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

SEMI-ANNUAL REPORT 2002

Important Note: The Board of Directors of SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE (GROUP) CO., LTD. (hereinafter refereed to as the Company) and its directors individually and collectively accepts responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading.

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

Purpose of the summary of semi-annual report is to provide the public with brief introduction to the Company's operation in the first half year 2002. In the meantime, the full text of this report is published on the Internet website http://www.cninfo.com.cn. Investors are suggested to read carefully the full text of the report before significant decision-making.

This report was prepared in both Chinese and English; should there be any difference in interpretation of the two versions, the Chinese one shall prevail.

Content

I. COMPANY PROFILE

(I) Company information

1. 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

2. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Forms of the Stock: SHENSHENFANG A　　Stock Code: 000029

SHENSHENFANG B　　200029

3. Registered Address: 47/F, SPG Plaza, No. 3005, Renmin Rd. S., Shenzhen

Office Address: 45-48/F, SPG Plaza, No. 3005, Renmin Rd. S., Shenzhen

Post Code: 518001

E-mail: spg@163.net

4. Legal Representative: Ye Huanbao

5. Secretary of the Board of Directors: Vacant temporarily

Authorized Representative in charge of Securities Affairs: Tu Zhigang

Tel.: (0755) 82293000 ext. 4718, 4715, 4719

Fax: (0755) 82294024

E-mail: spg@163.net

6. Newspapers Designated by CSRC for Disclosing the Information:

China Securities, Securities Times and Ta Kung Pao

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

The Place Where the Semi-annual Report is Prepared and Placed:

Room 4702 on 47/F, SPG Plaza, No. 3005, Renmin Rd. S., Shenzhen

7. Other Information of the Company

Business scope: The Company is mainly engaged in development of real estate; sales, lease and management of commercial housing; construction fitment and installation; retail of commodity; trade, hotel and restaurant business.

Initial Registration Date: On Jan. 8, 1980

Initial Registration Place: Shenzhen Municipal Bureau of Administration for Industry and Commerce

Registration Number of Business License: 4403011002426

Registration Number of Taxation: 440301192179585

Name and Address of Certified Public Accountant Engaged by the Company:

Name: Shenzhen Nanfang Minhe Certified Public Accountant

Address: 8/F of Electronics Tower, No. 2007, Shennan Rd. C., Shenzhen

(II) Major financial data and indexes

Items	Jan.-Jun. 2002	Jan.-Jun. 2001
Net profit(RMB' 000)	-25,756	11,630
Return on equity (%)	-3.05	1.6
Earnings per share (In RMB)	-0.025	0.012
Net cash flows per share arising from operating activities	0.042	0.038
Items	**Jun. 30, 2002**	**Dec. 31, 2001**
Shareholders' equity (Excluding minority interests RMB' 000)	823,062	846,155
Net assets per share	0.82	0.85

Difference in net profit and net assets as of the report period based on Chinese Accounting Standards and International Accounting Standards respectively:

	Net assets RMB' 000	Net profit RMB' 000
As reported under IAS	823,062	(25,064)
1. Allotted depreciation charges in respect of investment properties and amortization expenses	(31,949)	(13,585)
2. Adjustment for market value of short-term investments	2,215	(943)
3. Timing difference in recognition of previous year expenses	--	(67)
4. Difference in recognition of cost of fixed assets	185,399	--
5. Goodwill arising from acquisition of subsidiaries	7,792	(698)
6. Others	(1,115)	279
As reported under Accounting System of Enterprise	980,974	(40,078)

II. CHANGE IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

(I) Change in share capital

In the report period, the Company' s total shares and its structure of share capital remained unchanged.

(II) Particulars about shares held by main shareholders

1. The total shareholders in the report period

Ended Jun. 30, 2002, the Company has totally 107,968 shareholders, including 85,775 shareholders of A-share and 22,193 shareholders of B-share.

2. Ended Jun. 30, 2002, only Shenzhen Construction Investment Holdings Co. ("Construction Investment Holdings") ranks the shareholder holding over 5% of the total shares of the Company. In the report period, the shares held by Construction Investment Holdings were not changed in total sum or pledged, frozen or under custody.

3. About shares held by the top ten shareholders of the Company

Ended Jun. 30, 2002, the top ten shareholders of the Company are as following:

No.	Name of shareholders	Number of holding shares (Share)	Proportion in total shares (%)
1	Shenzhen Construction Investment Holdings Co.	74,382,000	73.52
2	CBNY S/A PNC/SKANDIA SELECT FUND/CHINA EQUITY AC	1,894,760	0.1873
3	Pufeng Securities Investment Fund	956,801	0.0946
4	CHU KOON YUK	720,000	0.0712
5	Huatai Securities Co., Ltd.	655,930	0.0648
6	SHUM YIP KWAN WING DEVELOPMENT LTD	638,000	0.0631
7	ORE BURNS（AUSTRALIA）PTY. LIMITED	600,000	0.0593
8	Haitong Securities (Hong Kong) Co., Ltd.	581,900	0.0575
9	HSBC BROKING SECURITIES（ASIA）LIMITED-CLIENTS A/C	570,200	0.0564
10	ZHANG XU BIN	500,000	0.0494

4. Explanation of relationship of the top ten shareholders

No. 1 shareholder holds shares on behalf of the state; No. 3 and No. 5 are shareholders of circulation A shares; and the others are shareholders of circulation B shares. Among the top ten shareholders, the Company is not aware of their associated relationship except for the No. 1 shareholders.

5. In the report period, the holding shareholders of the Company remained unchanged.

III. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES

(I) Particulars about change in shares held by directors, supervisory and senior executives

In the report period, directors, supervisors and senior executives have not hold shares of the Company.

(II) Engagement and dismissal of directors, supervisors and senior executives

1. The Company held a meeting of Board of Directors on April 17, 2002, in which the Board of Directors agreed that Mr. Zhou Fushen resigned from the position of secretary of the Board of the Company.

2. The 10th Shareholders' General Meeting of the Company was held on June 28, 2002, in which, Mr. Hu Mingzhon resigned from the

position of director of the Company, and Mr. Zheng Tianlun and Mr. Yang Shaojia were engaged as independent director of the Company.

IV. EXECUTIVE STATEMENTS

(I) Operation in the First Half Year

Under the classification of real estate section, the Company is principally 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. In the first half of 2002, the Company operated normally, with real estate development improved to certain extent. In addition, key projects of the Company progressed smoothly basically as scheduled. Moreover, the Company made moderate progress in liquidizing remnant assets, invigorating large subsidiaries while releasing control over small ones, and liabilities restructuring.

In 2002, the Company planned to develop altogether eight projects including six inside Shenzhen, namely, Cun Qin Ge, Nan Yang Apartment, Ni Gang Xing Hu Garden (3^{rd} Phase), B Block of Yi Tai Center, Bin Hai Building of Sha Tou Jiao, Bao' an Zhong Huan Garden (3^{rd} Phase), and two outside Shyenzhen, namely, Guangzhou Huang Pu New Village (2^{nd} Phase) and Shatoujioa Jin Ye Dao Garden (3^{rd} and 4^{th} Phase). All these projects covers a total area of 108,250 square meters and the construction area scheduled to be 257,607 square meters. For the project of Nan Yang Apartment and B Block of Yi Tai Center, the after decoration was progressed in the report period as scheduled and expected the completion respectively in Sep. and Oct. 2002; for the Cun Qin Ge project, pouring soleplate in basement was completed in the report period as scheduled and expected the thorough completion at the end of 2003; for the project of Bao' an Zhong Huan Garden (3^{rd} Phase), construction of pile foundation was completed in the report period and the thorough completion was to be completed in April 2002; for the project of Ni Gang Xing Hu Garden (3^{rd} Phase), the engineering invitation bid was completed; and for the project of Shatoujioa Jin Ye Dao Garden, the shop drawing was prepared and approved. Although the property under development increased in terms of quantity in the report period, the possible profit generated from them may be limited since most of the said projects are based on lands that had been already developed and no scale economy was formed.

In the report period, subsidiaries of the Company did not operate well and the Company continues its key works of invigorating large subsidiaries while relaxing control over small ones. In the semi-annual accounting statement, eighteen subsidiaries were included in the consolidation including eleven with profits and six with deficits totaling RMB 7.8 million. That is, 33% of the Company' s subsidiaries suffered deficits in the report period, some temporarily. Comparing to the same period of previous year, turnover of the subsidiaries increased by 8% but gross profit decreased by 35% in the report period. Presently, the Company had altogether 109 subsidiaries, but only 56 of them were in normal operation. To cope with such problems, the Company planned to relax control over 24 subsidiaries, including 10 to be transferred wholly or partially, 5 to be cancelled or merged, 6 to be held by employees or executives, 1 to be sold, 1 to be put into bankruptcy, and 1 to be involved into equity exchange. The Company will make every effort to implement the said plans, so to promote the Company' s restructuring and optimize its corporate structure.

Though the Company made certain progress in loan reorganization, it still suffered a shortage in capital. Ended June 30, 2002, bank loans of the Company amounted to RMB 1.012 billion deducting pledged deposit and L/C loans. Up to this year, the Company had fulfilled seven loans reorganizations, which reduce the interest payment by RMB 17.72 million in 2002. Since only two projects, Nan Yang Apartment and B Block of Yi Tai Center, may be sold from as late as the fourth season, the Company estimated the cash flows arising from operating activities in the second half of 2002 would be limited and the shortage in capital would continue in the second half year.

(II) Operation Results and Financial Status

1. Comparison between the operation results

as of the report period and those as of the same period of previous year and the causes:

Unit: RMB

Items	Amount as of the report period	Amount as of the same period of previous year	Changes (%)
Income from main business lines	295，887，199.20	271，985，213.29	8.79%
Profit from main business lines	49，039，567.84	77，778，586.63	－36.95%
Net profit	－40，078，287.40	4，232，490.47	－1046.92%
Decrease of cash and cash equivalents	28，762，255.58	6,981，878.45	－311.96%

Income from main business lines in the report period increased by RMB 23.9 million over the same period of previous year mainly because income from architectural installation and construction, property letting, commodities logistics and hotel services made great progress in the report period.

Profit from main business lines decreased by RMB 28.74 million over the same period of previous year mainly due to the increase in cost, comprehensive cost rate of main business lines increased by 12.61% over the same period of previous year.

Net profit decreased by RMB 44.31 million to deficits of RMB 40.08 million mainly because, firstly, comprehensive cost of main business lines increase by great margin; secondly, sales cost and administrative expenses increased by RMB 11.95 million over the same period of previous year; and thirdly, investment income decreased by RMB 9.37 million over the same period of previous year.

Net decrease of cash and cash equivalents increased RMB 21.78 million over the same period of previous year mainly because firstly, cash borrowings decreased and secondly, cash for repaying previous borrowings increased.

2. Financial status and the causes

Unit: RMB’ 000

Items	Amount at period-end	Amount at year-begin	Changes (%)
Total assets	3,379,440	3,473,210	－2.70%
Shareholders’ equity	980,970	1,019,080	－3.74%
Accounts in advance	253,070	174,520	45%
Accounts payable	37,790	69,800	45.86%
Tax unpaid	44,730	68,390	－34.60%

Total assets decreased by RMB 93.77 million over the year-begin mainly because firstly, the Company reduce the liabilities of RMB 54.69 million by repaying bank loans and secondly, the Company suffered deficits of RMB 40.08 million in the report period.

Shareholders’ equity decreased by RMB 38.11 million over the year-begin mainly due to the deficits in the report period and the foreign currency translation.

Accounts in advance increased by RMB 78.55 million over the year-begin mainly due to the advanced sales payment for Hu Bin Ge project collected in the report period.

Accounts payable decreased by RMB 32.01 million over the year-begin mainly due to the payment for construction and sales in the report period.

Tax unpaid decreased by RMB 23.66 million over the year-begin mainly due to the payment for overdue tax in the report period.

3. Business segments

Unit: RMB’ 000

Business	Proportion	Sales income		Gross profit	
		Jan. to Jun. 2002	Jan. to Jun. 2001	Jan. to Jun. 2002	Jan. to Jun. 2001
Real estate development	16%	46,250	79,070	13,000	26,850
Property management	13%	38,060	37,300	9,390	11,170
Commodities logistics	43%	126,630	99,030	7,770	12,440
Architectural construction and installation	13%	38,100	10,670	4,470	2,420

Sales income and sales profit from real estate development decreased by 42% and 50% respectively, mainly because the income from the sold properties was not transferred into the sales revenue . Sales income and sales profit from property management respectively increased by 2% and decreased by 16% mainly because the operation cost increased. Sales income and sale profit of commodities logistics respectively increased by 28% and decreased by 38% mainly because firstly, cost increased due to the re-decoration of SPG Apartment Company, one of the Company major subsidiaries, and secondly, profitability of the Company trading subsidiaries in terms of import and export reduced. Sales income and sales profit from Architectural construction and installation respectively increased by 257% and 84%.

(III) Investment

1. In the report period, the Company raised no proceeds and no previously raised proceeds were extended in the report period.
2. Progress of project funded with non-raised proceeds

a. Cui Qin Ge project, located in 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 housing building which is to be thoroughly completed by the end of 2003. The Company planned to invest RMB 16 million in the project and complete 10 floors in 2002. In the first half of 2002, the Company actually invested RMB 12 million and the pouring soleplate in basement was completed as scheduled.

b. B Block of Yi Tai Center project, located in Jianshe Road, Luohu District, Shenzhen, covering an area of 6666 M^2 with total construction area of 22000 M^2, is a 29-floor building of apartment houses which is to be thoroughly completed and accepted in the third quarter of 2002. The Company planned to invest RMB 8 million in the project in 2002 and to be completed and accepted in the first half of 2002, the Company actually invested RMB 4.5 million and the after decoration was undergoing as scheduled.

c. Nan Yang Apartment project, located in 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 which is to be thoroughly completed and accepted in the third quarter of 2002. The Company planned to invest RMB 18 million in 2002 and in the first half, it actually invested RMB 11 million and the after decoration was undergoing as scheduled.

d. Bin Hai Building project, 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 housing buildings, which are to be constructed from this year. But the State Land Department changed the development plan for the land, so the Company adjust and amend the original plan accordingly. Presently, the shop drawing was under the examination. In the first half of 2002, the Company actually invested RMB 1.18 million in the project.

e. Xing Hu Garden (3rd phase) project, located in Nigang Road, Luohu District, Shenzhen, covering an area of 12112 M^2 with total construction area of 54000 M^2, is two 28-floor buildings and one 12-floor building. The Company planned to invest RMB 30 million in the project and complete the skirt building in 2002. In the first half of 2002, the Company actually invested RMB 16.64 million but the actual progress of the project is not in line with relevant plan because the roads plan in the district changed and the engineering bidding prolonged. Presently, the engineering bidding was completed and the construction is to be started from August.

(IV) Operation Plan for the Second Half Year

1. The Company plans to realize income from main business lines of RMB 407.12 million including RMB 156.89 million from the Group headquarter and RMB 249.23 million from the subsidiaries.
2. In the second half of 2002, the Company will focus on works especially in following respects: firstly, to actively promote the transfer of equity of Shantou Haiwan Bridge, assure the timely performance the contract

so to accomplish the annual operation target; secondly, to make full advantages of the capital in HK$ from the equity assignment, timely do a good job on liabilities reorganization including currency duration and rate adjustment for its foreign currency loans, effectively reduce the financial cost and risk; thirdly, to rationally allocate the capital, reinforce the project management, and assure the projects developed in accordance with relevant schedules; fourthly, to enthusiastically push the reform, restructure of its subsidiaries, to strengthen the work of invigorating large subsidiaries while releasing control over small ones, so to lay a solid foundation for the Company to optimize the industrial and corporate structures; fifthly, to further improve the corporate governance, speed up the operation organism transfer and move the overall administration and operation upwards to a higher level.

(V) Forecast

Based on the Company' s present situation, it is hard to turn the deficits into profits in the next report period.

V. SIGNIFICANT EVENTS

(I) Corporate Governance

At the end of 2001, actual corporate governance of the Company had difference from the requirement of CSRC in respect that listed company should engage independent directors. In the 10th Shareholders' General Meeting dated June 28, 2002, Mr. Zheng Tianlun and Mr. Yang Shaojia were elected as independent directors of the Company and Independent Directors System was established according to Guiding Opinion on Establishing Independent Directors System in Listed Company, Rules for Administration in Listed Company and Articles of Association of the Company.

(II) Profit Distribution

In the 10th Shareholders' General Meeting dated June 28, 2002, it was examined and approved that the Company would conduct neither profit distribution nor capital public reserve transferring into share capital. (for details, please refer to public notice in China Securities, Securities Times and Ta Kung Pao dated June 29, 2002)

(III) Significant Litigation and Arbitration

1. April 1993, the Company jointly invested with Tian Hong Department to incorporate and operate Shenzhen Orient Tian Hong Department Store Co., Ltd. (Orient Tian Hong) From Jan. 5, 1994, the Company started to contract and operate Orient Tian Hong. Due to dispute on the contract fee and investment capital, Shenzhen Medium People' s Court ruled on Nov. 1, 2000 that the Company should pay RMB 25,148,474.68 of contract fee and investment capital and the corresponding interest to Orient Tian Hong and undertake the case acceptance fee of RMB 569,682. Jan. 21, 2002, the Company received a civil judgment from Guangdong High People' s Court standing the previous ruling.
2. For other litigation and arbitration involving the Company, please refer to notes to accounting statements Note.

(IV) Significant Purchase, Sales or Disposal of Assets and Merger and Consolidation

In the Company' s extraordinary shareholders' general meeting dated Dec. 31, 2001, the Proposal on Assigning Equity of Guangdong Shantou Haiwan Bridge Co., Ltd. was examined and approved (for details, please refer to public notice in Securities Times, China Securities and Ta Kung Pao dated Jan. 4, 2001). Ended June 30, 2002, the Board has not signed any formal equity assignment contract with the acquirer, relevant issues were still under negotiation.

(V) Related Transaction

Please refer to Note to the accounting statements.

(VI) Significant Contract and the Implementation

1. In the report period, the Company neither entrusted, contracted or leased assets from other company nor put into entrust, contracted or leased its assets to other companies. No such issues, which were conducted before the

report period, were extended to the report period.

2. For guarantees offered by the Company in the report period, please refer to Note to the accounting statements.

3. In the report period, the Company did not entrusted others with cash assets management, and no such issues, which were conducted before the report period, were extended to the report period.

(VII) Neither the Company nor its shareholders with no less than 5% equity of the total share capital made commitments in the report period or previous commitments extended to the report period.

(VIII) Certified Public Accounts engaged by the Company remained unchanged in the report period.

(IX) The Company will conduct neither profit distribution nor capital public reserve transferring into share capital for the first half of 2002.

(X) The Company had no post events necessary to be disclosed.

Board of Directors of
SHENZHEN Special Economic Zone Real Estate & Properties (Group) Co., Ltd.

Aug. 20, 2002

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)

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CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)

Notes

01/01-30/06/2002 01/01-30/06/2002

		RMB' 000	RMB' 000
Turnover	4	295,887	**271,986**
Cost of sales		(234,206)	**(192,152)**
Gross profit		61,681	**79,834**
Other operating income		9,634	**31,332**
General and administrative expenses		(60,172)	**(54,138)**
Operating expenses		(17,527)	**(9,053)**
(Loss) / profit from operations		(6,384)	**47,975**
Finance cost	6	(28,636)	**(35,668)**
Share of profit of non-consolidated subsidiaries, associated companies, and contractual joint ventures		9,862	**--**
(Loss) / profit before taxation	5	(25,158)	**12,307**
Taxation	7	(598)	**(677)**
(Loss) / profit after taxation		(25,756)	**11,630**
Minority interests		692	**327**
Net (loss) / profit for the year		(25,064)	**11,957**
(Loss) / profit per share			
Basic	8	RMB(0.025)	RMB0.012

DIRECTOR DIRECTOR

CONSOLIDATED BALANCE SHEET
AT JUNE 30, 2002
(UNAUDITED)

	Notes	30/06/2002 RMB' 000	31/12/2001 RMB' 000
ASSETS			
Non-current assets			
Fixed assets	9	286,953	288,019
Investment properties	10	603,455	602,622
Non-consolidated subsidiaries	11	127,246	151,352
Associated companies	12	16,791	14,818
Contractual joint ventures	13	314,993	312,569
Long term investments	14	59,072	59,072
Intangible assets	15	101,329	101,608
		1,509,839	1,530,060
Current assets			
Properties under development for sale	16	943,684	868,380
Completed properties for sale	17	191,168	256,615
Inventories	18	26,049	16,392
Short term investments	19	3,993	3,051
Accounts receivable		75,689	146,046
Prepayments, deposits and other debtors		60,176	41,093
Cash and bank balances		315,615	343,897
		1,616,374	1,675,474
Current liabilities			
Customers' deposits		253,070	174,521
Accounts payable and accrued expenses		657,070	729,373
Dividends payable		138,764	138,764
Tax payable	20	45,044	68,746
Bank loans	22	1,106,339	1,143,772
		2,200,287	2,255,176
Net current liabilities		(583,913)	(579,702)
Total assets less current liabilities		925,926	950,358
Non-current liabilities	21	(109,856)	(109,806)
Minority interests		6,992	5,603
NET ASSETS		823,062	846,155
CAPITAL AND RESERVES			
Issued capital	23	1,011,660	1,011,660
Reserves		(188,598)	(165,505)
		823,062	846,155

DIRECTOR DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)

	Notes	01/01-30/06 /2002
		RMB' 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales of goods or rendering of services		399,274
Other cash received relating to operating activities		80,957
Cash paid for goods and services		(271,470)
Cash paid to and on behalf of employees		(46,661)
Payments of all types of taxes		(51,582)
Cash paid relating to other operating activities		(68,039)
Net cash inflows from operating activities		42,479
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from disposal of investments		15,544
Cash received from dividend and interest		8,711
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		41
Other cash received relating to investing activities		77,403
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(3,710)
Cash paid to acquire investments		(3,924)
Cash paid relating to other investing activities		(72,909)
Net cash outflows (inflows) from investing activities		21,156
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from borrowings		358,995
Other cash received relating to financing activities		318
Cash repayments of amounts borrowed		(399,153)
Cash paid for distribution of dividends or profits and for interest expenses		(52,385)
Cash paid relating to other financing activities		(172)
Net cash outflows from financing activities		(92,397)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(28,762)
Cash and cash equivalents at the beginning of the period	24	168,510
Cash and cash equivalents at the end of the period	24	139,748

<u>SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE & PROPERTIES (GROUP) CO., LTD</u>

DIRECTOR	DIRECTOR

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE, 30 2002
(UNAUDITED)

	Share capital	Capital reserve	Cumulative translation reserve	General reserve	Staff welfare fund	Accumulated profits	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Balance at December 31, 2001	1,011,660	686,234	10,164	326,094	115,594	(1,303,591)	846,155
Loss for the year						(25,064)	(25,064)
Others			1,971				1,971
Balance at June 30, 2002	1,011,660	686,234	12,135	326,094	115,594	(1,328,655)	823,062

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 issued 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 June 30, 2002, the Company does not declare dividends to its shareholders.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002

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 30 June of 2002. The results of subsidiaries acquired or disposed of during this half 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.

Non-consolidated subsidiaries

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 half 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 half 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 that 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 organized 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 June 30, 2002 identified by geographical segments as follows:

	1/1-30/6/2002 RMB'000	1/1-30/6/2001 RMB'000
PRC	277,007	271,986
OVERSEAS	18,880	--
	295,887	271,986

Segment information about these businesses for the year ended June 30, 2002 is presented below:

	Properties RMB'000	Retailing and trading RMB'000	Transportation and catering services RMB'000	Construction technical support RMB'000	Others RMB'000	Total RMB'000
1/1-30/6/2002	112,457	126,628	8,670	38,102	10,030	295,887
1/1-30/6/2001	120,410	99,393	22,136	17,570	12,477	271,986

5. (LOSS)/PROFIT FROM OPERATIONS

(Loss) / Profit before taxation is stated after crediting and charging the following:

	1/1-30/6/2002 RMB' 000	1/1-30/6/2001 RMB' 000
Crediting:		
Interest income	11,146	6,604
Rental income	7,205	33,930
Exchange gain	315	1,245
Gain on disposal of fixed assets	165	14
Charging:		
Depreciation	4,681	5,348
Amortization	2,251	1,072
Staff costs	38,714	33,487
Rent paid under operating leases of land and building	246	1,442
Exchange loss	--	288

6. FINANCE COSTS

	1/1-30/6/2002 RMB' 000	1/1-30/6/2001 RMB' 000
Interest expenses		
- bank borrowings	28,636	35,668

7. TAXATION

	1/1-30/6/2002 RMB' 000	1/1-30/6/2001 RMB' 000
The charge comprises:		
PRC income tax for the year	598	677

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

	2002 RMB' 000	2001 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%

8. (LOSS)/PROFIT PER SHARE

The calculation of basic earnings per shares is based on the consolidated loss for the half year of RMB25, 064,000 (2001: profit of RMB11,957,000) 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, 2002	256,040	55,062	38,449	31,981	38,465	419,997
Additions	828	23	2,003	952	1,052	4,858
Disposals	--	--	(2,302)	--	--	(2,302)
Transfer	(215)	--	--	--	(779)	(994)
At June 30, 2002	256,653	55,085	38,150	32,933	38,738	421,559
DEPRECIATION						
At January 1, 2002	68,756	12,811	29,316	19,454	--	130,337
Charge for the year	7,585	400	1,536	624	--	10,145
Written back	--	--	(2,053)	--	--	(2,053)
Transfer	(5,464)	--	--	--	--	(5,464)
At June 30, 2002	70,877	13,211	28,799	20,078	--	132,965
PROVISION FOR DIMINUTION IN VALUE	1,313	68	164	96	--	1,641
NET BOOK VALUE						
At June 30, 2002	184,463	41,806	9,187	12,759	38,738	286,953
At December 31, 2001	185,971	42,183	8,969	12,431	38,465	288,019

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 25).

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

	30/06/2002	31/12/2001
	RMB' 000	RMB' 000
Net book amount at beginning of year	602,622	187,148
Disposal of properties	--	(10,763)
Reclassified from fixed assets and inventories	833	426,237
Net book amount at end of year	603,455	602,622

The investment properties have been revalued as at June 30 2002 by the directors.

SUBSIDIARIES

At June 30 2002, the Company had interests in the following principal subsidiaries, which were grouped in the consolidated financial statements:

Subsidiaries	Place of establishment/incorporation	Principal activities	Equity interest held Direct %	Equity 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

11. SUBSIDIARIES – (continued)

Subsidiaries		Place of equity establishment/incorporation	Principal activities	Di
			%	%
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

11. SUBSIDIARIES (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:

	31/12/2001 RMB' 000	30/06/2002 RMB' 000
Unlisted Investments, at cost	396,002	394,259
Less: Provision for diminution in value of investments	(331,344)	(394,259)
	64,658	--
Add: Amounts due from non-consolidated subsidiaries	62,588	151,352
	127,246	151,352

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 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

11. SUBSIDIARIES (continued)

Subsidiaries	Place of equity establishment/ incorporation	Principal activities	Interest held Direct %	Interest held Indirect %
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
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

	30/06/2002 RMB' 000	31/12/2001 RMB' 000
Unlisted investments, at cost	41,027	38,327
Share of post-acquisition (losses) / profits	(1,570)	(843)
	39,457	37,484
Less: Provision for diminution in value of investments	(22,406)	(22,406)
	17,051	15,078
Add: Amounts due (to) / from associated companies	(260)	(260)
	16,791	14,818

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	--

CONTRACTUAL JOINT VENTURES

	30/06/2002 RMB' 000	31/12/2001 RMB' 000
Unlisted Investments, at cost	461,688	477,867
Share of post-acquisition profits	35,898	29,495
	497,586	507,362
Less: Provision for diminution in value of investments	(165,803)	(165,803)
	331,783	341,559
Add: Amount due (to) / from contractual joint ventures	(16,790)	(28,990)
	314,993	312,569

13. 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.

13. **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	RMB30, 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.

14. LONG TERM INVESTMENTS

	30/06/2002	31/12/2001
	RMB' 000	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	42,247
	59,072	59,072

INTANGIBLE ASSETS

	Vehicle licenses	Land use right	Computer software	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
COST				
At January 1, 2001	2,017	109,860	108	111,985
Addition	--	--	93	93
Amortization for the year	(356)	--	(16)	(372)
At June 30, 2002	1,661	109,860	185	111,706
Provision for diminution in value	--	(10,377)	--	(10,377)
NET BOOK VALUE				
At June 30, 2002	1,661	99,483	185	101,329
At December 31, 2001	2,017	99,483	108	101,608

PROPERTIES UNDER DEVELOPMENT FOR SALE

	30/06/2002	31/12/2001
	RMB' 000	RMB' 000
Cost	1,660,632	1,585,328
Less: Provision for diminution in value	(716,948)	(716,948)
	943,684	868,380

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

	30/06/2002	31/12/2001
	RMB' 000	RMB' 000
Cost	239,318	304,765
Less: Provision for diminution in value	(48,150)	(48,150)
	191,168	256,615

INVENTORIES

	30/06/2002	31/12/2001
	RMB' 000	RMB' 000
Raw materials	3,142	4,202
Finished goods	23,640	12,923
Less: Provision for diminution in value	(833)	(833)
Consumables	100	100
	26,049	16,392

19. SHORT-TERM INVESTMENTS

	30/06/2002	31/12/2001
	RMB' 000	RMB' 000
Listed equity investments, at market value	3,976	3,034
Debentures, at market value	17	17
	3,993	3,051

20. TAX PAYABLE

	30/06/2002	31/12/2001
	RMB' 000	RMB' 000
Income tax	258	58,235
Business tax and value added tax	3,499	7,647
Personal income tax	40,718	1,830

Others	569	1,034
	45,044	68,746

21. NON-CURRENT LIABILITIES

	30/06/2002 RMB' 000	31/12/2001 RMB' 000
Bank loans (note 24)	90,293	90,735
Other liabilities	19,563	19,071
	109,856	109,806

At June 30, 2002, 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 25.

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

	30/06/2002 RMB' 000	31/12/2001 RMB' 000
Bank loans		
Secured	1,067,886	1,053,439
Guaranteed	124,300	161,068
On credit	4,446	20,000
	1,196,632	1,234,507
Bank loans repayable:		
Within one year or on demand	1,106,339	1,143,772
In the second year	89,298	89,298
In the third to fifth years, inclusive	995	1,437
	1,196,632	1,234,507

Portion classified as current liabilities	1,106,339	1,143,772
Long term portion	90,293	90,735
	1,196,632	1,234,507

Particulars of assets pledged from bank loans and other facilities are set out in note 25.

SHARE CAPITAL

	30/06/2002	31/12/2001
	RMB' 000	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.

INCREASE IN CASH AND CASH EQUIVALENT

	30/06/2002	31/12/2001
	RMB' 000	RMB' 000
Cash and bank balances	315,615	343,897
Less: deposits secured over 3 months	(175,867)	(174,663)
	139,748	169,234
Effect of foreign exchange rate changes	--	(724)
Restated cash and cash equivalents	139,748	168,510

PLEDGE OF ASSETS

At June, 30 2002, 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 RMB**884,853,000** and fixed deposits amounting to RMB131,900,000 were pledged to secure loans to the extent of RMB**1,012,654,000** granted to the Group.

In addition to the above, at June, 30 2002, 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$**52,232,000**, equivalent to RMB55,439,000.

26. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

In addition to subsidiaries, associated companies and contractual joint ventures stated in notes 11, 12 and 13 respectively, the following entities have also been defined as related parties with the Group

Nature of relationship	
Ultimate holding company or with the same ultimate holding company	Shenzhen Construction Investment Holding Corporation and its subsidiaries

27. CONTINGENT LIABILITIES

	30/06/2002	31/12/2001
	RMB'000	RMB'000
Guarantee given for banking and credit facilities granted to:		
- contractual joint ventures	9,293	11,000
- third parties	180,320	158,600
	189,613	169,600

28. 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 June 30, 2002. The carrying value of the contractual joint venture of Shantou Bay Bridge Co. Ltd. amounted to RMB141, 657,451 as at June 30, 2002, which has a higher value according to the directors of the Company.

29. 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 June 30, 2002, 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 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 June 30, 2002, 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 in August 2000 without the consent of the Company. 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 June 30, 2002, 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 legal adviser, together with the attorney appointed by the Company expects it will either resume the ownership of the land or receive the compensation. As a result, no provision has been made.

5. On January 5, 1994, the Company obtained the operating right of Dongfang Tianhong Store Co., Ltd. according to the decision made by the Board Meeting of Dongfang Tianhong Store Co., Ltd. and the Operating Contract. A lawsuit was taken for the consideration of the operating right and investment payment. Subsequently, at November 1, 2000, the Shenzhen Intermediate People's Court adjudicated the Company should pay the consideration of the operating right and investment payment of RMB25,148,472 and its interest to Dongfang Tianhong Store Co., Ltd. as well as the litigation fee of RMB569,982. The sentential result of Guangdong Province Senior People's Court is the same as Shenzhen Intermediate People's Court.

30. COMMITMENTS

At June 30, 2002, the Group has outstanding commitments payable in the following year under an operating lease in respect of land and building as follows:

30/06/2002	31/12/2001
RMB'000	RMB'000
300	400

In the second to fifth years inclusive

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.

31. **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	(40,078)	980,974
Reversal of depreciation charges in respect of investment properties	13,585	31,949
Adjustment for market value of short-term investments	943	2,215
Expenses accrued in previous year	67	--
Difference in recognition of cost of fixed assets	--	(185,399)
Goodwill arising from acquisition of subsidiaries	698	(7,792)
Others	(279)	1,115
As reported in the consolidated financial statements prepared in accordance with IAS	(25,064)	823,062

32. **COMPARATIVE FIGURES**

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