SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

2002 ANNUAL REPORT

April 19, 2003

Important Notes: Board of Directors of Shenzhen Properties & Resources Development (Group) Ltd. (hereinafter referred to as the Company) individually and collectively accept 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.

No director stated that they couldn’t ensure the correctness, accuracy and completeness of the contents of the Annual Report or have objection for this report.

Due to business trip, Director Li Zhen was absent from the Board meeting, in which the 2002 Annual Report was examined, with entrusting Director Tian Cheng-gang to attend and vote on his behalf. Due to job adjustment, director Zhaoning had submitted his resignation before, so he didn’t attend the meeting.

Wuhan Zhonghuan Certified Public Accountants issued an Auditors’ Report with explanatory notes for the Company; and the Board of Directors and the Supervisory Committee of the Company made explanations in details for the relevant matters, the investors are suggested to notice the content.

Chairman of the Board of the Company Tian Cheng-gang, General Manager Fang Yi-bing and Manager of Financial Department Fang Dong-hong hereby confirm that the Financial Report of the Annual Report is true and complete.

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

Contents

I. COMPANY PROFILE

1. Name of the Company
   In Chinese: 深圳市物业（发展）集团股份有限公司
   Abbreviation in Chinese: 物业集团
   In English: Shenzhen Properties & Resources Development (Group) Ltd. (PRD)

2. Legal Representative: Tian Cheng-gang

3. Secretary of Board of Directors: Guo Yu-mei
   Authorized Representative in Charge of Securities Affairs: Dong Wei
   Tel: (86) 755-82211020
   Fax: (86) 755-82210610, 82212043
   Contact Address: 42nd Floor, International Trade Center, Renmin Road South, Shenzhen

4. Registered Address and Office Address: 39th and 42nd Floor, International Trade Center, Renmin Road South, Shenzhen
   Post Code: 518014

5. Media Designated for Disclosing Information of the Company:
   A-Share: Securities Times, B-Share: Ta Kung Pao
   Internet Web Site Designated by CSRC for Publishing the Annual Report:
   http://www.cninfo.com.cn
   Place Where the Annual Report is Prepared and Placed: Office of Board of Directors, on 42nd Floor, International Trade Center, Renmin South Road, Shenzhen

6. Stock Exchange Listed with: Shenzhen Stock Exchange
   Short Form of Stock and Stock Code: ST Shenwuye-A (000011)
   ST Wuye-B (200011)
7. The initial registered data: Jan. 17, 1983
   Address: Shenzhen Municipal Administrative Bureau of Industrial and Commercial
   Registered code of enterprise legal person's business license: 4403011027229
   Registered code of tax: 440301192174135
8. Name and address of Certified Public Accountants engaged by the Company:
   Domestic: Wuhan Zhonghuan CPA Ltd.
   Address: 16th Floor, Tower B, International Mansion, Wuhan
   International: KLL Associates CPA Ltd.
   Address: Suite 1303, Shanghai Industrial Investment Building, 60 Hennessy Road, Wanchai, Hong Kong

II. SUMMARY OF FINANCIAL HIGHLIGHTS AND BUSINESS HIGHLIGHTS

(I) Accounting data as of the year 2002 (Unit: In RMB)

Total profit	44,508,865.86
Net profit	34,622,176.84
Net profit after deducting the non-recurring gains and losses	35,892,303.95
Profit from core business	226,583,123.37
Profit from other business	11,722,507.26
Operating profit	43,701,676.33
Investment income	-15,265,839.00
Subsidy income	0
Net incomes/expenditures from non-operating	16,073,028.53
Net cash flows arising from operating activities	-34,585,671.37
Net increase in cash and cash equivalents	-38,068,377.37

Note: Items of non-recurring gains and losses and the amount involved:

① Income from non-operating	RMB 2,142,211.23
② Expenditure of non-operating	RMB 1,110,333.89
③ Net losses due to equity transferring	RMB-2,302,004.45

Differences in net profit prepared under CAS and IAS:

Unit: RMB'000

	CAS	IAS
Net profit	34,622	35,989
Explanation on the difference	As calculated in accordance with CAS:	Net profit: 34,622
	IAS adjustments:	
	Amortization payment switched back into fix assets	332
	Adjustment of Amortization of expenses	1,014
	Others	21
	Total variance	1,367
	As calculated in accordance with IAS:	Net profit: 35,989

(II) Major accounting date and financial indexes over the past three years ended the report year (Unit: RMB)

Items	2002	2001		2000	
		After adjustments	Before adjustments	After adjustments	Before adjustments
Income from core business	781,284,955.43	1,021,639,372.64	1,021,639,372.64	526,791,452.85	526,791,452.85
Net profit	34,622,176.84	86,206,309.75	86,385,900.61	5,392,916.15	5,392,916.15
Total assets	2,607,979,385.36	2,440,084,079.97	2,448,633,703.29	2,711,282,211.46	2,719,831,834.77
Shareholders' equity (excluding minority interests)	337,903,702.25	277,151,339.50	285,880,553.67	189,594,489.40	198,144,112.71
Earnings per share (fully diluted)	0.064	0.159	0.159	0.010	0.010
Earnings per share after deducting the non-recurring gains and losses	0.066	0.152	0.153	0.006	0.006

Net assets per share	0.624	0.512	0.528	0.350	0.366
Net assets per share after adjustment*	0.146	0.076	0.129	-0.092	-0.077
Net cash flows per share arising from operating activities	-0.064	0.247	0.247	0.591	0.591
Fully diluted return on equity	10.25%	31.10%	30.22%	2.84%	2.72%
Weighted average return on equity	11.76%	37.05%	35.79%	3.26%	3.10%
Weighted average return on equity after deducting the non-recurring gains and losses	12.19%	35.42%	34.23%	1.99%	1.89%

(III) Particulars about change in shareholders' equity

Unit: In RMB

Items	Share capital	Capital public reserve	Surplus public reserve	Statutory welfare public funds	Retained profit	Exchange transaction reserve	Total shareholders' equity
At the beginning of the year	541,799,175.00	306,007,801.60	62,919,127.11	62,919,127.11	-638,983,920.29	5,409,156.08	277,151,339.50
Increased during the year		31,539,341.99			34,622,176.84		60,752,362.75
Decreased during the year						5,409,156.08	
At the end of the year	541,799,175.00	337,547,143.59	62,919,127.11	62,919,127.11	-604,361,743.45		337,903,702.25
Reason of change		Unable to pay the account payable and transferred from accrued incremental expense of land			Realization of net profit as of the year	Shenye Real Estate Development Co. Ltd. no longer consolidated financial statement into the Company	

III. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

(I) Particulars about changes in shares as of the year 2002 (Unit: Share)

Items	Before the change	Increase/decrease of this time (+, -)						After the change
		Allotment of share	Bonus shares	Capitalization of public reserve	Additional issuance	Others	Subtotal	
I. Unlisted shares 1. Promoters' shares Including:								

State-owned share	323,747,713							323,747,713
Domestic legal person’s shares	65,200,850							65,200,850
Foreign legal person’s shares								
Others								
2. Raised legal person’s shares								
3. Inner employees’ shares								
4. Preference shares or others								
Total unlisted shares	388,948,563							388,948,563
II. Listed shares								
1. RMB ordinary shares	91,355,000							91,355,000
2.Domestically listed foreign shares	61,459,312							61,459,312
3. Overseas listed foreign shares								
4. Frozen shares held by senior executives	36,300							36,300
Total listed shares	152,850,612							152,850,612
III. Total shares	541,799,175							541,799,175

2. Issuance and listing of shares

Over the previous three years at the end of the report year, the Company issued neither new shares nor derived securities; and there were changes in neither total number nor the structure of the shares due to bonus shares and allotment of shares. The existent employee’s shares of the Company were subscribed by senior executives when the Company initially issued the shares; the issuance date is Oct. 31, 1991; the issuance price is RMB 3.6 per share; the issuance quantity is 6.5 million shares.

(III) About shareholders

1. Ended Dec. 31, 2001, the Company had totally 48577 shareholders, including 39632 ones of A-share, 8945 ones of B-share.

2. About the top ten shareholders are as follows:

Name of shareholders	Holding shares (share)	Proportion (%)
SHENZHEN CONSTRUCTION INVESTMENT HOLDINGS	323,747,713	59.75
SHENZHEN INVESTMENT HOLDING CORPORATION	56,628,000	10.45
LABOR UNION OF SHENZHEN INTERNATIONAL TRADE PROPERTY MANAGERMENT COMPANY	2,516,800	0.46
SHENZHEN SPECIAL DISTRICT DUTY-FREE COMMODITY CO.	1,573,000	0.29
XU QIAN	1,050,000	0.19
SHANGHAI ZHAODA INVESTMENT CONSULTANT CO., LTD.	1,010,000	0.19
CHINA SHENZHEN INTERNATIONAL CO-OPERATION CO., LTD.	887,172	0.16
DA PENG SECURITIES CO., LTD.	786,500	0.15
REN JUN DEVELOPMENT CO., LTD.	727,000	0.13
JOHN POSS	680,000	0.13

① Shenzhen Construction Investment Holdings and Shenzhen Investment Holding Corporation are the shareholders of state-owned shares; Xu Qian, Renjun Development Co., Ltd. and JOHN POSS are the foreign shareholders.

② The top two shareholders held the state-owned shares, and shares held by them was neither pledging or freezing in the report year.

③ There exists no the association relationship among the top ten shareholders.

3. The controlling shareholder of the Company is Shenzhen Construction Investment Holdings ("the Holdings"), which was established in July 1986, registered capital is RMB 1.5 billion.; legal representative: Mr. Zhang Yijun. The Holdings is an assets management company owned by the whole people, and involve in industry, general undertaking of construction material for civil use, development of real estate and property management, etc.

As one of three largest state assets management companies, Shenzhen Construction Investment Holdings exercised the investors' rights for state assets of the Company within the limits authorized by the municipal government and was entrusted by Shenzhen municipal government. The permanent organization of Shenzhen Municipality State Assets Management Committee is Shenzhen Municipality State Assets Management Office ("Municipality State Assets Office"), who implemented management for three largest state assets management companies of Shenzhen on behalf of Shenzhen municipal government. Thus, the actual controller of Shenzhen Construction Investment Holdings Company is Municipality State Assets Office, whose office address is Investment Bldg., Shen Nan Av., Futian District, Shenzhen and postcode is 518026.

4. The second largest shareholder of the Company is Shenzhen Investment Holding Corporation, which was established in Feb. 1988; its legal representative is Mr. Li Heihu, as well as registration capital of RMB 2 billion. It is an assets management company owned by the whole people.

IV. PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR EXECUTIVES AND EMPLOYEES

(I) About director, supervisor and senior executives

1. Basis information

Name	Title	Gender	Age	Office term	Holding shares at the year-begin	Holding shares at the year-end
Tian Cheng-gang	Chairman of the Board	Male	49	Jun. 2001–Jun. 2004	0	0
Wu Gong-cheng	Director, General Manager	Male	48	Jun. 2001–Feb. 2003	0	0

Shao Xiang-hua	Director	Male	53	Jun. 2001–Feb. 2003	0	0
Zha Sheng-ming	Director, Deputy General Manager	Male	54	Jun. 2001–Jun. 2004	18150	18150
Zhao Ning	Director, Deputy General Manager	Male	49	Jun. 2001–Jun. 2004	0	0
He Wen-hua	Director, Chairman of Labor Union	Male	58	Jun. 2001–Jun. 2004	18150	18150
Li Zhen	Director	Male	39	Jun. 2001–Jun. 2004	0	0
Zhang Tian-liang	Director	Male	39	Jun. 2001–Feb. 2003	0	0
Zhang Jian-jun	Independent Director	Male	38	Jun. 2002–Jun. 2004	0	0
Cao Zi-yang	Chairman of the Supervisory Committee	Male	52	Jun. 2001–Jun. 2004	0	0
Tong Qing-huo	Supervisor, Manager of Human Resource	Male	39	Jun. 2001–Jun. 2004	0	0
Liu Jia-ke	Supervisor, Deputy Secretary of the Discipline Committee	Male	53	Jun. 2001–Jun. 2004	0	0
Jin Cheng-gui	Supervisor, Deputy Manager of Auditing Department	Male	55	Jun. 2001–Jun. 2004	0	0
Ma De-qin	Supervisor, Leader of Labor Union	Female	49	Jun. 2001–Jun. 2004	0	0
Fang Yi-bing	Deputy General Manager	Male	41	Jun. 2001–Jan. 2003	0	0
Yang Shun-cheng	Deputy General Manager	Male	55	Jun. 2001–Jun. 2004	0	0
Xiu Xu-guang	Secretary of the Discipline Committee	Male	48	Jun. 2001–Jun. 2004	0	0
Guo Yu-mei	Secretary of the Board, Director of the Board of Directors Office	Female	43-	Jun. 2001–Jun. 2004	0	0

Director Mr. Shao Xiang-hua took the post of the vice-president of Shenzhen Construction Investment Holdings (the controlling shareholders of the Company); Director Mr. Zhang Tian-liang took the post of the director of the Office of Shenzhen Construction Investment Holdings; Dir. Mr. Li Zhen took the post of assistant president and concurrently secretary of the 1st industry dept. of Shenzhen investment Holding Corporation.

2. Matters after the report period

Wu Gong-cheng resigned from the post of general manager of the Company due to work adjustment. Fang Yi-bing and Luo Jun-de were engaged as general manager and deputy general manager of the Company in the Board meeting dated Jan. 24, 2003. Wu Gong-cheng, Shao Xiang-hua, Zhang Tian-liang resigned from the director of the Company due to work adjustment. Fang Yi-bing, Guo Yuan-xian and Wang Hui-min were elected as director of the Company in extraordinary shareholders' general meeting dated Feb. 26, 2003. (The relevant public notice was disclosed in Securities Times and Ta Kung Pao dated Jan. 25, 2003 and Feb. 26, 2003 respectively and http://www.cninfo.com.cn designated by CSRC.)

3. Particulars about the annual remuneration
According to the regulation of Provisional Measure on Annual Remuneration for Senior Executive approved by shareholders' general meeting, the Board of Director determined the remuneration and welfare of senior executives in accordance with scale of annual total assets and net assets and accomplishment of profit indexes. Annual remuneration consisted of base wages (fixed income) + annual bounty (income from completion of profit indexes) + encouraging salary (risk income). In 2002, the total annual remuneration (including welfare and subsidy) received by directors, supervisors and senior executives from the Company was RMB 3,173,600 (the profit as of 2001 increase by over 50% compared with the profit of 2000, so encouraging salary as of the year 2001 was paid in 2002). Among them, the total annual remuneration of the top three directors drawing the highest payment was RMB 973,600; the total annual remuneration of the top three senior executives drawing the highest payment was RMB 738,000. There were 14 persons including directors, supervisors and senior executives draw the annual payment from the Company, of them, 3 persons enjoyed the annual salary over RMB 300,000 respectively, 5 persons enjoyed the annual salary between RMB 200,000 and RMB 250,000 respectively, and 6 persons enjoyed the annual salary under RMB 200,000 respectively.

The three directors, namely Shao Xiang-hua, Li Zhen and Zhang Tian-liang draw the annual salary from companies, in which they held the post.

According to the regulations of Provisional Measure on Work of Independent Director of the Company, the allowance of RMB 30,000 of independent director as of 2002 will be paid in 2003.

4. In the report period, Ms. Li Feng-lan resigned from the post of independent director of the Company due to health. In accordance with Company Law and the relevant regulation of CSRC, Mr. Zhang Jian-jun was by-elected as independent director of the Company in 2002 shareholders' general meeting.

(II) About employees
The Company had totally 2239 employees in office at present, including 1233 production personnel, 165 salespersons, 618 technicians, 81 financial personnel, and

142 administrative personnel. 1320 persons graduated from 3-year regular collage or above. Presently, the Company needs to bear the cost of 87 retirees.

V. ADMINISTRATIVE STRUCTURE

(I) Administration of the Company

The Company continually perfected the administrative structure of legal person strictly according to Company Law, Securities Law and the relevant laws, regulations and rules related to administration of listed companies. Shareholders' General Meeting, Board of Directors and Supervisory Committee operated in a standardized way, effectively safeguarded the benefits of investors and the Company. The Company implemented a series of management system approved by 2002 shareholders' general meeting, and played a positive role to perfect administrative structure of legal person and standardize the Company's operation.

Compared with the regulations of Administration Rules of Listed Companies, the Company considered that the actual administration situation was consistent with the overall demand of Administration Rules of Listed Companies. Explanation of difference is as follows:

1. The controlling shareholder and listed company

Shenzhen Construction Investment Holdings, the controlling shareholder of the Company, is a state-owned assets management company. The controlling shareholder exercised the supervision and management on significant decision-making of the Company according to the demand of reporting system of property representative promulgated by Shenzhen Municipal State-owned Assets Management Office and Management Provision on Reporting of Property Representative in a state-owned investor capacity. The controlling shareholder didn't interfere in the Company's production operation and management directly.

The regulation of standardization on shareholders' action issued by securities supervisory organization, the Company communicated to the largest shareholders timely so as to ensure the fulfillment of the relevant regulation. The controlling shareholder has held the special meeting on Reporting System of Property Representative, widely collected amendment opinion, and actively explored ways to effectively safeguard shareholder's rights and legal station of listed company.

The Company safeguarded the operation and management in a systematic according to administration system taking shareholders' general meeting, Board of Directors and Supervisory Committee as core. The Significant decision-making of operation was made by the Board of Directors and Shareholders' General Meeting.

Up to now, there was no situation, on which the controlling shareholder affected the Company's normal operation and development.

2. Directors and the Board of Directors

In the report period, the Company had 1 independent director, while the Company will additionally elect 2 independent directors in the 2003 shareholders' general meeting so that independent directors will make up one third of total directors.

Presently, the Company didn't establish special committee of the Board of Directors, and will establish special committee of the Board of Directors one by one and the relevant regulation after all three independent directors take the post.

(II) Performance of Independent Directors:

Mr. Zhang Jian-jun was elected as independent director of the Company in 2002 Shareholders' General Meeting. Zhang Jian-jun performed his duties according to Articles of Association of the Company and the relevant regulations since holing post. He attended the Board meeting and issued independent opinion on related transaction, equity transfer of joint-stock company whether they are in line with the relevant regulations and Articles of Association and harm benefits of medium and small shareholders.

(III) Particulars about the Company's "Five Separations" from the controlling shareholder

The Company has integrated operation, keeps independence in operating management, made "Five Separations" from the controlling shareholder — Shenzhen Construction Investment Holdings:

(1) The Company was independent in management, and owned independent production, supply and distribution system.

(2) The Company independently engaged employees, and owned absolutely independent management of labor, personnel and salaries.

(3) The Property of the Company is transparent, and owned independent assets ownership.

(4) The Company owned independent office site and organization.

(5) The Company has independent financial auditing system.

The Company didn't provide any guaranty to the controlling shareholder, while the controlling shareholder didn't occupy the Company's funds.

(IV) Performance Evaluations, Encourage and Binding Mechanism

In the report period, the Company was continually performing Provisional Measure of Annual Remuneration approved by shareholders' general meeting; combined the Company's assets scale, operation achievement with the salary of the whole managers, effectively prevented short-term action of managers, promoted the long-term steady development and exerted the positive role.

VI. BRIEFINGS ON THE SHAREHOLDERS' GENERAL MEETING

The notification on holding Annual Shareholders' General Meeting was published in the designated intermediaries, namely Securities Times and Ta Kung Pao dated May 28, 2002. The Annual Shareholders' General Meeting was held on the 35/F of

Shenzhen International Trade Commercial Building at 9:00 of June 28, 2001 on schedule. There were 12 shareholders and shareholders' proxies attended the meeting who held 383,627,113 shares, taking 70.8% of total shares, including 1 shareholder of B-share Directors, supervisors and senior executives attended the meeting as nonvoting delegate; and the professional lawyer Wei Mingxia from Guangdong Jindi Law Firm witnessed the meeting and issued Law Opinion. In the meeting, with 383,627,113 shares for, taking 100% of the total shares with voting right. The following proposals were unanimously approved in the meeting:
2001 Work Report of the Board of Directors
2001 Work Report of the Supervisory Committee
2001 Financial Settlement Report
2001 Annual Report
2001 Profit Distribution Plan
The Four Management Provisions (namely Rules of Procedure of the Board of Directors, Rules of Procedure of the Supervisory Committee, Rules of Procedure of the Shareholders' General Meeting and Provisional Measure on Work of Independent Director);
Provisional Measure on Annual Remuneration for Senior Executive of Headquarters;
Report on Engagement of Certified Public Accountants as of the Year 2001;
Proposal on Engaging Certified Public Accountants in 2002;
Proposal on Election of Independent Director

The Public Notice on Resolution of this shareholders' general meeting was published in Securities Times and Ta Kung Pao dated June 29, 2002 and http://www.cninfo.com.cn designated by CSRC.

VII. Report of the Board of Directors

(I) Analysis of relevant financial data and significant events

In 2002, under the situation of comparatively intensified competition of real estate industry, all members of leading group and numerous cadres and staffs of the Group steadied the confidence and got together, carried through fruitful work in the aspects of strengthening the cost management, reinforcing the "relaxing control" of 2nd grade enterprises and well doing all basic management etc. depending on the itself advantage, which made the operation of the Company keep a steady development trend and excessively accomplished the operating plan made known to lower levels by the Board of Directors and all work objectives confirmed at the beginning of the year.

In 2002, the Company accomplished an income from core business of RMB 781,284,955.43, a net profit of RMB 34,622,176.84 and excessively completed 30% of the plan (RMB 600 million), including income of RMB 529,638,040.38 realized in the real estate industry and operating profit of RMB 76,616,886.29. The profit of the report period decreased by 60% compared with that of the previous year, which was mainly due to the characteristics of real estate industry and because that partial projects of the Company was in the phase of development and did not reach the profit settlement situation.

Ended the end of the report period, the shareholders' equity of the Company was RMB 337,903,702.25, an increase of 22% than that of the beginning of the year, which was mainly because that the Company realized net profit amounting to RMB 34,622,176.84 and transferred the accounts of long-term book credit that could not be paid amounting to RMB 4,391,511.18 and the value added expense of land of the 2nd stage of International Trade Square and Jiabin Garden etc. that was not necessary to pay amounting to RMB 27,147,830.8 into capital public reserve.

(II) Operation in the report period

1. Scope of core business and operation

The Company is large real estate specialty company with the core business of real estate development, property operation and management and concurrently is engaged in the taxi passenger transport, commodity department store and hotel and food industry. The income from core business of the whole year was RMB 780 million and the profit from core business was RMB 43.70 million. The main formation was as follows:

(1) Classified according to products and industries:

Income from industry of real estate development: RMB 529.63 million

Profit: RMB 76.61 million

Income from industry of property management and lease: RMB 120.30 million

Profit: RMB-33.88 million

Income from taxi passenger transport: RMB 33.55 million

Profit: RMB 6.84 million

Income from commercial operation: RMB 101.35 million

Profit: RMB-2.41 million

Travel and hotel and food business: RMB 5.75 million

Profit: RMB 10,000

Other business: RMB 3.18 million

Profit: RMB-3.46 million

(2) Classified according to areas

Income from Shenzhen area: RMB 742.37 million Profit from core business: RMB 33.17 million

Income from East China area: RMB 920,000 Profit from core business: RMB 13.64 million

Income from Hainan area: RMB 37.98 million Profit from core business: RMB -3.11 million

(3) Sales income, cost of sales and gross profit ratio of the main products taking over 10% of the income from core business and profit from core business:

Unit: RMB'000

Classified according to industry or	Income from core business	Cost of core business	Gross profit ratio	Increase/decrease of income from core	Increase/de-crease of cost of core	Increase/decrease of gross profit

product			(%)	business compared with the previous year (%)	business compared with the previous year (%)	ratio compared with the previous year (%)
Real estate development	529,638	416,140	21.43	-32.71	-38.79	57.26
Property management and lease	120,304	171,793	-29.97	22.26	134.28	-217.62
Department store retail	101,352	103,633	-2.25	-10.35	-1.90	-134.35
Taxi service	33,556	25,472	24.09	12.77	6.68	192.00
Hotel and food	5,755	5,438	5.50	--	--	--
Others	3,186	8,071	-153.32	--	--	--

Notes: the core business of the Company was not involved in the related transaction.

(4) Explanation of the decrease of profitability capability of core business in the report period compared with the previous year:
Due to the feature of industry of real estate development, the completion settlement of real estate development projects needs a time period of two to three years generally.

In the report period, except for the former A District of Huang Yu Yuan and D Group of Fenghe Rili, the newly started real estate projects has not reached the condition for completion settlement, thus the profitability of core business decreased compared with the previous report period.

2. Operation and achievement of main holding companies and share-holding companies

Unit: RMB’000

Name of companies	Registered capital	Core business	Proportion in the equity	Assets scale	Net profit
Shenzhen Huangcheng Real Estate Co., Ltd.	25,000	Development, construction, operation and management of auxiliary commercial service facilities of Huanggang Port	100%	978,670	51,500
Shenzhen International Trade Auto Industrial Company	29,850	Automobile passenger transport and automobile lease	100%	130,430	1,290
Shenzhen International Trade Department Store	12,830	Commodities and general merchandise	100%	31,930	610

Co., Ltd.					
Shenzhen International Property Management Company	20,000	House lease and building management	100%	135,430	1,130

3. Major suppliers and customers

In the business of real estate development, the Company generally contracted the real estate projects developed to the contractor companies that gained the bidding by means of project bidding form and the contractor companies were responsible for providing the construction materials.

The sales objects of the commercial house of the Company were mainly individual customers and there was no batch customer generally. The amount of sales of the top five customers took 1% of the total sales amount of the Company.

4. Difficulties arising from the operation and solutions

Under the increasingly intensified competition in the market environment, in recent year the Company adopted a series of measures and gained progress with breakthrough in the aspects of adjusting operating strategy, peeling off ill assets and optimizing industrial structure etc. but still faced many difficulties of seriously deficient operating funds, relatively heavy burden of bequeathal problems in the history and necessity of reinforcing the market expansion capability etc. Aiming at these difficulties, the Board of Directors took solution plans with details in VII of the report (VII) 2003 business plan and main operating measures.

(III) Investment in the report period

1. In the report period, the Company did not raise proceeds through share offering and there was no such situation that the application of proceeds raised through previous share offering continuing to the report period.

2. In the report period, material projects, progress of project and earnings of proceeds not raised through share offering

Unit: RMB'000

Name of project	Amount of project	Progress of project	Earning of project
City Golden Castle Project	6,920	Formally started at the end of the year	Not completed at the end of the year
District B of Huang Yu Yuan	358,000	Peak cover and decoration inside and outside	Not completed at the end of the year
D Group of Fenghe Rili	67,990	Completed	Completed at the end of the year
The 4th Stage of Shanghai Pastoral City	28,440	Structural peak cover and decoration	Not completed at the end of the year
Total	461,350	---	Not completed at the

			end of the year

(IV) Analysis of financial operation of the Board of Directors

1. Change of main financial indexes

Unit: RMB'000

Items	Amount of the report year	Amount of the previous year	Amount of increase/decrease	Increase/decrease rate
Total assets	2,607,979	2,440,084	167,895	6.88%
Inventory	1,461,647	1,339,638	122,009	9.11%
Long-term liabilities	353,857	109,608	244,249	222.84%
Shareholders' equity	337,904	277,151	60,753	21.92%
Profit from core business	226,583	288,070	-61,487	-21.34%
Net profit	34,622	86,206	-51,584	-59.84%
Net increase of cash and cash equivalents	-38,068	6,744	---	---

Explanation:

(1) The total assets increased by 6.88%, which was mainly because that in the report period the Company increased the input to the real estate projects and newly increased partial properties of International Trade Commercial Building from Shenzhen International Trade Square Property Development Co., Ltd. by means of payment of debts or purchase.

(2) The inventory increased by 9.11%, which was because that in the report period, the Company newly increased development projects and raised input in the former real estate investment projects.

(3) The long-term liabilities increased by 222.84%, which was mainly due to the increase of long-term bank loan.

(4) The shareholders' equity increased by 21.92%, which was mainly because that the Company realized net profit and transferred the accounts of long-term book credit that could not be paid and the value added expense of land of the 2^{nd} stage of International Trade Square and Jiabin Garden etc. that was not necessary to pay into capital public reserve.

(5) The profit from core business decreased by 21.34%, which was mainly because that the real estate investment projects were in the period of development and had no condition to be settled.

(6) The net profit decreased by 59.84%, which was mainly because that the real estate investment projects were in the period of development and had no condition to be settled.

(7) The net increase of cash and cash equivalents decreased, which was mainly because that the real estate investment projects were in the period of development and

had no condition of sales.

2. Change and reason of profit formation

	Amount (RMB'000)		Proportion in the total amount of profits (%)	
	In 2002	In 2001	In 2002	In 2001
Total amount of profit	44,509	105,881	--	--
Profit from core business	226,583	288,070	509	272
Profit from other business	11,723	3,832	26.3	3.6
Period expense	194,604	178,763	437	169
Invest earnings	-15,266	-11,042	-34.3	-10.4
Subsidy income	0	0	0.00	0.00
Net amount of non-business income and expenditure	16,073	3,784	36.1	3.6

Explanation:

1) In the report period the total amount of profit decreased by 145% compared with the corresponding period of the previous year, which was mainly because that the real estate investment project had not reached the settlement condition.

2) Profit from other business increased by 206% compared with the corresponding period of the previous year, which was mainly due to the turning in the profit of contracting of Huanggang Jinli Building project.

3) The increase of period expense was mainly due to the increase of advertisement expense of Huangcheng Real Estate Company, a subsidiary of the Company.

4) The investment earnings decreased by RMB 5.82 million compared with the previous year, which was mainly because that the Company appropriated impairment loss of long-term and short-term investment in the report period.

5) The net amount of non-business income and expenditure increased by RMB 12.29 million compared with the previous year, which was mainly because that the Company sold the Shuibei factory house and gained earnings in the report period.

(V) Influence of macro-environment, policies and regulations

According to CK (2002) No.5 document, Shenzhen Property Jifa Storage Co., Ltd., which is affiliated foreign investment enterprise of the Company, started to implement Enterprise Accounting System from the beginning of 2002 and retroactively adjusted the undistributed profit of the beginning of 2001 amounting to RMB 17,099,246.62 according to the relevant regulations of Enterprise Accounting System. The Company adjusted the undistributed profit of the beginning of 2001 amounting to RMB 8,549,623.31 accordingly.

(VI) Wuhan Zhonghuan Certified Public Accountants provided Auditors' Report with interpretative explanation. We consider:

The case of " Haiyi Company" has been disclosed in 2000 Annual Report, 2001 Annual Report and 2002 Interim Report. The Company thought the fact cognized in the original judgment was unclear and the applied law was unsuitable and after applied by the Company, Guangdong Higher People's Court has decided to examine again on this case. According to the regulations of reexamination, after provided the possession drawing by the Company, Shenzhen Intermediate People's Court stopped the implementation of this case. At present, this reexamination case is still in examination.

As stated in the notes 5.24 of the accounting statements, the Company cancelled the accounts of long-term book credit that could not be paid amounting to RMB 4,391,511.18 after verification and transferred into capital public reserve. According to SGT (2001) No.314 document, the Company would transfer the value added expense of land of projects of the 2nd stage of International Trade Square and Jiabin Garden that were appropriated in the previous year and was necessary to be paid amounting to RMB 27,147,830.81 into capital public reserve, which resulted that the net profit of the Company increased by RMB 31,539,341.99.

(VII) 2003 business plan and main operating measures

The year of 2003 is an important year for the development of the Company. The Company shall focus the efforts to push the reform and development of the enterprise surrounding two main lines of productive operation and assets management. In 2003 the Company plans to gain revenue of RMB 800 million and plans to invest totally RMB 450 million. The Company will really do the work of the following aspects well:

1. To reinforce the construction and sales of important real estate projects, set about the work of increasing the land preparation and fully strengthen all operating management so as to ensure the completion of operating indexes.

(1) To seriously well do the construction of newly started and continuously constructed real estate projects so as to ensure the engineering progress to reach the planned objectives on time.

(2) To reinforce the property sales so as to ensure the completion of annual operating planning indexes.

(3) To timely follow and participate in the work of land remising and bidding purchase of domestic large and middle cities in order to increase the land reserve.

2. To reinforce the assets and liabilities reorganization, gradually make the relationship with the banks clear, examine the credit and debt and well do the capital recovery.

(1) To gradually clear the relationship with all credit bank and reestablish the good credit of the Company.

(2) To further examine credit and liabilities, strengthen the recovery of all credit capital and push the responsibility pursuing payment.

(3) To continuously reinforce the lease work of existing assets and liquidity of stock assets.

3. To focus the efforts to create the commercial new brand of “International Trade District” of the Company with the opening of “Metro International Trade Stop” and “Commercial Reconstruction of Renmin South Road of Luohu District” as the turning point.

4. Planned investment projects
In 2003, the Company plans to complete an investment of RMB 450 million, including RMB 250 million of District B of Huang Yu Yuan, RMB 55 million of Group B of Fenghe Rili, RMB 70 million of Longbi Project and RMB 75 million of the 4th stage of Shanghai Pastoral City.

(VIII) Routine work of the Board of Directors
1. Particulars about holding of Board meetings in the report period:

Time of meetings	main contents
Mar.18, 2002:	Extraordinary meeting and engagement of Shenzhen Pengcheng Certified Public Accountants and Glass Radcliffe Chan as 2001 financial auditors
April 23, 2002	Examination of proposals of 2001 Annual Report and Profit Distribution Plan, Loss Offset, Appropriation of Impairment Loss, Assets Rejection, Investment Plan, Management Regulation, Proposal of Annual Salary System, Resignation of Independent Directors and Restructuring of 2nd Grade Enterprises etc.
May 24, 2002	Proposal on Confirmation of Holding Annual Shareholders’ General Meeting and Shareholders’ General Meeting
Aug.13, 2002	Examination of Semi-annual Report, Operation of the 1st First Half of the Year and the Plan of the 2nd Half of the Year
Sept.24, 2002	Examination of Transfer Issue of Nanjing Tongren Project
Oct.2, 2002	Examination of Report of the 3rd Quarter of 2002
Nov.8, 2002	Examination of Transfer Issue of Australia Project
Dec.2, 2002	Examination of Issue of Change of Personnel of the Company

2. In 2002, the Company strictly implemented all resolutions of Shareholders’ General Meeting and accomplished the work of engagement of domestic and overseas auditors according to the relevant regulations of CSRC.

3. According to the resolution of Shareholders’ General Meeting, the profit of 2001 amounting to RMB 86.38 million was used to offset the loss of the previous year.

(IX) After discussed and decided by the Board of Directors, in 2002, the Company would not distribute profit nor convert capital public reserve into share capital. The profit earnings were used to offset the loss of the previous year continuously. This proposal shall be submitted to Annual Shareholders’ General Meeting for examination.

VIII. REPORT OF THE SUPERVISORY COMMITTEE

In 2002, the Supervisory Committee held four meetings: the 1st meeting was held on Apr.23, 2002, examined and approved 2001 Work Report of the Supervisory Committee, amended Rules of Procedure of the Supervisory Committee, inspected whether the annual report of the Company reflected truly the operation and financial status. The 2nd meeting was held on July 19, 2002, summarized the inspection of finance discipline of the Company, listened to the report of the financial status, production, operation and assets of the Financing Dept., Assets Management Dept. and Operation Dept. The 3rd meeting was held on Aug.13, 2002, examined and approved the Semi Annual Report and Summary. The 4th meeting was held on Dec.13, 2002, studied patiently the spirit of Consummating Legal Person Administrative Structure and Further Improving the Level of Normative Operation of Listed Company of Director, Zhang Yundong of CSRC Shenzhen Office, discussed the problems in the process of normative operation of the Company and correction measure compared with the report. The present supervisors all agreed to turn the discussion into written opinion and submitted it to the office of the Board of Directors of the Company for reporting to CSRC Shenzhen Office.

The members of the Supervisory Committee participated in every meeting of the Board of Directors, supervised over the operation according to law of the Board of Directors and the management based on Company Law, Administration Rules of Listed Company and Articles of Association, organized and read the business and financial information of significant economic activities, organized person to study the problems reflected in every item of audit by the internal audit institutions in 2002, put forward to the opinion of consummating the internal control system of the subsidiaries of the Company and avoiding assets to be run off and strictly implemented the supervision duties The independent opinion of the Supervisory Committee on relevant events of the Company is as follows:

1. Operation according to law: The Board of Directors operates in accordance with the PRC Company Law, Articles of Association and relevant laws and legislations. The Board of Directors and the management obeyed strictly relevant laws and regulations in the operation activities, patiently implemented the resolutions of the Shareholders' General Meeting. The procedure of significant operation, investment and personnel change was in conformity with Administration Rules of Listed Company and Articles of Association. 2002 is the cost-earning year of the Company. Under the leading of the Board of Directors, the Company grasped the production and operation and meanwhile, enhanced the internal management of the Company such as financial settlement, internal control and report system of property right representatives of the direct subsidiaries as the major clews of cost management. Recently, the Company promulgated the rule that the minister in charge of financing (manager) of the direct subsidiaries managed its subsidiaries. These management measures enhanced the

supervision and control of the subsidiaries by Group Company, played a pushing role to the improvement of the economic performance of the whole group. The Supervisory Committee hadn't found directors and senior executives violating laws, legislations, Articles of Association and damaging the Company's interests.

2. Financial inspection: Through inspecting the Company's financial accounting documents and relevant rules and systems, the Supervisory Committee believed that the system of financial work was sound and administration was improved, and the Company's profit accounting and allocation of provision for various assets devaluation were all in line with regulations of financial system of listed company and internal control system. As audited by the Certified Public Accountants, the Company's financial report truly, objectively and accurately reflected the financial status and business results.

3. The Company hadn't raised funds publicly in the report year.

4. The Supervisory Committee haven't found unreasonable transaction, inside trading, damaging of rights and interests of part of shareholders or runoff of the Company's assets.

5.Wuhan Zhonghuan Certified Public Accountants issued the auditor's report with explanation. The Supervisors Committee believed that:
①The "Haiyi Company" lawsuit has been disclosed in 2000 Annual Report, 2001 Annual Report and 2002 Semi Annual Report by the Company. The explanation on the retrial of the case in 2002 Annual Report of the Company is true. At present, the case is still in intercession stage of retrial in justice procedure.
②As stated in Note 5.24 of accounting statements, the Company offset RMB 4,391,511.18 long-term book credit and transferred it to capital public reserve; according to SGT[2001]314, the Company will transfer RMB 27,147,830.81 land increment expense of the 2nd period of International Trade and Jiabin Garden which was appropriated in previous year but need not be paid to capital public reserve. RMB 31,539,341.99 increase of net assets caused by it was in accordance with the fact.

6.In the report period, the Company transferred 55% equity of Nanjing International Tongren Development held by the Company and the Company's whole subsidiary, Hong Kong Shenye Real Estate Development Co., Ltd. to Nanjing AC Household Electrical Instrument (Group) Corporation and the transfer price was RMB 77,000,000. The Company disclosed detailedly the signed contract and completion of transfer procedure on Securities Times and Ta Kung Pao dated Oct.17, 2002 and Jan.16, 2003 as well as http://www.cnifo.com.cn. The Supervisors Committee believed that the decision-making and procedure of the transfer of the item was in accordance with relevant regulations in Company Law and Articles of Association.

7.The Company signed Contract on Construction of Building Project in Shenzhen with Shenzhen Yuezhong (Group) Co., Ltd. (Yuezhong Company) that Yuezhong Company undertook the construction project of City Golden Castle Project developed by Yuezhong Company. The term of the contract is from Dec.30, 2002 to May 2, 2004. This transaction was presided by Shenzhen Bidding Center and Yuezhong Company got the bid. The Company disclosed detailedly the signed contract and completion of transfer procedure on Securities Times and Ta Kung Pao dated Jan.15, 2003 as well as http://www.cnifo.com.cn. The Supervisors Committee believed that there existed no actions breaking relevant laws and regulations or harm for the interest of the middle and small shareholders.

IX. SIGNIFICANT EVENTS

(I) Significant lawsuits or arbitration

1.The “Haiyi Company” lawsuit has been disclosed in 2000 Annual Report, 2001 Annual Report and 2002 Semi Annual Report. The Company believed that the recognized facts of the initial trial were unclear and the law adopted was not reasonable. Through the Company’s application, Guangdong Province High People’s Court had decided to retry the case. According to the decision of retrial, Shenzhen Intermediate People’s Court stopped the execution of the case after the Company supplied assets drawing. At present, the case is still in intercession stage of retrial in justice procedure.

2.Concerning “Jiyong Company” lawsuit disclosed in 2001 Annual Report and 2002 Semi Annual Report, the Company has applied obliged execution for Shenzhen Intermediate People’s Court. The case was in the process of execution.

3. Concerning “Hubei International Trade” lawsuit disclosed in 2001 Annual Report and 2002 Semi Annual Report, the Company received (2000)YGFMYZ ZI NO.90 Civil Judgement in the report period, Guangdong Province High People’s Court made the final trial. The main content of the trial was: 1) The Contract of Constructing Houses between the Company and Hubei Foreign Trade Economic Cooperation Office Shenzhen Branch was valid but should been relieved; 2) The Company returned payment for constructing houses amounting to RMB 10.8 million and corresponding bank interest to Hubei Foreign Trade Economic Cooperation Office Shenzhen Branch. Now the case is in stage of execution and the Company has been negotiating the pacification with Hubei Foreign Trade Economic Cooperation Office Shenzhen Branch.

4.Concernign “Gintian Lawsuit” disclosed in 2001 Annual Report and 2002 Semi Annual Report, in Feb.2002, Highest People’s Court rejected the appeal of Gintian Company and remained the initial trial. In the process of cognizance, the Company found assets with equity amount of Gintian Company and supplied to the creditor, Changchun Communication of Bank and Jilin Province High People’s Court, which has sealed up the assets. Because the Company actively assisted Changchun Communication of Bank to realized its right and the assets was recognized good quality assets by Changchun Communication of Bank, Changchun Communication of Bank has reached mutual understanding with the Company and has not executed joint guarantee liability temporarily at present.

5. Concernign “Luohu Hotel’s Bankruptcy Lawsuit” disclosed in 2001 Annual Report and 2002 Semi Annual Report, in the report period, Shenzhen Intermediate People’s Court released the civil judgement of the final trial with (2002) SZFJS ZI NO.7-1 and announced Luohu Hotel’ bankruptcy and repaying debts and appointed Lawyer Zheng Zhibin of Jindu Law Firms and CPA of Shenzhen Yongming Certified Public Accountants to establish a liquidation team. The Company has declared credit amounting to HKD 32 million and RMB 22 million to Shenzhen Intermediate People’s Court. The case is still in the stage of checking and reclaiming bankrupt assets. The amount the Company can be paid is not clear.

6.Concerning “Hung Fuming Lawsuit” disclosed in 2001 Annual Report and 2002 Semi Annual Report, in the report period, Shenzhen Intermediate People’s Court made the judgement of the first trial and rejected the accuser, Huang Fuming’s requirement that required the Company to pay HKD 10,516,019 debt and 22,283,110.81 interest as well as RMB 20,000 debt and 51,933.11 interest. Hung Fuming has appealed to Guangdong Province High People’s Court.

7.”Hong Kong Huiheng Lawsuit” disclosed in 2001 Annual Report and 2002 Semi Annual Report has been comprehensively and finally resolved through pacification. The Company disclosed detailedly on Securities Times and Ta Kung Pao dated Apr.26, 2002 and the web site http://www.cninfo.com.cn designated by CSRC.

(II) Material purchase and sales of assets

1. The Company disclosed issue of signing Release Agreement of Agreement Letter on Joint Development and Operation of Shenzhen Huanggang Port Service District on the designated newspapers on Nov.21, 2000. In the report period, SWJMZF (2002) No.2027 document of Shenzhen Foreign Trade and Economic Cooperation Bureau gave an Official and Written Reply on Release of Joint Venture Shenzhen Huanghe Real Estate Development Co., Ltd. and Release of Agreement Letter on Joint Development and Operation of Shenzhen Huanggang Port Service District took effect formally. The Company carried through detailed disclosure in Securities Times, Ta Kung Pao and http://www.cninfo.com.cn on July 3, 2002.

2. In the report period, the Company transferred 55% equity of Nanjing International Tongren Development Co., Ltd. totally held by the Company and its wholly owned subsidiary Hong Kong Shenye Real Estate Development Co., Ltd. to Nanjing AC Household Electrical Instruments (Group) Corporation with price of RMB 77 million. The Company carried through detailed disclosure on particulars about signing contracts and completing transfer procedures on Securities Times and Ta Kung Pao dated Oct. 17, 2002 and Jan.16, 2003 respectively and http://www.cninfo.com.cn.

3. In the report period, the Company signed the contract and transferred the estate property of 11,353.93 sq. m. of the whole building of Building A of Tianbei Industrial Factory in Tianbei San Road, Luohu District, Shenzhen to Shenzhen Wood Industrial Development Co., Ltd. (hereinafter referred to as "Wood Company") with the price of RMB 21 million. The Company carried through detailed disclosure on contracts and transfer situation in Securities Times, Ta Kung Pao and http://www.cninfo.com.cn on Jan.21, 2003.

(III) After-period issues of material related transactions

The Company signed Construction Contract of Shenzhen Construction Projects with Shenzhen Yuezhong (Group) Co., Ltd. (hereinafter referred to as Yuezhong Company) in Shenzhen and let Yuezhong Company to undertake the construction projects of "City Golden Castle Project" developed by the Company. The term of contract implementation was from Dec.30, 2002 to May 2, 2004. This transaction behavior was presided by Shenzhen Bidding Center and formed a related transaction due to bidding shooting of Yuezhong Company. The Company carried through detailed disclosure on the specific situation of this related transaction in Securities Times, Ta Kung Pao and http://www.cninfo.com.cn on Jan.15, 2003.

(IV) Material Guarantee

1. The Company and subsidiaries of the Company provided mortgage loan guarantee to bank for purchasers of commercial house and ended Dec.31, 2002 the guarantee amount still not settled totally amounted to RMB 916.88 million. This guarantee issue was the guarantee provided by real estate developers for small owners to purchase the commercial house of the Company, which was the common phenomenon inside the industry.

2. The guarantee issue provided for Gintian Company, for details please refer to Gintian Case state in Item 4 of IX (I).

(V) Commitment events carried down to the report period of the Company

Please refer to Note.9 of Accounting Statements for commitment events of the Company.

(VI) Engagement of Certified Public Accountants

Approved in the provisional Board meeting, the Company entrusted Wuhan Zhonghuan Certified Public Accountants Co., Ltd. to take charge of the domestic audit of the Company of 2002 and Hong Kong Huarong Certified Public Accountants Co., Ltd. to take charge of the overseas audit of the Company of 2002 and submitted it to the next Shareholders' General Meeting for approval. The Company disclosed detailedly on Securities Times and Ta Kung Pao dated Mar.8, 2002 and the web site http://www.cninfo.com.cn.

Since the first Agreement of Audit Business, Wuhan Zhonghuan Certified Public Accountants Co., Ltd. and Hong Kong Huarong Certified Public Accountants Co., Ltd. has provided audit service for the Company for 2 months. The total audit expense of the Company in 2002 is RMB 0.4 million.

(VII) Neither the Company nor the Board of Directors and its members was inspected, penalized, criticized or publicly censured by the securities regulatory authorities in the report period.

X. FINANCIAL REPORT (ATTACHMENT)

XI. DOCUMENTS AVAILABLE FOR REFERENCE

1. Financial statements carried with signatures and sales of legal representative and chief accountant of the Company;

2. Original of Auditors' Report carried with sale of Certified Public Accountants as well as signatures and sales of certified public accountants.

3. Originals of all documents as disclosed in public on the newspapers as designated by CSRC in the report period.

Board of Directors of
ShenZhen Properties & Resources Development (Group) Ltd.
April 19, 2003

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
深圳市物业发展(集团)股份有限公司

Consolidated Financial Statements
For the year ended December 31, 2002

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
深圳市物业发展(集团)股份有限公司

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

AUDITORS' REPORT TO THE SHAREHOLDERS OF

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED

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

We have audited the accompanying consolidated balance sheet of Shenzhen Properties & Resources Development (Group) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as of December 31, 2002 and the related consolidated statements of income and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standard on Auditing issued by the International Auditing and Assurance Standards Board except that the scope of our work was limited as explained below. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation.

However, the evidence available to us was limited as we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the results and assets and liabilities of certain subsidiary companies which were excluded in these consolidated financial statements as fully disclosed in note 15 to the financial statements. This is not in accordance with International Accounting Standard no.27 issued by International Accounting Standards Board. There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the results and assets and liabilities of these subsidiaries.

<u>Qualified opinion arising from limitation of scope and disagreement about accounting treatment</u>

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the Group's results and assets and liabilities and except for not in accordance with International Accounting Standard no.27, the financial statements give a true and fair view of the financial position of the Group as of December 31, 2002, and of the results of its operation and its cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

KLL Associates CPA Limited
Lee Ka Leung, Daniel
Practising Certificate Number P01220

, 2002

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
深圳市物业发展(集团)股份有限公司

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31,2002

	Notes	2002 RMB'000	2001 RMB'000
Turnover	5	778,312	1,015,727
Cost of sales		(547,141)	(740,154)
Gross profit		231,171	275,573
Other net revenue/(expenses)		453	(4,689)
Administrative expenses		(118,169)	(104,231)
Distribution costs		(34,689)	(12,770)
Profit from operations	7	78,766	153,883
Finance costs	8	(48,416)	(73,178)
Share of profits/(losses) of associates		650	(20,002)
Income from investments	9	14,877	27,503
Profit before taxation		45,877	88,206
Taxation	10	(9,887)	(17,371)
Profit after taxation		35,990	70,835
Minority interests		-	(1,365)
Profit attributable to shareholders		35,990	69,470
Earnings per share			
Basic and diluted	11	RMB0.07	RMB0.13

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
深圳市物业发展(集团)股份有限公司

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31,2002

	Notes	2002 RMB'000	2001 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	324,080	297,987
Intangible assets	13	63,314	65,194
Interest in subsidiaries not consolidated	15	87,762	24,836
Interests in associates	16	216,904	126,156
Long-term investments	17	19,776	23,890
Pledged bank balance		3,000	11,100
		714,836	549,163
Current assets			
Inventories	18	1,434,843	1,303,201
Trade and other debtors		101,985	278,560
Trading securities	19	16,810	34,502
Cash and bank balances		251,531	282,994
		1,805,169	1,899,257
Current liabilities			
Trade and other creditors		1,129,625	1,146,161
Taxes payable		874	30,518
Dividends payable		-	29,454
Short-term loans	20	785,000	953,600
Current portion of long-term liabilities	21	-	1,194
		1,915,499	2,160,927
Net current liabilities		(110,330)	(261,670)
Total assets less current liabilities		604,506	287,493
Non-current liabilities			
Long-term loans	21	250,000	1,400
Other long-term payables		40,463	2,024
		290,463	3,424
		314,043	284,069
CAPITAL AND RESERVES			
Share capital	22	541,799	541,799
Reserves		(227,756)	(280,647)
		314,043	261,153
Minority interests		-	22,917
		314,043	284,069

Approved by the Board of Directors on

DIRECTOR DIRECTOR

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
深圳市物业发展(集团)股份有限公司

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31,2002

	Notes	2002 RMB'000	2001 RMB'000
Net cash inflow from operating activities	23	192,032	9,454
Investing activities			
Interest received		4,163	23,881
Dividend paid		(29,454)	-
Proceeds on disposal of other investments		13,528	10,117
Decrease/(Increase) in trading securities		17,692	15,329
Proceeds on disposal of fixed assets		2,373	36,890
Purchases of fixed assets		(2,530)	(48,689)
Acquisition of intangible assets		-	(24,888)
Advances/(Repayment) to associates		(190,002)	71,206
Net cash inflow/(outflow) from investing activities		(184,230)	83,846
Financing activities			
Interest paid on bank loans and other loans		(103,254)	(73,178)
Repayment to minority shareholders		(22,917)	-
New bank loans raised	24	338,600	306,008
Repayments of bank loans	24	(259,794)	(318,129)
Net cash used in financing activities		(47,365)	(85,299)
Increase in cash and cash equivalents		(39,563)	8,001
Decrease in bank balances pledged as securities to loans		8,100	1,200
Cash and cash equivalents at beginning of year		282,994	273,793
Cash and cash equivalents at end of year		251,531	282,994

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
深圳市物业发展(集团)股份有限公司

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31,2002

	Share capital RMB'000	Statutory capital reserve RMB'000	Public welfare fund RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at January 1, 2001	541,799	256,806	79,511	13,289	(654,112)	237,293
Prior year adjustment	-	-	-	-	(46,961)	(46,961)
Loss for the year	-	-	-	1,350	78,199	79,549
Balance at December 31, 20001	541,799	256,806	79,511	14,639	(622,874)	269,881
Prior year adjustment	-	-	-	-	(8,729)	(8,729)
Profit for the year	-	-	-	-	35,990	35,990
Transfer of reserve	-	31,540	-	(14,639)	-	16,901
Balance at December 31, 2002	541,799	288,346	79,511	-	(595,613)	314,043

1. CORPORATE INFORMATION

Shenzhen Properties Resources Development (Group) Ltd. (the "Company") was incorporated as a joint stock company with limited liability in the People's Republic of China pursuant to a reorganisation of state-owned enterprises. A and B shares were issued by the Company.

The Company and its subsidiaries (the "Group") are principally engaged in property development, investment and management, transportation, construction and property development consultancy.

2. GOING CONCERN

The directors have carefully considered the financial position of the Group in the light of accumulated losses of RMB595,613,000 (2001: RMB622,874,000) and net current liabilities of RMB110,330,000 (2001: RMB261,491,000) as shown on the balance sheet as at December 31, 2002. The Group is currently in negotiation with its bankers to renew certain banking facilities. The absence of such confirmed facilities raised significant uncertainties that the Group will be able to continue as going concern. Provided that the negotiations can be successfully completed and after taking into account the cash inflow expected to be received from the sales of properties in coming year, the directors arrived at the opinion that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis, and no adjustments have been made which would result from a failure to obtain such funding.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter referred to as "IFRS"). The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

4. PRINCIPAL ACCOUNTING POLICIES

The following principal accounting policies are adopted by the Group in preparing the financial statements to comply with IAS:

(a) Subsidiaries

Subsidiaries, which are those entities in which the Company and its subsidiaries (hereafter referred to as "the Group") has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

(b) Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost or less accumulated depreciation and any impairment losses.

Deprecation is calculated on the straight-line method to write off the cost or the revalued amounts of each asset, to their residual values over their estimated useful lives as follows:

Land and buildings in the PRC	20 –25 years
Buildings outside the PRC	Term of lease or, if less, 20 years
Motor vehicles	5 years
Fixtures and equipment	5 years
Leasehold improvements	5 years

4. **PRINCIPAL ACCOUNTING POLICIES - continued**

(c) Property, plant and equipment - continued

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in operating profit.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalized, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

(d) Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various warehouses, container storage areas and buildings are situated for 50 years. Amortisation of land use right is calculated on a straight-line basis over the period of the land use right.

(e) Intangible assets

Intangible assets represent the cost of acquisition of taxi licences and are stated at cost less amortisation and provision, if necessary, for any permanent diminution in value. Amortisation is provided to write off the cost of taxi licences over the license period granted by relevant authorities, which is 20 years.

(f) Investment in equity securities

(i) Long term investments

Long-term investments which are held for long term are stated at cost less provision for diminution in value other than temporary in nature.

(ii) Trading securities

Listed investments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the consolidated income statement. Other listed investments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in the consolidated income statement.

The fair value of listed investments held for trading and listed investment available-for-sale is their quoted bid price at the balance sheet date.

Unlisted investments are stated in the consolidated balance sheet at cost less impairment losses.

4. **PRINCIPAL ACCOUNTING POLICIES - continued**

(g) Properties under development

Properties under development are stated at cost less provision for anticipated losses, where appropriate. Cost includes cost of land use rights acquired, development cost and borrowing costs capitalized.

(h) Completed properties for sale

Completed properties for sale are stated at the lower of cost and the estimated net realizable value. Cost includes cost of land use rights acquired, development cost and borrowing costs capitalized. Net realizable value represents the estimated selling price less the estimated costs necessary to make the sale.

(i) Inventories

Inventories are stated the lower of cost and net realisable value. Costs, which comprise all costs of purchase, are calculated using the weighted average method. Net realisable value represents the estimated selling prices less all estimated costs of completion and selling expenses.

(j) Impairment loss

Property, plant and equipment and other non-current assets, including intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset’s net selling price and value in use. Impairment losses are recognised in the consolidated income statement.

(k) Revenue recognition

Revenue from sale of property is recognised when sales agreements are signed between the Group and the customers, deposits are received from customers in full amount, and the relevant risks and rewards were transferred to the customers.

Revenue from the sale of goods is recognised upon the transfer of risks and rewards of ownership.

Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.

Interest income is recognised on a time proportion basis taking into account the principal amounts outstanding and the interest rates applicable.

4. **PRINCIPAL ACCOUNTING POLICIES - continued**

(l) Retirement benefit costs

The Group participates in retirement schemes operated by local authorities and the annual cost of providing retirement benefits is charges to the consolidated profit and loss account according to the contribution determined by the relevant schemes.

(m) Taxation

The charge for taxation is based on the result for the year as adjusted for items, which are non-assessable or disallowable. Timing differences 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 difference, computed using the liability method, is recognised in accounts to the extend in its probable a liabilities or an asset will crystallize in the foreseeable future.

(n) Foreign currencies translation

The Company and its subsidiaries maintain their books and records in Renminbi ('RMB'). Transactions in foreign currencies are translated at exchange rates quoted by he People's Bank of China at the translation dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the exchange rate quoted by the People's Bank of China at the balance sheet date. All exchange differences are dealt with in the income statement.

The accounts of subsidiaries and associated companies expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with as a movement in reserves.

(o) Operating leasing

Leases where substantially all the rewards, and risks of ownership of assets remain with the lessors are accounted for as operating leases.

Rentals income and expenses under operating leases are credited and charged respectively to the consolidated income statement on a straight-line basis over the term of the relevant lease.

(p) Cash and cash equivalents

Cash and cash equivalents comprise short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from bank repayable within three months from the date of the advances.

4. PRINCIPAL ACCOUNTING POLICIES - continued

(q) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that an asset or liability is expected to be payable or receivable in the foreseeable future.

5. TURNOVER

An analysis of the Group's turnover is as follows:

	2002 RMB'000	2001 RMB'000
Sale of properties	529,638	774,335
Sale of goods	101,352	94,979
Taxi service	33,556	37,838
Property rental and management services income	104,824	82,149
Hotel and restaurant operations	5,755	-
Others	3,187	26,426
Total revenue	778,312	1,015,727

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

Principal activities are as follows:

Property	-	construction, sales, leasing and management of properties
Trading	-	sale of general merchandise
Transportation and catering service	-	hotel and restaurant operation and provision of taxi services

All the Group's business are conducted in PRC.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Segment information about these businesses for the year ended December 31, 2002 is presented below:

	Sales of properties, management services and rental income RMB'000	Trading RMB'000	Taxi services, hotel and restaurant operations and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Revenue					
External sales	634,462	101,352	42,498	-	778,312
Inter-segment sales	12,508	-	-	(12,508)	-
Total revenue	646,970	101,352	42,498	(12,508)	778,312

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

	Sales of properties, management services and rental income RMB'000	Trading RMB'000	Taxi services, hotel and restaurant operations and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
RESULTS					
Segment results	175,563	30,702	24,906	-	231,171
General administrative expenses and unallocated corporate expenses					(152,405)
Operating profit					78,766
Finance costs					(48,416)
Share of losses of associates					650
Income from investments					14,877
Profit before tax					45,877
Income taxed					(9,887)
Profit after tax					35,990
Minority interests					-
Net profit for the year					35,990

6. **BUSINESS AND GEOGRAPHICAL SEGMENTS - continued**

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

	Sales of properties, management services and rental income	Trading	Taxi services, hotel and restaurant operations and others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
External sales	856,484	94,979	64,264	-	1,015,727
Inter-segment sales	24,456	-	-	(24,456)	-
Total revenue	880,940	94,979	64,264	(24,456)	1,015,727

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

	Sales of properties, management services and rental income	Trading	Taxi services, hotel and restaurant operations and others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Segment results	225,119	32,089	18,365	-	275,573
General administrative expenses and unallocated corporate expenses					(121,690)
Operating profit					153,883
Finance costs					(73,178)
Share of losses of associates					(20,002)
Income from investments					27,503
Profit before tax					88,206
Income taxed					(17,371)
Profit after tax					70,835
Minority interests					(1,365)
Net profit for the year					69,470

7. PROFIT FROM OPERATONS

Profit from operations has been arrived at after charging:

	2002 RMB'000	2001 RMB'000
After charging:		
Depreciation of owned fixed assets (note 12)	23,009	39,352
Amortisation of intangible assets (note 13)	1,880	4,441
Net Provision for inventories	-	24,552
Net foreign exchange loss	-	107
Provision for doubtful debts	97,765	25,319
Staff costs – statutory pension	3,582	2,203
– other costs	73,233	27,828
Provision for diminution in value of investment	6,305	9,704
And after crediting:		
Interest income	4,163	23,881
Provision for inventories written back	(19,832)	-
Gain on disposal of fixed assets	15,058	4,059

8. FINANCE COSTS

	2002 RMB'000	2001 RMB'000
Interest expenses	103,254	75,685
Less: Interest capitalised	(54,838)	(2,507)
	48,416	73,178

9. INCOME FROM INVESTMENTS

	2002 RMB'000	2001 RMB'000
Interest on bank deposits, government bonds and other loans	4,163	23,881
Provision for diminution in value of investments written back	10,714	-
Gain on dealing of listed investments	-	2,671
Reversal of the provision for trading securities	-	951
	14,877	27,503

10. TAXATION

	2002 RMB'000	2001 RMB'000
The charge comprises:		
Profits tax for the year:		
PRC profits tax	9,887	17,371
Taxation attributable to the Company and its subsidiaries	9,887	17,321
Share of taxation attributable to associates	-	50
	9,887	17,371

The Group provided for income tax on the estimated assessable profit for the year at the rate of 15% (2001: 15%), the prevailing income tax rate for all PRC enterprise in Shenzhen. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiary operate.

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of RMB35,990,000 (2001: RMB78,199,000) and the 541,799,000 (2001: 541,799,000) shares in issue during the year.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Fixture and equipment RMB'000	Total RMB'000
COST					
At January 1, 2002	308,131	33,744	65,277	32,307	439,459
Transferred from inventories	130,359	-	-	-	130,359
Additions	-	-	2,883	1,146	4,029
Disposals	(93,365)	-	(14,767)	(4,966)	(113,098)
At December 31, 2002	345,125	33,744	53,393	28,487	460,749
DEPRECIATION					
At January 1, 2002	78,496	8,327	38,206	16,443	141,472
Charge for the year	10,122	2,617	8,276	1,994	23,009
Eliminated on disposals	(11,145)	-	(11,813)	(4,854)	(27,812)
At December 31, 2002	77,473	10,944	34,669	13,583	136,669
NET BOOK VALUES					
At December 31, 2002	267,652	22,800	18,724	14,904	324,080
At December 31, 2001	229,635	25,417	27,071	15,864	297,987

As at December 31, 2002, land and buildings with net book values of RMB 248,575,000 (2001: RMB118,728,000) have been pledged to the banks to secure general banking facilities for the Company and its subsidiaries.

13. INTANGIBLE ASSETS

	2002 RMB'000	2001 RMB'000
Original Cost	88,812	88,812
Accumulated amortisation	(25,498)	(23,618)
Net book value	63,314	65,194

As at December 31, 2002, taxi licenses with net book value of RMB 16,840,000 (2001: RMB31,680,000) have been pledged to the banks to secure general banking facilities for the Company and its subsidiaries.

14. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries included in consolidated financial statement at December 31, 2002 are as follows:

Names of subsidiary	Proportion of ownership interest/ Proportion of Voting power held Direct %	Indirect %	Principal activities	Place of incorporation
Hainan Xinda Development Headquarter Company	100		Property development and trading	The People's Republic of China
Shenzhen Property and Construction Development Company	100		Property development	The People's Republic of China
Shenzhen ITC Estate Management Company	95	5	Property management	The People's Republic of China
Shenzhen International Trade Plaza	95	5	Retailing of general merchandise	The People's Republic of China
Shenzhen Huangcheng Real Estate Company Limited	95	5	Property development, construction and management	The People's Republic of China
Shenzhen ITC Vehicles Services Company	90	10	Transportation and vehicles rental service	The People's Republic of China
深圳市物业工程建设监理有限公司	90	10	Property development consultancy services	The People's Republic of China
Shanghai Shenzhen Properties Development Company Limited	80	20	Property management and construction	The People's Republic of China
深圳市国贸餐饮有限公司	80	20	Restaurant operation and wine merchandise	The People's Republic of China

15. INTEREST IN SUBSIDIARIES NOT CONSOLIDATED

	2002 RMB'000	2001 RMB'000
Cost of investment	116,950	34,493
Provision for diminution in value	(61,698)	(9,657)
	55,252	24,836
Amounts due from associates	72,031	-
Amounts due to associates	(39,521)	-
	87,762	24,836

Details of subsidiaries excluded in consolidated financial statement at December 31, 2002 are as follows:

Shum Yip Properties Development Limited	100	Property development	Hong Kong
Zhanjing Shenzhen Estate Development Company Limited	100	Property development and retailing of general merchandise	The People's Republic of China
Shenzhen ITC Plaza & Development Company Limited	70	Property investment and development	The People's Republic of China
大连深圳物业发展有限公司	100	Property development	The People's Republic of China
深圳市房地产交易所	100	Property investment	The People's Republic of China
深圳市物业建筑设计公司	100	Property development	The People's Republic of China
四会市建业皇江开发公司	100	Property development	The People's Republic of China
深圳特速机动车驾驶员培训中心有限公司	100	Driver training	The People's Republic of China
深圳市龙耀房地产开发公司	100	Property development	The People's Republic of China
深杉公司	100	Dormant	The People's Republic of China
深市国贸旅游公司	100	Tourism	The People's Republic of China
南京深圳物业发展有限公司	100	Property development	The People's Republic of China

16. INTEREST IN ASSOCIATES

	2002 RMB'000	2001 RMB'000
Cost of investment	219,674	292,297
Share of post-acquisition loss, net of dividends received	(146,102)	(127,337)
Provision for diminution in value	(51,598)	(76,242)
	21,974	88,718
Amounts due from associates	200,560	37,438
Amounts due to associates	(5,630)	-
	216,904	126,156

Details of the principal associates at December 31, 2002 are as follows:

Names of associates	Proportion of ownership interest/ Proportion of Voting power held Direct %	Principal activities	Place of incorporation
Shenzhen Luohu Hotel Company Limited	50	Hotel operation	The People's Republic of China
Shenzhen Carrier Service Company Limited	40	Air-conditioning	The People's Republic of China
ITC Tian An Company Limited	50	Property investment and development	The People's Republic of China
Shenzhen Lingnan Jifa Warehouse Company Limited	50	Warehousing	The People's Republic of China
Anhui Nan Peng Paper Manufacturing Company Limited	30	Manufacturing and sales of coated art paper	The People's Republic of China
Suzhou Fuda Property Development Company Limited	25	Property development	The People's Republic of China
Shenzhen Matform Ceramics Industry Company Limited	26	Ceramics craft	The People's Republic of China
深圳国贸实业发展有限公司	38.33	Property development	The People's Republic of China
深圳天安国际大厦业管理有限公司	50	Building management	The People's Republic of China
上海裕通房地产开发有限公司	40	Property development	The People's Republic of China
龙华地产公司	20	Property investment	The People's Republic of China
广州利士风汽车有限公司	30	Motor vehicle trading	The People's Republic of China
深圳皇和房地产开发有限公司	合作	Property Investment	The People's Republic of China
塞班岛投资公司	30	Property Investment	The People's Republic of China
晓晖发展有限公司	10	Property development	The People's Republic of China
重庆广发房屋开发有限公司	25	Property development	The People's Republic of China
Chatswood Investment Development Co Pty. Ltd	45	Property investment and development	The People's Republic of China

17. LONG TERM INVESTMENTS

	2002 RMB'000	2001 RMB'000
Unlisted equity investments at cost	-	5,184
Provision for permanent diminution in value	-	(5,070)
	-	114
Unlisted legal person shares	23,776	23,776
Provision for diminution in value	(4,000)	-
	19,776	23,890

18. INVENTORIES

	2002 RMB'000	2001 RMB'000
Properties held for sale/under development	825,482	437,087
Completed properties held for sale	603,237	862,405
Other inventories	3,942	3,709
	1,432,661	1,303,201

Properties under development include a piece of land in Nanjing with carrying value of RMB 151,441,000 of which development works terminated several years ago due to unfavorable market conditions. The directors will develop the land for property trading purposes when the property market improves in future.

As at December 31, 2002, completed properties held for sale with carrying value of RMB 95,742,000 (2001:RMB135,800,000) have been pledged to the banks to secure general banking facilities granted to the subsidiaries.

19. TRADING SECURITIES

	2002 RMB'000	2001 RMB'000
Listed securities, at market value	3,000	34,498
Government bonds, at cost	-	4
	3,000	34,502

20. SHORT-TERM LOANS

	2002 RMB'000	2001 RMB'000
Mortgaged bank loans	326,000	418,000
Guaranteed bank loans	433,000	489,500
Other unsecured loans	26,000	46,100
	785,000	953,600

Mortgaged bank loans are secured by the Group's assets and bear interest at prevailing market rates ranging form 5% to 8% (2001: 5% to 8%) per annum. Other unsecured loans carry interest at an annual fixed rate of approximately 7% (2001: 7%).

Mortgaged bank loans of RMB 67,440,000 (2001: RMB 90,000,000) and guaranteed bank loans of RMB 312,000,000 (2001: RMB 353,800,000) have been overdue. Management of the Company is in the process of negotiating with the banks to extend the repayment due date.

21. LONG-TERM LOANS

	2002 RMB'000	2001 RMB'000
Bank loans – secured		
Wholly repayable within five years	250,000	2,594
Not wholly repayable within five years	40,463	-
	290,463	2,594
Less: Amount due within one year shown under current liabilities	1,428	1,194
	289,035	1,400

Long-term bank loans are secured by the Group's assets and bearing interest at prevailing market rates ranging from 5% to 6% (2001: 4% to 5%) per annum.

22. SHARE CAPITAL

	2002 RMB'000	2001 RMB'000
Registered, issued and fully paid:		
388,949,000 state shares and shares held by other promoters of RMB1 each	388,949	388,949
91,391,000 A share of RMB1.00 each	91,391	91,391
61,459,000 B share of RMB1.00 each	61,459	61,459
	541,799	541,799

All the shares rank pari passu with each other in all respects.

23. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 RMB'000	2001 RMB'000
Profit from ordinary activities before taxation	45,877	88,206
Adjustment for:		
Share of results of associates	650	11,452
Minority interest	-	20,617
Interest expense	103,254	75,685
Interest income	(4,163)	(23,881)
Bad or doubtful debts written back	(47,445)	(29,614)
Provision for doubtful debts	84,578	54,933
Provision for inventories	43,526	27,098
Provision for inventories written back	-	(2,546)
Provision for diminution in value of investments	5,076	9,704
Reversal of provision on trading securities written back	-	(951)
Depreciation of property, plant and equipment	23,009	39,352
Amortisation of intangible assets	1,881	4,441
Gain on disposal of fixed assets	(14,797)	(4,059)
Gain on dealing of listed investments	-	(2,671)
Operating cash flows before movements in working capital	241,446	267,766
Increase in inventories	(131,642)	(124,682)
Decrease/(Increase) in receivables	176,575	(109,349)
(Decrease)/Increase in payables	(16,536)	(9,928)
Cash generated by operations	269,843	23,807
Taxes paid	(77,811)	(14,353)
Net cash inflow from operating activities	192,032	9,454

24. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Short-term bank loans RMB'000	Long-term bank loans RMB'000	Other short-term loans RMB'000
Balance at January 1, 2002	907,500	2,594	46,100
New loans raised	90,000	248,600	
Repayments of amounts borrowed	(212,500)	(1,194)	(46,100)
Balance at December 31, 2002	785,000	250,000	-

25. PRIOR YEAR ADJUSTMENTS

	RMB'000
Reversal of profit arising from long term investment in the previous years	8,729

The adjustment relates to a change in accounting policy of revenue recognition from long-term investment that income had been over-recognised in the previous years. In order to be consistent with the presentation of the statutory financial statements which are prepared under PRC GAAP, the directors consider that it is appropriate to reflect such adjustments as a prior year adjustment to the equity of the Group as of January 1, 2001.

26. PLEDGE OF ASSETS

As at December 31, 2002, leasehold land and buildings with a net book value of RMB 248,575,000 (2001: RMB 118,728,000), completed properties held for sales of RMB 95,742,000 (2001: RMB 135,800,000) and certain taxi licenses having a net book value of RMB 16,840,000 (2001: RMB 31,680,000) have been pledged to the banks for the general banking facilities granted to the Group.

27. CONTINGENT LIABILITIES

(1) The Company provided guarantee to a third party for a bank loan of RMB 65,000,000. This party is unable to meet the repayment and the banks have taken legal action to receive certain assets of this party. The bank will take the shortfall from the Company when the legal action is completed.

(2) In 1999, an appeal was lodged by the Group with the Guangdong High Civil Court in relation with a claim by certain customers under certain contracts related to the sale of properties made by the Group to its customers. It was alleged that the Company had breached the contracts by not providing the title documents by the dates as specified in the contacts. The total amount under dispute is approximately HK$79,000,000, representing compensation claimed by the customers. A court ruling has not yet been made on the case.

The directors, after consultation with the Group's legal advisers, are of the opinion that these claims were unfounded and are confident that the Group will not suffer any loss from these claims. Accordingly, no provision for loss has been made in the Company's financial statements.

(3) A court case during 2000 was finalized and the Group has to pay approximately RMB 10,800,000 together with interest for the failure in completion of sales contract to its customer. The directors are now negotiated with this customer in order to seek for out of court settlement.

(4) A subsidiary is a defendant in a law suit brought during 2001 claiming approximately HK$ 10,676,000 and RMB 20,000 relating to the imports of refrigerator from a supplier. A court ruling has not yet been made on the case. The directors are of the opinion that these claims were unfounded and are confident that the Group will not suffer any loss from these claims. Accordingly, no provision for loss has been made in the Company's financial statements.

28. OPERATING LEASES

The Group leases out certain properties under non-cancellable operating leases. Rental income to be received as follows:

	2002 RMB'000	2001 RMB'000
Land and buildings		
- expiring in the first year	22,430	3,060
- expiring in the second to fifth years inclusive	15,685	8,451
- expiring after the fifth year	4,017	972
	42,132	12,483

29. RELATED PARTY TRANSACTIONS

During the year, group companies entered into the following transactions with related parties who are not members of the Group:

	Rental income		Amounts due to related parties		Amounts due from related parties	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Associates	-	1,873	339,900	32,005	279,660	61,433

The above transactions were carried out at terms agreed between the Group and the associates. The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

30. IMPACT OF IAS ADJUSTMENTS ON PROFIT/LOSS

	Profit For the year ended December 31,	
	2002 RMB'000	2001 RMB'000
As reported in financial statements prepared in accordance with PRC GAAP	34,622	86,207
Adjustment to confirm with IAS:		
Unrealised profit on trading securities	-	118
Understatement of rental income	-	2,973
Deferred expenses written off	(81)	(3,236)
Amortisation charges written back to fixed assets	332	10,467
Addition depreciation charges	(2,617)	(4,408)
Addition amortisatiobn charges	-	(1,917)
Minority interest	-	646
Reverse of "B shares" last year adjustments	-	6,227
"A share" prior years adjustments	-	(27,695)
Others	3,734	88
	35,990	69,470

31. IAS IMPACT ON CONSOLIDATION NET ASSETS

	December 31, Consolidated net assets	
	2002	2001
	RMB'000	RMB'000
As reported in financial statements prepared in accordance with PRC GAAP	337,904	300,713
Adjustment to confirm with IAS:		
Unrealised profit on trading securities	-	118
Understatement of rental income	-	2,973
"B share" prior years adjustments	(4,000)	(4,000)
Deferred expenses written off	(3,265)	(3,236)
Amortisation charges written back to fixed assets	411	11,605
Addition depreciation charges	(7,764)	(4,408)
Addition amortisatiobn charges	(8,373)	(8,572)
Unamortised expenses written off	(4,233)	(4,230)
Reverse of "B shares" last year adjustments	-	626
Others	3,364	(7,520)
	314,044	284,069