

**SHENZHEN PROPERTIES & RESOURCES
DEVELOPMENT (GROUP) LTD.**

ANNUAL REPORT 2008

April 27, 2009

Section I. Important Notes and Contents

The Board of Directors, Supervisory Committee as well as directors, supervisors and senior executives of Shenzhen Properties & Resources Development (Group) Ltd. (hereinafter referred to as the Company) warrant that this report does not contain any false or misleading statements or omit any material facts and hereby accept, individually and collectively, responsibility for the truth, accuracy and completeness of the contents of this report.

None director, supervisor or senior executives have objections to the factuality, accuracy or completeness of this Report.

All the directors of the Company personally attended the Board Meeting.

Wuhan Zhonghuan Certified Public Accountants Ltd issued audit report with standard unqualified opinion for the Company.

Mr. Chen Yugang, Chairman of the Board of the Company, Mr. Wang Hangjun, Person in Charge of Accounting Work and Ms. Shen Xueying, Manager of Financial Management Department, hereby confirm that the Financial Report enclosed in the Annual Report 2008 is true and complete.

This report has been prepared in Chinese version and English version respectively. In the event of difference in interpretation between the two versions, the Chinese version shall prevail.

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Section II. Company Profile

I. Legal Name of the Company

In Chinese: 深圳市物业（发展）集团股份有限公司

Abbr. in Chinese: 物业集团

In English: Shenzhen Properties & Resources Development (Group) Ltd. (PRD)

II. Legal Representative: Chen Yugang

III. Secretary to the Board of Directors and Securities Affairs Representative:

	Secretary to the Board of Directors	Securities Affairs Representative
Name	Fan Weiping	Liu Gang
Contract Address	42 nd Floor, International Trade Center, Renmin South Road, Shenzhen	42 nd Floor, International Trade Center, Renmin South Road, Shenzhen
Tel	0755-82211020	0755-82213742
Fax	0755-82210610, 82212043	0755-82210610, 82212043
E-mail	000011touzizhe@163.com	000011touzizhe@163.com

IV. Registered Address and Office Address: 39th and 42nd Floor, International Trade Center, Renmin South Road, Shenzhen

Post Code: 518014

Internet Web Site of the Company: www.szwuye.com.cn

V. Media Designated for Disclosing Information of the Company:

A-Share: Securities Times, B-Share: Ta Kung Pao

Internet Website Designated by CSRC for Publishing the Annual Report:

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

Place Where the Annual Report is Prepared and Placed: Office of Board of Directors, 42nd Floor, International Trade Center, Renmin South Road, Shenzhen

VI. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of Stock and Stock Code: S*ST Shen Wuye A (000011)

*ST Wuye B (200011)

VII. Registration data: Jan. 17, 1983

Address: Industrial and Commercial Administration Bureau of Shenzhen Municipal Government

Registration Code of Enterprise Business License: 440301103570124

Registered number of taxation: 440301192174135

Organization code: 19217413-5

Name and address of engaged by the Company:

Domestic Accounting Firm: Wuhan Zhonghuan Certified Public Accountants Ltd.

Address: 16th - 18th Floor, Tower B, Wuhan International Mansion

Section III. Summary of Accounting Highlights and Business Highlights

I. Accounting data of this year

Unit: Yuan

Items	Amount
Operating profit	41,193,198.72
Total profit	29,940,463.73
Net profit attributable to shareholders of the listed companies	9,829,397.29
Net profit attributable to shareholders of the listed companies after deducting non-recurring gains and losses	22,741,788.35
Net cash flow arising from operating activities	-23,702,977.51

Items of extraordinary gains and losses deducted and the relevant amount:

Unit: Yuan

Items	Amount
1. Profit and loss from disposal of non-current assets, including the offset part of the impaired assets;	37,492,848.64
2. Enterprises' reorganization fees, such as staffing expenses and integration fees	-36,643,309.35
3. Profit and loss on contingency that has no relation with the normal operation of the company	-19,481,328.37
4. Profit or loss from change in fair value by holding tradable financial assets and liabilities, and investment income from disposal of tradable financial assets and liabilities as well as salable financial assets, excluding the effective hedging businesses related with the normal operations of the company	2,496,843.45
5. Other non-operating income and expenses besides the above items	1,590,215.06
6. Other items that conform to the definition of extraordinary profit and loss	1,632,339.51
Total	-12,912,391.06

Note 1: Gains and losses from disposal of non-current assets, including offset that has been withdrew as impairment reserve of assets in current period included disposal of non-current assets, such as sales of fixed assets, transfer of long-term equity investment and liquidation of investment income and so on.

Note 2: Gains and losses from contingencies not relating to routine operation of the Company in this period was projected welfare amount for dismissal of employees. The event implemented in accordance with relevant document on state-owned enterprise of Shenzhen, which was in line with definition of non-recurring gains and losses in Explanation Public Notice on Information Disclosure of Public Offering Shares Companies No. 1-Non-recurring Gains and Losses [2008] : "Gains and losses from transactions and events that influenced correct judgment on operating achievements and profitability of the Company according to financial statements owing to its special nature and chance".

II. Major accounting data and financial indexes of the Company over the last three years

1. Main accounting data

Unit: RMB Yuan

	2008	2007	Increase/decrease from last year (%)	2006
Operating revenue	623,465,139.63	332,985,105.29	87.24%	323,027,334.95
Total profit	29,940,463.73	-29,055,405.80	-203.05%	-45,137,369.68
Net profit attributable to shareholders of the company	9,829,397.29	-27,377,663.77	-135.90%	-45,092,615.78
Net profit attributable to shareholders of the company	22,741,788.35	-88,533,913.11	-125.69%	-36,726,896.81

after deducting non-recurring gains and losses				
Net cash flow arising from operating activities	-23,702,977.51	-121,568,768.77	-80.50%	-119,001,313.20
	At the end of 2008	At the end of 2007	Increase/decrease from last year (%)	At the end of 2006
Total assets	2,110,845,898.28	1,885,257,743.24	11.97%	1,652,218,377.68
Owners' equity (or shareholders' equity)	570,615,365.41	565,896,202.38	0.83%	590,341,298.69

2. Main financial indices

Unit: RMB Yuan

	2008	2007	Increase/decrease from last year (%)	2006
Basic earnings per share	0.0181	-0.0505	-135.90%	-0.0832
Diluted earnings per share	0.0181	-0.0505	-135.90%	-0.0832
Basis earnings per share after deducting non-recurring gains and losses	0.0420	-0.1634	-125.69%	-0.0678
Fully diluted return on net assets	1.72%	-4.84%	6.56%	-7.64%
Weighted average return on net assets	1.72%	-4.75%	6.47%	-7.34%
Fully diluted return on net assets after deducting non-recurring gains and losses	3.99%	-15.64%	19.63%	-6.22%
Weighted average return on net assets after deducting non-recurring gains and losses	3.98%	-15.35%	19.33%	-5.98%
Net cash flow per share arising from operating activities	-0.0437	-0.2244	-80.50%	-0.2196
	At the end of 2008	At the end of 2007	Increase/decrease from last year (%)	At the end of 2006
Net assets per share attributable to shareholders of the company	1.0532	1.0445	0.83%	1.0896

Section IV. Changes in Share Capital and Particulars about Shareholders

I. Changes in share capital of the Company in 2008

1. Changes in shares

Unit: Share

	Before the change		Increase/decrease (+, -)					After the change	
	Amount	Proportion	Issuance of new shares	Bonus shares	Capitalization of public reserve fund	Other	Subtotal	Amount	Proportion
I. Non tradable shares			Naught	Naught	Naught	Naught	Naught		
1. Sponsors' shares									
Including: Shares held by the State	323,747,713	59.75%						323,747,713	59.75%
Shares held by domestic corporation	65,200,850	12.04%						65,200,850	12.04%
Shares held by foreign corporation									
2. Raised corporate shares									
3. Employees shares									
4. Preference shares or others									
Total non-tradable shares	388,948,563	71.79%						388,948,563	71.79%
II. Tradable shares			Naught	Naught	Naught		Naught		
1. RMB ordinary shares	91,365,299	16.86%				25900	25900	91,391,199	16.867%
2. Domestically listed foreign shares	61,450,662	11.341%				3750	3750	61,454,412	11.342%
3. Overseas listed foreign shares									
4. Shares held by senior executives frozen	34 , 651	0.006%				-29650	-29650	5,001	0.001%
Total tradable share	152,850,612	28.21%						152,850,612	28.21%
III. Total shares	541,799,175		Naught	Naught	Naught		Naught	541,799,175	

Note: Explanation on change in "Other" under "Increase/Decrease in this time" of "II. Tradable shares":

The reasons why RMB ordinary shares increased by 25900 shares are as follows:

- Lizhen, former director of the Company, left his post, and 4000 A shares held by him was released from frozen. For details please refer to "Statement of Change in Shares Subject to Trading Moratorium".
- Cha Shengming, former director of the Company, left his post, and 18150 A shares held by him was released from frozen. For details please refer to "Statement of Change in Shares Subject to Trading Moratorium".
- Liu Jiake, former supervisor of the Company, left his post, and 3750 A shares held by him was released from frozen. For details please refer to "Statement of Change in Shares Subject to Trading Moratorium".

The reasons are as follows why domestically listed foreign shares increased by 3750 shares:

Liu Jiake, former supervisor of the Company, left his post, and 3750 B shares held by him was released from frozen. For details please refer to "Statement of Change in Shares Subject to Trading Moratorium".

The reasons are as follows why shares held by senior executives decreased by 29650 shares:

- Lizhen, former director of the Company, left his post, and 4000 A shares held by him was released from frozen. For details please refer to "Statement of Change in Shares Subject to Trading Moratorium".

Subject to Trading Moratorium”.

b. Cha Shengming, former director of the Company, left his post, and 18150 A shares held by him was released from frozen. For details please refer to “Statement of Change in Shares Subject to Trading Moratorium”.

c. Liu Jiake, former supervisor of the Company, left his post, and A shares held by him was released from frozen. For details please refer to “Statement of Change in Shares Subject to Trading Moratorium”.

d. A and B Shares held by Guo Lusi, supervisor of the Company, was frozen for moratorium. For details please refer to “Statement of Change in Shares Subject to Trading Moratorium”.

Statement of Change in Shares Subject to Trading Moratorium

Name of Shareholder	Shares subject to trading moratorium at the year-begin	Shares released from trading moratorium in this year	Increase of shares subject to trading moratorium subscription in this year	Shares subject to trading moratorium at the year-end	Reason	Date of releasing
Li Zhen	A-share: 4000	4000	0	0	Shares held by former directors	27 Apr. 2008
Zha Shengming	A-share: 18150	18150	0	0	Shares held by former directors	27 Apr. 2008
Liu Jiake	A-share: 3750 B-share: 3750	A-share: 3750 B-share: 3750	0	0	Shares held by former supervisor	27 Apr. 2008
Guo Lusi	A-share: 101 B-share: 4900	0	0	A-share: 101 B-share: 4900	Shares held by directors	
Total	A-share: 26001 B-share: 8650	A-share: 25900 B-share: 3750	0	A-share: 101 B-share: 4900		

2. Issuance and listing of shares

Over the previous three years as at end of the report period, the Company issued neither new shares nor derived securities; and there were changes in neither total shares nor the structure of shares due to bonus shares and rationed shares.

On 12 Dec. 2008, the Company held the Shareholders’ General Meeting on share merger reform, and relevant scheme on share merger reform didn’t pass. Therefore, the share capital structure remained unchanged during the report period.

II. About shareholders

1. Particulars about the numbers of shareholders and shares held by shareholders

In accordance with the name list for registration provided by China Securities Depository & Clearing Corporation Limited Shenzhen Branch to the Company, shares held by the top ten shareholders and the top ten tradable shareholders as at 31 Dec. 2008:

Unit: Share

Unit: Share

Total number of shareholders		By the end of the report period, the Company has 25,845 shareholders in total, including 16,561 ones of A-share, 7,201 ones of B-share				
Particulars about shares held by the top ten shareholders						
Full name of Shareholder	Type of shareholders	Proportion (%)	Total number of shares held	Non-tradable shares held	Share pledged or frozen	
SHENZHEN CONSTRUCTION INVESTMENT HOLDINGS CORPORATION	State-owned share	59.75	323747713	323747713	0	
SHENZHEN INVESTMENT MANAGEMENT CORPORATION	Directional corporate shares	10.45	56628000	56628000	0	
SHENZHEN YIXIN INVESTMENT CO., LTD	Tradable A shares	0.73	3958348	0	0	

ZENG YING	A share: 700000 B share: 3248178	0.729	3948178	0	0
LABOR UNION OF SHENZHEN INTERNATIONAL TRADE PROPERTY MANAGEMENT COMPANY	Directional corporate shares	0.46	2516800	2516800	0
WANG ZHI HAI	Tradable A shares	0.37	2021800	0	0
SHENZHEN SPECIAL ZONE DUTY-FREE COMMODITY CO.	Directional corporate shares	0.29	1573000	1573000	0
SHANGHAI ZHAODA INVESTMENT CONSULTANT CO., LTD.	Directional corporate shares	0.19	1010000	1010000	0
SHEN LING	Tradable A shares	0.17	900800	0	0
XIA QIAN RU	B share	0.16	871264	0	0
Explanation on associated relationship among the above shareholders or consistent action	The first and second principal shareholders of the Company are managed by Shenzhen Investment Holding Co., Ltd., the actual controlling shareholder of the Company. The fifth shareholder is labor union of wholly-owned subsidiary company indirectly controlled by the Company. Except for these, the Company is not aware of whether there exists associated relationship or consistent action among the top ten shareholders holding trade shares or not.				
Particulars about shares held by the top ten tradable shareholder					
Name of shareholders		Numbers of tradable share held		Type of share	
SHENZHEN YIXIN INVESTMENT CO., LTD		3958348		Tradable A shares	
ZENG YING		3948178		A share: 700000 B share: 3248178	
WANG ZHI HAI		2021800		Tradable A shares	
SHEN LING		900800		Tradable A shares	
XIA QIAN RU		871264		B share	
ZHU YONG		730337		A share: 226600 B share: 503737	
ZHAO CHONG		716449		Tradable A shares	
YE ZHI YU		703401		Tradable A shares	
WU ZHENG FAN		636000		B share	
LIU QIU HUA		571100		Tradable A shares	
Explanation on associated relationship among the above shareholders of circulation share or consistent action		The Company is not aware of whether there exists associated relationship or consistent action among the top ten shareholders holding trade shares or not.			

Note:

Shenzhen Construction Investment Holdings Corporation still holds 485,899 corporate shares of the Company.

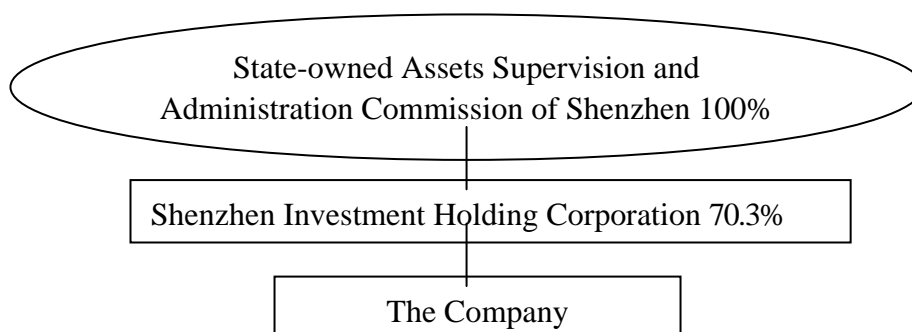
The shares held by Shenzhen Construction Investment Holdings Corporation was neither pledging or freezing in the report period.

2. About the controlling shareholder of the Company

By the end of report period, the controlling shareholder of the Company is still Shenzhen Construction Investment Holdings Corporation (“the holding company”) in register book. In 2004, Shenzhen Municipal Government incorporated Shenzhen Construction Investment Holdings with the other two municipal companies, namely Shenzhen Investment Holding Corporation and Shenzhen Trade and Business Corporation, and established Shenzhen Investment Holding Co., Ltd.. Thus, the Company’s actual controlling shareholder is Shenzhen Investment Holding Co., Ltd., a sole state-funded limited company, who was established in Oct. 13, 2004; its legal representative is Mr. Chen Hongbo and the registered capital is RMB 4 billion. Main business scope: providing guarantee to municipal state-owned enterprises, management of state-owned equity, assets reorganization of enterprises, reformation and assets operation, and equity investment and etc.. As a government department, State-owned Assets Supervision and Administration Commission of Shenzhen implemented management for Shenzhen Investment Holding Co., Ltd. on behalf of Shenzhen municipal government. Thus, the final controller of the Company is State-owned Assets Supervision and Administration Commission of Shenzhen with locating

at Investment Bldg., Shen Nan Av., Futian District, Shenzhen and postcode of “518026”.

3. The controlling relationship between the Company and the actual controller is as follows:



4. The second principal shareholder of the Company is Shenzhen Investment Holding Corporation (holding 10.45% equity of the Company), who was established in Feb. 1988, and its legal representative is Mr. Li Heihu, as well as registered capital of RMB 2 billion. It is an assets management company owned by the whole people. In accordance with the document of SGZW [2004] No. 223 “Decision on Establishing Shenzhen Investment Holding Co., Ltd.”, in 2004, Shenzhen Investment Holding Corporation incorporated with Shenzhen Construction Investment Holdings and Shenzhen Trade and Business Corporation. The corporate shares of the Company held by the aforesaid three companies were held by new company after incorporation — Shenzhen Investment Holdings Co., Ltd.

Section V. Directors, Supervisors and Senior Executives and Employee

I. About director, supervisor and senior executives

1. Basic information

Name	Title	Sex	Age	Office term	Holding shares at the year-begin	Holding shares at the year-end	+/-	Reasons of change
Chen Yugang	Chairman of the Board	Male	51	Dec. 2007-Dec. 2010	0	0	0	
Wei Zhi	Director, General Manager	Male	51	Dec. 2007-Dec. 2010	0	0	0	
Liu Guangxin	Director, Secretary of commission for disciplinary inspection	Male	50	Dec. 2007-Dec. 2010	0	0	0	
Wang Peng	Director	Male	40	Dec. 2007-Dec. 2010	0	0	0	
Wen Li	Director	Female	39	Dec. 2007-Dec. 2010	0	0	0	
Guo Liwei	Director	Male	36	Dec. 2007-Dec. 2010	0	0	0	
Li Xiaofan	Independent Director	Male	56	Dec. 2007-Dec. 2010	0	0	0	
Zha Zhenxiang	Independent Director	Male	53	Dec. 2007-Dec. 2010	0	0	0	
Dong Zhiguang	Independent Director	Male	52	Dec. 2007-Dec. 2010	0	0	0	
Cao Ziyang	Chairman of the Supervisory Committee	Male	58	Dec. 2007-Dec. 2010	0	0	0	
Wang Qiping	Supervisor, Deputy Manager of Management Dept.	Female	39	Dec. 2007-Dec. 2010	0	0	0	
Guo Lusi	Supervisor	Female	45	Dec. 2007-Dec. 2010	A-share 101 B-share 4900	A-share 101 B-share 4900	0	
Zhang Gejian	Supervisor, Deputy Manager of Auditing Dept.	Male	33	Dec. 2007-Dec. 2010	0	0	0	
Wang Xiuyan	Supervisor	Female	46	Sep. 2008-Dec. 2010	0	0	0	
Wang Hangjun	Deputy General Manager	Male	42	Dec. 2007-Dec. 2010	0	0	0	
Liu Yinghua	Deputy General Manager	Male	48	Dec. 2007-Dec. 2010	0	0	0	
Li Zipeng	Deputy General Manager	Male	42	Dec. 2007-Dec. 2010	0	0	0	
Fan Weiping	Secretary to the Board of Directors	Male	44	Jan. 2009-Dec. 2010	0	0	0	

2. Work experience of current directors, supervisors and senior executives in the last five years and post or concurrent posts in other companies excluding shareholder companies

Members of the Board of Directors:

Mr. Chen Yugang, born in September 1957, Postgraduate degree, is senior Political Worker. He gains rich experience in government administrative management and enterprise management over 20 years. He held some important posts in many municipal departments. He served as GM and Secretary of the CPC in Shenzhen Shenhua Group Company. Also, he served as GM and Vice Secretary of the CPC in Shenzhen Xianke Enterprise Group, and Deputy General Manager of Shenzhen Investment Holding Co., Ltd.. From May 2006, he has served as Secretary of CPC in the Company. And in June 2006, he was elected as Chairman of the Board of the Company. Now he acts as Secretary of CPC and Chairman of the Board in the Company.

Mr. Wei Zhi, born in November 1957, Bachelor Degree, holds the title of interpretation. He gains rich experience in enterprise management over 20 years. He ever worked in Shenzhen International Engineering Co., Ltd. as Deputy Manager of Overseas Department, in Shenzhen Zhongshen Overseas Development Company as Manager of Labor Affairs Department and Deputy General Manager, in China Shenzhen International Cooperation (Group) Co., Ltd. Hong Kong Liyuan Company as Director and General Manager, in Shenzhen Construction Investment Holdings Corporation as Deputy Manager of Overseas Department, in Shenzhen Construction Investment Holdings Corporation as Deputy Manager of Contract Department, in Shenzhen Tongde (Group) Co., Ltd as Assistant

General Manager and Deputy General Manager, in Tonge Real Estates Development Company as Chairman of the Board and General Manager. Since October 2007, he took the posts of the Vice Secretary of CPC and Standing Deputy General Manager in the Company. Since 20 Dec. 2007, he held the posts of Director of the Company. Since 15 Jul. 2008 to present, he acts as Vice Secretary of CPC, Director and General Manger of the Company.

Mr. Liu Guangxin, born in May 1958, Diploma, is an Economist. He gains experience in enterprise management over 10 years. Since May 1989, he held a job in the Company as Director of the Office in Properties Engineering Development Company, General Manager of International Trade Industrial Development Company, General Manager of International Trade Food Company, Deputy Director and Director of the GM Office of the Company, as well as Manager of Operation and Management Department of the Company. Since October 2007, he took the posts of Vice Secretary of CPC and Secretary of Discipline Inspection Committee in the Company. Since November 2007, he was appointed as Chairman of the Labor Union of the Company. Now he acts as Vice Secretary of CPC, Director, Secretary of Discipline Inspection Committee as well as Chairman of Labor Union in the Company.

Mr. Wang Peng, born in 1969, holds master degree. He once held posts in Shenzhen Construction Investment Holdings Corporation as Economist of Investment Department and Manager Assistant of Assets Sales Department. Also, he served as Deputy GM of Enterprise Reform Department in Shenzhen Investment Holding Corporation. From Oct. 2004, he has taken a job in Shenzhen Investment Holding Corporation as Deputy Department Director of Property Right Management Department as well as Deputy Director of BOD Office. Now, he holds posts as Vice Secretary of the Second Enterprise Department in Shenzhen Investment Holding Co., Ltd. and Director of the Company.

Ms. Wen Li, born in December 1969, Postgraduate Degree, Master Degree, is an Economist as well as Engineer. She gains experience in enterprise management over 10 years. She ever worked in Shenzhen Fantasia Investment Development as Assistant of Standing Deputy General Manger, Manager of Project Department, as well as Manager of Market Planning Department. Now she acts as Deputy Department Director of Investment Department of Shenzhen Investment Holding Co., Ltd., Director of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd., as well as Director of the Company.

Mr. Guo Liwei, born in 1973, Postgraduate Degree, is a master of Law. He once successively held the posts in General Department of Ping An Insurance (Group) Company of China as legal consultant, and Shenzhen Investment Management Corporation as Business Manager of Legal Affairs Department. Since October 2004, he worked in Shenzhen Investment Holding Corporation as Deputy GM of Legal Affairs Department. He now acts as Manager of the First Enterprise Management in Shenzhen Investment Holding Corporation and Director of the Company.

Members of Independent Directors:

Mr. Li Xiaofan, born in 1953, holder of Master-degree of economics with register management consultant and international professional training officer. He once successively held posts in Shenzhen System Restructuring as Vice Section Director of Enterprise Office, Chief Officer of Macro-control Office, Chief Officer of Market System Office, and Director of European office of shenzhen Government in Nurnberg, inspector of Economic & Trade Bureau. From 2002 to now, he has held posts in Shenzhen Urban

Development Research Center (Research Center of Development & Reform Bureau) as a researcher; China Consultants of Accounting and Financial Management Co. Ltd. as researcher; in China Productive Power Commission as Administrative Syndic and Deputy Secretary-general. Now he is the Independent Director of the Company.

Mr. Zha Zhenxiang, born in November 1955, Doctor Degree, holds title of Professor, and enjoys special allowance from Government of the State Council. Mr. Zha has profound theoretical basis in business management. He ever held the posts of Vice Dean in College of Economics and Management of China Agricultural University, Director of Development and Research Center of China Bao'an Group Co., Ltd., Chief Economist of Nanhai Nengxing Development Group Co., Ltd.. Now he took the posts of Dean in College of Economics and Management of Shenzhen Polytechnic and concurrently Director of Social Development Research Center, as well as Supervisor of the Company.

Mr. Dong Zhiguang, born in February 1957, Bachelor Degree, is an Senior Accountant as well as CPA. He gains experience in enterprise management over 20 years. He ever took the posts of Deputy Division Chief and Division Chief of China Construction Bank Heilongjiang Branch, General Manager of Planning & Financial Department, Chief Accountant and Director in Southern Securities Co., Ltd., and President of China Antai Group Co., Ltd.. Now he acts as Chairman of the Board in Shenzhen Osgate Trading Co., Ltd., Independent Director of Zhongti Industrial Group Co., Ltd. and of the Company.

Members of the Supervisory Committee:

Mr. Cao Ziyang, born in Mar. 1951, Diploma, is a Senior Political Worker. He gains experience in enterprise management over 30 years. He's experienced in serving in the army. He once acted as clerk of Publicity Section of Politics Ministry in Shenzhen Special Economic Zone, Section Chief of Organization Section and Secretary of Youth League Committee in Shenzhen Construction Group Co., Ltd, Department Director of HR Department in Shenzhen Eastern Development Group Corporation, Secretary of CPC in Government Office, and Chairman of Labor Union, as well as Director of CPC Office in Shenzhen Construction Investment Holding Corporation. He was transferred to the Company in Apr. 1998 and ever took the posts of Director and Deputy General Manager of the Company. He now acts as Chairman of the Supervisory Committee of the Company.

Ms. Wang Qiuping, born in January 1970, Bachelor Degree, is a Senior Economist. She worked in the Company since from 1992, and was engaged in integrated operation management and planning management in GM Office, Planning and Financial Department and Operation Management Department. Now she was appointed as Supervisor of the Company and Deputy Manager of Development Management Department.

Ms. Guo Lusi, born in August 1963, Bachelor Degree, is a Senior Political Worker. She worked in CPC Office of the Company since 2000, and successively held the post of Secretary of Youth League Committee and was concurrently commissary of the First Party general branch of Government Office. She now acts as Chairman of Labor Union in Shenzhen Huangcheng Properties Co., Ltd and Supervisor of the Company.

Mr. Zhang Gejian, born in September 1975, Bachelor Degree, is an Accountant as well as Auditor. He was engaged in internal auditing work in Audit Department of the Company since July 1997. Now he acts as Supervisor of the Company and concurrently Deputy Manager of Audit Department.

Ms. Wang Xiuyan, born in Aug. 1962, MBA degree, is an accountant. From May to Sep. 2004, she worked in Shenzhen Investment Management Corporation, once acted as secretary of the Supervisory Committee Office, Business Manager of Audit Department,

Director of Women's Labor Union, Senior Business Manager of Audit Department and Supervision Department; from Oct. 2004 to Dec. 2007, she acted as manager of Supervision and Inspection Department in Shenzhen Investment Holding Corporation; from Dec. 2007 to present, she is manager of Audit Department (the Supervisory Committee Office) in Shenzhen Investment Holding Corporation, now she is supervisor of the Company.

Senior executives:

Mr. Wang Hangjun, born in Nov. 1966, Postgraduate Students from Zhongnan University of Economics and Law, is a Master of Economics and Senior Auditor. He gains experience in enterprise management over 20 years. He ever took the posts of Deputy Section Chief of Audit Bureau of Nanshan District, Shenzhen, Deputy Department Director and Department Director of Audit Department in Shenzhen Investment Holding Corporation; Deputy Department Director and Department Director of Supervision Department in Shenzhen Investment Holding Corporation; as well as Department Director of Audit Supervision Department in Shenzhen Investment Holding Co., Ltd. From October 2007, he is working as Deputy General Manager of the Company.

Mr. Liu Yinhua, born in May 1960, Doctor Degree of Tongji University, is a Senior Engineer. He has experience in technology and administration in the field of construction. He was transferred to the Company in Sep. 1996 and took the posts of Deputy Head of Engineering Dept., General Manager of Property Management Company and Vice-Chief Engineer, as well as Chief Engineer of the Company early and late. From October 2007, he was appointed as Deputy General Manager of the Company.

Mr. Li Zipeng, was born in May 1966, Bachelor Degree from Civil Department of Huazhong University of Science and Technology. He successfully held the posts of Section Chief of Engineering, Field Manager of Real Estate Project, Principal of Housing Sale Department, Assistant General Manager, Deputy General Manager as well as General Manager in Shenzhen Huangcheng Properties Co., Ltd. (shareholding subsidiary company of the Company). From October 2007, he was appointed as Deputy General Manager of the Company and concurrently General Manager of Shenzhen Huangcheng Properties Co., Ltd, shareholding subsidiary company of the Company.

Mr. Fan Weiping, born in Apr. 1965, graduated from Southwest University of Political Science & Law and holder of postgraduate degree. He worked in Shenzhen Shenhua Group Company, successively acted as section chief of Law section of Supervisory and Audit Department; Vice Secretary and Secretary of Law Department; Assistant to General Manager; Chief Legal adviser; from Jan. 2009 to present, he acts as Secretary to the Board of Directors in the Company.

3. Particulars about annual remuneration of the Company's directors, supervisors and senior executives

Remuneration drawn by the Company's directors, supervisors and senior executives for the year 2008 are as follows (before tax):

No.	Name	Title	Annual remuneration (RMB'0000)	Remark
1	Chen Yu Gang	Chairman of the Board	24.03	
2	Wei Zhi	Director, General Manager	28.02	
3	Liu Guangxin	Director, Chairman of Labor Union	27.36	
4	Wang Peng	Director	0	Drawing salary from controlling shareholder
5	Wen Li	Director	0	Drawing salary from controlling shareholder

6	Guo Liwei	Director	0	Drawing salary from controlling shareholder
7	Li Xiaofan	Independent Director	6	Allowance for independent director
8	Zha Zhenxiang	Independent Director	6	Allowance for independent director
9	Dong Zhiguang	Independent Director	6	Allowance for independent director
10	Cao Ziyang	Chairman of the Supervisory Committee	37.91	
11	Wang Qiping	Supervisor, Deputy Manger of Management Dept.	17.64	
12	Guo Lusi	Supervisor	21.06	
13	Zhang Gejian	Supervisor, Deputy Manager of Auditing Dept.	16.59	
14	Wang Xiuyan	Supervisor	0	Drawing salary from controlling shareholder Holding a post in Sep. 2008
15	Chen Maxing	Former supervisor	0	Leaving his post in Sep. 2008
16	Wang Hangjun	Deputy General Manger	18.31	
17	Liu Yinghua	Deputy General Manger	28.82	
18	Li Zipeng	Deputy General Manger	21.59	
19	Fan Weiping	Secretary to the Board	0	Holding his post in Jan. 2009
20	Guo Yumei	Former Secretary to the Board	27.39	Leaving his post in Dec. 2008
21	Luo Rurong	Former General Manger	0	Leaving his post in Jul. 2008
22	Wei Yuxin	Former CFO	0	Leaving his post in Jul. 2008
	Total		286.72	

The Board of Directors engaged Mr. Fan Weiping as secretary to the Board on 16 Jan. 2009, and Mr. Fan Weiping didn't draw salary from the Company in 2008.

The remuneration standard of the Company's directors, supervisors and senior executives were determined in accordance with the Trial Measure on Wage Reformation of PRD examined and approved by the Shareholders' General Meeting of the Company.

4. Changes of directors, supervisors and senior executives in the reporting period and reason for change

The 4th Meeting of the 6th Board of Directors was held on 15 Jul. 2008, at which engaged as Wei Zhi as General Manager of the Company in accordance with suggestion letter from the Board of Directors of Shenzhen Investment Holding Corporation, actual controlling shareholder of the Company; meanwhile, dismissed Wei Zhi from the post of Standing Deputy General Manager, Mr. Luo Rurong from the post of General Manager and Wei Yuxin from the post of CFO.

In Sep. 2008, Mr. Chen Maxing no longer took the post of supervisor of the Company due to work transfer.

On 23 Sep. 2008, the Company held the 1st Extraordinary Shareholders' General Meeting 2008 and elected as Ms. Wang Xiuyan as supervisor of the 6th Supervisory Committee.

In Dec. 2008, Ms. Guo Yumei resigned from the post of Secretary to the Board of the Company due to personal reason.

The 10th Meeting of the 6th Board of Directors was held in 14 Jan. 2008, at which engaged Mr. Fan Weiping as Secretary to the Board of the Company. For details of changes in supervisors and senior executives, please refer to provisional public notice published in Securities Times and Hong Kong Ta Kung Pao as well as website <http://www.cninfo.com.cn> respectively on 16 Jul. 2008, 24 Sep. 2008, 27 Dec. 2008 and 15 Jan. 2009.

II. About employees

The Company has totally 2724 employees in office at present, including 1812 production personnel, 137 salespersons, 540 technicians, 78 financial personnel and 157 administrative personnel. 1200 persons graduated from technical secondary school and college or above. Presently, the Company needs to bear the expenses of 150 retirees.

Section VI Corporate Governance Structure

I. Actual status of corporate governance

In the report period, in accordance with the requirement of the Company Law, Securities Law, Code of Corporate Governance for Listed Companies and Rules for Listing Shares in Shenzhen Stock Exchange as well as relevant laws and statutes of CSRC, the Company continuously regulated and perfected corporate governance structure, established perfect internal management and control system and deepened the normative operation of the Company, which made the governance system of the Company more perfect and promote normative operation of corporate governance.

In the report period, the Company formulated Internal Control of Shenzhen Properties & Resources Development (Group) Ltd and was reviewed and approved at the 9th Meeting of the 6th Board of Directors, which controlled and guided normative operation of the Company.

By the end of report period, actual status of corporate governance was in line with relevant normative documents on corporate governance of listed companies issued by CSRC.

1. Shareholders and the Shareholders' General Meeting

Convening, holding and decision-making procedure of the Shareholders' General Meeting are in line with the requirement of the Rules for Shareholders' General Meeting of Listed Companies, Articles of Association, and Rules of Procedure of the Shareholders' General Meeting. Significant events need to be reviewed and approved by the Shareholders' General Meeting was carried out in accordance with relevant regulations. Shareholders' General Meeting was presided by Chairman of the Board, and invited lawyers to witness on the spot. The Company treated all shareholders equally, and ensured all the shareholders especially minority shareholders enjoyed equal status and exercised shareholders' right fully, meanwhile, related shareholders avoided voting for related transaction. There were no controlling shareholders who done harm to other small and medium- shareholders.

2. Directors and the Board of Directors

Member and composition of personnel are in line with laws and statutes as well as requirement of Articles of Association, and all the directors of the Company are qualified. The Company held the Board meetings and shaped the resolutions in compliance with the regulation of the Articles of Association, Rules of Procedure of the Board of Directors.

All Directors attended the Board Meetings earnestly and responsibly, made decisions carefully and expressed clear opinion on matters discussed. In a word, directors faithfully performed obligations of diligence and credibility, and protected interest of minority shareholders.

3. Supervisors and the Supervisory Committee

The Company elected supervisors strictly in accordance with relevant regulations of the Company Law and Articles of Association, and member and composition of the Supervisory Committee are in line with laws and statutes as well as requirement of Articles of Association. Supervisors of the Company exercised supervision right according to requirements of Rules of Procedure of the Supervisory Committee, effectively supervised significant events, related transactions, financial status, performance of directors and managers, faithfully performed responsibilities and protected interest of the Company and minority investors.

In the report period, former supervisor Mr. Chen Maxing no longer held the post due to job transfer, and the 1st Extraordinary Shareholders' Meeting 2008, which was held on 23 Sep. 2008, elected Ms. Wang Xiuyan as supervisor of the Company.

4. Information disclosure and transparency

The Company strengthened management on information disclosure affairs and performed obligation of information disclosure in accordance with provisions of relevant laws and statutes and Management System on Information Disclosure of the Company, designated Securities Times, Ta Kung Pao and website <http://www.cninfo.com.cn> to disclose information truly, accurately, timely and completely, and ensured that all investors of the Company gained information equally, which enhanced transparency and played important role in protection of knowing right of minority investors.

5. Managements

The Company formulated Work Rules for General Manager, held meetings of General Managers periodically, all attendees carefully discussed relevant events to be decided by managements. Managements performed duties according to provisions in Articles of Association and strictly executed resolutions of the Board of Directors, there was no behavior exceed the power. As for events that exceed limited power, the Company will submit to the Board Meeting for review and the Supervisory Committee attend the meeting, which ensure supervision and restriction of rights. There was no trendy to control by inner personnel. Managements of the Company was cautious and conscientious, strengthened normative operation in progress of operation. None violated obligation of credibility, or faithfully performed duties.

6. The Company formulated and continued to perfect and executed internal control system, financial management system, significant decision-making system, decision-making system for related transactions and other internal control systems. The Company has not perfected achievement appraisal system yet, nor equity incentive system.

7. About stakeholders

The Company adequately respected and protected legitimated equity of stakeholders, realized harmony and equality of interest of sociality, shareholders, the Company and employees, jointly advanced stable and durative development of the Company.

8. Relationship between controlling shareholder and listed company

Behavior of controlling shareholder of the Company was normative, and exercised right of provider through the Shareholders' General Meeting, never directly or indirectly intervene decision-making and operation over the Shareholders' General Meeting. Neither capital occupied by controlling shareholder, nor the Company guaranteed for controlling shareholder and its subsidiary companies.

9. About performance appraisal and incentive & restriction mechanism

The Company formulated reasonable performance appraisal system, organized work team with high efficiency, stimulated activity and creativity and promoted core competition of the Company. The Company has not executed equity incentive mechanism.

II. Duty performance of directors, Chairman of the Board and independent directors

In the report period, all the directors of the Company performed responsibilities honestly, credibly, diligently and independently, actively attended relevant meeting, carefully

reviewed resolutions of the Board Meeting, protected interest of the Company and shareholders, and protected legitimated interest of minority shareholders.

Chairman of the Company actively advanced formulation and perfection of all internal systems, strengthened construction of the Board, convening and presiding the Board Meetings and Shareholders' General Meeting in line with laws, which ensured all previous Board Meetings were held in line with laws and supervise execution of resolutions; meanwhile, Chairman of the Board created good condition for duty performance, adequately ensured knowing right of all directors; reported operation of the Board of Directors to all directors. Meanwhile, supervised other directors and senior executives participated training organized by supervision institution to study relevant laws and statutes and improve consciousness that duties performance was in line with laws.

With attitude of credibility and diligence to the Company and all shareholders, independent directors was diligent and responsible, reviewed all resolutions and expressed independent, objective and fair opinion on relevant events, which play an important role in scientificness of decision-making of the Board, durative, healthy and stable development of the Company, and prevention of risks.

Presence of independent directors at meetings

Name	Title	Times of meetings should be attended	Times of attendance in person	Times of commission attendance	Times of absence	Objection proposed
Zha Zhenxiang	Independent director	11	10	1	0	0
Dong Zhiguang	Independent director	11	10	1	0	0
Li Xiaofan	Independent director	11	11	0	0	0

III. The Company's five separations from the controlling shareholder

The Company was independent from the controlling shareholder in business, personnel, organization and finance to realize that independent personnel, independent finance, complete assets, independent organization and independent business.

(I) In aspect of business: The Company was independent from the controlling shareholder with independent and complete business and independent operation capability. There was no business which was same or competitive with the controlling shareholder.

(II) In aspect of personnel: The Company was complete independent from the controlling shareholder in terms of labor and personnel, management on remuneration. All Senior Executives drew the remuneration from the Company, and none held a post concurrently in shareholders company. Personnel of the Company are independent, all ones signed labor contract with the Company. The Company was independent from the shareholders or other related parties in personnel management, social security and salary.

(III) In aspect of asset: The Company's assets were complete and independent, the property relationship was clear. There was no capital occupation by controlling shareholder, and assets of the Company was completely independent from controlling shareholder.

(IV)) In aspect of organization: The Company's organization was independent, the shareholders' general meeting, the Board of Director, the Supervisory Committee operated independently. The controlling shareholder never intervened organization of the Company.

(V) In aspect of finance: The Company's finance was independent with independent

finance department. The Company established the independent finance settling system and financial management system, had its own finance account and paid the tax in line with laws, run finance decision-making independently.

The controlling shareholder of the Company performed normatively with no conduct that intervened with the operation decision-making and operation activities directly or indirectly over the shareholders' general meeting, however, the controlling shareholder could influence on the significant decision-making through the shares holding.

IV. Key control activities

1. Proportion of shares held by the controlling subsidiaries of the Company

No.	Full name of the company	Proportion of shares held
1	Shenzhen Huangcheng Real Estate Co., Ltd.	100%
2	Shenzhen Property & Resource Construction and Development Company	100%
3	Shenzhen ITC Vehicles Services Company	100%
4	Shenzhen Guomao Property Management Co., Ltd.	100%
5	Hainan Xinda Development General Corporation	100%
6	Shenzhen Property Engineering Project Management Co., Ltd.	100%
7	Shenzhen Guomao Catering Co., Ltd.	100%
8	Shenzhen Real Estate Exchange	100%
9	Shenye Land Development Co., Ltd.	100%
10	Shenzhen Guomao Mall Co., Ltd.	100%

Note:

Shenzhen Guomao Tian'an Property & Resources Co., Ltd., Shenzhen Guomao Tian'an Building Property Management Co., Ltd and Shenzhen Property Jifa Warehouse Co., Ltd. had no actual control power and didn't bring into consolidated statement, therefore, all these three companies was not listed in above table.

Shenzhen Real Estate Exchange was managed by Shenzhen Guomao Property Management Co., Ltd. in trust.

Shenzhen Perperties (Shanghai) Development Co., Ltd. has been canceled on 23 Dec. 2008.

2. Internal control on controlling subsidiaries

The Company brought finance, significant investment, personnel and information disclosure into unified management system and formulated unified management rules by appoint senior executives to concurrently hold the post of Chairman of the Board of Directors and control joint stock company through appointed directors and supervisors; the Company got monthly, quarterly, semi-annual and annual financial reports periodically, and function departments of the Company guided, served and supervised relevant business and management of joint stock companies; in the report period, the Company strengthened supervision on progress of operation through general budget management system and operating plan report system; strictly executed report system on significant operating events, and supervised related transactions, external guarantees, use of raised capital, significant investment and information disclosure.

3. Internal control on related transaction

The Company formulated and implemented Administrative Measures for Related Transactions, ensured that contract on related transactions signed by the Company and related parties was line with principle of fair, public and open, and performed obligation of

information disclosure timely. Related directors and shareholders withdrew from the voting when the Company implemented procedure of decision-making of the Board Meeting and the Shareholders' General Meeting, independent directors performed their responsibilities in processing of decision-making of related transactions and information disclosure. Decision-making procedure and information disclosure were in line with requirements of Rules for Listing Shares in Shenzhen Stock Exchange and Guidelines for Internal Control of Listed Companies.

4. Internal control on external guarantee

Internal control on external guarantee was in line with principle of legitimate, fair, willing and mutual benefit, and strictly control risk from guarantees. The Company confirmed examination and approval authority of the Shareholders' General Meeting and the Board of Directors on external guarantees and responsibility mechanism on violating examination and approval authority or examination procedure. Meanwhile, the Company formulated relating internal control system for external guarantees, which regulated in approval of authority, estimation and control on guarantees, control on implementation of guarantees and information disclosure of guarantees.

5. Internal control on use of raised proceeds

After the allotment of shares in 1993, the Company didn't financing through the secondary market till now. In the report period, the Company didn't disobey the regulation on use of raised proceed of Guidelines on Internal Control issued by Shenzhen Stock Exchange.

6. Internal control on significant investment

The Company formulated Administrative Measures for Project Investment, confirmed examination and approval authority and procedure of external investment, and strictly implemented in actual work. The Company set up Development Management Department, which was responsible for special research and evaluation on feasibility of significant projects, risk from investment and investment return. In the fiscal year, the Company carried out strict procedures such as review in earlier stage, research on feasibility, internal evaluation and decision-making of investment, and all decision-making of significant investment was in compliant with examination and approval procedure by the Board Meetings or the Shareholders' General Meeting in accordance with relevant statutes.

7. Internal control on information disclosure

The Company strengthened communication with investors through various channels, made effort to enhanced standardization of information disclosure, improved quality of information disclosure and protected legitimate interests of investors. The Company perfected rules for information disclosure and formulated Administrative Rules for Information Disclosure Affairs and Administrative Measures for Extend and Reception, which ensured the information disclosure was authentic, accurate, timely and fair.

Information disclosure of the Company strictly followed relevant laws and statutes, Rules for Listing Shares in Shenzhen Stock Exchange and Rules for Information Disclosure Affairs of the Company, and there was no information disclosure violating regulations.

V. Problems existing and rectification plan

1. CSRC Shenzhen Bureau inspected the Company routinely on the spot in the first half year of 2008 including corporate governance, information disclosure, finance management

and accounting disposal, and issued “Announcement on Requirement of Rectification for Shenzhen Properties & Resources Development (Group) Ltd in limited time” with document No. SZJGS Zi (2008) 74 (hereinafter refer to as “Announcement”) in Aug. 2008. The Company pay more attention after received Announcement, organized personnel to deeply and roundly analyze problems pointed in Announcement, researched and formulated specific rectification measures, and the principal leaders of the Company responsible for execution of rectification. The Company formulated Report on Implementation of Rectification proposed by Announcement, which was reviewed and approved by the 6th Meeting of the 6th Board of Directors and published in <http://www.cninfo.com.cn> dated 6 Sep. 2008.

With self-inspection of the Company, problems pointed by announcement has been rectified basically. The Company summarized rectification measures and implementation effect and prepared Summary Report on Implementation of Rectification Proposed by Announcement, which was reviewed and approved by the 9th Meeting of the 6th Board of Directors, and full text was published in <http://www.cninfo.com.cn> dated 22 Nov. 2008.

2. Offering non-public information to the principal shareholder and actual controller

In the report period, the Company reported and submitted the following non-public information to Shenzhen Investment Holding Corporation, controlling shareholder and actual controller of the Company

Date	Content	Basis	Procedure of examination and approval
Jul. 2008	Statement on Main Operating Indices from 2008 to 2010	Trial Measure for Appraisal on Operating Achievements in Office Term for Person in charge of Shenzhen State-owned Enterprises	Filled by Development Department and Financial Mananement Department, and directly submitted by Operation Department after signature and approval of Chairman of the Board, General Manager and Deputy General Manger Wang Junhang
Aug. 2008	Report on Application for Support of RMB 450 Million	-----	Reported with document after signature and approval of Director of Deputy General Manger, General Manager and Chairman of the Board. Relating departments are Financial Department and General Manager Office
Nov. 2008	Overall Budget Plan for 2009	Circular on Carrying Out Overall Budget Management on Enterprise 2009 (SGZW [2008] No. 215, STK [2008] No. 494)	Prepared by Financial Mananement Department and reported through Information System of Shenzhen State-owned Assets after review and approval by Competent Leader of the Company

As for he above non-public information, the Company has submitted document available for reference to Shenzhen Securities Regulatory Bureau.

From Jan. 2009 to publish date of public notice, the Company periodically submitted financial report of the previous month to Shenzhen Investment Holding Co., Ltd through Information System of Shenzhen State-owned Assets in accordance with Notice from Financial Budget Department of Shenzhen Investment Holding Co., Ltd, and reported to Shenzhen Securities Regulatory Bureau.

VI. . Establishment and implementation of performance appraisal and incentive mechanisms for senior executives

In the report period, the annual operating target plan 2008 was went forth to the management by the Board of Directors, at the end of the year, the implementation of profit achievement of the management and the plan of bonus distribution for the senior executives was submitted to the Board of Directors for approval after examining by Remuneration and Examination Committee under the Board of Directors, also submitted to shareholders’ general meeting for approval then carried out.

VII. Opinions on self-evaluation of internal control of the Company

In order to standardize operating management, control risks and guarantee normal development of operating business, in accordance with relevant laws, statutes and regulations such as the Company Law, Securities Law and Basic Standard for Enterprise Internal Control and combined with actuality and demand of management, the Company roundly revised internal control, formulated Internal Control System of Shenzhen Properties & Resources Development (Group) Ltd and shaped perfect internal control system, which impenetrate all links in production and operation. The practice proved that the internal control of the Company was complete, reasonable and effective. The Company set up Audit Department to responsible for supervision on execution of internal control system, evaluation of efficiency, and undertake responsibility of recognition and correction errors and proposal of suggestion.

1. Self-appraisal of the Board of Directors on internal control

The Company established internal control system in accordance with relevant laws and statutes as the Company Law and Securities Law and provisions in Guidelines of Shenzhen Stock Exchange for Internal Control of Listed Companies and Basic Standard for Enterprise Internal Control, and combined with self operating character, which incarnated legitimacy, generality, importance, validity and applicability, was in line with requirements on internal control work from CSRC and Shenzhen Stock Exchange. There was no serious deficiency in design or execution of internal control.

Report on Self-appraisal of Internal Control was published in website <http://www.cninfo.com.cn> on 27 Apr. 2009.

2. Opinions on self-evaluation on internal control of the Company expressed by the Independent Directors

In order to further carry out Notice on the Matters Concerning Carrying out a Special Campaign to Strengthen the Corporate Governance of Listed Companies (ZJGS Zi [2007] No. 28) of CSRC, Guidelines of Shenzhen Stock Exchange for Internal Control of Listed Companies and relevant spirit of public notice with No. [2008] 27 issued by CSRC on 13 Jun. 2008, the Company continuously improve corporate governance, promoted normative operation and perfected internal control management system. As independent director of the Company, we carefully verified Report on Self-appraisal of Internal Control of Shenzhen Properties & Resources Development (Group) Ltd for the year 2008, and we considered that: the Company has established complete and rigorous internal control system, which was in line with requirements of relevant laws and statutes of the state and was legitimate, reasonable and effective. Report on appraisal of internal control faithfully and objectively reflected actuality of the establishment, execution and supervision of internal control system. The Company should further strengthen execution of internal control, continue to perfect internal control system, and guaranteed long-term, stable, normative and healthy development of the Company.

3. Opinions on self-evaluation on internal control of the Company expressed by the Supervisory Committee

The Supervisory Committee of the Company expressed opinion on self-evaluation of internal control as follows:

In accordance with relevant regulation of CSRC and Shenzhen Stock Exchange, abiding by the basic principle of internal control, the Company established perfect and effective internal control system. Organization structure of internal control was complete and internal audit department performed responsibilities of auditing and supervision independently and objectively, which guaranteed execution of key activities and efficiency of supervision. Report on Self-evaluation of Internal Control faithfully and objectively reflected establishment and running of internal control system.

Along with development of operating activities, efficiency of current internal control was able to change, the Company should further strengthen establishment of internal control system to enhance execution and improve efficiency of internal control.

Section VII. Brief Introduction to the Shareholders' General Meeting

From the report period to publish date, the Company held four Shareholders' General Meeting, that is, the Annual Shareholders' General Meeting 2007, the 1st Extraordinary Shareholders' General Meeting 2008, relevant Shareholders' General Meeting relating to share merger reform and the 1st Extraordinary Shareholders' General Meeting 2009. Procedure of convening, holding and voting was in line with the requirement of Company Law, Articles of Association and relevant laws and regulations.

I. Annual Shareholders' General Meeting 2007

The Annual Shareholders' General Meeting 2007 was held at 39/F Conference room, Guomao Building, Renmin South Road, Shenzhen on 6 May 2008. Resolutions of the meeting were published in Securities Times, Ta Kung Pao and website <http://cninfo.com.cn> on 7 May 2008.

II. The 1st Extraordinary Shareholders' General Meeting 2008

The 1st Extraordinary Shareholders' General Meeting 2008 was held at 39/F Conference room, Guomao Building, Renmin South Road, Shenzhen on 23 Sep. 2008. Resolutions of the meeting were published in Securities Times, Ta Kung Pao and website <http://cninfo.com.cn> on 24 Sep. 2008.

III. Relevant Shareholders' General Meeting relating to share merger reform

Relevant Shareholders' General Meeting relating to share merger reform was held at 39/F Conference room, Guomao Building, Renmin South Road, Shenzhen on 12 Dec. 2008. Resolutions of the meeting were published in Securities Times, China Securities Journal, Shanghai Securities News and Securities Daily and website <http://cninfo.com.cn> on 15 Dec. 2008.

IV. The 1st Extraordinary Shareholders' General Meeting 2009

The 1st Extraordinary Shareholders' General Meeting 2009 was held at 39/F Conference room, Guomao Building, Renmin South Road, Shenzhen on 12 Mar. 2009. Resolutions of the meeting were published in Securities Times, Ta Kung Pao and website <http://cninfo.com.cn> on 12 Mar. 2009.

Section VIII. Report of Board of Directors

. Review of the Company's operation in the reporting period

1. Analysis of market environment

The past 2008 was an extraordinary year with China, Chinese enterprises and the 1.3-billion Chinese people experiencing one and another test such as the snow storm, the earthquake, the financial crisis, the difficulties of holding the Olympic Games, the food safety, etc.. In face of the dreadful natural disasters and the severe situations at home and abroad, the whole country united as one man and gave one of the most successful Games in the Olympic history. Also, the country withstood, in a steady manner, the first attack of the global financial crisis.

In 2008, affected by the global financial crisis resulted from the American subprime mortgage crisis and other factors, the domestic and international markets both suffered a weak demand. With the rapid changes of the economic situation, the central government accordingly adjusted the macro-control policy in 2008, from a tight monetary policy in the first half carrying down from 2007 to a policy of “maintaining the economic growth and controlling the inflation” in the middle of 2008, and then to a moderately loose monetary policy and a pro-active fiscal policy of “going all out to main the economic growth” in the second half of 2008 and the beginning of 2009. With such an adverse economic condition, the development of the physical economies at home and abroad showed a certain degree of decrease, with an obvious fall of the purchasing power. Consequently, the real estate industry highly dependent on the market economy could not be immune from the economic recession.

Highly market-oriented, the real estate industry in Shenzhen was affected badly by the crisis, with a large adjustment range. According to the statistics released in Mar. 2009 by the State Development and Reform Commission and the National Bureau of Statistics, the prices of the first-hand and second-hand houses decreased in Feb. 2009 respectively by 16.3% and 17.4% over the same period of last year, marking the decrease for a seventh consecutive month; However, as we noticed, the trading volume increased considerably over the same period of last year along with the overall decrease of the housing prices in Shenzhen. Also in 2008, the government strengthened its efforts to introduce policy-related land for residential use into the market, which put the Company under considerable operation pressure, especially with the major adjustment of the market as the overall environment, as well as the Company's main business being the real estate and its development projects being concentrated on Shenzhen. With a growing demand for “saving the market” in the domestic real estate industry in 2008, the government subsequently unveiled relevant policies, which enabled the trading volume start to increase in the market; And the growth of the trading volume was the result of a series of positive factors such as the five successive cuts of the interest rate by the central bank since Sept., the country's policies for stimulating the domestic demand, the release of the rigid demand accumulated

in the previous years, the real estate developers' taking the initiative to reduce the prices and so on; And the increase of the trading volume would promote stable confidence and alleviate the hesitancy in the market.

The management team of the Company believed that the development trend of the real estate industry lying under the market adjustment was that the housing prices in China were going rational and that the market adjustment would promote the healthy and orderly development of the industry; Due to the combined impact of the constant economic growth of China, an increasing demand for high-quality houses, the expansion of the urban population and the speeding up of the urbanization process, the issuance of the Outline of the National Overall Planning on Land Use (with the objective of keeping the crop acreage above the alarm level of 1.8 billion mu) and so on, there would still be a great housing demand in the future, with the unchanged upward trend of the medium and long-term development in the real estate industry. Comparatively speaking, in terms of the maturity, standardization level and structure, the real estate industry in Shenzhen held a leading position in the market with a high rigid demand accumulated and a large population intending to buy houses. Therefore, with a small but high-value reserve of land, the Company's main business of real estate would maintain a steady growth in the future.

2. Overall operation

In the reporting period, the Company achieved an operation income of RMB 623,465,139.63, up by 87.24% from RMB 332,985,105.29 of last year; a total profit reaching RMB 29,940,463.73, increasing by an amount of RMB 58,995,869.53 over RMB -29,055,405.80 of the previous year; and a net profit amounting to RMB 9,833,936.59, an increase of RMB 37,215,152.57 compared to last year. The considerable year-on-year increase of the Company's operation income, total profit and net profit were mainly due to that the "Imperial Garden" Project reached the settlement phase and that the revenue was carried forward.

3. Operation of main businesses

(1) Operation and scope of main businesses

The Company specialized in the real estate development as its main business, with taxi transportation service, catering business, etc. as its sideline. In 2008, the revenue generated from the main business reached RMB 600.39 million, with the profit from the main business amounting to RMB 266.71 million. And the composition of the revenue and profit generated from the main business was specified as follows:

Classified according to industries:

In terms of the business of real estate development, the income generated stood at RMB 381.64 million, with a total profit of RMB 127.07 million;

In terms of the business of property management and leasing, the income generated stood at

RMB 160.57 million, with a total profit of RMB -105.85 million;

In terms of the business of taxi transportation service, the income generated stood at RMB 46.72 million, with a total profit of RMB 0.40 million;

In terms of the commercial business, the income generated stood at RMB 2.56 million, with a total profit of RMB -0.20 million;

In terms of the business of tourism and catering services, the income generated stood at RMB 14.62 million, with a total profit of RMB -0.19 million;

Classified according to regions:

In terms of the business in Shenzhen, the income generated stood at RMB 584 million;

In terms of the business in East China, the income generated stood at RMB 11.92 million;

In terms of the business in Hainan Province, the income generated stood at RMB 3.98 million.

As could be seen from the above classification according to industries and regions, the Company's main business and profitability centered on the real estate business in Shenzhen, which took up a large proportion of the Company's operation income.

(2) Composition of the Company's main business

As for the main products taking up over 10% of the main operation income or profit, their sales revenues, sales costs and gross profit rates are detailed in the following diagram:

Unit: RMB'000

Industry	Revenue of main business		Cost of main business		Gross profit rate	
	Amount	Change over last year (%)	Amount	Change over last year (%)	Profit rate (%)	Changes over last year (%)
Real estate development	381,640	272	156,965	91.48	58.87	193.33
Property management and leasing	160,569	9.1	146,744	11.62	8.61	-39.16
Taxi passenger transportation service	46,718	24.18	22,343	17.90	52.17	5.10
Commercial business	2,559	-87.68	2,117	-89.23	17.27	221.65
Tourism and catering business	14,617	0.5	6,403	-6.95	56.19	6.71

Explanation on the profitability increase of the Company's main businesses compared to last year:

In 2008, the Company achieved an income of its main businesses amounting to RMB 600,397,693.56, and a profit generated from the main businesses reaching RMB 266,714,627.25, which showed a considerable increase from those of last year. And the reason for the increase was specified as follows:

In 2007, the Company had no real estate projects reaching the settlement phase, while in 2008, the Imperial Garden Project reached the settlement phase and the carry-over revenues contributed to the considerable increase of the Company's operation income and profit.

(3) Particulars about suppliers and customers

In its business of real estate development, the Company transferred, by means of bid invitation, its real estate projects to the company which won the award of bid. And the building contractor was responsible for the purchase of construction materials; The Company's commercial houses were sold to individual customers, with no bulk purchase as the usual case. And the sales amount to the top five customers only took up 5% of the Company's total sales.

4. Changes of the Company's asset composition in the reporting period compared to that of last year, as well as the main reasons for changes

(1) Changes of asset composition compared to that of last year

Item	31 Dec. 2008		31 Dec. 2007		Increase or decrease of the proportion in total assets (%)	Asset increase or decrease over last year (%)
	Amount (RMB, Yuan)	Proportion in total assets (%)	Amount (RMB, Yuan)	Proportion in total assets (%)		
Monetary capital	271,708,727.86	12.87%	242,161,687.34	12.85%	0.03%	12.20%
Accounts receivable	68,605,911.80	3.25%	66,415,218.51	3.52%	-0.27%	3.30%
Prepayment	2,305,629.53	0.11%	68,288,274.02	3.62%	-3.51%	-96.62%
Inventory	1,153,726,292.83	54.66%	974,256,614.17	51.68%	2.98%	18.42%
Investment real estate	224,041,978.19	10.61%	174,233,469.26	9.24%	1.37%	28.59%
Long-term equity investment	81,273,230.90	3.85%	72,204,803.43	3.83%	0.02%	12.56%
Fixed assets	104,013,870.31	4.93%	112,616,882.32	5.97%	-1.05%	-7.64%
Intangible assets	119,402,340.92	5.66%	74,066,417.06	3.93%	1.73%	61.21%

Long-term borrowings	369,000,000.00	17.48%	286,640,774.90	15.20%	2.28%	28.73%
Accounts payable	137,040,777.65	6.49%	78,261,460.46	4.15%	2.34%	75.11%
Accounts received in advance	67,150,023.78	3.18%	135,947,584.01	7.21%	-4.03%	-50.61%
Payroll payable	67,254,232.19	3.19%	31,706,522.26	1.68%	1.50%	112.11%
Tax payable	82,322,778.74	3.90%	38,959,623.05	2.07%	1.83%	111.30%
Long-term borrowings	348,229,343.34	16.50%	186,803,081.28	9.91%	6.59%	86.42%
Non-current liabilities due within one year	100,000,000.00	4.74%	239,992,263.87	12.73%	-7.99%	-58.33%
Estimated liabilities	61,254,234.44	2.90%	41,772,906.07	2.22%	0.69%	46.64%
Total assets	2,110,845,898.28		1,885,257,743.24	100%	--	11.97%

Explanation on the changes:

- 1) The monetary capital increased by 12.20% over last year, mainly due to the increase of the pre-received payment for real estate, as well as the project borrowings in the reporting period;
- 2) The accounts receivable increased by 3.30% over last year, mainly due to the increase of the rent receivable from Rainbow Department Store Co., Ltd. in the reporting period;
- 3) The prepayment decreased by 96.62% from the previous year, mainly due to that the Company's wholly-owned subsidiary finished the payment transfer of the purchased vehicle licenses for operation, which was turned into the intangible asset account for calculation in the reporting period;
- 4) The inventory increased by 18.42% compared to last year, mainly due to the increased construction expenses of the Imperial Garden Project and the **Xinhua Town** Project in the reporting period;
- 5) The investment real estate increased by 28.59% over last year, mainly due to that the inventory for rental and the fixed assets were transferred into the investment real estate (To be specific, the property of Shenzhen Guomao Mall Co., Ltd. was rent to Rainbow Department Store Co., Ltd. and the underground parking garage of the Imperial Garden was transferred into the investment real estate);
- 6) The long-term stock investment increased by 12.56% over the previous year, mainly due to that Shenzhen Guomao Oil Co., Ltd. (one of the Company's subsidiary) was not included in the consolidated statement and was measured by the cost method in the reporting period (For details, please refer to Item 2 of Note () to the financial statements);
- 7) The fixed assets decreased by 7.64% compared to last year, mainly due to that the rented fixed assets (mainly referring to the property of Shenzhen Guomao Mall Co., Ltd. rent to

Rainbow Department Store Co., Ltd.) was transferred into the investment real estate account for calculation and that part of the property of Guomao Commercial Building was sold;

8) The intangible assets increased by 61.21% over last year, mainly due to that Shenzhen ITC Vehicles Services Company won the tender and finished the transfer procedure of the operation licenses for its newly increased 100 units of red taxies, which was recorded into the intangible assets account;

9) The short-term borrowings increased by 28.73% over last year, mainly due to that Shenzhen Huangcheng Estate Co., Ltd. (one of the Company's subsidiaries) increased its borrowings for working capital in the reporting period;

10) The accounts payable increased by 75.11% compared to the previous year, mainly due to the estimated unpaid expenses for construction upon the completion of the Imperial Garden Project was transferred into the account in the reporting period;

11) The accounts received in advance decreased by 50.61% over last year, mainly due to that the delivered properties of the Imperial Garden Project in the reporting period was transferred from the accounts received in advance to the revenues;

12) The payroll payable increased by 112.11% compared to last year, mainly due to the estimated dismissal allowances caused by the employee dismissal plan in the reporting period (For details, please refer to Item 7 of Note () to the financial statement);

13) The tax payable increased by 111.30% over last year, mainly due to the increase of the business income tax and land value increment tax payable concerning the recognized income in the reporting period of the Imperial Garden Project;

14) The long-term borrowings increased by 86.42% over the previous year, mainly due to the increased borrowings for the Shengang No.1 Project by the Company in the reporting period;

15) The non-current liabilities due within one year decreased by 58.33% compared to last year, mainly due to the repayment of the mature project borrowings by the subsidiaries in the reporting period;

16) The estimated liabilities increased by 46.64% over the previous year, mainly due to the withdrawn estimated liabilities concerning the pending "Haiyi Company" lawsuit in the reporting period. For details, please refer to Item 1 (1) of Note ();

17) The total asset increased by 11.97% over last year, mainly due to the expansion of the Company's project development in the reporting period.

(2) Changes in operating expenses, management expenses, financial expenses and income tax expenses over last year, as well as main reasons for the changes

Items	Jan. 2008-Dec. 2008 (Yuan)	Jan. 2007-Dec. 2007 (Yuan)	Year-on-year Increase or decrease (±%)
Operating expenses	19,695,986.96	15,923,457.32	23.69%
Management expenses	139,121,028.95	86,870,710.57	60.15%
Financial	22,355,106.10	26,413,569.23	-15.37%

expenses				
Income tax expenses		20,106,527.14	-1,674,189.82	-1300.97%

Notes:

The increase of the operating expenses was mainly due to the increased expenses resulted from the Company's strengthened sales of projects in the reporting period;

The increase of the management expense was mainly due to the estimated dismissal allowances caused by the employee dismissal plan in the reporting period (For details, please refer to Item 7 of Note () to the financial statement);

The decrease of financial expenses was mainly due to that the Company strengthened its capital management and optimized the loans structure, which lessened the balance of the parent company's accumulative loans, and that the interest rate decreased in the second half;

The increase of income tax expenses was mainly due to the Company's increased total profit in the reporting period.

5. Items measured by fair value, as well as the held foreign-currency financial assets and financial liabilities

The Company's financial accounting was conducted on the accrued basis. Except that the transaction financial assets and the available-for-sale financial assets were measured by fair value, other assets were usually measured on the basis of the historical costs. Where the replacement cost, net realizable, capitalized value or fair value was adopted as the measurement basis, it was made sure that the amount of the determined accounting elements could be obtained and reliably measured.

(1) Items measured by fair value

Unit: RMB'0000					
Items	Amount at period-begin	Gains or losses due to fair value changes in this period	Accumulative changes of fair value recorded in the equity	Impairment withdrawn in this period	Amount at period-end
Financial assets					
Of which: 1.					
Financial assets measured by fair value and the changes were	519.27	-238.40			267.07

included in the current gains or losses					
Of which: derivative financial assets					
2. Available-for-sale financial assets	920.00				0.00
Subtotal of financial assets	1,439.27	-238.40	0.00	0.00	267.07
Financial liabilities					
Investment real estate					
Productive biological assets					
Others					
Total	1,439.27	-238.40	0.00	0.00	267.07

Notes: The financial assets measured by fair value and of which the changes were included in the current gains or losses referred to the tradable shares purchased in the secondary market; The available-for-sale financial assets referred to the tradable shares of ST Changcheng Steel, which were all sold in the reporting period, with an impact of RMB 4,835,800 on the net profit; The aforesaid financial assets were all measured at the closing price of the stock exchange as the fair value.

(2) Foreign-currency financial assets and financial liabilities held

Unit: RMB'0000					
Item	Amount at period-begin	Gains or losses due to fair value changes in current period	Accumulative fair value changes recorded into the equity	Impairment withdrawn in current period	Amount at period-end
Financial assets					
Of which: 1. Financial assets measured at fair value and the changes were included in the gains and losses of the current period	364.55	-134.74			212.63
Of which: derivative financial					

assets			
2. Loans and			
accounts receivable			
3. Financial			
assets			
available-for-sale			
4.			
Held-to-maturity			
investment			
Sub-total of financial	364.55	-134.74	212.63
assets			
Financial liabilities			

Notes: The foreign-currency financial assets held by the Company referred to the stocks listed in Hong Kong Stock Exchange purchased by Shenye Estate Development Co., Ltd. (one of the Company's subsidiaries) a few years ago, which was measured with the closing price announced by Hong Kong Stock Exchange as the fair value.

6. Changes in main items of cash flow statement in the reporting period over last year, as well as the reasons for changes

Items	2008 (RMB, Yuan)	2007 (RMB, Yuan)	Increase or decrease (%)
. Cash flow arising from operating activities			
Sub-total of cash inflows	603,187,096.63	514,025,886.91	17.35%
Sub-total of cash outflows	626,890,074.14	635,594,655.68	-1.37%
Net cash flows arising from operating activities	-23,702,977.51	-121,568,768.77	-80.50%
. Cash flow arising from investing activities			
Sub-total of cash inflows	35,019,019.26	55,375,875.61	-36.76%
Sub-total of cash outflows	18,968,420.48	8,078,776.56	134.79%
Net cash flows arising from investing activities	16,050,598.78	47,297,099.05	-66.06%
. Cash flows arising flow financing activities			
Sub-total of cash inflows	736,080,914.01	725,912,364.56	1.40%

Sub-total of cash outflows	698,793,500.31	507,789,522.99	37.61%
Net cash flows arising from financing activities	37,287,413.70	218,122,841.57	-82.91%

The net cash flows arising from operating activities were negative, with a considerably decreased gap compared to last year. This was mainly due to that the Company expanded and strengthened its main business in the reporting period by correctly seizing the opportunities in the real estate market and successfully accomplishing the sales objectives of the Imperial Garden Project, which promoted a timely inward flow of capital and an increase of property sales over last year;

The net cash flows arising from investing activities decreased compared to last year, mainly because the Company sold less financial assets than the previous year, and that the cash flows paid for purchasing fixed assets (mainly referring to the taxies newly bought by the subsidiary—Shenzhen Guomao Automobile Industrial Co., Ltd) increased over last year;

The net cash flows arising from financing activities decreased over last year, mainly because of the increase of the Company's cash payment for mature project loans, remaining loans and interest.

7. Operation and performance of the Company's main subsidiaries and joint stock companies

Unit: RMB'000

Company name	Main products	Registered capital	Total assets		Net assets		Operation profit		Net profit	
			Amount	Increase/decrease over last year (%)	Amount	Increase/decrease over last year (%)	Amount	Increase/decrease over last year (%)	Amount	Increase/decrease over last year (%)
Shenzhen Huangcheng Real Estate Co., Ltd.	Development, construction, operation and management supporting commercial service facilities at Huangcheng Port	30000	1188121	38.65	548,594	18.73	104,266	-	86576	882.37
Shenzhen ITC Vehicles Services Company	Automobile transportation of passengers and leasing of automobiles	29850	289536	25.38	40,096	7.07	935	-69.49	1211	-54.86

8. Changes of the main sales and technical personnel, as well as other information relevant to the Company's operation

In the reporting period, there existed no major changes concerning the sales and technical

personnel of the Company.

9. Special-purpose entities controlled by the Company

There existed no special-purpose entities controlled by the Company.

. Prospect of the future development of the Company

1. Risks faced by the Company, as well as the countermeasures

(1) Risks concerning policies

In Dec. 2008, the State Council unveiled 13 new rules concerning the real estate industry (Document GBF【2008】No. 131), which started to shift the tight policy implemented since 2005 in the industry to a relatively liberal one. On Mar. 2009, Guangdong Provincial Government released its supporting policy—Opinions on Promoting a Steady and Healthy Development of Real Estate Industry in Guangdong Province (YFB【2009】No.16), which put forward 15 new rules concerning the real estate market. Although not included in the Plan for Invigorating Ten industries, the real estate industry will still be part of the backbone of the national economy from the perspective of China's economic development. And the liberal policy will provide favorable opportunities for the Company's development. But it should also be noticed that the central and local governments are strengthening the low-income housing development. In the future, it is expected that the real estate market will be taken up mainly by the commercial houses and the low-income houses. The low-income houses invested and distributed by the government will promote a diversified structure of housing supply. And the price advantage of the low-income houses is estimated to bring the prices of commercial houses back to a rational position.

In 2009, the Company will bear the notion of “quality property, quality life” in mind and carefully plan the development projects; raise the standards and thoroughly improve the original design plans; control the quality and progress and strengthen the cost management; conduct strengthened sales in combination of the brand strategy, upgrade the brand value, explore the maximum value of the existing resources, and reduce the risks and other unfavorable factors.

(2) Financial risks

In the past few years, the capital for the Company's real estate development came from limited financing channels—the Company's own capital (including accounts received in advance for the commercial houses to be sold) and bank loans. Along with the construction of most of the property development projects, the Company would face a growing capital need for real estate development and its sustained development. The unfavorable economic situation, the adverse market environment, the strict approving procedures of bank loans and so on will affect the Company's collection of sales revenues and financing activities; if

the real estate market in Shenzhen goes through another large-scale adjustment, the Company may face a certain degree of fund flow pressure and debt-paying risk.

In order to prevent the risks, the Company strengthened the cash flow management by systematically planning the financing activity, applying the combination of various financial products and financing tools, and reducing the financing cost; improving the efficiency of capital use, exploring the internal potentials and activating the deposit capital, strengthening the sales to reduce the inventory and the collection of loans and improving the fund flow efficiency; establishing the monthly capital appropriation mechanism for projects; establishing the management mechanism for unified financing planning, and improving the capital use efficiency; and implementing a sound financial policy.

And the Company will make efforts to expand the financing channels and reduce the cost of capital use through liability management; developing readily marketable products according to the market changes, accelerate the fund flow and deal with the risks caused by the market changes; and give play to the brand advantage, strengthen the cost management, monitor the development and sales progress of the projects, reasonable price-making, brand integration, and management and marketing ability promotion, strengthen the sales and payment collection, and reduce the financial risks.

(3) Operation risks

In the year 2009, the macro-economic environment at home and abroad is expected to be harsh. The government set an objective of maintaining an economic growth of 8%, much lower than the previous growth rates over 10%. The economic situation in Shenzhen would be no exception. The Shenzhen government admits, “This year (2009) could be the harshest year for Shenzhen.” With the adverse macro-economic environment, it is unlikely for the real estate industry in Shenzhen to thrive. However, considering the economies’ growing strength to cope with the financial crisis, as well as the implementation of the government’s various policies to “save” the market, the real estate industry in Shenzhen, taking the lead in the in-depth adjustment, is more and more likely to bottom out.

In the operation process, the Company may face a variety of business risks such as the re-adjustment of housing price in Shenzhen, the increase of hesitancy in the market and the adjustment of the urban planning, which may create more difficulties for the Company’s project development and bring down the project profitability. If the aforesaid issues cannot be solved in time, the Company’s business performance may be affected to some degree.

The Company will control the development pace of the construction in progress and build quality housing properties. Meanwhile, it will, through brand development, improve the products’ quality and added value and explore the maximum value of the existing resources, so as to provide a qualify life for customers, a quality product for the society and a best return for the shareholders; Also, it will adopt a sound financial mechanism and maintain a good financial condition; At the same time, the Company plans to strengthen its control of

cost and cut the expenditures; It is also part of the Company's plan to strengthen marketing and planning, as well as to realize the early collection of capital; Meanwhile, the Company will seize the opportunity to purchase more land, so as to materialize its sustainable development.

Sales risks

The year 2008 witnessed a period of poor sales of the first-hand houses in Shenzhen. However, at the first quarter of 2009, the market shows a thriving trend due to the a series of favorable factors such as the five cuts of interest rate by the Central Bank since Sept. 2008, the release of the rigid demand accumulated in the past few years, and the real estate developers' taking the initiative to reduce the prices. But where the market is going remains to be seen.

Considering the total construction projects in progress, as well as its total land reserves, it is sufficient for the Company's development in the next two to three years; And most lands involved in the said projects are carried down from the previous operation, with good locations and the payment all settled, which will provide an important material basis for the Company's sustained and stable development. Still, the Company will continue to strengthen the sales through making reasonable prices and improving the management and marketing capacity.

3 Risk of shareholders' disapproval on the 2nd equity reform

As the share merger reform of listed companies is coming to the end, shareholders' participation in and profit expectation of share merger reform gradually improve. In 2009, there is a certain risk that tradable shareholders may not vote for the share merger reform of the Company, and there is also a certain risk in the adjustment of original scheme for share merger reform released by the big shareholders, which will have uncertain influence on the future development of the Company.

If the big shareholders launch the 2nd share merger reform, the Company as well as the recommending institution will communicate with the investors within a certain range. With the release of the Scheme, the Company will further communicate with all tradable shareholders in details, so that the scheme for share merger reform will balance the benefit in various aspects, and show its sincerity to non-tradable shareholders as well as protect the benefit of tradable shareholders. The Company aims at gaining support from the big shareholders through the share merger reform.

2. The competitive strengths and potential of the Company

In 2008, the Company was included among the top 500 enterprises of China real estate development in 2008 by the China Real Estate Appraisal, and as one of the top 10 competitive brands of real estate developers in Shenzhen in 2008, which was published in the general comment roll on Shenzhen property industry on Shenzhen Economic Daily. The Yu Garden developed by Huangcheng Real Estate subordinated to the Company, was

regarded as one of the top 10 famous buildings in Shenzhen property industry, and the Shen Wuye -Xin Huacheng developed by the Development Company under the Company was included in the top 10 property with highest cost performance in Shenzhen property industry. After one-year's effort, the brand of the Company's products has been further improved. Under the guidance of the Board and the Management Team, the Company carefully studies and practices the concept of scientific development, emancipates the mind and deepens the reform. With the joint effort and diligent work of the entire staff, the owners of the property have made significant achievements as well as much progress in various aspects, getting out of the difficult operation situation which had been lasting for years.

The Board and the Management Team will keep the orientation of the Company's development firmly in hand, through improving the management and working standard, enhancing the notion of "property with high quality and life of brilliance", as well as implementing a series of procedures for refined management, such as overall budget management, economic activities analysis, risk forewarning and control, human resources management, bid management system, property working conference system, system of monthly funding program for projects and evaluation system of the projects after the accomplishment. With these measures, the Company will gradually have obvious advantages in brand, team management, talents, and resources.

3. Plan in 2009

The Company expects the income from main business will be RMB 690 million, and the expenses and cost of RMB 550 million (Excluding all taxes and fees that should be deducted according to income and earnings). The Company determines that the general operation target of the Company in 2009 is: to operate steadily, deepen the reform, raise the standard, develop for progress and build up an enterprise group with strong competitiveness; to focus on major business of the real estate industry as well as develop the non-core business stably; to promote reform of operation system; to conduct strict control over the cost; to do a good job in overall budget management, bid management system, and risk management etc.; to build a solid foundation for development, continue to improve working standard, provide platform for the staff to fulfill their individual value, as well as ideal returns for shareholders.

The construction in progress and the newly-built projects are Shen Wuye-Xinhua City (original Tiankuo Yuan), Shen Wuye-Shengang No.1, Shen Wuye-Langqiao International Residence, Shen Wuye-Caitianyise, with total areas of more than 320,000 sq. m.. The construction of the new projects calls for a large amount of talents and capital, the construction of projects continues and the land reserve reduces, which all drive new requirements for the future development of the Company. In order to ensure the construction, sale, accomplishment and invitation of every project will go on as scheduled, the Company has already taken or will take the following measure:

(1) In recent years, the Company has a tendency of rapid development. It will seize the

opportunity of share merger reform to improve the quality and structure of the Company's assets, expand the space for the Company's future development, so as to lay a solid foundation for the development of the Company. It will also continue to deepen the reform and improve its competitiveness, so that it can achieve the largest long-term profits of the entire shareholders.

(2) To make detailed operation and investment plans, with close attention to the change of the market; to seize the opportunities to purchase land, explore the real estate market in the core areas and key areas of major cities and second-tier cities basing itself on Shenzhen, as well as improve the level of efficiency, benefit and management, so as to hit the target of rapid and sustainable development.

(3) To establish comprehensive finance accounting and management system as well as unify the finance accounting and management of the subsidiaries; to apply unified management and control mode to capital of the Group, comprehensively arrange the use of capital, improve the utilization rate of capital, and reduce the overall capital cost of the Group.

(4) To reduce operation cost by enhancing internal management, so as to continuously improve the level of profit; to promote various work in the reform with the target of "streamlining administration and reducing employees, improving operation efficiency, and regulating operation flow", so that the enterprise will operate more responsively to the market; to ensure the projects available for sale will be accomplished as scheduled, the sale will hit the expected target at a certain price and the construction in progress will be carried on according to the plan.

(5) To implement the guideline of "emancipating the mind comprehensively, laying a solid foundation for management, and pursuing greater development" based on the notion of "property with high quality and life of brilliance", and achieve the goal of stable and continuous development of the Company.

4. Particulars about demand for capital, plan for capital use and capital source

In 2009, with the overall construction of projects in progress and new projects, the demand for capital will be large, exceeding RMB 583 million as predicted. Therefore, in order to provide sufficient capital to satisfy the demand for business development, the Company plans to solve the capital problem by means of increasing bank loans and acquiring money through property sales.

III. Investment in the report period

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

2. Significant investment with non-raised funds, as well as their progress and profit

Project	Investment in 2008	Increase/decrease of investment compared to last year (%)	Unit: RMB' 000	
			Progress	Profit
Huangyuyuan-Yu Garden (Section A in block C of Huangyuyuan)	141,028	-0.15	Accomplished, check and acceptance	26%
Shen Wuye-Shengang No. 1 (Section A in block C of Huangyuyuan)	68,754	-7.54	Construction of the 4 th -6 th floor	—
Shen Wuye-Langqiao Residence (Block D of Huangyuyuan)	57,436	-11.1	Construction of pile foundation	—
Shen Wuye-Xinhuacheng (original B team of Fengherili)	125,956	448.95	Topped off, and in decoration	—
Total	393,174	35.40	—	—

IV. Reasons for and Influences by the Changes in Accounting Policies, Accounting Estimation and Correction of Significant Accounting Errors

1. In the reporting period, there were no changes in the accounting policies in the Company.
2. In the reporting period, there were no changes in the accounting estimations in the Company.
3. In the reporting period, there were significant accounting errors in the Company.

V. Routine Work of the Board of Directors

1. Meetings and Resolutions in the Reporting Period

In the reporting period which lasts to the date of the report's publication, the Board of Directors held 12 meetings in total.

(1) The 2nd meeting of the 6th Board was held on Apr. 14, 2008, with public notice of its resolutions published on Securities Times, Ta Kung Pao and <http://cninfo.com.cn> designated for information disclosure on Apr. 15, 2008.

(2) The 3rd meeting of the 6th Board was held on Apr. 24, 2008, which deliberated and approved the First Quarterly Report 2008, with public notice of its resolutions published on Securities Times, Ta Kung Pao and <http://cninfo.com.cn> designated for information disclosure on Apr. 26, 2008.

(3) The 4th meeting of the 6th Board was held on Jul. 15, 2008, with public notice of its resolutions published on Securities Times, Ta Kung Pao and <http://cninfo.com.cn> designated for information disclosure on Jul. 16, 2008.

(4) The 5th meeting of the 6th Board was held on Aug. 12, 2008, which deliberated and approved the Semi-Annual Report 2008, resolution of rolling over the loan of RMB 150 million, and proposal on establishment of Huiyang Branch. The public notice of its resolutions was published on Securities Times, Ta Kung Pao and <http://cninfo.com.cn> designated for information disclosure on Aug. 14, 2008.

(5) The 6th meeting of the 6th Board was held on Sep. 5, 2008, with public notice of its resolutions published on Securities Times, Ta Kung Pao and <http://cninfo.com.cn> designated for information disclosure on Sep. 6, 2008.

(6) The 7th meeting of the 6th Board was held on Oct. 24, 2008, which deliberated and approved the Third Quarterly Report 2008, Proposal on Special System of preventing the controlling shareholders and affiliated parties appropriating capital, resolution of adjusting the accounts receivable and resolution of adjusting budget plan 2008. The public notice of its resolutions was published on Securities Times, Ta Kung Pao and <http://cninfo.com.cn> designated for information disclosure on Oct. 27, 2008.

(7) The 8th meeting of the 6th Board was held on Oct. 31, 2008, which deliberated and approved the resolution of rolling over loans of the “Shen Wuye-Xin Huacheng” project and the resolution of disposing 7 units on 35th floor of International Trade Commercial Building.

(8) The 9th meeting of the 6th Board was held on Nov. 20, 2008, with public notice of its resolutions published on Securities Times, Ta Kung Pao and <http://cninfo.com.cn> designated for information disclosure on Nov. 22, 2008.

(9) The 10th meeting of the 6th Board was held on Jan. 14, 2009, with public notice of its resolutions published on Securities Times, Ta Kung Pao and <http://cninfo.com.cn> designated for information disclosure on Jan. 15, 2008.

(10) The 11th meeting of the 6th Board was held on Jan. 23, 2009, with public notice of its resolutions published on Securities Times, Ta Kung Pao and <http://cninfo.com.cn> designated for information disclosure on Jan. 24, 2008.

(11) The 12th meeting of the 6th Board was held on Feb. 9, 2009, with public notice of its resolutions published on Securities Times, Ta Kung Pao and <http://cninfo.com.cn> designated for information disclosure on Feb. 10, 2008.

(12) The 13th meeting of the 6th Board was held on Apr. 7, 2009, which deliberated and

approved the resolution of purchasing the 2nd stage of the International Trade Plaza and some of the retail shops at the annex of International Trade Commercial Building. All of resolutions of the Board meetings have been submitted to Shenzhen Stock Exchange for record.

(II) Implementation of the Resolutions Made at the Shareholders' General Meeting by the Board

In the reporting period, the resolutions of the Shareholders' General Meeting were implemented effectively.

(1) The Shareholders' General Meeting deliberated and approved:

Report on Work of the Board 2007, Report on Work of the Supervisory Committee 2007, Annual Auditing Report 2007, Annual Report 2007, Profit Distribution Preplan 2007, Rewards and Remuneration Distribution Preplan for Directors and Supervisors, Annual Budget Report 2008, Work Rules for Independent Directors, Administrative Rules governing Affiliated Transactions, and Resolution of reappointment of the CPAs.

The relevant issues of the Shareholders' General Meeting have been all implemented. Independent Directors perform their duty and express independent opinions on relevant issues, based on Work Rules for Independent Directors. The formulation of Rules governing Affiliated Transactions has further improved the internal control system of the Company, providing system support to affiliated transactions and regulating the procedures of affiliated transactions.

(2) The 1st Extraordinary Shareholders' General Meeting in 2008 deliberated and approved: the Resolution of applying for a loan of RMB 640 million from financial institutions, Resolution of the controlling shareholder providing guarantee for loans and entrust loans of the Company, Resolution of revising Work Rules for the Board, Resolution of adjusting remuneration scheme of Independent Directors and Resolution of Electing Supervisors of the Company.

In order to implement the Resolution of applying for a loan of RMB 640 million from financial institutions, the subsidiary of the Company—Shenzhen ITC Vehicles Services Company applied for a loan of RMB 50 million from Agriculture Bank of China Shenzhen East Branch.

In order to implement the Resolution of the controlling shareholder providing guarantee for loans and entrust loans of the Company, the controlling shareholders of the Company--Shenzhen Investment Holding Co., Ltd entrusted China Everbright Bank Shenzhen Jingtian Branch to lend capital of its own of RMB 150 million to the Company,

The Board has accomplished the revision of Work Rules for the Board and convened the meeting as well as voted on the resolutions stringently based on the revised Work Rules. Therefore, the Resolution of revising Work Rules for the Board has been implemented.

The Company implemented Resolution of adjusting remuneration scheme of Independent Directors, through timely and sufficient distribution of remuneration to Independent Directors base on the new remuneration scheme of Independent Directors.

As Supervisor of the Company Chen Maxing changed his job, he would no longer work as Supervisor of the Company. Ms. Wang Xiuyan was elected as Supervisor of the Company and she fulfilled her duty as a Supervisor diligently. Therefore, the Resolution of Electing Supervisors of the Company has been implemented.

So the resolutions at the Shareholders' General Meeting have been executed well.

(3) The 1st Extraordinary Shareholders' General Meeting in 2009 has deliberated and approved the Resolution of applying for a loan of RMB 240 million from financial institutions.

The subsidiary of the Company—Shenzhen Huangcheng Real Estate Co., Ltd applied for a real estate development loan of RMB 240 million from Agriculture Bank of China Shenzhen East Branch, with a time limit of 3 years. Up to the date of the Report's publication, RMB 200 million has been transferred into the account.

(III) Duty performance of the Audit Committee under the Board

The Audit Committee under the Board of the Company consists of 3 Directors, including 2 Independent Directors, with the post of Chairman of the Committee held by Independent Director Mr. Dong Zhiguang. According to the requirement of CSRC and Shenzhen Stock Exchange as well as the Work Rules for the Audit Committee under the Board, the Audit Committee had launched a series work for 2008 annual auditing and fulfilled the following duties with diligence and responsibility:

1. Before the formal entry of the CPAs, the Audit Committee consulted with the CPAs to determine the work plan for annual auditing of financial report, and urged the CPAs to submit the auditors' report as scheduled.
2. The Audit Committee issued the preliminary opinion after reviewing the financial statements compiled by the Company: the Financial Statements 2008 of the Company had been complied according to the provision of Accounting Standard for Business Enterprises, and it had reflected the actual operating situation and cash flow of the Company as at Dec. 31, 2008. The Committee urged the managements of the Company to cooperate with Wuhan Zhonghuan Certified Public Accountants to carry out the auditing of the financial statements in 2008, and communicated fully with the CPAs on the auditing adjustment.
3. After the entry of the CPAs, the Audit Committee under the Board communicated with the CPAs responsible for the Company's annual audit on the problems occurring in the auditing process. The Audit Committee under the Board came up with the second opinion

after reviewing the Financial Statements of the Company as soon as the CPAs issued the preliminary audit opinion: the Financial Statements 2008 of the Company was complied strictly according to the provision of Accounting Standard for Business Enterprises and Accounting System for Business Enterprises, as well as in compliance with the New Accounting Standards and relevant documents issued by the Ministry of Finance. The notes to the financial statements were complied in line with relevant regulations issued by CSRC. The financial statements and the notes to financial statements objectively and fairly reflected the financial status, business achievement and cash flow of the Company as at Dec. 31, 2008.

4. In the opinion of the Audit Committee, the financial statement 2008 was to be submitted to the Board of Directors for deliberation and approval because the first draft of the Auditors' Report 2008 was complied according to the requirement of New Accounting Standard and the actual situation of the Company. The Audit Committee approved the summary of the auditing work in 2008 done by Wuhan Zhonghuan Certified Public Accountants, as well as issued opinion on whether to reengage Wuhan Zhonghuan Certified Public Accountants as the audit institution of the Company in 2009.

The Audit Committee has fulfilled its duty with responsibility, brought its supervisory function into due play, and ensure the independence of auditing, in the compliance of the Financial Statements 2008.

(IV) Performance of the Remuneration and Appraisal Committee under the Board

The Remuneration and Appraisal Committee under the Board consisted of 3 Directors, including 2 Independent Directors, and the post of Chairman of the Committee is held by Independent Director Mr. Li Xiaofan. In the reporting period, the Remuneration and Appraisal Committee under the Board of the Company fulfilled its duty carefully according to its Work Rules, including taking charge of formulating performance evaluation standard and scheme for Directors and administrative personnel of the Company, conducting assessment on them, as well as actively participating in the discussion about the appraisal method and remuneration system, which can adapt to the long-term development strategy of the Company as well as increase the enthusiasm of the Management Team.

VI. Profit Distribution Preplan or Preplan of Turning the Capital Reserve into Share Capital 1. Profit Distribution Preplan 2008

According to Accounting Standard for Business Enterprises 2006, the investment of the Company to the subsidiaries was measured at its cost. The profit of the affiliated enterprises that has not been declared for dividends distribution will not be included in the profit of the parent company; therefore, there will be an obvious difference between the profit of the parent company and that in the consolidated statement. Yet, according to the Company Law, the profit distribution and withdrawal of capital reserve shall be mainly based on the parent company.

Audited by Wuhan Zhonghuan Certified Public Accountants Co., Ltd, the consolidated net

profit of the Company belonging to shareholders of the parent company was RMB 9,829,397.29 in 2008, the consolidated retained profit at the beginning of 2008 was RMB -67,197,819.73, and the cumulative consolidated retained profit as at 31 Dec. 2008 was RMB -55,930,192.11; the net profit of parent company was RMB -26,155,872.73 in 2008, and the retained profit of parent company at the beginning of 2008 was RMB -401,572,877.40. The cumulative retained profit of parent company as at 31 Dec. 2008 was RMB -427,728,750.13.

3. Cash Dividends in Last Three Years

Year	Amount of cash dividends	Net profit belonging to shareholders of the parent company	Consolidated net profit belonging to shareholders of the parent company	Percentage in the net profit belonging to shareholders of the parent company	Percentage in the consolidated net profit belonging to shareholders of the parent company
2007	0.00	-27,611,609.45	-27,377,663.77	0.00	0.00
2006	0.00	-24,688,983.24	-45,092,615.78	0.00	0.00
2005	0.00	79,490,748.81	76,076,609.57	0.00	0.00

VII. Other Events

1. Special explanation and independent opinion of Independent Directors on external guarantee of the Company

Based on the provisions in the Articles of Association and Notice on Regulating the Capital Transaction Between Listed Companies and the Affiliated Parties, as well as Some Problems in External Guarantee of Listed Companies (ZJF [2003] No. 56), we checked over the external guarantee of the Company with serious and responsible attitude, and explanation on relevant situation is as follows: the amount of external guarantee in the reporting period was RMB 0, the balance of external guarantee at the end of the reporting period was RMB 0; the guarantee for the subsidiaries in the reporting period was RMB 300 million and the balance of guarantee for the subsidiaries at the end of the reporting period was RMB 300 million.

We believe that the Company has strictly followed the provisions in the Articles of Association and Notice on Regulating the Capital Transaction Between Listed Companies and the Affiliated Parties, as well as Some Problems in External Guarantee of Listed Companies (ZJF [2003] No. 56), regulated the behavior of external guarantee, and controlled the risk of external guarantee. In the reporting period, there was no illegal guarantee.

2. In the reporting period, the Company designated Securities Times and Ta Kung Pao as the newspapers for information disclosure, and no change has been made.

Section IX Report of the Supervisory Committee

I. Work of the Supervisory Committee

In 2008, the Supervisory Committee of the Company held 6 meetings in total:

(I) The 1st meeting was held on Apr. 14, 2008 at the meeting room of the office building of the Company, which deliberated and approved the Report on the work of the Supervisory Committee 2007, Annual Report 2007 and its Summary, Profit Distribution Preplan 2007, Resolution of adjusting the items in balance sheet at the beginning of 2007, Resolution of withdrawing various reserves, Resolution of reducing impairment for assets, List of capital appropriation by controlling shareholders and other affiliated parties, and the Self-Appraisal of Internal Control.

2. The 2nd meeting was held on Apr. 24, 2008 at the meeting room of the office building of the Company, which deliberated and approved the First Quarterly Report 2008.

3. The 3rd meeting was held on Jul. 15, 2008 at the meeting room of the office building of the Company, which deliberated and approved the Self-Check Report on Capital Appropriation by the Big Shareholders and the Affiliated Parties.

4. The 4th meeting was held on Aug. 12, 2008 at the meeting room of the office building of the Company, which deliberated and approved the Semi-Annual Report 2008 and its Summary.

5. The 5th meeting was held on Sep. 5, 2008 at the meeting room of the office building of the Company, which deliberated and approved the Report on implementing the notice of on-site inspection and rectification. Besides, the Committee agreed to elect Ms. Wang Xiuyan as a supervisory candidate, and submitted the proposal to Shareholders' General Meeting for approval, so as to fill the vacancy in the Committee due to the resignation of original Supervisor Mr. Chen Maxing.

6. The sixth meeting was held at the conference room of the office building on 24 Oct. 2008, at which examined the Third Quarterly Report 2008 and Supervision Opinion on Carrying out Corporate Governance and Report on Rectification Measures.

(II) In the reporting period, by attending all sessions of the Board and the shareholders' general meetings as non-voting delegate, all members of the Supervisory Committee participated in the discussion on significant decision-making and conducted supervision over the proposals reviewed by the Board of Director and the shareholders' general meeting, as well as holding procedure of the meetings in accordance with the law.

(III) In the reporting period, by paying close attention to the management and operation of the Company and seriously supervising the Company's financing and capital operation, as

well as inspecting the Board's and management team's official acts, the Supervisory Committee safeguarded normal of behaviors of the Company's operation and management.

II. Independent opinions given by the Supervisory Committee on relevant issues of the Company

1. Operation in line with the law:

In the reporting period, by being legal and valid decision-making procedure, doing a nice job of implementing the shareholders' general meeting's and the Board's resolutions, and improving and perfecting internal control system, the Company set up quite perfect check-and-balance system among operating body, decision-making body and supervision body. The directors, managers and other senior management staffs devoted to their duty with clean and diligent manner without finding any behavior in violation of the laws, regulations and the Articles of Association of the Company or doing harm to the interests of the Company's shareholders when performing their duties.

2. Inspection of financial status:

As effectively supervised, inspected and reviewed the financial status and business performance for 2008, the Supervisory Committee believed that the Company set up sound financial system, perfect internal control system, standard financial operation and good financial status. And the audit report for the reporting period has given a true, objective and complete reflection of the Company's financial status and business performance.

3. Review of internal control

The quite perfect internal control system had been set up by the Company and could have been carried out effectively. The self-appraisal report 2008 on internal control has given a true and objective reflection of the establishment and operation of the Company's internal control system.

4. Input of raised funds

In the reporting period, no funds were raised during the reporting year.

5. Related transaction

The decision-making procedure of the Company was in compliance with the provisions stipulated in the laws, regulations and the Articles of Association, of which justification was conducted based on the pricing principles of making compensation for equal value and fair market price without violating the principles of openness, fairness and justice, and have not do harm to interests of the Company and minority shareholders.

6. Disposal of assets

In the reporting period, the business of assets disposal was standard, which was in conformity with the legal procedure. The said transaction was objective, just and fair without insider dealing, and failed to do harm to interests of the Company and the shareholders.

Section X. Significant Events

I. The significant lawsuits or arbitrations

1. During the reporting period, there was no new significant lawsuit or arbitration.
2. During the reporting period, progress of the significant lawsuits or arbitrations disclosed over the previous years:

(1) About case of “Haiyi Company” disclosed in the Annual Report 2007 and Semi-annual Report 2008, the Company submitted petition for retrial to the Supreme Court and the case is still in the trial process.

On 7 Apr. 2008, the Company received 34 reply enforcement notices served by Shenzhen Intermediate People's Court, which the eight companies such as Haiyi Industrial (Shenzhen) Co., Ltd. filed an application of resumption with Shenzhen Intermediate People's Court to execute judgment made by Guangdong Higher People's Court in 1999. Hereto, the Company had disclosed the relevant information by the extraordinary public notice on 16 July 2008, which was published on Securities Times and Ta Kung Pao, as well as <http://www.cninfo.com.cn>.

For purpose of safeguarding legal rights and interests of the Company and all shareholders, the Company has proposed opposition to enforcement in accordance with the laws.

(2) Regarding case of “Jiyong Company” disclosed in the Annual Report between 2000 and 2007 and Semi-annual Report 2008, the other properties of Jiabing Mansion the Company has filed for sealing up in this case was released from seizing automatically. The Company has applied for resumption execution. At present, the case is under pending review from the Court.

(3) As for case of the Company putting an action against Guomao Jewelry Co., Ltd. located in Shengfeng Road, Shenzhen, which was disclosed in the Annual Report between 2005 and 2007 and Semi-annual Report 2008, Shenzhen Intermediate People's Court has made the trial of first instance in Sep. 2007, which Guomao Jewelry Co., Ltd. would bear debts of RMB 32,524,650.45, Lin Ruohua, legal representative of Guomao Jewelry Co., Ltd., would undertake joint discharge responsibility within the scope of RMB 10,053,000. Hereto, the Company had disclosed the progress of the case by the extraordinary public notice on 13 Sep 2007. At present, the said case has come into force, but Guomao Jewelry and Lin Ruohua did not execute the judgment.

(4) With contract dispute on “Duokuai Elevator” disclosed in Annual Report between 2006 and 2007 and Semi-annual Report 2008, Shenzhen Intermediate People's Court made the civil judgment with (2006) SZFMWC Zi No. 116, hereafter, Huangcheng Real Estate appealed for revision, Shenzhen Municipal People's Procuratorate issued Prosecutorial Advisory Letter with SJMXJ (2007) No. 5, which it advised Shenzhen Intermediate People's Court to make retrial on the said case because it believed that the original judgment was found to be based on unclear facts.

(5) With regard to case of “Meisi Company Lawsuit” disclosed continuously by the Company in Annual Report between 2004 and 2007, extraordinary public notice on 15 Apr.

2006, extraordinary public notice on 5 Aug. 2006, extraordinary public notice on 11 Apr. 2007, extraordinary public notice on 19 May 2007, extraordinary public notice on 26 Feb. 2008, extraordinary public notice on 3 Jun. 2008, extraordinary public notice on 31 Dec. 2008 and extraordinary public notice on 13 Feb. 2009, a civil action against the Company and Luohu Economic Development Co., Ltd. (as joint defendants) was taken by Meisi Company to Shenzhen Municipal Futian District People's Court, hereafter, the Company considered that the object of action is the larger, belonging to the case with significant influence within the area, which Shenzhen Intermediate People's Court should have the jurisdiction over the case. the Company, in accordance with the provisions of the Law of Civil Procedure of the PRC, raised its objection at the time of submitting a written reply to claim for transferring the case to Shenzhen Intermediate People's Court for trial. As examined and checked, Shenzhen Municipal Futian District People's Court believed that the said objection is tenable and decided to transfer the case to Shenzhen Intermediate People's Court for trial, and provided for the service of notice ((2009) SFFMSC Zi No. 939) to the Company in Mar. 2009.

(6) Concerning case of "Guarantee for Gintian", the Company, in accordance with the Mutual Guarantee Agreement, refunded debts of RMB 48 million to Cinda Assets Company Changchun Office instead of Gintian Industrial (Group) Co., Ltd. (hereinafter referred to as "Gintian Company"). The Company appealed a Payment Order to Shenzhen Municipal Luohu District Court to claim for RMB 48 million from Gintian Company in order to seek compensation of RMB 48 million from Gintian Company, Luohu District Court served the Payment Order with (2005) SLFLD Zi No. 8 in line with laws. The said Payment Order has become effective. At present, the said case is under execution.

In accordance with the Mutual Guarantee Agreement, the Company refunded debts of RMB 6 million and relevant expenses to Agricultural Bank of China Shenzhen Branch instead of Gintian Company, the Company would pursue recovery against Gintian Company in line with the laws.

II. Equity of other listed companies held and traded by the Company

1. Securities investment

No.	Type of securities	Stock code	Short form of Stock	Initial investment (RMB Yuan)	Number of shares held	Book value at year-end	Percentage of total securities investment at the year-end (%)	Profits and losses in the reporting period
1	HONG KONG stock	688	CHINA OVERSEAS	617,903.24	202,500	1,925,143.61	72.08%	-986,791.41
2	Shenzhen A Share	000001	Shenzhen Development A	793,620.71	47,190	446,417.40	16.72%	-969,282.60
3	HONG KONG stock	014	HYSAN DEV	101,594.88	6,000	66,248.33	2.48%	-53,348.92
4	Shenzhen A Share	000030	ST Sunrise	268,735.50	30,000	63,900.00	2.39%	5,500.00
5	HONG KONG stock	3311	CHINA STATE CON	34,217.72	48,000	57,147.12	2.14%	-76,368.60

6	HONG KONG stock	144	CHINA HOLD	MER	59,263.68	4,000	52,843.45	1.98%	-122,262.49
7	HONG KONG stock	455	YUNNAN ENTER		12,787.55	50,000	18,078.95	0.68%	-19,546.73
8	Shanghai A Share	601958	Jin Mu Gu Fen		16,570.00	1,000	10,070.00	0.38%	-6,500.00
9	Shanghai A Share	780186	CRCC		9,080.00	1,000	10,040.00	0.38%	960.00
10	HONG KONG stock	480	HKR INT'L		14,551.35	4,400	6,557.81	0.25%	-23,081.50
Other securities investment at term end					31,682.31	5,324	14,282.81	0.53%	-88,641.04
Profit and loss from selling securities investment					—	—	—	—	9,546.42
Total					1,960,006.93	—	2,670,729.47	100.00%	-2,329,816.86

2. Equity of other listed companies held by the Company

Stock code	Short form of stock	Initial investment amount	Equity proportion in that of this company	Book value at the year-end	Profit and loss in the reporting period	Change in the owners' equity in the reporting period	Subject for accounting calculation	Source of shares
000509	S*ST T.H.	2,962,500.00	0.33%	802,199.55	0.00	0.00	Long-term equity investment	Purchasing legal person shares directionally
Total		2,962,500.00	-	802,199.55	0.00	0.00		

3. Equity of other listed companies bought and sold by the Company

Items	Name of stock	Number of shares at the period-begin	Number of shares bought and sold in the reporting period	Number of shares at the period-end	Funds used	Investment income
Buy-in	HEFEI URBAN CONSTRUCTION		750	750	7,800.00	
	CHINA COAL ENERGY		1,000	1,000	16,830.00	
	CRCC		1,000	1,000	9,080.00	
	Jin Mu Gu Fen		1,000	1,000	16,570.00	
	SHENZHEN ENERGY		10,000		174,194.02	
	CHINA SOUTH LOCOMOTIVE & ROLLING		2,000		4,360.00	
	Total		15,750	3,750	228,834.02	
Sell-out	JIANGSU SAINTY	3,918	3,918			15,147.38
	CHONGQING GANGJIU	1,320	1,320			4,919.13
	Shenzhen Development	1,650	1,650			18,798.01
	SFC2 SHENZHEN ENERGY		10,000			-31,502.98
	CHINA SOUTH LOCOMOTIVE & ROLLING		2,000			2,184.88
	Total	6,888	18,888			9,546.42

III. Purchases, sales of assets, or mergers of the Company in the reporting period

1. During the reporting period, the Company has no significant purchase of assets and business merger.

2. Sale of assets

A. By public listing for trading of shares at Shenzhen International Hi-tech Exchange, the Company transferred its holdings of 3,711,636 shares of Shenzhen Fulin Industrial Co., Ltd. (taking up 10.5872%) to Shenzhen Qiaoshe Industrial Co., Ltd on 27 Aug. 2008 with the quoted market price as the transfer price amounting to RMB 8.2 million. the Company, in the reporting period, has received the transfer payment in full and has completed the

registration modifications for industry and commerce. Net book value of the aforesaid shares is RMB 139,500. In the reporting period, the investment income from the equity transfer was RMB 7944600, accounting for 26.53% of total profit as of the reporting period.

B. On 31 Oct. 2008, the Company sold the fixed assets such as properties No. A, B, C, D, H, I and J totaling 1086.97 square meters on 35/F of International Trade Commercial Building in Luohu district to Shenzhen Iprochem Chemical Co., Ltd. at the unit price of RMB 13000/sq.m. and the total contract price of 14,130,610.00. During the reporting period, the Company had received the transfer payment in full and completed the transfer procedure of properties. In the reporting period, the income from selling the assets was RMB 6,421,600, taking up 21.445 of total profit as of the reporting period.

The above-mentioned sales of assets are non-related transactions, which there was no any influence on business continuity and stability of the management team.

IV. Equity incentive plan

During the reporting period, the Company failed to implemented equity incentive plan.

V. Significant related transactions

(I) Significant related transactions

1. The Company held the 4th session of the 6th Board of Directors on 15 Jul. 2008, at which the proposal on the actual controlling shareholding providing the Company with the loans through the bank was examined and approved. Hereto, the Company had made information disclosure. Please refer to the extraordinary public notice published on 16 Jul. 2008 and the semi-annual report 2008 published on 14 Aug. 2008 .

On 31 Jul. 2008, the Company got the entrustment loan of RMB 50,000,000.00 provided by the actual controlling shareholders---Shenzhen Investment Holdings Co., Ltd. through the assignee, Agricultural Bank of China Shenzhen Branch, and the maturity date of the loan is 31 Jan. 2009.

2. The Contract for Loans by Mandate was signed among Shenzhen Huangcheng Properties Co., Ltd. (the subsidiary of the Company), Shenzhen Investment Holdings Co., Ltd. (the actual controlling shareholder of the Company) and China Everbright Bank Shenzhen Jingtian Sub-branch in Shenzhen on 15 Oct. 2008, in which Shenzhen Investment Holdings Co., Ltd. provides the Company with the entrustment loan of MRB 150 million with its self-owned funds through China Everbright Bank Shenzhen Jingtian Sub-branch for purpose of capital turnover of the Company. Term of the loan is one year at the annual rate on loan of 6.956%. Hereto, the Company had made information disclosure. Please refer to the extraordinary public notice published on 17 Oct. 2008. The said fund of RMB 150 million has been deposited.

3. The Company held the 11th meeting of the 6th Board of Directors on 19 Jan. 2009, at which the proposal on the Company applying for entrustment loan of RMB 50 million to

Shenzhen Investment Holdings Co., Ltd. Hereto, the Company had made disclosure. Please refer to the extraordinary public notice published on Securities Times, Hong Kong Ta Kung Pao and <http://www.cninfo.com.cn> on 24 Jan. 2009.

The Company got the entrustment loan of RMB 50 million provided by the actual controlling shareholders---Shenzhen Investment Holdings Co., Ltd. through the assignee, Agricultural Bank of China Shenzhen Branch. Term of the loan is 12 months up to 23 Jan. 2010. The said loan was used for refinance.

(II) Current of credits or debts between the Company and related parties and guarantee

With regard to the current of credits or debts between the Company and related parties, please refer to “Note XI. 3 (3) Balance of accounts receivable from and payable to related parties” under Notes to Financial Statement. As for Guarantee, please refer to “Note XI. 3 (1)” under Notes to Financial Statement.

VI. Significant contract and the fulfillment

(I) Significant transaction, trusteeship, contract or lease of assets

1. During the reporting period, the Company did not hold a trust, contract or lease assets of the other companies and the other companies did not hold a trust and contract the Company’s assets.

2. Significant events on leasing assets of the Company in the reporting period:

(1) The Company and joint venture company – Shenzhen ITC Tian’an Property Co., Ltd (hereinafter referred to as ITC Tian’an Company) respectively signed Contracts on Real Estate Lease with Rainbow Department Store Co., Ltd (hereinafter refer to as Rainbow Department Store) on 10 May. 2008.

Lease part real estate of 1/F-5/F, A Block of ITC Mansion and peripheral real estate, of which construction area totaled more than 20,000m² to Rainbow Department Store with the lease period of 15 years.

Lease part real estate of 1/F-4/F, Tian’an Department Store of ITC Tian’an Company, of which construction area totaled more than 14000m² to Rainbow Department Store with the lease period of 15 years

Hereto, the Company had disclosed in the extraordinary public notice on 10 May 2008 and the semi-annual report 2008, which were published on Securities Times, Ta Kung Pao and <http://www.cninfo.com.cn>.

Till the reporting date, Shenzhen ITC Tian’an Property Co., Ltd and the Company had completed property transfer, Rainbow Department Store Co., Ltd performed obligation of rentals payment in accordance with contract and opened for business.

(2) ment in accordance with contract and was preparing the relevant decoration work.

(1) The subsidiary of the Company, Shenzhen Huangcheng Real Estate Company Limited (hereinafter referred to as Party A), signed *the Agreement on Relieving the Agreement concerning Jointly Developing and Operating the Shenzhen Huanggang Port Service District* and several supplementary agreements with Hong Kong Hehe Huanggang Development Company Limited and Guangdong Provincial Road Construction Company (hereinafter the both companies combined as Party B). As for the default interest of overdue arrears, Part A and Part B reached the agreement and signed a memorandum through friendly negotiation on 15 Jan. 2008: Party A should pay RMB 5 million (after tax)

to Party B to settle default interest on 18 Jan. 2008; Party B agreed not to pursue to Party A for other losses (including other default interest). On 18 Jan. 2008, Shenzhen Huangcheng Real Estate Company Limited (Party A) paid off the arrearage and default interest. The Agreement on Relieving the Agreement concerning Jointly Developing and Operating the Shenzhen Huanggang Port Service District and several supplementary agreements has been implemented.

The Company had disclosed in the extraordinary public notice on 28 Mar. 2008, the annual report 2007 and the semi-annual report 2008, which were published on Securities Times, Ta Kung Pao and <http://cninfo.com.cn>.

(II) Significant guarantees

(1) Internal Guarantee

Shenzhen Huangcheng Real Estate Co., Ltd. provided the Company with joint liability guarantee for a long-term loans of RMB150 million from China Construction Bank Shenzhen Branch. The closing balance of the above loan amounted to RMB 40 million.

Shenzhen Property & Real Estate Development Co., Ltd. and Shenzhen Huangcheng Real Estate Co., Ltd. provided the Company with guarantee for a long-term loan from China Construction Bank Zhenhua Sub-branch. The credit line of the above loan is RMB 100 million, and the closing balance amounted to RMB 90 million.

The Company provided its subsidiary Shenzhen Huangcheng Real Estate Co., Ltd. with guarantee for a long-term loan from China Construction Bank Shenzhen Branch. The credit line of the above loan is RMB 250 million, and the closing balance amounted to RMB 250 million.

The Company pledged the part of properties on 2/F and 5/F of International Trade Plaza for providing its subsidiary Shenzhen ITC Vehicles Services Company with a short-term loan amounting to RMB 50 million from Agricultural Bank of China Dongbu Sub-branch. The closing balance of the loan was RMB 50 million, of which RMB 17 million was refunded after the balance sheet date.

Guarantee for the proprietors: The Company and its subsidiaries provided the commodity houses purchasers with mortgage guarantee to the bank. Up to 31 Dec. 2008, the guarantee amount unsettled was RMB 214.10 million. The guarantee is that the real estate developer provides petty proprietor with guarantee for purchasing of commodity houses of the Company, which is a common phenomenon in this business.

(III) Cash assets management the Company trusted other parties

There was no event of trusteeship of cash assets management in the reporting period.

VII. Commitment made by the Company or shareholders holding over 5% of shares of the Company

In the reporting period, Shenzhen Investment Holdings Co., Ltd., the actual controller of the Company, expressed that it would establish and perfect the internal control system for non-public information management of listed company that it has gained, supervise insider not to buy and sell securities of the Company with non-public information, and it would not advise other persons to buy and sell securities of the Company, and did not betray non-public information; it would offer name list of insiders timely, truly, exactly and completely, which was submitted by the Company to Shenzhen Securities Regulatory Bureau and Shenzhen Stock Exchange for recordation.

In the reporting period, none of situations that actual controller or insiders of information buy and sell stocks of the Company with non-public information occurred. The Company

submitted non-public information to Shenzhen Securities Regulatory Bureau as the documents for reference by month.

VIII. Engagement and dismissal of Certified Public Accountants

In the reporting period, the Company still engaged Wuhan Zhonghuan Certified Public Accountants Ltd to do the auditing work for the year 2008. Since the first agreement on the auditing work signed by the auditor, Wuhan Zhonghuan Certified Public Accountants has providing auditing service for 7 reporting years for the Company in succession. The annual auditing fees for 2008 totaled RMB 480,000 (including business trip expenses).

IX. Punishment to the Company, its Directors, Supervisors and Senior Management and rectification in the reporting period

During the Reporting Period, none of the Company, its directors, supervisors, senior management staffs, shareholders or actual controllers was subject to investigation by competent authorities, enforcement measures by judicial and regulatory authorities, transfer to judicial departments or prosecution for criminal liability, inspection or administrative punishment by CSRC, non-admission to securities market, or punishment by other administrative departments or public condemnation by the Shenzhen Stock Exchange as a result of being identified as an inappropriate candidate.

X. In the reporting period, significant events listed in Article 67 of Securities Law and Article 17 in Detailed Rules for Implementation of Information Disclosure by Companies Publicly Issuing Stock (Trial)

1. The Company held the 4th meeting of the 6th Board of Directors on 15 Jul. 2008, at which the proposal on appointing and dismissing General Manager and other Senior Management Staffs was examined and approved. Hereto, the Company has disclosed by the extraordinary public notice on Securities Times and Ta Kung Pao, as well as <http://www.cninfo.com.cn> on 16 Jul. 2008.

2. On 10 Sep. 2008, the Company received the Notice of Investigation (2008 SJLT Zi No. 001) from Shenzhen Municipal Inspection Department, China Securities Regulatory Commission. Hereto, the Company has disclosed by the extraordinary public notice on Securities Times and Ta Kung Pao, as well as <http://www.cninfo.com.cn> on 11 Sep. 2008.

3. On 22 Oct. 2008, Shenzhen Intermediate People's Court served the civil ruling paper with (2008) SZFZ Zi No. 667 to Shenzhen Investment Holdings Co., Ltd., which judged to overrule the application of compulsory execution filed by petitioner for enforcement, Brilliant Idea Investments Limited. Hereto, the Company has disclosed by the extraordinary public notice on Securities Times and Ta Kung Pao, as well as <http://www.cninfo.com.cn> on 24 Oct. 2008.

XI. Other Significant Events

1. Liu Jiake, Supervisor of the 5th Supervisory Committee of the Company, had illegal performance in stock transaction of the Company, which had drawn the attention of

Securities Regulatory authorities. On May 26, 2007, the Company disclosed the event with a provisional Public Notice, and decided to turn over the relevant profit that Liu Jiake gained from the stock transaction of the Company to the Company.

On Mar. 10, 2008, Liu Jiake paid RMB 28,013 (calculation based on the exchange rate HKD against RMB on that date) to the Company.

2. As Century Securities Co., Ltd, the original recommending institution for the share merger reform of Shen Wuye, sent a letter to Shenzhen Investment Holding Co., Ltd, the actual controller of the Company, explaining that it could no longer work as the recommending institution for the Company due to its reorganization etc., Shenzhen Investment Holding Co., Ltd terminated the original agreement on recommending with Century Securities Co., Ltd. In order to actively promote the share merger reform of Shen Wuye, Shenzhen Investment Holding Co., Ltd hired Essence Securities Co. Ltd as the recommending institution for the share merger reform of Shen Wuye. On Jul. 28, 2008, the Company disclosed this event with provisional Public Notice, which was published on Securities Times, Ta Kung Pao and <http://www.cninfo.com.cn> designated for information disclosure.

3. On Jul.24, 2007, Shenzhen Investment Holdings Co., Ltd, the actual controller of the Company, received the Executive Order (2008) SZFZ Zi No. 667 from Shenzhen Intermediate People's Court, which required Shenzhen Investment Holdings Co., Ltd perform the obligation confirmed by the judgment paper (2007) ZGMZJC Zi No. 0488 within 5 days since it received the order. Shenzhen Investment Holdings Co., Ltd immediately instituted an execution objection to Shenzhen Intermediate People's Court. On Jul. 28, 2008, the Company disclosed this event with provisional Public Notice, which was published on Securities Times, Ta Kung Pao and <http://www.cninfo.com.cn> designated for information disclosure.

4. In Nov. 2008, Shenzhen Investment Holdings Co., Ltd, the actual controller of the Company, put forward the motion of share merger reform. On Nov. 10, 2008, the Company disclosed this event with the Public Notice indicating the launch of share merger reform, and started the share merger reform of the Company.

On Nov. 11, 2008, the Company disclosed relevant documents such as the Notice on convening shareholders' meeting relevant to share merger reform and Specification on share merger reform etc..

On Nov. 20, 2008, the Company disclosed relevant documents such as Specification on share merger reform (revision) and twice published the Public Notice on convening shareholders' meeting relevant to share merger reform respectively on Nov. 29, 2008 and Dec. 10, 2008.

On Dec. 12, 2008, the Company held shareholders' meeting relevant to share merger

reform. On the meeting, the scheme of share merger reform was not passed because it failed to get the approval of 2/3 shareholders. On Dec. 15, 2008, the Company disclosed this event with provisional Public Notice, which was published on Securities Times, Ta Kung Pao and <http://www.cninfo.com.cn> designated for information disclosure.

5. The Company withdrew land appreciation fees of Jinlihua Building amounting to RMB 56,303,627.40 in advance in the previous years. In accordance with the provisions of Document SGT [2001] No. 314, the land appreciation fee unpaid or owed would be exempted. Yet, as the land use right of the said land had not been transferred, the Company would actively take the procedures related with exempting land appreciation fees of Jinlihua Building amounting to RMB 56,303,627.40. As soon as the relevant reply was issued, the Company would cancel the aforesaid land appreciation fee withdrawn in advance after verification.

The Company should receive a payment for real estate of Jinlihua Building of RMB 100,014,300 from Shenzhen Jiyong Properties Development Co., Ltd. The bad account that had been withdrawn amounted to RMB 44,014,300, and the net amount amounted to RMB 56 million. In accordance with the regulations of Shenzhen Municipal Government on handling “Problem Buildings”, if the Company had not taken the re-work registration procedure by Sep. 30, 2006, the Government would take back Jinlihua Building’s land use right and the buildings on the ground according to the laws.

6. Base on the land policy and the development plan of the Company, Huangcheng Real Estate, the subsidiary of the Company, reported the tendering of the design proposal for Huangcheng Land 0051 to the planning authorities for the record in Apr. 2008. In May, the Company received the reply SGZSH [2008] No. 467, which explained that the project that was planed by the Municipal government to connect Futian South Road and Fugang Road would occupy part of the Land 0051, therefore the design proposal for record was not approved. In Jun., the Company as well as Huangcheng Real Estate sent a letter to relevant departments of the government, tried to communicate and consult with the government, aiming at canceling or adjusting the original municipal plan, so as to ensure the normal development as well as development value of the Land 0051.

7. The Company strictly followed the document spirit of Deepening Reform of Labor, Personnel and Distribution Systems in Shenzhen state-owned enterprises, and sent out the Notice on Several Problems in Enhancing Labor and Personnel Management (SWF[2008] No. 76) and the Method for Economic Compensation in Deepening Reform of Labor, Personnel and Distribution Systems in ShenZhen Properties & Resources Development (Group) Ltd (hereinafter refer to as “Method for Economic Compensation”) on Oct. 21, 2008, as soon as the national share right of the Company was ascertained. Method for Economic Compensation has been approved by workers’ congress of the Company on Oct. 10, 2008 and it remains valid until Jun. 30, 2009. The Company has formulated a dismissal plan based on the Method for Economic Compensation, and has informed the entire staff about the plan. Base on the plan, the Company withdrew dismiss welfare of RMB

37,126,859.79, and paid RMB 11,197,680.29 within the report period.

XII. Particulars about reception of investigations and interviews

1. In the report period, the Company did not receive any visit from institutional investors.

2. In the report period, the Company received individual investors mainly through telephone, fax and E-mail. As the calls from investors were numerous, it is difficult to list them one by one. Questions concerned by investors were as follows:

(1) Learned about progress of share merger reform of the Company, asked about when to restart share merger reform;

(2) Expected the big shareholders of the Company to increase consideration in share merger reform, advised the Company to launch assets investment and reorganization, and expected the Company to launch share merger reform as soon as possible;

(3) Expected the Company to clearly define the assets which were to be reorganized as promised in the scheme for share merger reform;

(4) Whether the owner of the Company will change or not after the share merger reform was accomplished;

(5) Asked about the specific steps and methods for on-line voting;

(6) Asked about the sale of Yu Garden and Xin Huancheng;

(7) Asked about whether the Meisi Company Lawsuit will have significant influence on the business achievement of the Company in 2008;

(8) Learned about the land reserve of the Company, and concerned about the normal production and operation of the Company;

(9) Asked about whether the Company could make up the deficit and shake off “S*ST”, and whether there was any risk of delisting.

In reception of telephone consultation, the Company protected right of investors to obtain information fairly in accordance with Guidelines for Fair Information Disclosure of Listed Company and strictly according to principle of fair information disclosure. There was no difference in treatment to investors or revelation of non-public information in advance.

XIII. Explanation on capital transaction of affiliated parties

1. Special explanation given by Wuhan Zhonghuan Certified Public Accountants on capital appropriation by the controlling shareholders and other affiliated parties of ShenZhen

Properties & Resources Development (Group) Ltd:

Section XI Financial Report (attached)

Section XII Documents for Reference

- (1) Accounting Statements with the signatures and seals of the Legal Representative and the Manager of the Finance Department.
- (2) Originals of the Auditors' Reports with the seals of the auditing agencies, and the signatures and seals of the CPAs.
- (3) Texts and originals of the public notices disclosed in the designated media within the report period.

**Board of Directors of
Shenzhen Properties & Resources Development (Group) Ltd**

23 Apr. 2009



**BDO Wuhan ZHONG HUAN
CERTIFIED PUBLIC ACCOUNTANTS**

Office: 16-18F, Block B, Wuhan International Building, Jiefang Road, Wuhan
Postcode : 430022 Tel : 027 85826771 Fax : 027 85424329

Auditor's Report

ZHSZ(2009) No.498

**TO THE SHAREHOLDERS OF SHENZHEN PROPERTIES & RESOURCES
DEVELOPMENT (GROUP) LTD. :**

We have audited the accompanying financial statements of Shenzhen Properties & Resources Development (Group) Ltd. (hereinafter referred to as "the Company"), which comprise the balance sheet

and the consolidated balance sheet as at December 31, 2008, the income statement and the consolidated income statement, the statement of change in equity and the consolidated statement of change in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Preparing financial statements in compliance with Accounting Standards for Business Enterprises is the responsibility of the Company's management. This responsibility includes (1) designing, implementing and maintaining internal controls pertaining to the preparation of these financial statements to prevent these financial statements from material misstatement arising from frauds and errors; (2) selecting and applying proper accounting policies; and (3) making reasonable accounting estimates.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with China's Independent Auditing Standards. Those Standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

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

We believe that the audit evidences we have obtained are sufficient and effective, providing a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements comply with Accounting Standards for Business Enterprises, and present fairly the financial position of the Company as of December 31, 2008 and the results of its operations and its cash flows for the year then ended.

BDO Wuhan Zhonghuan CPAs Co., Ltd

CPA min chao

CPA wang yu

Wuhan, China

April 23, 2009

NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2008

Note I Corporate information

Shenzhen Properties & Resources Development (Group) Ltd. (hereinafter referred to as “the Company”) was incorporated based on the reconstruction of Shenzhen Properties & Resources Development Co., Ltd. after obtaining approval of ZFBF [1991] No. 831 from People’s Government of Shenzhen Municipality. The registration number of Business License for Enterprises as Legal Person is ZQFZ No. 00166.

1. Registered capital of the Company

The registered capital of the Company is RMB541,799,175 after bonus issue of shares on the basis of one share for every existing 10 shares based on existing paid-in capital of the Company in 1996.

2. Registered office, organization form and headquarter address of the Company

Registered office: Shenzhen Municipal, Guangdong Province, PRC

Organization form: joint-stock company with limited liability

Headquarter address: 39th and 42nd Floor, International Trade Center, Renmin South Road, Shenzhen.

3. Nature of the business and main business scope of the Company

The business scope of the Company and its subsidiaries includes development and sale of commodity premises, construction and management of buildings, lease of properties, supervision of construction, domestic trading and materials supply and marketing (excluding exclusive dealing and monopoly sold products and commodities under special control to purchase)

4. About the controlling shareholder of the Company and the Group

By the end of the reporting period, the controlling shareholder of the Company is still Shenzhen Construction Investment Holdings in register book. In 2004, People’s Government of Shenzhen Municipality incorporated Shenzhen Construction Investment Holdings with the other two municipal asset management companies, namely Shenzhen Investment Management Corporation and Shenzhen Trade and Business Holding Company, and established Shenzhen Investment Holdings Co., Ltd. Thus, the Company’s actual controlling shareholder is Shenzhen Investment Holdings Co., Ltd., a sole state-funded limited company, who was established in Oct. 13, 2004; its legal representative is Mr. Chen Hongbo and the registered capital is RMB 4 billion. Its main business scope is providing guarantee to municipal state-owned enterprises, management of state-owned equity, assets reorganization,

reformation, capital operation, and equity investment of enterprises and etc. As a government department, Shenzhen State-owned Assets Supervision and Administration Commission manage Shenzhen Investment Holdings Co., Ltd. on behalf of People's Government of Shenzhen Municipality. Thus, the final controller of the Company is Shenzhen State-owned Assets Supervision and Administration Commission.

5. Authorization and date of issuing the financial statements

The financial statements were approved and authorised for issue by the fourteenth session of the sixth conference of the Company's board of directors on April 23, 2009.

Note II Basis of preparation of the financial statements

The company prepares the financial statements based on the underlying assumption of going concern and recognition and measurement of transactions actually occurred according to Accounting Standards for Business Enterprises – Basic standard and other related accounting standards.

Note III Declaration of following Accounting Standards for Business Enterprises

The financial statements prepared in accordance with Accounting Standards for Business Enterprises reflect truly and completely the financial position, the results of operations, the changes in equity of shareholders and cash flows of the Company.

Note IV Significant accounting policies and accounting estimates of the Company

1. Fiscal year

The Company adopts the Gregorian calendar for its accounting period, starting on January 1 and ending on December 31 of the year.

2. Functional currency

The financial statements are presented in Renminbi Yuan, which is the Company's functional currency.

3. The measurement basis of accounting elements

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for accounting elements measured using replacement cost, net realisable value, present value or fair value, which are measured on the basis that those accounting elements can be reliably measured.

4. Cash equivalent

Cash equivalent is defined as the short-term (normally refer to mature within 3 months from the date of acquisition); highly liquid investment that is readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

5. Foreign currency translation

The Company accounts for foreign currency transactions using the exchange rate which is determined in a systematic and reasonable way and is approximate to the spot exchange rate ruling at the transaction date (opening exchange rate).

(1) Foreign exchange difference

On balance sheet date, the Company accounts for monetary and non-monetary items denominated in foreign currencies as follows: a) monetary items denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses arising from the difference between the balance sheet date exchange rate and the exchange rate ruling at the time of initial recognition or the exchange rate ruling at the last balance sheet date are recognized in income statement; b) Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary items denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined, the difference between the amount of functional currency after translation and the original amount of functional currency is treated as part of change in fair value (including change in exchange rate) and recognized in income statement. During the capitalization period, exchange differences arising from foreign currency borrowings are capitalized as part of the cost of the capitalized assets.

(2) Translation of foreign currency financial statements

The Company translates the financial statements of its foreign operation in accordance with the following provisions: a) the asset and liability items in the balance sheets shall be translated at a spot exchange rate ruling at the balance sheet date. Among the owner's equity items, except the ones as "retained earnings", others shall be translated at the spot exchange rate ruling at the time when they occurred; b) The income and expense items in the income statements shall be translated at an exchange rate which is determined in a systematic and reasonable way and is approximate to the spot exchange

rate ruling at the transaction date. The foreign exchange difference arisen from the translation of foreign currency financial statements shall be presented separately under the owner's equity in the balance sheet. The translation of comparative financial statements shall be subject to the aforesaid provisions.

6. Recognition and measurement of financial instruments

(1) Recognition of financial instruments

When the Company becomes a party to a financial instrument contract, it shall recognize a financial asset or financial liability.

(2) Classification and measurement of financial assets

1) The Company classifies the financial assets hold into the following four categories: a) the financial assets at fair value through profit or loss; b) investment held to maturity; c) loans and receivables and d) available-for-sale financial assets.

2) Upon initial recognition, financial assets are measured at fair value. For the financial assets at fair value through profit or loss, the transaction expenses thereof shall be directly recognized in profit or loss; for other categories of financial assets, the transaction expenses thereof shall be included in the initially recognized amount.

3) Subsequent Measurement of Financial Assets

A. Financial assets at fair value through profit or loss, including trading financial assets and the financial asset that upon initial recognition are designated by the Company as at fair value through profit or loss, are measured at fair value after initial recognition. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss, including held for trading financial assets are recognized in profit or loss during current period.

B. Held to maturity investment are measured at amortised cost using the effective interest method after initial recognition, gains or losses arising from derecognition, impairment and amortisation are recognized in profit or loss during current period.

C. Loans and receivables are measured at amortised cost using the effective interest method after initial recognition, gains or losses arising from derecognition, impairment and amortisation are recognized in profit or loss during current period.

D. Available-for-sale financial assets are measured at fair value after initial recognition. A gain or loss on an available-for-sale financial asset shall be recognized directly in Capital surplus until the financial

asset is impaired or derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. However, interest calculated using the effective interest method is recognized in profit or loss. Dividends on an available-for-sale equity instrument are recognized in profit or loss when the entity's right to receive payment is established.

4) Impairment of financial assets

A. The Company assesses the carrying amount of the financial assets except the financial asset at fair value through profit or loss at each balance sheet date, if there is any objective evidence that a financial asset or group of financial assets is impaired, the Company shall recognize impairment loss.

B. Objective evidence that a financial asset or group of assets is impaired includes the following event:

- 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 reorganization;
- e) the disappearance of an active market for that financial asset because of financial difficulties of issuer;
- f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: (i) adverse changes in the payment status of borrowers in the group or (ii) an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers.
- g) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the borrower operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- h) a significant or non-temporary decrease in fair value of equity instrument investment;
- i) Other objective evidences showing the impairment of the financial assets.

C. Measurement of impairment loss of financial assets

- a) investment held to maturity and loans and receivables

If there is objective evidence that an impairment loss on loans and receivables or investment held to maturity carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows. The amount of the loss shall be recognized in profit or loss.

The Company assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. For financial assets that are not individually significant, they shall be individually assessed or be included in a group of financial assets with similar credit risk characteristics for impairment assessment. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The Company assesses receivables for impairment and provides bad debt provisions at the balance sheet date. The Company assesses whether objective evidence of impairment exists individually for receivables that are individually significant, or for receivables that are not individually significant. If there is objective evidence showing that the receivable is impaired, an impairment loss measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows shall be recognized and a bad debt provision shall be provided.

If, in a subsequent period, there is any objective evidence indicates that an impairment loss recognized in prior periods for a financial assets carried at amortized cost may no longer exist or may have decreased, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The amount of the reversal shall be recognized in profit or loss.

b) available-for-sale financial assets

When a non-temporary decline in the fair value of an available-for-sale financial asset occurs, the cumulative loss arising from decrease in fair value of the financial asset that had been recognized directly in Capital surplus shall be removed from equity and recognized in profit or loss even though the financial asset has not been derecognized.

Where an available-for-sale equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or a derivative financial asset which is

connected with the equity instrument and which must be settled by delivering the equity instrument, suffers from any impairment, the difference between the carrying amount of the equity instrument investment or the derivative financial asset and the present value of estimated future cash flow discounted at the current market rate of return for a similar financial asset shall be recognized as impairment loss, with the amount of the impairment loss recognized in profit or loss.

If, in a subsequent period, there is any objective evidence indicates that an impairment loss recognized in prior periods for a debt instrument classified as available for sale may no longer exist or may have decreased, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The amount of the reversal shall be recognized in profit or loss.

Impairment losses for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss. However, impairment loss of an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or a derivative financial asset which is connected with the said equity instrument and which shall be settled by delivering the said equity instrument, cannot be reversed.

(3) Classification and measure of financial liabilities

1) The Company classifies financial liabilities hold as financial liabilities at fair value through profit or loss and other financial liabilities.

2) Upon initial recognition, financial liabilities are measured at fair value. For the financial liabilities at fair value through profit or loss, the transaction expenses thereof shall be directly recognized in profit or loss; for other financial liabilities, the transaction expenses thereof shall be included in the initially recognized amount.

3) Subsequent measurement of financial liabilities

A. Financial liabilities at fair value through profit or loss, including held for trading financial liabilities and the financial liabilities that upon initial recognition are designated by the Company as at fair value through profit or loss, are measured at fair value after initial recognition. Gains or losses arising from changes in the fair value of financial liabilities are recognized in profit or loss.

B. Other financial liabilities are measured at amortised cost using the effective interest method after initial recognition.

(4) Fair Value Measurement Considerations

- 1) Where an active market for a financial instrument exists, the published price quotation in the active market is the fair value of said financial instrument.
- 2) Where an active market for a financial instrument does not exist, the Company establishes fair value by using a valuation technique.

7. Recognition and measurement of financial assets transfer

(1) The Company derecognizes financial assets when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

If the transfer of a financial asset in its entirety qualifies for derecognition, difference between the follows is recognized in profit or loss during the current period:

- 1) The carrying amount of the financial asset transferred and
- 2) The sum of (a) the consideration received from the transfer and (b) any cumulative fair value gain or loss that had been recognized directly in owner's equity (in the event that the financial asset involved in the transfer is available for sale financial asset).

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. Difference between the follows is recognized in profit or loss during the current period:

- (a) The carrying amount allocated to the part derecognized and
- (b) The sum of (i) the consideration received for the part derecognized and (ii) any cumulative fair value gain or loss allocated to the part derecognized that had been recognized directly in owner's equity (in the event that the financial asset involved in the transfer is available for sale financial asset).

A cumulative fair value gain or loss allocated to the part derecognized that had been recognized directly in owner's equity shall be recognized by allocating the cumulative fair value gain or loss between the part derecognized and the part continues to be recognized based on the relative fair values of those parts.

(2) If a transfer does not qualify for derecognition, the Company shall continue to recognize the transferred asset in its entirety and shall recognize a financial liability for the consideration received.

To a financial asset transfer under continuing involvement, the Company recognizes a financial asset and

an associated financial liability to the extent of the financial asset transfer under continuing involvement. The transferred financial asset and the associated financial liability are measured on a basis that reflects the rights and obligations that the Company has retained.

8. Classification and measurement of inventories

(1) Inventories of the Company include raw materials, finished goods, low-value consumption goods, land use right held for real estate development, properties under development, completed properties for sale, properties for rent and owner-occupied properties.

(2) Recognition of inventories:

The Company recognizes inventories when the following conditions are satisfied:

1) It is probable that future economic benefits associated with the inventories will flow to the Company entity; and

2) The cost of the inventories can be measured reliably.

(3) Measurement of inventories: property inventories are measured at actual cost incurred, comprising the borrowing cost designated for real estate development before completion of developing properties. Completed saleable property inventories are measured using average unit area cost method. Other kinds of inventories are measured at actual cost incurred, and when the inventories are transferred out or issued for use, cost of the inventories is determined using weighted average cost method.

(4) The Company adopts equal-split amortization method for low-value consumption goods.

(5) Inventories shall be measured at the lower of cost and net realisable value at the balance sheet date. Where the net realizable value is lower than the cost, the difference shall be recognized as provision for impairment of inventories and charged to profit or loss.

1) Estimation of net realizable value

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. These estimates take into consideration the purpose for which the inventory is held and the influence of post balance sheet events. Materials and other supplies held for use in the production are measured at cost if the net realizable value of the finished goods in which they will be incorporated is higher than their cost. However, when a decline in the price of materials indicates that the cost of the finished products will exceed their net realisable value, the materials are measured at net realisable value.

The net realisable value of inventories held to satisfy sales or service contracts is generally based on the contract price.

If the quantity specified in sales contracts is less than the inventory quantities held by the Company, the net realisable value of the excess shall be based on general selling prices.

2) Provision for impairment of inventories shall be determined on an item-by-item basis. For large quantity and low value items of inventories, provision may be made based on classes of inventories.

(6) The Company adopts perpetual inventory system for its inventory taking.

9. Long-term equity investment

(1) Initial measurement

The Company initially measures long-term equity investments under two conditions:

1) For long-term equity investment arising from business combination, the initial cost is recognized under the following principles.

A. If the business combination is under the common control and the acquirer obtains long-term equity investment in the consideration of cash, non-monetary asset exchange or bearing acquiree's liabilities, the initial cost is the carrying amount of the proportion of the acquiree's owner's equity at the acquisition date. The difference between cash paid, the carrying amount of the non-monetary asset exchanged and the acquiree's liabilities beard and the initial cost of the long-term equity investment should be adjusted to capital surplus. If the capital surplus is not sufficient for adjustment, retained earning is adjusted respectively. The business combination costs that are directly attributable to the combination, such as audit fees, valuation fees, legal service fees and so on are recognized in profit or loss during the current period when they occurred.

If the acquirer issuing equity securities as consideration, the initial cost is the carrying amount of the proportion of the acquiree's owner's equity at the acquisition date. Amount of share capital equal to the par value of the shares issued. The difference between initial cost of the long-term equity investment and the par value of shares issued is adjusted to capital surplus. If the capital surplus is not sufficient for adjustment, retained earning is adjusted respectively. The costs of issuing equity securities occurred in business combination such as charges of security issuing and commissions are deducted from the premium of equity securities. If the premium is not sufficient for deducting, retained earning is adjusted

respectively.

B. If the business combination is not under the common control, the acquirer recognizes the initial cost of combination under the following principles.

a) When business combination is achieved through a single exchange transaction, the cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree;

b) For the business combination involved more than one exchange transaction, the cost of the combination is the aggregate cost of the individual transactions;

c) The costs directly attributed to business combination are included in the cost of combination;

d) Where a business combination contract or agreement provides for a future event which may adjust the cost of combination, the Company shall include the amount of the adjustment in the cost of the combination at the acquisition date if the future event leading to the adjustment is probable and the amount of the adjustment can be measured reliably.

2) For long-term equity investment obtained in any method other than business combination, the initial cost is recognized under the following principles.

A. If the long-term equity investment is acquired in cash consideration, the initial cost is the actual payment which includes direct expenses paid to acquire the long-term equity investment, taxes and other necessary expense.

B. If the long-term equity investment is acquired by issuing equity securities, the initial cost is the fair value of the equity securities issued. However, cash dividends or profits that are declared but unpaid shall not be included in the initial cost. Direct costs attributed to issue equity securities such as handling charges and commissions paid to securities underwriting agencies are deducted from premium of equity securities. If the premium is not sufficient for deduction, reserved fund and retained earnings is adjusted respectively.

C. For the long-term equity investment invested by investors, the initial cost is the agreed value prescribed in the investment contract or agreement unless the agreed value is not fair.

D. For the long-term equity investment acquired through non-monetary asset exchange, the initial cost is recognized according to “Accounting Standards for Business Enterprises No. 7-Non-monetary transactions”.

E. For the long-term equity investment acquired through debt restructuring, the initial cost is recognized according to “Accounting Standards for Business Enterprises No. 12-Debt restructuring”.

3) If there are cash dividends or profits that are declared but unpaid included in the consideration paid, the cash dividends or profits declared but unpaid shall be recognized as receivables separately rather than as part of initial cost of long-term equity instruments no matter through which method the long-term equity investment is acquired.

(2) Subsequent measurement

The Company adopts either cost method or equity method for the long-term equity investment hold according to the extent of influence, existence of active market and availability of fair value. The equity method is used when the Company has joint control or significant influence over the investee enterprise. The cost method is used when the Company has the control or does not have joint control or significant influence over the investee enterprise and there is no quote price in active market or there is no reliable fair value.

1) For the long-term equity investment under cost method, declared cash dividends or profits are recognized as investment income for the current period when it incurred. The amount of investment income recognized by the Company is limited to the amount distributed out of the accumulated net profits of the investee enterprise that arose after the investment was made. The amount of profits or cash dividends declared by the investee enterprise in excess of the above distributed amount is treated as return of initial cost of investment.

2) For long-term equity investment under equity method, the Company adjusts carrying amount of the long-term equity investment and recognizes investment income according to the proportion of net profit or loss realized by the investee enterprise after acquisition. The Company reduces carrying amount of the long-term equity investment by the proportion of declared cash dividend or profit which shall be distributed to the Company.

For long-term equity investment under equity method, the Company recognizes net losses incurred by the investee enterprise to the extent that the carrying amount of the long-term equity investment and other long-term equities that are in substance treated as net investment in the investee enterprise is reduced to zero except there is further obligation of the excess losses. If the investee enterprise makes net profits in subsequent periods, the Company shall continue to recognize investment income after using its share of net profits of the investee enterprise to cover its unrecognized losses.

3) The Company adopts the same manner of financial instrument for the impairment of long-term equity investment which is measured under cost method and there is no quote price in active market or there is no reliable fair value. Impairment of long-term equity investments other than above refers to accounting policy “Impairment of assets” of the Company.

4) On disposal of a long-term equity investment, the difference between the carrying amount of the investment and the sale proceeds actually received is recognized as an investment gain or loss for the current period. Where the equity method is adopted, when a long-term equity investment is disposed, the amount of change in owner’s equity of the investee enterprise other than net profit or loss which is previously recorded in owner’s equity of the Company shall be transferred to profit or loss for the current period according to corresponding proportion.

(3) The basis for determination of joint control or significant influence over investee enterprise

A joint control over investee enterprise is established when the investment of the Company satisfied the following conditions:

- 1) Any joint venture party cannot control the operating activities of joint venture individually.
- 2) Decisions regarding the basic operating activities of joint venture shall be agreed by all joint venture parties.
- 3) All joint venture parties may appoint one of them to manage the operating activities of joint venture, and the management over the financial and operating policies exercised by the joint venture party appointed shall be limited to the extent agreed by all joint venture parties.

A significant influence over investee enterprise is established when the investment of the Company satisfied the following conditions:

- 1) The Company has representation on the board of directors or equivalent governing body of the investee.
- 2) The Company participates in policy-making processes, including participation in decisions about dividends or other distributions.
- 3) Material transactions occur between the Company and the investee enterprise.
- 4) The Company dispatches managerial personnel to the investee enterprise.
- 5) The Company provides essential technical information to the investee enterprise.

If the Company holds, directly or indirectly (e.g. through subsidiaries), 20 percent or more but less than 50 percent of the voting power of the investee enterprise, it is presumed that the Company has

significant influence over the investee enterprise.

10. Recognition and measurement of investment properties

(1) Investment properties of the Company are properties held to earn rentals or for capital appreciation or both, mainly comprising:

- 1) Land use right which has already been rented;
- 2) Land use right which is held for transfer out after appreciation; and
- 3) Property which has already been rented.

(2) Investment property shall be recognized as an asset when the following conditions are satisfied:

- 1) It is probable that the future economic benefits that are associated with the investment property will flow to the Company; and
- 2) The cost of the investment property can be measured reliably.

(3) Initial measurement

An investment property is measured initially at its cost.

- 1) The cost of a purchased investment property comprises its purchase price, related tax expenses and any directly attributable expenditure.
- 2) The cost of a self-constructed investment property comprises all necessary construction expenditures incurred before the property is ready for its intended use.
- 3) The cost of a property acquired by other means shall be recognized according to relevant accounting standards.
- (4) Subsequent measurement

After initial recognition, the Company adopts the cost model to measure its investment properties.

The Company amortizes or depreciates its investment properties measured using cost model in the same way as fixed assets and intangible assets.

The Company values the investment property measured using cost model at the lower of its cost and its recoverable amount at the end of the period. Where the cost exceeds the recoverable amount, the difference shall be recognized as impairment loss. Once a provision for impairment loss is made, it cannot be reversed.

11. Recognition and measurement of fixed assets

Fixed assets are tangible assets that: 1) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and 2) have useful life more than one year.

(1) A fixed asset shall be initially recognized at cost when the following condition are satisfied:

- 1) It is probable that future economic benefits associated with the assets will flow to the Company;
- and
- 2) The cost of the assets can be measured reliably.

(2) Depreciation

Subsequent expenditure relating to a fixed asset shall be added to the carrying amount of the asset when the expenditure qualifies for capitalization. Subsequent expenditure that does not qualify for capitalization shall be recognized as an expense for the current period.

The depreciation method adopted by the Company is straight-line method.

The estimated useful lives, residual value and annual depreciation rate of fixed assets are shown as follows:

The categories	Estimated Useful Lives (years)	Residual value (%)	Annual Depreciation Rate (%)
Property and buildings	20-25	5-10	3.8-4.5
Machineries	10	5	9.5
Vehicles	5	5	19
Electronic and other equipments	5	5	19
Decoration	5		20

The Company reviews the useful life, estimated residual value and depreciation method of a fixed asset at the end of each financial year. If expectations are significantly different from previous estimates, the useful life shall be revised accordingly. If expectations are significantly different from previous estimates, the estimated residual value also shall be revised accordingly. If there has been a significant change in the expected realization pattern of economic benefits from those assets, the depreciation method shall be changed accordingly. The changes in useful life, estimated residual value and depreciation method shall be treated as change in accounting estimates.

(3) Fixed assets acquired under finance lease

The Company identifies a lease of asset as finance lease when substantially all the risks and rewards

incidental to legal ownership of the asset are transferred.

A fixed asset acquired under finance lease shall be valued at the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of lease.

The depreciation method of fixed assets acquired under finance lease is consistent with that for depreciable assets owned by the Company. If the Company can reasonably confirm that it will obtain the ownership of leased asset at the end of lease term, the leased asset shall be depreciated during the useful life of the leased asset. If the Company cannot reasonably confirm that it will obtain the ownership of leased asset at the end of lease term, the leased asset shall be depreciated during shorter of the useful life of the leased asset and the lease term.

(4) Impairment of fixed asset refers to accounting policy “Impairment of assets” of the Company.

12. Recognition and measurement of intangible assets

Intangible assets are identifiable non-monetary asset that are owned or controlled by the Company and are without physical substance.

(1) Recognition of intangible assets

The Company recognizes an intangible asset when that intangible asset fulfills both of the following conditions:

- 1) It is probable that the economic benefits associated with that asset will flow to the Company; and
- 2) The cost of that asset can be measured reliably.

Expenditures incurred during the research phase of an internal project shall be recognized as expenses in the period in which they are incurred. Expenditures incurred during the development phase of an internal project shall be recognized as an intangible asset if, and only if, the Company can demonstrate all of the following:

- 1) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- 2) Its intention to complete the intangible asset and use or sell it;
- 3) The method that the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- 4) The availability of adequate technical, financial and other resources to complete the development

and to use or sell the intangible asset; and

5) Its ability to measure reliably the expenditure attributable to the intangible asset during its development

(2) Measurement of intangible assets

1) An intangible asset is measured initially at its cost.

2) Subsequent measurement of intangible assets

A. For an intangible asset with finite useful life, the Company estimates its useful life at the time of acquisition and amortizes it during its useful life in a reasonable and systematic way. The amount of amortization is allocated to relevant costs and expenses according to the nature of beneficial items. The Company does not amortize intangible asset with infinite useful life.

B. Impairment of intangible assets refers to accounting policy “Impairment of assets” of the Company.

13. Recognition and measurement of long-term deferred expenses

The Company recognizes all expenses which have occurred during the period but shall be amortized beyond one year, such as improvement expenditures of operating leased fixed assets, as long-term deferred expenses. The Company amortizes long-term deferred expenses using straight-line method according to relevant beneficial periods.

14. Impairment of assets

In assessing whether there is any indication that an asset may be impaired, the Company shall consider, as a minimum, the following indications:

- (1) During the period, an asset's market value has declined significantly more than it would be expected as a result of the passage of time or normal use;
- (2) Significant changes with an adverse effect on the Company have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Company operates or in the market to which an asset is dedicated;
- (3) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
- (4) Evidence is available of obsolescence or physical damage of an asset;

- (5) The asset becomes idle, or the Company plans to discontinue or to dispose of an asset before the previously expected date;
- (6) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected, for example, the net cash flow generated from assets or the operating profit (or loss) realized by assets is lower (higher) than the expected amount, etc.; and
- (7) Other evidence indicates that assets may be impaired.

The Company assesses long-term equity investment, fixed assets, construction materials, constructions in progress and intangible assets (except for those with uncertain useful life) that apply Accounting Standards for Business Enterprises No. 8 - Impairment of assets at the balance sheet date. If there is any indication that an asset may be impaired, the Company shall assess the asset for impairment and estimate the recoverable amount of the impaired asset.

Recoverable amount is measured as the higher of an asset's fair value less costs to sell and the present value of estimated future cash flows from continuing use of the asset. If carrying amount of an asset is higher than its recoverable amount, the carrying amount of this asset shall be written down to its recoverable amount with the difference recognized as impairment loss and charged to profit or loss accordingly. Simultaneously a provision for impairment loss shall be made.

There is any indication that an asset may be impaired, the Company usually estimates its recoverable amount on an individual item basis. However if it's not possible to estimate recoverable amount of the individual asset, the Company shall determine the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of cash-generating unit is based on whether the cash inflows generated by the cash-generating unit are largely independent of the cash inflows from other assets or groups of assets.

The Company assesses goodwill acquired in a business combination and intangible assets with uncertain useful life for impairment each year no matter whether indication that an asset may be impaired exists or not. Impairment assessment of goodwill is carried together with the impairment assessment of related cash-generating unit or group of cash-generating units.

Once impairment loss is recognized, it cannot be reversed in subsequent financial period.

15. Recognition and measurement of borrowing cost

(1) Capitalization and capitalization period of borrowing costs

The costs of borrowings designated for acquisition or construction of qualifying assets shall be capitalized as part of the cost of the assets. Capitalization of borrowing costs shall start when a) the capital expenditures have incurred, b) the borrowing costs have incurred and c) the acquisition and construction activities that are necessary to bring the asset to its expected usable condition have commenced. Other borrowing costs that do not qualify for capitalization shall be expensed off during current period.

Capitalization of borrowing costs shall be suspended during periods in which the acquisition or construction is interrupted abnormally, and the interruption period is three months or longer. These borrowing costs shall be recognized directly in profit or loss during the current period till the acquisition or construction recommences. However, capitalization of borrowing costs during the suspended periods shall continue when the interruption is a necessary part of the process of bringing the asset to working condition for its intended use.

Capitalization of borrowing costs ceases when the qualifying asset being acquired or constructed is substantially ready for its intended use. Subsequent borrowing costs shall be expensed off during the period in which they are incurred.

(2) Calculation method of capitalization for borrowing costs

To the extent that funds are borrowed specifically for the purpose of acquiring or constructing a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset is determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of the borrowing.

To the extent that funds are borrowed generally and used for the purpose of acquiring or constructing a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the weighted average of excess of accumulated expenditures on qualifying asset over that on specific purpose borrowing. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of acquiring or constructing a qualifying asset.

16. Share-based payment

Recognition and measurement of share-based payment are based on true, complete and valid share-based payment agreement. Share-based payment transaction comprises equity-settled share-based payment transactions and cash-settled share-based payment transactions.

(1) Equity-settled share-based payment transactions

Equity-settled share-based payment transactions in which the Company receives employee's services as consideration for equity instruments of the Company are measured as fair value of the equity instrument granted to the employees. As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital surplus shall be increased accordingly. As to a equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained during the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and capital surplus at the fair value of the equity instruments on the date of the grant.

(2) Cash-settled share-based payment transactions

Cash-settled share-based payment is measured in accordance with the fair value of liability undertaken by the Company that is calculated based on the shares or other equity instruments. As to a cash-settled share-based payment, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the Company, on the date of the grant, is included in the relevant costs or expenses, and the liabilities shall be increased accordingly. As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained during the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the enterprise.

17. Revenue recognition

(1) Revenue from the sale of goods is recognized when all of the following conditions have been

satisfied:

- 1) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) The economic benefits associated with the transaction will flow to the Company; and
- 4) The relevant amount of revenue and costs can be measured reliably.

(2) Revenue from the sale of properties is recognized upon a) final acceptance of the construction of property is completed and the property is transferred to buyer, b) buyer receives and accepts the settlement billing and c) the Company receives all considerations of sale of property (down payment and mortgage received from bank for property purchasing by installments) and the conditions for obtaining certificate of title to house property are satisfied.

(3) Revenue from leasing of property is recognized when a) the economic benefits associated with leasing of property will flow to the Company and b) the amount of revenue can be measured reliably. If lessor provides rent-free period, lessor shall allocate total rental by straight-line method or other reasonable method during entire lease term without deducting rent-free period. Lessor shall recognize rental income during rent-free period.

(4) Revenue from rendering of services (excluding long-term contract) is by reference to the percentage of completion of the service at closing date when the outcome of transaction can be reliably estimated. The outcome of transaction can be reliably estimated when a) the total revenue and cost can be reliably measured, b) the percentage of completion can be determined reliably and c) the economic benefit pertaining to the service will flow to the Company. If the outcome of transaction cannot be reliably estimated, the Company shall recognize revenue to the extent of costs incurred that are expected to be recoverable and charge an equivalent amount of cost to profit or loss.

(5) Revenue arising from the Company's assets used by others is recognized when (a) it is probable that the economic benefits associated with the transaction will flow to the Company and (b) the amount of the revenue can be measured reliably. Interest revenue should be measured based on the length of time for which the Company's cash is used by others and the applicable interest rate. Royalty revenue should be measured in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

(6) Recognition of construction contract revenue

- 1) When the outcome of a construction contract can be reliably estimated, construction contract revenue is recognized by reference to the percentage of completion of the contract activity at closing date. The outcome of a construction contract can be reliably estimated when a) total contract revenue and contract costs incurred can be measured reliably, b) both the contract costs to complete the contract and the percentage of completion can be measured reliably and c) it is probable that the economic benefits associated with the contract will flow to the Company. The percentage of completion of a contract is determined as the proportion that actual contract costs incurred to date bears to the estimated total contract costs.
- 2) When the outcome of a construction contract cannot be estimated reliably, contract revenue should be recognized to the extent of contract costs that can be recovered and contract costs should be recognized as expense in the period in which they are incurred.
- 3) If total estimated contract costs will exceed total contract revenue, the estimated loss should be recognized immediately as an expense during the current period.

18. Income tax

The Company adopts the balance sheet liability method for income tax expenses.

(1) Deferred tax asset

- 1) Where there are deductible temporary differences between the carrying amount of assets or liabilities in the balance sheet and their tax bases, a deferred tax asset shall be recognized for all those deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets arising from deductible temporary differences should be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.
- 2) At the balance sheet date, where there is strong evidence showing that sufficient taxable profit will be available against which the deductible temporary difference can be utilized, the deferred tax asset unrecognized in prior period shall be recognized.
- 3) The Company assesses the carrying amount of deferred tax asset at the balance sheet date. If it's probable that sufficient taxable profit will not be available against which the deductible temporary difference can be utilized, the Company shall write down the carrying amount of deferred tax asset, or

reverse the amount written down later when it's probable that sufficient taxable profit will be available.

(2) Deferred tax liability

A deferred tax liability shall be recognized for all taxable temporary differences, which are differences between the carrying amount of an asset or liability in the balance sheet and its tax base, and measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

19. Basis of consolidation

(1) Scope of consolidation

The scope of consolidated financial statements of the Company is identified based on the concept of control.

When the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of investee company, the investee company is regarding as subsidiary and included in consolidated financial statements. If the parent owns half or less of the voting power of an entity when there is any following condition satisfied, the investee company is regarding as subsidiary and included in consolidated financial statements.

- 1) Own over more than half of the voting rights by virtue of an agreement with other investors;
- 2) Power to govern the financial and operating policies of the entity under a statute or an agreement;
- 3) Power to appoint or remove the majority of the members of the board of directors or equivalent governing body;
- 4) Power to cast the majority of voting right at meetings of the board of directors or equivalent governing body of investee company.

If there is evidence suggesting that no control over investee company exists, the investee company shall not be included in consolidated financial statements.

(2) Principle of consolidation

The consolidated financial statements are based on the financial statements of individual subsidiaries which are included in the consolidation scope and prepared after adjustment of long-term equity investment in subsidiaries under equity method and elimination effects of intragroup transaction.

(3) Minority interests

Minority interest in the consolidated balance sheet is that portion of the net asset of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

Minority interest is shown separately below net profit in the consolidated income statement, which is that portion of the profit or loss of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

(4) Excess losses

Losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the subsidiary's equity. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

(5) Consolidation procedures for acquisition or disposal of subsidiaries during current period

For any subsidiary acquired by the Company during the reporting period through business combination under common control, when the consolidated balance sheet for the current period are being prepared, the amount at the beginning of the period in the consolidated balance sheet is made corresponding modification. For addition business combination not under common control during the reporting period, the Company makes no adjustment for the amount at the beginning of the period in the consolidated balance sheet. When disposing subsidiary during the reporting period, the Company makes no adjustment for the amount at the beginning of the period in the consolidated balance sheet.

For any subsidiary acquired by the Company through business combination under common control, when the consolidated income statement for the current period are being prepared, revenue, expense and profit for the period from the beginning of the consolidated period to the year end of the reporting period are included in the consolidated income statement. For any subsidiary acquired by the Company through business combination not under common control during the reporting period, revenue, expense and profit for the period from acquisition date to the year end of the reporting period is included in the consolidated income statement. When disposing subsidiary during the reporting period, revenue, expense and profit for the period from the beginning to the disposal date are included in the consolidated income statement.

For any subsidiary acquired by the Company through business combination under common control, when the consolidated cash flow statement for the current period are being prepared, cash flow for the period from the beginning to the end of the reporting period is included in the consolidated cash flow statement. For any subsidiary acquired by the Company through business combination not under

common control during the reporting period, cashflow for the period from acquisition date to the end of the reporting period is included in the consolidated cashflow statement. When disposing subsidiary during the reporting period, cash flow for the period from the beginning to the disposal date is included in the consolidated cashflow statement.

Note V Changes in accounting policies and estimates, and correction of errors

1. Changes in accounting policies

There is no change in accounting policies during the financial year.

2. Changes in accounting estimates

There is no change in accounting estimate during the financial year.

3. Correction of errors

There is no event which requires errors correction during the financial year.

Note VI Taxation

1. Value Added Tax rate is 13% or 17%, paid by deducting value added input tax.

2. The business tax rate is 3% or 5% of operating revenue.

3. Urban maintenance and construction tax is 1% or 7% of turnover tax payable.

4. Education surtax is 3% of turnover tax payable.

5. Levee fee is 0.01% of operating revenue.

6. Land value appreciation tax is levied in four progressive levels with the tax rate ranging from 30% to 60%.

7. Income tax expense

(1) According to Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Corporate income tax (Guo Fa [2007] No.39), from January 1, 2008, enterprises which enjoy the preferential policies of low tax rates in the past shall gradually transit to apply the statutory tax rate within 5 years after the Corporate Income Tax Law of the People's Republic of China is put into force. Among them, the enterprises which enjoy the corporate income tax rate of 15% shall be subject to the corporate income tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. The applicable income tax rate of the Company and the subsidiaries located in Shenzhen special economic zone is 18%.

(2) Corporate Income Tax Law of the People's Republic of China is put into force from January 1, 2008. According to this tax law, the applicable income tax rate of the subsidiaries located outside Shenzhen special economic zone is 25%.

Note VII Business combination and consolidated financial statements

1. Subsidiaries

Details of subsidiaries directly or indirectly controlled by the Company as at December 31, 2008 is shown as below:

Subsidiaries	Business nature	Registered capital (0'000)	Business scope
(1)subsidiaries acquired through business combination			
A. Business combination under common control			
None			
B. Business combination without common control			
None			
(2)subsidiaries acquired through methods other than business combination			
Hainan Xinda Development Co., Ltd	Real estate development	2,000	Real estate development, decoration engineering,; planting; import & export practice
Shenzhen ITC Food Co., Ltd.	Restaurant operation and wine merchandise	200	Retail sales of Chinese meal, western-style food and wine
Shenzhen Property and Real Estate Development Co., Ltd.	Real estate development	3,095	Land development, real estate management; construction supervision; property management
Shenzhen ITC Property Management Co., Ltd.	Property management	2,000	Property rent and management
Shenzhen ITC Vehicles Industry Co., Ltd.	Transportation and vehicles rental service	2,985	Motor transport and motor rent
Shenzhen Huangcheng Real Estate Co., Ltd.	Real estate development	3,000	Development, construction, operation and management of commercial service facilities relevant to Huanggang port
Sichuan Tianhe Industry Co., Ltd	Trading	800	Wholesale in domestic market
Shenzhen ITC Property Management Engineering Equipment Co., Ltd.	Service	120	Domestic commerce; material supply; maintenance and repair of electric equipment
Shenzhen Tianque Elevator Technology Co., Ltd.	Service	500	Maintenance of elevator and air condition

Subsidiaries	Business nature	Registered capital (0'000)	Business scope
Chongqing Shenzhen ITC Property Management Co., Ltd.	Property management	500	Property management and agency
Chongqing Ao'bo Elevator Co., Ltd.	Service	200	Installing, reconstructing and repairing the elevator; sales of elevator and accessories
Shenzhen ITC Motor Rent Co., Ltd.	Service	1,600	Motor transport and motor rent
Shenzhen ITC Petroleum Co., Ltd.	Trading	850	Sales of gasoline, diesel oil, lube and coal oil
Shenzhen ITC Vehicle Industry Company Vehicle repair shop	Service	150	Motor maintenance; sales of auto parts and Motorcycle Accessories
Shenzhen Tesu Vehicle Driver Training Center Co., Ltd.	Service	200	Driver training
Shenzhen Huangcheng Real Estate Management Co., Ltd.	Property management	500	Property management; court virescence and cleansing services
Zhanjiang Shenzhen Real Estate Development Co., Ltd.	Real estate development	253	Real estate development and sales of commodity premises
Shenzhen Property Construction Supervision Co., Ltd.	Construction Supervision	300	Supervision of general industrial and civil construction engineering
Shenzhen International Trade Plaza	Trading	1,200	Investing in commercial, material and supplying company
Shenzhen Real Estate Exchange	Service	138	Providing property information, property agency and evaluation
Shum Yip Properties Development Co., Ltd.	Real estate development	HKD2,000	Property agency and investment
Wayhang Development Co., Ltd.	Real estate development	HKD0.0002	Property development
Chief Link Properties Co., Ltd.	Real estate development	HKD0.01	Property agency and investment
Syndis Investment Co., Ltd.	Real estate development	HKD0.0004	Property investment
East Land Properties Limited	Real estate development	HKD0.01	Property investment

Subsidiaries	Contribution (0'000)	Shareholding		Consolidated (Y/N)
		Direct	Indirect	
Hainan Xinda Development Co., Ltd	2,000	100%		Y
Shenzhen ITC Food Co., Ltd.	200	80%	20%	Y
Shenzhen Property and Real Estate Development Co., Ltd.	3,095	95%	5%	Y
Shenzhen ITC Property Management Co., Ltd.	2,000	95%	5%	Y
Shenzhen ITC Vehicles Industry Co., Ltd.	2,985	90%	10%	Y

Subsidiaries	Contribution (0'000)	Shareholding		Consolidated (Y/N)
		Direct	Indirect	
Shenzhen Huangcheng Real Estate Co., Ltd.	3,000	95%	5%	Y
Sichuan Tianhe Industry Co., Ltd	800		100%	Y
Shenzhen ITC Property Management Engineering Equipment Co., Ltd	120		100%	Y
Shenzhen Tianque Elevator Technology Co., Ltd	500		100%	Y
Chongqing Shenzhen ITC Property Management Co., Ltd	500		100%	Y
Chongqing Ao'bo Elevator Co., Ltd	200		100%	Y
Shenzhen ITC Motor Rent Co., Ltd.	1,600		100%	Y
Shenzhen ITC Petroleum Co., Ltd.	850		100%	N (Note 1)
Shenzhen ITC Vehicle Industry Company Vehicle repair shop	150		100%	Y
Shenzhen Huangcheng Real Estate Management Co., Ltd	500		100%	Y
Shenzhen Property Construction Supervision Co., Ltd	300	93%	7%	Y
Shenzhen Tesu Vehicle Driver Training Center Co., Ltd.	200		100%	Y
Zhanjiang Shenzhen Real Estate Development Co., Ltd	253		100%	Y
Shenzhen International Trade Plaza	1,200	95%	5%	Y
Shenzhen Real Estate Exchange	138	100%		Y
Shum Yip Properties Development Co., Ltd.	HKD2,000	100%		Y
Wayhang Development Limited	HKD0.0002		100%	Y
Chief Link Properties Limited	HKD0.01		70%	Y
Syndis Investment Co., Ltd	HKD0.0004		70% (Note 2)	Y
East Land Properties Limited	HKD0.01	100%		N (Note 3)

Note 1. The reason of Shenzhen ITC Petroleum Co., Ltd.'s excluding from consolidation Scope refers to "Changing of Consolidation Scope" undermentioned;

Note 2. Syndis Investment Co., Ltd is a wholly-owned subsidiary of Chief Link Properties Limited.

Note 3. On November 22, 2008, a resolution regarding liquidation of East Land Properties Limited (hereinafter referred to as "East Land Company") is approved by the ninth session of the sixth conference of the Company's board of directors. In November 2008, the Company set up a liquidation group for East Land Company, the benchmark date of liquidation is November 30, 2008. After the

benchmark date, the liquidation group is in charge of management of East Land Company, East Land Company may not carry out any operating activities other than liquidation activities. In this case, the Company no longer controls East Land Company, and its financial statements are no longer based on the underlying assumption of going concern, therefore East Land Company is excluded from consolidation scope.

Note 4. There is no difference between the aforesaid proportions of voting rights and shareholding hold by the Company.

2. Changing of Consolidation Scope

The companies which are excluded from consolidation scope

1) The details of companies which are excluded from consolidation scope

Name of Company	Registration place	Business nature	Net profit for last year	Net assets at the end of last year
Shenzhen ITC Petroleum Co., Ltd.	Shenzhen	Trading	199,356.37	7,242,858.15
Shanghai Shenzhen Properties Development Co., Ltd	Shanghai	Real estate development	-71,164.61	55,772,727.06
Shanghai Shenzhen Properties Management Company	Shanghai	Properties management	-354.84	-2,163,607.79

2) Other related information

Name of Company	Reason of change	Date of change	Original shareholding	Original voting right	Net profit from the beginning of the year till disposal date	Net asset on disposal date
Shenzhen ITC Petroleum Co., Ltd.	Lost of control	February 29, 2008	100%	100%	-181,088.48	7,061,769.67
Shanghai Shenzhen Properties Development Co., Ltd	Liquidation	June 30, 2008	100%	100%	6,999,375.55	62,735,216.11
Shanghai Shenzhen Properties	Liquidation	June 30, 2008	100%	100%	0.00	-2,163,607.79

Management Company						
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Note 1. During reporting period, Shenzhen ITC Vehicles Industry Co., Ltd. and Shenzhen Guanghong investment Co., Ltd. signed a gas station operating lease contract, prescribing that Shenzhen Guanghong investment Co., Ltd. leases and manage the assets such as land of gas station, gas station shed, operating buildings, accommodations, equipments in gas station and so on, equity and management right of Shenzhen ITC Petroleum Co., Ltd (which is wholly-owned subsidiary of Shenzhen ITC Vehicles Industry Co., Ltd.). Since the start of the operating lease, the Company has no control over Shenzhen ITC Petroleum Co., Ltd. According to Accounting Standards for Business Enterprises, the balance sheet of this subsidiary is excluded from consolidation scope; the consolidated financial statements only comprise the income statement and the cashflow statement of this subsidiary for a period from the beginning of the year to the date the Company lost control over it.

Note 2. During reporting period, the Company finished the liquidation and cancellation of business and taxation registration of Shanghai Shenzhen Properties Development Co., Ltd and Shanghai Shenzhen Properties Management Company (hereinafter referred to as “the two Shanghai Companies”), therefore the balance sheets of the two Shanghai Companies are excluded from consolidation scope; the benchmark date of liquidation for the two Shanghai Companies is June 30, 2008. After the benchmark date, the liquidation group is in charge of management of the two Shanghai Companies, the two Shanghai Companies no longer carry out any operating activities other than liquidation activities. In this case, the Company no longer controls the two Shanghai Companies, and their financial statements are no longer based on the underlying assumption of going concern, therefore the consolidated financial statements only comprise the income statements and the cashflow statements of the two Shanghai Companies for a period from the beginning of the year to the benchmark date of liquidation.

3. Information of Minority Interest (MI) of subsidiaries

Name of subsidiary	MI	Amount of minority interest in income statement deducted from minority interest	Balance after deduction of losses of subsidiaries during the period exceeding the proportion of minority shareholders from equity of parent company
Chief Link Properties Limited	861,751.06		

4. Balance that is in essence treated as net investment in insolvent subsidiaries

Name of company	Closing balance of net investment
Shenzhen Property and Real Estate Development Co., Ltd.	278,500,002.34
Shum Yip Properties Development Co., Ltd.	27,642,203.04
Hainan Xinda Development Co., Ltd	6,804,663.98
Shenzhen ITC Food Co., Ltd.	323,307.77
Shenzhen Real Estate Exchange	235,751.64

Note VIII Joint ventures, associates and other invested companies

Up to December 31, 2008, the main joint ventures, associates and other invested companies the

Company directly or indirectly invested are listed as follows:

Name of company	Business nature	Registered capital (0'000)	Business scope
Shenzhen ITC Tian'an Properties Co., Ltd	Hotel services	USD888	Constructing and managing Tian'an International Building
Shenzhen ITC Tian'an Properties Management Co., Ltd	Property management	300	Property management
Shenzhen Jifa Warehouse Co., Ltd	Services	5,415	Warehousing; developing sea-front industry; road transport; sales of auto parts
Shenzhen ITC Industrial Development Co., Ltd	Services	HKD3,280	Biquan Restaurant; snooker, bowling, karaoke; laundry
Anhui Nanpeng Papermaking Co., Ltd	Industry	USD800	Production and sales of copperplate paper, culture paper, and wrapping paper
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	Industry	USD12,500	Production and export of top grade construction tile, sale of building materials and architectural ceramic products
Shenzhen Huajing Glass Bottle Co., Ltd	Industry	4,800	Producing kinds of glass bottles used in the wrapping the medicine, beer, food and drinks or other special glass bottles; providing economic information and technical consulting services
Guangzhou Lishifeng Motor Co., Ltd	Services	2,000	Taxi transportation; domestic commerce and materials supply (besides the goods that the government controlled)

Name of company	Contribution (0'000)	Shareholdings	
		Direct	Indirect
Shenzhen ITC Tian'an Properties Co., Ltd	2,318.61	50%	
Shenzhen ITC Tian'an Property Management Co., Ltd	150	50%	
Shenzhen Jifa Warehouse Co., Ltd	3,064.51	50%	
Shenzhen ITC Industrial Development Co., Ltd	2,015.48	38.33%	
Anhui Nanpeng Papermaking Co., Ltd	1,382.40	30%	
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	1,898.36	26%	
Shenzhen Huajing Glass Bottle Co., Ltd	760	15.83%	
Guangzhou Lishifeng Motor Co., Ltd	600		30%

Note: there is no difference between the aforesaid proportions of voting rights and shareholding hold by the Company.

Note IX Notes to the main subjects in consolidated financial statements

(Unless otherwise stated, the closing balance and the opening balance refer to the balance at December 31, 2008 and December 31, 2007 respectively. All amounts are presented in RMB.)

1. Cash and cash equivalents

Item	Closing balance	Opening balance
Cash on hand	340,965.83	275,617.49
Bank deposit	265,398,484.68	227,564,009.28
Other cash and cash equivalents	5,969,277.35	14,322,060.57
Total	271,708,727.86	242,161,687.34

Note: Other cash and cash equivalents refer to the closing balance of securities margin and other margin account.

Item	Closing balance			
	Currency	Original currency	Exchange rate	RMB
Cash on hand	RMB	256,104.11	1.0000	256,104.11
	USD	863.58	6.8346	5,902.20
	HKD	89,533.42	0.8819	78,959.52
	Sub-Total	—	—	340,965.83

Item	Closing balance			
	Currency	Original currency	Exchange rate	RMB
Bank deposit	RMB	264,160,081.58	1.0000	264,160,081.58
	USD	368.81	6.8346	2,520.65
	HKD	1,401,387.06	0.8819	1,235,882.45
	Sub-Total	—	—	265,398,484.68
Other cash and cash equivalents	RMB	5,869,611.04	1.0000	5,869,611.04
	HKD	113,013.16	0.8819	99,666.31
	Sub-Total	—	—	5,969,277.35
Total				271,708,727.86

Item	Opening balance			
	Currency	Original currency	Exchange rate	RMB
Cash on hand	RMB	252,522.95	1.0000	252,522.95
	USD	863.58	7.3046	6,308.11
	HKD	17,926.56	0.9364	16,786.43
	Sub-Total	—	—	275,617.49
Bank deposit	RMB	225,510,890.57	1.0000	225,510,890.57
	USD	1,514.31	7.3046	11,061.43
	HKD	2,180,753.18	0.9364	2,042,057.28
	Sub-Total	—	—	227,564,009.28
Other cash and cash equivalents	RMB	14,251,382.67	1.0000	14,251,382.65
	HKD	75,478.34	0.9364	70,677.92
	Sub-Total	—	—	14,322,060.57
Total				242,161,687.34

2. Trading financial assets

Item	Fair value	
	2008.12.31	2007.12.31
Held-for-trading equity instrument	2,670,729.47	5,192,690.52
Total	2,670,729.47	5,192,690.52

Note: The market price at the end of period was determined according to the closing price at December 31, 2008 declared by Stock Exchange. There is no significant restriction on realization of trading financial assets.

3. Accounts receivables

(1) Aging analysis

Aging	Closing balance		
	Amount	Proportion	Bad debt provision
Within 1 year(including 1 year)	11,635,926.07	9.72%	177,944.87
1-2 years(including 2 years)	1,893,946.13	1.58%	893,438.73
2-3 years(including 3 years)	20,000.00	0.02%	600.00
Over 3 years	106,220,612.95	88.68%	50,092,589.75
Total	119,770,485.15	100.00%	51,164,573.35

Aging	Opening balance		
	Amount	Proportion	Bad debt provision
Within 1 year(including 1 year)	10,516,741.85	7.94%	199,986.92
1-2 years(including 2 years)	30,047.21	0.02%	69,599.13
2-3 years(including 3 years)	40,733.00	0.03%	35,099.82
Over 3 years	121,945,331.26	92.01%	65,812,948.94
Total	132,532,853.32	100.00%	66,117,634.81

(2) Accounts receivables by categories are as follows:

Categories	Closing balance		
	Amount	Proportion	Bad debt provision
Individually significant receivables	106,947,075.88	89.29%	50,947,075.88
Individually insignificant receivables with high credit risk in group assessment			
Other insignificant amount	12,823,409.27	10.71%	217,497.47

Total	119,770,485.15	100.00%	51,164,573.35
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Categories	Opening balance		
	Amount	Proportion	Bad debt provision
Individually significant receivables	120,240,552.39	90.73%	64,240,552.39
Individually insignificant receivables with high credit risk in group assessment			
Other insignificant amount	12,292,300.93	9.27%	1,877,082.42
Total	132,532,853.32	100.00%	66,117,634.81

Individually significant receivable is regarded as risky receivable, of which the collectability is uncertain and of which the recoverable amount can only be determined after effective assessment. Individually insignificant receivable with high credit risk in group assessment is regarded as receivable, of which the collectability may be certain for single item, but the collectability of group of the receivables with same credit risk characteristic is uncertain and the recoverable amount of the group of receivables can only be determined after effective assessment.

(3)Details of individually significant accounts receivable

Name of company	Closing balance	Bad debt provision	Aging	Reason for provision
Shenzhen Jiyong Properties & Resources Development Company	98,611,328.05	42,611,328.05	Over 3 years	Involved in lawsuit, refer to Note XII.1.(2) and Note XV.2
Shenzhen Tewe Industry Co.,Ltd.	2,836,561.00	2,836,561.00	Over 3 years	Uncollectible for a long period
Shenzhen Lunan Industry Development Co.,Ltd.	2,818,284.84	2,818,284.84	Over 3 years	Poor operational status
Total	104,266,173.89	48,266,173.89		

(4)There was no accounts receivable due from shareholders with more than 5% (including 5%) of the voting shares of the Company.

(5)There was no accounts receivable due from related parties.

(6)Details of significant accounts receivable are as follows:

Name of company	Amount	Proportion to total accounts receivables	Occurrence period
Shenzhen Jiyong Properties & Resources Development Company	98,611,328.05	82.33%	Over 3 years

Rainbow Plaza Co., Ltd	3,685,618.89	3.08%	Within 1 year
Shenzhen Tewe Industry Co.,Ltd.	2,836,561.00	2.37%	Over 3 years
Shenzhen Lunan Industry Development Co.,Ltd.	2,818,284.84	2.35%	Over 3 years
Total	107,951,792.78	90.13%	

(7)The closing balance of top 5 accounts receivables is RMB 108,651,792.78, accounting for 90.72% of the total.

4. Other receivables

(1)Aging analysis

Aging	Closing balance		
	Amount	Proportion	Bad debt provision
Within 1 year(including 1 year)	28,734,705.57	16.51%	13,295.33
1-2 years(including 2 years)	3,544,418.51	2.04%	2,807,019.58
2-3 years(including 3 years)	892,835.73	0.51%	33,274.97
Over 3 years	140,882,417.18	80.94%	103,978,645.01
Total	174,054,376.99	100.00%	106,832,234.89

Aging	Opening balance		
	Amount	Proportion	Bad debt provision
Within 1 year(including 1 year)	6,399,091.66	3.53%	2,808,590.24
1-2 years(including 2 years)	12,281,340.72	6.77%	681,749.90
2-3 years(including 3 years)	17,106,515.75	9.43%	12,552,917.40
Over 3 years	145,682,848.33	80.27%	89,462,013.78
Total	181,469,796.46	100.00%	105,505,271.32

(2)Other receivables by categories are as follows:

Categories	Closing balance		
	Amount	Proportion	Bad debt provision
Individually significant receivables	117,856,922.31	67.71%	106,441,980.23

Individually insignificant receivables with high credit risk in group assessment			
Other insignificant amount	56,197,454.68	32.29%	390,254.66
Total	174,054,376.99	100.00%	106,832,234.89

Aging	Opening balance		
	Amount	Proportion	Bad debt provision
Individually significant receivables	119,989,970.57	66.12%	104,596,220.99
Individually insignificant receivables with high credit risk in group assessment			
Other insignificant amount	61,479,825.89	33.88%	909,050.33
Total	181,469,796.46	100.00%	105,505,271.32

Individually significant receivable is regarded as risky receivable, of which the collectability is uncertain and of which the recoverable amount can only be determined after effective assessment. Individually insignificant receivable with high credit risk in group assessment is regarded as receivable, of which the collectability may be certain for single item, but the collectability of group of the receivables with same credit risk characteristic is uncertain and the recoverable amount of the group of receivables can only be determined after effective assessment.

(3)Details of individually significant other receivables

Name of company	Closing balance	Bad debt provision	Age	Reason for provision
Gintian Industry (Group) Co.,Ltd	56,600,000.00	56,600,000.00	Within 1 to 2 years and over 3 years	Payment for discharging of guaranty responsibility that was difficult to be recollect
Duokuai Elevator (Far East) Co., Ltd.	11,726,693.00	3,978,423.60	over 3 years	Receivables cannot be offset by executable property, referring to Note XII.1.(4) for details
Anhui Nanpeng Papermaking Co., Ltd	8,702,432.00	8,702,432.00	over 3 years	Uncollectible for a long period
Shenzhen Shengfenglu ITC Jewel & Gold Co., Ltd	10,199,186.28	6,532,519.60	over 3 years	There is no asset to execute the verdict, thus lead to uncollectibility
Shanghai Yutong Real estate	5,676,000.00	5,676,000.00	over 3 years	Uncollectibility for the

Name of company	Closing balance	Bad debt provision	Age	Reason for provision
development Co., Ltd				reason of verdict
Wuliangye Restaurant	5,523,057.70	5,523,057.70	over 3 years	Has been liquidated
HongKong Yueheng Development Co., Ltd	3,271,931.42	3,271,931.42	over 3 years	Has been liquidated
Elevated Train Project	2,542,332.43	2,542,332.43	over 3 years	Suspended project
Dameisha Tourism Center	2,576,445.69	2,576,445.69	over 3 years	Suspended project
Shenzhen ITC Food Enterprise Co.,Ltd.	2,431,652.48	2,431,652.48	over 3 years	Insolvency
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	1,747,264.25	1,747,264.25	over 3 years	Poor operation status
Total	110,996,995.25	99,582,059.17		

(4)There was no other receivable due from shareholders with more than 5% (including 5%) of the voting shares of the Company.

(5)Details of top 5 other receivables

Name of company	Amount	Proportion of the total	Nature or content	Occurrence period
Gintian Industry (Group) Co.,Ltd.	56,600,000.00	32.52%	Warranty liability	Within 1 to 2 years and over 3 years
Shenzhen ITC Tian'an Properties Co., Ltd	24,705,931.45	14.19%	Dividend receivable	Over 3 years
Shenzhen Municipal Planning and Land Resource Bureau Longgang Branch	12,024,387.70	6.91%	Land section receivable	Over 3 years
Duokuai Elevator (Far East) Co., Ltd.	11,726,693.00	6.74%	Law suit receivable	Over 3 years
Anhui Nanpeng Papermaking Co., Ltd	10,199,186.28	5.86%	Rent receivable	Over 3 years
Total	115,256,198.43	66.22%		

(6)Amount due from related parties in other receivables is RMB 37,587,280.18, accounting for 21.60% of the total.

5. Prepayment

(1)Aging analysis

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion

Within 1 year(including 1 year)	2,111,993.73	91.60%	68,099,090.89	99.72%
1-2 years(including 2 years)	161,517.00	7.01%	65,736.33	0.10%
2-3 years(including 3 years)			105,590.00	0.15%
Over 3 years	32,118.80	1.39%	17,856.80	0.03%
Total	2,305,629.53	100.00%	68,288,274.02	100.00%

(2) Explanations

A. Prepayments with aging over 1 year are mainly construction payments to be settled.

B. There was no amount due from shareholders with more than 5% (including 5%) of the voting shares of the Company in prepayment.

6. Inventories

(1) Details

Categories	Opening balance	Increase	Decrease	Closing balance	Including : Capitalized borrowing cost	Proportion of reversal of provision for impairment of inventories to closing balance
Raw materials	2,285,171.94	1,944,492.54	2,778,282.26	1,451,382.22		1.88%
Finished products	1,058,981.51	4,375,467.81	5,217,133.89	217,315.43		
Low-value consumption goods	299,678.06	861,175.65	833,787.81	327,065.90		
Land use right held for real estate development	252,868,119.29	12,640,516.86	35,321,568.72	230,187,067.43		
Properties under development	538,022,156.37	424,167,202.46	433,639,272.47	528,550,086.36	50,326,366.49	
Completed properties for sale	307,610,560.61	388,162,730.06	166,533,633.20	529,239,657.47	9,301,030.42	
Owner-occupied properties	11,040,822.97		11,040,822.97			
Total	1,113,185,490.75	832,151,585.38	655,364,501.32	1,289,972,574.81	59,627,396.91	0.002%

(2) Provision for impairment of inventories

Categories	Opening balance	Increase	Decrease		Closing balance
			Reversal	Written off	
Raw materials	1,036,340.58		27,302.58	799,163.50	209,874.50
land use right held for real estate development	108,553,632.23			1,856,128.52	106,697,503.71
properties under development	220,006.96				220,006.96
completed properties for sale	29,118,896.81				29,118,896.81

Total	138,928,876.58		27,302.58	2,655,292.02	136,246,281.98
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Note 1: The reversal of provision for impairment of raw materials during current period was due to the change of consolidation scope for the financial statements.

Note 2: The reversal of provision for impairment of land use right held for real estate development during the current period was due to the translation of foreign currency financial statement of the Company's foreign subsidiary Shum Yip Properties Development Limited.

(3)Details

A. Land use right held for real estate development

Item	Closing balance		Opening balance	
	Amount	provision for impairment of inventories	Amount	provision for impairment of inventories
Huanggang Port Land	46,823,373.98		69,801,944.96	
Pinghu Land	40,642,168.99	38,242,168.99	40,642,168.99	38,242,168.99
Hainan Qiongsan Land	6,648,404.13	6,648,404.13	6,648,404.13	6,648,404.13
Shenhui Garden	34,726,762.89	26,002,128.89	33,082,128.89	26,002,128.89
Donggua Ridge Land	45,257,855.74		43,495,342.10	
Fuchang Second Term Land	5,769,577.11	5,769,577.11	5,769,577.11	5,769,577.11
Hong Kong Tingjiu Land	50,318,924.59	30,035,224.59	53,428,553.11	31,891,353.11
Total	230,187,067.43	106,697,503.71	252,868,119.29	108,553,632.23

Notes to Pinghu Land: In August, 1992, the Company signed the contract with HongKong Lianfahang International Development Co., Ltd and Pinghu village to develop Pinghu village's land. The Company paid RMB 47,100,000 to obtain the real estate certificate for 173,750 square meters, which including undeveloped land 65,714.10 square meters. Afterwards, Pinghu village took over the undeveloped land on grounds of not receiving the full fund. On December 30, 2003, the Company signed contract with Pinghu village, which agreed that the Company kept the use right of 10,000 square meters in undeveloped land 65,714.10 square meters, and the rest 55,714.10 square meters was returned to Pighu village. During current period, owing that the 10,000 square meters was occupied by villagers, the Company signed another supplemental contract with Pinghu village to obtain an un-using land 9,980 square meters instead. The Company had evaluated these two lands. Shenzhen Pengxin Assets Land and

Real Estate Appraisal Co., Ltd issued PXZXZ (2008) No.192 report, the evaluation price before exchange is about RMB 3,910,000, and the evaluation price after exchange is about RMB 5,080,000. Because the 9,980 square meters land is collective land, which can be transferred the ownership after being changed into merchandise land. It will take long time to obtain the approval of related government departments, and the land transfer needs to follow the related procedures of national assets' disposal. The property ownership certificate of the exchanged new land has not been obtained and there is uncertainty in the transfer of ownership and the related charges. Currently, the carrying amount of this land is RMB 40,642,168.99, the opening and closing balance of provision is RMB 38,242,168.99, and the net value is RMB 2,400,000.00.

B. Properties under development

Project name	Starting time	Expected completion time	Expected total investment	Closing balance	Opening balance
Imperial Garden (original HuangYu Garden District C-A)					217,479,111.09
Shenwuye – Shengang No.1 (original HuangYu Garden District C-B)	2006.7	2010.5	388,000,000.00	136,463,567.97	72,887,915.79
Shenwuye -Langqiao Residence (original HuangYu Garden District D)	2005.12	2011.3	420,000,000.00	121,862,512.84	70,796,828.80
Shenwuye – FHRL (original FHRL Group B)	2005.9	2009.12	422,280,000.00	270,104,005.55	144,148,924.86
Haikou Landao Shore					29,655,289.05
Sundry project				120,000.00	3,054,086.78
Total				528,550,086.36	538,022,156.37

C. Completed properties for sale

Item	Completion time	Opening balance	Increase	Decrease	Closing balance	Provision for impairment of inventories
ITC Plaza	1995.12	83,505,415.48		3,603,688.17	79,901,727.31	
Huangyu Garden District A	2001.06	3,368,718.56		395,095.31	2,973,623.25	
Huangyu Garden District B	2003.12	16,659,606.01		691,481.29	15,968,124.72	
Imperial Garden	2008.11		358,507,441.01	137,836,289.21	220,671,151.80	

Item	Completion time	Opening balance	Increase	Decrease	Closing balance	Provision for impairment of inventories
(original HuangYu Garden District C-A)						
Huangcheng Plaza	1997.05	183,776,743.12		10,795,325.14	172,981,417.98	29,118,896.81
Xinda Building	2001.10	3,145,042.17			3,145,042.17	
Fenrun Garden	1998.02	339,542.36			339,542.36	
Property Times New Residence	1997.12	1,853,924.88		1,853,924.88		
Haikou Waterfront of Blue Island			29,655,289.05	11,357,829.20	18,297,459.85	
Rihao Garden		4,654,651.00			4,654,651.00	
Meisi Workshop		3,885,469.40			3,885,469.40	
Fuchang Comprehensive Building		6,421,447.63			6,421,447.63	
Total		307,610,560.61	388,162,730.06	166,533,633.20	529,239,657.47	29,118,896.81

7. Available-for-sale financial assets

Item	Fair value at the end of the year	Fair value at the beginning of the year
Available-for-sale equity instruments		9,200,018.40
Total		9,200,018.40

Note: 1,000,002 shares of Pangang Group Sichuan Changcheng Special Steel Co., Ltd held by the Company were sold out in current year.

8. Investment held to maturity

Item	Closing balance	Opening balance
Investments on bond	3,000.00	3,000.00
Total	3,000.00	3,000.00

9. Long-term equity investment

Categories	Closing balance	Opening balance
Long-term equity investment accounted using equity method	65,190,292.51	63,490,577.32
Long-term equity investment accounted using cost method	79,785,387.54	92,751,755.80
Sub-Total	144,975,680.05	156,242,333.12
Less: Provision for impairment of long-term equity investment	63,702,449.15	84,037,529.69
Total	81,273,230.90	72,204,803.43

(1)Details of significant joint ventures and associates refer to Note VIII.

(2)Long-term equity investment under equity method

Investee	Amount of initial investment	Opening balance	Increase	Decrease	Closing balance	Cash dividends received during the current period
Shenzhen ITC Tian'an Properties Co., Ltd	23,186,124.00	35,693,830.17	1,440,340.33		37,134,170.50	5,000,000.00
Shenzhen Jifa Warehouse Company Limited	30,645,056.04	25,998,714.05	298,931.22		26,297,645.27	
Shenzhen Tian'an International Building Property Management Co., Ltd	1,500,000.00	1,798,033.10	-39,556.36		1,758,476.74	
Total	55,331,180.04	63,490,577.32	1,699,715.19		65,190,292.51	5,000,000.00

(3)Long-term equity investment under cost method

Investee	Opening balance	Increase	Decrease	Closing balance
Shenzhen ITC Industrial Development Co., Ltd	3,682,972.55			3,682,972.55
Shenzhen Fulin Industrial Co., Ltd.	21,181,023.36		21,181,023.36	
Anhui Nanpeng Papermaking Co., Ltd	13,824,000.00			13,824,000.00
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	18,983,614.14			18,983,614.14
Shenzhen Huajing Glass Bottle Company Limited	7,600,000.00			7,600,000.00
Shensan Co.,Ltd.	17,695.09			17,695.09
China T.H. Co.,Ltd.	2,962,500.00			2,962,500.00

North Machinery (Group) Co.,Ltd.	3,465,000.00			3,465,000.00
Guangdong Huayue Real Estate Co.,Ltd.	8,780,645.20			8,780,645.20
Guangzhou Shilifeng Automobile Co.,Ltd.	6,000,000.00			6,000,000.00
Sanya East Travel Co.,Ltd. Legal persons shares	1,350,000.00			1,350,000.00
Macao Huashen Enterprise Co.,Ltd.	90,912.62		5,291.26	85,621.36
Saipan Project	2,054,775.29		119,591.25	1,935,184.04
Chongqing Guangfa Real estate development Co.,Ltd.	2,758,617.55		160,556.03	2,598,061.52
East Land Properties Limited		93.64		93.64
Shenzhen ITC Petroleum Company Limited		8,500,000.00		8,500,000.00
Total	92,751,755.80	8,500,093.64	21,466,461.90	79,785,387.54

(4)Provision for impairment of long-term equity investment

Investment	Opening balance	Increase	Decrease	Closing balance
Shenzhen ITC Industrial Development Co., Ltd	3,682,972.55			3,682,972.55
Shenzhen Fulin Industrial Co., Ltd.	21,041,503.00		21,041,503.00	
Anhui Nanpeng Papermaking Co., Ltd	13,824,000.00			13,824,000.00
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	18,983,614.14			18,983,614.14
Shenzhen Huajing Glass Bottle Company Limited	6,608,139.00	991,861.00		7,600,000.00
Shensan Co.,Ltd.	17,695.09			17,695.09
CHINA T.H. CO.,LTD.	2,160,300.45			2,160,300.45
North Machinery (Group) Co.,Ltd.	3,465,000.00			3,465,000.00
Guangdong Huayue Real Estate Co.,Ltd.	8,000,000.00			8,000,000.00
Sanya East Travel Co.,Ltd. Legal persons shares	1,350,000.00			1,350,000.00
Macao Huashen Enterprise Co.,Ltd.	90,912.62		5,291.26	85,621.36
Saipan Project	2,054,775.29		119,591.25	1,935,184.04
Chongqing Guangfa Real estate development Co.,Ltd.	2,758,617.55		160,556.03	2,598,061.52
Total	84,037,529.69	991,861.00	21,326,941.54	63,702,449.15

Note 1: The decrease of long-term equity investment and provision for impairment over Shenzhen Fulin Industrial Co., Ltd is due to the transfer of the holding shares of the company.

Note 2: The decrease of long-term equity investment and provision for impairment over Macao Huashen Enterprise Co., Ltd, Saipan Project, and Chongqing Guangfa Real estate development Co., Ltd are due to the translation of the foreign currency financial statement of the Company's subsidiary Shum Yip Properties Development Limited.

10. Investment property

(1) Details

Item	Opening balance	Increase	Decrease	Closing balance
1. Cost	245,484,059.61	92,656,944.63	752,404.37	337,388,599.87
Including: Property and building	242,484,059.61	92,656,944.63	752,404.37	334,388,599.87
Land use right	3,000,000.00			3,000,000.00
2. Accumulated depreciation and amortisation	71,250,590.35	42,511,966.85	415,935.52	113,346,621.68
Including: Property and building	71,198,567.23	42,459,943.73	415,935.52	113,242,575.44
Land use right	52,023.12	52,023.12		104,046.24
3. Impairment loss				
Including: Property and building				
Land use right				
4. Carrying amount	174,233,469.26	—	—	224,041,978.19
Including: Property and building	171,285,492.38	—	—	221,146,024.43
Land use right	2,947,976.88	—	—	2,895,953.76

(2) The increased cost of property and building during the current period was due to the investment property transferred from inventories under leasing and fixed assets. The main items are transferred from the plaza leased by Tianhong Co., Ltd and the underground parking lot of Loyal Garden.

(3) The decrease of property and building during the current period was due to the translation of foreign currency financial statements.

11. Fixed assets

(1) Details

Categories	Opening balance	Increase	Decrease	Closing balance
1. Cost	237,404,937.37	36,360,506.17	80,352,697.45	193,412,746.09
Including: Property and buildings	177,793,349.93	14,660,278.37	59,556,430.64	132,897,197.66
Machineries	60,430.00	24,501.80	2,990.00	81,941.80
Vehicles	42,000,343.93	20,652,965.00	17,084,813.76	45,568,495.17
Electronic and other equipment	13,302,402.92	1,022,761.00	3,708,463.05	10,616,700.87
Decoration	4,248,410.59			4,248,410.59
2. Depreciation	124,682,891.25	25,685,467.60	61,045,200.24	89,323,158.62
Including: Property and buildings	82,339,258.52	10,540,458.82	36,804,237.92	56,075,479.42
Machineries	24,002.98	24,854.72		48,857.70
Vehicles	29,132,442.10	13,572,104.75	21,034,817.66	21,669,729.19
Electronic and other equipment	10,239,283.99	919,568.79	3,206,144.66	7,952,708.12
Decoration	2,947,903.66	628,480.52		3,576,384.18
3. Impairment loss	105,163.80		29,446.64	75,717.16
Including: Property and buildings				
Machineries				
Vehicles				
Electronic and other equipment	105,163.80		29,446.64	75,717.16
Decoration				
4. Carrying amount	112,616,882.32	—	—	104,013,870.31
Including: Property and buildings	95,454,091.40	—	—	76,821,718.23
Machineries	36,427.02	—	—	33,084.10
Vehicles	12,867,901.83	—	—	23,898,765.98
Electronic and other equipment	2,957,955.13	—	—	2,588,275.59
Decoration	1,300,506.93	—	—	672,026.41

(2) Details of temporarily idle fixed assets are as follows:

Categories	Cost	Accumulated depreciation	Impairment loss	Carrying amount	Expected date for put into usage
Property and buildings	19,481,389.05	4,868,815.45		14,612,573.60	
Total	19,481,389.05	4,868,815.45		14,612,573.60	

Note: The temporarily idle property and buildings are properties that are neither leased out nor used for

self-occupation. No provision for impairment was made because its market price was in excess of its cost.

12. Intangible assets

Categories	Opening balance	Increase	Decrease	Closing balance
Cost	96,632,982.31	54,250,000.00	4,084,485.00	146,798,497.31
-Land use right	4,084,485.00		4,084,485.00	-
-Operating license plate	90,601,143.70	54,250,000.00		144,851,143.70
-Repurchased operating right of taxi's operating license plate	1,947,353.61			1,947,353.61
Accumulated amortization	22,566,565.25	6,622,113.79	1,792,522.65	27,396,156.39
-Land use right	1,679,072.65	113,450.00	1,792,522.65	-
-Operating license plate	20,620,971.87	6,395,302.20		27,016,274.07
-Repurchased operating right of taxi's operating license plate	266,520.73	113,361.59		379,882.32
Impairment loss				
-Land use right				
-Operating license plate				
-Repurchased operating right of taxi's operating license plate				
Carrying amount	74,066,417.06	—	—	119,402,340.92
-Land use right	2,405,412.35	—	—	
-Operating license plate	69,980,171.83	—	—	117,834,869.63
-Repurchased operating right of taxi's operating license plate	1,680,832.88	—	—	1,567,471.29

Note 1: The closing balance of intangible assets increased by 61.62% comparing to the opening balance, due to 100 'Red' taxis' operating licenses newly increased in Shenzhen ITC Vehicle Industry Company Co., Ltd.

Note 2: The decrease is due to change of consolidation scope.

13. Deferred tax assets and liabilities

(1) Assets and liabilities giving rise to temporary difference

Item	Temporary difference	
	Closing balance	Opening balance

Item	Temporary difference	
	Closing balance	Opening balance
I. Deductible temporary difference giving rise to deferred tax assets		
1.Carrying amount of other receivables less than its tax base	3,978,423.60	
2.Carrying amount of inventories less than its tax base	29,118,896.81	29,118,896.81
3.Carrying amount of accounts payable greater than its tax base		5,395,722.66
4.Carrying amount of payroll payable greater than its tax base	9,200,000.00	
5.Losses on taxable income to be recovered	21,924,517.60	21,810,112.03
Total	63,621,838.91	56,324,731.50
II. Taxable temporary difference giving rise to deferred tax liabilities		
1.Carrying amount of trading financial assets greater than its tax base		672,121.83
2.Carrying amount of available-for-sale financial assets greater than its tax base		6,036,569.89
Total		6,708,691.72

(2)Recognized deferred tax assets and liabilities

Item	Closing balance	Opening balance
I. Deferred tax assets		
1.Carrying amount of other receivables less than its tax base	795,684.72	
2.Carrying amount of inventories less than its tax base	5,823,779.36	5,241,401.43
3.Carrying amount of accounts payable greater than its tax base		971,230.08
4.Carrying amount of payroll payable greater than its tax base	1,880,000.00	
5.Losses on taxable income to be recovered	4,823,393.87	4,231,505.56
Total	13,322,857.95	10,444,137.07
II. Deferred tax liabilities		
1.Carrying amount of trading financial assets greater than its tax base		120,981.92
2.Carrying amount of available-for-sale financial assets greater than its tax base		1,090,025.33
Total		1,211,007.25

14. Impairment loss

Categories	Opening	Increase	Decrease	Closing
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			Reversal	Written off	
I. Provision for bad debt	171,622,906.13	5,572,788.17		19,198,886.06	157,996,808.24
Including: Accounts receivable	66,117,634.81	770,317.73		15,723,379.19	51,164,573.35
Other receivables	105,505,271.32	4,802,470.44		3,475,506.87	106,832,234.89
II. Provision for impairment of inventories	138,928,876.58		27,302.58	2,655,292.02	136,246,281.98
III. Provision for impairment of long-term equity investments	84,037,529.69	991,861.00		21,326,941.54	63,702,449.15
VI. Provision for impairment of fixed assets	105,163.80			29,446.64	75,717.16
Total	394,694,476.20	6,564,649.17	27,302.58	43,210,566.26	358,021,256.53

Note 1: Written off of provision for bad debts on accounts receivable is caused by that the Company corrected the original accounts receivable due from HongKong Lianfahang International Development Co., Ltd and the related provision, and recognized it as the long-term equity investment difference for previous years.

Note 2: Written off of provision for bad debts on other receivables is due to foreign exchange translation on foreign receivables and the exclusion of Shenzhen ITC Vehicle Industry Company Co., Ltd from the consolidation scope during this period.

Note 3: Written off of provision for impairment of inventories is due to the foreign currency translation in the financial statements and the liquidation of Shanghai Shenzhen Properties Development Company Limited.

Note 4: Written off of provision for impairment for long-term equity investment is due to foreign currency translation in the financial statements and selling the holding shares of Shenzhen Fulin Industrial Co., Ltd.

15. Assets with restriction on ownership

(1) The reason for restriction on ownership

A. The subsidiary of the Company, Shenzhen ITC Vehicles Services Company, mortgaged parts of ITC Plaza (second phase) for a short-term bank loan amounting to RMB 50,000,000.00, and the closing

balance of said short-term bank loan at the end of the financial year was RMB 50,000,000.00; and mortgaged 192 property certificates of operating vehicle plate for a short-term bank loan RMB 65,150,000.00, and the closing balance is RMB 48,229,343.34.

B. The Company mortgaged District A and B of ITC, IT Commercial Building, 3-7th floors of Heping Single Building, 7th floor of Heping Hotel, Heping Food Market, 2nd floor in Heping Xijiu 54th Building, and 1st floor in Heping Xijiu Small Market for a long-term bank loan amounting to RMB 250,000,000.00, and the closing balance of the year was RMB 130,000,000.00.

The Company jointly mortgaged parts of ITC Plaza (second phase), 2nd Floor of ITC Building District A, and 73 suits of properties in ITC Commercial Building for a short-term bank loan amounting to RMB 100,000,000.00, and the closing balance is RMB 69,000,000.00; and mortgaged parts of ITC, Tian'an Building, District B of ITC, and parts of ITC Commercial Building for a short-term bank loan amounting to RMB 45,000,000.00, and the closing balance is RMB 30,000,000.00.

C. The subsidiary of the Company, Shenzhen Huangcheng Real Estate Company Limited, mortgaged 5-6th building of Loyal Garden District A and parts of Loyal Garden District B for a long-term bank loan amounting to RMB 250,000,000.00 from Construction Bank, and the closing balance was RMB 250,000,000.00; and mortgaged parts of Huangcheng Plaza for a long-term bank loan amounting to RMB 30,000,000.00, and the closing balance is RMB 25,000,000.00.

(2) Details of the assets with restriction on ownership are as follows

Categories	Opening balance	Increase	Decrease	Closing balance
Assets used in guarantee				
Fixed asset - property and building	133,310,601.09		104,990,829.51	28,319,771.58
Investment property - property and building		87,104,912.14		87,104,912.14
Inventories - land use right	30,114,434.00		30,114,434.00	
-developments		185,829,097.42		185,829,097.42
Intangible asset - operating license plate	43,621,915.74	39,783,333.34	20,852,129.23	62,553,119.84
Total	207,046,950.83	312,717,342.90	155,957,392.74	363,806,900.99

16. Short-term borrowings

Categories	Closing balance	Opening balance
Credit loan	215,000,000.00	14,040,774.90

Mortgaged loan	154,000,000.00	231,000,000.00
Pledged loan		41,600,000.00
Total	369,000,000.00	286,640,774.90

17. Trade payable

Item	Closing balance	Opening balance
Amount	137,040,777.65	78,261,460.46

Note 1: The closing balance decreased by 75.11% comparing to the opening balance, mainly due to the estimated project payment of Loyal Garden project based on the completion budget

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

18. Advance from customers

Item	Closing balance	Opening balance
Amount	67,150,023.78	135,947,584.01

Note 1: The closing balance decreased by 50.61% comparing to the opening balance, mainly due to the recognized revenue of Loyal Garden project which the properties have been delivered in this period.

Note 2: Details of advance from customers on main projects of properties for sale are as follows:

Item	Aging	Closing balance	Opening balance	Estimated date of completion
Loyal Garden	Within 1 year	11,800,710.00	112,662,306.00	Completion
Huangcheng Plaza	Within 1 year	3,866,804.24	6,228,220.09	Completion
Huangyu Garden District A	1-3 years	2,407,528.93	3,038,632.93	Completion
Huangyu Garden District B	1-3 years	218,413.26	218,413.26	Completion
Fengrun Garden	2-3 years	128,254.00	128,254.00	Completion
Xinhua City	Within 1 year	45,078,355.00		December 2009
Total		63,500,065.43	122,275,826.28	

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

Note 3: There was no amount due to shareholders with more than 5% (including 5%) of the voting shares of the Company in advance from customers.

19. Payroll payable

Categories	Opening balance	Increase	Decrease	Closing balance
I. Salary, bonus, allowance, subsidy	26,372,271.17	142,669,320.82	130,259,731.86	38,781,860.13
II. Employee welfare	560,605.56	11,056,892.08	11,615,997.64	1,500.00
III. Social insurance	5,296.35	23,337,137.87	23,342,434.22	
Including: 1. Medical insurance		4,609,410.64	4,609,410.64	
2. Basic retirement insurance		14,329,331.35	14,329,331.35	
3. Annuity fee		3,136,679.95	3,136,679.95	
4. Unemployment insurance		259,096.99	259,096.99	
5. Injury insurance		418,395.44	418,395.44	
6. Pregnancy insurance	-2,040.27	287,753.16	285,712.89	
7. Labor cooperation medical care		79,404.00	79,404.00	
8. Other social insurance	7,336.62	217,066.34	224,402.96	
IV. Public housing fund	73,754.34	54,048.62	54,048.62	73,754.34
V. Labour union fee and employee education fee	2,780,000.84	2,882,666.87	3,194,729.49	2,467,938.22
VI. Redemption for termination s of labor contract	1,914,594.00	36,643,309.50	12,628,724.00	25,929,179.50
Total	31,706,522.26	216,643,375.76	181,095,665.83	67,254,232.19

Note: The closing balance of payroll payable of 2008 increased by 112.11% than that of 2007, mainly due to the estimated termination benefits generated from the employee termination scheme. Details refer to Note XIV.7.

20. Taxes payable

Categories	Closing balance	Opening balance
1. VAT	41,461.01	-52,984.38

Categories	Closing balance	Opening balance
2.Business tax	2,652,094.93	5,034,260.02
3.Income tax	15,604,575.75	169,875.08
4.Stamp tax	191,350.64	21,905.78
5.Education surtax	75,151.48	151,471.46
6.Land value appreciation tax	62,342,634.21	31,050,220.22
7.Urban maintenance and construction tax	39,833.23	65,121.69
8.Property tax	741,777.42	721,262.62
9.Land use tax	0.10	43,525.56
10.Individual income tax	627,227.15	1,754,126.47
11.Embankment maintenance fee	5,127.41	
12.Others	1,545.41	838.53
Totals	82,322,778.74	38,959,623.05

Note: The closing balance of taxes payable of 2008 increased by 111.30% than that of 2007, mainly due to increased income tax and land value appreciation tax generated from the recognized revenue of Loyal Garden project.

21. Other payables

Item	Closing balance	Opening balance
Other payables	187,732,899.73	153,712,806.26

Note A: The details of significant other payables are as follows :

Item	Amount	Nature
Accrued Land value appreciation tax	56,303,627.40	Accrued Land value appreciation tax
Rent deposits	16,581,835.86	Deposits
Yirun Real Estate Co., Ltd	15,583,074.00	Current account
Guangzhou Lishifeng Motor Company Limited	10,000,000.00	Current account
Shenzhen Fulin Industrial Co., Ltd.	9,528,506.00	Current account
Shenzhen Guanghong Investment Co., Ltd	8,070,000.00	Current account

Total	116,067,043.26	
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Note B: There was no amount due to shareholders with more than 5% (including 5%) of the voting shares of the Company in other payables.

22. Non-current liabilities due within 1 year

(1) Details

Item	Closing balance	Opening balance
Long-term borrowings	100,000,000.00	239,992,263.87
Total	100,000,000.00	239,992,263.87

(2) Long-term borrowings due within 1 year

Item	Closing balance	Opening balance
Guarantee borrowings		159,992,263.87
Mortgage borrowings	100,000,000.00	80,000,000.00
Total	100,000,000.00	239,992,263.87

23. Long-term borrowings

Borrowing terms	Closing balance	Opening balance
Mortgage borrowings	55,000,000.00	149,450,000.00
Pledge borrowings	43,229,343.34	37,353,081.28
Guarantee borrowings	250,000,000.00	
Total	348,229,343.34	186,803,081.28

24. Provision for contingent liabilities

Item	Opening balance	Increase	Decrease	Closing balance
Pending action of Haiyi case	41,772,906.07	19,481,328.37		61,254,234.44
Total	41,772,906.07	19,481,328.37		61,254,234.44

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

25. Other non-current liabilities

Item	Closing balance	Opening balance
1.Utility specific fund	21,571,868.62	21,825,468.62
2.Housing principle fund	7,837,285.22	9,889,289.85
3.House warming deposit	7,812,947.26	8,390,572.82
4.Electric Equipment Maintenance fund	4,019,415.44	4,019,415.44
5.Deputed Maintenance fund	25,978,097.69	25,951,984.15
6.Taxi Deposit	28,617,800.00	28,569,625.00
7.Lease income of taxi license to be written off	18,039,340.21	19,345,899.01
8.Others	4,887,000.00	4,917,000.00
Total	118,763,754.44	122,909,254.89

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

26. Paid-in capital

Item	Before		Increase/Decrease (+/-)					After	
	Quantity (0'000)	Proportion (%)	Issuing new shares	Bonus shares	Reserves transferred to shares	Others	Subtotal	Quantity (0'000)	Proportion (%)
A. Unlisted shares									
1. Sponsors' shares	38,894.86	71.79						38,894.86	71.79
Including: State owned shares	32,374.77	59.76						32,374.77	59.76
Shares held by domestic legal persons	6,520.09	12.03						6,520.09	12.03
Shares held by overseas legal persons									
Others									
2. Raised shares held by legal persons									
3. Shares held by employees									
4. Preference shares and others									
Including: Transferred allotted shares									
Subtotal	38,894.86	71.79						38,894.86	71.79
B. Listed shares									
1. RMB-denominated ordinary shares	9,139.13	16.87						9,139.13	16.87
2. Domestically listed foreign shares	6,145.93	11.34						6,145.93	11.34
3. Overseas listed foreign shares									
4.Others									

Item	Before		Increase/Decrease (+/-)					After	
	Quantity (0'000)	Proportion (%)	Issuing new shares	Bonus shares	Reserves transferred to shares	Others	Subtotal	Quantity (0'000)	Proportion (%)
Subtotal	15,285.06	28.21						15,285.06	28.21
Total	54,179.92	100.00						54,179.92	100.00

27. Capital surplus

Item	Opening balance	Increase	Decrease	Closing balance
Share premium				
Others	30,279,476.08			25,332,931.52
Including: Other changes besides net gains or losses in shareholders' equity of the investee under equity method	27,755,274.93		2,422,343.41	25,332,931.52
Changes in fair value of financial assets available for sale	3,078,294.09		3,078,294.09	
Tax effects related to items accounted in shareholders' equity	-554,092.94		-554,092.94	
Total	30,279,476.08		4,946,544.56	25,332,931.52

28. Reserved fund

Item	Opening balance	Increase	Decrease	Closing balance
Legal reserve	62,919,127.11			62,919,127.11
Total	62,919,127.11			62,919,127.11

29. Retained earnings

Item	Amounts
Retained earnings at the beginning of the year	-67,197,819.73
Plus: Net profit attributable to parent company transferred in	9,829,397.29
Less: Retained earnings transferred out due to changes in scope of consolidation	-1,438,230.33
Retained earnings at the end of the year	-55,930,192.11

30. Revenue and Cost of Sales

(1) Revenue

Item	2008	2007
------	------	------

1 . Sales	600,397,693.56	314,357,056.17
2 . Other operating income	23,067,446.07	18,628,049.12
Total	623,465,139.63	332,985,105.29

(2) Cost of sales

Item	2008	2007
1 . Cost of sales	333,683,066.31	255,210,411.71
2 . Other operating cost	5,886,311.03	5,986,208.43
Total	339,569,377.34	261,196,620.14

Note: Revenue in 2008 increased by 87.24% than that in 2007, mainly due to the revenue of Royal Garden project recognized in this period. Cost of sales in 2008 increased 30.01% than that in 2007, which increase is less than that of revenue, mainly due to the increased proportion of properties sales with higher margin profit.

(3) Listed by the categories of production or business

Categories	Revenue	Cost of sales	Margin profit
Hotel and restaurant operations	14,617,529.80	6,403,802.95	8,213,726.85
Sale of properties	381,640,502.27	156,965,705.40	224,674,796.87
Transportation services	46,718,748.92	22,343,817.34	24,374,931.58
Sale of goods	2,559,188.26	2,117,172.87	442,015.39
Property rental and management services income	160,569,601.52	146,744,324.61	13,825,276.91
Others	15,117,735.74	6,040,573.26	9,077,162.48
Elimination	-20,825,612.95	-6,932,330.12	-13,893,282.83
Total	600,397,693.56	333,683,066.31	266,714,627.25

Categories	Other operating income	Other operating cost	Other operating margin profit
Parking lots	20,991,868.13	5,760,976.22	15,230,891.91

Rentals	1,348,690.10		1,348,690.10
Others	726,887.84	125,334.81	601,553.03
Elimination			
Total	23,067,446.07	5,886,311.03	17,181,135.04

(4) Details of revenue

Business segment	2008	2007
Hotel and restaurant operations	14,617,529.80	14,534,763.61
Sale of properties	381,640,502.27	102,556,628.00
Transportation services	46,718,748.92	37,621,434.85
Sale of goods	2,559,188.26	20,774,546.64
Property rental and management services income	160,569,601.52	147,079,632.43
Others	15,117,735.74	15,426,152.25
Subtotal	621,223,306.51	337,993,157.78
Elimination	-20,825,612.95	-23,636,101.61
Total	600,397,693.56	314,357,056.17

(5) Details of cost of sales

Business segment	2008	2007
Hotel and restaurant operations	6,403,802.95	6,880,534.87
Sale of properties	156,965,705.40	81,972,088.53
Transportation services	22,343,817.34	18,947,354.98
Sale of goods	2,117,172.87	19,659,497.46
Property rental and management services income	146,744,324.61	126,261,622.44
Others	6,040,573.26	5,810,921.87
Subtotal	340,615,396.43	259,532,020.15
Elimination	-6,932,330.12	-4,321,608.44
Total	333,683,066.31	255,210,411.71

31. Business taxes and surcharges

Item	2008	2007	Base of payment
Business tax	31,267,337.28	16,004,066.86	3% or 5% of taxable income
Urban maintenance and construction tax	485,751.36	265,261.48	1% or 7% of VAT and Business tax

Additional education Fees	957,733.16	496,739.91	3% of VAT and Business tax
Land appreciation tax	57,282,175.73	2,222,360.58	30% - 60% four level progressive rates
Others	51,126.40		
Total	90,044,123.93	18,988,428.83	

Note: Business taxes and surcharges in 2008 increased by 374.21% than that in 2007, mainly due to the increase of revenue and the related turnover tax payable.

32. Administrative expenses

Administrative expenses in 2008 increased by 60.15% than that in 2007, mainly due to the estimated of termination benefits generated from the employee termination scheme. Details refer to Note XIV.7.

33. Financial costs

Item	2008	2007
Interest expense	23,874,394.25	27,390,481.68
Less: Interest income	1,371,061.53	1,060,270.20
Exchange loss, net	-587,532.73	-608,812.79
Others	439,306.11	692,170.54
Total	22,355,106.10	26,413,569.23

34. Impairment loss

Item	2008	2007
Bad debt	5,572,788.17	-68,501.94
Depreciation of inventory	-27,302.58	4,095,788.65
Depreciation of long-term equity investment	991,861.00	
Depreciation of fixed assets		29,446.64
Total	6,537,346.59	4,056,733.35

35. Gain/loss on change in fair value

Source	2008	2007
Trading financial assets	-2,383,995.78	-2,921,691.70
Total	-2,383,995.78	-2,921,691.70

36. Gain/loss on investment

The source of gain/loss on investment:

Source	2008	2007
1. Gain on investment under equity method	1,699,715.19	1,012,061.06
2. Gain on investment from disposal of long-term equity investment	30,854,470.32	
2. Gain on investment from disposal of trading financial assets	45,039.52	23,489,134.31
3. Gain on investment from disposal of available-for-sale financial assets	4,835,799.71	8,593,054.09
Total	37,435,024.74	33,094,249.46

Note: There is not significant restriction on the remittance of gain on investment.

37. Non-operating income

Item	2008	2007
1. Income from disposal of non-current assets	7,128,822.92	5,224,333.58
Including: Disposal of fixed assets	7,128,822.92	5,224,333.58
2. Government subsidy		1,402,244.27
3. Others	2,701,947.17	1,445,882.91
Including: Debts unable to pay	1,792,622.87	1,045,063.98
Penalty of House rental deposit	426,370.70	9,671.95
Forfeit	149,157.04	
Total	9,830,770.09	8,072,460.76

38. Non-operating expense

Item	2008	2007
1. Loss on disposal of non-current assets	490,444.60	34,855.31

Item	2008	2007
Including: Disposal of fixed assets	490,444.60	34,855.31
Disposal of intangible assets		
2.Litigation indemnity	49,611.50	
3.Tax late fee and forfeit	596,551.65	760,018.76
4.Compensation	136,798.80	
5.Estimated liability	19,481,328.37	-14,163,977.25
6.Others	328,770.16	205,113.35
Total	21,083,505.08	-13,163,989.83

39. Income tax expense

Item	2008	2007
Income tax for the current period	22,986,229.94	813,184.31
Plus: Deferred tax expense		120,981.92
Less: Deferred tax income	2,879,702.80	2,608,356.05
Income tax expense	20,106,527.14	-1,674,189.82

40. Earnings per share

Item	2008	2007
Basic Earnings Per Share	0.02	-0.05
Diluted Earnings Per Share	0.02	-0.05

Calculation of earnings per share is as following:

Basic Earnings Per Share = $9,829,397.29 \div 541,799,175 = 0.02$

Diluted Earnings Per Share = $9,829,397.29 \div 541,799,175 = 0.02$

Note: The method of basic earnings per share and diluted earnings per share calculation

A . Basic Earnings Per Share = $P \div S$

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

P represents the amounts attributable to ordinary equity holders of the Company in respect of:

(a) Profit or loss attributable to the Company; and

(b) Profit or loss after deducting extraordinary gain or loss attributable to the Company.

S represents the weighted average number of ordinary shares outstanding during the period. S0 represents the number of ordinary shares at the beginning of the period. S1 represents the number of additional ordinary shares issued on capital surplus transfer or share dividends appropriation; Si represents the number of ordinary shares issued in exchange for cash or issued as a result of the conversion of a debt instrument to ordinary shares during the period. Sj represents reduced number of ordinary shares such as shares buy back. Sk represents the number of a reverse share split. Mo represents the months during the period. Mi represents the months from the following month after issuing incremental shares to the end of the period. Mj represents the months from the following month after reducing shares to the end of the period.

B .Diluted Earnings Per Share = $\frac{[P + (\text{Expensed interest of dilutive potential ordinary shares} - \text{Conversion expense}) \times (1 - \text{corporate income tax rate})]}{(S0 + S1 + S_i \times M_i \div MO - S_j \times M_j \div MO - S_k + \text{The weighted average number of incremental ordinary shares on warrants, options, convertible debt and so on})}$

P represents the amounts attributable to ordinary equity holders of the Company in respect of:

- (a) Profit or loss attributable to the Company; and
- (b) Profit or loss after deducting extraordinary gain or loss attributable to the Company. The Company considered in sequence from dilutive potential ordinary shares to get the lowest earnings per share.

41. Relevant information about cash flow statement

(1) Other cash received from operating activities

Item	2008	2007
Other cash received from operating activities	18,340,028.19	41,121,875.28
Including: Receiving significant fund flow	7,000,000.00	36,122,899.00
Receiving significant rental deposit	2,330,000.00	

(2) Other cash paid relating to operating activities

Item	2008	2007
Other cash paid relating to operating activities	36,542,010.75	50,562,079.15
Including: Administrative expenses	13,672,881.82	6,911,490.35
Distribution expenses	10,365,164.76	6,252,293.58
Payment of housing utility specific fund		26,248,597.32

(3) Other cash paid relating to investing activities

Item	2008	2007
Other cash paid relating to investing activities	1,345,861.66	
Including: Cash flow generated after liquidation date of Shanghai Shenzhen Properties Development Co., Ltd	1,345,861.66	

(4) Other cash received from financing activities

Item	2008	2007
Other cash received from financing activities	2,080,914.01	
Including: Interest income of unused specific borrowings on project	2,080,914.01	

(5) Other cash paid relating to financing activities

Item	2008	2007
Other cash paid relating to financing activities	2,840,000.00	
Including: Significant borrowing charges	2,840,000.00	

(6) Supplementary information of cash flow statement

Supplementary information	2008	2007
1. Adjustment from net profit to cash flows from operating activities		
Net profit	9,833,936.59	-27,381,215.98
Plus: Provision for impairment of assets	6,537,346.59	4,056,733.35
Depreciation of fixed assets, Oil-gas assets and Productive biological assets	29,067,729.92	23,744,263.33
Amortization of intangible assets	6,622,113.79	2,287,472.07
Amortization of long-term deferred expense	202,018.81	69,996.00
Loss on disposal of fixed assets, intangible assets and other non-current assets(“-” for gain)	-6,638,378.32	-5,189,478.27
Loss on fixed assets retirement (“-” for gain)		
Loss on change in fair value(“-” for gain)	2,383,995.78	3,305,940.85

Supplementary information	2008	2007
Financial costs("—" for gain)	23,874,394.25	26,781,668.89
Loss on investment("—" for gain)	-37,435,024.74	-33,478,498.61
Decrease of deferred tax assets("—" for increase)	-2,878,720.88	-1,719,883.40
Increase of deferred tax liabilities("—" for decrease)	-656,914.31	-767,490.73
Decrease of inventory("—" for increase)	-197,223,039.90	-47,715,838.17
Decrease in operating receivables("—" for increase)	-82,097,623.29	-68,108,886.73
Increase in operating payables("—" for decrease)	224,705,188.19	2,546,448.63
Others		
Net cash flow from operating activities	-23,702,977.52	-121,568,768.77
2.Significant investment and financing activities irrelevant to cash flow		
Debt transferred to capital		
Changeable corporation bond due within 1 year		
Fixed assets acquired under finance leases		
3.Changing in cash and cash equivalents		
Cash at the end of the period	271,708,727.86	242,161,687.34
Less: Cash at the beginning of the period	242,161,687.34	98,467,039.17
Plus: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Increase in cash and cash equivalents	29,547,040.52	143,694,648.17

(7) Cash and cash equivalents

Item	2008	2007
Cash	271,708,727.86	242,161,687.34
Including: Cash on hand	340,965.83	275,617.49
Bank deposit on demand	265,398,484.68	227,564,009.28
Other monetary assets on demand	5,969,277.35	14,322,060.57
Cash and cash equivalents at the end of the period	271,708,727.86	242,161,687.34
Including: Restricted Cash and cash equivalents held by parent		

Item	2008	2007
company or subsidiaries		

42. Segment report

Item	Sale of properties		Property rental and management services		Transportation		Sale of goods	
	2008	2007	2008	2007	2008	2007	2008	2007
I. Revenue	381,640,502.27	102,556,628.00	160,569,601.52	147,079,632.43	46,718,748.92	37,621,434.85	2,559,188.26	20,774,546.64
Including: External revenue	381,640,502.27	102,556,628.00	149,316,946.20	131,830,226.91	46,718,748.92	37,621,434.85	2,559,188.26	20,774,546.64
Revenue from segments			11,252,655.32	15,249,405.52				
II. Cost	254,571,501.39	111,480,724.78	266,415,996.27	219,516,978.67	46,316,889.26	34,792,126.40	2,762,276.74	20,650,271.40
III. Operating profit ("-"for loss)	127,069,000.88	-8,924,096.78	-105,846,394.75	-72,437,346.24	401,859.66	2,829,308.45	-203,088.48	124,275.24
IV. Total assets	1,469,622,956.86	1,378,862,455.89	456,438,529.12	426,357,000.13	204,115,420.11	209,676,023.15	-	20,585,188.63
V. Total liabilities	1,019,040,751.15	923,627,428.01	226,704,190.07	172,161,730.35	179,360,661.11	193,312,024.67	-	-34,411.12
VI. Supplementary information								
1. Depreciation and amortization	4,231,944.81	882,356.67	16,729,990.32	15,239,263.83	14,029,994.31	8,437,730.77	-	179,136.23
2. Capital expenditure								
3. Non-cash expense except for depreciation and amortization								

Item	Hotel and restaurant operations		Others		Elimination		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
I. Revenue	14,617,529.80	14,534,763.61	38,185,181.81	34,054,201.37	-20,825,612.95	-23,636,101.61	623,465,139.63	332,985,105.29
Including:								
External revenue	13,168,487.20	13,533,555.61	30,061,266.78	26,668,713.28			623,465,139.63	332,985,105.29
Revenue from segments	1,449,042.60	1,001,208.00	8,123,915.03	7,385,488.09	-20,825,612.95	-23,636,101.61	-	-
II. Cost	14,806,539.90	14,838,082.93	32,788,571.87	27,804,703.52	-19,580,673.37	-19,690,101.61	598,081,102.06	409,392,786.09
III. Operating profit ("-"for loss)	-189,010.10	-303,319.32	5,396,609.94	6,249,497.85	-1,244,939.58	-3,946,000.00	25,384,037.57	-76,407,680.80
IV. Total assets	2,717,061.62	2,439,882.75	887,849,679.71	630,355,570.98	-909,897,749.14	-783,018,378.29	2,110,845,898.28	1,885,257,743.24
V. Total liabilities	2,422,997.85	3,288,029.48	994,113,987.45	705,671,658.06	-882,273,805.83	-679,522,130.35	1,539,368,781.81	1,318,504,329.10
VI. Supplementary information								
1. Depreciation and amortization	539,228.93	552,954.58	341,631.34	740,293.33			35,872,789.70	26,031,735.40
2. Capital expenditure								
3. Non-cash expense except for depreciation and amortization								

Note X Notes to the financial statements of the Company

1. Accounts receivables

(1) Aging analysis of accounts receivables is as follows :

Aging	Closing balance		
	Amount	Proportion	Bad debt provision
Within 1 year (including 1 year)	4,394,855.89	4.15%	
Over 3 years	101,513,384.40	95.85%	45,502,269.40
Total	105,908,240.29	100.00%	45,502,269.40

Aging	Opening balance		
	Amount	Proportion	Bad debt provision
Over 3 years	117,192,064.40	100%	61,165,949.40
Total	117,192,064.40	100%	61,165,949.40

(2) Accounts receivables by Categories are as follows :

Categories	Closing balance		
	Amount	Proportion	Bad debt provision
Individually significant receivables	101,502,269.40	95.84%	45,502,269.40
Other insignificant amount	4,405,970.89	4.16%	
Total	105,908,240.29	100.00%	45,502,269.40

Categories	Opening balance		
	Amount	Proportion	Bad debt provision
Individually significant receivables	117,165,949.40	100.00%	61,165,949.40
Other insignificant amount	26,115.00	0.00%	
Total	117,192,064.40	100.00%	61,165,949.40

(3) Notes to individually significant accounts receivables :

Name of company	Closing balance	Bad debt provision	Age	Reason for provision
Shenzhen Jiyong Property Development Co., Ltd	98,611,328.05	42,611,328.05	Over 3 years	Involved in lawsuit, refer to Note XII.1.(2) and Note XV.2
Shenzhen Tewe Industry Co., Ltd.	2,836,561.00	2,836,561.00	Over 3 years	Uncollectible for a long period
Total	101,447,889.05	45,447,889.05		

(4) The details of significant accounts receivables are as follows :

Name of company	Amount	Proportion to total accounts receivables	Occurrence period
Shenzhen Jiyong Property Development Co., Ltd	98,611,328.05	93.11%	Over 3 years
Tianhong Shopping Plaza Co., Ltd.	3,685,618.89	3.48%	Within 1 year
Shenzhen Tewe Industry Co., Ltd.	2,836,561.00	2.68%	Over 3 years
Total	105,133,507.94	99.27%	

2. Other receivables

(1) Aging analysis of other receivables is as follows:

Aging	Closing balance		
	Amount	Proportion	Bad debt provision
Within 1 year(including 1 year)	147,581,486.29	23.17%	
1-2 years(including 2 years)	172,378,779.07	27.07%	2,600,000.00
2-3 years(including 3 years)	774,097.31	0.12%	601,762.21
Over 3 years	316,159,530.51	49.64%	192,382,520.46
Total	636,893,893.18	100.00%	195,584,282.67

Aging	Opening balance		
	Amount	Proportion	Bad debt provision
Within 1 year(including 1 year)	217,382,823.63	36.49%	2,600,000.00
1-2 years(including 2 years)	778,274.84	0.13%	601,762.21
2-3 years(including 3 years)	17,588,103.50	2.95%	12,532,519.60
Over 3 years	359,993,302.12	60.43%	187,453,670.00
Total	595,742,504.09	100.00%	203,187,951.81

(2) Other receivables by Categories are as follows :

Categories	Closing balance		
	Amount	Proportion	Bad debt provision
Individually significant receivables	256,842,814.95	40.33%	195,584,282.67
Other insignificant amount	380,051,078.23	59.67%	
Total	636,893,893.18	100.00%	195,584,282.67

Categories	Opening balance		
	Amount	Proportion	Bad debt provision
Individually significant receivables	271,844,053.95	46.11%	200,360,254.16
Other insignificant amount	321,070,752.49	53.89%	
Total	592,914,806.44	100.00%	200,360,254.16

(3) Notes to individually significant other receivables :

Name of company	Closing balance	Bad debt provision	Age	Reason for provision
Shum Yip Properties Development Co., Ltd.	108,432,646.29	68,634,188.97	Over 3 years	Uncollectible for a long period
Gintian Industry (Group) Co., Ltd.	56,600,000.00	56,600,000.00	1 – 2 years and over 3 years	Payment for discharging of guaranty responsibility that was difficult to be recollect
Hainan Xinda Development Co., Ltd	54,042,434.54	36,249,026.26	Within 1 year to over 3 years	Uncollectible for a long period
Anhui Nanpeng Papermaking Co., Ltd	8,702,432.00	8,702,432.00	Over 3 years	Uncollectible for a long period
Shenzhen Shengfenglu ITC Jewel & Gold Co., Ltd	10,199,186.28	6,532,519.60	2 - 3 years	There is no asset to execute the verdict, thus lead to uncollectibility, refer to Note XII.1.(3) for details
HongKong Yueheng Development Co., Ltd	3,271,931.42	3,271,931.42	Over 3 years	Has been liquidated
Elevated Train Project	2,542,332.43	2,542,332.43	Over 3 years	Suspended
Dameisha Tourism Center	2,576,445.69	2,576,445.69	Over 3 years	Suspended
Shenzhen ITC Food Enterprise Co.,Ltd.	2,431,652.48	2,431,652.48	Over 3 years	Insolvency
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	1,747,264.25	1,747,264.25	Over 3 years	Poor operation status
Total	250,546,325.38	189,287,793.10		

(4) The details of significant other receivables are as follows :

Name of company	Amount	Proportion to total other receivables	Occurrence period
Shenzhen Property and Real Estate Development Co., Ltd.	327,376,776.08	51.40%	Within 1 year to over 3 years
Shum Yip Properties Development Co., Ltd.	108,432,646.29	17.02%	Over 3 years
Gintian Industry (Group) Co., Ltd.	56,600,000.00	8.89%	Within 1 year to over 3 years
Hainan Xinda Development Co., Ltd	54,042,434.54	8.49%	Within 1 year to 1-2 years and over 3 years
Shenzhen ITC Tian'an Property Co., Ltd	24,705,931.45	3.88%	Over 3 years
Shenzhen Municipal Planning and Land Resource Bureau Longgang Branch	12,024,387.70	1.89%	Over 3 years
Shenzhen Shengfenglu ITC Jewel & Gold Co., Ltd	10,199,186.28	1.60%	Over 3 years
Total	593,381,362.34	93.17%	

3. Long-term equity investment

Categories	Closing balance	Opening balance
Long-term equity investment accounted using equity method	65,190,292.51	63,490,577.32
Long-term equity investment accounted using cost method	224,960,520.62	296,141,450.34
Sub-Total	290,150,813.13	359,632,027.66
Less : Provision for impairment of long-term equity investment	106,241,949.60	126,291,591.60
Total	183,908,863.53	233,340,436.06

(1) Long-term equity investment accounted using equity method

Investment	Amount of initial investment	Opening balance	Increase	Decrease	Closing balance	Cash dividends received during the current period
Shenzhen ITC Tian'an Property Co., Ltd	23,186,124.00	35,693,830.17	1,440,340.33		37,134,170.50	5,000,000.00
Shenzhen Jifa Warehouse Co., Ltd	30,645,056.04	25,998,714.05	298,931.22		26,297,645.27	
Shenzhen ITC Tian'an Properties Management Co., Ltd	1,500,000.00	1,798,033.10	-39,556.36		1,758,476.74	
Total	55,331,180.04	63,490,577.32	1,699,715.19		65,190,292.51	5,000,000.00

(2) Long-term equity investment accounted using cost method

Investment	Initial investment	Opening balance	Increase	Decrease	Closing balance
Shenzhen ITC Vehicles Industry Co., Ltd.	29,850,000.00	29,850,000.00			29,850,000.00
Hainan Xinda Development Co., Ltd	20,000,000.00	20,000,000.00			20,000,000.00
Shenzhen Property and Real Estate Development Co., Ltd.	30,950,000.00	30,950,000.00			30,950,000.00
Shanghai Shenzhen Properties Development Co., Ltd.	50,000,000.00	50,000,000.00		50,000,000.00	
Shenzhen Huangcheng Real Estate Co., Ltd	28,500,000.00	28,500,000.00			28,500,000.00
Shenzhen ITC Property Management Co., Ltd.	20,000,000.00	20,000,000.00			20,000,000.00
Shenzhen ITC Food Co.,Ltd.	1,600,000.00	1,600,000.00			1,600,000.00
Shenzhen Property Construction Supervision Co., Ltd	2,000,000.00	3,000,000.00			3,000,000.00
Shenzhen International Trade Plaza	12,000,000.00	12,000,000.00			12,000,000.00
Shenzhen Real Estate Exchange	1,380,000.00	1,380,000.00			1,380,000.00
Shensan Co.,Ltd.	17,695.09	17,695.09			17,695.09
Hong Kong Shum Yip Properties Development Co., Ltd.	15,834,000.00	15,834,000.00			15,834,000.00
Zhanjiang Shenzhen Real Estate Development Co., Ltd	2,530,000.00	2,530,000.00			2,530,000.00
China T.H. Co.,Ltd.	2,962,500.00	2,962,500.00			2,962,500.00
North Machinery (Group) Co.,Ltd.	3,465,000.00	3,465,000.00			3,465,000.00
Guangdong Huayue Real Estate Co.,Ltd.	8,780,645.20	8,780,645.20			8,780,645.20
Shenzhen Huajing Glass Bottle Co., Ltd	7,600,000.00	7,600,000.00			7,600,000.00
Shenzhen Fulin Industrial Co., Ltd.	21,181,023.36	21,181,023.36		21,181,023.36	
Anhui Nanpeng Papermaking Co., Ltd	13,824,000.00	13,824,000.00			13,824,000.00
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	18,983,614.14	18,983,614.14			18,983,614.14
Shenzhen ITC Industrial Development Co., Ltd	20,154,840.79	3,682,972.55			3,682,972.55
East Land Properties Limited	93.64		93.64		93.64
Total	311,613,412.22	296,141,450.34	93.64	71,181,023.36	224,960,520.62

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

Item	Opening balance	Increase	Decrease	Closing balance
Anhui Nanpeng Papermaking Co., Ltd	13,824,000.00			13,824,000.00
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	18,983,614.14			18,983,614.14

Shenzhen Huajing Glass Bottle Co., Ltd	6,608,139.00	991,861.00		7,600,000.00
Shenzhen ITC Industrial Development Co., Ltd	3,682,972.55			3,682,972.55
Guangdong Huayue Real Estate Co.,Ltd.	8,000,000.00			8,000,000.00
Shenzhen Fulin Industrial Co., Ltd.	21,041,503.00		21,041,503.00	
North Machinery (Group) Co.,Ltd.	3,465,000.00			3,465,000.00
China T.H. Co.,Ltd.	2,160,300.45			2,160,300.45
Shensan Co.,Ltd.	17,695.09			17,695.09
Shenzhen ITC Food Co.,Ltd.	1,600,000.00			1,600,000.00
Hainan Xinda Development Co., Ltd	20,000,000.00			20,000,000.00
Zhanjiang Shenzhen Real Estate Development Co., Ltd	2,530,000.00			2,530,000.00
Hong Kong Shum Yip Properties Development Co., Ltd.	15,834,000.00			15,834,000.00
Shenzhen International Trade Plaza	8,544,367.37			8,544,367.37
Total	126,291,591.60	991,861.00	21,041,503.00	106,241,949.60

Note: The long-term equity investment in Shenzhen Fulin Industrial Co., Ltd. and relevant provision for impairment loss during the current period decreased because the Company has transferred shareholding in Shenzhen Fulin Industrial Co., Ltd. during the current period.

4. Revenue and cost of sales

Item	2008	2007
Sales	26,154,776.18	20,822,123.59
Total	26,154,776.18	20,822,123.59

Item	2008	2007
Cost of sales	12,501,071.24	7,826,270.43
Total	12,501,071.24	7,826,270.43

Listed by the categories of production or business:

Categories	Revenue	Cost of sales	Gross profit
Sale of properties	1,329,184.60	1,985,020.88	-655,836.28

Property rental and management services income	24,825,591.58	10,516,050.36	14,309,541.22
Total	26,154,776.18	12,501,071.24	13,653,704.94

5. Gain/loss on investment

Source	2008	2007
1. Gain on investment under equity method	1,699,715.19	1,012,061.06
2. Gain on investment from disposal of long-term equity investment	40,266,921.14	
3. Gain on investment from disposal of trading financial assets	20,128.04	22,800,132.83
4. Gain on investment from disposal of available-for-sale financial assets	2,461,338.30	8,593,054.09
Total	44,448,102.67	32,405,247.98

Note XI Related party relationship and transactions

1. Identification of related party of the Company

According to Accounting Standards for Business Enterprises and the related regulations of China Securities Regulatory Commission, the related party is defined as “when a party controls, jointly controls or exercises significant influence over another party, or when two or more parties are under the common control, joint control or significant influence of the same party, the related party relationships are constituted.”.

2. Related party relationship

(1) Related party with control relationship

1) Information of parent company

Name	Registered address	Business scope	Relation ship	Nature	Legal person
Shenzhen Investment Holdings Co., Ltd.	Shenzhen, China	Providing guarantee for city state-owned enterprises; Managing the state-owned shareholdings except for which is monitored directly by State-owned Assets Supervision and Administration Commission of Shenzhen Municipality Government; Managing the reconstruction, system renovation and capital operation over the affiliates; investing; other business authorized by State-owned Assets Supervision and Administration Commission of Shenzhen Municipality Government.	Parent company	Limited liability company (state-owned)	Chen Hongbo

The registered controlling shareholders of the Company for the moment is Shenzhen Construction Investment Holdings, the details refer to Note I.4.

2) Subsidiaries with control relationship

Information about subsidiaries of the Company refers to Note VII.1.

(2) The registered capital and changes of related party with control relationship

1) The registered capital and changes of shareholder with control relationship

(Unit: RMB0'000)

Name	Opening balance	Increase	Decrease	Closing balance
Shenzhen Investment Holdings Co., Ltd.	400,000.00			400,000.00

2) The registered capital of subsidiaries with control relationship refers to Note VII.1.

(3) The shareholdings held by the related party with control relationship and the changes in shareholdings (All amounts are presented in RMB, unless otherwise stated.)

Name	Opening balance		Increase/Decrease		Closing balance	
	Amount	%	Amount	%	Amount	%
Shenzhen Investment Holdings Co., Ltd.	323,747,713.00	59.75			323,747,713.00	59.75
Hainan Xinda Development Co., Ltd	20,000,000.00	100			20,000,000.00	100
Shenzhen ITC Food Co., Ltd.	2,000,000.00	100			2,000,000.00	100
Shenzhen Property and Real Estate Development Co., Ltd.	30,950,000.00	100			30,950,000.00	100
Shanghai Shenzhen Properties Development Co., Ltd.	50,000,000.00	100			50,000,000.00	100
Shenzhen ITC Property Management Co., Ltd.	20,000,000.00	100			20,000,000.00	100
Shenzhen ITC Vehicles Industry Co., Ltd.	29,850,000.00	100			29,850,000.00	100
Shenzhen Huangcheng Real Estate Co., Ltd	30,000,000.00	100			30,000,000.00	100
Sichuan Tianhe Industry Co., Ltd	8,000,000.00	100			8,000,000.00	100
Shenzhen ITC Property Management Engineering Equipment Co., Ltd	1,200,000.00	100			1,200,000.00	100

Name	Opening balance		Increase/Decrease		Closing balance	
	Amount	%	Amount	%	Amount	%
Shenzhen Tianque Elevator Technology Co., Ltd	5,000,000.00	100			5,000,000.00	100
Chongqing Shenzhen ITC Property Management Co., Ltd.	5,000,000.00	100			5,000,000.00	100
Chongqing Ao'bo Elevator Co., Ltd	2,000,000.00	100			2,000,000.00	100
Shenzhen ITC Petroleum Co., Ltd	8,500,000.00	100			8,500,000.00	100
Shenzhen ITC Vehicle Industry Company Vehicle repair shop	1,500,000.00	100			1,500,000.00	100
Shenzhen Tesu Vehicle Driver Training Center Co., Ltd.	2,000,000.00	100			2,000,000.00	100
Shenzhen Huangcheng Real Estate Management Co., Ltd.	5,000,000.00	100			5,000,000.00	100
Zhanjiang Shenzhen Real Estate Development Co., Ltd	2,530,000.00	100			2,530,000.00	100
Shenzhen Property Construction Supervision Co., Ltd	3,000,000.00	100			3,000,000.00	100
Shenzhen International Trade Plaza	12,000,000.00	100			12,000,000.00	100
Shenzhen Real Estate Exchange	1,380,000.00	100			1,380,000.00	100
Shum Yip Properties Development Co., Ltd.	HKD20,000,000.00	100			HKD20,000,000.00	100
Wayhang Development Limited	HKD2.00	100			HKD2.00	100
Chief Link Properties Limited	HKD100.00	70			HKD100.00	70
Syndis Investment Co., Ltd (note)	HKD4.00	100			HKD4.00	100
East Land Properties Limited	HKD 100.00	100			HKD100.00	100

Note: Chief Link Properties Limited holds 100% shareholding of Syndis Investment Co., Ltd.

(4) Other related parties

Name	Relationship
Shenzhen Jifa Warehouse Co., Ltd	Joint venture
Shenzhen ITC Tian'an Property Co., Ltd	Joint venture
Anhui Nanpeng Papermaking Co., Ltd	30% shareholdings held by the Company
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	26% shareholdings held by the Company
Shenzhen ITC Industrial Development Co., Ltd	38.33% shareholdings held by the Company
Guangzhou Lishifeng Motor Co., Ltd	30% shareholdings held by the Company

3. Related Party Transactions

(1) Receiving guarantee

1) Shenzhen Huangcheng Real Estate Co., Ltd provides guarantee for the Company's long-term borrowings amounting to RMB150 million from China Construction Bank Shenzhen Branch with joint and several liability guarantee. The closing balance of the loan at the end of the period is RMB40 million.

2) Shenzhen Huangcheng Real Estate Co., Ltd and Shenzhen Property and Real Estate Development Co., Ltd. provide joint liability guarantee for the Company's loan period expansion for the amount to RMB90 million from China Construction Bank Shenzhen Branch. The closing balance of the loan at the end of the period is RMB90 million.

(2) Remuneration of key management

In this year the Company paid total RMB2.853 million (including IIT) to key management, (including IIT). The Company paid RMB3.5528 million (including IIT) to key management in the previous year.

(3) Amount due to/from related parties

Name	Balances		%	
	2008-12-31	2007-12-31	2008-12-31	2007-12-31
Other receivables:				
Shenzhen ITC Tian'an Property Co., Ltd	24,705,931.45	29,705,931.45	14.19	5.24
Anhui Nanpeng Papermaking Co., Ltd	8,702,432.00	10,572,704.00	5.00	1.87
Shenzhen ITC Industrial Development Co., Ltd	2,431,652.48	2,431,652.48	1.40	0.43
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	1,747,264.25	1,747,264.25	1.00	0.31
Short-term borrowings:				
Shenzhen Investment Holdings Co., Ltd.	215,000,000.00	14,040,774.90	58.27	7.89
Other payables:				
Shenzhen ITC Petroleum Co., Ltd	2,603,248.77		1.22	
Shenzhen Jifa Warehouse Co., Ltd	6,953,472.00	1,558,256.00	3.27	0.52
Guangzhou Lishifeng Motor Co., Ltd	10,000,000.00	2,000,000.00	5.33	1.30

Note: The closing balance of the short-term loan of Shenzhen Investment Holdings Co., Ltd. to the company is amount to RMB215 million, including the amount of RMB50 million guaranteed by The Agricultural Bank of China Shenzhen Branch at July 31, 2008, the loan is due at January 30, 2009; the amount of RMB150 Million borrowed from the subsidiary of the company - Shenzhen Huangcheng Real Estate Co., Ltd, guaranteed by China Everbright Bank Shenzhen Jingtian Branch at October 15, 2008, the loan is due at October 14, 2009; Shenzhen Investment Holdings Co., Ltd. has extended the loan period of the short-term loan that is provided to the Company in the previous period at June 1, 2008, the amount of the loan is RMB15 Million and the amount is due at 31st of May 2009.

Note XII Contingencies

1. Pending litigations

(1) In December 1997, eight house owners including Haiyi Industrial (Shenzhen) Co., Ltd. sued the Company and its subsidiary, Shenzhen International Trade Plaza Property Development Co., Ltd., to Shenzhen Intermediate People's Court (hereinafter referred to as Shenzhen Intermediate Court) for cancellation of the Property Purchase and Sale Contract, refund of house purchase payment and a penalty amounted to RMB 0.3 billion because of delay in property delivery. The Company counterclaimed that the delay was due to the prosecutor's unsettled property consideration and Shenzhen Intermediate Court adjudicated that the Company won the lawsuit. The prosecutor did not accept the judgment and appeal to Guangdong Higher People's Court (hereinafter referred to as Guangdong Higher Court). Guangdong Higher Court made the final adjudication with 34 copies verdict in April 1999. Guangdong Higher Court adjudicated that the Contract of Purchase and Sale of Real Estate of Shenzhen City between both parties was effective. Furthermore, the prosecutor has paid off all property considerations. The Company therefore should bear penalty, compensation and legal fare added up to HKD79.16 million to the prosecutor. The eight companies applied to Shenzhen Intermediate Court for the execution in June 1999. Because of unclear recognition of the truth and improperly application of the law, Guangdong Higher Court decided to retry the case in August 1999 under the Company's application. According to the decision of the retrial, Shenzhen Intermediate Court ended the execution of the case after the Company provided possession's drawing. At the end of 2003, Guangdong Higher Court overruled the application of the Company after investigation. The Company estimated related losses amounted RMB41,772,906.07 according to the carrying amount of the property drawn. The company believes that there are problems such as unclear recognition of the truth, improper application of the law, and violation of the legal procedures and so on. Hence the Company applied to the Highest People's Court

for the case to be retried. In February 2008, the Highest People's Court decided that the judgment of YGFM (1998) No. 298 (No. 1 case of commercial company) should be retried. The case was reopened by Guangdong Higher Court on June 18, 2008 and is still under investigation.

The Shenzhen Intermediate Court issued March 23, 2009 34 copies of Enforcement Restore Notice, claimed that the eight house owners including Haiyi Industrial (Shenzhen) Co., Ltd. applied to the court for restoration the enforcement of the 34 copies of verdict issued at 1999. The market prices of the company's original property drawn has changed in 2008, there is a strong possibility that the Company might use additional assets amounted RMB19,481,328.37 other than the original properties drawn to pay back the debts, the Company has recorded the above estimated losses as the provision for contingent liabilities in current financial year. In the meantime, since one of those 34 cases is in the process of trial supervision procedure, the Company has submitted an execution objection to the Shenzhen Intermediate Court.

(2) In 1993, the Company signed Right of Development Transfer Contract of Jiabin Building (name of Jiabin Building has been changed to Jinlihua Building) with Shenzhen Haibin Property Development Co., Ltd. (name of which has been changed to Shenzhen Jiyong Property Development Co., Ltd., hereinafter referred to as Jiyong Company). In January 1999, Jiyong Company sued the company to Guangdong Higher People's Court for termination of the transfer contract and refund of the transfer consideration and construction payment paid on the ground that the area of premises was in discrepancy with the contract. With respect to this, the Company counterclaimed the opposing party to pay back the rest transfer consideration and applied for sealing up their property with an area of 28,000 square meters.

On July 29, 2001, Guangdong Higher People's Court issued Civil Court Judgment YGFM (1999) No. 3 (hereinafter referred to as Judgment No. 3) to judge that the Company should transfer the title of land use right specified in the transfer contract to Jiyong Company within 30 days from the date the judgment taking into effect and Jiyong Company should pay off the transfer consideration amounting to RMB143,860,000 within 60 days from the date the Company transferred the title of land use right. On November 27, 2001, the Company applied to Guangdong Higher People's Court for forcible execution, however Guangdong Higher People's Court adjudicated to release the sealing property of Jiyong Company approximately 10,000 square meters since Industrial & Commercial Bank of China Zhejiang Branch disagree to seal the properties.

In January 2006, Guangdong Higher People's Court issued Civil Court Judgment YGFZ (2002) No. 1 and adjudicated because that the Company has not yet transferred the title of land use right specified in the transfer contract to Jiyong Company and Jiyong Company cannot provide other properties available for execution and the Company also cannot provide the property available for execution, the second judgment of the No. 3 verdict - "Jiyong Company should pay off the transfer consideration amounted RMB143,860,000 within 60 days from the date the Company transferred the title of land use right" is terminated for execution. When the conditions causing termination for execution of the second judgment are eliminated, the second judgment should still be executed.

In March 2006, according to the ordain of Guangdong Higher People's Court, the properties in Jiabin Building that have been sealed up in this case have been leased automatically. Till the end of the period, the Company has applied to the Court for restoration of the judgment execution and is still waiting for Court's investigation.

(3) On July 1996, China Huaxi enterprise Limited has signed Jinglihua Commercial Square granite outside decoration construction Contract with Jiyong Ltd. The China Huaxi enterprise Ltd later sued to the Luohu court for the default construction payment by Jiyong Ltd for the construction payment and related losses of Jiyong Ltd, Shenzhen Zongli Investment Limited and the company amounted RMB5.87million. The case has been reopened in April 2009. In the company's opinion, according to the truth and legal proceeding, this case would not bring losses to the Company as the company is not the main party of the contract.

(4) The case of Duokuai Elevator

1) On July 11, 2002, Shenzhen Huangcheng Real Estate Co., Ltd., a subsidiary of the Company, (hereinafter referred to as Real Estate Company) and Duokuai Elevator (Far East) Co., Ltd. (Hereinafter referred to as Duokuai Company) signed Elevator Equipment Contract and House Mortgage and Purchasing Contract to purchase the elevators for Huang Yu Yuan District B from Duokuai Company, Taoboming agreed to provide guaranty with the mortgage of his own properties to Real Estate Company to ensure that Duokuai Company would supply the elevators on time. On December 6, 2004, Real Estate Company applied to Shenzhen Arbitration Committee for arbitration to cancel the contract on the ground that Duokuai Company did not supply the elevators, and demanded from the Elevator Company to return the double amount of the deposit paid to the amount of RMB7,539,000.00, the consideration of RMB15,904,000.00 and a compensation of RMB277,268.51. On

November 24, 2005, Shenzhen Arbitration Committee made an arbitration that Duokuai Company should make a double repayment of the deposit paid by Real Estate Company to the amount of RMB7,539,000.00 together with a repayment of the consideration of RMB15,904,000.00 and Taoboming should take joint discharge liability within the bound of the value of the properties mortgaged.

Duokuai Company and Taoboming refused to accept the arbitration and applied to Shenzhen Intermediate People's Court for revoking the arbitration on December 7, 2005. In 2006, Shenzhen Intermediate People's Court issued Civil Ruling Paper SZFMSCZ (2006) No. 18 and 19 to adjudge that the application of revoking the Arbitration SZCZ (2005) No. 1227 made by Shenzhen Arbitration Committee from Shenzhen Arbitration Committee was overruled. On November 16, 2006, Real Estate Company reported the condition of execution to Shenzhen Intermediate People's Court and applied to it for an auction of the properties mortgaged.

The closing balance of the receivables of Real Estate Company due from Duokuai Company is RMB11, 726,693. Duokuai Company has provided the properties of Taoboming (including premises located at Shenzhen Huangchen Plaza and Shimao Plaza with total areas of 957.31 square meters and a premise located in Hong Kong); apart from the equipments received by the Real Estate Company as guarantee for goods supply. Within and after the current financial years, legal applications such as auctions and so on had been performed to certain properties. The Company performed impairment test on the receivables and provides a provision for bad debt of RMB3,978,423.60 to closing receivables due from Duokuai Company, considering ownership of properties which were auctioned or provided as guarantee, their estimated realized value and unsettled payables of the Real Estate Company due to Duokuai Company, its related parties and guarantors.

2) On August 3, 2006, Hainan Duokuai Elevator Maintenance (Far East) Co., Ltd. Shenzhen Branch (hereinafter referred to as Duokuai Shenzhen Company) sued Shenzhen Huangcheng Real Estate Management Co., Ltd, a subsidiary of the Company, (hereinafter referred to as Huangcheng Management Company) to Shenzhen Futian People's Court for settlement of maintenance fee by Huangcheng Management Company. In the process of investigation, Duokuai Shenzhen Company applied for adding Real Estate Company as joint defendant and asked Real Estate Company to take joint discharge liability for aforesaid instance. On January 26, 2007, Shenzhen Futian People's Court issued the Civil Ruling Paper SFFMECZ (2006) No. 1977 and adjudicated that Real Estate Company and Huangcheng Management Company should pay the maintenance fee amounted RMB925,500.00 and RMB1,105,130.00 respectively together with a compensation on related interest loss to Duokuai Shenzhen Company. Real Estate Company and Huangcheng Management Company appealed on the

ground of unclear recognition of truth and violation of legal procedures. On January 28, 2008, Shenzhen Intermediate People's Court issued Civil Ruling Paper SZFMEZZ (2007) No. 827 and adjudicated that Real Estate Company and Huangcheng Management Company should pay the maintenance fee amounted RMB893,100.00 and RMB1,102,730.00 respectively together with a compensation on related interest loss to Duokuai Shenzhen Company. Real Estate Company and Huangcheng Management Company have recognized relevant expenses in the financial statements.

3) Certain elevators and accessories purchased by Real Estate Company from Duokuai Company are supplied by Duokuai (Jiangyin) Elevator Manufacturing Co., Ltd Shenzhen Branch (hereinafter referred to as Duokuai Jiangyin Company) without payment. Duokuai Jiangyin Company sued Real Estate Company to Shenzhen Intermediate People's Court for the payment of elevator accessories amounted RMB8,159,880 and an overdue penalty amounted RMB205,971.69 from Real Estate Company. On June 28, 2007, Shenzhen Intermediate People's Court issued the Civil Ruling Paper SZFMSCZ (2007) No. 22 in which Duokuai Jiangyin Company's prosecution against Real Estate Company was overruled. Duokuai Jiangyin Company refused to accept the judgment and appealed to Guangdong Higher Court. On January 30, 2008, Guangdong Higher Court issued the Civil Ruling Paper YGFMSZZ (2007) No. 18 to reject the appeal and sustain the original verdict.

4) In June 2004, Shenzhen Meisi Industrial Co., Ltd. (hereinafter referred to as Meisi Company) prosecuted Shenzhen Luohu Economic Development Co., Ltd and the Company to Shenzhen Intermediate People's Court for illegal use of land owned by Meisi Company and request for ceasing the infringing act and receiving a compensation amounted RMB 8 million. In March 2005, Shenzhen Intermediate People's Court issued Civil Ruling Paper SZFMCZ (2004) No. 108 and adjudicated that the Company should return the land with an area of 4,782 square meters to Meisi Company within 3 months and other claims of Meisi Company were overruled. The Company refused to accept the verdict and appealed to Guangdong Higher Court. On November 25, 2005, Guangdong Higher Court adjudicated that the Civil Ruling Paper SZFMCZ (2004) No. 108 issued by Shenzhen Intermediate People's Court should be cancelled and the prosecution of Meisi Company were overruled.

During the process of trial of second instance, Meisi Company applied to Registration Center for Property of Real Estate of Shenzhen Municipality for revoking Property Ownership Certificates SFDZ No. 3000320987 and No. 300119899 owned by the Company. On July 7, 2005, Registration Center for Property of Real Estate of Shenzhen Municipality issued the reply of SFDH (2005) No. 84 to Meisi Company and judged that aforesaid certificates are legal and effective and should not be revoked. Meisi Company disagreed with this judgment and applied the

administrative reconsideration to the People's Government of Shenzhen Municipality. On October 8, 2005, the People's Government of Shenzhen Municipality issued Decision on Administrative Reconsideration SFFJ (2005) No. 294 and judged that aforesaid 2 certificates were registered illegally and should be revoked, reply of SFDH (2005) No. 84 was canceled accordingly.

The Company refused to accept Decision on Administrative Reconsideration SFFJ (2005) No. 294 and prosecuted an administrative litigation to Shenzhen Intermediate People's Court on October 20, 2005. Shenzhen Intermediate People's Court issued Administrative Judgment SZFXCZ (2005) No. 23 and adjudicated that Decision on Administrative Reconsideration SFFJ (2005) No. 294 is sustained. The Company disagreed with this administrative judgment and appealed to Guangdong Higher Court on August 2, 2006. Guangdong Higher Court issued Administrative Judgment YGFXZZ (2006) No. 154 in which the appeal was rejected and Administrative Judgment SZFXCZ (2005) No. 23 was sustained. According to this Judgment, Shenzhen Municipal Bureau of Land Resources and Housing Management would reconsider the request of Meisi Company to revoke the Property Ownership Certificates SFDZ No. 3000320987 and No. 3000119899 of the Company.

On May 15, 2007, Registration Center for Property of Real Estate of Shenzhen Municipality issued Decision on Revoking the Property Ownership Certificates SFDZ No. 3000320987 and No. 3000119899 (SFZ (2007) No. 27). Registration Center for Property of Real Estate of Shenzhen Municipality decided to revoke property ownership certificates SFDZ No. 3000320987 and No. 3000119899 owned by the Company that indicating the ownership of occupied property of Meilin Workshop, Comprehensive Building and the land use right of 11,500 square meters and restore the registration of the ownership of occupied property of Meilin Workshop, Comprehensive Building and the land use right of certificates of SFDZ No. 0103142 and No. 0103139. The Company had the ownership of occupied property of Meilin Workshop, Comprehensive Building and the land use right of 11,500 square meters according to original property ownership certificates.

On July 9, 2007, the Company applied the administrative reconsideration to the Administrative Reconsideration Office of the People's Government of Shenzhen Municipality, which considered that those action that Registration Center for Property and Real Estate of Shenzhen Municipality revoked property ownership certificate SFDZ No. 3000320987 and No. 3000119899 owned by the Company and restore the registration of Meilin Workshop, Comprehensive Building and land use right violated the provisions of the Decision on Strengthening Land Market

Management and further Enlivening and Standardizing Real Estate Market (SF (2001) No. 94) promulgated by People's Government of Shenzhen Municipality, and requested People's Government of Shenzhen Municipality to rescind the Decision. On September 6, 2007, the People's Government of Shenzhen Municipality issued Decision on Administrative Reconsideration SFFJ (2007) No. 255 to sustain the administrative decision of Shenzhen Municipal Bureau of Land Resources and Housing Management.

In November 2007, Shenzhen Municipal Bureau of Land Resources and Housing Management rejected the application of Meisi Company for revoking Property Ownership Certificates SFDZ No. 0103142 and No. 0103139. Meisi Company prosecuted an administrative litigation to Shenzhen Futian People's Court to ask for revoking the administrative decision of Shenzhen Municipal Bureau of Land Resources and Housing Management. The Company was involved as third party. Court session started on January 8, 2008 with litigation number of (2008) SFFXCZ No. 10. On January 2008, Meisi Company prosecuted an administrative litigation to Shenzhen Futian People's Court for revoking the above administrative decision of Shenzhen Municipal Bureau of Land Resources and Housing Management, revoking Property Ownership Certificates SFDZ No. 0103142 and No. 0103139, and restoring the land use right to Meisi Company with the litigation number of SFFX(2008) No. 70. On May 2008, the Shenzhen Futian Court made adjudication to No. 70 case in which the property ownership certificates SFDZ No. 0103142 and No. 0103139 owned by the Company were revoked and Shenzhen Municipal Bureau of Land Resources and Housing Management were required to re-investigate the application of Meisi Company. The company, the Shenzhen Municipal Bureau of Land Resources and Housing Management as well as Meisi Company refused to accept the verdict and made an appeal. On July 2008, the company has received the Administrative Ruling Paper from Futian People's Court in which the trial of SFFX (2008) No. 10 was terminated.

On December 2008, Shenzhen Intermediate Court issued the Administrative Ruling Paper SZFXZZ (2008) No. 223, in which the final adjudication of appeal case SFFXCZ (2008) No. 70 was made and the original verdict was sustained. Moreover, the final adjudication stated that the controversy over the land use right in this case between Meisi Company and the Company should be settled through civil procedures; the Bureau of Land Resources and Housing Management of Shenzhen Municipality should not proceed the registration procedure until the controversy is final settled.

On February 11, 2009, the Company received the Civil Complaint from ShenZhen Futian People's Court; Meisi Company has made a civil prosecution against the Company and Shenzhen Luohu Commercial Development Co., Ltd. for the confirmation of Meisi Company's land use right and the buildings in original Property Ownership Certificates SFDZ No., 0103142 and No., 0103139. Furthermore, Meisi Company requests that return of related land use right and a compensation of RMB7.5 Million. The Company has submitted an objection to jurisdiction. On March 4, 2009, ShenZhen Futian People's Court sent the Notice to the Company to inform that this case has been transferred to Shenzhen Intermediate People's Court for adjudication.

The Company believes that the land use right and ownership of above building should be legally confirmed to the Company. The Company will secure its own legal rights through all legal means, and the above issues would not have significant impact on the Company's financial position.

2. Guarantee

(1) Shenzhen Huangcheng Real Estate Co., Ltd. provides joint liability guarantee to China Construction Bank Shenzhen branch for the Company ' s long-term loan of RMB150 million which the closing balance is RMB 40 million.

(2) Shenzhen Property and Real Estate Development Co., Ltd. and Shenzhen Huangcheng Real Estate Co., Ltd. provides guarantee to China Construction Bank Zhenhua branch for the Company's long-term loan which the credit facility is RMB 100 million and the closing balance is RMB 90 million.

(3) The Company provides guarantee to China Construction Bank Shenzhen branch for the long-term loan of its subsidiary Shenzhen Huangcheng Real Estate Co., Ltd. which the credit facility is RMB 250 million and the closing balance is RMB 250 million.

(4) The Company obtained short-term loan of RMB 50 million which the closing balance is RMB 50 million from Agricultural Bank of China Eastern branch with pledge of certain properties in International Trading Plaza for its subsidiary Shenzhen ITC Vehicles Industry Co., Ltd.

(5) Guarantee for the house owners: The Company and its subsidiaries provide mortgage guarantee for commodity premise purchasers. The total unsettled guarantee is RMB 214.1 million as at December 31, 2008. It is common that the real estate developer provides mortgage guarantee for small owners.

3. Contingent assets

(1) Bureau of Foreign Trade and Economic Cooperation of Hubei province Shenzhen branch (hereinafter referred as “Hubei FTEC Shenzhen branch”) sued the Company to Shenzhen Intermediate People’s Court on July 2000 for termination of the agreement between the Hubei FTEC Shenzhen branch and the Company about office property of 4,000 square meters purchasing in Jiabing Building (now known as Jinlihua Building) and asked for refund of purchase payment of RMB10.8 million and an indemnify of RMB18.6756 million on the ground of delayed delivery. Guangdong Higher Court issued YGFMYYZ No. 90 judgment and adjudicated that the Company should refund the Hubei FTEC Shenzhen branch purchase payment of RMB 10.8 million and related interests.

The Hubei FTEC Shenzhen branch applied for execution to Guangdong Higher People’s Court. Guangdong Railgate Intermediate Court (hereinafter as the “Railgate Court”) was appointed by the Higher Court to execute the case at the end of January 2005. The Railgate Court delivered the seal-up order to the liquidation team of Luohu Hotel, sealing up the debt right amounted RMB 23 million allocated to the Company.

The Company rejected the adjudication and applied for retrial to the Supreme Court of the P.R.C. In August 2005, the Supreme Court issued the Civil Judgment (2004) MEJZ No.146-1 and adjudicated that the Higher Court should give the case second instance and the execution should be suspended during the second instance. On 12 May 2006 the Higher Court made the judgment that the original judgment should be sustained and the execution be resumed. The Hubei FTEC Shenzhen branch applied to the Railgate Court for the payment and bank interest in the second trial period, while the Company applied for the suspension of execution. On 30 June 2006, the (2004) GTZFZZ No. 225-4 Civil Judgment was issued by the Railgate Court in which (i) The Company’s execution suspension application was denied because it lacked for facts and legal evidence; (ii) It was legal for the Hubei FTEC Shenzhen branch to apply and the Railgate Court decided to transfer RMB23 million from the sealed account which had been transferred to the Railgate court after deduction of execution fees to the Hubei FTEC Shenzhen branch; (iii) The Hubei FTEC Shenzhen branch’s application of interest during the second trial was denied; (iv) The Company’s repayment obligation ruled by the Judgment No.90 had been legally executed; (v) the execution of Judgment No.90 was terminated. The Company recognized losses based on the above judgments, and increased the receivables due from Jiyong Company and made provision for bad debts accordingly. The Company considered that there is error of fact recognition and application of the law in the adjudication of the second trial and appealed to the Supreme People's Court. The Supreme People's Court issued the Civil Ruling Paper MEJZ

(2004) No. 146-3 and adjudicated that this litigation would be retried by the Supreme People's Court.

Ownership of the 14th and 15th floors of Jiabing Building returned by the Hubei FTEC Shenzhen branch belongs to the Company after indemnity of house payment and interest. The Company investigated and found that the owner of the 14th and 15th floors of Jiabing Building was registered as Zhuhai Western Yingzhu Industrial Development Co., Ltd. addressing the ownership of the properties, therefore, on June, 2008 the Company sued Zhuhai Western Yingzhu Industrial Development Co., Ltd. to the People's Court of Luohuo District in Shenzhen (hereinafter referred as "Luohu Court") for confirmation of the above properties' ownership and adjudicating the Company's ownership of the 14th and 15th floors of Jiabing Building in the registration. The Luohu Court processed the case with the litigation number of (2008) SLFMSZ No. 1442. On July 21, 2008, the court held a public trial and hosted the mediation; the Company reached a Civil Mediation Agreement with Zhuhai Western Yingzhu Industrial Development Co., Ltd. in which stated both agree that the 14th and 15th floor of Jiabin building belongs to the complaint company; the defendant should assist the complaint party (the Company) with the procedures of transferring the property to the complaint company within 3 days since the agreement becomes effective. The agreement is legally valid. Up to the end of current financial period, the 14th and 15th floor of Jiabin building has been registered under the Company's name by China Committee of Real Estate Title. As there is a significant uncertainty about the impact of the above property ownership on the Company's financial interests, the Company did not recognize the above asset in the financial statement.

(2) On May 25, 2006, the People's Government of Shenzhen Municipality announced the Notice on Transferrable Plan of Shenzhen Community Facilities and Public Services Houses (SFB [2006] No.79), which stipulated the scope of the transfer covers (i) the buildings built for resident committees and junior and senior schools (excluding that the land contract clearly indicates the property right belongs to land development entity), since the scheme of payment-transfer of land use right has been executed on January 3, 1998, and (ii) public services building such as kindergarten that should be but not transferred to the government according to the land contract or other agreements, since the scheme of payment-transfer of land use right has been executed on January 3, 1998. If the buildings built for resident committees and junior and senior schools were not definite in the contracts whether the property rights belonged to the government or whether these buildings were transferred government at cost price, the government would take the buildings back at cost price. The cost price should be based on information price and costing index publicized in the construction costing management station at the completion year. The auditing department should perform review on the pricing scheme.

Base on the statistics, the Company and its subsidiaries have transferred to relate government department the community facilities and public services houses of the building area of 36,000 square meters, which complied with the above scheme, and would be able to receive the compensation at the cost price. However, although part of the buildings in these community facilities has been mapped, its area and cost price has not been confirmed by the government, hence, the final confirmation on the area and amount of compensation could not be confirmed. According to the accounting standards, the cost of these community facilities have been charged into the development products, and been carried forward into profit and loss account along with the sales of the development products. Therefore, the compensation at cost price will increase the Company's net asset. At the moment the Company has already worked on the application of the compensation from government. But the timing of obtaining approval from the Government and recovering the cost is uncertain, and the Company also cannot measure the amount that can be recovered reliably, thus the Company did not recognize the above contingent assets in the financial statements.

Note XIII Events after balance sheet date

1. On January 14, 2009, a resolution regarding transferring the entire stakeholders' equity of Hainan Xinda Development Co., Ltd hold by the Company based on appraisal value through public listing was approved by the tenth session of the sixth conference of the Company's board of directors. Till the reporting day, the asset appraisal is still in progress.
2. On February 9, 2009, a resolution regarding disposal of use right of a land located in Sihui City is approved by the twelfth session of the sixth conference of the Company's board of directors. The details of the resolution are described as follows. Shenzhen Huangcheng Real Estate Co., Ltd (hereinafter referred to as "Huangcheng Real Estate"), a wholly-owned subsidiary of the Company, owns use right of an industrial land located in Sihui City Guangdong Province (with an expiration date of August 11, 2044, hereinafter referred to as "Sihui Land") with an usable area of 31,394.49 square meter (equivalent to 47.09 Mu). To protect right of the company from government expropriation, Huangcheng Real Estate plans to negotiate with the People's Government of Sihui City to repurchase use right of Sihui Land, the price of repurchase is determined by reference to the repurchase price of similar type of land use right in similar area for RMB112, 000 per Mu (equivalent to RMB168 per square meter) that is provided by relevant notices issued by local government. Till the reporting day, Huangcheng Real Estate has not yet reached a repurchase agreement with relevant government department of Sihui City.

3. Material borrowing and repayment of borrowing after balance sheet date

- (1) On January 16, 2009, the Company processed “Borrowing the New and Paying the Former” procedure at business department of China Merchants Bank head office regarding its short-term borrowing from China Merchants Bank. The amount repaid is RMB69, 000,000.00 and the amount borrowed (in term of short-term borrowing) is RMB69,000,000.00. The maturity date of this short-term borrowing is January 16, 2010.
- (2) On January 24, 2009, the Company processed extension procedure at Agricultural Bank of China Shenzhen branch regarding Shenzhen Investment Holdings Co., Ltd.’s entrusted short-term borrowing of RMB50, 000,000.00. The maturity date of this entrusted short-term borrowing is January 23, 2010.
- (3) The Company has repaid the balance of short-term borrowing amounting to RMB15, 000,000.00 to Shenzhen Investment Holdings Co., Ltd. on March 25, 2009.
- (4) The Company has repaid the balance of short-term borrowing amounting to RMB30, 000,000.00 to Bank of China Shenzhen branch on February 13, 2009.
- (5) Regarding the closing balance of a short-term borrowing amounting to RMB90, 000,000.00 from China Construction Bank Shenzhen branch, the Company has repaid part of principal amounting to RMB40,000,000.00 after balance sheet date. The Company has repaid the balance of the long-term borrowing amounting to 40,000,000.00 to China Construction Bank Shenzhen branch after balance sheet date.
- (6) Huangcheng Real Estate signed a long-term borrowing agreement with Agricultural Bank of China Shenzhen Eastern branch in March 2009 to borrow RMB240,000,000.00 for 3 years from the bank. Till the reporting day, Huangcheng Real Estate has received the principal of RMB200,000,000.00.
- (7) Shenzhen ITC Vehicles Industry Co., Ltd., a subsidiary of the Company, has repaid RMB17,000,000.00, which is part of the principal of a short-term borrowing, to Agricultural Bank of China Shenzhen Eastern branch after balance sheet date. The closing balance of this short-term borrowing due to Agricultural Bank of China Shenzhen Eastern branch is RMB50,000,000.00.

Note XIV Other significant events

1. On April 1, 2005, the top 2 controlling shareholders Shenzhen Construction Investment Holdings and Shenzhen Investment Management Corporation (hereinafter combined the two companies as the “Investment Holdings”) signed a Shareholdings Transfer Agreement with Zhuojian Investment Company Limited (hereinafter as “Zhuojian Investment”) to transfer 70.3% of shareholdings of the Company to Zhuojian Investment. In April 2006, Zhuojian Investment received the feedback of ZJGSZ [2006] No. 97 from China Securities Regulatory

Commission (CSRC), in which the CSRC refused the application of exemption from performing the tender offer obligation due to the share holding of the Company. Zhuojian Investment was required to make a general tender offer within 15 days after receiving the feedback. In May 2006, Zhuojian Investment received a notice of ZJGSZ [2006] No. 97 from CSRC, which stated that according to the opinion of national state-owned assets administration authorities, due to some unconfirmed issues concerning the takeover of the Company's legal shares for Zhuojian Investment, the takeover was suspended to be reviewed.

On April 23, 2007, the Investment Holdings delivered a (STK [2007] No.181) Notice to Terminate the Transfer of Shareholdings of Shenzhen Properties & Recourses Development (Group) Ltd, decide to unilaterally terminate the transfer of shareholdings and collateral agreement. On April 25, 2007, Zhuojian Investment send the Company – The Response to the Investment Holdings' Unilateral Termination of the Transfer of Shareholdings of Shenzhen Properties & Recourses Development (Group) Ltd, disagree with the Investment Holdings. Both parties applied to China International Economic and Trade Arbitration Commission (the CIETAC) for arbitration. The CIETAC made the arbitration on October 25, 2007 that the Shareholdings Transfer Agreement signed on April 1, 2005 was legal and effective, and should be continued. Zhuojian Investment should perform the tender offer obligation before June 30, 2008. If the tender offer is not performed till expiration, the agreement would be terminated immediately.

On July 15, 2008, the Company's Board of director made the resolution to dismiss the appointed manager and financial director of Zhuojian Investment employed during the transition period. The Investment Holding received July 24, 2008 the Executive Order SZFZZ (2008) No. 667 from the Shenzhen Intermediate People's Court (thereafter referred to as Shenzhen Intermediate Court), ask the Investment Holding to fulfill the responsibility confirmed in ZGGMJCZ (2007) No. 0488 award within 5 days from receiving of this order, Investment Holding then raised objection to the order to Shenzhen Intermediate Court. In handling the case, on October 22, 2008, Investment Holding received the Civil Ruling Paper from Shenzhen Intermediate Court the SZFZZ (2008) No. 667 in which the enforcement executive application of the applicant Zhuojian Investment was overruled. The legal effect starts from the receiving of the paper. On October 27, 2008, Zhuojian Investment wrote to Investment Holding to agree on the termination of the Shareholding Transfer Agreement, and wrote to the Registration Company the decision not to carry on the tender offer of the company. Up to the reporting date, the above shareholding is still registered under Investment Holding.

2. On November 11, 20, 2008, Investment Holding raised the Non-tradable Share Reform Proposal but has not passed the board of director meeting related to the Non-tradable Share Reform on December 12. Up to the report

date, the company has not received any other written proposal on the restart of the Non-tradable Share Reform.

3. The company has accrued expense of the Jinlihua Plaza land VAT amounted to RMB 56,303,627.40 in the previous financial year, according to the SGT (2001) No. 314, unpaid or overdue land VAT could be exempted. However, as the land use right has not been transferred, the company will proceed with the Jinlihua Plaza land VAT amounted to RMB 56,303,627.40 exemption related procedures, and will write off the accrued expense of Jinlihua Plaza land VAT amounted to RMB 56,303,627.40 when the Company receives the reply.

The company has receivable house payment from Shenzhen Jiyong Property Development Co., Ltd Jinlinhua Plaza amounted to RMB100.0143 million, the provision for bad debts is amounted to RMB 44.0143 million and the net amount is RMB56 million. According to the Shenzhen government's provision on handling the 52 "problem buildings", with the projects that did not proceed with the get back to work procedure till September 30, 2006, the government will regain the building and the land use right of Jinlihua Plaza.

4. On May 9, 2008, the Company and Tianhong Shopping Plaza Co. Ltd (thereafter referred to as Tianhong Company) signed The ITC Plaza Renting Contract, which states that: The Company rents to Tianhong Company floor 1-5 in Area A of the ITC Plaza and the surrounding self-owned property, with a renting area of 21,220 square meter, renting period of 15 years, the company needs to hand in the property to Tianhong Company before 30th June from when the rent starts; Tianhong Company is responsible for the decoration and transform after the hand in of the property; and the promised opening time for the shopping plaza should be no later than December 1, 2008; rent free period is provided according to the condition of decoration of Tianhong Shopping Plaza etc.; the company is responsible for the providing of car parking and related supporting facilities. Shenzhen ITC Tian'an Properties Co., Ltd (thereafter referred to as Tianan Company) in which The Company has 50% shareholdings also signed Tianan Shopping Plaza Property Renting Contract with Tianhong Company to rent part of Tianan Shopping Plaza floor 1-4 to Tianhong Company with the renting area of 14,477.88 square meter, renting period of 15 years, rent and service standards, rent free period and other promises are similar to The ITC Plaza Renting Contract.

The Company and Tianan Company has hand in the property to Tianhong Company on June 30, 2008, after the decoration, ITC Shopping Plaza opened on December 5, 2008, based on the contract, according to the related provision of The Accounting Standard Explanation (2008), considering the cash value of the rent of the whole renting period, The Company and Tianan Company confirmed individually the rent of the rent free period during the financial year.

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5. The Company received from CSRC Shenzhen Inspection Bureau the Investigation notice (SJLTZ (2008) No. 001) on September 10, 2008, to investigate the Company's suspicion on the violation of Security Law and Regulation. Up to the date of the report, The Company has not been informed with any result of the investigation.
6. According to the Land Policy and The Company's development plan, in April 2008, the subsidiary company Shenzhen Huangcheng Real Estate Co., Ltd reported to The Planning Department the design proposal bid record for land Huangcheng No. 0051, and at the same time issued the bid invitation proposal. Huangcheng Company received the reply SGZSH (2008) No. 467 in May which stated that part of the No. 0051 land will be occupied by the Municipal Plan of the Futian Nan Road linking to Fugang Road project, hence the plan of The Company would temporarily not be considered. In June, The Company, and Huangcheng Company wrote to communicate and consult actively with the related government department to strive for the cancellation or revision of the original planning to ensure the normal development of the land No. 0051 and its development value.
7. According to the Labor Legislation, the Labor Contract Law, The Opinion on Further Standardization of Labor Relation of the Municipal SOE, The Notice to Reform the Human Resource Allocation Improvement in Municipal SOE which is issued on August 18, 2006, and some other related document, the Company formulated Compensation Measures of Human Resource Allocation Improvement Reform of Shenzhen Properties & Resources Development (Group) Ltd. (Thereafter referred to as Compensation Method), The Compensation Method has approved by the Company's employee representative conference on October 10, 2008. The Company formulated employee dismiss plan based on the Compensation Method which was approved by the fourteenth session of the sixth conference of the Company's board of directors. The employees have all been notified and the Company is not able and does not plan to unilaterally remove the plan. According to the plan, the Company made a provision on dismisses compensation of RMB24, 474,290.00 according to relevant accounting standard (total dismisses compensation amounted RMB36, 643,309.50), including the amount of RMB12,169,019.50 already paid during the financial year.
8. Form the year 2000 to 2002, the subsidiary of the Company Huangcheng Company signed The Agreement to terminate the written agreement on the Cooperative Development and operation of Shenzhen Huanggang Port service area and its complimentary agreement with Hong Kong Hehe Huanggang Development Co. Ltd. and Guangdong Railways Construction Ltd. (thereafter both company are referred to as Hehe Company), to terminate the cooperative relationship. Bureau of Foreign Trade and Economic Cooperation of Shenzhen Municipality reply with SWJMZF (2002) No. 2027 to conform the validity of the agreement. According to the agreement and the

complimentary agreement, Huangcheng Company need to return the investment principle and interest of Hehe Company amounted to RMB433, 880,000 within 48 months from the validity of the agreement. It also stated the amount to be paid back for each stage, the payback period as well as the calculation method for late penalty etc. Huangcheng Company did not pay the debts at the agreed time; the fine based on the closing balance of 2006 amounted to RMB19.5417 million was recorded as projected liabilities. Up to December 31, 2007, Huangcheng Company paid all the principles and interests. Huangcheng company and Hehe Company signed the agreement to agree that Huangcheng Company clears the late penalty amounted to RMB5 million on January 18, 2008 (RMB 5.3957 million Before income tax), Hehe Company agrees not to demand to cover other losses caused by Huangcheng Company (include other late penalty). On January 18, 2008, Huangcheng Company paid Hehe Company late penalty of RMB5.3957 million.

Note XV Supplementary information

1. According to “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No. 9. Calculation and disclosure of ROE and EPS (2007 revised)” issued by the CSRC Notice (2008) No. 43, ROE and EPS are calculated as follows:

2008	ROE		EPS	
	Fully diluted	Weighted average	Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	1.72%	1.72%	0.02	0.02
Net profit attributable to ordinary shareholders after deducting extraordinary gain or loss	3.99%	3.98%	0.04	0.04

2007	ROE		EPS	
	Fully diluted	Weighted average	Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	-4.84%	-4.75%	-0.05	-0.05
Net profit attributable to ordinary shareholders after deducting extraordinary gain or loss	-15.64%	-15.35%	-0.16	-0.16

Calculation process:

Item	2008	2007
Net profit attributable to ordinary shareholders	9,829,397.29	-27,377,663.77
Extraordinary gain or loss (Gain: negative)	12,912,391.06	-61,156,249.34
Net profit attributable to ordinary shareholders after deducting extraordinary gain or loss	22,741,788.35	-88,533,913.11
Opening balance of net asset attributable to ordinary shareholders	565,896,202.38	590,341,298.69
Net profit attributable to ordinary shareholders	9,829,397.29	-27,377,663.77
Increase of capital surplus (negative: decrease)	-4,946,544.56	4,946,544.56
Increase of reserved fund (negative: decrease)		
Increase/(decrease) in foreign exchange difference arisen from the translation of foreign currency financial statements	-1,601,920.03	-2,013,977.10
Others (Notes)	1,438,230.33	
Closing balance of net assets attributable to ordinary shareholders	570,615,365.41	565,896,202.38
Opening balance of paid-in capital	541,799,175.00	541,799,175.00
Closing balance of paid-in capital	541,799,175.00	541,799,175.00
Weighted average paid-in capital	541,799,175.00	541,799,175.00

Note: Others are retained earnings transferred out arising from changes in scope of consolidation.

2. Extraordinary gains and losses (negative: loss)

According to “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No. 1: Extraordinary gains and losses (2008)” issued by the CSRC, Extraordinary gains and losses of the company of this reporting period are calculated as follows:

(Positive: gains, Negative: losses)

Items	2008	2007
Gains and Losses on disposal of non-current assets, including provision for asset impairment write-off	37,492,848.64	5,189,478.27
Corporate restructuring cost, such as employee resettlement expense, integration costs etc.	-36,643,309.35	
Gains and losses on non-operational contingencies	-19,481,328.37	14,163,977.25
A gain or loss arising from a change in the fair value of a financial asset or financial liability and available-for-sale financial assets that is not part of a hedging relationship related to ordinary operation of the Company	2,496,843.45	29,160,496.70
Non-operational income and expense apart from the above items	1,590,215.06	1,882,995.07

Others items in accordance with extraordinary gains and losses		13,364,823.21
Sub-total	-14,544,730.57	63,761,770.50
Exclude extraordinary gains and losses income tax influence	1,632,339.51	-2,605,521.16
Total	-12,912,391.06	61,156,249.34

Note 1. The item “Others items in accordance with extraordinary gains and losses” of 2007 is the gain and losses from the transfer back of the opening balance of welfare payable according to the new accounting standards.

Notes 2. “Gains and Losses on disposal of non-current assets, including provision for asset impairment reversal” of 2008 includes gains and losses from disposals of fixed assets, transfers of long-term equity investment, and liquidation of investment.

Note 3. “Corporate restructuring cost, such as employee resettlement expense, integration costs etc.” of this accounting period is the predicted employee redundancy compensation of the employee redundancy plan, the item is based on the Document of State-owned Enterprise Reform of Shenzhen, and in accordance with the definition of Extraordinary gains and losses: “trading and items that could influence the judgments on the business performance and profitability of the company by the users of financial statement, due to its special nature and occasionality” from The Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No. 1 – Extraordinary gains and losses (2008)

Balance Sheet

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

31 Dec. 2008

Unit: RMB Yuan

Items	Closing amount		Opening amount	
	Consolidation	Parent company	Consolidation	Parent company
Current Assets:				
Cash and cash equivalents	271,708,727.86	7,802,612.88	242,161,687.34	10,363,712.41
Settlement fund				
Outgoing call loan				
Trading financial assets	2,670,729.47	63,900.00	5,192,690.52	74,858.90
Notes receivable				
Accounts receivable	68,605,911.80	60,405,970.89	66,415,218.51	56,026,115.00
Prepayment	2,305,629.53		68,288,274.02	104,200.00
Insurance receivables				
Reinsurance receivable				
Provision of reinsurance				

contract reserve receivable				
Interests receivable				
Other receivables	67,222,142.10	441,309,610.51	75,964,525.14	392,554,552.28
Financial assets purchased under agreement to resell				
Inventories	1,153,726,292.83	106,048,264.34	974,256,614.17	112,854,995.17
Non-current assets due within 1 year				
Other current assets				
<i>Total current assets</i>	<i>1,566,239,433.59</i>	<i>615,630,358.62</i>	<i>1,432,279,009.70</i>	<i>571,978,433.76</i>
Non-current assets :				
Loan and payment on other's behalf disbursed				
Available-for-sale financial assets			9,200,018.40	4,726,472.40
Investment held to maturity	3,000.00		3,000.00	
Long-term receivables				
Long-term equity investment	81,273,230.90	183,908,863.53	72,204,803.43	233,340,436.06
Investment property	224,041,978.19	133,384,070.84	174,233,469.26	124,304,228.11
Fixed assets	104,013,870.31	46,337,392.67	112,616,882.32	68,743,884.72
Construction in progress				
Engineering materials				
Disposal of fixed assets				
Production biological assets				
Oil-gas assets				
Intangible assets	119,402,340.92		74,066,417.06	
R&D expenses				
Goodwill				
Long-term deferred expenses	2,549,186.42	2,409,176.42	210,006.00	
Deferred tax assets	13,322,857.95		10,444,137.07	
Other non-current assets				
<i>Total non-current assets</i>	<i>544,606,464.69</i>	<i>366,039,503.46</i>	<i>452,978,733.54</i>	<i>431,115,021.29</i>
Total assets	2,110,845,898.28	981,669,862.08	1,885,257,743.24	1,003,093,455.05
Current Liabilities:				
Short-term borrowings	369,000,000.00	164,000,000.00	286,640,774.90	178,040,774.90
Borrowings from Central Bank				
Deposits and due to bank and other financial				

institutions				
Dismantle fund				
Tradable financial liabilities				
Notes payable				
Accounts payable	137,040,777.65	36,748,755.23	78,261,460.46	34,610,496.74
Advance from customers	67,150,023.78	122,312.00	135,947,584.01	187,515.85
Financial assets sold under agreements to repurchase				
Service charge and commission payables				
Payroll payable	67,254,232.19	16,228,231.70	31,706,522.26	5,749,368.56
Taxes payable	82,322,778.74	1,198,324.42	38,959,623.05	4,007,757.91
Interests payable	620,737.50	620,737.50	587,044.80	587,044.80
Other payables	187,732,899.73	384,394,686.18	153,712,806.26	292,350,842.79
Amount due to reinsurance				
Insurance contract reserve				
Customer deposits				
Underwriting proceeds payables				
Non-current liabilities due within 1 year	100,000,000.00	90,000,000.00	239,992,263.87	80,000,000.00
Other current liabilities				
<i>Total Current Liabilities</i>	1,011,121,449.59	693,313,047.03	965,808,079.61	595,533,801.55
Non-current Liabilities:				
Long-term borrowings	348,229,343.34	40,000,000.00	186,803,081.28	149,450,000.00
Bonds payable				
Long-term payables				
Specific purpose account payables				
Provision for contingent liabilities	61,254,234.44	61,254,234.44	41,772,906.07	41,772,906.07
Deferred tax liabilities			1,211,007.25	554,092.94
Other non-current liabilities	118,763,754.44	9,886,144.84	122,909,254.89	9,886,144.84
<i>Total Non-current Liabilities</i>	528,247,332.22	111,140,379.28	352,696,249.49	201,663,143.85
Total liabilities	1,539,368,781.81	804,453,426.31	1,318,504,329.10	797,196,945.40
Shareholders' Equity:				
Paid-in capital	541,799,175.00	541,799,175.00	541,799,175.00	541,799,175.00
Capital surplus	25,332,931.52	226,883.79	30,279,476.08	2,751,084.94
Less: Treasury stock				
Reserved fund	62,919,127.11	62,919,127.11	62,919,127.11	62,919,127.11
General risk provision				

Retained earnings	-55,930,192.11	-427,728,750.13	-67,197,819.73	-401,572,877.40
Foreign exchange difference	-3,505,676.11		-1,903,756.08	
Total shareholders' equity attributable to holding company	570,615,365.41		565,896,202.38	
Minority interest	861,751.06		857,211.76	
Total shareholders' equity	571,477,116.47	177,216,435.77	566,753,414.14	205,896,509.65
Total liabilities & shareholders' equity	2,110,845,898.28	981,669,862.08	1,885,257,743.24	1,003,093,455.05

Income Statement

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

Jan.- Dec. 2008

Unit: RMB Yuan

Items	Amount in 2008		Amount in 2007	
	Consolidation	Parent company	Consolidation	Parent company
I. Total revenue	623,465,139.63	26,154,776.18	332,985,105.29	20,822,123.59
Including: revenue	623,465,139.63		332,985,105.29	
Interests income				
Insurance fee income				
Fee and commission income				
II. Total cost of sales	617,322,969.87		413,449,519.44	
Including: Cost of sales	339,569,377.34	12,501,071.24	261,196,620.14	7,826,270.43
Interests expenses				
Service charge and commission income				
Insurance discharge payment				
Claim expenses-net				
Provision for insurance contract reserve-net				
Insurance policy dividend paid				
Reinsurance expense				
Business taxes and surcharges	90,044,123.93	1,351,107.98	18,988,428.83	1,096,337.79
Distribution expenses	19,695,986.96		15,923,457.32	
Administrative expenses	139,121,028.95	62,336,820.73	86,870,710.57	48,746,067.47

Financial costs	22,355,106.10	12,922,682.47	26,413,569.23	16,644,650.73
Loss on assets impairment	6,537,346.59	-5,947,564.64	4,056,733.35	7,306,927.17
Plus: gain/loss on change in fair value (“-”for loss)	-2,383,995.78	5,500.00	-2,921,691.70	-5,918,584.09
gain/loss on investment(“-”for loss)	37,435,024.74	44,448,102.67	33,094,249.46	32,405,247.98
Including: income from investment on associates and jointly ventures	1,699,715.19	1,699,715.19	1,012,061.06	1,012,061.06
Gain or loss on foreign exchange difference (“-”for loss)				
III. Operating profit(“-”for loss)	41,193,198.72	-12,555,738.93	-50,291,856.39	-34,311,466.11
Plus: non-operating income	9,830,770.09	6,718,663.32	8,072,460.76	6,215,602.19
Less: non-operating expense	21,083,505.08	20,318,797.12	-13,163,989.83	404,218.18
Including: loss from disposal of non-current asset	34,855.31		14,259.33	
IV. Total profit(“-”for loss)	29,940,463.73	-26,155,872.73	-29,055,405.80	-28,500,082.10
Less: income tax expense	20,106,527.14		-1,674,189.82	-888,472.65
V. Net profit (“-”for loss)	9,833,936.59	-26,155,872.73	-27,381,215.98	-27,611,609.45
Including: Attributable to equity holders of the parent company	9,829,397.29		-27,377,663.77	
Minority interest	4,539.30		-3,552.21	
VI. Earnings per share				
(I) Basic earnings per share	0.02	-0.05	-0.05	-0.05
(II) Diluted earnings per share	0.02	-0.05	-0.05	-0.05

Cash Flow Statement

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

Jan.- Dec. 2008

Unit: RMB Yuan

Items	Amount in 2008		Amount in 2007	
	Consolidation	Parent company	Consolidation	Parent company
I. Cash flows from operating activities				
Cash received from sales of goods or rendering of services	584,847,068.44	22,403,953.44	472,011,767.36	20,103,393.59

Net increase of deposits received and held for others				
Net increase of loans from central bank				
Net increase of inter-bank loans from other financial assets				
Cash received against original insurance contract				
Net Cash received from reinsurance				
Net increase of client deposit and investment				
Cash received from disposal of held-for-trading financial assets				
Cash received as Interests, fees and commissions received				
Net increase of inter-bank fund received				
Cash received under repurchasing, net				
Tax returned			892,244.27	892,244.27
Other cash received from operating activities	18,340,028.19	208,300,649.89	41,121,875.28	454,851.33
<i>Sub-total of cash inflow from operating activities</i>	603,187,096.63	230,704,603.33	514,025,886.91	21,450,489.19
Cash paid for goods and services	357,078,474.18	3,528,685.86	387,859,466.92	1,598,271.12
Net increase of loans and advances				
Net increase of deposit in central bank, banks and other financial institutions				
Cash paid for original contract claim				
Cash paid for interests, fees and commission				
Cash paid for policy dividend				
Cash paid to and for employees	175,300,925.87	21,161,806.56	160,680,341.99	19,256,732.92
Cash paid for all types	57,968,663.34	8,172,946.56	36,492,767.62	10,153,912.38

of taxes				
Other cash paid relating to operating activities	36,542,010.75	90,797,214.57	50,562,079.15	109,894,382.87
<i>Sub-total of cash outflows</i>	626,890,074.14	123,660,653.55	635,594,655.68	140,903,299.29
Net cash outflow in operating activities	-23,702,977.51	107,043,949.78	-121,568,768.77	-119,452,810.10
II. Cash Flows from Investing Activities				
Cash received from return of investments	16,439,362.19	16,235,835.16	49,197,305.03	47,065,100.72
Cash received from investment income	5,000,000.00	5,000,000.00	413,777.66	413,777.66
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	13,579,657.07	12,126,378.83	5,764,792.92	4,462,377.00
Net cash received from disposal of subsidiaries and other operating units				
Other cash received relating to investing activities				
<i>Sub-total of cash inflows of investing activities</i>	35,019,019.26	33,362,213.99	55,375,875.61	51,941,255.38
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	17,393,724.80	1,244,016.00	7,861,463.91	446,660.00
Cash paid for acquisition of investments	228,834.02		217,312.65	1,000,000.00
Net increase of pledge loans				
Net cash paid for acquisition of subsidiaries and other operating units				
Other cash paid relating to investing activities	1,345,861.66	35,800.00		
<i>Sub-total of cash outflows of investing activities</i>	18,968,420.48	1,279,816.00	8,078,776.56	1,446,660.00
Net cash inflow from investing activities	16,050,598.78	32,082,397.99	47,297,099.05	50,494,595.38
III. Cash Flows from Financing Activities:				

Cash received from investment				
Including: Cash received from minority shareholders of subsidiaries				
Cash received from borrowings	734,000,000.00	200,000,000.00	725,912,364.56	424,820,328.69
Cash received from bonds issuing				
Cash received relating to financing activities	2,080,914.01			
<i>Sub-total of cash inflows of financing activities</i>	736,080,914.01	200,000,000.00	725,912,364.56	424,820,328.69
Cash paid for repayments of borrowings	631,196,001.81	314,450,000.00	467,172,473.32	354,439,468.73
Cash paid for dividends, profit distribution or interest	64,757,498.50	27,236,444.05	40,617,049.67	28,677,587.59
Including: dividends or profits paid to minority shareholders by subsidiaries				
Other cash paid relating to financing activities	2,840,000.00			
<i>Sub-total of cash outflows of financing activities</i>	698,793,500.31	341,686,444.05	507,789,522.99	383,117,056.32
Net cash inflow from financing activities	37,287,413.70	-141,686,444.05	218,122,841.57	41,703,272.37
IV. Effect of foreign exchange rate changes	-87,994.45	-1,003.25	-156,523.68	-12,315.54
V. Net decrease in cash and cash equivalents	29,547,040.52	-2,561,099.53	143,694,648.17	-27,267,257.89
Add : Cash and cash equivalents at the beginning of the year	242,161,687.34	10,363,712.41	98,467,039.17	37,630,970.30
VI. Cash and cash equivalents at the end of the year	271,708,727.86	7,802,612.88	242,161,687.34	10,363,712.41

Consolidated Statement of Change in Owners' Equity

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

31 Dec. 2008

Unit: RMB

Items	Amount in 2008									Amount in 2007								
	Owner's equity attributable to parent company								Total of owners' equity	Owner's equity attributable to parent company								Total of owners' equity
	Paid-in capital (Share capital)	Capital reserve	Lessen: treasury stock	Surplus reserve	General risk preparation	Retained profits	Others	Minority interest		Paid-in capital (Share capital)	Capital reserve	Lessen: treasury stock	Surplus reserve	General risk preparation	Retained profits	Others	Minority interest	
I. Closing balance as at 31 Dec. 2007	541,799,175.00	30,279,476.08		62,919,127.11		-67,197,819.73	-1,903,756.08	857,211.76	566,753,414.14	541,799,175.00	25,332,931.52		62,919,127.11		-39,820,155.96	110,221.02	860,763.97	591,202,062.66
Add: Change in accounting policy																		
Correction of previous accounting errors																		
II. Opening balance as at 1 Jan. 2008	541,799,175.00	30,279,476.08		62,919,127.11		-67,197,819.73	-1,903,756.08	857,211.76	566,753,414.14	541,799,175.00	25,332,931.52		62,919,127.11		-39,820,155.96	110,221.02	860,763.97	591,202,062.66
II. Increase/decrease in 2008 ("-" means loss)		-4,946,544.56				11,267,627.62	-1,601,920.03	4,539.30	4,723,702.33		4,946,544.56				-27,377,663.77	-2,013,977.10	-3,552.21	-24,448,648.52
(I) Net profit						9,829,397.29		4,539.30	9,833,936.59						-27,377,663.77		-3,552.21	-27,381,215.98
(II) Gain/loss recorded in owners' equity directly		-4,946,544.56				1,438,230.33	-1,601,920.03		-5,110,234.26		4,946,544.56					-2,013,977.10		2,932,567.46
1. Net amount on changes in fair value of financial assets		-3,078,294.09							-3,078,294.09		3,078,294.09							3,078,294.09

available for sale																		
2. Effect on changes in other owners' equity of invested units under equity method		-2,422,343.41							-2,422,343.41		2,422,343.41							2,422,343.41
3. Effect of income tax recorded in owners' equity		554,092.94							554,092.94		-554,092.94							-554,092.94
4. Other						1,438,230.33	-1,601,920.03		-163,689.70							-2,013,977.10		-2,013,977.10
Subtotal of (I) and (II)		-4,946,544.56				11,267,627.62	-1,601,920.03	4,539.30	4,723,702.33		4,946,544.56				-27,377,663.77	-2,013,977.10	-3,552.21	-24,448,648.52
(III)Input and reduced capital of owners																		
1. Capital input by owners																		
2. Amount of shares-based payment recorded in owner's equity																		
3. Other																		
(IV) Profit distribution																		
1. Appropriating surplus reserve																		
2. Appropriating general risk reserve																		
3. Distribution to owners (shareholders)																		
4. Other																		
(V) Internal carry-over of owner's equity																		
1. Transferring capital reserve																		

into capital (share capital)																		
2. Transferring surplus reserve into capital (share capital)																		
3. Making up losses with surplus reserve																		
4. Other																		
IV. Closing balance as at 31 Dec. 2008	541,79 9,175.0 0	25,332, 931.52		62,919, 127.11		-55,93 0,192.1 1	-3,505, 676.11	861,75 1.06	571,47 7,116.4 7	541,79 9,175.0 0	30,279, 476.08		62,919, 127.11		-67,19 7,819.7 3	-1,903, 756.08	857,21 1.76	566,75 3,414.1 4

Statement of Change in Owners' Equity of Parent Company

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

31 Dec. 2008

Unit: RMB

Items	Amount in 2008									Amount in 2007								
	Owner's equity attributable to parent company							Minority interest	Total of owners' equity	Owner's equity attributable to parent company							Minority interest	Total of owners' equity
	Paid-in capital (Share capital)	Capital reserve	Lessen: treasury stock	Surplus reserve	General risk preparation	Retained profits	Others			Paid-in capital (Share capital)	Capital reserve	Lessen: treasury stock	Surplus reserve	General risk preparation	Retained profits	Others		
I. Closing balance as at 31 Dec. 2007	541,799,175.00	2,751,084.94		62,919,127.11		-401,572,877.40			205,896,509.65	541,799,175.00	226,883.79		62,919,127.11		-373,961,267.95			230,983,917.95
Add: Change in accounting policy																		
Correction of previous accounting errors																		
II. Opening balance as at 1 Jan. 2008	541,799,175.00	2,751,084.94		62,919,127.11		-401,572,877.40			205,896,509.65	541,799,175.00	226,883.79		62,919,127.11		-373,961,267.95			230,983,917.95

	9,175.0 0	84.94		127.11		72,877. 40		6,509.6 5	9,175.0 0	3.79		127.11		61,267. 95		3,917.9 5
II. Increase/decrease in 2008 (“-” means loss)		-2,524, 201.15				-26,15 5,872.7 3		-28,68 0,073.8 8		2,524,2 01.15				-27,61 1,609.4 5		-25,08 7,408.3 0
(I) Net profit						-26,15 5,872.7 3		-26,15 5,872.7 3						-27,61 1,609.4 5		-27,61 1,609.4 5
(II) Gain/loss recorded in owners’ equity directly		-2,524, 201.15						-2,524, 201.15		2,524,2 01.15						2,524,2 01.15
1. Net amount on changes in fair value of financial assets available for sale		-3,078, 294.09						-3,078, 294.09		3,078,2 94.09						3,078,2 94.09
2. Effect on changes in other owners’ equity of invested units under equity method																
3. Effect of income tax recorded in owners’ equity		554,09 2.94						554,09 2.94		-554,0 92.94						-554,0 92.94
4. Other																
Subtotal of (I) and (II)		-2,524, 201.15				-26,15 5,872.7 3		-28,68 0,073.8 8		2,524,2 01.15				-27,61 1,609.4 5		-25,08 7,408.3 0
(III)Input and reduced capital of owners																
1. Capital input by owners																
2. Amount of shares-based payment recorded in owner’s equity																
3. Other																

(IV) Profit distribution																		
1. Appropriating surplus reserve																		
2. Appropriating general risk reserve																		
3. Distribution to owners (shareholders)																		
4. Other																		
(V) Internal carry-over of owner's equity																		
1. Transferring capital reserve into capital (share capital)																		
2. Transferring surplus reserve into capital (share capital)																		
3. Making up losses with surplus reserve																		
4. Other																		
IV. Closing balance as at 31 Dec. 2008	541,79 9,175.0 0	226,88 3.79		62,919, 127.11		-427,7 28,750. 13			177,21 6,435.7 7	541,79 9,175.0 0	2,751,0 84.94		62,919, 127.11		-401,5 72,877. 40			205,89 6,509.6 5

