



**SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE &
PROPERTIES (GROUP) CO., LTD.**

INTERIM REPORT 2018

2018-066

August 2018

Part I Important Notes, Table of Contents and Definitions

The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of ShenZhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.

Zhou Jianguo, chairman of the Company’s Board, Chen Maozheng, the Company’s General Manager, Tang Xiaoping, the Company’s head for financial affairs, and Qiao Yanjun, head of the Company’s financial department (equivalent to financial manager) hereby guarantee that the Financial Statements carried in this Report are factual, accurate and complete.

All the Company’s directors have attended the Board meeting for the review of this Report and its summary.

The Company discusses the “risks facing the Company and countermeasures” under the same heading in item X under “Part IV Operating Performance Discussion and Analysis” of this Report.

The Company has no interim dividend plan, either in the form of cash or stock.

This Report and its summary have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese versions shall prevail.

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Definitions

Term	Definition
“SPG”, the “Company”, the “Group” or “we”	ShenZhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd. and its consolidated subsidiaries, except where the context otherwise requires
Holding Company	Shenzhen Investment Holdings Co., Ltd.
The “Reporting Period” or “Current Period”	The period from 1 January 2018 to 30 June 2018
RMB, RMB’0,000	Expressed in the Chinese currency of Renminbi, expressed in ten thousand Renminbi

Part II Corporate Information and Key Financial Information

I Corporate Information

Stock name	SPG, SPG-B	Stock code	000029, 200029
Changed stock name (if any)	---		
Stock exchange for stock listing	Shenzhen Stock Exchange		
Company name in Chinese	深圳经济特区房地产(集团)股份有限公司		
Abbr. (if any)	深房集团		
Company name in English (if any)	ShenZhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd.		
Abbr. (if any)	SPG		
Legal representative	Zhou Jianguo		

II Contact Information

	Board Secretary	Securities Representative
Name	Tang Xiaoping	Luo Yi
Address	47/F, SPG Plaza, Renmin South Road, Shenzhen, Guangdong, P.R.China	47/F, SPG Plaza, Renmin South Road, Shenzhen, Guangdong, P.R.China
Tel.	(86 755) 82293000-4638	(86 755) 82293000-4715
Fax	(86 755) 82294024	(86 755) 82294024
Email address	tangxiaoping0086@126.com	spg@163.net

III Other Information

1. Contact Information of the Company

Indicate by tick mark whether any change occurred to the registered address, office address and their zip codes, website address and email address of the Company in the Reporting Period.

☐ Applicable ☒ Not applicable

No change occurred to the said information in the Reporting Period, which can be found in the 2017 Annual Report.

2. Media for Information Disclosure and Place where this Report is Kept

Indicate by tick mark whether any change occurred to the information disclosure media and the place for keeping the Company's

periodic reports in the Reporting Period.

☐ Applicable ☒ Not applicable

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for disclosing the Company's periodic reports and the place for keeping such reports did not change in the Reporting Period. The said information can be found in the 2017 Annual Report.

IV Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

☐ Yes ☒ No

	H1 2018	H1 2017	Change (%)
Operating revenue (RMB)	1,317,541,631.35	731,306,982.03	80.16%
Net profit attributable to the listed company's shareholders (RMB)	329,066,084.53	137,226,601.84	139.80%
Net profit attributable to the listed company's shareholders before exceptional items (RMB)	329,143,873.10	137,080,046.11	140.11%
Net cash generated from/used in operating activities (RMB)	594,728,129.67	-97,700,697.19	708.72%
Basic earnings per share (RMB/share)	0.3253	0.1356	139.90%
Diluted earnings per share (RMB/share)	0.3253	0.1356	139.90%
Weighted average return on equity (%)	11.00%	5.06%	5.94%
	30 June 2018	31 December 2017	Change (%)
Total assets (RMB)	4,516,278,981.14	3,989,263,981.96	13.21%
Equity attributable to the listed company's shareholders (RMB)	3,156,821,917.54	2,828,242,120.98	11.62%

V Accounting Data Differences under Chinese Accounting Standards (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

1. Net Profit and Equity Differences under CAS and IFRS

☒ Applicable ☐ Not applicable

Unit: RMB

	Net profit attributable to the listed company's shareholders		Equity attributable to the listed company's shareholders	
	H1 2018	H1 2017	Ending amount	Beginning amount
Under CAS	329,066,084.53	137,226,601.84	3,156,821,917.54	2,828,242,120.98
Adjustments as per IFRS				
Under IFRS	329,066,084.53	137,226,601.84	3,156,821,917.54	2,828,242,120.98

2. Net Profit and Equity Differences under CAS and Foreign Accounting Standards

☐ Applicable ☒ Not applicable

No such differences for the Reporting Period.

3. Reasons for Accounting Data Differences Above

☐ Applicable ☒ Not applicable

XI Exceptional Gains and Losses

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Reporting Period	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-19,011.53	
Non-operating income and expense other than above	-84,706.57	
Less: Income tax effects	-25,929.53	
Total	-77,788.57	--

Explanation of why the Company classifies a gain/loss item as exceptional according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items, or reclassifies any exceptional item listed in the said explanatory announcement as recurrent:

☐ Applicable ☒ Not applicable

No such cases for the Reporting Period.

Part III Business Summary

I Core Business Scope of the Company in Reporting Period

Is the Company subject to any disclosure requirements for special industries?

No.

Focused on residential property development, the Company has been seeing increasing brand effects with great effort spent on project quality and progress, as well as on premium projects.

The Company primarily develops and sells residential properties in two cities, Shenzhen and Shantou. The Cuilinyuan project and the Chuanqi Jingyuan project (formerly known as the “Tianju Jingtian Apartment Block” project), both located in Shenzhen, as well as the Shantou-based Tianyuewan Phase I project have finished filing of completion and acceptance. Also, the development progress of the Chuanqi Donghu Mingyuan project is in line with the schedule, with the main frame of its Tower A completed to the 27th floor and Tower B roofed. As for sales, the Chuanqishan project has been almost sold out; the Chuanqi Shanglin project has been sold out; approximately 70% of the Cuilinyuan project has been sold; and the Tianyuewan Phase I project has sold about 20% of its residential units.

II Material Changes in Major Assets

1. Material Changes in Major Assets

Major assets	Reason for material changes
Equity assets	No material change
Fixed assets	No material change
Intangible assets	Ending amount (as at 30 June 2018) down by RMB55,200.00 (or 100%) from beginning amount (as at 31 December 2017), primarily driven by end of Kingdee software's amortization
Construction in progress	No material change
Notes receivable	Ending amount down by RMB5,921,287.00 (or 100%) from beginning amount, primarily driven by payment collection by a curtain wall engineering branch of subsidiary Shenzhen Zhentong Engineering Co., Ltd. (“Zhentong Engineering”)
Accounts receivable	Ending amount up by RMB199,022,291.19 (or 145.17%) from beginning amount, primarily driven by house mortgage payments which bank has issued commitment letter for but has not yet paid
Prepayments	Ending amount down by RMB5,088,009.96 (or 84.23%) from beginning amount, primarily driven by decrease in prepayments by subsidiary Zhentong Engineering for

	engineering materials
Other current assets	Ending amount up by RMB592,844,561.90 (or 5214.32%) from beginning amount, primarily driven by a 600 million half-year structured bank deposit
Short-term borrowings	Ending amount down by RMB52,833,113.08 (or 50.70%) from beginning amount, primarily driven by repayment of credit borrowing by Zhentong Engineering and decrease in its curtain wall engineering branch's secured borrowing
Taxes payable	Ending amount up by RMB117,690,793.37 (or 136.61%) from beginning amount, primarily driven by provisions for turnover tax and corporate income tax as a result of sales growth in H1 2018
Other payables	Ending amount up by RMB259,023,243.84 (or 69.08%) from beginning amount, primarily driven by accrued value added tax on land made on property sales carried forward to Reporting Period
Current portion of non-current liabilities	Ending amount down by RMB46,226,800.00 (or 72.23%) from beginning amount, primarily driven by repayment of mature bank loans
Long-term borrowings	Ending amount down by RMB64,216,500.00 (or 78.31%) from beginning amount, primarily driven by paying back bank loans ahead of schedule

2. Major Assets Overseas

☐ Applicable ☒ Not applicable

III Core Competitiveness Analysis

Is the Company subject to any disclosure requirements for special industries?

No.

As one of the earliest real estate listed companies in Shenzhen, the Company has a history over 30 years in real estate development in Shenzhen and rich experience in the main business of real estate development. In recent years, thanks to the experience learned from the Shenzhen-located Chuanqishan project, Chuanqi Shanglin project, Cuilinyuan project, Chuanqi Jingyuan project and Chuanqi Donghu Mingyuan project, as well as from the Shantou-located projects, the Company accelerates the establishment of a modern enterprise HR management system and works hard in building a professional and high-quality development team. It also keeps improving the management mechanism and processes for project development. As a result, the professionalism and management capability of the Company have improved significantly; planning, construction, cost control, marketing capability and brand image have been effectively enhanced; and the operational capability in the main business of real estate keeps increasing, along with the core competitiveness. As of the Reporting Period (inclusive), the Company has been honored jointly by the Guangdong Provincial Enterprise Confederation and the Guangdong Provincial Association of Entrepreneurs as a "Most Honest Enterprise in Guangdong Province" for seven years in a row.

Part IV Operating Performance Discussion and Analysis

I Overview

(I) Operating Results of Reporting Period

2018 marks the first year for the nationwide practice of the Spirit of the 19th National Congress of the Communist Party of China, an important year for the Company's 13th five-year plan for development, as well as a key year for the Company's major assets restructuring programme. The focus of China's economic growth is shifting from high speed to high quality. In the first half of the year, great international economic uncertainty, stricter financial regulation and continued domestic government controls weighed on the real estate sector. Under such circumstances, in addition to carrying forward its major assets restructuring programme, the Company adhered to the thinking of "Carefully Draw up Development Strategies, Particularly Focus on Core Business, Strictly Control Costs and Continuously Improve Management Capability" and put greater efforts into promoting project construction and marketing, so as to achieve stable development.

In the Reporting Period, the Company made a concerted effort to overcome difficulties and steadily promote project construction. As a result, for this period, the Company achieved operating revenue of RMB1,318 million, up 80.16% compared to the same period of last year; profit before taxation of RMB440 million, representing a year-on-year growth of 138.76%; and net profit attributable to the listed company's shareholders of RMB329 million, increasing 139.80% from a year earlier. As at 30 June 2018, net assets attributable to the listed company's shareholders were equal to RMB3,157 million, an 11.62% rise compared to the end of last year.

1. Focused on residential property development, the Company has been building a professional and high-quality development team, as well as improving the management mechanism and processes for project development. As a result, the operational capability in the core business of real estate keeps increasing, along with the core competitiveness. During the Reporting Period, the key projects of the Company were mostly located in Shenzhen and Shantou. The Company paid close attention to product quality and progress, and adjusted marketing strategies in a timely manner. As a result, project development and sales progress basically met expectations, and the core business was in good order and health.

2. The Company's main real estate projects under construction and available for sale during the Reporting Period included the Shenzhen-based Cuilinyuan, Chuanqi Jingyuan, and Chuanqi Donghu Mingyuan projects, as well as the Shantou-located Tianyuewan project, etc., with details as follows:

Project	Location	Usage	Status	The Company's stake	Site area (m ²)	Floor area with plot ratio (m ²)	Completed floor area (m ²)	Expected total investment (RMB'0,000)	Accumulated investment (RMB'0,000)
Cuilinyuan	Shenzhen	Residential	Available	100%	16,424.29	60,450	60,450	57,000	47,777

	en	tial	for sale						
Chuanqi Jingyuan	Shenzh en	Rental	Under construct ion	49%	4,243.34	42,412	42,412	24,865	17,904
Tianyuewan Phase I	Shanto u	Residen tial	Available for sale	100%	31,167.50	153,578.51	153,578.51	79,801	81,047
Chuanqi Donghu Mingyuan	Shenzh en	Residen tial	Under construct ion	100%	5,889.7	34,072.60	0	51,000	22,621

3. Land bank for future development by the end of the Reporting Period:

Project	Location	Land area (m ²)	Floor area with plot ratio (m ²)
Tianyuewan Phase II	Shantou	33,362	127,661
Xinfeng Building	Shantou	5,920	26,640
Total		39,282	154,301

Note: The Company's real estate projects do not involve primary land development.

(II) Operation Review for H1 2018

1. The Company's fundamentals remain positive with a reasonable debt structure and a healthy financial condition. During the Reporting Period, macro-economy was facing downward pressure, and real estate control continued. The Company's real estate development and sales mainly concentrate in Shenzhen and Shantou. The sales revenue and profits in the region of Shenzhen, where overall sales are good, accounted for more than 90%. Thus, the future destocking pressure mainly lies in the Shantou region.

Financing of the Company:

(1) Borrowings secured by accounts receivable

Item	Ending balance (RMB'0,000)
Secured borrowings	5,137.45

As at 30 June 2018, Zhentong Engineering had RMB51.3745 million of accounts-receivable-secured short-term borrowings.

(2) Bank borrowings

Lender	Start date	End date	Interest rate	Total amount of borrowing	Including: long-term borrowing	Including: amount due within one year
Chinese Merchantile Bank, Shenzhen branch	7 May 2015	6 May 2020	110% of benchmark interest rate	3,555.67	1,778.35	1,777.32
Total				3,555.67	1,778.35	1,777.32

2. The major property developments proceed smoothly. The Company has further improved the development and management system, attached importance to construction safety and tightened cost control. During the Reporting Period, the overall progress of the Company's property developments was in line with the schedule.

(1) The Chuanqi Shanglin project was sold out, and the Cuilinyuan project has finished filing of completion and acceptance, as well as move-in formalities.

(2) The Chuanqi Jingyuan project (formerly known as the "Tianju Jingtian Apartment Block" project) has finished filing of completion, is currently being fully furnished and is expected to be ready for sale by the end of this year.

(3) The Chuanqi Donghu Mingyuan project has the main frame of its Tower A completed to the 27th floor and Tower B roofed. The project is expected to be ready for sale by the end of this year.

(4) The Shantou-based Tianyuewan Phase I project has finished filing of completion, with homebuyers moving in and the road to the north of the project expected to be completed by the local government at the end of this year.

(5) Operating divisions, product categories or operating segments that accounted for more than 10% of the Company's operating revenue or operation profit:

Unit: RMB'0,000

	Operating revenue	Cost of sales	Gross profit margin (%)	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Real estate	104,628	30,282	71.06%	164.76%	52.95%	21.16%
Engineering construction	15,064	14,409	4.35%	-34.52%	-35.54%	1.51%
By product category						
Residential units	104,628	30,282	71.06%	179.84%	57.58%	22.46%
Shops				-100.00%	-100.00%	-72.69%
By operating segment						
Guangdong province	127,343	49,636	61.02%	80.64%	5.90%	27.51%

3. Real estate sales basically met expectations. The Company kept an eye on policy and market dynamics, and adjusted marketing strategies based on regulatory policies and market changes. Project sales basically met the expectations. The Chuanqishan project has been almost sold out; the Chuanqi Shanglin project has been sold out; approximately 70% of the Cuilinyuan project has been sold; and the Tianyuewan Phase I project has sold about 20% of its residential units.

(1) Sales of major real estate projects carried forward to the Reporting Period:

Unit: RMB'0,000

	Location	Operating	Cost of sales	Gross profit margin	Gross profit margin
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		revenue			(%)
Cuilinyuan	Shenzhen	102,558	28,856	73,702	71.86
Tianyuewan Phase I	Shenzhen	1,224	978	246	20.10
Yuejing Dongfang	Shantou	465	288	177	38.06
Jinyedao	Shantou	381	212	169	44.36
Total		104,628	30,334	74,294	71.01

(2) Real Estate sales during the Reporting Period:

Unit: square meters

No.	Project	Open time	The Company's stake	Location	Floor area available for sale at year-beginning	Area actually sold in Current Period	Settled area in Current Period
1	Cuilinyuan	June 2017	100%	Shenzhen	37,148	21,113	30,475
2	Tianyuewan Phase I	October 2016	100%	Shantou	137,508	9,779	2,232
3	Yuejing Dongfang	December 2013	100%	Shantou	980	51	621
4	Jinyedao	July 1996	100%	Shantou	2,794	26	427
Total					178,430	30,969	33,755

4. Real estate rental of the Company is stable with steadily rising rental prices as well as good occupancy rates and rent collection rates. The major properties for rental are as follows:

Unit: square meters

Location	Name of building	Rentable area	Rented area	Occupancy rate	Usage	Land ownership	The Company's stake
Shenzhen	Real Estate Mansion	3,413.88	3,413.88	100%	Commercial	The Company	100%
Shenzhen	North Block of Guoshang Mansion	4,819.71	4819.71	100%	Commercial	The Company	100%
Shenzhen	Petrel Building	22,475.47	22,475.47	100%	Commercial	The Company	100%
Shenzhen	SPG Plaza	61,005.94	52348.14	89.3%	Office	The Company	100%
	SPG Plaza Podium	19,913.30	19913.30	100%	Commercial	The Company	100%

Shenzhen	Wenjin Garden	3,531.60	3,531.60	100%	Commercial	The Company	100%
Total		115,159.90	106,502.10				

5. The assets restructuring programme has been carried forward.

The Company's major assets restructuring plan is subject to further communications and improvements with the regulators. Due diligence material update, additional audit and assessment, etc. are underway.

6. The talent team has been enhanced.

With great importance attached to building a professional team, the Company has promoted certain young talent as middle management and brought in a group of professionals and university graduates. These moves have ensured a stable talent team during the assets restructuring.

II Analysis of Core Businesses

See "I Overview" above.

Year-on-year changes in key financial data:

Unit: RMB

	H1 2018	H1 2017	Change (%)	Main reason for change
Operating revenue	1,317,541,631.35	731,306,982.03	80.16%	Increase in property sales carryforwards
Cost of sales	540,417,491.41	494,949,797.89	9.19%	Increase in property sales carryforwards
Selling expense	37,167,133.77	6,832,803.76	443.95%	Increases in property sales commissions and advertising expense
Administrative expense	31,736,200.85	24,719,238.69	28.39%	Staff re-deploy on completion of Cuilinyuan project
Finance costs	-8,611,669.10	-2,635,571.58	-226.75%	Decrease in interest expense on borrowings and increase in interest income from term deposits
Income tax expense	111,169,717.28	47,173,139.72	135.66%	A rise in profits
Net cash generated from/used in operating activities	594,728,129.67	-97,700,697.19	708.72%	Increase in cash proceeds from sale of commodities and rendering of services
Net cash generated from/used in investing activities	-599,344,168.71	424,910.51	-141,151.86%	600 million half-year structured bank deposit
Net cash generated from/used in financing activities	-133,528,938.06	-4,191,437.88	-3,085.75%	Increase in cash repayment of borrowings
Net increase in cash and cash equivalents	-138,128,390.84	-101,713,852.56	-35.80%	Joint effects of cash proceeds from sale of commodities and rendering of services,

				and structured bank deposit
Taxes and surtaxes	277,340,490.76	23,913,311.23	1,059.77%	Provisions for value added tax and surtax, as well as accrued value added tax on land made on property sales carried forward to Reporting Period

Major changes in the profit structure or sources of the Company in the Reporting Period:

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

Breakdown of main business:

Unit: RMB

	Operating revenue	Cost of sales	Gross profit rate	Year-on-year increase/decrease of operating revenue	Year-on-year increase/decrease of cost of sales	Year-on-year increase/decrease of gross profit rate
By business segment						
Real estate	1,046,284,161.25	302,815,653.15	71.06%	164.76%	52.95%	21.16%
Construction service	150,642,530.35	144,088,214.48	4.35%	-34.52%	-35.54%	1.51%
Rental service	34,955,530.61	16,019,002.54	54.17%	-12.24%	16.35%	-11.26%
Property management service	75,192,293.43	68,281,932.01	9.19%	8.47%	5.60%	2.47%
Other	13,770,810.85	10,240,743.17	25.63%	2.32%	3.07%	-0.54%
Subtotal	1,320,845,326.49	541,445,545.35	59.01%	76.61%	6.19%	27.19%
Less: offset internal transactions	-3,303,695.14	-1,028,053.94	68.88%	-80.05%	-93.12%	59.12%
Total	1,317,541,631.35	540,417,491.41	58.98%	80.16%	9.19%	26.66%
By product						
Housing units	1,046,284,161.25	302,815,653.15	71.06%	179.84%	57.58%	22.46%
Shops				-100.00%	-100.00%	-72.69%
Other products	274,561,165.24	238,629,892.20	13.09%	-22.15%	-23.49%	1.52%
Subtotal	1,320,845,326.49	541,445,545.35	59.01%	76.61%	6.19%	27.19%
Less: offset internal transactions	-3,303,695.14	-1,028,053.94	68.88%	-80.05%	-93.12%	59.12%
Total	1,317,541,631.35	540,417,491.41	58.98%	80.16%	9.19%	26.66%
By geographic segment						

Guangdong Province	1,273,425,789.87	496,360,343.04	61.02%	80.64%	5.90%	27.51%
Other regions in China	47,131,738.79	45,085,202.31	4.34%	10.61%	9.43%	1.04%
Overseas	287,797.83		100.00%	-5.36%		0.00%
Subtotal	1,320,845,326.49	541,445,545.35	59.01%	76.61%	6.19%	27.19%
Less: offset internal transactions	-3,303,695.14	-1,028,053.94	68.88%	-80.05%	-93.12%	59.12%
Total	1,317,541,631.35	540,417,491.41	58.98%	80.16%	9.19%	26.66%

III Non-Core Business Analysis

☐ Applicable ☒ Not applicable

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	End of Reporting Period		End of the same period of last		Increase/decrease in proportion	Notes to significant changes
	Amount	Proportion to total assets	Amount	Proportion to total assets		
Monetary funds	1,068,660,665.62	23.66%	1,164,343,471.84	30.68%	-7.02%	
Accounts receivable	336,114,447.24	7.44%	183,877,575.95	4.84%	2.60%	
Inventories	1,677,853,797.04	37.15%	1,765,951,891.14	46.53%	-9.38%	Caused by carry-over of real estate
Investment property	635,361,225.57	14.07%	405,102,784.35	10.67%	3.40%	Caused by the transfer of inventories to investment property
Long-term equity investments	29,888,661.65	0.66%	37,447,267.61	0.99%	-0.33%	
Fixed assets	35,921,711.70	0.80%	42,507,617.00	1.12%	-0.32%	
Short-term borrowings	51,374,540.56	1.14%	143,560,032.01	3.78%	-2.64%	Caused by repayment of borrowings
Long-term borrowings	17,783,500.00	0.39%	114,000,000.00	3.00%	-2.61%	Caused by repayment of borrowings

Other current assets	604,214,106.70	13.38%	14,568,268.07	0.38%	13.00%	Caused by the purchase of bank structured deposits of RMB600,000,000
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2. Assets and Liabilities Measured at Fair Value

☐ Applicable ☒ Not applicable

3. Assets with Restricted Rights as of the End of the Reporting Period

Item	Ending carrying value	Reason for restriction
Accounts receivable	51,374,540.56	As pledges for short-term borrowings
Investment property (SPG Plaza)	22,972,285.00	As mortgages for long-term borrowings
Total	74,346,825.56	--

V Investment Analysis

1. Total Investments Made

☐ Applicable ☒ Not applicable

2. Significant Equity Investments Made in the Reporting Period

☐ Applicable ☒ Not applicable

3. Significant Non-equity Investments Ongoing in the Reporting Period

☐ Applicable ☒ Not applicable

4. Financial Investments

(1) Securities Investments

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period

(2) Investment in Derivative Financial Instruments

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

☐ Applicable ☒ Not applicable

No such cases in this Reporting Period.

2. Sale of Major Equity Interests

☐ Applicable ☒ Not applicable

VII Analysis on Majority-owned and Joint Stock Companies

☒ Applicable ☐ Not applicable

Main subsidiaries and joint stock companies with an over 10% influence on the Company's net profit

Unit: RMB

Company name	Relationship with the Company	Main business scope	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Shenzhen SPG Longgang Development Co., Ltd.	Subsidiary	Development of real estate	30,000,000.00	1,289,181,114.06	442,215,293.92	1,025,584,995.24	435,633,324.28	326,764,331.46
Shantou SEZ, Wellam FTY, Building Development Co., Ltd.	Subsidiary	Development of real estate	91,226,120.44	251,802,753.52	147,307,510.14	8,461,588.82	-805,739.61	-619,301.86
Shantou Huafeng Real Estate Development Co., Ltd.	Subsidiary	Development of real estate	30,000,000.00	900,260,407.77	59,779.45	12,237,577.19	-21,879,045.02	-16,409,085.97
Great Wall Estate Co., Inc. (U.S.)	Subsidiary	Lease	2,051,146.00	18,637,645.41	-83,452,473.92	287,797.83	-68,120.84	-68,120.84
Shenzhen Zhentong Engineering Co., Ltd.	Subsidiary	Installation and construction	10,000,000.00	321,621,992.58	24,882,772.61	151,004,540.11	1,532,801.76	1,249,956.42

Shenzhen Property Management Co., Ltd.	Subsidiary	Property management	7,250,000.00	106,039,411.33	25,201,866.91	75,911,564.43	3,226,848.50	2,391,888.45
Shenzhen Petrel Hotel Co., Ltd.	Subsidiary	Hotel Service	30,000,000.00	47,676,213.11	41,550,137.62	12,700,962.73	904,354.11	658,792.03
Shenzhen Huazhan Construction Supervision Co., Ltd.	Subsidiary	Construction supervision	8,000,000.00	9,248,413.58	8,750,164.47	1,910,711.35	156,774.43	137,177.63

Subsidiaries obtained or disposed in this Reporting Period

☐ Applicable ☒ Not applicable

Information on main majority-owned and joint stock companies

1. Except the Company, the subordinate subsidiaries engaged in real estate development mainly include:

(1) Shenzhen SPG Longgang Development Co., Ltd., Shantou SEZ, Wellam FTY, Building Development, Co., Ltd. and Shantou Huafeng Real Estate Development Co., Ltd. The Cuilinyuan (south district of Shanglin Garden Project) developed by Longgang Company began to presell in June 2017. Until now, it has been accumulatively sold 70%. It was completed in May 2018. During the Reporting Period, it has been carried forward RMB1025.58 million, accounting for 78.84% of the Company's operating revenue. The net profit generated from it was RMB326.76 million, accounting for 99.30% of the Company's net profit.

(2) There is only little remaining buildings for JinYE Island and Yuejing Dongfang Project developed by Shantou Wellam Company. The carried forward sales of the Yuejing Dongfang Project was of RMB4.65 million in the Reporting Period with overall carried forward rate of sales 96%, and the carried forward sales of JinYE Island was of RMB3.81 million in the Reporting Period with overall carried forward rate of sales 98%.

(3) Shantou Huafeng Company took the responsibility of developing the Tianyuewan Project (namely the Shantou Jingzaiwan Project), of which the Phase I was opened to sale in October 2016, and it was completed in December 2017 with accumulated sales of 21%. The carried forward sales of it in the Reporting Period was of RMB12.24 million. The net profit generated from it was of RMB-16.41 million which was mainly from interest expense.

2. Shenzhen Zhentong Engineering Co., Ltd. was engaged in the business of building installation and maintenance with operating revenue in the Reporting Period of RMB151 million accounting for 11.46% of total operating revenue of the Company.

3. The operating revenue of Shenzhen Property Management Co., Ltd. in the Reporting Period was of RMB75.91 million accounting for 5.76% of total operating revenue of the Company.

VIII Structured Entities Controlled by the Company

☐ Applicable ☒ Not applicable

IX Performance Forecast for January-September 2018

Warning of possible loss or considerable year-on-year change in the accumulative net profit made during the period-beginning to the end of the next Reporting Period, as well as the reasons:

√ Applicable □ Not applicable

Forecast: Considerable increase at the same direction

Type of the forecast data: Interval number

	January-September 2018			January-September 2017	+/- (%)			
Forecast accumulative net profit (RMB'0,000)	36,000	--	40,000	14,961	Increase	140.63%	--	167.36%
Basic earnings per share (RMB/share)	0.3559	--	0.3954	0.1479	Increase	140.60%	--	167.34%
Notes to the forecast	The sales of carry forward of the real estate of the Company increased year-on-year.							

X Risks Facing the Company and Countermeasures

1. Risks Facing the Company:

(1) Risks from macroeconomic environment. Since this year, Chinese government has been adhering to the general principle of seeking progress while maintaining stability, implementing new development concepts, practicing the requirement of high-quality development and focusing on the supply-side structural reform. Against this background, the economy in the first half of the year maintained an overall stable trend with good momentum. However, given that the Sino-US trading dispute is still going on, and that the global economic situation remains complicated and severe, the downward pressure on the economy is difficult to relieve in a short term.

(2) Risks from policy on real estate industry. Against the convening of the 19th National Congress of the Communist Party of China, the Chinese government shows a clear attitude that “Houses are for living in, not for speculating on”. The continuous implementation of real estate macro-control policy curbs people’s investment demands at a large degree, and potential customers are increasingly taking a wait-and-see attitude, which generates a certain impact on the development and sales of main business of the Company.

(3) Risks from development and operation of main business. At present the Company holds limited land reserve for not increasing its land reserve for a long time, which is influenced by the major assets restructuring. Moreover, there is a lag in the sales progress of Shantou Tianyuewan Phase I.

(4) Potential risks from assets restructuring. The major assets restructuring of the Company is a significant and unprecedented event with complex trading structure for involved in the Shenzhen State-owned Enterprise Reform and with large-scale assets since the underlying assets it plans to purchase are industrial leading assets. Thus, the trading of its shares has been suspended for almost two years since its start of trading on 14 September 2016. At present, matters such as the renewal of diligence materials in restructuring and supplementary audit as well as evaluation are carried out simultaneously. For the uncertainty of related events, investors are reminded of the investment risks.

2. Countermeasures

Firstly, the Company will unremittingly pay attention to international and domestic macroeconomic situation and the industrial trend, and then formulate flexible coping strategies.

Secondly, the Company will further strengthen its ability to develop main business, raise its management level and make efforts to reinforce the marketing so as to stabilize the fundamental of

the Company.

Thirdly, the Company will increase its land reserve timely and in an appropriate way to maintain the sustainable development of the Company in the future.

Fourthly, the Company will enhance the communication with regulators together with parties involved in the restructuring and make full efforts to promote the process of major assets restructuring.

Part V Significant Events

I Annual and Extraordinary General Meeting Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to disclosed information
The 2017 Annual General Meeting	Annual General Meeting	63.58%	26 April 2018	27 April 2018	Resolutions of 2017 Annual General Meeting disclosed on www.cninfo.com.cn
The 1 st Extraordinary General Meeting of 2018	Extraordinary General Meeting	63.59%	15 May 2018	16 May 2018	Resolutions of the 1 st Extraordinary General Meeting of 2018 disclosed on www.cninfo.com.cn

2. Extraordinary General Meeting Convened at Request of Preference Shareholders with Resumed Voting

Rights

☐ Applicable ☒ Not applicable

II Interim Dividend Plan for the Reporting Period

☐ Applicable ☒ Not applicable

The Company has no interim dividend plan.

III Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirer, as well as the Company and Other Commitment Makers, Fulfilled in the Reporting Period or still Ongoing at Period-End

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

IV Engagement and Disengagement of CPAs Firm

Has the interim financial report been audited?

☐ Yes ☒ No

This interim Report is unaudited.

V Explanations Given by Board of Directors and Supervisory Committee Regarding “Modified Auditor’s Report” Issued by CPAs Firm for the Reporting Period

☐ Applicable ☒ Not applicable

VI Explanations Given by Board of Directors Regarding “Modified Auditor’s Report” Issued for Last Year

☐ Applicable ☒ Not applicable

VII Bankruptcy and Restructuring

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

VIII Legal Matters

Significant lawsuits or arbitrations:

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

Other legal matters:

☒ Applicable ☐ Not applicable

Lawsuit/arbitration	Amount involved (RMB'0,000)	Estimated liabilities or not	Progress	Decision and influence	Execution of decision	Disclosure date	Index to disclosed information
Xi'an Project Lawsuit	2,100	No	In execution	① Business Tourism Company had to pay for the compensation RMB36.62 million and the relevant interest (from 14 September 1998 to the payment day) to Xi'an Fresh Peak Company within one month after the judgment entering into force. If the Business Tourism Company failed to pay in time, it had to pay double debt interests	The applicant has received RMB15.20 million. Now Business Tourism Company has no executable properties and Xi'an Joint Commission on Commerce has been refusing to execute the	30 March 2017	Annual Report 2017 (full text) on www.cninfo.com.cn

				to Xi'an Fresh Peak Company for the overdue period; ② Xi'an Joint Commission on Commerce had jointly and severally obligation of the interests of the compensation; . ③ Business Tourism Company shall bear RMB227,500 of the acceptance fee and the security fee.	ruling. It is difficult to recover the rest.		
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IX Punishments and Rectifications

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

X Credit Conditions of the Company as well as its Controlling Shareholder and Actual Controller

☐ Applicable ☒ Not applicable

XI Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XII Significant Related Transactions

1. Related Transactions Relevant to Routine Operations

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

2. Related Transactions Regarding Purchase or Sales of Assets or Equity Interests

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

3. Related Transactions Regarding Joint Investments in Third Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

4. Credits and Liabilities with Related Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

5. Other Significant Related Transactions

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XIII. Particulars about the Non-operating Occupation of Funds by the Controlling Shareholder and Other Related Parties of the Company

☐ Applicable ☒ Not applicable

The Company was not involved in the non-operating occupation of funds by the controlling shareholder and other related parties during the Reporting Period.

XIV. Significant Contracts and Execution**1. Entrustment, Contracting and Leasing****(1) Entrustment**

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(2) Contracting

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(3) Leasing

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

2. Significant Guarantees

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

3. Other Significant Contracts

☒ Applicable ☐ Not applicable

Name of contracting party	Name of the other party of the contract	Target	Signing date	Carrying value of the involved assets (RMB' 0,000) (if any)	Assessed value of the involved assets (RMB' 0,000) (if any)	Name of the evaluating agency (if any)	Base date of evaluation (if any)	Pricing principles	Transaction price (RMB' 0,000)	Related transactions or not	Related relationship	Execution as of the end of the Reporting Period	Disclosure date	Index to disclosed information
ShenZhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd.	Shenzhen Branch of China Citic Bank Co., Ltd	Structural deposits (term of 186 days)	28 May 2018	60,000		-		Market comparison	60,000	No	No related relationship	Implementing in a normal way	30 May 2018	Announcement on Progress of Using Self-owned Funds to Invest into Structural Deposits on www.cninfo.com.cn

XV. Social Responsibilities

1. Significant Environment Protection

Indicate by tick mark whether the Company or any of its subsidiaries is a heavily polluting business identified by the environmental

protection authorities of China

No

2. Targeted Measures Taken to Help People Lift Themselves Out of Poverty

(1) Plan for Targeted Measures

(2) Outline of Targeted Measures in the Reporting Period

(3) Effects of Targeted Measures

Indicator	Measurement unit	Number/Progress
I. General condition	——	——
II. Itemized investment	——	——
1. Out of poverty by industrial development	——	——
2. Out of poverty by transferring employment	——	——
3. Out of poverty by relocating	——	——
4. Out of poverty by education	——	——
5. Out of poverty by improving health	——	——
6. Out of poverty by protecting ecological environment	——	——
7. Subsidy for the poorest	——	——
8. Social poverty alleviation	——	——
9. Other items	——	——
III. Received awards(contents and rank)	——	——

(4) Subsequent Targeted Measure Plans

XVI. Other Significant Events

√Applicable □ Not applicable

Since Shenzhen Investment Holdings Co., Ltd, the controlling shareholder of the Company, is planning a significant event that involves the Company, the Company's stock (A-stock: stock name: SPG A, stock code: 000029; B-stock: stock name: SPG B, stock code: 200029) has been suspended since the opening on 14 September 2016. On 30 September 2016, the Company disclosed the Announcement on Share Trading Suspension Due to Major Assets Restructuring (No. 2016-025), and continued the suspension due to major assets restructuring since the market opening on 30 September 2016.

The Company is organizing relevant intermediaries to conduct supplementary due diligence on the parties to the restructuring of assets and trading, carry out supplementary audit and evaluation work, and update the major asset restructuring plan or report (draft) and other relevant documents. The

major assets restructuring of the Company involves in the reform of state-owned enterprises in Shenzhen with proposed purchase of large-scale assets and complex transaction structure. It is a major precedent of certain particularity in the acquisition of asset size and scope. Thus, related job requirements of the restructuring are high, and the Company still needs to communicate with regulatory authorities for further discussion, demonstration and improvement. On the specific circumstances of restructuring of the Company, please keep an eye on the Company's follow-up announcements.

To ensure the smooth progress of this major asset restructuring, prevent abnormal fluctuations in the prices of its stocks and protect the rights and interests of its minority shareholders, the Company has applied to the Shenzhen Stock Exchange for continued share trading suspension for no more than 1 month as of 14 August 2018. It is respected that the major assets restructuring plan or report will be disclosed according to the requirements of the Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 26—Major Assets Restructuring of Listed Companies prior to 14 September 2018.

During the continued suspension, the Company will keep promoting the work of this major asset restructuring with parties concerned, paying full attention to the progress of the issue and fulfilling the obligation of timely information disclosure in strict accordance with the provisions and requirements of relevant laws and regulations, that is, the Company will disclose the progress of related matters at least every five trading days.

There is considerable uncertainty for the major assets restructuring prepared by the Company. Investors are kindly reminded to pay attention to investment risk.

XVII. Significant Events of Subsidiaries

☐ Applicable ☒ Not applicable

Part VI Share Changes and Shareholder Information

I. Share Changes

1. Share Changes

Unit: share

	Before the change		Increase/decrease (+/-)					After the change	
	Amount	Proportion	Newly issue share	Bonus shares	Capitalized Capital reserves	Others	Subtotal	Amount	Proportion
I. Restricted shares	0	0.00%	0	0	0	0	0	0	0.00%
1. Shares held by the state	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-own Legal-person	0	0.00%	0	0	0	0	0	0	0.00%
3. Shares held by other domestic investors	0	0.00%	0	0	0	0	0	0	0.00%
Among which: shares held by domestic legal person	0	0.00%		0	0	0	0	0	0.00%
Shares held by domestic natural person	0	0.00%	0	0	0	0	0	0	0.00%
4. Oversea shareholdings	0	0.00%	0	0	0	0	0		0.00%
Among which: shares held by oversea legal person	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by oversea natural person	0	0.00%	0	0	0	0	0	0	0.00%
II. Shares not subject to trading moratorium	1,011,660,000	100.00%	0	0	0	0	0	1,011,660,000	100.00%
1. RMB ordinary shares	891,660,000	88.14%	0	0	0	0	0	891,660,000	88.14%
2. Domestically listed foreign shares	120,000,000	11.86%	0	0	0	0	0	120,000,000	11.86%
3. Oversea listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Other	0	0.00%	0	0	0	0	0	0	0.00%
III. Total shares	1,011,660,000	100.00%	0	0	0	0	0	1,011,660,000	100.00%

Reasons for the share changes

☐ Applicable ☒ Not applicable

Approval of share changes

☐ Applicable ☒ Not applicable

Transfer of share ownership

☐ Applicable ☒ Not applicable

Effects of share changes on the basic EPS, diluted EPS, net assets per share attributable to ordinary shareholders of the Company and other financial indexes over the prior year and the prior period

☐ Applicable ☒ Not applicable

Other contents that the Company considers necessary or is required by the securities regulatory authorities to disclose

☐ Applicable ☒ Not applicable

2. Changes in Restricted Shares

☐ Applicable ☒ Not applicable

II. Issuance and Listing of Securities

☐ Applicable ☒ Not applicable

III. Total Number of Shareholders and Their Shareholdings

Unit: share

Total number of ordinary shareholders at the period-end		76,443		Total number of preference shareholders with resumed voting rights at the period-end (if any) (see Note 8)				
Shareholding of ordinary shareholders holding more than 5% shares or the top 10 of ordinary shareholders								
Name of shareholder	Nature of shareholder	Holding percentage (%)	Number of shareholdi ng at the end of the Reporting Period	Increase and decrease of shares during Reporting Period	Number of shares held subject to trading moratoriu m	Number of shares held subject to trading moratorium	Pledged or frozen shares	
							Status of shares	Amount
Shenzhen Investment	State-owned legal person	63.55%	642,884,262			642,884,262		

Holdings Co., Ltd								
Shandong Gold Financial Holding Capital Management Co., Ltd. — Shandong Gold Financial Holding Sustaining Fund 1	Domestic non-state-owned legal person	1.02%	10,300,000			10,300,000		
Lu Zhigao	Domestic natural person	0.32%	3,246,949			3,246,949		
Tan Shiqing	Domestic natural person	0.13%	1,286,701			1,286,701		
Yang Shuilian	Domestic natural person	0.13%	1,273,700			1,273,700		
Yang Jianxiong	Domestic natural person	0.12%	1,255,750			1,255,750		
Central Huijin Asset Management Co., Ltd.	State-owned legal person	0.12%	1,165,500			1,165,500		
Peng Wei	Domestic natural person	0.11%	1,129,082			1,129,082		
Wu Haoyuan	Foreign natural person	0.11%	1,109,300			1,109,300		
Guotai Junan Securities (Hong Kong) Limited	Foreign legal person	0.10%	1,015,683			1,015,683		
Strategic investors or the general legal person due to the placement of new shares become the top 10 ordinary shareholders (if any) (note 3)		N/A						
Explanation on related relationship or/and persons		The Company has found no related parties or acting-in-concert parties as defined in the Administrative Measures for Shareholding Changes in Listed Companies among the shareholders above.						
Particulars about shares held by top 10 ordinary shareholders not subject to trading moratorium								

Name of shareholder	Number of shares held not subject to trading moratorium at the end of the period	Type of share	
		Type of share	Amount
Shenzhen Investment Holdings Co., Ltd	642,884,262	RMB ordinary shares	642,884,262
Shandong Gold Financial Holding Capital Management Co., Ltd. — Shandong Gold Financial Holding Sustaining Fund 1	10,300,000	RMB ordinary shares	10,300,000
Lu Zhigao	3,246,949	RMB ordinary shares	3,246,949
Tan Shiqing	1,286,701	RMB ordinary shares	1,286,701
Yang Shuilian	1,273,700	RMB ordinary shares	1,273,700
Yang Jianxiong	1,255,750	Domestically listed foreign share	1,255,750
Central Huijin Asset Management Co., Ltd.	1,165,500	RMB ordinary shares	1,165,500
Peng Wei	1,129,082	RMB ordinary shares	1,129,082
Wu Haoyuan	1,109,300	Domestically listed foreign share	1,109,300
Guotai Junan Securities (Hong Kong) Limited	1,015,683	Domestically listed foreign share	1,015,683
Explanation on related relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert	The Company has found no related parties or acting-in-concert parties as defined in the Administrative Measures for Shareholding Changes in Listed Companies among the shareholders above.		
Particular about shareholder participate in the securities lending and borrowing business (if any) (note 4)	The fourth shareholder holds all his shares in the Company in his accounts of collateral securities for margin trading. And the third shareholder holds some of his shares in the Company in such accounts.		

Indicate by tick mark whether any of the top ten ordinary shareholders or the top ten non-restricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

☐ Yea ☒ No

No such cases in the Reporting Period.

IV. Change of the Controlling Shareholder or the Actual Controller

Change of the controlling shareholder in the Reporting Period

☐ Applicable ☒ Not applicable

There was no any change of the controlling shareholder of the Company in the Reporting Period.

Change of the actual controller in the Reporting Period

☐ Applicable ☒ Not applicable

There was no any change of the actual controller of the Company in the Reporting Period.

Part VII Preferred Shares

☐ Applicable ☒ Not applicable

No preferred shares in the Reporting Period.

Part VIII Directors, Supervisors and Senior Management

I Changes in Shareholdings of Directors, Supervisors and Senior Management

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period. For details, see Annual Report 2017.

II Changes in Directors, Supervisors and Senior Management

☒ Applicable ☐ Not applicable

Name	Position	Type	Date	Reason
Chen Ji	Board Secretary	Left	26 April 2018	Job change
Tang Xiaoping	Board Secretary	Employed	26 April 2018	
Liu Quanmin	Independent director	Left	15 May 2018	Personal reasons
Kang Xiaoyue	Independent director	Employed	15 May 2018	
Wang Xiuyan	Supervisor	Left	15 May 2018	Retired
Ren Wei	Supervisor	Employed	15 May 2018	

Part IX Corporate Bonds

Are there any corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this Report or were due but could not be redeemed in full?

No

Part X Financial Report

I Auditor's Report

Whether the semi-annual report has been audited?

☐ Yes ☒ No

The semi-annual report of the Company has not been audited.

II Financial Statements

The unit of the financial statements attached: RMB

1. Consolidated Balance Sheet

Prepared by: SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE & PROPERTIES (GROUP) Co., Ltd

June 30 2018

Currency: RMB Yuan

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	1,068,660,665.62	1,207,079,090.29
Account receivables	336,114,447.24	137,092,156.05
Prepayments	952,357.55	6,040,367.51
Dividends receivable	1,052,192.76	1,052,192.76
Other receivables	62,528,710.16	75,903,158.62
Inventories	1,677,853,797.04	1,764,086,643.94
Other current assets	604,214,106.70	11,369,544.80
Total current assets	3,751,376,277.07	3,208,544,440.97
Non-current assets		
Available- for- sale financial assets	17,464,240.74	17,464,240.74
Long-term equity investments	29,888,661.65	29,888,661.65
Investment properties	635,361,225.57	647,297,124.04
Fixed assets	35,921,711.70	37,937,868.71
Intangible assets		55,200.00
Long-term deferred assets	500,320.01	586,350.66
Deferred tax assets	45,766,544.40	47,490,095.19
Total non-current assets	764,902,704.07	780,719,540.99
TOTAL ASSETS	4,516,278,981.14	3,989,263,981.96
Current liabilities:		
Short-term loans	51,374,540.56	104,207,653.64
Accounts payable	247,315,649.23	190,629,756.30

Deferral	256,368,225.43	332,152,016.54
Employee benefits payable	37,041,729.10	30,516,219.96
Taxes payable	203,844,320.26	86,153,526.89
Interest payables	16,535,277.94	16,535,277.94
Other payables	633,968,332.94	374,945,089.10
Non-current liabilities due within one year	17,773,200.00	64,000,000.00
Total current liabilities	1,464,221,275.46	1,199,139,540.37
Non-current liabilities::		
Long-term loans	17,783,500.00	82,000,000.00
Long-term payables	5,900,692.96	8,101,880.05
Total non-current liabilities	23,684,192.96	90,101,880.05
Total liabilities	1,487,905,468.42	1,289,241,420.42
Owners' equity:		
Share capital	1,011,660,000.00	1,011,660,000.00
Capital reserve	978,244,910.11	978,244,910.11
Less: treasury shares		
Other comprehensive income	9,559,409.19	10,045,697.16
Surplus reserve	85,666,668.00	85,666,668.00
Undistributed profit	1,071,690,930.24	742,624,845.71
Total owners' equity attributable to parent company	3,156,821,917.54	2,828,242,120.98
Minority interests	-128,448,404.82	-128,219,559.44
Total owners' equity	3,028,373,512.72	2,700,022,561.54
Total liabilities and owners' equity	4,516,278,981.14	3,989,263,981.96

Legal representative : Zhou Jianguo

Person in charge of accounting : Tang Xiaoping

Person in charge of accounting organ: Qiao Yanjun

2、Balance Sheet

As of 30 June 2018

Prepared by: SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE & PROPERTIES (GROUP) Co., Ltd.

Currency: RMB Yuan

Item	Note	Closing balance
Current assets		
Monetary funds	477,965,205.73	726,801,673.89
Accounts receivable	4,314,184.42	4,482,074.17
Prepayments	200,000.00	
Dividends receivable		169,393,952.18

Other receivables	753,668,682.27	899,872,523.90
Inventories	430,405,017.51	365,067,776.29
Other current assets	600,234,829.12	165,020.02
Total current assets	2,266,787,919.05	2,165,783,020.45
Non-current Assets:		
Available-for-sale financial assets	12,000,000.00	12,000,000.00
Long-term equity investments	248,870,407.21	248,870,407.21
Investment properties	521,797,432.63	532,414,374.79
Fixed assets	23,118,873.12	24,371,839.21
Intangible assets		55,200.00
Long-term deferred assets	437,960.62	529,905.52
Deferred tax assets	30,620.43	
Total non-current assets	806,255,294.01	818,241,726.73
Total Assets	3,073,043,213.06	2,984,024,747.18
Current liabilities:		
Short-term loans	-	-
Account payable	5,298,907.50	6,803,512.99
Deferral	93,435.00	93,435.00
Employee benefits payable	14,955,449.53	8,761,156.65
Taxes payable	52,167,159.04	52,311,869.66
Interest payable	16,535,277.94	16,535,277.94
Other payables	353,291,934.84	178,195,493.46
Non-current liability due within one yea	17,773,200.00	64,000,000.00
Other current liability	-	-
Total current liabilities	460,115,363.85	326,700,745.70
Non-current liabilities:		
Long-term loans	17,783,500.00	82,000,000.00
Total non-current liabilities	17,783,500.00	82,000,000.00
Total liabilities	477,898,863.85	408,700,745.70
Owners' equity::		
Share capital	1,011,660,000.00	1,011,660,000.00
Capital reserve	978,244,910.11	978,244,910.11
Surplus reserve	62,537,054.59	62,537,054.59
Undistributed profit	542,702,384.51	522,882,036.78
Total owners' equity attributable to parent company	2,595,144,349.21	2,575,324,001.48
Total liabilities and owners' equity	3,073,043,213.06	2,984,024,747.18

3、 Consolidated Income Statemen

For the Year 2018

Prepared by: SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE& PROPERTIES (GROUP) CO., LTD

Currency: RMB Yuan

Item	Amount for the current period	Amount for the prior period
I . Total operating income	1,317,541,631.35	731,306,982.03
Including: Operating income	1,317,541,631.35	731,306,982.03
II . Total operating Costs	878,049,647.69	547,779,579.99
Including: Operating costs	540,417,491.41	494,949,797.89
Tax and surcharge	277,340,490.76	23,913,311.23
Selling expenses	37,167,133.77	6,832,803.76
Administrative expense	31,736,200.85	24,719,238.69
Financial expense	-8,611,669.10	-2,635,571.58
Impairment losses of assets		
Add: Gains from changes in fair value ("-" means loss)		
Investment income ("-" means loss)	827,100.00	650,000.00
Including: Investment income from associates and joint venture		
Gains from disposal of asset ("-" means loss)		
III. Operating profit ("-" means loss)	440,319,083.66	184,177,402.04
Add: Non-operating income	95,835.23	317,021.43
Less: Non-operating expenses	199,553.33	121,613.79
IV .Total profit ("-" means loss)	440,215,365.56	184,372,809.68
Less: Income tax expenses	111,169,717.28	47,173,139.72
V Net profit ("-" means loss)	329,045,648.28	137,199,669.96
5.1.Net income from continuing operations ("-" for net loss)	329,045,648.28	137,199,669.96
5.2. Net income from discontinued operations ("-" for net loss)		
Net attributable to owners of parent company	329,066,084.53	137,226,601.84
Minority interests	-20,436.25	-26,931.88
VI . After-tax net of other comprehensive incomes	-694,697.10	2,051,513.82
After-tax net of other comprehensive incomes owned by owner of the parent company	-486,287.97	1,436,059.68

6.1 Other comprehensive incomes that cannot be classified into profit and loss in the future		
6.2 Other comprehensive incomes that would be classified into profit and loss in the future	-486,287.97	1,436,059.68
6.2.1.Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
6.2.2. Gains/Losses on changes in fair value of available-for-sale financial assets		
6.2.3. Gains/Losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4. Effective gains/losses on cash flow hedges		
6.2.5.Translation difference in the foreign currency financial statement	-486,287.97	1,436,059.68
6.2.6. Other		
Net of tax from other comprehensive incomes owned by minority stockholders	-208,409.13	615,454.14
VII. Total comprehensive income	328,350,951.18	139,251,183.78
Total comprehensive income attributable to owners of parent company	328,579,796.56	138,662,661.52
Total comprehensive income attributable to minority interests	-228,845.38	588,522.26
VIII .Earnings per share		
8.1 Basic Earnings per share	0.3253	0.1356
8.2 Diluted Earnings per share	0.3253	0.1356

Legal representative:Zhou Jianguo Person in charge of accounting: Tang Xiaoping

Person in charge of accounting organ: Qiao Yanjun

4. Income Statement

For the Year 2018

Prepared by: SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE & PROPERTIES (GROUP) Co., Ltd.

Currency: RMB Yuan

Item	Amount for the current period	Amount for the prior period
I. Total operating income	29,987,467.51	229,557,159.39

Less: Operating cost	12,583,669.74	111,270,162.44
Tax and surcharge	3,654,804.11	5,845,366.82
Selling expenses	908,158.92	964,585.37
Administrative expense	10,894,513.21	11,294,643.69
Financial expense	-23,494,559.62	-12,619,614.38
Impairment losses of assets		
Add: Gain from changes in fair value ("-" means loss)		
Investment income ("-" means loss)	827,100.00	170,043,952.18
II. Operating profit ("-" means loss)	26,267,981.15	282,845,967.63
Add: Non-operating income	34,352.59	2.69
Less: Non-operating expenses	143,299.25	12,574.69
III. Total profit ("-" means loss)	26,159,034.49	282,833,395.63
Less: Income tax expenses	6,338,686.76	28,203,216.91
IV. Net profit ("-" means loss)	19,820,347.73	254,630,178.72
4.1. Net income from continuing operations ("-" for net loss)	19,820,347.73	254,630,178.72
4.2. Net income from discontinued operations ("-" for net loss)		
V. Total comprehensive income	19,820,347.73	254,630,178.72
VI. Earnings per share		
6.1 Basic Earnings per share	0.0196	0.2517
6.2 Diluted Earnings per share	0.0196	0.2517

5. Consolidated Cash Flow Statement

For the Year 2018

Prepared by : SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE & PROPERTIES (GROUP) Co., Ltd.

Currency: RMB Yuan

Items	Amount for the current period	Amount for the prior period
I . Cash Flow from Operating Activities:		
Cash received from sales of goods or rendering of services	1,082,569,145.05	620,215,163.04
Cash received relating to other operating activities	86,785,897.61	25,245,970.46
Sub-total of Cash Inflows	1,169,355,042.66	645,461,133.50
Cash paid for goods and services	359,603,259.50	510,142,331.49
Cash paid to and on behalf of employees	67,569,589.85	77,473,040.09
Cash paid on taxes and levies	89,393,534.10	85,002,656.01

Cash paid relating to other operating activities	58,060,529.54	70,543,803.10
Sub-total of Cash Outflows	574,626,912.99	743,161,830.69
Net Cash Flows from Operating Activities	594,728,129.67	-97,700,697.19
II . Cash Flows from Investing Activities:		
Cash received from return of investments		
Cash received investing income	827,100.00	650,000.00
Sub-total of Cash Inflows	827,100.00	664,976.00
Cash paid to acquire fixed assets, intangible assets and other long assets	171,268.71	240,065.49
Cash paid on other investing activities	600,000,000.00	
Sub-total of Cash Outflows	600,171,268.71	240,065.49
Net Cash Flows from Investing Activities	-599,344,168.71	424,910.51
III. Cash flow from Financing Activities		
Cash received from borrowing		20,900,000.00
Sub-total of Cash Inflows		20,900,000.00
Cash repayments on borrowed amounts	131,343,300.00	20,216,016.22
Cash payments for distribution of dividends or profits	2,185,638.06	4,875,421.66
Sub-total of cash Outflows	133,528,938.06	25,091,437.88
Net cash flows from financing activities	-133,528,938.06	-4,191,437.88
IV. Effect of foreign exchange rate on cash	16,586.26	-246,628.00
V . Net increase in cash and cash equivalents	-138,128,390.84	-101,713,852.56
Add: cash equivalents at the beginning of the period	1,206,789,056.46	1,265,767,290.57
VI. Cash equivalents at the end of the period	1,068,660,665.62	1,164,053,438.01

6. Cash Flow Statement

For the Year 2018

Prepared by : SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE & PROPERTIES (GROUP) Co., Ltd.

Currency: RMB Yuan

单位: 元

Item	Amount for the current period	Amount for the prior period
I . Cash Flow from Operating Activities:		

Cash received from sales of goods or rendering of services	34,592,057.81	98,370,357.73
Cash received relating to other operating activities	387,291,082.03	11,306,698.94
Sub-total of cash inflows	421,883,139.84	109,677,056.67
Cash paid for goods and services	53,951,198.75	35,773,557.77
Cash paid to and on behalf of employees	15,556,181.04	20,853,392.88
Cash paid on taxes and levies	13,609,736.21	36,541,949.79
Cash paid relating to other operating activities	45,617,416.07	7,663,760.55
Sub-total of Cash Outflows	128,734,532.07	100,832,660.99
Net Cash Flows from Operating Activities	293,148,607.77	8,844,395.68
II . Cash Flows from Investing Activities:		
Cash received from return of investments	170,221,052.18	650,000.00
Sub-total of Cash Inflows	170,221,052.18	650,000.00
Cash paid to acquire fixed assets, intangible assets and other long assets	20,888.00	48,675.00
Cash paid on other investing activities	600,000,000.00	
Sub-total of cash outflows	600,020,888.00	48,675.00
Net Cash Flows from Investing Activities	-429,799,835.82	601,325.00
III. Cash flow from Financing Activities		
Sub-total of cash inflows		
Cash repayments on borrowed amounts	110,443,300.00	15,216,016.22
Cash payments for distribution of dividends or profits	1,728,453.04	4,413,190.66
Cash payments on other financing activities		
Sub-total of cash Outflows	112,171,753.04	19,629,206.88
Net cash flows from financing activities	-112,171,753.04	-19,629,206.88
IV. Effect of foreign exchange rate on cash	-13,487.07	-15,112.84
V .Net increase in cash and cash equivalents	-248,836,468.16	-10,198,599.04
Add: cash equivalents at the beginning of the period	726,801,673.89	818,261,250.52
VI. Cash equivalents at the end of the period	477,965,205.73	808,062,651.48

7. CONSOLIDATED STATEMENT OF CHANGE IN OWNER'S EQUITY

Prepared by: SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE & PROPERTIES (GROUP) Co., Ltd.

Currency: RMB Yuan

January-June 2018

Items	The amount in current year												
	Attribute to the equity of parent company											Minority interest s	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasur y shares	Other compre hensive income	Special reserve	Surplus reserve	Generic risk reserve	Undistri buted profit		
		Prefer e nce shares	Perpet ual bonds	Othe r									
I. Balance at the end of last period	1,011, 660,00 0.00				978,244 ,910.11		10,045, 697.16		85,666, 668.00		742,624 ,845.71	-128,21 9,559.4 4	2,700,0 22,561. 54
Add: Changes of accounting policies													
Prior year adjustments													
Corporate combination under common control													
Others													
II. Balance at the Beginning of the Year	1,011, 660,00 0.00				978,244 ,910.11		10,045, 697.16		85,666, 668.00		742,624 ,845.71	-128,21 9,559.4 4	2,700,0 22,561. 54
III.Increase/Decre ase movements in this Year ("-" means loss)							-486,28 7.97				329,066 ,084.53	-228,84 5.38	328,350 ,951.18
(I) Total comprehensive income							-486,28 7.97				329,066 ,084.53	-228,84 5.38	328,350 ,951.18
(II) Capital paid in and reduced by the shareholders													
(III) Profit distribution													
1.Draw statutory surplus reserve													
2.Draw generic risk reserve													
3.Distribution to shareholders													

4.Others													
(IV)Internal carry-forward of shareholders' equity													
(V) Special Reserve													
(VI) Others													
IV. Balance at the end of the period	1,011,660,000.00				978,244,910.11		9,559,409.19		85,666,668.00		1,071,690,930.24	-128,448,404.82	3,028,373,512.72

January-June 2017

Currency: RMB Yuan

Items	The amount brought from the previous year												
	Attribute to the equity of parent company										Minority interest s	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasur y shares	Other compre hensive income	Special reserve	Surplus reserve	Generic risk reserve			Undistri buted profit
		Prefer e nce shares	Perpet ual bonds	Othe r									
I.Balance at the end of last period	1,011,660,000.00				978,244,910.11		10,652,531.69		59,394,668.24		583,908,333.05	-127,893,573.21	2,515,966,869.88
Add: Changes of accounting policies													
Prior year adjustments													
Corporate combination under common control													
Others													
II. Balance at the Beginning of the Year	1,011,660,000.00				978,244,910.11		10,652,531.69		59,394,668.24		583,908,333.05	-127,893,573.21	2,515,966,869.88
III.Increase/Decrease movements in this Year ("-" means loss)							1,436,059.68				137,226,601.84	588,522.26	139,251,183.78
(I) Total comprehensive income							1,436,059.68				137,226,601.84	588,522.26	139,251,183.78
(II) Capital paid in and reduced by the													0.00

shareholders													
3.2.1 Capital increased and reduced by owners													0.00
3.2.2 Capital increased by holders of other equity instruments													0.00
3.2.3 Amounts of share-based													0.00
3.2.4 Other													
(III) Profit distribution													0.00
3.3.1.Draw statutory surplus reserve													
3.3.2.Draw generic risk reserve													
3.3.3.Distribution to shareholders													
3.3.4.Others													
(IV)Internal carry-forward of shareholders' equity													0.00
3.4.1 New increase of capital (or share capital) from capital reserve													
3.4.2 New increase of capital (or share capital) from surplus reserve													
3.4.3 Surplus reserve for making up loss													
3.4.4 Other													
(V) Special Reserve													0.00
3.5.1Withdrawn for the period													
3.5.2 Used in the period													

(VI) Others													
IV. Balance at the end of the period	1,011,660.00				978,244,910.11		12,088,591.37		59,394,668.24		721,134,934.89	-127,305,050.95	2,655,218,053.66

8. Statement of Changes in Owners' Equity

January-June 2018

Currency: RMB Yuan

Items	The amount in current year										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Generic risk reserve	Undistributed profit	Total owners' equity
		Preference shares	Perpetual bonds	Other							
I Balance at the End of Last Period	1,011,660,000.00				978,244,910.11				62,537,054.59	522,882,036.78	2,575,324,001.48
Add: Changes of accounting policies											
Prior year adjustments											
Others											
II. Balance at the Beginning of the Year	1,011,660,000.00				978,244,910.11				62,537,054.59	522,882,036.78	2,575,324,001.48
III. Increase/Decrease movements in this Year ("-" means loss)										19,820,347.73	19,820,347.73
(I) Total comprehensive income										19,820,347.73	19,820,347.73
(II) Capital paid in and reduced by the shareholders											

3.2.1 Capital increased and reduced by owners											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Amounts of share-based											
3.2.4 Other											
(III) Profit distribution											
1.Draw statutory surplus reserve											
2.Distribution to shareholders											
3.Others											
(IV)Internal carry-forward of shareholders' equity											
3.4.1 New increase of capital (or share capital) from capital reserve											
3.4.2 New increase of capital (or share capital) from surplus reserve											
3.4.3 Surplus reserve for making up loss											
3.4.4 Other											
(V) Special Reserve											

3.5.1 Withdrawn for the period											
3.5.2 Used in the period											
(VI) Others											
IV. Balance at the end of the period	1,011,660,000.00				978,244,910.11				62,537,054.59	542,702,384.51	2,595,144,349.21

January-June 2017

Currency: RMB Yuan

Items	The amount brought from the previous year										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Generic risk reserve	Undistributed profit	Total owners' equity
		Preference shares	Perpetual bonds	Other							
I Balance at the End of Last Period	1,011,660,000.00				978,244,910.11				36,265,054.83	286,434,038.90	2,312,604,003.84
Add: Changes of accounting policies											
Prior year adjustments											
Others											
II. Balance at the Beginning of the Year	1,011,660,000.00				978,244,910.11				36,265,054.83	286,434,038.90	2,312,604,003.84
III. Increase/Decrease movements in this Year ("-" means loss)										254,630,178.72	254,630,178.72
(I) Total comprehensive income										254,630,178.72	254,630,178.72
(II) Capital paid in and reduced by the shareholders											
3.2.1 Capital increased and reduced by owners											
3.2.2 Capital increased by											

holders of other equity instruments											
3.2.3 Amounts of share-based											
3.2.4 Other											
(III) Profit distribution											
1.Draw statutory surplus reserve											
2.Draw generic risk reserve											
3.Distribution to shareholders											
4.Others											
(IV)Internal carry-forward of shareholders' equity											
3.4.1 New increase of capital (or share capital) from capital reserve											
3.4.2 New increase of capital (or share capital) from surplus reserve											
3.4.3 Surplus reserve for making up loss											
3.4.4 Other											
(V) Special Reserve											
3.5.1Withdrawn for the period											
3.5.2 Used in the period											
(VI) Others											
IV. Balance at the end of the period	1,011,660,000.00				978,244,910.11				36,265,054.83	541,064,217.62	2,567,234,182.56

Legal representative:

Person in charge of accounting:

Person in charge of accounting organ

III General information

Shenzhen Special Economic Zone Real Estate and Properties (Group) Co., Ltd. (the “Group” or “the Company”) was established in July 1993, as approved by the Shenzhen Municipal Government with document SFBF (1993) 724. The Company issued A shares on 15th September, 1993 and issued B shares on 10 January 1994. On 31 August 1994, B shares issued were listed in New York Exchange market as class A recommendation. The total share capital are 1,011,660,000 shares, of which, A shares are 891,660,000 shares, and the B shares are 120, 000,000 shares. The company business license registration number is 440301103225878, and the registered capital is RMB 1,011,660,000.00.

On 13 October 2004, according to the document No.(2004) 223 “Decision on establishing Shenzhen investment Holding Co., Ltd.” issued by State-Owned Assets Supervision and Administration Commission of Shenzhen Municipal Government, former major shareholder – Shenzhen Construction Investment Holding Company with two other assets management companies merged to form the Shenzhen Investment Holding Co., Ltd. By the State-owned Assets Supervision and Administration Commission of the state council, and quasi-exempt obligations tender offer as approved by China Security Regulatory Committee with document No.(2005)116, this issue of consolidated has been authorized and the registration changing had been done on 15 February 2006. As at the end of the reporting period, Shenzhen Investment Holding Limited holds 642,884,262 shares of the Company (63.55% of the total share capital). The shares are all selling unrestricted shares.

Business scope: mainly engaged in real estate development and sales, property leasing and management, retail merchandising and trade, hotel, equipment installation and maintenance, construction, interior decoration and so on.

The main products or services provided: commodity housing, property leasing and management, hotel service, construction and installation service, renovation service.

The parent of the Company is Shenzhen Investment Holdings Co., Ltd.

The Financial statement published on Aug 29th, 2018, which approved by Group’s Board of Directors.

25 units were consolidated into the Group in first half of 2018 for the detail in Note 8 “Equities in other entities”. The company did not change the range of consolidation in this period compared with last year.

IV The Basis of Preparation of Financial Statements

4.1 The financial statements of the Group have been prepared on the basis of going concern in conformity with the Chinese Accounting Standards for Business Enterprises –The basic standards(Issued by order No.33 of the Ministry of Finance, Revised by order No.76 of the Ministry of Finance), the 42 specified Accounting Standards for Business Enterprise issued and revised by the Ministry of Finance of People’s Republic of China on 15 February, 2006 and thereafter, the guidance for the application of the Accounting Standards for Business Enterprise, the explanation for the Accounting Standards for Business Enterprise and other relevant regulations(thereafter referred as “Accounting Standards for Business Enterprises”) and Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15—General Provisions on Financial Reports (2014 Revision) issued by the China Securities Regulatory Commission (CSRC).

According to the relevant accounting regulations of Chinese Accounting Standards for Business Enterprises, the Group has adopted the accrual basis of accounting. The Group adopts the historical cost as the principle of

measurement in the financial statements except some financial instruments and Investment properties. Non-current assets held for sale are based on lower price between the fair value less estimated expenses and the original book value when they meet the conditions for holding the sale. Provision will be made if any assets impair in accordance with relevant requirements.

4.2 Going concern

No significant suspected event or circumstances about the going concern for the past 12 months from the end of the reporting period.

V Important accounting policies and estimations

The Company and each subsidiary formulated certain specific accounting policies and accounting estimates according to the actual production and operation characteristics and the regulations of the relevant ASBE on the transactions and events of the revenues recognition. For the details, please refer to each description of Notes 5. 28 “Revenues”. For the notes of the significant accounting judgment and estimations made by the management layer, please refer to Notes 5.34 “Significant accounting judgment and estimations”.

5.1 Basis of Preparation

The financial statements of the Group are recognized and measured in accordance with the regulations of the Chinese Accounting Standards for Business Enterprises and they give a true and fair view of the financial position, business result and cash flow of the Group as of 30 June 2018. In addition, the financial statements of the Group comply, in all material respects, with the revised disclosure requirements for financial statements and the notes of Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15—General Provisions on Financial Reports (2014 Revision) issued by China Securities Regulatory Commission (CSRC).

5.2 Accounting period

The accounting period of the Group is classified as interim period and annual period. Interim period refers to the reporting period shorter than a complete annual period. The accounting period of the Group is the calendar year from January 1 to December 31.

5.3 Operating cycle

The normal operating cycle refers to period from Group's buying assets for manufacturing to realizing the cash or cash equivalent. The Group chooses 12 months as an operating cycle. The assets and liabilities are classified as current and non-current according to the operating cycle standards.

5.4 Monetary Unit

Renminbi (RMB) is the currency of the primary economic environment in either Group & its domestic subsidiaries or foreign subsidiary in HK. Therefore, the Group, the domestic subsidiaries and foreign

subsidiary in HK choose RMB as their functional currency. While the Group's foreign subsidiary in U.S.A. chooses USD dollar as its functional currency on the basis of the primary economic environment it operates. The Group adopts RMB to prepare its functional statements.

5.5 Accounting Treatment Under Common/Non-common control

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations involve enterprises under common control and non-common control.

(1) Business combination involving entities under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

For a business combination involving enterprises under common control, the party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being absorbed at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to the capital premium (or share premium) in the capital reserve. If the balance of the capital premium (or share premium) is insufficient, any excess is adjusted to retained earnings.

The cost of a combination incurred by the absorbing party, including any costs directly attributable to the combination, shall be recognized as an expense through profit or loss for the current period when incurred.

(2) Business combination involving entities under non common control

A business combination involving enterprises under non common control happens if the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination.

For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while the other enterprise participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For a business combination not involving enterprise under common control, the combination cost including the sum of fair value, on the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The transaction cost arose from issuing of equity securities or liability securities should be initially recognized

as cost of equity securities or liability securities.

The contingent consideration related to the combination shall be booked as combination cost at the fair value on the acquisition date. If, within the 12 months after acquisition, new or additional information can prove the existence of related information on acquisition date and the contingent consideration need to be adjusted by relatively adjusting the combination goodwill.

Acquirer 's combination cost and the obtained identifiable net assets are measured with the fair value on the acquisition date. The excess of the combination cost over the fair value of identifiable net assets on the acquisition date is recorded as goodwill. When the fair value of identifiable assets exceeds the combination cost , first of all, the fair value of items of obtained acquiree's identifiable assets, liabilities or contingent liabilities and combination cost need to be reassessed. And then, when the combination cost is still less than the fair value of identifiable net assets on the acquisition date after reassess, the difference should be recorded in the current year's profit and loss.

The deductible temporary differences obtained from the acquiree which cannot be recognized as deferred tax assets ,on the acquisition date, because some conditions are not met. Within 12 months after the acquisition ,if new or additional information indicate that the relevant information exist on the acquisition date and the economic benefits related with the deductible temporary difference can be realized, the deferred tax assets should be recognized. The goodwill should be reduced and if the goodwill is less than the deferred tax assets recognized, the rest part should be recorded in the current year profit and loss.

For a business combination achieved in stages that involves multiple exchange transactions, according to the "No.5 Inform of Printing and Distributing the Explanation of Accounting Standards issued by the Finance of Ministry (Caikuai [2012] No.19)"and Article 51of "Chinese Accounting Standards for Business Enterprises No.33- Consolidated financial statement", relating with the judgment standards of package deal(refer to note 4.5(2)), a judgment about whether it is package deal or not should be made. If it is package deal, please refer to the note 4.12 - Long-term equity investment for accounting treatment; if it is not package deal, distinguish them as individual financial statement and consolidated financial statement for accounting treatment.

For the individual financial statements, the book value of the long-term equity investment held before the acquisition date plus the newly added equity investment on the acquisition date, and then sum should be recorded as the original investment cost; the long-term equity investment involved with other comprehensive income held before the acquisition date, the way to deal with the investment will be the same with the way the acquiree directly dispose the related assets and liabilities (i.e., under the equity method, beside the portion caused by the acquiree's recalculated defined benefit plan's net assets and net liabilities, the rest are transferred into investment income).

For the consolidated financial statements, for the shares in acquiree held before the acquisition date, the shares are recalculated according to the fair value on the acquisition date. The difference between the fair

value and book value should be recorded in the current year investment income; For the shares in the acquiree held before the acquisition date involving other comprehensive income. The way to deal with the other comprehensive income should be the same with the way the acquiree directly dispose the relevant assets and liabilities(i.e., under the equity method, beside the portion of changes caused by the acquiree's recalculated defined benefit plan's net assets and net liabilities, the rest are transferred into investment income).

5.6 Preparation of consolidated financial statements

(1)The standards of determining the scope of consolidation

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. The scope of consolidation includes the Group and all of the subsidiaries. Subsidiary is an enterprise or entity under the control of the Group.

Once the changes of relevant facts and conditions result in the factors involving with the above definition of the control, the Group will proceed to reassess.

(2)The method of preparing the consolidated financial statements

The subsidiary of the Group is included in the consolidated financial statements from the date when the control over the net assets and business decisions of the subsidiary is effectively obtained, and excluded from the date when the control ceases.

For a subsidiary being disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate. For a subsidiary disposed during the period, no adjustment is made to the opening balance of the consolidated financial statements.

For a subsidiary acquired through a business combination not under common control, the operating results and cash flows from the acquisition date (the date when the control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate; no adjustment is made to the opening balance and comparative figures in the consolidated financial statements.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements. The results of operations and its cash flow are appropriately included in the consolidated balance sheet and the consolidated income statement, respectively, from the beginning of the year to the date of acquisition and the comparative figures of the consolidated financial statements are restated.

When the accounting period or accounting policies of a subsidiary are different from those of the Group, the Group makes necessary adjustments to the financial statements of the subsidiary based on the Group's accounting period or accounting policies. For the subsidiaries acquired through combination involving

enterprises under non common control, the financial statements should be adjusted based on the fair value of the indentified net assets on the acquisition date.

Intra-group balances and transactions, and any unrealized profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements.

Minority interest and the portion in the net profit or loss not attributable to the Group are presented separately in the consolidated balance sheet within shareholders'/ owners' equity. Net profit or loss attributable to minority shareholders in the subsidiaries is presented separately as minority interest in the consolidated income statement below the net profit line item.

When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of [shareholders'] [owners'] equity of the subsidiary, the excess is still allocated against the minority interests.

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment is re-measured at its fair value on the date when control is lost. The difference between 1) the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognized as investment income for the current period when control is lost. The amount recognized in other comprehensive income in relation to the former subsidiary's equity investment is reclassified as investment income for the current period when control is lost. The retained interest is subsequently measured according to the rules stipulated in the "Chinese Accounting Standards for Business Enterprises No.2—Long-term equity investment" or "Chinese Accounting Standards for Business Enterprises No.22—Determination and measurement of financial instruments" (see note 4.12-Long-term equity investment and 4.9-Financial instruments).

The Group's losing control of subsidiaries through multistep transactions of disposing of the long-term equity investment, need to indentify whether every transaction, involving with disposing of the investment in subsidiary until losing the control, is belonging to package deal. Several transactions should be accounted for as a package deal if conditions and the economic impact of disposal of investments in subsidiaries are in compliance with one or more of the following circumstances: ① These transactions are considered simultaneously or ② these transactions as a whole in order to reach a complete business results; another case of the occurrence of the impact of entering into a transaction depends ③ had at least one other transaction; ④ see a transaction alone is not economical, but, it is economical when other transactions are taken into account. If it is not package deal, every transaction of the non-package deals is treated according to the applicable accounting standards of "partly disposing of the long-term equity investment without losing control "(refer to 4.12(2) ④ for detail) and "losing the control to subsidiary due to partly disposing the equity investment or other reasons " (see the former paragraph for details). When every transaction involving with

disposing of equity investment in subsidiary until losing control is a package deal, they will be treated as a single deal of disposing of the investment in subsidiary until losing control for accounting treatment. But, before the control are lost, the difference between each receipt of every transaction and the related shared proportion of indentified net assets are recognized as other comprehensive income. The other comprehensive income will be transferred into profit and loss in the period when losing control.

5.7 Joint venture arrangement classification& mutual office account treatment

Joint venture arrangement is referred to the arrangement that are under common control of two or more participating parties. The Group classifies the joint venture arrangement into mutual office and joint venture, according to the rights shared and obligation undertaken in the joint venture arrangement. Mutual office represents the joint venture arrangement that the Group shares the assets related with arrangement and undertakes the obligations related with the arrangement. Joint venture is referred to the joint venture arrangement that the Group only have the right to the net assets of the arrangement.

The Group measures the joint venture investment using the equity method. Please refer to accounting policies listed on note 4.12 (2) ②-long-term equity investment measured using the equity method.

As one party of the mutual office, the Group recognizes the separately owned assets and separately assumed obligations, and the proportionate commonly held assets and commonly assumed obligations per the company's percentage of share interest; recognize the revenue from the selling of the Group's shared output of the mutual office; recognize the common revenue generated from the selling of the common output of the mutual office according to the Group's share percentage; recognize the expense separately incurred by the Group and the proportionate expense incurred by the mutual office according to the Group's share percentage. When the Group sells invest or sell assets to the mutual office as one of the mutual office party (the assets do not constitute a business, the same to below), or buys assets from the mutual office, before the assets are sold to the third party, the Group only recognizes the portion of profit and loss attributable to the other participating parties. According to requirements of Chinese Accounting Standards for Business Enterprises No.8- Asset impairment, when the assets are impaired, for the assets invested or sold to the mutual office by the Group, the Group fully recognizes the impairment loss; for assets that the Group bought from the mutual office, the impairment loss is recognized according to the share percentage by the Group.

5.8 Cash and cash equivalent

Cash and cash equivalents of the Group include cash on hand, ready usable deposits and investments having short holding term (normally will be due within three months from the day of purchase), with strong liquidity and easy to be exchanged into certain amount of cash that can be measured reliably and have low risks of change.

5.9 Foreign exchange

(1) Translation in foreign exchange transactions

The Group's initial recognition of the foreign currency transactions is recorded by the functional currency

translated by the spot rate (commonly refer to the middle rate of the daily foreign currency rate publicly released by the People's Bank of China) on the transaction date. But the Group's foreign currency exchange and foreign currency exchange relevant transactions, is recorded by the functional currency translated by the exchange rate actually used.

(2) Translation method for foreign currency monetary items and non-monetary items.

On the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the exchange differences thus resulted are taken into profit or loss, except for ①those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs; ②The exchange difference from changes of other account balance of foreign currency monetary items available-for-trade is recorded into other comprehensive income except for amortization cost.

When preparing the consolidated financial statements involving with overseas operation, the foreign currency difference caused by the foreign exchange rate changes should be recorded in other comprehensive income, if it substantially constitutes the monetary items related to net investment to the overseas operation. When the overseas operation are disposed, the other comprehensive income should be transferred into current year profit and loss.

Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date when the fair values are determined. The exchange difference thus resulted are recognized in profit or loss for the current period or as other comprehensive income.

(3) The translation of financial statement in foreign currency

When the consolidated financial statements include foreign operation(s), if there is a foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on translation of financial statements denominated in foreign currencies" are recognized in other comprehensive income, and in profit or loss for the period upon disposal of the foreign operation.

The Group translates the financial statements of its foreign operations into RMB by following rules;

- 1) Assets and liabilities in the balance sheet are translated at the spot exchange rate prevailing on the balance sheet date; All equity items except for retained earnings are translated at the spot exchange rates at the date on which such items occur;
- 2) Income and expenses in income statement are translated at the spot exchange rates at the date of transaction.
- 3) The opening undistributed profit is the closing undistributed profit of last period after translation of last

year.

4) The closing balance of undistributed profit is calculated and presented in the basis of each translated income statements and profit distribution item.

5) The difference between the assets and liabilities and shareholder's equity shall be booked as translation difference of translating foreign currency financial statements, and shall be presented as other comprehensive income in the separate component of equity in the balance sheet.

6) When losing control over Group's overseas operation due to disposal, the translation difference of translating foreign currency financial statements related with the overseas operation which is separately presented under the shareholder's equity section as accumulated other comprehensive income, should be fully or proportionately transferred into the current period profit and loss according to the disposal percentage.

7) Foreign currency cash flows and cash flow of overseas subsidiaries are translated at the spot exchange rates. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

8) The opening balance and actual figures of last year are displayed as the figures translated last year.

9) When disposing the Group's all shareholders' equity of overseas operation or the Group losing control over the overseas operation due to partial disposal of the overseas equity investment or other reasons, the translation difference caused by the translating of foreign currency financial statement related with the overseas operation, which is presented under the equity section on the balance sheet and is attributable to the parent company's shareholders, should be transferred to the current period profit and loss.

10) When the partial disposal of the equity investment of overseas operation and other reasons cause the share percentage of overseas operation to decrease without making the power of control to disappear, the translation difference of translating foreign currency financial statement related with the part of overseas operation disposed should be attributable to the minority interest and do not transfer to the current period profit and loss. When the overseas operation disposing is a jointly run business or joint venture, the translation difference of translating foreign currency financial statements should be transferred to the current period profit and loss according to the percentage of overseas operation disposal.

5.10 Financial instruments

When the Group becomes one party of the financial instrument contract, a financial asset or financial liability should be recognized. The initial measurement of the financial asset and financial liability is based on the fair value. For financial asset and financial liability measured at fair value and designated its changes into current period profit and loss, the related trading expense should be recorded in the profit and loss. For the financial asset and financial liability of other categories, the related trading expense should be recorded as part of initial cost.

(1) The method of determining the fair value of financial assets and financial liabilities

Fair value is the price that the market participators can get when selling an assets or need to pay when transferring an obligation incurred in an orderly transaction on the measurement date. When there is active market for the financial instruments, the quotation in the active market is used as the fair value. Quotation in the active market means the price that can be easily and periodically got from the exchange market, broker's agency, Guild, pricing service organization etc. It represents the actually happened trading price in the fair trading. When there is no active market for the financial instruments, the fair value is determined by the valuation techniques. The valuation techniques include making a reference to the used price in recent market trading among the parties who know the situations and is willing to trade, making a reference to the current fair value that is used by the other substantially similar financial assets, discounting the future cash flow and option pricing model etc.

(2) Classification of financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to maturity investments, loans and receivables and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss:

Including financial assets held-for-trade and financial assets designated at fair value through profit or loss.

Financial asset held-for-trade is the financial asset that meets one of the following conditions:

- A. The financial asset is acquired for the purpose of selling it in a short term;
- B. The financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits;
- C. The financial asset is a derivative, except for a derivative that is designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement.

Financial asset is designated on initial recognition as at fair value through profit or loss only when it meets one of the following conditions:

- A. The designation eliminates or significantly reduces the inconsistency in the measurement or recognition of relevant gains or losses that would otherwise arise from measuring the financial instruments on different bases.
- B. A group of financial instruments is managed and its performance is evaluated on a fair value basis, and is reported to the enterprise's key management personnel. Formal documentation regarding risk management or

investment strategy has prepared.

Financial assets at fair value through profit or loss are subsequently measured at the fair value. Any gains or losses arising from changes in the fair value and any dividends or interest income earned on the financial assets are recognized in the profit or loss.

2) Investment held-to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

Effective interest rate is the rate that exactly discounted estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group shall estimate future cash flow considering all contractual terms of the financial asset or financial liability without considering future credit losses, and also consider all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed determinable payment that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include note receivables, account receivables, interest receivable dividends receivable and other receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

4) Financial assets available-for-sell

Financial assets available-for-sell include non-derivative financial assets that are designated on initial recognition as available for trade, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or investment held-to-maturity.

Financial assets available-for-trade are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

Interests obtained and dividends declared by the investee during the period in which the financial assets

available-for-trade are held, are recognized in investment gains.

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are immediately recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

(3) Impairment of financial assets (not including account receivables)

The Group assesses, at the balance sheet date, the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, provision for impairment is recorded.

The Group makes an impairment test for a financial asset that is individually significant. For a financial asset that is not individually significant, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment or individually assessed for impairment. If no objective evidence of impairment incurs for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets for which an impairment loss is individually recognized is not included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

1) Impairment on held-to maturity investment, loans and receivables

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

2) Impairment loss on available-for-trade financial assets

When decision is made with all related factors on whether the fall of fair value investment of an equity instrument available-for-trade is significant or non-transient, it indicates impairment of such equity instrument investment, in which, Significant means over 20% of fall in fair value and Non-transient means over 12 months of subsequent fall.

When an available-for-trade financial asset is impaired, the cumulative loss arising from declining in fair value that had been recognized in capital reserve shall be removed and recognized in profit or loss. The amount of the cumulative loss that is removed shall be difference between the acquisition cost with deduction of recoverable amount less amortized cost, current fair value and any impairment loss on that financial asset previously recognized in profit or loss.

If, after an impairment loss has been recognized, there is objective evidence that the value of the financial asset is recovered, and it is objectively related to an event occurring after the impairment loss was recognized, the initial impairment loss can be reversed and the reserved impairment loss on available-for-trade equity instrument is recorded in the profit or loss, the reserved impairment loss on available-for-trade debt instrument is recorded in the current profit or loss.

The equity instrument where there is no quoted price in an active market, and whose fair value cannot be reliably measured, or impairment loss on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument shall not be reversed.

(4) Recognition and measurement of financial assets transfer

The Group derecognizes a financial asset when one of the following conditions is met:

- 1) The rights to receive cash flows from the asset have expired;
- 2) The enterprise has transferred its rights to receive cash flows from the asset to a third party under a “pass-through” arrangement; or
- 3) The enterprise has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the enterprise has neither retained all the risks and rewards from the financial asset nor control over the asset, the asset is recognized according to the extent it exists as financial asset, and correspondent liability is recognized. The extent of existence refers the level of risk by the financial asset changes the enterprise is facing.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, (a). the carrying amount of the financial asset transferred; and (b) the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair value of those parts. The difference between (a) the carrying amount allocated to the part derecognized; and (b) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

For the financial assets sold with recourse and the endorsed, the Group should make a judgment whether the risks and rewards related with the financial assets' ownership have been almost all transferred. For the financial assets of which the risks and rewards related with its ownership have been, in substantial, all transferred, it should be derecognized. For the financial assets of which the risks and rewards have been, in

substantial, all retained, it should be not be derecognized. For the financial assets, the related ownership of which have not been neither ,in substantial, all transferred nor retained, the Group need to make a judgment about whether the control over the financial assets have been kept or not and then deal with it according to the standards mentioned in the previous paragraphs.

(5) Classification of the financial liabilities and measurement

The financial liabilities are classified into financial liabilities measured at fair value with its changes into profit and loss and other financial liabilities. The initial measurement is made at its fair value. For the financial liabilities measured at fair value with its changes into profit and loss, the related trading expense are recorded into current period profit and loss; for other financial liabilities, the related trading expenses are recorded in its initial cost.

1) Financial liabilities measured by the fair value and the changes recorded in profit or loss

The classification by which financial liabilities held-for-trade and financial liabilities designated at the initial recognition to be measured by the fair value follows the same criteria as the classification by which financial assets held-for-trade and financial assets designated at the initial recognition to be measured by the fair value and their changes are recorded in the current profit or loss.

For the financial liabilities measured by the fair value and changes recorded in the profit or loss, fair values are adopted for subsequent measurement. All the gains or losses on the change of fair value and the expenses on dividends or interests related to these financial liabilities are recognized in profit or loss for the current period.

2) Other financial liabilities

Derivative financial liabilities that linked with equity instruments, which do not have a quoted price in an active market and their fair value cannot be measured reliably, is subsequently measured by cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition or amortization is recognized in profit or loss for the current period.

3) Financial guarantee contracts

For financial guarantee contracts that are not designated as at fair value through profit or loss, or loan commitments not designated as at fair value through profit or loss but to offer at the interest rate lower than market level they are, after initial recognition, subsequently measured at the higher of: (i) the amount determined according to the principles of *Accounting Standards for Business Enterprises No. 13 - Contingencies*, and (ii) the amount initially recognized less the accumulated amortization determined according to the principles of *Accounting Standards for Business Enterprises No. 14 - Revenue*.

(6) Derecognition

The Group derecognizes a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged or cancelled or has expired. An agreement between the Group (an existing borrower) and existing

lender to replace original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new liability.

When the financial liabilities are fully and partially derecognized, the difference between the carrying value of the part derecognized and consideration paid (including the non-current assets transferred out or new financial liabilities assumed) should be recorded in the current period profit and loss.

5.11 Account receivables

The account receivable by the Group includes account receivables, and other receivables.

The Group carries out an inspection on the balance sheet date. Where there is any objective evidence proving that the receivables have been impaired, an impairment provision shall be made:

- 1) A serious financial difficulty occurs to the issuer or debtor;
- 2) The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;
- 3) The debtor will probably become bankrupt or carry out other financial reorganizations;
- 4) Other objective evidences showing the impairment of the receivables.

(1)Provisions of bad debts in account receivables that is individually significant.

The Group treats account receivables over RMB 5,000,000.00 (including 5,000,000.00) as individually significant item.

For an account receivable that is individually significant, the asset is individually assessed for impairment. If there is objective evidence indicating that the asset is impaired. The impairment loss is recognized in the profit and loss at the excess of carrying value over its predicted future cash flow (excluding the non-incurred future credit loss) discounted with original actual interest rate.

(2) Provisions of bad debts for accounts receivables that is individually insignificant.

For the accounts receivables that is individually insignificant, if there are signs indicating the impairment, such as long-aging, having a dispute with the obligator or obligator suffering serious financial difficulties, it should be individually tested for impairment.

5.12 Inventories

(1) Classification of inventory

①Real estate development products

Real estate development inventory is initially measured at cost. Inventories mainly include inventory materials, development products under development (development costs), completed development products, and development products that are temporarily leased for sale. The cost of developing products includes land-transferring fees, expenditures on infrastructure support facility, expenditures on construction and installation project, borrowing costs and other related costs in the process of development before the

completion of the project. When delivering inventories, the actual cost is determined using the individual identification method.

② Build contracted inventory

The construction contract is measured at actual cost, including direct costs and indirect costs incurred from the commencement of the contract to the completion of the contract, and the implementation of the contract. Where travel expenses, tender fees, etc. incurred for the purpose of entering into a contract, which can be separately distinguished and reliably measured and the contract is likely to be concluded, are included in the contract cost when the contract is obtained; if the above conditions are not satisfied, it is included in the current profit or loss.

The accumulative costs incurred for the construction in progress contracts and the cumulative gross profits (losses) that have been recognized and the settled amounts are shown in the balance sheet as net offsets. The part of the accumulative cost of the construction-in-progress contract and the accumulatively recognized gross profit (loss) that exceeds the settlement price is listed as inventory; the settlement price of the construction-in-contract exceeds the accumulative cost incurred and accumulatively recognized gross profit (The sum of losses is shown as advance receipts).

(2) Valuation method of inventories upon delivery

Inventories are initially carried at the actual cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is assigned by using weighted average method, and development products by specific identification method.

(3) Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purpose of holding inventories and effect of post balance sheet events.

At the balance sheet date, inventories are measured at the lower of the cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. The provision for inventories decline in value is determined by the difference of the cost of individual item less its realizable value.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

(4) Inventory count system is based on the perpetual stock system.

(5) Amortization method for low cost and short-lived consumable items and packaging materials.

Low cost and short-lived consumable items are amortized using immediate write-off method; packaging materials are amortized using immediate write-off method.

(6) Cost of land constitutes land development costs for pure land development project.

Together with the overall development of the property, its cost is included in housing costs generally based on the actual area.

(7)Public Facilities Fee: The cost is the actual construction cost incurred. If several estate projects benefit from the same facility, they stay in the same category. The cost of fee should be measured according to the allocation of sales area. If they got benefit but in different categories, the cost was measured according to the allocation of the area covered.

(8)Utility reserve funds: Utility reserve funds were received by the Group and recorded in Long-term payables. The funds were used to maintain and renew communal facilities.

(9)Quality Guarantees: Quality Guarantees was put into the account of real estate developing according to the contract amount and also recorded in the accounts payable at the same time. The actual payment incurs after the expiry of guarantee.

5.13 Long-term equity investments

The long-term equity investment mentioned in this section is about the equity investment of which the Group has control, common control or significant influences over the investee. For the investments that the Group has no control, common control or significant influences over the investee, they will be recorded as available-for-sale or financial instrument assets measured at fair value with its changes into profit and loss. Please refer to note 4.9-Financial instruments for detail.

Common control means the Group's mutual control to the arrangement according to the related agreement and the arrangement's activities related decisions can be made only after getting the mutual agreement from other parties sharing the control power. Significant influences represent that the Group has the right to participate in the decision of the financial and operating policies, but cannot control or control together with other parties to make the policy related decision.

(1) Determination of investment cost

For a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be carrying value of the absorbing party's share of the shareholder's of the party being absorbed at the date of combination.

For a business combination not involving enterprise under common control, the combination cost including the sum of fair value, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services etc and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The transaction cost for the equity securities or liability securities issued by the acquirer in the business combination shall be recognized as initial amount of equity security or liability.

The equity investments other than the long-term equity through combination shall be initially measured by cost. The cost shall be recognized to the difference in the way of acquisition of long-term equity investment. These ways include the cash purchase price the Group actually paid, the fair value of equity security issued by the Group, value specified in the investment contract or agreement, the fair value or carrying value of the asset transferred out in the transaction of non-monetary asset exchanges, and the fair value of the long-term equity investment. Expenses, taxes and other necessary expenditures directly attributable to the acquisition of long-term equity investment are taken into investment cost. For the long-term equity investments that the Group can have significant influence or common control on the investee, but cannot control the investee, because of the added investments, the cost of the long-term equity investment should be the sum of original fair value of the investment and the cost of newly added investment.

(2) Subsequent measurement

Where an investing enterprise can exercise common control or significant influence over the investee, a long-term investment shall be accounted for using the equity method. Besides, the cost method shall be adopted in a long-term equity investment when the Group can exercise control over the investee.

1) Cost method of accounting for long-term equity investments

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

2) Equity method of accounting for long-term equity investments

Where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the time of acquisition, no adjustment shall be made to the initial investment cost.

Where the initial investment cost of a long-term equity investment is less than the investing enterprise's interest in the fair values of investee's identifiable net assets at the time of acquisition, the difference shall be charged to profit or loss for the current period, and the cost of the long-term equity investment shall adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and other comprehensive income for the period and adjusts the book value of the long-term equity investment simultaneously. The Group reduces the book value of the long-term equity investment, according to the shared profit or cash dividends declared by the investee. For the changes of investee's equity beside the net profit, other comprehensive income and profit

distribution, adjust the book value of the long-term equity investment and its capital surplus.

When determining the share percentage of investee's net profit, it should be made based on the fair value of investee's identifiable assets after adjusting the investee's net profit on the acquisition date. When the investee's accounting period and accounting policies are different with the Group's, the subsidiary's financial statements should be adjusted according to the Group's and recognize the investment income and other comprehensive income based on it. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its investees on the transferred assets, in accordance with "Accounting Standards for Enterprises No. 8 - Impairment of Assets", are not eliminated. When the Group's assets invested to joint venture and jointly run business are a deal and the Group obtains the long-term equity investment without getting the power of control, the initial cost of the investment is determined by fair value of the assets invested. The difference between the initial cost and the book value of the assets invested should be fully taken into profit and loss. When the Group's assets sold to joint venture and jointly run business are a deal, the differences between the consideration received and the book value are fully taken into the profit and loss. When the Group's buying assets from joint venture and jointly run business are a deal, the gain and loss would be fully recognized according to the Accounting Standards for Business Enterprises No.20 -Enterprises combination.

When the investee is recognized net losses, reduce the carrying value of long-term equity investments and long-term equity of net investment (in substance) in investee to zero. In addition, the Group has the obligations on additional losses, then the expected obligation as estimated liabilities and included in the current investment losses. Where the net profit from investee units, restoration confirm the amount of revenue sharing after offset the amount of unrecognized loss sharing.

For long-term equity investments in associates and joint ventures which had been held by the Group before its first time adoption of *Accounting Standards for Business Enterprises*, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the investee's net assets at the time of acquisition, the excess is amortized and is recognized in profit or loss on a straight line basis over the original remaining life.

3) Acquisition of minority interest

The difference between newly increased equity investment due to acquisition of minority interests and portion of net asset cumulatively calculated from the acquisition date is adjusted as capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

4) Disposal of long-term equity investment

Where the parent company disposes long-term investment in a subsidiary without a change in control, the

difference in the net asset between the amount of disposed long-term investment and the amount of the consideration paid or received is adjusted to the owner's equity. If the disposal of long-term investment in a subsidiary involves loss of control over the subsidiary, the related accounting policies in Note 4.5 applies.

(3) Accounting policies retained on "the method of preparing consolidated financial statements"

On disposal of a long-term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period.

For long-term equity investment accounted for using the equity method, when the rest of the long-term equity investment is still accounted for using the equity method after disposal, the other comprehensive income originally recorded into the equity should be dealt with by the same way as the investee's directly dealing with its assets or liabilities. The other investee equity changes caused beside the net profit, other comprehensive income and profit distribution should be proportionately transferred into current year profit and loss.

For long-term equity investment accounted for using the cost method, when the rest of the long-term equity investment is still accounted for using the cost method after disposal, other comprehensive income recognized using the equity method or the method of recognizing and measuring the financial instruments before obtaining the control over the investee should be dealt with as the same way with investee's direct disposing of its assets and liabilities and be proportionately taken into profit and loss; The other investee equity changes caused beside the net profit, other comprehensive income and profit distribution should be proportionately transferred into current year profit and loss.

When the Group loses control over the investee but still can exercise the common control or significant influences over the investee after partial disposal of the long-term equity investment, the equity method should be used to prepare individual financial statements. The rest equity investment is treated as accounted using the equity method upon the acquisition and is adjusted; If no control and significant influences cannot be exercised, the rest equity investments should be recognized and measured by the accounting standards to financial instruments. The difference between the fair value and book value is taken into current profit and loss. For the other comprehensive income recognized under the equity method or the financial instrument related method before obtain the control over investee, it will be treated as the same way with investee's directly disposing its assets or liabilities when losing the control over investee. The equity changes under equity method caused beside the net profit, other comprehensive income and profit distribution should be transferred into the profit and loss when losing the control over investee. Including, other comprehensive income and other owner's equity should be proportionately transferred, when the rest equity investment is accounted with equity method; Other comprehensive income and other owner's equity should be fully transferred, when the rest equity investment is accounted with accounting standards of financial instruments.

The Group loses the control and significant influences over the investee, because of disposing of part of long-term equity investment. The difference between fair value and book value on the day when losing the

control and significant influences over the investee should be taken into profit and loss. Other comprehensive income recognized for the original equity investments under equity method, would be dealt with as the same way with investee's directly disposing of its assets and liabilities when cease using the equity method. The equity changes caused beside the net profit, other comprehensive income and profit distribution, should be transferred into investment income when cease using the equity method.

For the Group's multiple-step dealing with its long-term equity investments until losing control, if the transactions are package deal, each transaction should be treated as a transaction dealing with its long-term equity investments until losing control, the difference between the consideration received and the book value of the equity investment should be firstly recognized as other comprehensive income before losing control over investee and then all transferred into current profit and loss.

5.14 Investment properties

Investment property is property held to earn rental or for capital appreciation or both. It includes a land use right that is leased out, a land use right held for transfer upon capital appreciation, and a building that is leased out. Besides, the Group has buildings empty for operating lease. If there is a written decision from the Board (or similar organization) with clear indication for operating lease and intension that no change shall be made in the near future, the buildings shall be presented as investment properties.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Group uses the cost method for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property which consistent with that for building or land use rights.

Where self-occupied property or inventory converts into investment property, or investment property converts into self-occupied property, the carrying amount before the change shall be accounted as the value after conversion.

When an investment property changes into self-occupied property, it should be converted into fixed asset or intangible asset on the date of conversion. When the purpose of a self-occupied property changes into rental earning or capital increase, fixed asset or intangible asset should be converted into an investment property from the date of conversion. Where the cost model is used in the measurement of investment property during the conversion, the carrying amount before the conversion is accounted as the value after conversion. Where the investment property is measured by the fair value after conversion, the fair value at the conversion date is adopted as value after conversion.

Where an investment property is disposed or no longer in use permanently and no economic benefits shall be

obtained from the disposal, derecognized the investment property. The income from sale, transfer or disposal of the investment property is recorded in the profit or loss after deduction of its carrying amount and related tax.

5.15 Fixed assets

(1) The conditions of recognition

Fixed assets refers to the tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management and their useful life is in excess of one fiscal year. Fixed assets are only confirmed when their related economic benefits are likely to flow into the company and its cost can be reliably measured. Fixed assets are stated at cost and consider the impact of expected costs of abandoning the initial measurement.

(2) The method for depreciation

From the following month of state of intended use, depreciation method of the straight-line method is used for different categories of fixed assets to take depreciation. The recognition of the classification, useful life and estimated residual rate are as follows:

Category	Expected useful life	Estimated residual value (%)	Depreciation (%)
Building & construction	30	5	3.17
Machines & equipments	7	5	13.57
Vehicles	6	5	15.83
Electronic appliances	5	5	19.00

Expected net residual value of fixed assets is the balance of the Group currently obtained from the disposal of the asset less the estimated costs of disposal amount, assuming the asset is out of useful life and state the expected service life in the end.

(3) Measurement and recognition of fixed assets impairment

For the details of impairment test method and withdrawal method of impairment provision for fixed assets, please refer to Note.4.18 Long-term assets impairment

(4) Recognition and measurement of financial lease

Finance leases which transfer substantially all the risks and rewards of ownership .Its ownership may be transferred or not eventually .The depreciation policy for assets held under finance leases should be consistent with that for owned assets. If it is reasonable to determine the ownership of the leased asset at the end of the lease term, depreciation is provided within the useful life of the leased asset. Otherwise, the asset should be depreciated over the shorter of the lease term or the life of the asset

(5) Others

Subsequent expenditure incurred for a fixed asset that meet the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognized. Otherwise, such expenditure shall be recognized in profit or loss in the period in which they are incurred.

A fixed asset is derecognized when it is disposed or no economic benefits will be gained through the use or disposal of the assets.. The revenue from selling or transferring, or disposing a fixed asset is booked into profit and loss after deduction of carrying value and related tax.

The Group conducts a review of useful life, expected net realizable value and depreciation methods of the fixed asset at least on an annual base. Any change is regarded as change in accounting estimates.

5.16 Construction in progress

Construction in process is measured at actual cost. Actual cost comprises construction costs, borrowing costs that are eligible for capitalization before the fixed assets being ready for their intended use and other relevant costs. Construction in process is transferred to fixed assets when the assets are ready for their intended use.

For details of the testing method of impairment and withdraw method of impairment provision on construction in progress, please refer to Note 5. 22 "Long-term assets impairment"

5.17 Borrowing costs

(1) The standards for capitalizing the borrowing cost

Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. The amounts of other borrowing costs incurred are recognized as an expense in the period in which they are incurred.

(2) The period of capitalizing the borrowing costs

The period of borrowing costs capitalization is calculated from the point when borrowing costs beginning capitalizing to the time stopping capitalizing. The period suspending capitalizing the borrowing costs are excluded.

(3) The period suspending capitalizing the borrowing costs

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, when the interruption is for a continuous period of more than 3 months. Borrowing costs incurred during these periods recognized as an expense for the current period until the acquisition, construction or production is resumed.

(4) The method for calculating the amount of borrowing cost capitalized

Where funds are borrowed for a specific-purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

Where funds are borrowed for a general-purpose, the amount of interest to be capitalized on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings.

During the capitalization period, exchange differences related to a specific-purpose borrowing denominating in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

5.18 Intangible assets

(1) Recognition and calculation of intangible asset

The term “intangible asset” refers to the identifiable non-monetary assets without physical shape, possessed or controlled by enterprises.

The intangible assets are initially measured by its cost. Expenses related to intangible assets, if the economic benefits related to intangible assets are likely to flow into the enterprise and the cost of intangible assets can be measured reliably, shall be recorded as cost of intangible assets. The expenses other than this shall be booked in the profit or loss when they occur.

Land use rights that are purchased by the Group are accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Group, and relevant land use rights and buildings, are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

When an intangible asset with a definite useful life is available for use, its original cost less net residual value and any accumulate impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a definite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustment when necessary.. An additional review is also carried out for useful life of the intangible assets with indefinite useful life. If there is evidence showing the foreseeable limit period of economic benefits generated to the enterprise by the intangible assets, then estimate its useful life and amortize according to the policy of intangible assets with definite useful life.

(2) The accounting of expenditures of internally researched and developed project

Expenditure on the research phase of an internal research is recognized in profit & loss in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset. Expenditure during development phase that does not meet the following

conditions is recognized in profit or loss for the period.

- 1) it is technical feasible to complete the intangible asset so that it will be available for use or sale;
- 2) the Group has the intention to complete the intangible asset and use or sell it;
- 3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits including the evidence of 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 the ability to use or sell the intangible asset; and
- 5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period.

(3) Methods of impairment assessment and determining the provision for impairment losses of intangible assets

The testing method for intangible assets impairment and the calculation of the provision for impairment is detailed listed on the note 4.18-Long-term assets impairment.

5.19 Long-term deferred assets

Long-term deferred assets represent expenses incurred that should be borne and amortized over the current and subsequent period (together of more than one year). Long-term deferred assets are amortized by using straight line method.

5.20 Long-term assets impairment

On each balance sheet date, the Group will make judgments to determine whether there are signs for impairment to the fixed assets ,construction in progress, definite intangible assets, investment properties& equity investment in subsidiaries& joint ventures& jointly run business measured using the cost method etc. non-current and non-financial assets. If there are signs for impairment, the impairment should be tested by estimating the recoverable amount. Goodwill, indefinite intangible assets and intangible assets having not reached the usable condition, should be yearly tested for impairment no matter whether there are signs for impairment.

The result of impairment test demonstrates that the recoverable amount is less than its carrying amount, the difference will be recorded as provision for impairment and debited as impairment loss. The recoverable amount equals to the greater of 1) fair value less disposal expenses and 2) present value of the predicted future cash flows.

The fair value of the assets is determined by the sale contract price of fair trade; When there are no sale contracts but exist active market ,the fair value will be determined with the quotation from the buyer; When

there exist neither sale contracts nor active market, the assets fair value will be determined by the best information available.

The disposal expenses include the legal expenses, related taxes, delivery fees and other direct fees incurred for making the assets reach the salable condition. The present value of the predicted future cash flows is calculated according to the predicted future cash flows generated from the continuous use of the assets and final disposal discounted with the applicable discounted rate. The provision for impairment

test should be recognized based on the individual asset. If it is hard to estimate the recoverable amount to individual asset, the recoverable amount of the assets group of which the individual assets are included should be determined. Assets group is the smallest unit that can independently generate the cash inflow.

For the goodwill separately displayed on the financial statement, when making the impairment test, the carry value of the goodwill should be allocated to assets group or the group of assets group predicted to be benefit from the synergistic effect from the enterprises combination. When the rest result shows that the recoverable of the assets group or the group of assets group having been allocated with the relevant goodwill is less than the carrying amount, the related impairment loss should be recognized. The impairment losses will firstly reduce the book value of the goodwill allocated and then reduce the book value of each asset of the assets group or the group of assets group according to the percentage of each asset to the assets group or the group of assets group beside the goodwill.

The impairment loss of the above assets would not be reversed back once they are recognized.

5.21 Employee Benefits

The benefits of employees in the Group include short-term benefits, welfare after demission, demission welfare and other long-term welfare.

The short-term benefits include the employees' salary, bonus, allowance and compensation, employee welfare, medical insurance, maternity insurance, employment injury insurance, housing fund, labor union expense and employee education expense and non-currency welfare etc. The Group recognizes the actually incurred short-term employee benefits as liability during the period when the employees' services are rendered, the expenses are recorded into the current period profit and loss or related asset costs according to the benefit object. For the non-currency welfare, it is recognized according to its fair value.

Welfare after demission mainly includes the defined contribution plan and the defined benefit plan. The defined contribution plan and the defined benefit plan mainly include the basic endowment insurance premium, unemployment insurance expense and pension etc. For the defined contribution plan, the sinking fund deposited to the an independent entity for the service provided by employee in the accounting period on the balance sheet is recognized as the debt and included in the current profit and loss or related asset costs according to the benefit object.

When the Group cannot unilaterally withdraw the dismissal welfare provided for the plan on the cancellation of

labor relationship or layoff proposal, or recognize the cost or expense involved with the recombination of dismissal welfare or payment of such dismissal welfare (whichever is earlier), the employee's remuneration incurred by dismissal welfare is recognized as the debt and included in the current profits and losses or related assets cost. But when then dismissal is predicted not to be paid in the following 12 months after the report date, it would be classified as other long-term welfare.

Employee internal retirement plan is treated as the same way with dismissal welfare mentioned above. The Group would record the relevant salaries and social insurances provided to the employees under the plan into the profits and losses (dismissal welfare) during the period from the day employees not providing the services to the legal retirement day, when the conditions for recognizing the contingency liability are met.

Other long-term welfare provided by the Group is referred to as the welfare beside the short-term benefits, welfare after demission, demission welfare. It would be recognized as the requirements of defined contribution plan, when conditions are met. Or else, it would be recorded as defined benefit plan.

5.22 Revenue

The real estate construction agreement is in accordance with the definition of the construction contract, for buyers who can specify the main structural elements of real estate design before the start of the construction project, or be able to determine the major changes in structure during the construction process, will be confirmed by the Company of construction services according to the Enterprise Accounting Standards No. 15 - Construction Contract. As purchaser, whose limited ability to influence real estate design (such as only minor changes to the basic design), the company in accordance with the "principles and methods of income accounting standards for Enterprises No. fourteenth - income" about commodity sales confirmation, the relevant revenue recognition combined with the specific conditions of the company real estate sales.

The company will confirmed the relevant income and expenses according to the Enterprise Accounting Standards No. 15 - Construction Contract when real estate construction agreement is in accordance with the definition of the construction contract, for buyers who can specify the main structural elements of real estate design before the start of the construction project, or be able to determine the major changes in structure during the construction process. However, when purchaser's ability to influence real estate design is limited (such as only minor changes to the basic design), the relevant revenue will be confirmed by the company combined with the specific conditions in accordance with the principle of the Enterprise Accounting Standards No. 14 – income

(1) Developed products

The Group established real estate sales revenue is recognized, must satisfied the following four conditions at the same time:

- 1). Real estate is completed and accepted;
- 2). contract of Installment selling is signed and the contractual obligations is performed;

3). the company no longer retains the continuation management rights nor controls normally associated with the ownership;

4). the amount of income can be reliably measured;

5) the related economic benefits are likely to flow into the company and the cost of the house can be reliably measured

(2) Revenue from Installment selling

The revenue is recognized by the fair value about contract or agreement when the selling conditions satisfied the following conditions at the same time:

1). Real estate is completed and accepted;

2). contract of Installment selling is signed and the contractual obligations is performed;

3).the related economic benefits are likely to flow into the company and the cost of the development product can be reliably measured.

The difference between the price and the fair value of the contract or agreement is amortized by the actual interest rate during the period of the contract or agreement and be taken into the profit and loss of the current period.

(3) Revenue from self-use house selling

The sales revenue is confirmed when the following conditions are met:

1) the main risks and rewards of self-use house ownership are transferred to the purchaser,;

2) the company no longer retains the continuation management rights nor controls normally associated with the ownership;

3) the amount of income can be reliably measured;

4) the related economic benefits are likely to flow into the company and the cost of the house can be reliably measured

(4)Revenue from rental property

The income of rental property is confirmed when the relevant rents or receipt have obtained according to the lease contract.

(5) Revenue from construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized using the percentage of completion method at the balance sheet date. The stage of completion of a contract is determined using the proportion that actual contract costs incurred to date bears to the estimated total contract costs.

The outcome of a construct contract can be measured reliably when the following conditions are met:

1) The total revenue of the contract can be measured reliably;

- 2) It is probable that the associated economic benefits will flow to the enterprise;
- 3) The actual cost of the contract incurred can be determined and measured reliably;
- 4) The stage of completion of the contract and the costs to be incurred associated with the completion of the contract can be measured reliably.

Where the outcome of a construction contract cannot be estimated reliably, 4)1. if contract costs are expected to be recoverable, contract revenue is recognized to the extent of contract costs that are expected to be recoverable; and contract costs are recognized as expenses in the period in which they are incurred; 4)2. if contract costs are not expected to be recoverable, they are recognized as expenses immediately when incurred and contract revenue is not recognized. When the uncertainties that prevented the outcome of the construction contract from being estimated reliably no longer exist, revenue and expenses associated with the construction contract are recognized using the percentage of completion method.

If the estimated total contract costs exceed total contract revenue, the expected loss is recognized immediately as an expense for the period.

(6) Royalty revenue

Revenue is confirmed according to the relevant contract or agreement on the accrual basis.

(7) Interest income

Revenue is confirmed according to the time and actual interest rate in the use of the company's money.

(8) Other business income recognition

The Group will confirm other business revenue while clauses of the relevant contracts and agreements reveal that economic interests related to transactions may flow into enterprises, the amount of income and other related or incurred costs can be reliably measured.

5.23 Government Grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, excluding the capital invested by the government as equity owner. Government grant can be classified as grant related to the assets and grants related to the income.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent period, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If

the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

Government grants, including both asset-related and income-related components at the same time, are used to separate into different parts of the accounting process. They are classified as income-related government subsidies while it is difficult to distinguish.

Government grants, related to the Company's daily activities, are taken into other income or write down related costs in accordance with the substance of the economic business. Government subsidies that are not related to daily activities are included in non-operating income and expenses.

For repayment of a government grant already recognized, if there is a related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period. If there is no related deferred income, the repayment is recognized immediately in profit or loss for the period.

5.24 Deferred income tax assets and deferred income tax liabilities

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date, to recover the assets or settle the liabilities.

For temporary differences between the carrying amount of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

For temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax liability related is recognized except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

All deferred income tax liabilities arising from taxable temporary differences except the ones mentioned above are recognized.

For temporary deductible differences associated with the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or

deductible losses) at the time of transaction, no deferred tax asset is recognized.

For taxable temporary deductible differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax asset related is recognized if it is impossible to reversal the temporary difference in the foreseeable future, or it is not probable to obtain taxable income which can be used for the deduction of the temporary difference in the future.

Except mentioned above, the Group recognizes other deferred income tax assets that can deduct temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

For the deductible losses and tax credit that can be carried forward, deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates according to tax laws that are expected to apply in the period in which the asset is realized or the liability is settled.

At the balance sheet date, the Group reviews the carrying amount of deferred tax assets. If it is no longer probable that sufficient taxable profit will be available in future periods to allow the benefits of the deferred tax assets to be used, the Group reduces the carrying amount of deferred tax assets. The amount of such reduction is reversed when it becomes probable that sufficient taxable profit will be available.

5.25 Leases

(1) Operating Lease

①The Group as Lessee under Operating Lease

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period. The contingent rents shall be recorded in the profit or loss of the period in which they actually arise.

②The Group as Leaser under Operating Lease

Lease income from operating leases shall be recognized by the leaser in profit or loss on a straight-line basis over the lease term. Initial direct cost of significance in amount shall be capitalized when incurred. If another basis is more systematic and rational, that basis may be used. Contingent rents are credited to profit or loss in the period in which they actually arise.

(2)Financing Lease

①The Group as Lessee under Operating Lease

For an asset that is held under a finance lease, at the lease commencement, the leased asset is recorded at the lower of its fair value at the lease commencement and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; the difference

between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge, Initial direct costs incurred by the lessee during the process of negotiating and securing the lease agreement shall be added to the amount recognized for the leased asset.

The net amount of minimum lease payment deducted by the unrecognized finance shall be separated into long-term liabilities and long-term liability within one year for presentation.

Unrecognized finance charge shall be computed by the effective interest method during the lease term. Contingent rent shall be booked into profit or loss when actually incurred.

②The Group as Leaser under Operating Lease

For an asset that is leased out under a finance lease, the aggregate of the minimum lease receipts at the inception of the lease and the initial direct costs is recorded as a finance lease receivable, and unguaranteed residual value is recorded at the same time; the difference between the aggregate of the minimum lease receipt, initial direct costs, and unguaranteed residual value, and the aggregate of their present values, is recognized as unearned finance income, which is amortized using the effective interest rate method over each period during the lease term.

Finance lease receivable less unearned finance income shall be separated into long-term liabilities and long-term liability within one year for presentation.

Unearned finance income shall be computed by the effective interest method during the lease term. Contingent rent shall be credited into profit or loss in which actually incurred.

5.26 Changes in major accounting policies and accounting estimates

(1) Changes of accounting policies

There were no changes of accounting policies during this period.

(2)Changes of accounting estimates

There were no changes of main accounting estimations during this period.

4.27 Material accounting judgments and accounting estimations

Because of the inherent uncertainties of the operating activities, the Group need to make judgments, estimations and assumptions to the financial statement items whose carrying amount cannot be accurately measured. Those judgments, estimations and assumptions are made based on the management's historical experience and taking other relevant factors into account. Those judgments, estimations and assumptions would influence the reported amount of revenue, expense, asset and liability and disclosure of the contingency liability on the balance sheet date. However, the actual result caused by the uncertainty of these estimations may be different with the present estimation made by the management, which may cause significant adjustments to the carrying amount of the influenced assets and liabilities in the future.

The Group are making periodical review on the judgments, estimations and assumptions mentioned above based on the premise of going concern. For the changes of estimations that only influence the current period,

the influenced amount will be recognized in the current period. For the changes of estimations that not only influence the current period ,but also affect the future periods, the influenced amount will be recognized in the current period and future period.

As of the balance sheet date, the material areas that need to be judged ,estimated and assumed are listed below:

(1) Income recognition - construction contract

The Company confirm the contract income by the percentage method of completion on the balance sheet date when the result of the construction can be reliably estimated. The percentage of completion is confirmed according to the methods mentioned in Note 4. 25 Income, and is accumulated in the accounting year for each construction contract.

Significant judgments need to be made in determining the percentage of completion, the cost of the contract, the total revenue and cost of the contract, and the recoverability of the contract. Project management's judgments mainly relies on past experience and work. The change in the estimated total revenue and cost of the contract, as well as the estimated alteration of the execution result of the contract, may affect or constitute a major impact on the business income and cost, profit and loss during the current or subsequent period.

(2) classification of lease

The lease are classified into operating lease and finance lease, according to the "Accounting Standards for Business Enterprise No.21-Lease" .When making the classification, the management need to make analysis and judgment about whether all risk and reward related with the ownership of assets leased out have been substantially transferred to the lessee or not ,or whether all risk and reward related with the ownership of the assets leased have substantially assumed by the Group.

(3) The provision for allowance for bad debt

The Group applies the allowance method to estimate the bad debt, according to the policy of accounts receivable. The impairment of accounts receivable is based on the evaluation of accounts receivable's possibility of collection. The difference between the actual result and the original estimation would influence the accounts receivable's carrying value and cause the balance of allowance for bad debt to increase or reverse back during the period when the estimation is changed.

(4) Provision for inventory

According to inventory accounting policy, the ending inventory is measured by the lower of cost and net realizable value. When the cost is greater than the net realizable value and the obsolete and unsalable inventory, the inventory falling price reserve shall be withdrawn. Reduce the inventory to the net realizable value is based on the evaluation the salable of the inventory and its net realizable value. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made and take into consideration the purpose for which the inventory is held and the influences of events occurring after the

balance sheet date. The difference between the actual result and original estimation will influence the carrying amount of the inventory and cause the provision for inventory to increase or reverse back during the period when the estimation is changed.

(5) The fair value of financial instrument

For the financial instrument lacking active trading market, the Group will use several valuation methods to make sure the fair value. The methods include the model to analyze the discounted cash flow etc. The Group will evaluate the following aspects, such as the future cash flow, credit risk, market volatility and the relativity etc. and then choose the applicable discounted rate, when making the evaluation. There are uncertainties for the relevant assumptions whose changes will influence the fair value of financial instrument.

(6) Provision for Available- for- sale financial assets

The determination to confirm the impairment loss in the profit statement of whether the impairment of Available- for- sale financial assets is largely depends on the judgement and assumption of the management. In the process of judgment and assumptions, the cost and duration of the investment fair value, the financial condition and short-term business prospect of investment targets, including the industry situation, technological change, credit rating, default rate and the risk of hand will be taken into account.

(7) Provision for non-current assets

The Group will make judgment on the non-current assets beside the financial assets about whether there are signs for impairment on the balance sheet date. For the intangible assets whose life is uncertain, when there are signs for impairment, it should be tested for impairment, beside the yearly impairment test. Other non-current assets beside the financial statement, when there are signs indicating that the carrying value are unrecoverable, it should be tested for impairment.

When the carrying value of the asset or asset group is greater than the recoverable amount (i.e., the net value of fair value less the cost of disposal and present value of the predicted future cash flow whichever is higher), it indicates impairment.

The net value of fair value less the cost of disposal, is referred to the agreed sale price of similar assets under fair trade or the observable market price, less the incremental cost directly related with the disposal of the assets.

The Group need to make significant judgment to the output of assets (or assets group), sale price, relevant operating cost and the discounted rate when estimating the present value of future cash flows. The Group will make use of any relevant material available when estimating the recoverable amount, including the prediction of the output, sale price and relevant operating cost according to reasonable and supportable assumptions.

The Group will test the goodwill for impairment at least once a year, which requires to estimate the present value of the future cash flows of the assets and assets group allocated with the goodwill. When estimating

the present value to the future cash flow, the Group need to estimate the cash flows generating from the assets and assets group, and choose the applicable discount rate to determine the present value.

(8) Depreciation and amortization

The Group use the straight-line method to depreciate and amortize the investment real estate, fixed assets and intangible assets within the useful life after taking into the consideration of the residual value. By the way, the amount of depreciation and amortization during the report period are determined. The useful life is determined based on past experience and the predicted technical changes of similar assets. If there are significant changes of previous estimations, the depreciation and amortization would be adjusted in the future periods.

(9) Deferred tax asset

To the degree that there are sufficient taxable profit to make up the deductible losses, the Group will recognize the deferred tax assets for the un-used deductible losses. It requires the management to apply massive judgments to estimate the time and amount the taxable profits will generate in the future period combining with the strategic of tax planning to determine the amount of deferred tax asset.

(10) Income tax

There are some uncertainties for some trades' ultimate tax treatment and calculation. Some items need the determination from the tax authorities about whether they are deductible before tax or not. If the ultimate tax determination are different with the originally estimated amount, the difference will influence the current period income tax and the deferred income tax when the tax determination are finally made.

VI Principal Taxes Applied

Taxes and their rates

Category	Taxable basis	Tax rate
Value added tax ("VAT")	Goods sales income, taxi operating income	5%, 3%, 6%
Construction tax	Turnover tax	7%
Income tax	Income tax payable	25% & 16.5%
Education surcharge(Local Education surcharge)	Turnover tax	5%
Land appreciation tax	Sales revenue of properties	Progressive rates ranging from 30%-60%
Property tax	The residual value	1.2%

*The rate of domestic enterprises is 25%, and the rate of HK enterprises is 16.5%.

The company and its subsidiaries provided commodity housing, property leasing and management, hotel service, construction and installation service as main products and services. As the inform, No.36—pilot about business tax replacing with VAT popularized (2016 Revision) ,is issued by Finance and Taxation Ministry , The

categories and rates of VAT about the company and its subsidiaries are as follow .

Category of income	The way of tax calculation	Tax rate	Tax rate before Business Tax Replacing with VAT
Sales of properties	Simply filling return	5%	5%
Construction, installation income	Simply filling return	3%	3%
Rental income of Property	Simply filling return	5%	5%
Income of Property Management	Filling return generally	6%	5%

VII Notes to the Consolidated Financial Statements

Unless otherwise noted, the following annotation project (including the main projects annotation of the financial statement of the Company), the period-begin refers to January 1, 2018 the period-end refers to June 30, 2018 and this period refers to January – June 2018 with the last period of January – June 2017.

7.1 Monetary funds

Item	Closing balance	Opening balance
Cash on hand	72,392.09	56,472.32
Cash in bank	1,068,588,273.53	1,206,732,584.14
Other monetary funds		290,033.83
Total	1,068,660,665.62	1,207,079,090.29
Including amount deposited in the foreign countries	8,105,519.64	8,257,485.53

Note: Other monetary funds that the Group's ownership are the deposits about letter of guarantee setting up by bank.

7.2 Note receivables

(1) Note receivables by types

Item	Closing balance	Opening balance
Trade acceptance	--	5,921,287.00
Total	--	5,921,287.00

(2) There are no Note receivables pledged at the period-end

(3) There are no Note receivables endorsed or discounted at the period-end and not matured yet on the balance sheet date

(4) There are no situations of reclassifying the note receivables to the accounts receivables due to the issuer dishonoring at the end of the year.

7.3 Accounts receivables

(1) Accounts receivable by categories

Category	Closing balance		
	Carrying amount	Bad debt provision	book value

	Amount	(%)	Amount	(%)	
Accounts receivable of which provision for bad debts is of individually significant	--	--	--	--	
Accounts receivable of which provision for bad debts is of individually insignificant	355,303,762.40	100.00%	19,189,315.16	5.40%	336,114,447.24
Total	355,303,762.40	100.00%	19,189,315.16	5.40%	336,114,447.24

(Continued)

Category	Opening balance				
	Carrying amount		Bad debt provision		book value
	Amount	(%)	Amount	(%)	
Accounts receivable of which provision for bad debts is of individually significant	--	--	--	--	--
Accounts receivable of which provision for bad debts is of individually insignificant	156,335,813.56	100.00%	19,243,657.51	12.31%	137,092,156.05
Total	156,335,813.56	100.00%	19,243,657.51	12.31%	137,092,156.05

① Bad debt provision of accounts receivable which is of individually insignificant

☐ Yes ☒ No

(2) There were no any account receivables which had been accrued fully or large proportion provision but had been fully collected or reversed back in this accounting year.

(3) There were no any significant account receivables which had been written off in this accounting year.

(4) Top 5 entities with the largest balances of accounts receivable

Name of entity	Relationship with the Group	Amount	Age	Proportion of the amount to the total AR (%)
Corporate unit No.1	Un-related party	76,176,227.77	Within 1 year	22.66
Corporate unit No.2	Un-related party	36,585,691.51	Within 1 year	10.88
Corporate unit No.3	Un-related party	8,931,088.39	Within 1 year	10.88
Corporate unit No.4	Un-related party	7,909,014.55	Within 1 year	2.35
Corporate unit No.5	Un-related party	6,862,127.83	Within 1 year	2.04
Total		136,464,150.05		48.83

Other instructions:

Details of pledge of accounts receivable are as follows: Note 7.44 and X (2)

7.4 Prepayments

(1) Aging analysis

Aging	Closing balance		Opening balance	
	Amount	(%)	Amount	(%)

Within 1 year	951,595.61	99.92%	3,412,663.50	56.50%
1-2 years			2,626,942.07	43.49%
Over 3 years	761.94	0.08%	761.94	0.01%
Total	952,357.55	—	6,040,367.51	—

(2) Top 5 entities with the largest balances of prepayments

Name of entity	Relationship with the Group	Amount	Age	The reason for Unsettled
Project No.1	Un-related party	200,000.00	Within 1 year	Legal fees for outstanding cases
Project No.2	Un-related party	85,566.00	Within 1 year	Unsettled material funds
Project No.3	Un-related party	84,511.50	Within 1 year	Unsettled material funds
Project No.4	Un-related party	74,000.00	Within 1 year	Unsettled gas charges
Project No.5	Un-related party	40,085.40	Within 1 year	Unsettled material funds
Total		484,162.90		—

7.5 Dividends receivables

(1) Details of dividends receivable

Item(Or name of investee)	Closing balance	Opening balance
Yunnan KunPeng Flight service Co., Ltd	1,052,192.76	1,052,192.76
Total	1,052,192.76	1,052,192.76

(2) Dividends receivable aging over 1 year

Item(Or name of investee)	Closing balance	Aging	Reasons for uncollected amounts	Whether the amount is impaired and the base of judgment
Yunnan KunPeng Flight service Co., Ltd	1,052,192.76	Above 5 years	Delay to pay	No
Total	1,052,192.76			

7.6 Other receivables

(1) Other receivables by categories

Category	Closing balance				
	Carrying amount		Bad debt provision		Book value
	Amount	(%)	Amount	(%)	
Other receivables of which provision for bad debts is of individually significant	144,777,268.75	61.22%	144,443,572.49	99.77%	333,696.26
Other receivables of which provision for bad debts is of individually insignificant	91,695,698.81	38.78%	29,500,684.91	32.17%	62,195,013.90
Total	236,472,967.56	100.00%	173,944,257.40	73.56%	62,528,710.16

(Continued)

Category	Closing balance				
	Carrying amount		Bad debt provision		Book value
	Amount	(%)	Amount	(%)	
Other receivables of which provision for bad debts is of individually significant	144,777,268.75	58.00%	144,443,572.49	99.77%	333,696.26
Other receivables of which provision for bad debts is of individually insignificant	105,057,180.46	42.00%	29,487,718.10	28.07%	75,569,462.36
Total	249,834,449.21	100.00%	173,931,290.59	69.62%	75,903,158.62

① Bad debt provision of other receivables which is of individually significant

☐ Yes ☒ No

② Bad debt provision of other receivables which is of individually insignificant

☐ Yes ☒ No

(2) There were no any other receivables which had been accrued fully or large proportion provision but had been fully collected or reversed back in this accounting year.

(3) There were no any significant account other receivables which had been written off in this accounting year.

(4) Other receivables by nature

Nature	Closing balance	Opening balance
Other receivables between subsidiaries that are not included in the consolidated statement	129,277,424.93	121,140,372.17
Others	107,195,542.63	128,694,077.04
Total	236,472,967.56	249,834,449.21

(5) Top 5 entities with the largest balances of other receivables

Name of entity	Nature	Amount	Age	Proportion of the amount to the total OR (%)	Provision for bad debt at year end
Canada Great Wall(Vancouver) Co.,Ltd	current account	89,035,748.07	Above 5 years	37.65%	89,035,748.07
Paklid Limited	current account	19,300,627.03	Above 5 years	8.16%	19,300,627.03
Bekaton property Limited *	current account	12,559,290.58	Above 5 years	5.31%	12,559,290.58
Guangdong province Huizhou Luofu Hill Mineral Water Co.,Ltd	current account	10,465,168.81	Above 5 years	4.43%	10,465,168.81
Shenxi Limited	current account	5,464,392.59	Above 5 years	2.31%	5,131,698.60
Total		136,825,227.08		57.86%	136,492,533.09

(6) There were no any other receivables about government subsidies that have been involved.

(7) There were no any other receivables due to the transfer of financial assets that have been derecognized.

(8) There were no any other receivables which had transferred to continued involvement in assets or liabilities.

7.7 Inventory

(1) Categories of inventory

Item	Closing balance		
	Carrying amount	Provision for inventories	Net carrying amount
Non real estate development projects			
Raw materials	882,110.01	240,000.00	642,110.01
Finished products	329,837.97	38,891.91	290,946.06
Low-value consumable products			0.00
Construction in progress	73,599,891.72		73,599,891.72
Real estate development projects	168,923,076.99	--	--
Real estate developing products	430,944,949.91		430,944,949.91
Real estate developed products	1,003,721,763.95	268,941.60	1,003,452,822.35
Real estate which are going to be developed	168,923,076.99		168,923,076.99
Total	1,678,401,630.55	547,833.51	1,677,853,797.04

(Continued)

Item	Opening balance		
	Carrying amount	Provision for inventories	Net carrying amount
Non real estate development projects			
Raw materials	883,896.65	240,000.00	643,896.65
Finished products	350,102.98	38,891.91	311,211.07
Low-value consumable products			0.00
Construction in progress	39,005,838.31		39,005,838.31
Real estate development projects			
Real estate developing products	804,372,181.70		804,372,181.70
Real estate developed products	751,099,380.82	268,941.60	750,830,439.22
Real estate which are going to be developed	168,923,076.99		168,923,076.99
Total	1,764,634,477.45	547,833.51	1,764,086,643.94

(2) Movement of Provision of inventories

Item	Opening balance	Increase		Decrease		Closing balance
		Provision	other	Reversals	Write-off	
Raw materials	240,000.00	--	--	--	--	240,000.00
Inventories	38,891.91	--	--	--	--	38,891.91
Real estate developed products	268,941.60	--	--	--	--	268,941.60

Total	547,833.51	--	--	--	--	547,833.51
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(3) apitalized borrowing cost at the period-end is RMB 42,245,570.18:

Item	Opening balance	Increase	Decrease	Closing balanc	Annual capitalization rate
YueJing dongfang Project	208,232.32	--	66,634.34	141,597.98	1.49%
Shenfang Chuanqishan	720,530.19	--	--	720,530.19	5.66%
Shenfang Shanlin Garden	443,793.86	--	--	443,793.86	7.10%
Shengfang CuiLin Building	9,165,242.92	3,694,420.78	4,582,621.46	8,277,042.24	3.47%
TianYue Bay No.1	28,024,892.29	--	1,582,433.22	26,442,459.07	7.78%
ChuanQi DongHu Building	4,811,327.74	--	--	4,811,327.74	3.62%
ChuanQi JingYuan	1,408,819.10	--	--	1,408,819.10	1.66%
Total	44,782,838.42	3,694,420.78	6,231,689.02	42,245,570.18	5.73%

(4)Completed and unsettled assets resulting from the construction contract at the end of the period

Item	Amount
Accumulated cost incurred	196,294,762.33
Accumulated gross profit	6,916,325.63
Deduct: Expected loss	--
Amount already settled	129,611,196.24
Completed outstanding assets formed by the construction contract	73,599,891.72

7.8 Other current assets

Item	Closing balance	Opening balance
Value added tax	3,186,838.82	10,783,474.63
Business tax	166,667.14	401,663.63
City construction surcharge	297,494.42	78,771.08
Education surcharge	144,926.38	
Local education surcharge	117,981.55	105,635.46
Embankment Protection Fee	725.66	
Increment tax on land value	299,472.73	
Bank structured deposits	600,000,000.00	
Total	604,214,106.70	11,369,544.80

Instructions:

The company signed an agreement with the shenzhen branch of China citic bank co., ltd. to invest 60,000 yuan of its own capital in the 6-month guaranteed floating bank structured deposits on May 28, 2018.

7.9 Available-for-sale financial assets

(1) Details of available-for-sale financial assets

Item	Closing balance			Opening balance		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Available-for-sale debt instrument	--	--	--	--	--	--
Available-for-sale equity instrument	17,464,240.74	--	17,464,240.74	17,464,240.74	--	17,464,240.74
Including: measured by fair value	--	--	--	--	--	--
Measured by cost	17,464,240.74	--	17,464,240.74	17,464,240.74	--	17,464,240.74
Others	--	--	--	--	--	--
Total	17,464,240.74	--	17,464,240.74	17,464,240.74	--	17,464,240.74

(2) Available-for-sale financial assets measured by cost at year end

Investee	Book balance				Provision for impairment				Proportion rate in investee(%)	Curr. year cash div.
	Opening bal.	Increase.	Decrease	Closing bal.	Opening bal.	increase	decrease	Closing bal.		
Shantou Small & Medium Enterprises Financing Guarantee Co., Ltd	12,000,000.00	--	--	12,000,000.00	--	--	--	--	7.14%	827,100.00
Yunnan KunPeng Flight service Co., Ltd	5,464,240.74	--	--	5,464,240.74	--	--	--	--	25.00	--
Total	17,464,240.74	--	--	17,464,240.74	--	--	--	--	--	827,100.00

Note: The Group's shareholding proportion to Yunnan Kunpeng Flight service Co., Ltd is 25%. Because the Group have no participating right to its finance and operating policies, the Group cannot exercise the significant influence on the investee.

7.10 Long-term equity investments

(1) Long-term equity investments by types

Invested company	Opening balance	Change amount of this period				
		Additional investment	Negative investment	Profit and loss on investments confirmed with equity method	Other comprehensive income adjustment	Other equity change
I. Joint ventures						
Guangdong province Huizhou Luofu Hill Mineral Water Co., Ltd	9,969,206.09	--	--	--	--	--
Fengkai Xinhua Hotel	9,455,465.38	--	--	--	--	--
Jiangmen Xinjiang Real Estate Co., Ltd	9,037,070.89	--	--	--	--	--
Xi'an Fresh Peak Property Trading Co., Ltd	32,840,729.61	--	--	--	--	--
Dongyi Real Estate Co., Ltd	30,376,084.89	--	--	--	--	--
Subtotal	91,678,556.86	--	--	--	--	--
II. Affiliated enterprises						
Shenzhen Ronghua JiDian Co., Ltd	1,523,815.70	--	--	--	--	--

Invested company	Opening balance	Change amount of this period				
		Additional investment	Negative investment	Profit and loss on investments confirmed with equity method	Other comprehensive income adjustment	Other equity change
Shenzhen Runhua Automobile trading Co.,Ltd	1,445,425.56	--	--	-	--	--
Subtotal	2,969,241.26	--	--	-	--	--
Total	94,647,798.12	--	-	-	--	--

(Continued)

Invested company	Change amount of this period			Ending balance	Provision for impairment balance at the period-end
	Invested company	Change amount of this period	Ending balance		
I.Joint ventures					
Guangdong province Huizhou Luofu Hill Mineral Water Co.,Ltd	--	--	--	9,969,206.09	9,969,206.09
Fengkai Xinhua Hotel	--	--	--	9,455,465.38	9,455,465.38
Jiangmen Xinjiang Real Estate Co., Ltd	--	--	--	9,037,070.89	912,537.16
Xi'an Fresh Peak Property Trading Co., Ltd	--	--	--	32,840,729.61	20,673,831.77
Dongyi Real Estate Co., Ltd	--	--	--	30,376,084.89	21,225,715.87
Subtotal	--	--	--	91,678,556.86	62,236,756.27
II.Affiliated enterprises					
Shenzhen Ronghua JiDian Co.,Ltd	--	--	--	1,523,815.70	1,076,954.64
Shenzhen Runhua Automobile trading Co.,Ltd	--	--	--	1,445,425.56	1,445,425.56
Subtotal	--	--	--	2,969,241.26	2,522,380.20
Total	--	--	--	94,647,798.12	64,759,136.47

other equity investment, are as follow :note 9, 1 "equity in the subsidiary".

7.11 Investment properties

Investment properties measured at cost.

Item	House& building	Land-use right	Total
I. Original carrying value			
1.Opening balance	1,010,636,392.81	100,823,904.75	1,111,460,297.56
2.Increase in the year	--	844,669.17	844,669.17
(1) Outsourcing	--	--	--
(2) Carried over from inventory	--	--	--
(3) Others	--	844,669.17	--
3.Decrease in the year	--	--	--
4.Closing balance	1,010,636,392.81	101,668,573.92	1,112,304,966.73
II. Accumulative depreciation& amortization			
1.Opening balance	367,283,745.78	--	367,283,745.78
2.Increase in the year	12,087,308.24	--	12,087,308.24
(1) Withdrawing or amortization	12,087,308.24	--	12,087,308.24
(2) Carried over from assets	--	--	--
3.Decrease in the year	--	--	--
4. Closing balance	379,371,054.02	--	379,371,054.02
III. Provision for impairment			
1.Opening balance	14,128,544.62	82,750,883.12	96,879,427.74
2.Increase in the year	--	693,259.40	693,259.40
3.Decrease in the year	--	--	--
4.Closing balance	14,128,544.62	83,444,142.52	97,572,687.14
IV. Book value			
1.Closing book value	617,136,794.17	18,224,431.40	635,361,225.57
2.Opening book value	629,224,102.41	18,073,021.63	647,297,124.04

Note:(a) Current year depreciation and amortization is RMB 12,087,308.24;The decrease of original carrying value and provision for impairment of land-use right is caused by the fluctuation of foreign exchange rate when translating the foreign currency financial statements;

(b)Among the investment properties, there were house &building with carrying value RMB 22,972,285.00 that were used as mortgage of long-term loans(including the long-term loans that will mature within one year), referring to note 7.78 for details.

7.12 Fixed assets

Item	Houses& Buildings	Transportation equipment	Electronic equipment and others	Total
I. Original carrying value				
1. Opening balance	107,110,751.42	12,270,722.14	14,833,483.00	134,214,956.56
2. Increase in the year	--	349,560.34	315,917.18	665,477.52
(1) Purchasing	--	349,560.34	315,917.18	665,477.52
(2) Transferred from the construction in progress	--	--	--	--
3. Decrease in the year		--	308,022.78	308,022.78
(1) Disposal or discard as useless	--	--	308,022.78	308,022.78
(2) Decrease of cooperation combination	--	--	--	--
(3) Transferred to investment property	--	--	--	--
4. Closing balance	107,110,751.42	12,620,282.48	14,841,377.40	134,572,411.30
II. Accumulated depreciation				
1. Opening balance	73,640,632.96	10,638,507.53	11,997,947.36	96,277,087.85
2. Increase in the year	1,511,028.82	498,845.79	363,737.14	2,373,611.75
Including: withdrawing	1,511,028.82	498,845.79	363,737.14	2,373,611.75
3. Decrease in the year	--	--	--	--
(1) Disposal or discard as useless	--	--	--	--
(2) Decrease of corporate combination	--	--	--	--
(3) Transferred to investment property	--	--	--	--
4. Closing balance	75,151,661.78	11,137,353.32	12,361,684.50	98,650,699.60
III. Provision for Impairment				
1. Opening balance	--	--	--	--
2. Increase in the year	--	--	--	--
Including: Withdrawing	--	--	--	--
3. Decrease in the year	--	--	--	--
4. Closing balance	--	--	--	--
IV. Book value				
1. Ending book value	31,959,089.64	1,482,929.16	2,479,692.90	35,921,711.70
2. Beginning book value	33,470,118.46	1,632,214.61	2,835,535.64	37,937,868.71

Note: (1) The depreciation for the current year is RMB 2,373,611.75. There were no constructions in progress transferred to fixed assets during the period.

(2) There was no any fixed assets whose ownership are restricted.

(3) There was no any fixed assets lying idle temporary.

7.13 Intangible assets

Item	Software	Total
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Item	Software	Total
I. Carrying value		
1. Opening balance	2,241,800.00	2,241,800.00
2. Increase in the year	--	--
(1) Purchased	--	--
(2) Internally developed	--	--
(3) Increase of corporate combination	--	--
3. Decrease in the year	--	--
(1) Disposal	--	--
(2) Decrease of corporate combination	--	--
4. Closing balance	2,241,800.00	2,241,800.00
II. Accumulated amortization		
1. Opening balance	2,186,600.00	2,186,600.00
2. Increase in the year	55,200.00	55,200.00
Including: withdrawing	55,200.00	55,200.00
3. Decrease in the year	--	--
(1) Disposal	--	--
(2) Decrease of corporate combination	--	--
4. Closing balance	2,241,800.00	2,241,800.00
III. Provision for impairment		--
1. Opening balance	--	--
2. Increase in the year	--	--
Including: withdrawing	--	--
3. Decrease in the year	--	--
4. Closing balance	--	--
IV. Book value		
1. Ending book value	--	--
2. Beginning book value	55,200.00	55,200.00

7.14 Long-term deferred assets

Item	Opening balance	Increase	Amortization	Other reductions	Closing balance
Renovation costs	529,905.52		78,333.61		451,571.91
Others	56,445.14		7,697.04		48,748.10
Total	586,350.66		86,030.65		500,320.01

7.15 Deferred tax assets

(1) Recognized deferred tax assets

Item	Closing balance		Opening balance	
	Deferred tax assets	Deductible or taxable	Deferred tax	Deductible or taxable

		temporary differences	assets	temporary differences
Provision for impairment losses of assets	268,941.60	67,235.40	268,941.60	67,235.40
Eliminated unrealized profit when consolidating financial statement	9,761,284.98	2,440,321.25	30,132,928.99	7,533,232.24
Deductible loss	15,099,870.28	3,774,967.57	26,809,694.47	6,702,423.62
Provision for land appreciation tax liquidation reserves	14,118,236.27	3,529,559.07	40,166,204.21	10,041,551.05
Expected profit for advances from customers	143,817,844.47	35,954,461.11	92,582,611.51	23,145,652.88
Total	183,066,177.60	45,766,544.40	189,960,380.78	47,490,095.19

(2) Details of unrecognized deferred tax assets

Item	Closing balance	Opening balance
Deductible operating losses	4,194,750.37	4,194,750.37
Bad debt provision	46,673,541.64	46,673,541.64
Provision for impairment of long-term investments	47,660,725.09	47,660,725.09
Provision for impairment of investment properties	24,219,856.94	24,219,856.94
Total	122,748,874.04	122,748,874.04

(3) Unrecognized deductible losses of deferred tax assets will be expire at the end of following years

Year	Closing balance	Opening balance
2018	1,656,431.26	1,656,431.26
2019	107,123.28	107,123.28
2020	9,692,495.52	9,692,495.52
2021	11,349,323.06	11,349,323.06
2022	5,753,184.38	5,753,184.38
Total	28,558,557.50	28,558,557.50

7.16 Short-term loans

Item	Closing balance	Opening balance
Pledged Loan	51,374,540.56	83,307,653.64
Credit Loan		20,900,000.00
Total	51,374,540.56	104,207,653.64

Note:(1) (1) Refer to note 6.2/Notes receivable for the details of pledged loan and note 7.44.

(2)There was no short term loan overdue which had not repaid

7.17 Accounts payable

(1) Details of accounts payable

Item	Closing balance	Opening balance
Within 1 year	145,360,477.82	150,123,930.63
Over 1 year	101,955,171.41	40,505,825.67
Total	247,315,649.23	190,629,756.30

Note: Significant accounts payable aged more than one year is for the unsettled project at the end of the period.

7.18 Advances from customers

(1) Details of advances from customers

Item	Closing balance	Opening balance
Within one year	216,164,441.03	325,258,418.19
Over one year	40,203,784.40	6,893,598.35
Total	256,368,225.43	332,152,016.54

(2) Completed and unsettled assets resulting from the construction contract at the end of the period

Item	Amount
Accumulated cost incurred	196,294,762.33
Accumulated gross profit	6,916,325.63
Deduct: Expected loss	--
Amount already settled	129,611,196.24
Completed outstanding assets formed by the construction contract	73,599,891.72

① Significant advances from customers aged more than one year is the import and export agency business payment and advanced payment from housing buyers, as such receipts have not been transferred to income at the end of the year.

② Details of advances from customers

Item	Closing balance	Opening balance	Estimated time of completion
Jinye Island villa No.10	4,226,985.74	2,899,190.49	Completed
Jinye Island villa No.11	90,000.00	1,558,741.91	Completed
Yuejing dongfang	2,727,839.06	3,629,283.83	Completed
Tianyue Bay No.1	16,153,171.47	8,264,468.87	Completed
Shengfang CuiLin Building	231,035,731.00	256,113,269.00	Completed
Total	254,233,727.27	272,464,954.10	——

7.19 Employee benefits payable

(1) Details of employee benefits payable

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term remuneration	30,373,697.09	75,534,726.58	68,959,267.32	36,949,156.35
II. Post-employment benefit-defined benefit plans	142,522.87	7,407,472.65	7,457,422.77	92,572.75

Item	Opening balance	Increase	Decrease	Closing balance
Total	30,516,219.96	82,942,199.23	76,416,690.09	37,041,729.10

(2) Details of short-term remuneration

Item	Opening balance	Increase	Decrease	Closing balance
I. Salary, bonus, allowance and subsidies	29,500,700.86	68,150,449.04	61,450,761.97	36,200,387.93
II. Employee welfare	39,600.00	566,582.00	566,582.00	39,600.00
III. Social insurance premium	2,045.09	2,395,896.02	2,395,896.02	2,045.09
Including: Medical insurance premium	1,503.22	2,076,701.87	2,076,701.87	1,503.22
Industries insurance premium	591.04	150,790.17	150,560.01	821.20
Maternity insurance premium	-49.17	168,403.98	168,634.14	-279.33
III. Housing fund	124,366.23	3,228,044.38	3,228,044.38	124,366.23
IV. Union expenses and employee education expenditure	706,984.91	1,193,755.14	1,317,982.95	582,757.10
Total	30,373,697.09	75,534,726.58	68,959,267.32	36,949,156.35

(3) The details of defined contribution plans

Item	Opening balance	Increase	Decrease	Closing balance
I. Basic endowment insurance premium	75,075.11	4,938,829.20	4,938,829.20	75,075.11
II. Unemployment insurance premium	447.60	150,790.17	150,790.17	447.60
III. Company annuity payment	67,000.16	2,317,853.28	2,367,803.40	17,050.04
Total	142,522.87	7,407,472.65	7,457,422.77	92,572.75

Note: The Group participates in the basic endowment insurance and unemployment plan sponsored by the government according to the regulations. Beside the monthly payment mentioned above, the Group undertakes no further payment obligation. The related expenses are recognized in profit and loss or the cost of relevant asset in the current period incurred.

7.20 Taxes payable

Item	Closing balance	Opening balance
VAT	13,047,453.97	3,582,136.09
Corporate income tax	127,808,171.76	28,512,631.43
Individual income tax	803,092.71	1,041,204.75
Urban maintenance & construction tax;	2,234,203.98	
Property tax	3,717,315.47	1,975,303.69
Land appreciation tax	53,482,786.37	49,979,273.19
Education surcharge	1,650,112.98	12,493.53
Others	1,101,183.02	1,050,484.21
Total	203,844,320.26	86,153,526.89

7.21 Interest payable

Item	Closing balance	Opening balance
Others	16,535,277.94	16,535,277.94
Total	16,535,277.94	16,535,277.94

Note: The balance of "Other" interests payable due to Shenzhen Investment Holdings Co., Ltd., being accrued for the loans interest. Please refer to XI.6 (2)

7.22 Other payables

(1) Details of other payables

Item	Closing balance	Opening balance
Land appreciation tax accrued	334,810,562.72	176,386,234.44
Payable to related parties	14,398,496.70	11,999,854.37
Deposits	83,126,753.11	79,464,386.67

Others	201,632,520.41	107,094,613.62
Total	633,968,332.94	374,945,089.10

(2)Description of significant other payables aged more than one year

Name of entity	Amount	Reason for overdue
Tax accrued- land appreciation tax	334,810,562.72	Unexpired
Total	334,810,562.72	——

NOTICE: The Group made provision for LAT, according to Guo Shui Fa [2006] No. 187 "LAT liquidation management issues of real estate development enterprises made by the State Administration of Taxation ". As at June 30, 2018, the closing balance is RMB 334,810,562.72.

7.23 Non-current liabilities due within one year

(1)Details of non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term loans due within one year	17,773,200.00	64,000,000.00
Total	17,773,200.00	64,000,000.00

7.24 Long-term loans

Item	Closing balance	Opening balance
Loan with mortgage	35,556,700.00	146,000,000.00
Less: long-term loans due within one year	17,773,200.00	64,000,000.00
Total	17,783,500.00	82,000,000.00

Notice:

① The total amount of long-term loans on June 30, 2018 is 35,556,700.00 yuan, of which 17,773,200.00 yuan is divided into non-current liabilities due within one year; The remaining 17,783,500.00 yuan is divided into long-term loans.

② The 2018 annual interest rate shall be set at 10% higher than the benchmark interest rate of the people's bank of China in the same period.

③ The classes and the amount of mortgage assets, Please refer refer to note 7.44.

7.25 Long-term payables

Details of long-term payables

Item	Closing balance	Opening balance
Maintenance fund	5,900,692.96	8,101,880.05
Total	5,900,692.96	8,101,880.05

7.26 Share capital

Item	Opening balance	Changes for the period (+, -)					Closing balance
		Newly issued shares	Bonus issued	Capitalization of surplus reserve	Other	Subtotal	
Total shares	1,011,660,000.00	--	--	--	--	--	1,011,660,000.00

7.27 Capital surplus

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	557,433,036.93	--	--	557,433,036.93
Other capital reserve	420,811,873.18	--	--	420,811,873.18
Total	978,244,910.11	--	--	978,244,910.11

7.28 Other comprehensive income

Item	Opening balance	Amount incurred this year					Closing balance
		Accrual before income tax this year	Less: previous years' OCI transferred to P&L in current period	Less: income tax	Attributable to parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income that could not be classified into profit and loss in the future	--	--	--	--	--	--	--
II. Other comprehensive income that would be classified into profit and loss in the future	10,045,697.16	-694,697.10			-486,287.97	-208,409.13	9,559,409.19
including: the difference of foreign currency financial statement translation	10,045,697.16	-694,697.10			-486,287.97	-208,409.13	9,559,409.19
Total	10,045,697.16	-694,697.10			-486,287.97	-208,409.13	9,559,409.19

7.29 Surplus reserve

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	85,666,668.00			85,666,668.00

Item	Opening balance	Increase	Decrease	Closing balance
Total	85,666,668.00			85,666,668.00

Note: According to the Company Law and the company's policy, the company draws 10% of net profit for statutory surplus reserve. It will not be withdrawn if the accumulation amount of statutory surplus reserve exceeds 50% of the registered capital of the company.

Discretionary surplus reserve could be withdrawn after the statutory surplus reserve. It can be made up the previous annual loss or increase the capital stock after approval

7.30 Undistributed profit

Item	Amount for the current period	Amount for the prior period
Before adjustment: Undistributed profits at the end of prior year	742,624,845.71	583,908,333.05
Adjustment: adjust the beginning undistributed profits (Increase +, decrease -)	--	--
After adjustment: Undistributed profits at beginning of year	742,624,845.71	583,908,333.05
Plus: net profit attributable to the shareholders of the parent company in the period	326,066,084.53	137,226,601.84
Less: Appropriation to the statutory surplus reserve	--	--
Appropriation to discretionary surplus reserve	--	--
Common stock dividends declared	--	--
Conversion of ordinary shares' dividends into share capital	--	--
Undistributed profit at the end of the period	1,071,690,930.24	721,134,934.89

7.31 Operating income and costs

(1) Operating income and operating costs

Item	Amount for the current period		Amount for the prior period	
	Income	Costs	Income	Costs
Principal operating	1,313,971,314.90	538,511,001.68	727,183,146.15	493,647,637.36
Other operating	3,570,316.45	1,906,489.73	4,123,835.88	1,302,160.53
Total	1,317,541,631.35	540,417,491.41	731,306,982.03	494,949,797.89

7.32 Taxes and surcharges

Item	Amount for the current period	Amount for the prior period
City construction and maintenance tax	4,283,758.49	2,255,618.74
Education surcharges	1,894,171.09	996,755.33
Property tax	3,525,479.32	3,327,020.32
Land appreciation tax	6,815.23	
vehicle and vessel tax	10,200.00	6,000.00
Stamp duty	457,845.20	24,463.50

Item	Amount for the current period	Amount for the prior period
Business tax	1,629,897.12	859,907.11
Land value increment tax	264,344,713.02	15,825,612.34
Local education surcharges	1,186,490.00	606,413.00
Embankment Protection Fee	1,121.29	11,520.89
Total	277,340,490.76	23,913,311.23

Note: Details of business taxes and surcharges please refer to 11.6.

7.33 Selling expenses

Item	Amount for the current period	Amount for the prior period
Employee benefits	1,968,446.05	1,707,531.15
Advertising expenses	2,795,656.99	3,847,364.06
Entertainment expenses	445,386.30	448,735.60
Sales agency fees and commissions	30,118,783.25	56,665.76
Others	1,838,861.18	772,507.19
Total	37,167,133.77	6,832,803.76

The Selling expenses incurred in this period was 37,167,133.77 yuan, which increased by 443.95% compared with the same period last year .was due to the depreciation of Cuilinyuan sales agent fees by the sales of a certain proportion of the account

7.34 Administrative expenses

Item	Amount for the current period	Amount for the prior period
Employee benefits	20,306,987.57	13,427,835.61
Taxes	355,928.24	642,583.97
Depreciation	1,548,056.87	1,544,544.45
Entertainment expenses	880,424.02	1,099,378.23
Intermediary fee	943,460.89	850,413.87
Travel expense	200,814.85	205,266.91
Administrative expenses	565,594.94	436,364.81
Repair charge	438,716.03	443,258.96
Water and electricity charges	421,746.13	180,904.51
Other amortization	357,994.59	391,561.10
Others	5,716,476.72	5,497,126.27
Total	31,736,200.85	24,719,238.69

7.35 Financial expenses

Item	Amount for the current period	Amount for the prior period
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Item	Amount for the current period	Amount for the prior period
Interest expenses	6,711,775.56	19,728,425.13
Less: Interest income	11,769,366.46	7,399,712.00
Less: capitalized interest expenses	3,694,420.78	15,451,618.09
Exchange differences	-34,475.31	333,780.08
Less: Capitalized exchange differences		
Others	174,817.89	153,553.30
Total	-8,611,669.10	-2,635,571.58

The amount of financial expenses incurred in the current period was -8,611,669.10 yuan, a decrease of 226.75% compared with the same period last year was due to the interest expense on current loan decreases, while the interest income of time deposit increases

7.36 Investment income

Item	Amount for the current period	Amount for the prior period
Investment income from long-term investments under cost method	--	--
Investment income from long-term investments under equity method*1	--	--
Investment income on disposal of long-term investments	--	--
Investment income from holding trading financial assets	--	--
Investment income for the sale of financial assets during the holding period	827,100.00	650,000.00
Total	827,100.00	650,000.00

Investment income for the sale of financial assets during the holding period:

Item	Amount for the current period	Amount for the prior period	Reasons for changes
Shantou Small &Medium Enterprises Financing Guarantee Co., Ltd	650,000.00	689,000.00	Distribution of profit
Total	650,000.00	689,000.00	

7.38 Non-operating income

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Total gains on disposal of non-current assets	--	--	--
Gains on penalty	--	--	--
Government grants unrelated to the Company's daily activities	--	--	--
Indemnity	91,835.23	74,635.68	91,835.23

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Others	4,000.00	242,385.75	4,000.00
Total	95,835.23	317,021.43	—

7.39 Non-operating expenses

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Donations to third parties	50,000.00	20,851.54	50,000.00
Penalty expense	30,210.47	10,000.00	30,210.47
Compensation expense		10,000.00	0.00
Others	119,342.86	80,762.25	119,342.86
Total	199,553.33	121,613.79	—

7.40 Income tax expenses

(1) Details of income tax expenses

Item	Amount for the current period	Amount for the prior period
Current tax expense calculated according to tax laws and relevant requirements	116,979,398.73	48,017,985.19
Deferred income tax expenses	-5,809,681.45	-844,845.47
Total	111,169,717.28	47,173,139.72

(2) The process of calculating the income tax based on accounting profit

Item	Incurred in the current period
Consolidated profit this period	440,215,365.56
Income tax calculated at legal or applicable tax rate	110,053,841.39
Impact of various tax rates applicable to subsidiaries	--
Adjustment of impact on the income tax in the previous period	1,460.64
Impact of non-taxable income	--
Impact of non-deductible cost, expense and loss	1,114,415.25
Impact of deductible losses deferred income tax assets unconfirmed in the previous use period	--
Impact of the deductible temporary differences or deductible loss of unconfirmed deferred tax assets of this year.	--
Changes of the deferred tax assets/liability caused by the adjustment of tax rate	--
Income taxes	111,169,717.28

7.41 Other comprehensive income

Note: Please refer to note 7.28.

7.42 Notes to items in the cash flow statements

(1) Other cash receipts relating to operating activities

Item	Amount for the current period	Amount for the prior period
Interest income	13,061,210.22	10,938,611.05
Cash pledge and security deposits	4,323,391.76	4,169,257.32
Maintenance fund	6,343,450.31	
The collecting and paying on another's behalf	1,651,300.01	1,963,519.00
Others	61,406,545.31	8,174,583.09
Total	86,785,897.61	25,245,970.46

(2) Other cash payments relating to operating activities

Item	Amount for the current period	Amount for the prior period
Cash paid to general and administrative expenses	12,874,997.70	11,613,292.21
Cash paid to operating expenses	3,628,291.42	3,233,124.58
Cash pledge and security deposits	4,763,108.22	4,557,072.05
The collecting and paying on another's behalf	161,981.18	724,088.98
Others	36,632,151.02	50,416,225.28
Total	58,060,529.54	70,543,803.10

(4) Cash paid on other investing activities

Item	Amount for the current period	Amount for the prior period
Six months of structured deposits	600,000,000.00	
Total	600,000,000.00	

7.43 Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Item	Amount for the current period	Amount for the prior period
I. Reconciliation of net profit to cash flows from operating activities:		
Net profit	329,045,648.28	137,199,669.96
Add: Provision for asset impairment	--	--

Item	Amount for the current period	Amount for the prior period
Depreciation of fixed assets, bio-assets, and natural gas	13,246,302.18	12,436,112.05
Amortization of intangible assets	55,200.00	254,370.00
Amortization of long-term deferred expense	369,642.72	1,147,347.42
Losses on disposal of fixed assets, intangible assets and other long-term assets(deduct: gains)		24,018.05
Losses on scrapping of fixed assets (deduct: gains)	14,291.75	264.47
Loss of fair value variation (deduct: gains)	--	--
Financial expenses (deduct: gains)	3,060,270.68	4,276,807.04
Losses from investments (deduct: gains)	-827,100.00	-650,000.00
Decrease in deferred tax assets (deduct: increase))	1,723,550.79	-844,845.47
Increase in deferred tax liabilities (deduct: decrease)	--	--
Decrease in inventories (deduct: increase)	175,982,196.68	-13,302,973.16
Decrease in operating receivables (deduct: increase)	-174,638,545.77	-93,695,521.42
Increase in operating payables (deduct: decrease)	246,450,854.80	-144,604,199.24
Others	245,817.56	58,253.11
Net cash flows from operating activities	594,728,129.67	-97,700,697.19
II. Investing and financing activities that do not affect cash receipt and payment		
Liabilities converted capital	--	--
Reclassify convertible bonds to be expired within one year as current liability	--	--
Fixed assets subject to finance leases	--	--
III. Net increase in cash and cash equivalents:		
Cash at the end of the period	1,068,660,665.62	1,164,053,438.01
Less: cash at the beginning of the period	1,206,789,056.46	1,265,767,290.57
Add: cash equivalents at the end of the period	--	--
Less: cash equivalents at the beginning of the period	--	--
Net increase in cash and cash equivalents	-138,128,390.84	-101,713,852.56

(2)Information of cash and cash equivalents

Item	Amount for the current period	Amount for the prior period
I. Cash	1,068,660,665.62	1,206,789,056.46
Including: Cash on hand	72,392.09	56,472.32
Bank deposits	--	--
Other monetary funds	--	--
II. Cash equivalents	--	--
Including: Investments in debt securities due within three months	--	--
III. Closing balance of cash and cash equivalents	1,068,660,665.62	1,206,789,056.46
Including: Cash and cash equivalents using restricted of the parent company or	--	--

Item	Amount for the current period	Amount for the prior period
subsidiary		

7.44 Ownership or use-right restricted assets

Categories of assets	Closing balance	The reasons for restriction
Accounts receivable	51,374,540.56	Short-term loan mortgaged
Investment property (Shenfang square)	22,972,285.00	Long-term loan mortgaged
Total	74,346,825.56	——

7.45 The items of foreign currency

(1) Details of items of foreign currency

Item	Balance of foreign currency at year end	Exchange rate	Balance of RMB converted
Monetary fund			
Including: USD	62,689.67	6.5957	413,484.39
HKD	9,152,390.70	0.8404	7,692,035.25
HKD	4,905,150.10	0.8404	4,122,484.36
Other accounts receivable			
Including: USD	--	--	--
HKD	25,522,945.11	0.8404	21,450,504.02
Other accounts payable			
Including: USD	--	--	--
HKD	20,097,370.62	0.8404	16,890,634.19

(2) Oversea operating entities

The Group's significant overseas operating entities are American Great Wall Co., Ltd and Fresh Peak Investment Co., Ltd. American Great Wall Co., Ltd chooses the USD as its functional currency, for its main operating activities are in the USA; Fresh Peak Investment Co., Ltd. chooses the RMB as its functional currency, for it is an investment company and its main operating activities are in the mainland of China.

VIII The changes of the scope of consolidation

The company did not change the range of consolidation in this period compared with last year

IX Equities in other entities.

9.1 Equities in the subsidiaries

(1) The formation of the Group

Name of the subsidiary	Main operating area	Reg. place	Business nature	Shareholding proportion (%)		Method of acquiring
				Direct	Indirect	
Shenzhen Petrel Hotel Co. Ltd.	Shenzhen	Shenzhen	Services	68.10	31.90	Acquiring through establishment or investment
Shenzhen City Property Management Ltd.	Shenzhen	Shenzhen	Services	95.00	5.00	Acquiring through establishment or investment
Shenzhen Zhen Tung Engineering Ltd.	Shenzhen	Shenzhen	Services	73.00	27.00	Acquiring through establishment or investment
Shenzhen City We Gen Construction Management Ltd.	Shenzhen	Shenzhen	Services	75.00	25.00	Acquiring through establishment or investment
Shenzhen City Shenfang Investment Ltd.	Shenzhen	Shenzhen	Investment	90.00	10.00	Acquiring through establishment or investment
Shenzhen City Shenfang Free Trade Trading Ltd.	Shenzhen	Shenzhen	Commercial trade	95.00	5.00	Acquiring through establishment or investment
Shenzhen City SPG Long Gang Development Ltd.	Shenzhen	Shenzhen	Real estate	95.00	5.00	Acquiring through establishment or investment
Shenzhen Special Economic Zone Real Estate (Group) Guangzhou Property and Estate Co., Ltd.	Guangzhou	Guangzhou	Real estate	95.00	5.00	Acquiring through establishment or investment
Beijing fresh peak property development management limited company	Beijing	Beijing	Real estate	75.00	25.00	Acquiring through establishment or investment
Beijing SPG Property Management Limited	Beijing	Beijing	Services	10.00	90.00	Acquiring through establishment or investment
Shenzhen ShenWu Elebator Co.,Ltd	Shenzhen	Shenzhen	Services	--	100.00	Acquiring through establishment or investment
Shenzhen Lain Hua Industry and Trading Co. Ltd.	Shenzhen	Shenzhen	Services	95.00	5.00	Acquiring through establishment or investment
Fresh Peak Holding Ltd.	HongKong	HongKong	Investment and management	100.00	--	Acquiring through establishment or investment
Wellam Ltd.	HongKong	HongKong	Investment holding	--	100.00	Acquiring through establishment or investment
Shantou SEZ Wellam Fty Bldg., Dev. Co.	ShanTou	ShanTou	Real estate	--	100.00	Acquiring through establishment or investment
Shantou Huafeng Estate Dev.Co.	ShanTou	ShanTou	Real estate	100.00	--	Acquiring through establishment or investment
Great Wall Estate Co., Inc	USA	USA	Real estate	70.00	--	Acquiring through establishment or investment
Fresh Peak Holdings Ltd.	HongKong	HongKong	Investment and	100.00	--	Acquiring through establishment or investment

Name of the subsidiary	Main operating area	Reg. place	Business nature	Shareholding proportion (%)		Method of acquiring
				Direct	Indirect	
			management			
Fresh Peak Investment Ltd.	HongKong	HongKong	Investment	--	55.00	Acquiring through establishment or investment
Openice Ltd.	HongKong	HongKong	Investment and management	20.00	80.00	Acquiring through establishment or investment
Barenie Co. Ltd.	HongKong	HongKong	Investment	--	80.00	Acquiring through establishment or investment
Keyear Development Ltd.	HongKong	HongKong	Investment	--	100.00	Acquiring through establishment or investment
Guangzhou Huangpu Xizun real estate limited company	GuangZhou	GuangZhou	Real estate	--	100.00	Acquiring through establishment or investment
Fresh Peak Real Estate Dev. Construction (Wuhan) Co. Ltd.*	WuHan	WuHan	Real estate	--	55.00	Acquiring through establishment or investment
Shantou Special Economic Zone Real Estate (Group) Songshan Property and Estate Co., Ltd.	Shantou	Shantou	Real estate	--	100.00	Subsidiary acquired through emerge under non-common control
Shenzhen Shenfang Department Store Co. Ltd.* ①	Shenzhen	Shenzhen	Commercial trade	95.00	5.00	Acquiring through establishment or investment
Bekaton Property Limited *②	Australia	Australia	Real estate	60.00	--	Acquiring through establishment or investment
Canada Great Wall (Vancouver) *②	Canada	Canada	Real estate	--	60.00	Acquiring through establishment or investment
Paklid Limited *②	HongKong	HongKong	Commercial trade	60.00	40.00	Acquiring through establishment or investment
Guangdong Province Fengkai Lian Feng Cement Manufacturing Co., Ltd *③	Guangdong Fengkai	Guangdong Fengkai	Manufacture	--	90.00	Acquiring through establishment or investment

*① Shenzhen Shenfang Department Store Co. Ltd

The shareholders meeting held on October 29th,2007 passed the resolution to terminate business, liquidation and formed a group to carry out the liquidation procedures. The liquidation group issued a notice of liquidation on December 7th,2007. According to the principle of “Enterprise Accounting Standards No.33- the Consolidation Financial Statement”, the Store will not be included in the Company's consolidated financial statement. The book value of the investment account of the Company is zero.

*② Bekaton Property Limited ,Canada Great Wall (Vancouver)and Paklid Limited

These 3 subsidiaries were set up overseas in early times. The board of directors passed a resolution to terminate the corporations' business on Dec.13th, 2000.

*③ Guangdong Province Fengkai Lian Feng Cement Manufacturing Co., Ltd

The total assets (including tangible and intangible assets) of the corporation were auctioned for debt repayment at 22 January 2006. The Company's investment in the company's book value is zero.

Except for *①, *②, *③, the above subsidiaries which are not included the company's consolidated financial statement had ceased operations for many years. And the entities of the corporations didn't exist. And the Company has no control over its subsidiaries' businesses. According to the principle of "Enterprise Accounting Standards No.33- the Consolidation Financial Statement", the corporation will not be included in the Company's consolidated financial statement. The book value of the investment account of the Company is zero. The following are the details.

Investee	Accounting Method	Investment cost	Opening balance	Changes	Closing balance
Paklid Limited	Cost Method	201,100.00	201,100.00	--	201,100.00
Bekaton Property Limited	Cost Method	906,630.00	906,630.00	--	906,630.00
Shenzhen Shenfang Department Store Co. Ltd	Cost Method	10,000,000.00	10,000,000.00	--	10,000,000.00
Shantou Huafeng Building	Cost Method	68,731,560.43	58,547,652.25	--	58,547,652.25
Guangdong Province Fengkai Lain Feng Cement Manufacturing Co., Ltd	Cost Method	121,265,000.00	56,228,381.64	--	56,228,381.64
Total	—	201,104,290.43	125,883,763.89	-	125,883,763.89

(Continued)

Investee	Provision for impairment	Increased current year provision for impairment	Current year cash dividends	Remarks
Paklid Limited	201,100.00	--	--	
Bekaton Property Limited	906,630.00	--	--	
Shenzhen Shenfang Department Store Co. Ltd	10,000,000.00	--	--	
Shantou Huafeng Building	58,547,652.25	--	--	
Guangdong Province Fengkai Lain Feng Cement Manufacturing Co., Ltd	56,228,381.64	--	--	
Total	125,883,763.89	--	--	

(2) Significant non-wholly owned subsidiary

Name of subsidiary	Minority interest share proportion (%)	Current year profit and loss attributable to minority interest shareholders	Current year dividends distributed to minority interest shareholders	Minority interest equity balance at the end of the year
Great Wall Estate Co., Inc	30.00	-14,445.74		-21,824,034.20
Fresh Peak Investment Ltd.	45.00	-4,358.19		-104,587,105.22
Barenie Co. Ltd.	20.00	-1,632.33		-2,037,265.40

(3) The main financial information of significant non-wholly owned subsidiary

Name fo subsidiary	Closing balance					
	Current assets	Non-current assets	Total Assets	Current liabilities	Non-current liabilities	Total liabilities
Great Wall Estate Co., Inc	413,214.01	18,224,431.40	18,637,645.41	102,090,119.33		102,090,119.33
Fresh Peak Investment Ltd.	220,030,064.69	24,793,206.35	244,823,271.04	254,740,948.35		254,740,948.35
Barenie Co. Ltd.	979.31	30,373,713.87	30,374,693.18	32,802,836.67		32,802,836.67

(Continued)

Name of subsidiary	Opening balance					
	Current assets	Non-current assets	Total Assets	Current liabilities	Non-current liabilities	Total liabilities
Great Wall Estate Co., Inc	479,270.32	18,073,021.63	18,552,291.95	101,241,947.93		101,241,947.93
Fresh Peak Investment Ltd.	220,030,061.97	24,793,206.35	244,823,268.32	254,731,260.77		254,731,260.77
Barenie Co. Ltd.	975.66	30,373,713.87	30,374,689.53	32,794,671.39		32,794,671.39

(Continued)

Name of subsidiary	Incurred in current year				Incurred in previous year			
	Operating income	Net profit	Total of comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total of comprehensive income	Cash flow from operating activities
Great Wall Estate Co., Inc	287,797.83	-68,120.84	-48,152.47	-68,159.28	204,090.22	-89,772.94	1,961,740.89	-89,839.36
Fresh Peak Investment Ltd.		-9,684.86	-9,684.86			-8,070.14	-8,070.14	
Barenie Co. Ltd.		-8,161.63	-8,161.63			-6,812.65	-6,812.65	

9.2 Equities in joint ventures or associated enterprises

(1) Insignificant joint ventures or associated enterprises

Item	Closing balance/Incurred this year	Opening balance/Incurred last year
Joint ventures*①:		
Total investment book value	29,441,800.59	29,441,800.59
Totals of the following items calculated per respective shareholding proportion		
—Net profit	--	--
—Other comprehensive income	--	--
—Total comprehensive income	--	--
Associated enterprises*②:		
Total investment book value	446,861.06	446,861.06
Totals of the following items calculated per respective shareholding proportion		

Item	Closing balance/Incurred this year	Opening balance/Incurred last year
—Net profit	--	--
—Other comprehensive income	--	--
—Total comprehensive income	--	--

*① All of the Group's joint ventures are insignificant. For details of the joint ventures, please refer to 7.10, including:

1) Guangdong province Huizhou Luofu Hill Mineral Water Co., Ltd

The operating period of the company was from June 5, 1991 to June 4, 2001. And the company had ceased operations because of operating loss for many years. And the Company had been terminated its licenses by law at July 6, 2001 because it failed to pass the annual inspection. Besides, the corporation stopped preparing the financial statement. As of the end of the year, the book value of the investment account of the Company is zero. According to the joint venture agreement, the Company didn't have the obligation to bear the additional loss.

2) Fengkai Xinghua Hotel

The FengKai XingHua Hotel was announced bankruptcy by the Guangdong Province Zhaoqing City second-middle intermediate Peoples' court with the document (2002) ZHFJPZ No.2. And the corporation had finished the bankruptcy procedure. As of the end of the year, the book value of the investment account of the Company is zero. According to the joint venture agreement, the Company didn't have the obligation to bear the additional loss.

3) Jiangmen Xinjian Real Estate Co. Ltd., Xi'an Fresh Peak Building Co. Ltd, DongYi Property Co., Ltd

The above corporations were the joint ventures set up with the local partners for the properties developing projects. Consider the projects had been stopped, and the joint ventures had closed operating activities for many years with no preparation of financial statements. Already the corresponding provision for the investment of these joint ventures was accrued. Refer to Note 7.10 for details.

*② All associated enterprises of the Group are insignificant. For details of associated enterprises, please refer to note 7.10, including:

Shenzhen Runhua Automobile Trading Co., Ltd

The operating period of this corporation was from Feb 24, 1992 to Feb 24, 1997, and it had ceased operations because of operating loss for many years. Besides, it had been terminated its licenses by law because it failed to pass the annual inspection and no financial statement was prepared afterwards. As the end of the year, the book value of the investment account of the company is zero. According to the associate agreement, the company didn't have the obligation to bear the additional loss.

(2) The excess losses of the joint ventures or associated enterprises incurred.

Name of the joint ventures or associated enterprises	Accumulated unrecognized losses as of the end of last year	Unrecognized losses this year (or shared net profit this year)	Accumulated unrecognized losses as of the end of this year
Shenzhen Fresh Peak property consultant Co., Ltd	777,216.47	89,140.82	866,357.29

X The risk associated with financial instruments

The company's major financial instruments, including equity investments, loans, accounts receivable, accounts payable, etc., the detailed description of the financial instruments are shown in note six. The risks which associated with these financial instruments and the risk management policies adopted by the company to reduce these risks are described below. The management of the company is responsible for the management and monitoring of these exposures to ensure that these risks are in a limited amount of scope.

The company uses sensitivity analysis techniques to analyze the impact of reasonable and possible changes in the risk variables on current profit or loss or shareholder equity. As risk variables rarely occur in isolation, and affect the changes of correlation between these variables for a variable amount of risk will have a significant effect ultimately, so the content is on the assumption that the changes in each variable is in the condition of independence.

10.1 Risk management objectives and policies

The aim that company engaged in the risk management is to achieve the right balance between risk and return. It reduce the negative impact on the risk of the company's operating performance to the lowest level and maximize shareholder interests and other interests of investors. The aim that risk management based on the basic strategy of company's risk management is to identify and analyze various risks faced by the company. Establishment of appropriate risk limits and risk management, as well as to monitor all kinds of risks that control it in a limited scope timely and reliably.

(1)Credit risk

The company's credit risk is mainly reflected in the uncollectible accounts receivable. In order to reduce credit risk, the company set up a team wresponsible for determining the credit limit, credit approval, and other monitoring procedures to ensure that the necessary measures to recover overdue debt. In addition, the company reviews the recovery of each individual account receivable on each balance sheet date to ensure that the uncollectible accounts are fully prepared. Therefore, the company's management believes that the company's credit risk has been greatly reduced.

The company's liquidity is deposited in a bank with a higher credit rating, so the liquidity of the credit risk is low.

(2)Liquidity risk

In the management of liquidity risk, the company maintains the concept of management that adequate cash and

cash equivalents, monitoring it to meet the company's business needs and reducing the impact of cash flow fluctuations.

10.2 The transfer of financial assets

Financial assets that have been transferred but not wholly terminated

As of 30 June, 2018, the company declared factoring business 51,374,540.56 yuan to the bank in accounts receivable, got RMB 51,374,540.56 yuan of equal value. If it is fail to receive the corresponding accounts from the client, the bank has the right to repay the corresponding accounts to the company. Because the company still bear with these accounts receivable related credit risk, the company should continue to fully recognize the carrying amount of the accounts receivable due to the transfer of payments received and will confirm it as pledge loan.

XI Related party relationships and transactions

11.1 Parent of the Company

Name of the parent	Place of incorporation	Business Nature	Registered capital	Proportion of the Company's ownership interest held by the parent (%)	Proportion of the Company's voting power held by the parent (%)
Shenzhen Investment Shareholding Co. Ltd	Guangdong province Shenzhen	Investment, Real estate development, Guarantee	RMB21.58billion	63.55	63.55

11.2 Subsidiaries of the Company

Please refer to Note IX.1- Equities in the subsidiaries

11.3 Associates and joint ventures of the entity

Please refer to Note IX.3 –Equities in joint venture or associated enterprises

11.4 Other related parties of the Company

Name of other related party	Relationship between other related parties and the Company
Shenzhen Jian'an Group Co., Ltd.	The same controlling shareholders

11.5 Related party transactions

(1) Contracting with related parties

List of contracting item

Name of main contract issuing party	Name of contractor	Type of assets under contracting	Reception date of contracting	Expiration date of contracting	Basis of pricing of contracting income	Contracting income recognized in the current year
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Shenzhen Jian'an Group Co., Ltd.	Shenzhen Zhen Tung Engineering Ltd	Construction	2012-6-1		Negotiations	1,480,604.70
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List of outsourcing item

Name of main contract issuing party	Name of contractor	Type of assets under outsourcing	Reception date of contracting	Expiration date of contracting	Basis of pricing of contracting income	Contracting income recognized in the current year
Shenzhen City SPG Long Gang Development Ltd.	Shenzhen Jian'an Group Co., Ltd.	Construction	2015-9-16		Negotiations	18,344,588.63

(2) Borrowing from related party

Item	Carrying amount	Reception date	Expiration date	Statement
Borrowing from:				
Shenzhen Investment Shareholding Co. Ltd	16,535,277.94	2006.11.9	2016.12.22	The principal was repaid on December 22 th , 2016. The remaining amount is interest payable.

(3) Rewards for the Key Management Personnel

Item	Reporting period	Same period of last year
Rewards for the key management personnel	2,321,457.00	3,614,401.00

11.6 Amounts due from / to related parties

(1) Amounts due from related party

Item	Closing balance		Opening balance	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable				
Shenzhen Fresh Peak property consultant Co.,Ltd	1,143,424.85	--	1,140,015.16	--
Total	1,143,424.85	--	1,140,015.16	--
Other receivables				
Guangdong Province Huizhou Luofu Hill Mineral Water Co., Ltd	10,465,168.81	10,465,168.81	10,465,168.81	10,465,168.81
Shenzhen Runhua Automobile Trading Co., Ltd	3,072,764.42	3,072,764.42	3,072,764.42	3,072,764.42
Canada GreatWall (Vancouver) Co.,Ltd	89,035,748.07	89,035,748.07	89,035,748.07	89,035,748.07
Bekaton Property Limited	12,559,290.58	12,559,290.58	12,559,290.58	12,559,290.58
Paklid Limited	18,858,628.14	18,858,628.14	18,835,911.09	18,835,911.09
Shenzhen Shenfang Department Store Co. Ltd.	237,648.82	189,179.82	237,648.82	189,179.82
Shenzhen Real Estate Consolidated Service Co., Ltd.	475,223.46		475,223.46	
Shenzhen City Shenfang Construction and Decoration Materials Ltd.	8,419,205.19	8,419,205.19	8,419,205.19	8,419,205.19
Shenzhen RongHua JiDian Co.,Ltd	143,123,677.49	142,599,985.03	143,100,960.44	142,577,267.98

Item	Closing balance		Opening balance	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Xi'an Fresh Peak property management& Trading Co.,Ltd	10,465,168.81	10,465,168.81	10,465,168.81	10,465,168.81
Total	3,072,764.42	3,072,764.42	3,072,764.42	3,072,764.42

(2) Amounts due to related party

Item	Closing balance	Opening balance
Accounts receivable		
Shenzhen Jian'an Group Co., Ltd.	40,071,435.16	5,755,028.65
Total	40,071,435.16	5,755,028.65
Other payables		
Shenzhen Xin Dongfang Store Ltd.	902,974.64	902,974.64
Guangdong Province Fengkai Lain Feng Cement Manufacturing Co., Ltd.	1,867,348.00	1,867,348.00
Total	2,770,322.64	14,398,496.70
Interest payable:		
Shenzhen Investment Holding Co.,Ltd	16,535,277.94	16,535,277.94
Total	16,535,277.94	16,535,277.94

XII Commitments and Contingencies

12.1 Significant commitments

(1) Capital commitment

Item	Amount for the current period	Amount for the prior period
Capital commitments that have been entered into but have not been recognized in the financial statements	--	--
- Significant outsourcing contracts	201,539,688.62	245,497,748.08
Total	201,539,688.62	245,497,748.08

(2) There is no any other commitment during this period.

12.2 Contingencies

(1)Contingencies arising from pending litigations or arbitrations and their financial effects

Xi'an project Lawsuit

Xi'an Fresh Peak Holding limited company (hereinafter referred to as "Fresh Peak

Company") was sino-foreign joint venture set up in Xi'an city. The shareholder of the Fresh Peak Company – Hongkong Fresh Peak Co., Ltd was the wholly owned subsidiary of the company. And the Hongkong Fresh Peak Co., Ltd contributed 84% of the Fresh Peak Company's share- capital in cash. And Xi'an trade building

which was the enterprise under the Xi'an Joint Commission on Commerce and Trade contributed 16% of the Fresh Peak Company's share- capital with the land-use right. The core business was property development. And the project was Xi'an Trade Building. The project was started on 1995-11-28. But the project had been stopped in 1996 because of the two parties differences on the operating policy of the project.

In 1997, the Xi'an government withdrew the Xi'an Fresh Peak investment project compulsively and assigned the project to Xi'an Business Tourism Co., Ltd (hereinafter referred to as "Business Tourism Company"). But the two parties had insulted a lawsuit on compensation. The ShanXi Province High Peoples Court made a judgement "(2000) SJ-CZ No.25". The judgement was as follows: 1. Business Tourism Company had to pay for the compensation Rmb 36,620 thousand to Xi'an Fresh Peak Company after the judgment entering into force. If the Business Tourism Company failed to pay in time, it had to pay double debt interests to Xi'an Fresh Peak Company. 2. Xi'an Joint Commission on Commerce had jointly and severally obligation of the interests of the compensation.

Untill December 31th, 2011, the amount of RMB 15,201,000.00 had been called back. Because of Fresh Peak Company's application, ShanXi Province High Peoples Court resumed the execution on September 5th, 2011. Now the case is proceeding and there was no any new substantive progress in the reporting period.

As at 30 June 2018, the book value of the investment of Xi'an Fresh Peak Company was RMB 12,166,897.84. The provision for investment was Rmb 20,673,831.77. The book balance of assets was RMB 8,419,205.19 which has been taken full provision for impairment loss.

(2)Contingent liabilities arising from providing debt guarantees to other entities and their financial effects

The Company provided loan guarantees for purchaser of real estate. Up to Jun 30th,2018, the amount and duration of the unsettled guarantee is as follows:

Items	Duration	Unsettled amount (million)
Shenfang Chuanqishan	From real estate license granted and mortgaged	45,033.00
Shenfang Shanglin Garden	From real estate license granted and mortgaged	5,762.00
Total	—	50,795.00

(3) Contingent liabilities Related to the equity joint venture or consortium investment

Refer to Note IX "Equities in other entities".

XIII Other material facts

On 14 September, 2016, the Group plan the reorganization of material assets.The Group announced it intended to buy 100% stock equity of Evergrande real estate group co., LTD by issue shares or cash payment on 14 October, 2016.Guangzhou chiron real estate co., LTD will become the controlling shareholder of the company after the acquisition

The restructuring of material assets is still in process as scheduled by the financial report day.

XIV Notes to Items in the Financial Statements of the Company

14.1 Accounts receivable

(1) Accounts receivable by categories

Category	Closing balance				
	Carrying amount		Bad debt provision		Book Value
	Amount	(%)	Amount	(%)	
Accounts receivable of which provision for bad debts is of individually significant	--	--	--	--	--
Accounts receivable of which provision for bad debts is of individually insignificant	11,282,878.44	100.00%	6,968,694.02	61.76%	4,314,184.42
Total	11,282,878.44	100.00%	6,968,694.02	61.76%	4,314,184.42

(Continued)

Category	Closing balance				Book Value
	Carrying amount		Bad debt provision		
	Amount	(%)	Amount	(%)	
Accounts receivable of which provision for bad debts is of individually significant	--	--	--	--	--
Accounts receivable of which provision for bad debts is of individually insignificant	11,450,768.19	100.00%	6,968,694.02	60.86%	4,482,074.17
Total	11,450,768.19	100.00%	6,968,694.02	60.86%	4,482,074.17

① Bad debt provision of accounts receivable which is of individually significant

Content of accounts receivable	Carrying amount	Amount of bad debt	Proportion of provision	Reasons for the provision
House pay to be collected	11,074,183.83	6,968,694.02	62.93	A separate provision is established according to the recoverability of each receivable with long aging and little retrievability.
Rental to be collected	208,694.61	--	--	
Total	11,282,878.44	6,968,694.02	62.93	

(2) There were no any account receivables that had been fully or at a great proportion rate accrued for bad debt but had been fully collected or reversed back in the current period.

(3) There were no any significant accounts receivables written off in the current period.

(4) Top 5 entities with the largest balances of accounts receivable

Name of entity	Relationship with the Group	Amount	Age	Proportion of the amount to the total AR (%)	Bad debt provision
Corporation No.1	Un-related party	1,909,626.76	Within 1year	16.92	--
Corporation No.2	Un-related party	1,143,424.85	Within 1year	10.13	--

Name of entity	Relationship with the Group	Amount	Age	Proportion of the amount to the total AR (%)	Bad debt provision
Individual No.1	Un-related party	1,200,000.00	Within 1year	10.64	1,200,000.00
Individual No.2	Un-related party	876,864.11	Within 1year	7.77	876,864.11
Individual No.3	Un-related party	617,559.26	Within 1year	5.47	617,559.26
Total		5,747,474.98		50.94	2,694,423.37

(5) There were no any account receivables which had been derecognized.

14.2 Other receivables

(1) Other receivables by categories

Category	Closing balance				
	Carrying amount		Bad debt provision		Book Value
	Amount	(%)	Amount	(%)	
Accounts receivable of which provision for bad debts is of individually significant	1,526,878,271.80	98.40%	786,391,511.59	51.50%	740,486,760.21
Accounts receivable of which provision for bad debts is of individually insignificant	24,883,351.78	1.60%	11,701,429.72	47.03%	13,181,922.06
Total	1,551,761,623.58	1.00%	798,092,941.31	51.43%	753,668,682.27

(Continued)

Category	Closing balance				
	Carrying amount		Bad debt provision		Book Value
	Amount	(%)	Amount	(%)	
Accounts receivable of which provision for bad debts is of individually significant	1,677,928,020.15	89.27%	786,391,511.59	46.87%	891,536,508.56
Accounts receivable of which provision for bad debts is of individually insignificant	20,037,445.06	10.73%	11,701,429.72	58.40%	8,336,015.34
Total	1,697,965,465.21	100.00%	798,092,941.31	47.00%	899,872,523.90

① Bad debt provision of accounts receivable which is of individually significant

Content of accounts receivable	Carrying amount	Amount of bad debt	Proportion of provision	Reasons for the provision
Other receivables between subsidiaries that are included in consolidated statement	1,358,567,228.42	658,127,505.34	48.44%	A separate provision is established according to the recoverability of each receivables with long aging and little retrievability
Other receivables between subsidiaries that are not included in consolidated statement	168,311,043.38	128,264,006.25	76.21%	
Total	1,526,878,271.80	786,391,511.59	--	

(2) There were no any other receivables which had been accrued fully or large proportion provision but had

been fully collected or reversed back in this period..

(3) There were no any other receivables written off in the current period.

The detail for other receivables which had been written off

(4) Other receivables by nature

Nature	Closing balance	Opening balance
Other receivables between subsidiaries that are included in the consolidated statement	1,358,567,228.42	1,553,914,573.46
Other receivables between subsidiaries that are not included in the consolidated statement	168,311,043.38	128,834,349.06
Others	24,883,351.78	15,216,542.69
Total	1,551,761,623.58	1,697,965,465.21

(5) Top 5 entities with the largest balances of other receivables

Name of Entity	Relationship with the Group	Amount	Age	Proportion of the amount to the total OR (%) (%)	Bad debt provision
Fresh Peak Enterprise Co., Ltd	Subsidiary	9,689,866.22	1-2 years	34.92	508,377,320.74
		7,993,662.28	2-3 years		
		524,161,781.15	Over 3years		
Shantou Huafeng Estate Development Co., Ltd	Subsidiary	73,328,902.56	Within 1 year	39.57	--
		170,323,464.83	1-2 years		
		43,722,391.26	2-3 years		
		326,470,754.23	Over 3years		
American Great Wall Co., Ltd	Subsidiary	101,379,954.81	Over 3 years	6.53%	101,379,954.81
Canada Great Wall(Vancouver) Co., Ltd	Subsidiary	89,035,748.07	Over 3 years	5.74%	89,035,748.07
Total		1,346,106,525.41		86.75%	698,793,023.62

14.3 Long-term equity investments

(1) Long-term equity investments by types

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	317,578,928.40	69,155,382.25	248,423,546.15	317,578,928.40	69,155,382.25	248,423,546.15
Investment	22,393,912.73	21,947,051.67	446,861.06	22,393,912.73	21,947,051.67	446,861.06

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
in associates and joint ventures						
Total	339,972,841.13	91,102,433.92	248,870,407.21	339,972,841.13	91,102,433.92	248,870,407.21

(2) investment in subsidiaries

Name of investee	Opening balance	Curr. year Increase	Curr. year decrease	Closing balance	Curr. year impairment provision	Closing balance of impairment provision
Shenzhen City Property Management Ltd.	12,821,791.52	--	--	12,821,791.52	--	
Shenzhen Petrel Hotel Co. Ltd.	20,605,047.50	--	--	20,605,047.50	--	
Shenzhen City Shenfang Investment Ltd.	9,000,000.00	--	--	9,000,000.00	--	
Fresh Peak Enterprise Ltd.	556,500.00	--	--	556,500.00	--	
Fresh Peak Zhiye Co., Ltd.	22,717,697.73	--	--	22,717,697.73	--	
Shenzhen Special Economic Zone Real Estate (Group) Guangzhou Property and Estate Co., Ltd.	20,000,000.00	--	--	20,000,000.00	--	
Shenzhen Zhen Tung Engineering Ltd	11,332,321.45	--	--	11,332,321.45	--	
American Great Wall Co., Ltd	1,435,802.00	--	--	1,435,802.00	--	
Shenzhen City Shenfang Free Trade Trading Ltd.	4,750,000.00	--	--	4,750,000.00	--	
Shenzhen City Hua Zhan Construction Management Ltd.	6,000,000.00	--	--	6,000,000.00	--	
QiLu Co.,Ltd	212,280.00	--	--	212,280.00	--	
Beijing Shenfang Property Management Co., Ltd.	500,000.00	--	--	500,000.00	--	
Shenzhen Lain Hua Industry and Trading Co., Ltd.	13,458,217.05	--	--	13,458,217.05	--	
Shenzhen City SPG Long Gang Development Ltd.	30,850,000.00	--	--	30,850,000.00	--	
Beijing Fresh Peak Property Development Management Limited Company	64,183,888.90	--	--	64,183,888.90	--	
Shantou City Huafeng Real Estate Devepment Co., Ltd	30,000,000.00	--	--	30,000,000.00	--	
Paklid Limited	201,100.00	--	--	201,100.00	--	201,100.00
Bekaton Property Limited	906,630.00	--	--	906,630.00	--	906,630.00
Shenzhen Shenfang Department Store Co. Ltd.	9,500,000.00	--	--	9,500,000.00	--	9,500,000.00
Shantou Fresh Peak Building	58,547,652.25	--	--	58,547,652.25	--	58,547,652.25
Total	317,578,928.40	--	--	317,578,928.40	--	69,155,382.25

(3) Investment in associates and joint ventures

Name of investee	Opening balance	Changes in this period				
		Add investment	Reduce investment	Investment income under equity method	Adjustments of other comprehensive income	Changes of other equity
I. Joint ventures						
Guangdong Huizhou Luofu Hill Mineral Water Co., Ltd	9,969,206.09	--	--	--	--	--
Fengkai Xinghua Hotel	9,455,465.38	--	--	--	--	--
Subtotal	19,424,671.47					
II. Associates						
Shenzhen Runhua Automobile Trading Co., Ltd	1,445,425.56	--	--	--	--	--
Shenzhen Ronghua Jidian Co., Ltd	1,523,815.70	--	--	--	--	--
Subtotal	2,969,241.26	--	--	--	--	--
Total	22,393,912.73	--	--	--	--	--

(Continued)

Name of investee	Changes in this period			Closing balance	Closing balance of impairment provision
	Cash dividend or profit declared	Provision for impairment	Others		
I. Joint ventures					
Guangdong Huizhou Luofu Hill Mineral Water Co., Ltd	--	--	--	9,969,206.09	9,969,206.09
Fengkai Xinghua Hotel	--	--	--	9,455,465.38	9,455,465.38
Subtotal	--	--	--	19,424,671.47	19,424,671.47
II. Associates					
Shenzhen Runhua Automobile Trading Co., Ltd	--	--	--	1,445,425.56	1,445,425.56
Shenzhen Ronghua Jidian Co., Ltd	--	--	--	1,523,815.70	1,076,954.64
Subtotal	--	--	--	2,969,241.26	2,522,380.2
Total	--	--	--	22,393,912.73	21,947,051.67

14.4 Operating income and costs

(1) Operating income and operating costs

Item	Amount for the current period		Amount for the prior period	
	Income	Costs	Income	Costs
Principal operating	29,987,467.51	12,583,669.74	229,557,159.39	111,270,152.44

Item	Amount for the current period		Amount for the prior period	
	Income	Costs	Income	Costs
Total	29,987,467.51	12,583,669.74	229,557,159.39	111,270,152.44

14.5 Investment income

(1) Details of investment income

Item	Amount for the current period	Amount for the prior period
Investment income from long-term investments under cost method	--	169,393,952.18
Investment income from long-term investments under equity method	--	--
Investment income on disposal of long-term investments	--	--
Investment income from available-for-sale financial assets during the holding period	827,100.00	650,000.00
Total	166,511,022.49	746,988.93

XV. Supplementary Materials

15.1 Breakdown non-recurring profit or loss

Items	Amount for the current period	Statement
Profit or loss on disposal of non-current assets	-19,011.53	--
Tax refunds or reductions with ultra vires approval or without official approval documents	--	--
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	--	--
Income earned from lending funds to non-financial institutions and recognized in profit or loss	--	--
The excess of attributable fair value of identifiable net assets over the consideration paid for the acquisition of subsidiaries, associates and joint ventures	--	--
Profit or loss on exchange of non-monetary assets	--	--
Profit or loss on entrusted investments or assets management	--	--
Impairment losses on assets due to force majeure events, e.g., natural disasters	--	--
Profit or loss on debt restructuring	--	--
Entity restructuring expenses, e.g., expenditure for layoff of employees, integration expenses, etc.	--	--
Profit or loss attributable to the evidently unfair portion of transaction price, being transacted price in excess of fair transaction price, of a transaction	--	--
Net profit or loss of subsidiaries from the beginning of the period up to the business combination date recognized as a result of business combination of enterprises under common control	--	--
Profit or loss arising from contingencies other than those related to normal operating business	--	--
Profit or loss on changes in the fair value of held-for-trade financial assets, and held-for-trade financial liabilities and financial assets available-for-sale, other than those used in the effective hedging activities relating to normal operating business	--	--
Reversal of provision for account receivables that are tested for impairment losses individually	--	--
Profit or loss on entrusted loans	--	--
Profit or loss on changes in the fair value of investment properties that are subsequently measured using the fair value model	--	--

Items	Amount for the current period	Statement
Effects on profit or loss of one-off adjustment to profit or loss for the period according to the period requirements of tax laws and accounting laws and regulations	--	--
Custodian fees earned from entrusted operation	--	--
Other non-operating income or expenses other than the above	-84,706.57	--
Other profit or loss that meets the definition of non-recurring profit or loss	--	--
Subtotal	-103,718.10	--
Tax effects	-25,929.53	--
Effects attributable to minority interests (after tax)	--	--
Total	-77,788.57	--

Note: "+" means income or gain and "-" means loss or expense

The Group defines items as non-recurring profit or loss items according to "Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1---Non-recurring Profit or Loss"(CSRC No.[2008]43)

15.2 Return rate of net assets and earning per share

Profit the in the reporting year	Weighted return rate of net assets(%)	Earning per share (yuan / stock) (元/股)	
		Basic EPS	Diluted EPS
Net profit attributable to common stockholders	11.00%	0.3253	0.3253
Less: Net profit attributable to common stockholders after deducting non-recurring losses	11.00%	0.3254	0.3254

15.3 Differences between amounts prepared under foreign accounting standards and China Accounting Standards (CAS)

Differences in the net profit and net assets between those disclosed in the financial statements in compliance with International / Hongkong Finance Reporting Standards and CAS

	Net profit attributable to shareholders of listed companies t		Net assets attributable to shareholders of listed companies	
	Amount for the current period	Amount for the prior period	Amount for the current period	Amount for the prior period
In accordance with CASs	329,066,084.53	137,226,601.84	3,156,821,917.54	2,828,242,120.98
In accordance with IFRS	329,066,084.53	137,226,601.84	3,156,821,917.54	2,828,242,120.98

Part XI Documents Available for Reference

1. The financial statements with the personal signatures and stamps of the Company's legal representative, head for financial affairs and head of the financial department; and
2. The originals of all the documents and announcements disclosed by the Company on Securities Times, China Securities Journal and Ta Kung Pao during the Reporting Period.