SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE & PROPERTIES (GROUP) CO., LTD.
2001 ANNUAL REPORT

Important:

The Board of Directors of SHENZHEN Special Economic Zone Real Estate & Properties (Group) Co., Ltd. (hereinafter referred to as the Company) hereby confirms that there are no important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents. This report is written both in Chinese and English. Should there be any difference in interpretation of the text of the two versions, the Chinese version shall prevail.

I. COMPANY PROFILE

(Ⅰ) Legal Name of the Company

In Chinese: **深圳经济特区房地产（集团）股份有限公司**

In English: SHENZHEN Special Economic Zone Real Estate & Properties (Group) Co., Ltd.

Short Form in Chinese: **深房集团**

Short Form in English: SPG

(Ⅱ) Legal Representative: Ye Huanbao

(Ⅲ) Secretary of the Board of Directors: Zhou Fushen

Authorized Representative in charge of Securities Affairs: Tu Zhigang

Address: 47/F, SPG Plaza, Renmin Rd. S., Shenzhen

Tel.: (0755) 2293000-4654, 4715

Fax: (0755) 2294024

E-mail: szspgcs@public.szptt.net.cn

(Ⅳ) Registered Address: 47/F, SPG Plaza, Renmin Rd. S., Shenzhen

Office Address: 45-48/F, SPG Plaza, Renmin Rd. S., Shenzhen

Post Code: 518001

E-mail: SZspgcs@public.SZptt.net.cn

(Ⅴ) Newspapers for Disclosing the Information:

Domestic: China Securities Daily, Securities Times

Overseas: Ta Kung Pao

Internet Website Designated by CSRC for Publishing the Annual Report: http://www.cninfo.com.cn

The Place Where the Annual Report is Prepared and Placed: 47/F, SPG Plaza, Renmin Rd. S., Shenzhen

(Ⅵ) Stock Exchange Listed with: Shenzhen Stock Exchange

Short Forms of the Stock: SHENSHENFANG A (Stock Code: 000029)
SHENSHENFANG B (Stock Code: 200029)

(Ⅶ) Other Relevant Information of the Company

The initial registration of the Company:

Date: Jan. 8, 1980

Address: Shenzhen Municipality Administrative Bureau ofIndustry and Commerce

Registration number of business license of enterprise juristic person: 4403011002426

Number for taxation registration: 440301192179585

Name and address of certified public accountants engaged by the Company:

Shenzhen South Minhe Certified Public Accountants

Address: 8/F of Electronics Tech. Bldg., No. 2007, Shennan Center Road, Shenzhen

II. FINANCIAL HIGHLIGHTS AND BUSINESS HIGHLIGHTS

In RMB' 000

Gross profit:	199,965
Net Profit:	(498,295)
Profit per share Baisc	RMB(0.49)
Operating profit:	(408,570)
Investment income:	19,092
Net assets:	846,155
Increased cash inflows arising from operating activities:	69,222

Impact of IAS and other adjustments on net profit and shareholders' equity

	Net loss for the year RMB' 000	Net assets RMB' 000
As reported in the statutory consolidated financial statements	(537,280)	1,019,082
Reversal of depreciation charges in respect of investment properties	24,110	24,110
Timing difference in write-off of pre-operating expenses	1,745	--
Adjustment for market value of short-term investments	(55)	(55)
Expenses accrued in previous year	9,930	--
Difference in recognition of cost of fixed assets	--	(189,006)
Goodwill arising from acquisition of subsidiaries	1,397	(8,491)
Others	1,858	515
As reported in the consolidated financial statements prepared in accordance with IAS	(498,295)	846,155

(Ⅱ) Financial data summary over the past three years at the report year:

	2001	2000	1999
Income from main business lines (RMB' 000)	593,660	857,997	849,158
Gross profit (RMB' 000)	199,965	283,584	249,034
Net profit	(498,295)	75,971	98,277
Total assets (RMB' 000)	3,205,534	3,870,840	4,005,163
Net assets (RMB' 000)	864,115	1,340.558	1,263,361
Earnings per share (RMB)	(0.49)	0.07	0.10
Net assets pet share (RMB)	0.85	1.37	1.24
Net cash flows per share arising from operating activities (RMB)	0.07	0.07	0.18
Return on equity (%)	-57.67	5.46	7.78

III. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT THE PRINCIPAL SHAREHOLDERS

(Ⅰ)Changes in Share Capital

1. Changes in Shares (Ended Dec. 31, 2001)

	Before the change	Changes (+ / -) in report year						After the change
		Shares allotted	Bonus shares	Public reserve capitalized	Added shares	Others	Sub-total	
Ⅰ. Shares not in circulation								
1 Promoters' shares								
Including:								
Stated-owned shares	743,820,000							743,820,000
Domestic juristic person's Shares								
Foreign juristic person's Shares								
Others								
2 Raised juristic person's shares								
3 Employees' shares								
4 Preference shares or others								
Including:								
Shares allotted and Capitalized								
Total shares not in Circulation	743,820,000							743,820,000
ΙΙ. Shares in circulation								
1. RMB ordinary shares	147,840,000							147,840,000

2. Domestically listed foreign shares 3. Foreign shares listed abroad 4. Others Total shares in circulation	120,000,000 267,840,000							120,000,000 267,840,000
III. Total	1,011,660							1,011,660,000

2. Issuing and Listing

(1) On June 13, 1993, the Company issued 112 million RMB ordinary shares at the price of RMB 3.80 per share and listed the shares in Shenzhen Stock Exchange for trading on Sep. 15, 1993. On Nov. 30, 1993, the Company issued 100 million domestically listed foreign shares at the price of RMB 3.90 per share (or HKD 3.5 after conversion) and listed the shares in Shenzhen Stock Exchange for trading on Jan. 10, 1994.

(2) In the report year, the Company had never been involved in such activities as distributing bonus shares, capitalization, share allotment and issuance of new shares and there was no in the total shares and the share capital structure.

(3) The employees' shares were listed for trading through approval dated Aug. 26, 1994. At present, the Company has no more employees' shares.

(Ⅱ) About shareholders

1. Ended Dec. 31, 2001, the Company has totally 124664 shareholders, including 102583 shareholders of A-share, 22081 shareholders of B-share.

2. Ended Dec. 31, 2001, the only shareholder holding over 5% of the total shares of the Company is Shenzhen Construction Investment Holdings Co. ("Construction Investment Holdings"). In the report year, the shares held by Construction Investment Holdings were neither change in the shares nor pledging or freezing.

The top ten shareholder of the Company (Ended Dec. 31, 2001)

No.	Name of shareholders	Number of holding shares (Share)	Proportion in total shares (%)
1	Shenzhen Construction Investment Holdings Co.	74,382.00	73.5247
2	CBNY S/A PNC/SKANDIA SELECT FUND/CHINA EQUITY AC	169.81	0.1679
3	CHU KOON YUK	72.00	0.0712
4	SHUM YIP KWAN WING DEVELOPMENT LTD	66.20	0.0654
5	AHI FOOK SECURITIES CO LTD	66.06	0.0653
6	Pufeng Securities Investment Fund	61.32	0.0606
7	ORE BURNS （AUSTRALIA） PTY LIMITED	60.00	0.0593
8	Haitong Securities (Hong Kong) Co., Ltd.	58.19	0.0575
9	CHEN LI QIONG	58.00	0.0573
10	HSBC BROKING SECURITIES （ASIA） LIMITED-CLIENTS A/C	54.33	0.0537

Note: Shenzhen Construction Investment Holdings Co. holds the Company's shares on behalf of the state; Pufeng Securities Investment Fund is shareholder of A-share in circulating; the other shareholders are shareholders of B-share in circulating.

There exist no associated relationship among the top ten shareholders.

3. Ended Dec. 31, 2001, the only shareholder holding more than 5% of the Company's total shares is Shenzhen Construction Investment Holdings Co., Ltd., the Company's control shareholder whose legal representative was Zhang Bao. The company is mainly engaged in the businesses of general contracting of industrial and civil building projects, construction and design of general industrial and civil building projects; management of land site, operation of commodity buildings, development of real estate, foreign economic and technical cooperation, import and export, etc. Its concurrent business scope includes contracting the installation/erection of equipment, electrical equipment, instruments and meters of big industrial construction projects, installation of big integrated production equipment; labor services and training for construction of municipal works; investment and property management, etc.

4. In the report year, there was no change in the Company's holding shareholder.

IV. PARTICULARS ABOUT DIRECTOR, SUPERVISOR, SENIOR EXECUTIVE AND STAFF

(I) Directors, supervisors and senior executives

1. Basis condition

Name	Title	Gender	Age	Office term	Number of holding shares at the year-begin (share)	Number of holding shares at the year-end (share)
Ye Huanbao	Chairman of the Board	Male	45	Jun. 1999—Jun. 2002	0	0
Chen Wuhua	Director, General Manager	Male	49	Jun. 1999—Jun. 2002	0	0
Zhuang Chuanghui	Director	Male	47	Jun. 1999—Jun. 2002	0	0
Yao Ruisheng	Director	Male	57	Jun. 1999—Jun. 2002	0	0
Hu Mingzhong	Director	Male	49	Jun. 1999—Jun. 2002	0	0
Peng Naidian	Director	Male	53	Jun. 1999—Jun. 2002	0	0
Zheng Tianlun	Director	Male	66	Jun. 1999—Jun. 2002	0	0
Zhou Fushen	Director, Secretary of the Board	Female	47	Jun. 2000—Jun. 2003	0	0
Ma Jianhua	Director	Male	37	Jun. 1999—Jun. 2002	0	0
Zhou Daosheng	Chairman of the Supervisory Committee	Male	55	Jun. 1999—Jun. 2002	0	0
Gan Lu	Supervisor	Male	43	Jun. 1999—Jun. 2002	0	0
Wang Hongbo	Supervisor	Male	32	Jun. 1999—Jun. 2002	0	0
Feng Xinying	Supervisor	Female	53	Jun. 1999—Jun. 2002	0	0
Yang Junwei	Supervisor	Male	37	Jun. 1999—Jun. 2002	0	0
Shen Yuesheng	Deputy General Manager	Male	42	May 1999—	0	0
Wang Xiaolv	Deputy General Manager	Male	45	May 1999—	0	0
Wagn Junzhao	Chief Economist	Male	42	Aug. 1999—	0	0
Liang Song	Deputy General Manager	Male	38	Aug. 1999—	0	0

Director Yao Ruisheng and Hu Mingzhong took the position of Chief Economist of Shenzhen Construction Investment Holdings Co. .

2. About the annual salary

The Company carried out Annual Salary System on directors, supervisors and senior executives. The amount of annual salary is determined based on the salary standard in the same trade and the Company' s actual situation. The relevant department submits motion, and motion is subject to the Board of Directors for approval.

In 2001, the Company paid the annual salary amounting to RMB 1.22 million to directors, supervisors and senior executives. The total amount of the top three directors is RMB 350,000. The total amount of the top three senior executives is RMB 310,000. Among them, 3 ones enjoy respectively the annual salary over RMB 100,000; 8 ones enjoy respectively the annual salary between RMB 80,000 to RMB 100,000; 4 ones enjoy respectively the annual salary between RMB 60,000 to RMB 800,000.

Director Yao Ruisheng, Hu Mingzhong and Zheng Tianlun drew no pay from the Company. Of them, Yao Ruisheng and Hu Mingzhong drew their annual salary from Shareholding Company

3. In the report year, Liang Xu resigned from the post of Secretary of the Board due to work transfer in April 2001, and Zhou Fushen was engaged as instead by the Board of Director in Sep. 2001.

4. Number of employees, professional/occupational composition, education background and retired employees

By the end of the year 2001, the Company had totally 2753 employees, including 1251 production personnel, 372 sales personnel, 503 technical personnel, 268 financial personnel and 359 administrative personnel. Among them, 287 ones graduated from university or above, 265 from 3-years regular college, 351 from technical secondary school, 1850 from high school or above. The Company had 175 retired employees.

V. ADMINISTRATIVE STRUCUTRE

I. Pursuant to PRC Company Law, Securities Law and requirements of relevant regulations released by CSRC, the Company has been standardizing its own operation, establishing and continually improving modern enterprise system. The Company has established a series of rules and systems including Articles of Association, Rules of Procedures of the Board of Directors and Rules of Procedures of the Supervisory Committee. The Company has also made self-inspection according to the Administrative Rules for Listed Companies as jointly issued by CSRC and State Economy and Trade Commission. Details are as follows:

1. Shareholders and Shareholders' General Meeting

The Company has been ensuring shareholders could fully implement their rights, ensuring all shareholders could enjoy equal status, and ensuring shareholders have right of participation and right of knowing facts regarding significant issues. Shareholders are entitled to protect their legal rights through legal means; Holding and voting of the Shareholders' General Meeting are standardized; Correlative transactions are fair and reasonable.

2. The Controlling Shareholder and the Public Company

The controlling shareholder performs its rights of investor according to law, hasn't interfered in decision-making, production and management of the public company, and hasn't damaged the interests of public company and other shareholders. The Company has realized separation from the public company in respect of personnel, assets and finance, and its organization and business are independent.

3. Directors and the Board of Directors

The Company elected directors strictly according to the stated procedures in the Articles of Association, adopted accumulative voting system in election of directors; Directors could comply with relevant laws, legislations and Articles of Association, and could perform obligations in a loyal, honest and reliable manner; The number of the Board and the personnel formation are in line with relevant requirements; The Board of Directors could seriously perform the obligations as stated in relevant laws, legislations and Articles of Association; The Company has established standardized Rules of Procedures of the Board of Directors, and could hold Board meeting according to stated procedures. The Company shall establish independent director system as soon as possible.

5. Supervisors and the Supervisory Committee

The number of the Supervisory Committee members and the personnel formation are normative and reasonable; The Company has standardized Rules of Procedures of the Supervisory Committee; It has been safeguarding the right of knowing facts of supervisors, and could provide necessary assistance to supervisors in their performing of obligations; The Supervisory Committee proceeds strictly in accordance with stated procedures, and meetings of the Supervisory Committee could be held regularly with normative meeting minutes being kept.

6. Beneficiaries

The Company has been respecting the legal rights of creditors and other beneficiaries, cooperating with related beneficiaries actively so as to push the Company to develop in a healthy manner.

7. Information Disclosure and Transparent

The secretary of the Board of Directors is responsible for information disclosure; Strictly according to regulations of laws, legislations and Articles of Association, the Company carried out disclosure of sustained information, administrative information and information regarding shareholder's equity in real, accurate, complete and timely manner so as to ensure equal chance for all shareholders to obtain information.

II. About Independent Directors

The Company hasn't established independent directors so far. The Company shall establish independent director system according to the Guide Opinions for Establishing Independent Director System in Listed Company.

VI. BRIEFINGS ON THE SHAREHOLDERS' GENERAL MEETING

The Company held two Shareholders' General Meetings in the report year:

I. The notification on holding the Shareholders' General Meeting was published in Securities Times, China Securities and Hong Kong Ta Kung Pao dated May 24, 2001. The 9th Shareholders' General Meeting was held in the meeting room on the 48/F of Shen Fang Plaza at 9:00AM dated June 28, 2001 on schedule. There was one shareholder attending the meeting who held 743,820,000 A shares, taking 73.52% of the Company's total shares. No shareholder of B share attended the meeting, and the meeting was in line with regulations of PRC Company Law and Articles of Association. Lawyer from Shenzhen Xin Da Lawyers' Firm witnessed this Shareholders' General Meeting and issued legal position paper. The following resolutions were reviewed and passed in the meeting:

1. 2000 Report of the Board of Directors;
2. 2000 Annual Business Report and 2001 Management and Investment Plan;
3. 2000 Report of the Supervisory Committee
4. Reviewed and passed 2000 Financial Report of Actual Budget and Profit Distribution Plan

In 2000, the Company realized net profit of RMB 76,551,994.63 according to domestic accounting standards, and RMB 75,970,613.35 according to IAS. In the lower principle, the Company's net profit in 2000 was RMB 75,970,613.35. After deduction of provision of RMB 4,974,391.15 of surplus public reserve to subsidiaries based on equity ratio, the balance was RMB 70,996,222.20, which was to make up losses of previous year and would not be distributed among shareholders.

5. Proposal on Engaging Certified Public Accountants for 2001

The Company decided to engage Shenzhen Nanfang Minhe Certified Public Accountants to be in charge of its financial auditing work for A and B shares in 2001 after exploration.

The relevant resolutions of the Shareholders' General Meeting were published in Securities Times, China Securities and Hong Kong Ta Kung Pao dated June 29, 2001.

II. The notification on holding the Provisional Shareholders' General Meeting was published in Securities Times, China Securities and Hong Kong Ta Kung Pao dated November 30, 2001, and the notification on revising proposals of the Provisional Shareholders' General Meeting was published on December 15, 2001. The Provisional Shareholders' General Meeting was held on the 48/F of Shen Fang Plaza at 9:00AM dated December 31, 2001. There was one shareholder attending the meeting who held 743,820,000 A shares, taking 73.52% of the total shares. No B shareholder attended the meeting. Lawyer from Shenzhen Xin Da Lawyer's Firm witnessed this meeting. The meeting reviewed and passed the Proposal on Transferring Equity Rights of Guangdong Shantou Bay Bridge Co., Ltd.

The resolutions of this shareholders' general meeting were published in Securities Times, China Securities and Hong Kong Ta Kung Pao dated January 4, 2002.

VII. REPORT OF THE BOARD OF DIRECTORS

I. About Management of the Company

(I) Main Business Lines and Management Status

1. The Company belongs to real estate industry, and is engaged in real estate development, sales of commercial house, estate management and leasing, trading and retail of commodities,

hotel business, equipment installation and maintenance, and inside decoration. According to the result as audited by Shenzhen Planning and State Land & Resources Bureau, the Company ranked 13th in the comprehensive development companies of Shenzhen in 2000. In the report year, the consolidated financial statement reflected an income of RMB 616,250,000 from main business lines, which dropped RMB 236,590,000, a decrease range of 27.74%; The total profit was RMB –537,575,000; And net profit was RMB –537,280,000. The reason of decrease was that the Company allocated RMB 503,040,000 of provision for assets devaluation and RMB 29,870,000 for losses in lawsuit and arbitration.

Particulars about result of each trade: (Unit: RMB)

Trade	Operating income	Proportion in main business lines	Operating cost	Gross profit	Gross profit ratio
Real estate development	240,602,915.69	39.04%	148,472,961.27	92,129,954.42	38.29%
Circulation of commodities	181,887,683.41	29.52%	159,770,241.90	22,117,441.51	12.16%
Leasing of house	71,219,228.25	11.56%	26,938,995.35	44,280,232.90	62.17%
Estate management	61,875,531.40	10.04%	49,954,817.97	11,920,713.43	19.27%

In the report year, the Company's income of main business lines decreased a lot, in which: a. The income from real estate decreased by RMB 28,770,000 for the main reason that the project of Hu Bin Ge developed by the parent company was not finished for joining partnership so that the sold building and houses couldn't be carried forward into operating income; b. The income from leasing houses decreased by RMB 8,510,000, mainly because that the Company had sold part of estates available for leasing; c.. The income from circulation of commodities decreased by RMB 68,010,000, mainly because that Shenzhen Shen Fang Department had suspended operation for three months to make decoration and modification; d. The income from hotel and food service trades decreased by RMB 51,210,000, mainly because that it hadn't consolidated the operating income of Zhu Yuan Enterprise; e. The income from construction and installation trade decreased by RMB 24,420,000, mainly because that it hadn't consolidated the operating income of Shenzhen Rong Hua Mechanical and Electrical Engineering Co., Ltd.; f. The income from other trades decreased by RMB 54,610,000 mainly because of the decrease in operating income of Xin Feng Enterprise Co., Ltd.

2. In the report year, the main business lines and their structure had no changes compared with those by the end of last reporting year.

(II) Operation of Main Controlling Company and Companies Purchasing Shares and Achievement (Unit: RMB)

Name of company	Equity (%)	Operating scope	Registered capital	Income of main business lines	Total profit	Net profit
Shenzhen Shen Fang Department Store Co., Ltd.	100%	Domestic supplying and sales of commercial goods and materials	10,000,000	103,496,437	-3,108,465	-3,108,465
Shenzhen Shen Fang Bond Trade Co., Ltd	100%	Bond business of steel, construction material, mechanical & electrical equipment	5,000,000	78,187,247	-3,656,496	-3,656,496
Shenzhen Hua Zhan Construction and Supervision Co., Ltd.	75%	Construction and supervision	8,000,000	3,515,400	102,126	102,126
Shenzhen Zhen Tong Engineering Co., Ltd.	100%	Repair and maintenance	10,000,000	33,064,838	-4,277,948	-4,277,948
Shenzhen Petrel Hotel Co., Ltd.	100%	Hotel service	30,000,000	16,726,504	1,163,235	859,289
Shenzhen Shen Fang Group Bao'an Development Co., Ltd.	100%	Real estate development and sales of commercial house	20,000,000	14,586,808	3,340,620	3,020,693
Shenzhen Special Economic Zone Real Estate (Group) Guangzhou Real Estate Co., Ltd.	100%	Real estate development	20,000,000	993,002	34,687	25,322
Shenzhen Shen Fang (Group) Shanghai Real Estate Development Co., Ltd.	100%	Real estate development and management	30,000,000	25,692,591	-31,079,722	-31,079,722
America Great Wall Estate Co., Ltd	70%	Real estate development	USD500,000	857,405	214,510	214,510
Shenzhen Numeral Harbour Investment Co., Ltd.	70%	Consultation of investment information and technology	20,000,000	8,986,433	3,644,190	3,644,190
Shenzhen Zhu Yuan Tong Mini-bus Rent Co., Ltd.	100%	Mobile renting	10,290,000	2,108,035	146,421	146,421
Shenzhen Shen Fang Parking Lot Co., Ltd.	100%	Construction of parking lot	42,500,000	2,724,917	446,403	375,969
Shenzhen Xin Feng Estate Trading and Assessment Co.,	100%	Agent for real estate sales and leasing	5,140,000	3,558,173	-2,112,708	-2,124,858

Ltd.						
Shenzhen Estate Management Co., Ltd.	100%	Estate management and service	7,250,000	72,137,787	8,065,390	6,885,870
Xin Feng Estate Co., Ltd.	82%	Investment and share holding	HKD500,000	37,732,377	-8,976,466	-8,976,466
Xin Feng Enterprise Co., Ltd.	100%	Consultation of investment management	HKD1,000,000	18,614,296	-154,160,948	-152,467,741
Total				**422,982,250**	**-190,215,171**	**-190,417,306**

(III) Particulars about the First Five Customers

Customer Name	Total Sales Amount	Proportion in the total income
Shenzhen Dongfan Industrial Co., Ltd.	27,954,583	4.5%
Shenzhen Yuelong Industrial Co., Ltd.	19,407,501	3.15%
New Nan Hua Restaurant	17,837,555	2.89%
Zhan Shengqian	174,047,95	2.82%
Shenzhen Investment and Management Company	9,274,400	1.5%

(IV) Problems and Difficulties Occurring in the Operation and Solutions

The major problem and difficulty the Company faced in the operation were dropping of business volume in real estate development, lack of large-scale and high-quality development project and storage of resources, shortage in operating funds and low quality assets. In light of the above difficulties and problems, the Company is positively taking measures:

1. To concentrate limited funds, ensure smooth implementation of the planned development projects and solidify main profit sources.
2. To positively vitalize assets, expedite turnover of inventories and assets liquidity, transfer part of domestic investment projects.
3. To reinforce overall management of assets, improve structure of debts, and try hard to reduce financial cost.
4. To strengthen management of subsidiary enterprises, enhance the work of drawing the big and relax the small, and positively promote modification and reform for diversified equity rights.
5. To positively strive for more land reserve for the sustained development of main business lines.

II. About Investment in the Report Year

(I) Application of raised funds

The Company hadn't raised funds in the report year, and hadn't used funds raised in the previous year.

(II) Details about non-raised capital investment projects and progression see Note 5 & 6 of financial report.

III. The financial Status in the Report Year

(I) By December 31, 2001, the Company's total assets were RMB 3,473,210,000, a decrease of RMB 640,690,000 below RMB 4,113,900,000 as of the beginning of the year. The reasons of change are as follows:

1. The current assets were RMB 2,451,260,000, a decrease of RMB 544,490,000 below RMB 2,995,750,000 as of the beginning of the year. a. The accounts receivable decreased by RMB 41,370,000; b. Other accounts receivable decreased by RMB 85,730,000; c. The advance payment decreased by RMB 58,050,000; d. The decrease of RMB 373,780,000 in inventories was mainly because of provision for inventory price drop.

2. The total fixed assets amounted to RMB 428,680,000, a decrease of RMB 92,490,000 below RMB 521,170,000 as of the beginning of the year. The reason was that: a. Since the consolidation scope decreased, the Company removed the corresponding fixed assets balance as of the beginning of the year; b. The net value of multi-layer parking lot RMB 49,347,000 was listed in the inventory.

(II) By December 31, 2001, the Company's total debts amounted to RMB 2,459,730,000, a decrease of RMB 104,920,000 compared with that at the beginning of the year. The main reasons are as follows:

1. The current liability was RMB 2,308,860,000, a decrease of RMB 133,800,000 below that of the beginning of the year, which was resulted from decrease in accounts payable and tax payable.
2. The long-term liability was RMB 147,250,000, an increase of RMB 25,260,000 above that of the beginning of the year. The reasons were: a. It asked for a loan of RMB 15 million from Guangdong Development Bank, and turned the short-term loan to long-term loan; b. The accounts payable to Guangzhou Sui Xin Real Estate Co., Ltd. increased.
(III) The profit of main business lines was RMB 174,680,000, which decreased by RMB 99,550,000 compared with last year. The decrease was mainly resulted from decrease of main business lines income and increase of unit cost of main business lines.
(IV) The net profit was RMB-537,280,000 , which decreased by a wide range compared with that of last year. The decrease was mainly because that the Company allocated RMB 503,040,000 of provision for assets devaluation and RMB 29,870,000 of provision for losses in lawsuit and arbitration.
(V) By December 31, 2001, the Company's shareholders' equity was RMB1,019,080,000 , a decrease of RMB 533,390,000 below RMB 1,552,470,000 as of the beginning of the year, which was mainly resulted from losses of net profit.
IV. Management Plan of New Year
The management of year 2002 will become a connecting link of previous years and the future, which will have significant meaning for the Company to realize stable development. The Company will set about the work from inside, reinforce reforming dynamics, expedite reorganization pace, positively cope with challenges, try its best to carry out management well, strive to enlarge development scale, expedite turnover of inventories, improve assets quality, reduce debt risks, raise the enterprise's management level, and reciprocate shareholders with good management achievement. The Company will emphasize the following work:
1. To enlarge real estate development level, expedite progression of construction project in process, and raise project benefits level. The planned development projects in 2000 were:
a. Cui Zhu Villa, located on Dongmen North Road, Luohu District, Shenzhen, covering an area of 5899 M^2 with total construction area of 30170 M^2, is a 33-floor tall housing building and of which 20 floors of the main body are to be completed in the year.
b. Modification project of Nan Yang Hotel, located on Jianshe Road, Luohu District, Shenzhen, covering an area of 2000 M^2 with total construction area of 12747 M^2, is a 28-floor building of apartment houses and is to be completed and accepted within the year.
c. The 3rd phase modification project of Ni Gang, located in Ni Gang Housing Estate, Luohu District, Shenzhen, covering an area of 12112 M^2 with total construction area of 54000 M^2, are two 28-floor tall housing buildings and one 12-floor housing building, and of which the 12-floor building's body ceiling is to be finished covering in the year and the tall housing building is to be finished with 10 floors.
d. Hai Bin Building, located in Shatoujiao, Yantian District, Shenzhen, covering an area of 5314 M^2 with total construction area of 49021 M^2, are two 29-floor tall housing buildings, which are to be finished with 10 floors in the year.
e. The 3rd phase project of Zhong Huan Garden, located in Longhua Town, Bao'an District, Shenzhen, covering an area of 2796 M^2 with total construction area of 10750 M^2, is a 7-floor housing building and ceiling of which is to be finished covering in the year.
f. The 3rd and 4th project of Shantou Jinye Island Garden, located in Shantou Jinye Island, covering a total area of 29000 M^2 with total construction area of 18665 M^2, contain altogether 49 villas, and are to be completed and accepted within the year.
g. Guangzhou Huangpu New Housing Estate, located on Huangpu East Road, Huangpu District, Guangzhou, covering an area of 35462 M^2 with total construction area of 52154 M^2, are four 9-floor housing building and five 17-floor housing building, which are to be finished with designing and declaring work of earlier development stage in the year.

2. To expedite vitalization of assets, and try hard to improve assets quality. The Company will expedite transferring some of its domestic investment projects. Since these projects have been on for quite a few years, they become heavy burden on the Company. In recent year, the Company has allocated a huge amount of provision so as to provide favorable condition for transferring these projects. The Company will grasp this opportunity and strive to realize transferring of key projects so as to improve status of capital and raise assets quality. Meanwhile, the Company will emphasize on reinforcing sales and leasing work, and adopt reasonable price strategy and sales strategy towards some of idle estates so as to expedite liquidity.

3. The Company will keep on strengthening financial management and overall capital management, and raise utilization efficiency of capital and reduce financial cost. The Company will positively take advantage of withdrew funds to push debt reorganization work, focus on reducing the proportion of high-interest foreign exchange loans so as to improve debt structure, reduce overall interest level and raise operating benefits.

V. Daily Work of the Supervisory Committee

(I) Meetings of the Board of Directors Held in the Report Year and Resolutions of Meetings

The Company held altogether 4 meetings of the Board of director in 2001:

1. The 1st Meeting of the Board of Directors was held in the Company's meeting room on April 23, 2001. There were 8 directors attending the meeting, and the following resolutions were reviewed and passed in the meeting:

(1) 2000 Annual Report and Summary of A & B Shares;

(2) 2000 Profit Distribution Plan;

(3) Agreed to Liang Xuci's resignation of post as secretary of the Board of Director, and appointed Tu Zhigang to be authorized representative in charge of securities affairs.

The relevant resolutions of the Board of Directors were published in Securities Times, China Securities and Hong Kong Ta Kung Pao dated April 27, 2001.

2. The 2nd Meeting of the Board of Directors was held in the Company's meeting room on August 3, 2001. There were 9 directors attending the meeting, who discussed election of candidate of Board secretary. No resolution was made in the meeting on that day. The meeting was resumed on September 20, 2001 to continue the topic of engaging secretary of the Board of Directors, and finally it was decided that the finance controller who was also director was appointed to be Board secretary.

The relevant resolutions of the Board of Directors were published in Securities Times, China Securities and Hong Kong Ta Kung Pao dated September 21, 2001.

3. The 3rd Meeting of the Board of Directors was held in Petrel Hotel on November 28, 2001. There were 8 directors attending the meeting. The meeting discussed and approved unanimously that the transferring price of equity rights of Guangdong Shantou Bay Bridge Co., Ltd should be no less than RMB 320,000,000, and it was decided that the Provision Shareholders' General Meeting was to be held on December 31, 2001 to review the above proposal.

The relevant resolutions of the Board of Directors were published in Securities Times, China Securities and Hong Kong Ta Kung Pao dated December 1, 2001.

4. The 4th Meeting of the Board of Directors was held in the Company's meeting room on December 14, 2001. There were 7 directors attending the meeting. The meeting discussed and decided to revise part of resolutions of the Provisional Shareholders' General Meeting.

The relevant resolutions of the Board of Directors were published in Securities Times, China Securities and Hong Kong Ta Kung Pao dated December 15, 2001.

5. On August 21, 2001, the Board of Director reviewed 2001 Interim Report by means of joint signature, and passed 2001 Interim Report and Summary and Interim Profit Distribution Plan.

The relevant resolutions of the Board of Directors were published in Securities Times, China

Securities and Hong Kong Ta Kung Pao dated August 23, 2001.

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

The 8th Shareholders' General Meeting passed the resolution of profit distribution of 2000, augmenting of director etc. The Board of Directors, authorized by the Shareholders' General Meeting, strictly implemented the above resolutions. In the report year, the Company had neither plan of profit distribution and transferring of public reserve to share capital, nor allocation of shares and issuing of new share.

VI. Profit Distribution Preplan of the Report Year

According to domestic accounting standards, the Company, in 2001, realized net profit of RMB-537,280,146. Plus RMB –404,403,678 of the retained profit at the beginning of the year, the profit available for distribution was RMB-941,984,096. According to IAS, the Company, in 2001, realized net profit of RMB-498,295000, and the profit available for distribution was RMB-1,303,591,000. Through discussion in the Board meeting, the Company decided not to distribute profit of 2001.

VII. Newspapers as designated for disclosing information were not changed, namely, domestic information disclosure newspaper was Securities Times and China Securities, and overseas information disclosure newspaper was Hong Kong Ta Kung Pao.

VIII. REPORT OF THE SUPERVISORY COMMITTEE

In 2001, pursuant to regulations of PRC Company Law and Articles of Association and in the spirit of being responsible to all shareholders, the Supervisory Committee seriously performed obligations as stated in laws and legislations and carried out work actively and effectively. In the report year, the Supervisory Committee attended Board meetings as non-voting delegates, inspected management and operation of the Board of Directors and the Company regularly, carried out necessary supervision and made inquiries towards significant management activities and issues, tried hard to safeguard the legal rights and interests of all shareholders, and gave a good play to the Company's internal supervision and balance control.

I. Meetings of the Supervisory Committee

1. The 1st Meeting of the Supervisory Committee was held on April 23, 2001, which reviewed and passed 2000 Annual Report and 2000 Work Report of the Supervisory Committee.

2. The 2nd Meeting of the Supervisory Committee was held on August 2, 2001, which studied the procedures and superintendence issues regarding proposals of the provisional Board meetings.

3. The 3rd Meeting of the Supervisory Committee was held on August 21, 2001, which reviewed and passed 2001 Interim Financial Report and Summary.

4. The 4th Meeting of the Supervisory Committee was held on December 14, 2001, which studied the issue of honest and reliable performance of obligations of directors included in the proposal on transferring equity rights of Shantou Bay Bridge Co., Ltd in which the Company held.

In addition, the Supervisory Committee attended four Board meetings as non-voting delegates, and attended one Shareholders' General Meeting.

II. Independent Opinions of the Supervisory Committee

1. In the report year, the Company operated strictly according to PRC Company Law and Articles of Association, made decisions in legal procedures, implemented internal management in a healthy manner, and conducted business and operation in a standard way. Senior executives including directors of the Board, general managers hadn't infringed laws and disciplines when they were performing obligations, or damaged the interests of the Company and shareholders. The Board of Directors has implemented resolutions of the Shareholders' General Meeting. But the Company needs to further reinforce dynamics of

management and administration.
2. The Supervisory Committee made serious and careful inspection on the financial system and financial status, and believed the Company' s financial structure and status in 2001 were reasonable. The unqualified auditors' report issued by Nanfang Minhe Certified Public Accountants in the report year was real and accurate, which objectively reflected the Company' s financial status and business results.
3. The Company hasn' t raised capital on securities market for successive years. Thus in the report year, there existed no doubt whether actual raised capital projects were in accordance with promised ones or not and whether changes happened or not.
4. In the report year, intermediary institutions had audited or assessed transactions of purchase or sales of assets in detail, issued viewpoints, and decided on the reasonable pricing basis. The Supervisory Committee hasn' t found inside trading, damaging of the rights and interests of part of shareholders or assets runoff.
5. The Company conducted correlative transactions according to relevant regulations of Rules of Shenzhen Stock Exchange for Stock Listing, complying with the principles of being equitable, freewill, equal in price, reasonable and rewarding, which accorded with the demand of the Company' s development in long run and was in line with maximum interests of the whole shareholders.
6. In the report year, the Company suffered great losses. The Supervisory Committee believed that the great loss was resulted from both market competition and historical problems carried down o the report year. It was also because that the Company allocated RMB 503,039,536 of provision for assets devaluation according to the new accounting system, and allocated RMB 29,873,181 for losses in lawsuit or arbitration. The provision allocated for assets devaluation has brought much impact on the current item of gains and losses, but will be beneficial to the Company' s future development.

IX. SIGNIFICANT EVENTS

I. Significant Lawsuit and Arbitration
On January 21, 2002, the Company received the civil verdict issued by Guangdong Higher People' s Court (2001 YFJYZZ No.121 and No.122 documents), which settled final judgment on the case of lodging an appeal against Shenzhen Tian Hong Department Store Co., Ltd. (hereinafter referred to as Tian Hong Department Store) and pronounced judgment on the dispute lawsuit regarding contracting fee and investment capital. According to the judgment, the Company should pay RMB 25,148,474.68 of contracting fee and investment capital and the corresponding interest to Tian Hong Department Store, and undertake RMB 569,682 of case processing fee. The relevant public notice was published in Securities Times, China Securities and Hong Kong Ta Kung Pao dated January 4, 2002.
Details about other lawsuit or arbitration events involved in the report year see Note of the the financial statement.
II. The Company had no purchase and sales of assets as well as consolidation in the report year.
III. Details about correlative transactions in the report year see Note of the financial statement/
IV. In the report year, the Company had neither signed any significant contract of trusteeship, contracting and leasing etc., nor signed material contract of guarantee and contract of entrusting other party to manage assets.
V. The Company or shareholder holding over 5% of the total shares had no promised event in the report year or promised event carried down to the report year.
VI. On June 28, 2001, the Shareholders' General Meeting passed the Proposal on Engaging Certified Public Accountants for 2001, and decided to engage Nanfang Minhe Certified Public Accountants to be in charge of auditing work of 2001, and removed Shenzhen Hua Peng Certified Public Accountants as the Company' s auditor. According to the agreement,

the Company is to pay RMB 1.2 million of auditing fee to Shenzhen Nanfang Minhe Certified Public Accountants.

VII. In the report year, the Company had been publicly condemned by Shenzhen Stock Exchange for once. In 2001, the Company realized interim net profit of RMB 4.83 million with RMB 0.005 earnings per share, which displayed a decrease compared with the net profit of RMB 18.46 million with RMB 0.018 earnings per share at the same period of last year. However, the Company hadn't released any public notice of earlier warning, and then was publicly condemned by Shenzhen Stock Exchange on September 3, 2001.

X. FINANCIAL REPORT(Attached hereinafter)

XI. DOCUMENTS FOR REFERNECE

1. The financial statement carried with signatures and seals of the legal representative, the person in charge of accounting work, and the responsible person of accounting institution.
2. The original copy of auditors' report carried with seal of Certified Public Accountants as well as signatures and seals of certified public accountants.
3. All the master copies of documents and original copies of public notices that had been disclosed in China Securities, Securities Times and Hong Kong Ta Kung Pao in the report year.

Board of Directors of
SHENZHEN SPECIAL ECONOMIC ZONE
REAL ESTATE & PROPERTIES (GROUP) CO., LTD.
April 20, 2002

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

Report and Financial Statements
For the year ended December 31, 2001

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

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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REPORT OF THE AUDITORS
TO THE MEMBER OF
SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE & PROPERTIES (GROUP) CO., LTD

(Incorporated in the People's Republic of China with limited liability)

We have audited the financial statements of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd. on pages 2 to 31 which have been prepared in accordance with Statements of International Accounting Standards issued by International Accounting Standards Committee.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Group's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Group as of December 31, 2001 and of its loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with International Accounting Standards.

Moore Stephens Shenzhen Nanfang Minhe
Certified Public Accountants

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2001

	Notes	2001 RMB' 000	2000 RMB' 000
Turnover	4	593,660	857,997
Cost of sales		(393,695)	(574,413)
Gross profit		199,965	283,584
Other revenue		47,190	61,253
Gain from waiver of loan interests		--	10,870
		247,155	355,707
General and administrative expenses		(633,531)	(145,367)
Operating expenses		(22,194)	(59,259)
(Loss) / profit from operations	5	(408,570)	151,081
Finance cost	8	(108,833)	(67,846)
Share of profit of non-consolidated subsidiaries, associated companies, and contractual joint ventures		19,092	3,083
(Loss) / profit before taxation		(498,311)	86,318
Taxation	9	(2,089)	(8,307)
(Loss) / profit after taxation		(500,400)	78,011
Minority interests		2,105	(2,040)
Net (loss) / profit for the year		(498,295)	75,971
(Loss) / profit per share			
Basic	10	RMB(0.49)	RMB0.08

DIRECTOR DIRECTOR

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

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2001

	Notes	2001 RMB' 000	2000 RMB' 000
ASSETS			
Non-current assets			
Fixed assets	11	288,019	291,151
Investment properties	12	602,622	187,148
Non-consolidated subsidiaries	13	151,352	105,971
Associated companies	14	14,818	54,578
Contractual joint ventures	15	312,569	263,475
Long term investments	16	59,072	89,373
Intangible assets	17	101,608	113,453
		1,530,060	1,105,149
Current assets			
Properties under development for sale	18	868,380	1,288,008
Completed properties for sale	19	256,615	676,504
Inventories	20	16,392	49,476
Short term investments	21	3,051	3,141
Accounts receivable		146,046	361,789
Prepayments, deposits and other debtors		41,093	59,194
Cash and bank balances		343,897	327,579
		1,675,474	2,765,691
Current liabilities			
Customers' deposits		174,521	165,578
Accounts payable and accrued expenses		729,373	877,214
Dividends payable		138,764	139,334
Tax payable	22	68,746	110,519
Bank loans	24	1,143,772	1,121,207
		2,255,176	2,413,852
Net current (liabilities) / assets		(579,702)	351,839
Total assets less current liabilities		950,358	1,456,988
Non-current liabilities	23	(109,806)	(119,925)
Minority interests		5,603	3,495
NET ASSETS		846,155	1,340,558
CAPITAL AND RESERVES			
Issued capital	25	1,011,660	1,011,660
Reserves		(165,505)	328,898
		846,155	1,340,558

DIRECTOR DIRECTOR

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2001

	Notes	2001 RMB'000	2000 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sales of goods or rendering of services		645,320	846,401
Other cash received relating to operating activities		135,299	97,222
Cash paid for goods and services		(415,288)	(633,917)
Cash paid to and on behalf of employees		(93,623)	(75,957)
Payments of all types of taxes		(82,349)	(55,004)
Cash paid relating to other operating activities		(120,137)	(103,759)
Net cash flows from operating activities		69,222	74,986
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal of investments		33	100
Cash received from dividend and interest		25,502	28,025
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		530	73,104
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(22,830)	(19,328)
Cash paid to acquire investments		(5,226)	(461)
Net cash flows from investing activities		(1,991)	81,440
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from borrowings		696,733	527,496
Cash repayments of amounts borrowed		(659,215)	(612,122)
Cash paid for distribution of dividends or profits and for interest expenses		(113,017)	(70,196)
Net cash flows from financing activities		(75,499)	(154,822)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(8,268)	1,604
Cash and cash equivalents at the beginning of the period	26	176,778	175,174
Cash and cash equivalents at the end of the period	26	168,510	176,778

DIRECTOR DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001

	Share capital RMB' 000	Capital reserve RMB' 000	Cumulative translation reserve RMB' 000	General reserve RMB' 000	Staff welfare fund RMB' 000	Accumulated profits RMB' 000	Total RMB' 000
Balance at December 31, 1999	1,011,660	684,885	6,447	322,778	113,936	(827,191)	1,312,515
Profit for the year						75,971	75,971
Statutory appropriation of profits				3,316	1,658	(4,974)	
Negative goodwill on consolidation of subsidiary		1,174					1,174
Balance at December 31, 2000	1,011,660	686,059	6,447	326,094	115,594	(756,194)	1,389,660
Prior year adjustment (note27)						(49,102)	(49,102)
Restated balance at December 31, 2000	1,011,660	686,059	6,447	326,094	115,594	(805,296)	1,340,558
Loss for the year						(498,295)	(498,295)
Others		175	3,717				3,892
Balance at December 31, 2001	1,011,660	686,234	10,164	326,094	115,594	(1,303,591)	846,155

PRC laws and regulations require PRC companies to provide statutory reserves. General reserve is appropriated at 15% and staff welfare fund at within 10% from net profits after taxation as reported in the statutory accounts. Provision for the general reserve ceases when the accumulated general reserve amounts to 50% of the registered capital. All statutory reserves, including the general reserve fund and staff welfare fund, are for specific purposes and are not distributed in the form of cash dividends.

The Company declares dividends based on the lower of net profit after appropriation to reserves as reported in the statutory accounts prepared under the Accounting Standards for Business Enterprises and related accounting regulations in PRC and as reported in the financial statements prepared under IAS. For the year ended December31, 2001, the Company does not declare dividends to its shareholders.

GENERAL

Shenzhen Special Economic Zone Real Estate and Properties (Group) Co., Ltd. (the "Company") was incorporated in January 1980 in the People's Republic of China (the "PRC") and was reorganized as a joint stock limited company in July 1993. A and B shares were issued by the Company in September 15, 1993 and January 10, 1994 respectively.

The Company and its subsidiaries (the "Group") are principally engaged in property development, investment and management, hotel operations, construction, fitting-out, equipment installation and maintenance, retail operations and trading.

BASIS OF PREPARATION

The financial statements of the Group companies have been prepared in accordance with International Accounting Standards ("IAS") issued by the International Accounting Standard Committee. This basis of accounting differs from that used in the management accounts of the Group companies which were prepared in accordance with accounting principles and relevant financial regulations in the PRC. Adjustments which might restate the results of operations and the net assets have been made in compliance with IAS but will not be taken up in the accounting books of the companies in the Group. The financial statements of the overseas group companies have been prepared based on the accounting standards of the respective countries in which they operate are similar to IAS.

PRINCIPAL ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of subsidiaries:

* For acquisitions before January 1, 2001, positive goodwill is eliminated against reserves.

* For acquisitions on or after January 1, 2001, positive goodwill is amortized to the Consolidated Income Statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in Consolidated Balance Sheet at cost less any accumulated amortization and any impairment losses.

* On disposal of a subsidiary, any attributable amount of purchased goodwill not previously amortized through the Consolidated Income Statement or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

3. PRINCIPAL ACCOUNTING POLICIES – (continued)

Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiary companies are included in the Company's balance sheet at cost less provision, if necessary, for any permanent diminution in value.

Subsidiaries not consolidated

In the consolidated balance sheet the unconsolidated subsidiaries are recorded at cost and adjusted thereafter for post acquisition change in the Group's share of net assets of the subsidiaries. The consolidated income statement reflects the Group's share of the results of operations of the subsidiaries.

Investment in subsidiaries excluded from consolidation are stated at cost less provision for permanent diminution in value and the results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associated companies

An associated company is a company, not being a subsidiary company, in which the Group holds an equity interest for the long term and exercises significant influence in its management.

The consolidated income statement includes the Group's share of the post-acquisition results of the associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies plus the unamortised goodwill less capital reserves on acquisition of the associated companies.

In the Company's balance sheet the investment in associated companies are stated at cost less provision, if necessary, for any permanent diminution in value.

Contractual joint ventures

A contractual joint venture is a venture which operates under a contractual agreement whereby the Group or Company and at least one other party undertake an economic activity which is subject to control and none of the parties involved unilaterally has control over the economic activity.

The consolidated income statement includes the Group's share of the post-acquisition results of its contractual joint venture for the year. In the consolidated balance sheet, interest in contractual joint venture are accounted under the equity method and are stated at cost, less goodwill, and adjusted for the post acquisition change in the Group's share of the contractual joint venture's net assets.

3. PRINCIPAL ACCOUNTING POLICIES – (continued)

Fixed assets and depreciation

Fixed assets except investment properties are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost of fixed assets over their estimated useful lives on a straight line basis. Estimated useful lives are summarized as follows:

Land use rights and buildings in the PRC	25 – 30 years
Plant and machinery	7 years
Motor vehicles	6 years
Furniture, fixtures and office equipment	5 years

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalized and depreciated over their expected useful lives to the Group.

Construction-in-progress represents plant and properties under construction and includes the costs of construction plus interest charges arising from borrowings used to finance the construction during the construction period.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations or directors' valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case, the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged. On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement to form part of the gain or loss on disposal.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Completed properties and properties under development

Completed properties and properties under development held for sale are stated at the lower of cost and net realizable value. Cost includes the cost of land, development expenditure, borrowing costs capitalized in accordance with the Group's accounting policy and other attributable expenses. Net realizable value is determined by the management based on prevailing market conditions.

3. PRINCIPAL ACCOUNTING POLICIES – (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in first out method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Other investments

Long term investments are stated at cost less provision for permanent diminution in value, if any.

Short term investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement.

Revenue recognition

Turnover comprises (i) proceeds from sales of properties, (ii) revenue from retail sales of merchandise, (iii) revenue from hotel services, (iv) revenue from sales of goods, (v) billings related to construction, fitting-out, equipment installation and maintenance contracts, and (vi) rental income from investment properties.

Income from sales of properties is recognized upon the execution of a binding sales agreement or upon the issuance of an occupation permit by the relevant authority, whichever is the later.

Installment sales of developed properties are recognized to the extent that installments are received or become due under the relevant sales contracts.

Revenue from hotel services, property management services and taxi services is recognised when the services are rendered.

Revenue from the sale of goods, other than merchandise, is recognized upon delivery of the goods to customers entitlement to the sales consideration is obtained.

Profit from construction, fitting-out, equipment installation and maintenance contracts, which are mainly short-term in nature, is recognised under the completed-contract method, whereby billings and costs are accumulated and deferred, together with the related profit, until completion of the work.

Rental income, including rental invoiced in advance from properties under operating leases, is recognized on a straight line basis over the terms of the relevant leases.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

3. PRINCIPAL ACCOUNTING POLICIES – (continued)

Retirement benefit costs

In accordance with local government regulations, the Group is required to make contributions to a retirement insurance fund which is administered by the local social security bureau in accordance with government regulations. The amount of contributions is determined at a fixed percentage of the basic salaries of the Group's existing PRC staff.

Retirement benefits are paid directly from the fund and are calculated based upon a retired employee's basic monthly salary and their number of years' service.

The amount charged to the income statement represents the amount of contribution payable to the scheme by the Group.

Taxation

The charge for taxation is based on the result for the year as adjusted for items which are non-assessable or disallowable. Timing difference arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the accounts. The tax effect of timing differences, computed using the liability method, is recognised in accounts to the extent it is probable a liability or an asset will crystallise in the foreseeable future.

Intangible assets

Intangible assets represent the cost of acquisition of taxi licenses, computer software and land use right and are stated at cost less amortisation and provision, if any, for any permanent diminution in value. Amortization is provided to write off the cost of taxi licences over the licence period granted by relevant authorities, namely 10 years, by equal installments. Amortization is provided to write off the cost of computer software over 5 years and land use right over 62 years.

Foreign currency translation

Foreign currency transactions are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries maintained in foreign currencies are translated at exchange rates ruling on the balance sheet date. Exchange difference arising on consolidation, if any, are dealt with in reserves.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs capitalized.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is organised into five major operating divisions – property, retailing and trading, transportation and catering services, construction technical support and others. The divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property	- construction and development, sales, leasing and management of properties
Retailing and trading	- sale of general merchandise
Transportation and catering service	- hotel and restaurant operation and provision of taxi services
Construction technical support	- construction, fitting out and equipment installation and maintenance
Others	- corporate financing, etc.

The Group's business is principally conducted in the People's Republic of China (PRC) with its turnover for the year ended December 31, 2001 identified by geographical segments as follows:

	RMB ('000)
PRC	584,270
Hong Kong	8,564
The United States	826
	593,660

Segment information about these businesses for the year ended December 31, 2001 is presented below:

	Properties	Retailing and trading	Transportation and catering services	Construction technical support	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE							
External sales	354,265	180,630	15,857	20,304	22,604	--	593,660
Inter-segment sales	--	--	--	11,729	5,494	(17,223)	--
Total revenue	354,265	180,630	15,857	32,033	28,098	(17,223)	593,660

Inter-segment sales are charged on terms as determined by the directors.

4. **BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**

	Properties	Retailing and trading	Transportation and catering services	Construction technical support	Others	Eliminations	Consolidated
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
RESULTS							
Segment results	154,180	20,860	1,771	3,671	67,080	(3,502)	244,060
Unallocated corporate expenses							(652,630)
Operating profit							(408,570)
Finance cost							(108,833)
Share of profits of associates and joint ventures							19,092
Profit before tax							(498,311)
Income taxes							(2,089)
Profit after tax							(500,400)
Minority interests							2,105
Net profit for the year							(498,295)
OTHER INFORMATION							
Segment assets	1,666,925	141,073	52,659	13,782	79,707		1,954,146
Non-consolidated subsidiaries	46,719	8,180	--	9,058	62,845		126,802
Associated companies	1,473	--	--	--	4,847		6,320
Contractual joint ventures	83,552	4,511	105,690	--	87,023		280,776
Unallocated corporate assets							837,490
Consolidated total assets							3,205,534
Segment liabilities	1,255,893	138,250	109,079	13,314	138,951		1,655,487
Unallocated corporate liabilities							709,495
Consolidated total liabilities							2,364,982
Capital expenditure	1,364	8,493	6,786	919	5,268		
Depreciation	8,312	3,605	6,589	--	5,880		
Non-cash expenses other than depreciation	389,234	2,730	1,420	3,055	111,092		

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Segment information about these businesses for the year ended December 31, 2000 is presented below:

	Properties	Retailing and trading	Transportation and catering services	Construction technical support	Others	Eliminations	Consolidated
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
REVENUE							
External sales	478,560	252,434	71,124	38,957	16,922	--	857,997
Inter-segment sales	5,154	--	2,011	18,669	1,978	(27,812)	--
Total revenue	483,714	252,434	73,135	57,626	18,900	(27,812)	857,997

Inter-segment sales are charged on terms as determined by the directors.

	Properties	Retailing and trading	Transportation and catering services	Construction technical support	Others	Eliminations	Consolidated
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
RESULTS							
Segment results	252,637	13,418	35,471	9,295	19,735	(7,963)	322,593
Unallocated revenue							10,870
Unallocated corporate expenses							(182,382)
Operating profit							151,081
Finance cost							(67,846)
Share of profits of associates and joint ventures							3,083
Profit before tax							86,318
Income taxes							(8,307)
Profit after tax							78,011
Minority interests							(2,040)
Net profit for the year							75,971

5. **BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**

	Properties	Retailing and trading	Transportation and catering services	Construction technical support	Others	Eliminations	Consolidated
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
OTHER INFORMATION							
Segment assets	2,012,770	160,350	64,871	20,642	101,067		2,359,700
Investment in equity method							
Non-consolidated subsidiaries	32,711	5,727	--	7,570	42,774		88,782
Associated companies	5,495	--	--	--	18,082		23,577
Contractual joint ventures	70,462	3,800	89,165	5,905	67,543		236,875
Unallocated corporate assets							1,161,906
Consolidated total assets							3,870,840
Segment liabilities	1,369,257	154,910	165,124	139,240	26,464		1,854,995
Unallocated corporate liabilities							678,782
Consolidated total liabilities							2,533,777
Capital expenditure	2,865	3,159	3,865	2,886	6,553		
Depreciation	9,623	5,261	4,718	--	5,276		
Non-cash expenses other than depreciation	11,588	2,140	1,560	2,311	3,960		

LOSS)/PROFIT FROM OPERATIONS

	2001 RMB' 000	2000 RMB' 000
(Loss) / Profit before taxation is stated after crediting and charging the following:		
Crediting:		
Interest income		
- bank deposits	8,137	21,036
- others	--	35
Rental income	71,219	44,084
Write back of bad debts	11,662	904
Unrealized gain on short-term investments	--	1,101
Write-back of liabilities	--	1,369
Exchange gain	2,090	2,976
Gain on disposal of fixed assets	75	21
Charging:		

Depreciation	24,386	24,878
Amortization	4,502	86
Staff costs (note 6)	77,428	60,714
Rent paid under operating leases of land and building	492	300
Goodwill written-off	--	9,888
Exchange loss	2,814	--
Provision for impairment losses of assets (note 7)	503,029	11,585

STAFF COSTS

	2001 RMB' 000	2000 RMB' 000
Salaries and bonus	63,491	50,995
Retirement benefit costs and provision for other welfare	13,937	9,719
	77,428	60,714

PROVISION FOR IMPAIRMENT LOSSES OF ASSETS

	2001 RMB' 000	2000 RMB' 000
Fixed assets	1,641	--
Non-consolidated subsidiaries	3,444	--
Associated companies	22,406	--
Contractual joint venture	18,892	--
Long term investments	20,301	--
Intangible assets	10,377	--
Properties under development for sale	398,974	--
Completed properties for sale	17,000	--
Inventories	18	814
Accounts receivable	9,976	10,771
	503,029	11,585

FINANCE COSTS

	2001 RMB' 000	2000 RMB' 000
Interest expenses		
- bank borrowings	108,833	67,846

9. TAXATION

	2001 RMB' 000	2000 RMB' 000
The charge comprises:		
PRC income tax for the year	2,089	8,307

Domestic income tax is calculated in accordance with applicable income tax regulations and at 15% (2000: 15%) of the estimated assessable profit determined in accordance with the accounting principles and the relevant financial regulations applicable to enterprises in the PRC. Taxation for other jurisdictions is calculated at rates prevailing in the respective jurisdictions, details of which are as follows:

Income Tax Rate

	2001 RMB' 000	2000 RMB' 000
PRC enterprises income tax		
- enterprises in Shenzhen	15%	15%
- enterprises outside Shenzhen	33%	33%
Hong Kong profits tax	16%	16%
United States corporation income tax	15-59%	15-59%

10. **(LOSS)/PROFIT PER SHARE**

The calculation of basic earnings per shares is based on the consolidated loss for the year of RMB498,295,000 (2000: profit of RMB75,971,000) and 1,011,660,000 shares on issue.

FIXED ASSETS

	Land and buildings	Plant and machinery	Motor Vehicles	Office equipment and others	Construction in progress	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
COST						
At January 1, 2001	268,598	59,702	50,163	63,712	13,198	455,373
Additions	14,262	368	2,941	2,246	39,333	59,150
Disposals	(22,407)	(2,812)	(6,496)	(2,121)	(6,907)	(40,743)
Transfer	(4,413)	(2,196)	(8,159)	(31,856)	(7,159)	(53,783)
At December 31, 2001	256,040	55,062	38,449	31,981	38,465	419,997
DEPRECIATION						
At January 1, 2001	73,180	16,497	38,067	36,478	--	164,222
Charge for the year	16,154	1,981	4,050	2,201	--	24,386
Written back	(11,889)	(4,493)	(5,905)	(2,300)	--	(24,587)
Transfer	(8,689)	(1,174)	(6,896)	(16,925)	--	(33,684)
At December 31, 2001	68,756	12,811	29,316	19,454	--	130,337
PROVISION FOR DIMINUTION IN VALUE						
Charge for the year	1,313	68	164	96	--	1,641
NET BOOK VALUE						
At December 31, 2001	185,971	42,183	8,969	12,431	38,465	288,019
At December 31, 2000	195,418	43,205	12,096	27,234	13,198	291,151

The Group's leasehold land and buildings including investment properties are being held in the People's Republic of China under medium term leases. Certain properties have been pledged as security for the Group's bank borrowings (see note 28).

Under PRC laws, legal title to land and buildings is evidenced respectively by land use right certificates and title certificates issued by the relevant government agencies administering state-owned assets. As the land registration system in the PRC was not systematic and orderly in the 1980's the Group's title to a number of property interests in the PRC acquired in previous years has not been duly registered, and as a result, title certificates are not available for these properties. The Group is still in the process of effecting the registration of the title to these properties.

INVESTMENT PROPERTIES

	2001	2000
	RMB' 000	RMB' 000
Net book amount at beginning of year	187,148	155,594
Disposal of properties	(10,763)	(101,250)
Reclassified from fixed assets and inventories	426,237	132,804
Net book amount at end of year	602,622	187,148

The investment properties have been revalued as at 31 December 2001 by the directors.

SUBSIDIARY COMPANIES

At December 31, 2001, the Company had interests in the following principal subsidiaries which were grouped in the consolidated financial statements:

Subsidiaries	Place of equity establishment/incorporation	Principal activities	Interest held Direct %	Interest held Indirect %
Great Wall Estate Co., Inc.	U.S.A.	Property development	70	--
Shenzhen Shenfang (Group) Shanghai Property Development Co., Ltd.	PRC	Property development	100	--
Shenzhen Special Economic Zone Real Estate (Group) Guangzhou Property and Estate Co., Ltd.	PRC	Property development, decoration and construction design	100	--
Skill Elite Ltd.	Hong Kong	Corporate financing	100	--
Shenzhen City SPG Bao An Development Ltd.	PRC	Property development and sales	95	5
Shenzhen City Shenfang Free Trade Trading Ltd.	PRC	Trading of construction materials	95	5

Shenzhen City Shenfang Investment Ltd.	PRC	Investment and management	90	10
Shenzhen City Bamboo Garden Car Rental Ltd.	PRC	Car rental	100	--
Shenzhen Shenfang Car Park Ltd.	PRC	Develop and operate car park	70	30

13. SUBSIDIARY COMPANIES – (continued)

Subsidiaries	Place of equity establishment/incorporation	Principal activities	Interest held Direct %	Interest held Indirect %
Shenzhen City Wa Gen Construction Management Ltd.	PRC	Construction project management	75	--
Shinnying Tongxin Real Est. Dev. Co. Ltd.	PRC	Real estate development	--	93.1
Barenie Co. Ltd.	Hong Kong	Properties investment	--	80
Openice Ltd.	Hong Kong	Investment holding	20	80
Shantou SEZ Wellam Fty Bldg., Dev. Co.	PRC	Factory building, sales and rental	--	82
Xin-Feng Real Estate Dev. Construction (Wuhan) Co. Ltd.	PRC	Real estate management and rental service	--	55
Fresh Peak Investment Ltd.	Hong Kong	Properties investment	--	55
Wellam Ltd.	Hong Kong	Investment holding	--	82
Shenzhen Petrel Hotel Co. Ltd.	PRC	Hotel operations	68.1	31.9
Shenzhen Cyber Port Co., Ltd	PRC	Property investment and information technology consultancy	70	--
Shenzhen Fresh Peak Real Estate Trading and Revaluation Co. Ltd.	PRC	Property trading agency	95	5
Shenzhen Shenfang Department Store Co. Ltd.	PRC	Commercial goods supplier	95	5
Shenzhen City Property Management Ltd.	PRC	Property management	95	5

Shenzhen Zhen Tung Engineering Ltd.	PRC	Fitting-out contracting and maintenance	73	27
Fresh Peak Holdings Ltd.	Hong Kong	Investment, management and consultation	100	--
Fresh Peak Enterprise Ltd.	Hong Kong	Investment holdings	82	--
广州黄埔新邨房地产有限公司	PRC	Property development and sale	--	100
Keyear Development Ltd.	Hong Kong	Investment holding	--	100

13. SUBSIDIARY COMPANIES (continued)

The non-consolidated subsidiaries involved have either been terminated or liquidated, in the process of liquidation or not intended to be held for long term. The Group already made appropriate provision therefore and consequently they have not been grouped in the consolidated financial statements for the year but included as non-consolidated subsidiaries as follows:

	2001 RMB' 000	2000 RMB' 000
Unlisted Investments, at cost	394,259	287,012
Less: Provision for diminution in value of investments	(394,259)	(287,012)
	--	--
Add: Amounts due from non-consolidated subsidiaries	151,352	105,971
	151,352	105,971

Details of the non-consolidated subsidiaries are summarized in the following:

Subsidiaries	Place of Establishment/ incorporation	Principal activities	Interest held Direct %	Interest held Indirect %
Shenzhen Shen Fang Industrial Development Co., Ltd.	PRC	Property management, investment holding	100	--
Shenzhen New Oriental Department Store Co., Ltd.	PRC	Retailing/trading in consume goods	100	--
Shenzhen Oriental New Word Department Store Co., Ltd.	PRC	Retailing/trading in Consume goods	50	--
Shenzhen Real Estate Consolidated Service Co., Ltd.	PRC	Construction material, consume goods	100	--
Shenzhen Tefa Real Estate Consolidated Service Co., Ltd.	PRC	Construction and decoration	100	--
Guangdong Province Fengkai Lian Feng Cement Manufacturing Co., Ltd.	PRC	Manufacturing and trading in cement products	--	90
Shenzhen Shen XI Constructions Co., Ltd.	PRC	Fitting-out contracting and trading in fitting-out materials	--	60

13. SUBSIDIARY COMPANIES (continued)

Subsidiaries	Place of equity establishment/ incorporation	Principal activities	Interest held Direct	Indirect
			%	%
Shenzhen China Hong Kong Hoi Yan Enterprise Co., Ltd.	PRC	Tourism and Service	100	--
Fidelity Development Limited	Canada	Property Development	75	--
Bekaton Property Limited	Australia	Property Development	60	--
Beijing SPG Property Management Limited	PRC	Property management	100	--
湖 社 信息 服 中心	PRC	Information service	--	100
北京新峰房地公司	PRC	Property development and management	75	25
Dergetta Company Limited	HK		--	70
Guangzhou Zhen Tung (Pearl) Engineering Enterprise Ltd.	PRC	Air-conditioning engineering	70	--
Shenzhen City Shenfang Construction and Decoration Materials Ltd.	PRC	Retailing/trading of construction materials	100	--
Shenzhen City SPG Long Gang Development Ltd.	PRC	Property development, sales, management and rental	100	--
Shenzhen Lian Hua Industry and Trading Co. Ltd.	PRC	Trading of equipment and provision of renovation goods	100	--
Paklid Limited	HK	Property construction and trading of construction materials	100	--
Shenzhen City Zhen Tung New Electronic and Electrical Development Ltd.	PRC	Investing on electronic and electrical engineering project	95	5
Shenzhen City Wing Wah Engineering Ltd.	PRC	Repairs and maintenance of machinery	90	10

ASSOCIATED COMPANIES

	2001 RMB' 000	2000 RMB' 000
Unlisted investments, at cost	38,327	42,094
Share of post-acquisition (losses) / profits	(843)	1,331
	37,484	43,425
Less: Provision for diminution in value of investments	(22,406)	(43,425)
	15,078	--
Add: Amounts due (to) / from associated companies	(260)	54,578
	14,818	54,578

At December 31, 2001 the Company had interests in the following principal associated companies:

Associated companies	Place of Establishment/ incorporation	Principal activities	Equity interest held Direct %	Equity interest held Indirect %
Yunnan Kun Peng Aviation Service Ltd.	PRC	Aviation service	25	--
Tung Yick Property Co., Ltd.	Hong Kong	Property development	20	--
新疆深房百信物 公司	PRC	Property management and leasing	40	--
深圳 博 有限公司	PRC	Property management and leasing	45	--
武 通表面工程有限公司	PRC	Engineering	40	--
武 通冷气工程公司	PRC	Air-conditioning engineering	40	--

15. **CONTRACTUAL JOINT VENTURES**

	2001 RMB' 000	2000 RMB' 000
Unlisted Investments, at cost	477,867	148,102
Share of post-acquisition profits	29,495	1,268
	507,362	149,370
Less: Provision for diminution in value of investments	(165,803)	(129,998)
	341,559	19,372
Add: Amount due (to) / from contractual joint ventures	(28,990)	244,103
	312,569	263,475

15. CONTRACTUAL JOINT VENTURES (continued)

Particulars of the principal contractual joint ventures are set out as follows:

Contractual Joint venture		Joint venture registered capital ('000)	Group committed capital contribution ('000)	Principal activity	Method of Participation in earnings
Guangzhou Sui Xin Property and Estate Co Ltd.	5 years from 14 October 1992	RMB30,000	RMB71,000	Construction and sales of properties	36% of profits from Da De Plaza
Xian Fresh Peak Building Co. Ltd.	30 years from 6 July 1993	RMB20,000	RMB600,000	Construction and sales of properties	All profits after tax and appropriation commercial buildings to statutory reserves are to be used first to repay the capital contributions and interest on capital. Thereafter 67% of net profits.
Harbin Jianfeng Technology Development Co. Ltd.	30 years from 26 June 1993	RMB20,000	RMB30,000	Technology development	All profits of Harbin after tax and Jianfeng appropriation Technology to statutory Building reserves are to be used first to repay the capital contributions. Thereafter 50% of net profits.
Shantou Bay Bridge Co. Ltd.	35 years from 24 December 1993	RMB75,000	RMB225,000	Construction	All profits after of Shantou tax and Bay Bridge appropriation to statutory reserves are to be used first to repay the capital contributions and interest on shareholder's loans. There after 30% of net profits.

16. **CONTRACTUAL JOINT VENTURES – (continued)**

Contractual joint venture		Joint venture registered capital ('000)	Group committed capital contribution ('000)	Principal activity	Method of Participation in earnings
Jiangmen Xinjian Real Estate Co. Ltd.	10 years from 19 May 1993	US$6,600	US$6,000	Property development	33% of net of Jianmen profits, Xinjian commercial building.
Kunshan Diao Feng Electricity Power Co. Ltd.	20 years from 29 November 1993	US$7,200	US$9,000	Supply of electricity	Profit distributions and appropriation to statutory reserves are to be determined by the board of directors annually.
浮山旅游 公司	30 years from January 1985	RMB30,000,000	RMB30,000,000	Tourism development	Profits net of taxation will be distributed to the extent of 70% to the Company. The remaining 30% will be shared by the Company and the other venturer by the proportion of 55% and 45% respectively.

17. **LONG TERM INVESTMENTS**

	2001 RMB' 000	2000 RMB' 000
PRC legal entity shares, at cost	16,825	16,825
Unlisted equity investments, at cost less provision for diminution in value	42,247	72,548
	59,072	89,373

INTANGIBLE ASSETS

	Vehicle licenses RMB' 000	Land use right RMB' 000	Computer software RMB' 000	Total RMB' 000
At January 1, 2001	2,731	110,686	36	113,453
Addition	--	--	80	80
Amortization for the year	(714)	(826)	(8)	(1,548)
Provision for diminution in value	--	(10,377)	--	(10,377)
At December 31, 2001	2,017	99,483	108	101,608

PROPERTIES UNDER DEVELOPMENT FOR SALE

	2001 RMB' 000	2000 RMB' 000
Cost	1,585,328	1,614,084
Less: Provision for diminution in value	(716,948)	(326,076)
	868,380	1,288,008

Included in properties under development for sale is a piece of land awaiting development held in the United States at a cost of RMB122,479,046 against which provision for diminution in value of RMB104,723,917 was made in prior years. In last year, the Group brought a lawsuit over an unauthorized sale of the land. Whilst the litigation was in progress the land was held in custody by the court.

COMPLETED PROPERTIES FOR SALE

	2001 RMB' 000	2000 RMB' 000
Cost	304,765	707,653
Less: Provision for diminution in value	(48,150)	(31,149)
	256,615	676,504

INVENTORIES

	2001 RMB' 000	2000 RMB' 000
Raw materials	4,202	11,160
Work-in-progress	--	11,222
Finished goods	12,923	27,695
Less: Provision for diminution in value	(833)	(815)
Consumables	100	214
	16,392	49,476

21. SHORT-TERM INVESTMENTS

	2001 RMB' 000	2000 RMB' 000
Listed equity investments, at market value	3,034	3,091
Debentures, at market value	17	50
	3,051	3,141

22. TAX PAYABLE

	2001 RMB' 000	2000 RMB' 000
Income tax	58,235	71,912
Business tax and value added tax	7,647	37,566
Others	2,864	1,041
	68,746	110,519

23. NON-CURRENT LIABILITIES

	2001 RMB' 000	2000 RMB' 000
Bank loans (note 24)	90,735	75,783
Other liabilities	19,071	44,142
	109,806	119,925

At December 31, 2001, the bank loans were secured by certain bank deposits, fixed assets, investment properties and equity interests in contractual joint ventures. Details are set out in note 28.

Bank loans and other liabilities are repayable in various installments up to June 2003 and November 2004 respectively. Interest is charged on the outstanding balances at rates ranging from 8.6% to 16% per annum.

BORROWINGS

	2001 RMB' 000	2000 RMB' 000
Bank loans		
Secured	1,053,439	1,016,553
Guaranteed	161,068	152,840
On credit	20,000	27,597
	1,234,507	1,196,990
Bank loans repayable:		
Within one year or on demand	1,143,772	1,121,207
In the second year	89,298	--
In the third to fifth years, inclusive	1,437	75,783
	1,234,507	1,196,990
Portion classified as current liabilities	1,143,772	1,121,207
Long term portion	90,735	75,783
	1,234,507	1,196,990

Particulars of assets pledged from bank loans and other facilities are set out in note 28.

SHARE CAPITAL

	2001 RMB' 000	2000 RMB' 000
Registered, issued and paid-in		
891,660,000 A shares	891,660	891,660
120,000,000 B shares	120,000	120,000
	1,011,660	1,011,660

'A' shares are issued to Chinese national investors resident in the PRC and 'B' shares are issued to foreign investors. Chinese national investors resident in the PRC are entitled to purchase and sale 'B' shares since June 2001. 'A' and 'B' shares have a par value of RMB 1 per share and rank pari passu.

NET INCREASE IN CASH AND CASH EQUIVALENT

	2001 2000 RMB' 000	RMB' 000
Cash and bank balances	343,897	327,579
Less: deposits secured over 3 months	(174,663)	(144,709)
	169,234	182,870
Effect of foreign exchange rate changes	(724)	(6,092)
Restated cash and cash equivalents	168,510	176,778

PRIOR YEAR ADJUSTMENT

The prior year adjustment represents the correction of an error in respect of the calculation of minority shareholders' interests in prior years, of which the effect on the Group's results is RMB(49,102,000).

PLEDGE OF ASSETS

At December 31, 2001, certain of the Group's investment properties, leasehold land and buildings, properties under development and properties held for sale with an aggregate net carrying value of RMB733,711,400 and fixed deposits amounting to RMB131,900,100 were pledged to secure loans and general banking facilities to the extent of RMB999,246,200 granted to the Group. Facilities amounting to RMB998,246,200 were utilized at December 31, 2001.

In addition to the above, at December 31, 2001, 30% interest in rights under Sino-foreign cooperate joint venture agreement dated August 6,1993, as novated and supplemented by a Supplement on 20 May 1997 for the establishment and operation of Guangdong Shantou Bay Bridge Company Limited, assignment of 10% of all dividend and revenues received from Guangdong Shantou Bay Bridge Co., Ltd. for the period from 2000 to 2028 and 31.89% share interest in a subsidiary, Shenzhen Petrel Hotel Co., Ltd. were pledged to secure loans amounted to HK$52,000,000, equivalent to RMB55,192,800.

29. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

In addition to subsidiaries, associated companies and contractual joint ventures stated in notes 12, 13 and 14 respectively, the following entities have also been defined as related parties with whom the Group has had significant transactions during the year or with whom a significant balance exists at the year end.

	Nature of relationship
Shenzhen Construction Investment Holding Corporation	Ultimate holding company
Shenzhen Jianye (Group) Co., Ltd	With the same ultimate holding company

RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

The following is a summary of the significant transactions with related parties during the year.

Shenzhen Jianye (Group) Co., Ltd

	2001 RMB' 000	2000 RMB' 000
Construction and development expenses	2,350	14,246

In August 1994, the construction agreement was entered into between the Company and Shenzhen Jianye (Group) Co., Ltd. The expenses were made based on the market price.

Some net balances due from / (to) related parties at December 31, 2001 and 2000 are stated in notes 12-14 and included in the balance sheet of the Group as non-consolidated subsidiaries, associated companies and contractual joint venture; the remaining balances are summarized as follows.

	2001 RMB' 000	2000 RMB' 000
Shenzhen Construction Investment Holding Corporation	(188,764)	(198,039)
Shenzhen Jianye (Group) Co., Ltd	--	(4,161)
	(188,764)	(202,200)

The above amounts are included in the balance sheet of the Group in the following ways:

	2001 RMB' 000	2000 RMB' 000
Accounts payable and accrued expenses	(50,000)	(63,436)
Dividends payable	(138,764)	(138,764)
	(188,764)	(202,200)

Directors' emoluments

There are nine directors in the Company. Six of the directors received emoluments amounting to RMB520,000 for the year ended December 31,2001. Three directors did not receive salary and other benefits from the Company.

30. CONTINGENT LIABILITIES

	2001 RMB' 000	2000 RMB' 000
Guarantee given for banking and credit facilities granted to:		
- contractual joint ventures	11,000	14,000
- third parties	158,600	--
	169,600	14,000

31. MATERIAL CONTRACTS

As authorized by Extraordinary Shareholders' General Meeting, 30% interests in Shantou Bay Bridge Co. Ltd. held by Fresh Peak Holdings Ltd., a subsidiary of the Company, has been transferred, but the related procedures for the transfer were still in negotiation up to December 31, 2001. The carrying value of the contractual joint venture of Shantou Bay Bridge Co. Ltd. amounted to RMB141,657,451 as at December 31, 2001, which has a higher value according to the directors of the Company.

32. LITIGATION AND ARBITRATION

1. On March 21, 1997, the Company executed an agreement with Baoxin Real Estate Development (Shenzhen) Company Limited ("Baoxin") to sell its share of 68% interests in Guo Xin Building at a consideration of RMB145,000,000. In addition, the construction cost for the building of RMB15,000,000 was undertaken by Baoxin. Baoxin has paid a deposit of RMB45,000,000. The outstanding purchase consideration of RMB100,000,000 and the construction cost of RMB15,000,000 have still not been settled. The Company has lodged a claim to the Shenzhen Intermediate People's Court. The process of litigation is still in progress. For prudence purposes, the Company has not taken up any income on the above transaction. The deposit that has been received was included as other payable. Up to December 31, 2001, the construction cost for Guo Xin Building included in properties under development for sale in the balance sheet amounted to RMB166,109,047. As the title of Guo Xin Building was in the name of Baoxin, the Company has made a provision of RMB69,907,107 for loss in the construction of this building.
2. On June 26, 1993, the Company and Harbin Construction Engineering College ("Harbin") have signed a cooperative agreement. Under the agreement, the Company has advanced a loan of RMB21,450,000 to Harbin. As Harbin has not yet repaid the loan, in November 2000, the Company took an action against Harbin for payment in Shenzhen Intermediate People's Court. The legal proceeding is still in progress. The Company expects this loan will be recoverable in full and as a result, no provision is required.
3. On August 20, 2001, the Company applied to China International Economic Arbitration Committee for an arbitration against a joint venture company for a construction advance of RMB37,330,000 and the compensation for early redemption of the land use rights. The arbitration is still in progress. Up to December 31, 2001, the construction in progress for this project amounting to RMB38,256,853 was included in the construction in progress. The construction work has been stopped. The Company has not made any provision for impairment against this construction in progress.
4. A subsidiary, Great Wall Estate Company Inc. Incorporated in the United States, took a law suit against several parties including a bank for the ownership of a piece of land in Los Angeles, California which was unlawfully transferred by the defendants without the consent of the Company. The transfer was executed in

August 2000 and a new corporation grant deed was issued. Subsequently, the land was mortgaged to a bank for a loan of US$650,000. The Company has applied for the court's adjudication to restore the legal title thereof to the Company. At December 31, 2001, the case was still in judicial process. The land value of this property included in properties under development for sale of the Group amounted to RMB17,755,129. The Company expects it will either resume the ownership of the land or receive the compensation and no loss will be incurred ultimately. As a result, no provision has been made.

33. COMMITMENTS

At December 31, 2001, the Group has outstanding commitments payable in the following year under an operating lease in respect of land and building as follows:

	2001	2000
	RMB'000	RMB'000
In the second to fifth years inclusive	400	667

The Group also had outstanding commitments amounting to RMB887,568,300 for property development projects of which RMB325,437,600 was authorized and contracted by the directors.

34. IMPACT OF IAS AND OTHER ADJUSTMENTS ON NET PROFIT AND SHAREHOLDERS' EQUITY

	Net loss for the year	Net assets
	RMB'000	RMB'000
As reported in the statutory consolidated financial statements	(537,280)	1,019,082
Reversal of depreciation charges in respect of investment properties	24,110	24,110
Timing difference in write-off of pre-operating expenses	1,745	--
Adjustment for market value of short-term investments	(55)	(55)
Expenses accrued in previous year	9,930	--
Difference in recognition of cost of fixed assets	--	(189,006)
Goodwill arising from acquisition of subsidiaries	1,397	(8,491)

Others	1,858	515
As reported in the consolidated financial statements prepared in accordance with IAS	(498,295)	846,155

35. **COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year's presentation.