th, 2011, the capital of Shenzhen National Business amounts of RMB 154,073.30, capital liabilities rate of 109.74%, and current liabilities are RMB 158,838.17. The

company has already been adopted many projects that increased item development、liquidize remnant assets、finance and so on, positively improved the competence of going concern

- a) The forestry industry item of the company goes into harvest period in 2010, and has already been disposed and received a part of capital, can acquire a little net cash inflow in 2011 and later.
- b) According to merchants' planning of the company, Crystal Island project will finish merchants' work in 2011, and start formal operation.
- c) By the end of the reporting date, the company big shareholder of Shenzhen city Huangting Real Estate Group Co,Ltd has already accepted and provided capital.
- d) The company has required loans of Crystal Island project from bank.

VII. Main Notes to Financial Statements of Parent Company

1. Other Accounts Receivable

(1) Other accounts receivable listed according to the categories

Item	30.6.2011(CNY)				31.12.2010(CNY)			
	Book value	% of total	Provision for bad debts	% of total	Book value	% of total	Provision for bad debts	% of total
Receivables of individual significance	347,863,550.09	82.19%	347,863,550.09	97.75%	336,271,697.89	82.43%	336,271,697.89	97.93%
Credit-risk-categorised receivables								
Categorisation by nature of receivables	74,487,040.40	17.60%	7,124,293.09	2.00%	70,770,198.93	17.35%	6,207,898.09	1.81%
Subtoal	74,487,040.40	17.60%	7,124,293.09	2.00%	70,770,198.93	17.35%	6,207,898.09	1.81%
Receivables of individual insignificance subject to individual assessment for impairment	900,000.00	0.21%	900,000.00	0.25%	900,000.00	0.22%	900,000.00	0.26%
Total	423,250,590.49	100.00%	355,887,843.18	100.00%	407,941,896.82	100.00%	343,379,595.98	100.00%

(2) Other accounts receivable listed according to the age

Age	30.6.2011(CNY)				31.12.2010(CNY)			
	Book value	Proportion	Provision for bad debts	Carrying value	Book value	Proportion	Provision for bad debts	Carrying value
Within year	1 6,610,066.97	8.87%	330,503.35	4.64%	17,651,131.33	4.33%	882,556.58	16,768,574.75

1-2 years	67,842,161.43	91.08%	6,784,216.14	95.23%	53,028,502.60	13.00%	5,302,850.26	47,725,652.34
2-3 years	4,800.00	0.01%	720.00	0.01%	1,500.00	0.00%	225.00	1,275.00
3-4 years	1,500.00	0.00%	300.00	0.00%	0.00	0.00%	0.00	0.00
4-5 years	-	0.00%	-	0.00%	89,065.00	0.02%	22,266.25	66,798.75
More than 5 years	28,512.00	0.04%	8,553.60	0.12%	-	<u>0.00%</u>	-	-
Total	<u>74,487,040.40</u>	<u>100.00%</u>	<u>7,124,293.09</u>	<u>100.00%</u>	<u>70,770,198.93</u>	<u>17.35%</u>	<u>6,207,898.09</u>	<u>64,562,300.84</u>

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

<u>Company name</u>	<u>Balance</u>	<u>Age</u>	<u>Nature</u>	<u>Proportion of total</u>
			<u>other accounts receivable</u>	
Shenzhen Rongfa Investment Co., Ltd	317,754,804.95	Within 1 year, 1-3 year	Current account	75.07%
Shenzhen Guoshanglinye Development Co., Ltd	73,501,401.29	Within 1 year, 1-3 years	Current account	17.37%
Shenzhen International Arcade Chain Store	17,122,151.90	4-5 years	Current account	4.05%
Shenzhen Shengang Industrial Trading Import & Export Company	10,082,131.44	More than 5 years	Please refer Note V、4、(3) note for details	2.38%
Shenzhen Gangyidongfanghui business Co., Ltd	2,904,461.80	3-4 years	Current account	0.69%
Total	<u>421,364,951.38</u>			<u>99.55%</u>

2. Long-term Equity Investment

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

<u>Items</u>	<u>30.6.2011(CNY)</u>			<u>31.12.2010(CNY)</u>		
	<u>Book value</u>	<u>Provision for impairment</u>	<u>Carrying value</u>	<u>Book value</u>	<u>Provision for impairment</u>	<u>Carrying value</u>
Long-term equity investment	79,943,991.03	14,870,094.51	65,073,896.52	79,943,991.03	14,870,094.51	65,073,896.52
Including: Investment for subsidiaries	79,943,991.03	14,870,094.51	65,073,896.52	79,943,991.03	14,870,094.51	65,073,896.52
Investment for other companies	-	-	-	-	-	-

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

<u>Name of investees</u>	<u>Initial investment</u>	<u>31.12.2010</u>	<u>Increment</u>	<u>Decrement</u>	<u>30.6.2011</u>
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		<u>cost</u>	
Shenzhen Chunhua Medicine			-
United Co., Ltd.	2,250,000.00	2,250,000.00	2,250,000.00
Shenzhen Guoshang Medicine Co.,			-
Ltd.	2,850,000.00	2,850,000.00	2,850,000.00
Shenzhen International trade			-
enterprise Co., Ltd	5,320,000.00	5,320,000.00	5,320,000.00
Shenzhen International Arcade			-
Property Management Co., Ltd	2,800,000.00	2,800,000.00	2,800,000.00
Shenzhen Rongfa Investment Co.,			-
Ltd.	35,296,718.10	35,296,718.10	35,296,718.10
Shenzhen Longgang International			-
Arcade Enterprise Co., Ltd.	21,427,272.93	21,427,272.93	21,427,272.93
Shenzhen International Arcade			-
Chain Store	10,000,000.00	10,000,000.00	10,000,000.00
Total	<u>79,943,991.03</u>	<u>79,943,991.03</u>	<u>79,943,991.03</u>

Note 1: See Note 5.13 for details of pledging of shareholding in Rong Fa Investment.

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

<u>Name of investees</u>	<u>31.12.2010</u>	<u>Increment</u>	<u>Decrement</u>	<u>30.6.2011</u>
Shenzhen Chunhua Medicine United Co., Ltd	418,949.38	-	-	418,949.38
Shenzhen Guoshang Medicine Co., Ltd.	1,375,215.11	-	-	1,375,215.11
Shenzhen International trade enterprise Co., Ltd	3,075,930.02	-	-	3,075,930.02
Shenzhen International Arcade Chain Store	10,000,000.00	-	-	10,000,000.00
Total	<u>14,870,094.51</u>	-	-	<u>14,870,094.51</u>

(4) 60% shareholding in Rong Fa Investment (amounting to 35,296,718.10) has been pledged as security for the short-term borrowing raised by Rong Fa Investment, a holding subsidiary of the Company, from Bohai International Trust Co., Ltd. The principal of the short-term borrowing amounts to 1.3 billion.

3. Operating Revenue and Operating Costs

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

<u>Items</u>	<u>Current reporting period (CNY)</u>			<u>Last reporting period (CNY)</u>		
	<u>Operating revenue</u>	<u>Operating costs</u>	<u>Operating profits</u>	<u>Operating revenue</u>	<u>Operating costs</u>	<u>Operating profits</u>
Rental income	34,271.10	8,345.70	25,925.40	51,800.00	2,698.78	49,101.22
Disposal of investment property	-	-	-	120,000.00	200,044.80	-80,044.80
Total	<u>34,271.10</u>	<u>8,345.70</u>	<u>25,925.40</u>	<u>171,800.00</u>	<u>202,743.58</u>	<u>-30,943.58</u>

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

Items	Current reporting period (CNY)			Last reporting period (CNY)		
	Operating revenue	Operating costs	Operating profits	Operating revenue	Operating costs	Operating profits
Shenzhen	34,271.10	8,345.70	25,925.40	171,800.00	202,743.58	-30,943.58

35. Supplemental Information for Cash Flow Statement

Supplemental informations	Current reporting period (CNY)	Last reporting period (CNY)
Adjusting net profit to cash flow from operating activities:		
Net profits	-9,667,205.48	-38,472,619.62
Add: Provision for assets impairment loss	12,508,247.20	44,005,982.58
Depreciation of fixed assets、oil and gas assets and productbility biological assets	522,615.20	685,701.25
Amortization of intangible assets	-	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 “-”)	5,733.88	-2,816,468.43
Losses on scraped fixed assets (The gain is listed beginning with “-”)	-	
Losses from fluctuation in fair values (The gain is listed beginning with “-”)	-	
Financial costs (The gain is listed beginning with “-”)	-10,354,438.43	-8,412,757.07
Losses on investment (The gain is listed beginning with “-”)	-	
Decrease of deferred income tax assets (The increase is listed beginning with “-”)	-	
Increase of deferred income tax liabilities (The decrease is listed beginning with “-”)	-	
Decrease of inventories (The increase is listed beginning with “-”)	-	
Decrease of operating receivables (The increase is listed beginning with “-”)	-1,389,332.72	-20,161,448.72
Increase of operating payables (The decrease is listed beginning with “-”)	8,971,388.95	11,445,854.36
Others	-	0.00
Net cash flow arising from operating activities	627,008.60	-13,695,755.65

36. Cash and Cash Equivalent

Items	Current reporting period (CNY)	Last reporting period (CNY)
1、 Cash	417,219.09	211,543.41
Including: Cash on hand	287,919.67	25,876.14
Unrestricted bank deposit	109,299.42	95,331.81
Unrestricted other monetary funds	20,000.00	90,335.46

Deposit in central bank	-	-
Placement in other banks or financial institutions	-	-
Due to other banks or financial institutions	-	-
2、 Cash equivalents	-	-
Including: Bond investment due within three month	-	-
3、 Ending balance of cash and cash equivalents	417,219.09	25,876.14
Including: restricted cash and cash equivalents for the parent or subsidiaries in the Group	-	-

VIII. Details of Extraordinary Profits or Losses

<u>Items</u>	<u>Jan-Jun 2011</u>
(1) Profit and loss from disposal of non-current assets, including the offset part of the impaired assets;	-45,845.54
(2) Unauthorized examination and approval, or lack of official approval documents, or occasional tax revenue return and abatement;	-
(3) Governmental subsidies counted into the current profit and loss, except for the one closely related with the normal operation of the company and gained constantly at a fixed amount or quantity according to certain standard based on state policies;	450,000.00
<u>Items</u>	<u>Jan-Jun 2011</u>
(4) Capital occupation fees charged to the non-financial enterprises and counted into the current profit and loss; -	-
(5) Gains when the investment cost of acquiring a subsidy, an allied enterprise and a joint venture is less than the fair value of the identifiable net assets of the invested entity;	-
(6) Profit and loss from non-monetary assets exchange	-
(7) Profit and loss from entrusting others for investment or asset management	-
(8) Retained asset impairment provisions resulting from force majeure such as natural disasters	-
(9) Profit and loss from debt restriction	-
(10) Enterprises ' reorganization fees, such as staffing expenses and integration fees	-
(11) Profit and loss that exceeds the fair value in transaction with unfair price	-
(12) Current net profit and loss of the subsidies established by merger of enterprises under unified control from the beginning of the period to the merger day	-
(13) Profit and loss on contingency that has no relation with the normal operation of the company	-
(14) Profit or loss from change in fair value by holding tradable financial assets and liabilities, and investment income from disposal of tradable financial assets and liabilities as well as salable financial assets, excluding the effective hedging businesses related with the normal operations of the company	-
(15) Switch -back of impairment provisions of accounts receivable that have undergone	-

impairment test alone;	-
(16) Profit and loss from outward entrusted loaning	-
(17) Profit and loss from the change of investment property's fair value by follow-up measurement in fair value mode	-
(18) Impact on the current profit and loss by one-off adjustment to the current profit and loss according to the requirements of the tax as well as accounting laws and rules	-
(19) Custody fees of entrusted operation;	-
(20) Other non-operating income and expenses besides the above items	-
(21) Other items that conform to the definition of extraordinary profit and loss	51,300.00
Subtotal	455,454.46
Less: Amount influenced by income tax	113,863.62
Less: Non-recurring profit attributable to minority interest	45,545.45
Total	296,045.40

IX. Yield Rate of Net Assets and Earnings Per Share

<u>Profit in the report period</u>	<u>Weighted</u>	<u>Earnings Per Share</u>	
	<u>Average Yield Rate of Net Assets</u>	<u>Basic EPS</u>	<u>Basic EPS</u>
Net profits attributable to ordinary shareholders	-33.34%	-0.070	-0.070
Net profits attributable to ordinary shareholders that have deducted extraordinary profits or losses.	-33.97%	-0.072	-0.072

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

- (1) Accounts receivable: The decrease of 42.01% from the beginning balance to closing balance, that is mainly due to receive account receivables.
- (2) Prepayment accounts: The increase of 26308.26% from the beginning balance to closing balance, that is mainly due to pay for jingdao repaired fees.
- (3) Non-current liabilities due within one year: The increase of 76.92% times from the beginning balance to closing balance, that is mainly due to decrease returning in the period..
- (4) Staff compensations payable: The decrease of 49.65% from the beginning balance to closing balance, that is mainly due to provide the beginning accrual compensations.
- (5) Long-term borrowings: The increase of 3431% from the beginning balance to closing balance, that is mainly due to increase loans in the period.
- (6) Operating Revenue: The decrease of 100% from the previous reporting period to current reporting period, that is mainly due to no operating business in the current reporting period, not

happening relevant expenses.

(7) Financial expenses: The decrease of 77.86% from the previous reporting period to current reporting period, that is mainly due to increase interest capital in the period.

(8) Non-operating income: The decrease of 83.17% from the previous reporting period to current reporting period, that is mainly due to decrease selling fixed assets in the year.

(9) Non-operating expense: The decrease of 99.04% from the previous reporting period to current reporting period, that is mainly due to provision of default payment decreased.

Note 16. Issuance of the Financial Statements

The Financial Statements was approved and declared for issuance by the Board of Directors on August 22th, 2011.

Shenzhen International Enterprise Co.,
Ltd

Page 36 to Page94 of the Financial Statements and the Notes to the Financial Statements were signed by the following management personnel:

Legal representative	Person in charge of accounting	Person in charge of accounting
Zheng Kanghao	work	department
	Chen Xiaohai	Xu Xiaoyun

Date: August 22th, 2011

Date: August 22th, 2011

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Section VIII Documents Available for Reference

The following documents are available:

- (I) The semi-annual report carrying the chairman's signature.
- (II) Accounting statements with the signatures and seals of the Legal Representative, the person in charge of the accounting work and the person in charge of the accounting department.
- (III) Original copies of all the documents and announcements of the Company disclosed on Securities Times and Ta Kung Pao (HK) in the reporting period.
- (IV) The Company's Articles of Association.
- (V) Other relevant documents.

Where the documents above can be found: the Securities Department of the Company

Chairman of the Board: Zheng Kanghao

Board of Directors
Shenzhen International Enterprise Co., Ltd.
24 August 2011