SHENZHEN Special Economic Zone Real Estate & Properties (Group) Co., Ltd.
2002 Annual Report

Important:
The Board of Directors of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd. (hereinafter referred to as the Company) hereby confirms that there are no important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents. This report is written both in Chinese and English. Should there be any difference in interpretation of the text of the two versions, the Chinese version shall prevail.
Chairman of the Board of the Company Shao Zhihe, General Manager Chen Wuhua and Financial manager Liu Maohai hereby confirm that the Financial Report of the Annual Report is true and complete.

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Ⅱ. COMPANY PROFILE

1. Legal Name of the Company
   In Chinese: 深圳经济特区房地产（集团）股份有限公司
   In English: SHENZHEN Special Economic Zone Real Estate & Properties (Group) Co., Ltd.
   Short Form in Chinese: 深房集团
   Short Form in English: SPG
2. Legal Representative: Ye Huanbao *
3. Secretary of the Board of Directors: Chen Ji
   Authorized Representative in charge of Securities Affairs: Tu Zhigang
   Contact Address: 47/F, SPG Plaza, Renmin South Road, Shenzhen
   Tel.: (0755) 82293000-4718, 4715
   Fax: (0755) 82294024
   E-mail: spg@163.net
4. Registered Address: 47/F, SPG Plaza, Renmin South Road, Shenzhen
   Office Address: 45/F-48/F, SPG Plaza, Renmin South Road, Shenzhen
   Post Code: 518001
   E-mail: spg@163.net
5. Newspapers for Disclosing the Information:
   Domestic: China Securities and Securities Times
   Overseas: Ta Kung Pao
   Internet Website Designated by CSRC for Publishing the Annual Report: http://www.cninfo.com.cn
   The Place Where the Annual Report is Prepared and Placed: 47/F of SPG Plaza, Renmin South Road, Shenzhen
6. Stock Exchange Listed with: Shenzhen Stock Exchange
   Short Forms of the Stock: SHENSHENFANG A (Stock Code: 000029)
   SHENSHENFANG B (Stock Code: 200029)
7. Other Information of the Company
   Business scope: The Company is mainly engaged in development of real estate; sales, lease and management of commercial housing; construction fitment and installation; retail of commodity; trade, hotel and restaurant business.
   Date of initial registration: On Jan. 8, 1980
   Registration place: Bureau of Administration for Industrial and Commercial of Shenzhen Municipal
   Registered code of Business License: 4403011002426
   Registered code of Tax: 440301192179585
   Name and address of Certified Public Accountant engaged by the Company:
   Name: Shenzhen Nanfang Minhe Certified Public Accountants
   Address: 8/F, Electronics Tech. Bldg., No. 2007, Shen Nan Middle Road, Shenzhen

Note *: The change of the Board of Directors was completed in Shareholders' General Meeting held on Jan. 28, 2003. After change, legal representative (namely Chairman of the Board) of the Company is Mr. Shao Zhihe.

Ⅲ. SUMMARY OF FINANCIAL HIGHLIGHT AND BUSINESS HIGHLIGHT

(I) In RMB' 000

Total profit as of the year 2002	33,287
Net Profit	33,863

Gross profit	146,285
Income from associated companies	180,343
Other income	40,179
Net increase cash flows arising from operating activities	-32,205
Net increase/decrease in cash and cash equivalents	-65,378

Difference between A-share and B-share:
Impact on net profit and net assets due to IAS and the relevant adjustments:

	Net profit	Net assets
	RMB' 000	RMB' 000
As reported under Chinese Accounting Standards for Enterprises	14,044	1,033,090
Reversal of depreciation and amortization charges in investment properties	17,175	54,382
Adjustment for market value of short-term investments	4	1,276
Timing difference in recognition of expenses accrued in previous year	1,243	210
Difference in recognition of cost of fixed assets, plant and equipment	-	(202,149)
Goodwill arising from acquisition of subsidiaries	1,397	(7,093)
Others	-	266
As reported according to International Financial Report Standards	33,863	879,982

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

	2002	2001	2000
Income from core business (RMB' 000)	724,776	593,660	857,997
Gross profit (RMB' 000)	146,285	199,965	283,584
Net profit	35,010	(498,295)	75,971
Total assets (RMB' 000)	2,743,896	3,205,534	3,870,840
Net assets (RMB' 000)	879,982	864,115	1,340.558
Earnings per share (RMB)	0.03	(0.49)	0.07
Net assets pet share (RMB)	0.87	0.85	1.37
Net cash flows per share arising from operating activities (RMB)	-0.03	-0.04	0.07
Return on equity (%)	3.98	-57.67	5.46

Ⅳ. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT PRINCIPAL SHAREHOLDERS

(Ⅰ)Changes in Share Capital

1. Changes in shares (Ended Dec. 31, 2002)

	Before the change	Changes (+ / -) in report year						After the change
		Shares allotted	Bonus shares	Public reserve capitalized	Added shares	Others	Sub-total	
Ⅰ. Shares not in circulation								
1. Promoters' shares								
Including:								
State-owned shares	743,820,000							743,820,000
Domestic legal person Shares								
Foreign legal person Shares								
Others								
2. Legal person shares placed								
3. Employees' shares								
4. Preference shares or others								
Including:								
Shares allotted and Capitalized								
Total shares not in Circulation	743,820,000							743,820,000
Ⅱ. Shares in circulation								
1. RMB ordinary shares	147,840,000							147,840,000
2. Domestically listed foreign shares	120,000,000							120,000,000
3. Foreign shares listed abroad								
4. Others								
Total shares in circulation	267,840,000							267,840,000
Ⅲ. Total	1,011,660,000							1,011,660,000

2. Issuance and listing of shares

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

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

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

3. About shareholders

(1) The total shareholders in the report period

Ended Dec. 31, 2002, the Company had totally 114058 shareholders, including 91201 ones of A-share and 22857 ones of B-share.

(2) About the top ten shareholders of the Company

Ended Dec. 31, 2002, the top ten shareholders of the Company are as following:

No.	Name of shareholders	Holding shares (' 0000 Share)	Proportion in total shares (%)
1	Shenzhen Construction Investment Holdings Co.	74,382.00	73.5247

2	CBNY S/A PNC/SKANDIA SELECT FUND/CHINA EQUITY AC	192.49	0.1903
3	Pufeng Securities Investment Fund	80.48	0.0796
4	CHU KOON YUK	72.00	0.0712
5	SHUM YIP KWAN WING DEVELOPMENT LTD	62.84	0.0621
6	ORE BURNS（AUSTRALIA）PTY LIMITED	60.00	0.0593
7	Haitong Securities (Hong Kong) Co., Ltd.	58.19	0.0575
8	ZHANG XU BIN	50.00	0.0494
9	HE YU CHAN	46.40	0.0459
10	YANG YAO CHU	44.00	0.0435

Note: The No. 1 shareholder holds shares on behalf of the State; the No. 3 is shareholder of circulation A-share; the rest are shareholders of circulation B-shares. Among the top ten shareholders, the Company is unknown whether there exists associated relationship,

(3) Ended Dec. 31, 2002, only Shenzhen Construction Investment Holdings Co. (“Construction Investment Holdings”) held over 10% of the total shares of the Company. Construction Investment Holdings was founded in 1996, whose registered capital was RMB 1.5 billion, and legal representative was Zhang Yijun. It was mainly engaged in the general contracting of industrial and civil building projects, construction and design of general industrial and civil building projects; management of land site, operation of commercial housing, development of real estate, foreign economic and technical cooperation, import and export, etc. Its concurrent business scope includes contracting the installation/erection of equipment, electrical equipment, instruments and meters of big industrial construction projects, installation of big integrated production equipment; labor services and training for construction of municipal works; investment and property management, etc.

(4) In the report period, the controlling shareholders of the Company remained unchanged.

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

(I) About directors, supervisors and senior executives

Name	Title	Gender	Age	Office term	Holding shares at the year-begin (share)	Holding shares at the year-end (share)
Ye Huanboa	Chairman of the Board	Male	46	Jun. 1999 - Jan. 2003	0	0
Chen Wuhua	Director, General Manger	Male	50	Jun. 1999 - Jan. 2006	0	0
Zhuang Chuanghui	Director	Male	48	Jun. 1999 - Jan. 2003	0	0
Yao Ruisheng	Director	Male	59	Jun. 1999 - Jan. 2006	0	0
Hu Mingzhong	Director	Male	50	Jun. 1999 - Jun. 2002	0	0
Peng Naidian	Director	Male	54	Jun. 1999 - Jan. 2006	0	0

Zheng Tianlun	Independent Director	Male	67	Jun. 1999 - Jun. 2005	0	0
Yang Shaojia	Independent Director	Male	70	Jun. 2002 - Jun. 2005	0	0
Zhou Fushen	Director, Chief Financial Supervisor	Female	48	Jun. 2000 - Jan. 2006	0	0
Ma Jianhua	Director	Male	38	Jun. 1999 - Jan. 2006	0	0
Zhou Daosheng	Chairman of the Supervisory Committee	Male	56	Jun. 1999 - Jan. 2003	0	0
Gan Lu	Supervisor	Male	43	Jun. 1999 - Jan. 2006	0	0
Wang Hongbo	Supervisor	Male	33	Jun. 1999 - Jan. 2003	0	0
Feng Xinying	Supervisor	Female	54	Jun. 1999 - Jan. 2003	0	0
Yang Junwei	Supervisor	Male	38	Jun. 1999 - Jan. 2003	0	0
Shen Yuesheng	Deputy General Manager	Male	43	May 1999 - Jan. 2006	0	0
Wang Xiaolv	Deputy General Manger	Male	46	May 1999 - Jan. 2003	0	0
Liang Song	Deputy General Manager	Male	36	Aug. 1999 – Jan. 2006	0	0
Wang Junzhao	Chief Economist	Male	43	Aug. 1999 – Jan. 2003	0	0
Chen Ji	Secretary of the Board	Male	31	Jan. 2003 – Jan. 2006	0	0

Note: 1. Director Yao Ruisheng and Hu Mingzhong took the position in Shenzhen Construction Investment Holdings Co., the controlling shareholder of the Company.
2. On Jan. 28, 2003, the Company held Shareholders' General Meeting and approved the proposal on change of the Board of Directors and Supervisory Committee. New Board of Directors consisted of 10 directors, namely, Shao Zhihe, Chen Wuhua, Xu Zhenhan, YaoRuisheng, Peng Naidian, Liang Song, Zhou Fushen, Ma Jianhua, Zheng Tianlun and Yang Shaojia; Chairman of the Board was Shao Zhihe. New Supervisory Committee consisted of 5 supervisors, namely, Zhuang Chuanghui, Gan Lu, Yu Fang, Wu Zhiyong and Zhou Hong; Chairman of the Supervisory Committee was Zhuang Chuanghui. New Board of Director engaged the following senior executives: general manager Chen Wuhua; deputy general manager Luo Kunquan, Liang Song, Shen Yuesheng, Zhang Yue; chief financial supervisor Zhou Fushen; secretary of the Board Chen Ji.

(II) Annual recompense
The Company carried out Annual Recompense System on directors, supervisors and senior executives. The amount of annual recompense is determined based on the salary standard in the same trade and the Company's actual situation. The relevant department submits plan, which is subject to the Board of Directors for approval.
In 2002, the Company paid the annual recompense of RMB 2.46 million to directors, supervisors and senior executives. The total amount of annual remuneration of the top three directors drawing the highest payment was RMB 680,000; the total amount of 02annual remuneration of the top three senior executives drawing the highest payment was RMB 620,000. Of them, 3 ones enjoy the annual salary over RMB 220,000 respectively; 6 ones enjoy the annual salary between RMB 170,000 to RMB 220,000 respectively; 6 ones enjoy the annual salary between RMB 100,000 to RMB 170,000 respectively.
Director Yao Ruisheng and Hu Mingzhong drew their annual salary from Shareholding

Company.
The Company elected two independent directors in June 2002; up to the end of 2002, independent directors of the Company received no pay or allowance from the Company.

(III) In the report period, director Hu Mingzhong resigned from the post of director; director and concurrently chief financial supervisor Zhou Fushen resigned from the post of secretary of the Board.

(IV) Number of employees, professional/occupational composition, education background and retired employees
By the end of the year 2002, the Group had totally 2706 employees, including 1241 production personnel, 362 sales personnel, 493 technicians, 258 financial personnel and 352 administrative personnel. Among them, 287 undergraduates or above, 255 graduated from 3-years regular college, 341 from technical secondary school, 1823 from senior high school or below. The Company had 191 retirees.

VI. ADMINISTRATIVE STRUCUTRE
(I) Pursuant to PRC Company Law, Securities Law and relevant regulations released by CSRC, the Company has been standardizing its own operation, establishing and continually improving modern enterprise system. The Company has established a series of rules and systems including Articles of Association, Rules of Procedures of the Board of Directors and Rules of Procedures of the Supervisory Committee. The Company has also made self-inspection according to the Administrative Rules for Listed Companies jointly issued by CSRC and State Economy and Trade Commission. Details are as follows:
1. Shareholders and Shareholders' General Meeting
The Company could ensure all shareholders to fully implement their rights, enjoy equal status, and have right of participation and right of knowing facts regarding significant issues. Shareholders are entitled to protect their legal rights by legal means; Holding and voting of the Shareholders' General Meeting are standardized; Correlative transactions are fair and reasonable.
2. The controlling Shareholder and the Public Company
The control shareholder performed its rights of investor according to law and did not damage the interest of the Company and other shareholders. The control shareholder has realized separation from the public company in respect of personnel, assets and finance, and the organization and business of the Company are independent.
3. Directors and the Board of Directors
The Company elected directors strictly according to the stated procedures in the Articles of Association, adopted accumulative voting system in election of directors; Directors could comply with relevant laws, legislations and Articles of Association, and could perform obligations in a loyal, honest and reliable manner; The number of the Board and the personnel composing are in line with relevant requirements; The Board of Directors could seriously perform the obligations as stated in relevant laws, legislations and Articles of Association; The Company has established standardized Rules of Procedures of the Board of Directors, and could hold the Board of Directors according to stated procedures. The Company shall establish independent director system as soon as possible.
4. Supervisors and the Supervisory Committee
The number of the members of the Supervisory Committee and the personnel composing are normative and reasonable; The Company has standardized Rules of Procedures of the Supervisory Committee, safeguarded the right of knowing facts of supervisors, and could provide necessary assistance to supervisors in their normal performing of obligations. The

Supervisory Committee operated strictly in accordance with stated procedures, and meetings of the Supervisory Committee could be held regularly with normative meeting records.

5. Performance Evaluations and Encouragement and Binding Mechanism

The Company has established fair and transparent performance evaluation criteria and procedures for directors, supervisors and managers. Salary committee of the Company implemented performance evaluation for directors and managers. The Company elects managers strictly according to relevant stipulations. The Company has established encouragement mechanism for managers that connect salary with the Company's performance and personal achievements.

6. Beneficiaries

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

7. Information Disclosures and Transparent

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

(II) Implementation of Duties of Independent Directors

Independent directors could perform their duties according to relevant laws and regulations, safeguard the whole interest of the Company and the legal right and interest of the medium and small shareholders, attend normally the Board of Directors of the Company and execute vote right and issue independent directors on engagement and disengagement of senior executives, transfer of significant assets and etc.

VII. BRIEFINGS ON THE SHAREHOLDERS' GENERAL MEETING

The Company held one Shareholders' General Meeting in the report year:

(I). The notification on holding the 10th Shareholders' General Meeting was published in Securities Times, China Securities and Ta Kung Pao dated May 29, 2001. The 10th Shareholders' General Meeting was held in the meeting room on the 48/F of Shen Fang Plaza at 9:00AM dated June 28, 2002 on schedule. Two shareholders attended the meeting, holding 744,064,000 shares, taking 73.55% of the total share capital of the Company, including 743,820,000 A shares and 244,000 B shares, respectively taking 73.52% of the total share capital of the Company in compliance with Company Law and Articles of Association. The meeting was witnessed and issued the legal opinion by the lawyer of Shenzhen Xinda Law Firms. The meeting examined and approved the following proposals:

1.2001 Report of the Board of Directors

2.2001 Report of the Supervisory Committee

3.2001 Financial Statement and Profit Distribution Proposal

4.Proposal on Engaging Independent Directors

5.Proposal on Agreeing Mr. Hu Mingzhong to Resign Post as Director

The relevant resolutions of the Shareholders' General Meeting were published in Securities Times, China Securities and Ta Kung Pao dated June 29, 2002.

(II) The 10th Shareholders' General Meeting approved Mr. Hu Mingzhong to resign post as director and elected Mr. Zheng Tianlun and Mr. Yang Shaojia as independent directors.

VIII. Report of the Board of Directors

I. Operation of the Company

(I) Scope of core business and status

1.The Company belongs to real estate industry and is engaged in the development of real estate and sales of commercial house, lease and management of property, construction decoration and installation, retail and trade of commodities and hotel and meal and eating service. According to the results audited by Shenzhen Planning and State Land & Resources Bureau, the Company ranked 24th in the comprehensive development companies of Shenzhen in 2002. In the report period, the consolidated statements reflected an income from core business of RMB 748,050,000, which increased by RMB 131.8 million, an increase of 21.39%. The total amount of profit was RMB 15.19 million and the net profit was RMB 14.04 million. The main reason was that in 2001 the Company withdrew assets impairment loss amounting to RMB 503.04 million and withdrew loss of lawsuit and arbitration in advance amounting to RMB 29.87 million.

Particulars about business of various industries: (Unit: RMB' 0000)

Industries	Revenue	Proportion in the income from core business	Operating cost	Gross profit	Gross profit ratio
Real estate industry	21,867	29.23%	16,380	5,487	25.29%
House lease	9,125	12.20%	3,245	5,879	64.43%
Construction industry	7,315	9.78%	6,407	908	12.41%
Property management industry	6,232	8.33%	5,756	476	7.64%
Travel and eating service industry	1,753	2.34%	1,401	352	20.07%
Commodity circulation industry	29,942	40.02%	28,363	1,579	5.27%
Other industries	1,252	1.67%	351	901	71.99%
Counteracting between each other among industries inside the Company	2,680	3.58%	2,403	277	10.32%

In the report period, the income from core business of the Company was RMB 748.05 million, which increased by RMB 131.80 million than that of the corresponding period of the previous year amounting to RMB 616.25 million, an increase of 21.39%, including: ①Real estate industry decreased by RMB 21.94 million, which was mainly due to the decrease of sales of old buildings of the Group in the report period; ②The income from house lease increased by RMB 20.03 million, which was mainly because the lease income of the Group, its subsidiaries Shenzhen Estate Management Co., Ltd. and Shenzhen Shen Fang Department Store Co., Ltd. increased; ③The income of construction and installation increased by RMB 40.08 million, which was mainly because the linking income of subsidiary Shenzhen Zhen Tong Engineering Co., Ltd. increased; ④The income from property management increased by RMB 450,000; ⑤The income from hotel and eating service increased by RMB 800,000; ⑥The income from commodity circulation industry increased by RMB 117.53 million, which was mainly because that the sales of import and export trade of subsidiaries Shenzhen Shen Fang Department Store Co., Ltd. and Shenzhen Shen Fang Bond Trade Co., Ltd increased; ⑦The income from other industries decreased by RMB 15.58 million, which was mainly because that the income of subsidiaries Shenzhen Hua Zhan Construction and Supervision Co., Ltd. and Shenzhen Zhu Yuan Tong Mini-bus Rent Co., Ltd. decreased and the business among industries counteracted; ⑧The counteracting between each other among industries inside the Company increased by RMB 9.57 million.

2. In the report period, the core business and structure experienced no change compared with the previous report period.

(II) Operation and achievement of main holding and share-holding companies (Unit: RMB’ 0000)

Name of company	Holding Equity (%)	Operating scope	Registered capital	Income of core business	Total profit	Net profit
Shenzhen Shen Fang Department Store Co., Ltd.	100%	Domestic supplying and sales of commercial goods and materials	10,000,000	20,815	10	7
Shenzhen Shen Fang Bond Trade Co., Ltd	100%	Bond business of steel, construction material, mechanical & electrical equipment	5,000,000	10,191	-52	-52
Shenzhen Hua Zhan Construction and Supervision Co., Ltd.	75%	Construction and supervision	8,000,000	243	144	-144
Shenzhen Zhen Tong Engineering Co., Ltd.	100%	Repair and maintenance	10,000,000	7,315	123	123
Shenzhen Petrel Hotel Co., Ltd.	100%	Hotel service	30,000,000	1,753	116	98
Shenzhen Shen Fang Group Bao’ an Development Co., Ltd.	100%	Real estate development and sales of commercial house	20,000,000	1,514	106	89
Shenzhen Special Economic Zone Real Estate (Group) Guangzhou Real Estate Co., Ltd.	100%	Real estate development	20,000,000	128	-7	-7
America Great Wall Estate Co., Ltd	70%	Real estate development	USD500,000	79	-37	-37
Shenzhen Numeral Harbour Investment Co., Ltd.	70%	Consultation of investment information and technology	20,000,000	1,433	-71	-103
Shenzhen Zhu Yuan Tong Mini-bus Rent Co., Ltd.	100%	Mobile renting	10,290,000	200	15	15
Shenzhen Shen Fang Parking Lot Co., Ltd.	100%	Construction of parking lot	42,500,000	265	33	26
Shenzhen Estate Management Co., Ltd.	100%	Estate management and service	7,250,000	7,285	639	542
Xin Feng Estate Co., Ltd.	82%	Investment and share holding	HKD500,000	4,440	53	53
Xin Feng Enterprise Co., Ltd.	100%	Consultation of investment management	HKD1,000,000	3,005	158,561	15,8561
Total				58,666	15,9633	15,9171

(III) Particulars about sales of the top five customers:

Customers	**Total amount of sales (RMB’ 0000)**	**Proportion in the total income of the Company**
Agriculture bank Bank Shenyang Sub-branch	808	1.08%
Zheng Zhongming	699	0.93%
Shenyang Spring Department Store Co., Ltd.	651	0.87%
Chen Shaoling	415	0.56%
Liao Chuyin	348	0.47%

(IV) Difficulties and problems arising from the operation and solutions

In the report period, the Company adopted active measures to solve the difficulties and problems arising from the operation and especially under the situation of deficiency of scale projects, low assets quality and tense running funds established foundation for the development of the enterprise and provided development stamina through the measures of reinforcing the development of digging potential projects, liquidizing the stock assets, planning as a whole and dispatching funds, striving for increasing land reserve and strengthening internal management of the enterprise etc..

II. Investment in the report period

(I) Application of proceeds raised through share offering

In the report period, the Company had no raised proceeds and there was no such situation that the application of proceeds raised through previous share offering continuing to the report period.

(II) For projects invested with proceeds not raised through share offering and their progress, please refer to notes of financial report.

III. Financial status in the report period (the data used in the following analysis are from auditor report of A share)

(I) Ended Dec. 31, 2002, the total assets of the Group was RMB 3,000.99 million, which decreased by RMB 472.22 million compared with that of the beginning of the report period amounting to RMB 3,473.21 million, an decrease of 13.6%. The reasons of change were:

1. The current assets were RMB 2,227.53 million, which decreased by RMB 223.73 million than that of the beginning of the report period amounting to RMB 2,451.26 million, a decrease of 9.13%. The main reasons were ①The monetary funds decreased by RMB 94.56 million, a decrease of 27.5%, which was mainly because that the Company repaid bank loan after the expiration of time deposit; ②The accounts receivable decreased by RMB 17.27 million, a decrease of 11.73%, which was mainly because that the Group recovered payment for sales of buildings receivable; ③The inventory decreased by RMB 140.77 million, a decrease of 7.94%, which was mainly because that the Company transferred equity of the subsidiary Shanghai Company and did not bring into the consolidation in the report period.

2. The long-term investment was RMB 312.66 million, which decreased by RMB 176.43 million compared with that of the beginning of the report period amounting to RMB 489.10 million, a decrease of 36.07% and the main reason was that the Company sold the equity of Guangdong Shantou Bay Bridge Co., Ltd. in the report period.

3. The fixed assets was RMB 409.99 million totally, which decreased by RMB 18.68 million than that of the beginning of the report period amounting to RMB 428.68 million and the main reasons were ①Due to the decline of consolidated scope, the Company transferred out the balance of fixed assets of the corresponding companies at the beginning of the report period; ②The Company withdrew the depreciation of the fixed assets of the report period.

4. Intangible assets was RMB 44.21 million, which decreased by RMB 57.40 million compared with that of the beginning of the report period amounting to RMB 101.61 million, a decrease of 56.49% and the reason was that the land of the subsidiary Shantou Hualin Real Estate Development Co., Ltd. had been developed and transferred into inventory.

5. In the breakdown of assets impairment loss, the increase amount of reserve for bad debts of the report period and the transfer amount of reserve for falling price of inventory of the report period was because that the subsidiary Shanghai Real Estate Development Company had been dealing with the procedures of equity transfer and the scope of consolidated statement changed.

(II) Ended Dec. 31, 2002, the total amount of liabilities of the Group was RMB 1,974.08 million, which decreased by RMB 485.66 million than that of the beginning of the report period amounting to RMB 2,459.73 million, a decrease of 19.74% and the main reasons were: ①The short-term and long-term loan of bank was reduced by RMB 399.74 million; ②The Company paid outstanding tax of RMB 58.35 million; ③The accrued expense of the report period decreased by RMB 75.06 million compared with the previous year, a decrease of 43.20% and the main reason was the consolidated scope of the report period decreased and the Company repaid the outstanding interest of bank loan in the report period.

(III) Ended Dec. 31, 2002, the shareholders' equity of the Group was RMB 1,033.09 million, which increased by RMB 14.01 million than that of the beginning of the report period amounting to RMB 1,019.08 million, a decrease of 1.37% and was the net profit of the report period.

IV. Business plan of the new report year

The business work of 2003 is a year with significant meaning for the Company to realize the steady development. We shall always implement the business with real estate development as dominance and with engineering construction, property management and commercial and trading hotels as brace, well carry through operating and management measures of " three reinforcements one reduction", namely "reinforcing the development of new projects, reinforcing the liquidity of stock assets, reinforcing the development of material and culture and strengthening the centripetal force and agglomeration force of staffs and reducing all expense and expenditure" and try to enhance the whole operating level of the enterprise and core competitive force and return to shareholders with good operating achievements. The Company shall focus on the following work:

1. To reinforce the development of projects, adopt the form of resources integration to gradually form intensive investment with real estate as core business and scale operation and further strengthen the management of cost, quality and progress of projects. Simultaneously, to try hard to seek lands resources with development value and scaled projects and enhance the production and operation benefits of the enterprise.

The projects in progress and planned to develop of 2003:

①Cuizhu Mountain Villa locates in the Dongmen North Road, Shenzhen, taking an area of 5,899 sq. m.. The total construction area is 30,170 sq. m. with 33 floors on ground. At present, 26 floors of the body had been accomplished smoothly and it is estimated to be finished in Nov. 2003.

②Binhai Building situates in the cross place of Hai Road and Wutong Mountain, Yantian District, Shenzhen, taking an area of 5,314 sq. m.. The total construction area is 49,021 sq. m. and it is two buildings of high-floor house with 29 floors of each building. At present, the design of all construction drawings has been finished and basic engineering of stack is under construction. It is estimated to be finished at the end of Oct. 2004.

③The three-stage renovation project of Nigang situates in Nigang Village, Luohu District, Shenzhen, taking an area of 12,112 sq. m.. The total construction area is 54,000 sq. m. and it is two buildings of high-floor house with 28 floors of each building and one building of small high-floor building with 12 floors. It is estimated to be finished at the end of Nov. 2004.

④The 3rd stage of Zhonghuan Garden situates in Longhua Town, Bao'an District, Shenzhen, taking an area of 10,750 sq. m.. It is a building of multi-floor house with 7 floors. At present, the engineering has been finished and it is estimated to be occupies in Aug. 2003. The sales work is being carried out now.

2. To reinforce the work of liquidizing the stock assets and improve the assets quality. The

Company shall continue to push the transfer work of partial domestic projects that has been deposited for several years so as to improve the assets status and enhance the assets quality. Simultaneously, to reinforce the sales and lease work of existing real property and further raise the liquidity of existing real property.

3. To deepen the construction of system and culture, standardize the administrative structure of the Company and thoroughly raise the management level of the enterprise. The Company shall continue to reinforce all basic management with the cost management as the core and continuously strengthen the work of financial management and risks control. Firstly, to reduce the operating cost and decrease all expenses and cost; secondly, to well do the work of assets planning as a whole, recover assets and reorganize the debts with consideration of liquidizing the assets in order to raise assets utility efficiency, reduce financial expense and raise operating efficiency; thirdly, according to the need of business development, to scientifically and reasonably set up management and business organizations and corresponding work posts, fully import competition mechanism, reinforce the encouragement of distribution mechanism and try hard to push the mature enterprises to implement the renovation of diversification of property main body; fourthly, to reinforce the work of construction of CPC and create good operating environment full of agglomeration force.

(I) Meetings and resolutions of the Board of Directors in the report period

There were totally seven Board meetings held in 2002.

1. The 1st meeting was held in the Conference Room of the Group Company. Seven directors attended the meeting and one director entrusted other directors to vote. The following resolutions were examined and approved in the meeting:

(1) 2001 Annual Report of A Share and B Share and their Summary
(2) 2001 Profit Distribution Plan
(3) 2001 Appropriation Plan of Assets Impairment
(4) Proposal on Engagement of Perennial Counselor

The aforesaid resolutions were published on Securities Times, China Securities and Ta Kung Pao dated April 19, 2002.

2. The 2nd meeting was held on May 27, 2002 and seven directors attended the meeting. The meeting discussed and decided to nominate Zheng Tianlun and Yang Shaojia as candidates of Independent Director and also formed resolutions on date of holding 2002 Shareholders' General Meeting and examination issues.

The aforesaid resolutions were published on Securities Times, China Securities and Ta Kung Pao dated May 28, 2002.

3. The 3rd meeting was held on Aug. 16. Six directors attended the meeting and three directors entrusted other directors to vote. The meeting examined and approved 2002 Interim Report and Profit Distribution Plan.

The aforesaid resolutions were published on Securities Times, China Securities and Ta Kung Pao dated Aug. 20, 2002.

4. The 4th meeting was held on Sept. 26. Five directors attended the meeting and three directors entrusted other directors to vote. The meeting examined and approved Rectification Plan of SHENFANG Group.

5. The 5th meeting was held on Oct. 24. Six directors attended the meeting and three directors entrusted other directors to vote. The meeting examined and approved The 3rd Quarter Report and Proposal on Transfer of Guangdong Shanto Bay Bridge Co., Ltd.

The aforesaid resolutions were published on Securities Times, China Securities and Ta Kung Pao dated Oct. 26, 2002 and Oct. 31.

6. The 6th meeting was held on Nov. 11. Seven directors attended the meeting and one director entrusted other directors to vote. The meeting discussed and agreed to engage

evaluation organization to implement special evaluation to the project of "The 1st City of Wuhan".
7. The 7th meeting was held on Dec. 27. Five directors attended the meeting and three directors entrusted other directors to vote. The meeting examined and approved the nomination of candidates of the 4th Board of Directors and formed resolutions on the date of holding the 1st Extraordinary Shareholders' General Meeting of 2003 and examination issues.
The aforesaid resolutions were published on Securities Times, China Securities and Ta Kung Pao dated Dec. 28, 2002.

(II) Implementation of resolutions of Shareholders' General Meeting by the Board of Directors
The 9th Shareholders' General Meeting of the Company has formed resolutions on profit distribution of 2001 and engagement of Certified Public Accountants etc. and the Board of Directors strictly implemented the aforesaid resolutions according to the authorization of Shareholders' General Meeting. In the report period, the Company had no plan of profit distribution and converting capital public reserve into share capital or shares allotment and additional issuance of new shares.

VI. Preplan of profit distribution of the report period
Audited as per Chinese Accounting Standards and as per International Accounting Standards respectively, the net profit of the Company in 2002 was RMB 14,044,057.06 and RMB 33,863,000 respectively. The profit available for distribution was RMB-941,984.096. After discussed by the Board of Directors, the Company would not distribute profit in 2002.

VII. The newspapers designated for information disclosure by the Company remained unchanged. Domestic newspapers were Securities Times and China Securities and overseas newspaper was Ta Kung Pao.

IX.REPORT OF THE SUPERVISORY COMMITTEE

In 2002, according to the duties prescribed in Company Law and Articles of Association, the Supervisory Committee actively and effectively carried out work. In the report period, the Supervisory Committee attended the Shareholders' General Meeting, participated in every meeting of the Board of Directors, inspected periodically the management and operation of the Board of Directors and the Company, supervised over the significant operation activities of the Company and make efforts to safeguard the legal right and interest of all shareholders of the Company.
(I) Meetings of the Supervisory Committee
1. The 1st meeting of the Supervisory Committee was held on April 17, 2002, which examined and approved 2001 Annual Report and 2001 Work Report of the Supervisory Committee.
2. The 2nd meeting of the Supervisory Committee was held on June 25, 2002, which examined and approved Proposal on Rules of Procedures of Significant Problems of the Supervisory Committee.
3. The 3rd meeting of the Supervisory Committee was held on Aug.15, 2002, which examined and approved 2002 Semi Annual Report and its Summary.
4. The 4th meeting of the Supervisory Committee was held on Sep.24, 2002, which studied Notification on Requiring SHENZHEN Special Economic Zone Real Estate & Properties (Group) Co., Ltd. to Correct in Stipulated Time released by CSRC Shenzhen Office and made proposal and resolution of correction.
5. The 5th meeting of the Supervisory Committee was held on Dec.27, 2002, which

commended the candidates of the supervisors of the 4th Supervisory Committee and submitted it to the Shareholders' General Meeting for approval.

(II). Independent Opinions of the Supervisory Committee

1.The Company operated according to Company Law and Articles of Association in the report period and the internal control system was perfect. The directors, general manager and senior executives had no actions of breaking laws, regulations and Articles of Association or harmful for the interest of the Company when they performed their duties. Concerning the existed problems in respect of the independence, Articles of Association and the operation of three committees, which were found in the inspection of establishment of modern enterprise system of listed companies by CSRC Shenzhen Office, the Company conducted correction according to Company Law, Securities Law, Administrative Rules for Listed Company and other laws and regulations.

2. The Supervisory Committee of the Company carried out inspection on execution of finance discipline by the Company and its subsidiaries, examined patiently and carefully the financial system and financial status of the Company and pushed the Company to take measure of improving and enhancing the work of accounting management. The Supervisory Committee believed that in the report period, the auditor's report with non-reservation opinion issued by Nanfang Minhe Certified Public Accountants was true and accurate and reflected objectively the financial status and operation result of the Company.

3.In the report period, in the transaction of purchase and sale of assets, the agent institution audited and assessed carefully and ensured the reasonable price base. Neither internal transactions nor damage of right and interest of part shareholders and running off of the Company's assets were found.

X. SIGNIFICANT EVENTS

(I). Significant Lawsuit and Arbitration

Concerning the significant lawsuits and arbitrations interfered with the Company in the report period, please read Note 8 and 10 in financial statements.

(II) Sale of assets of the Company in the report period

The Company published public notice on transfer of equity of the Company' subsidiary, Chaofei Company on Securities Times, China Securities and Ta Kung Pao dated Oct.31, 2002. The transaction has been completed and the transfer has not much influence on the consistency of business and the stability of the management team. After this transfer, the financial status of the Company was improved and this transaction produced RMB 0.18 billion investment income.

(III) Concerning related transactions of the Company, please read Note 7 in financial statements.

(IV). In the report year, the Company had neither signed any significant contract of trusteeship, contracting, leasing and etc., nor contract of guarantee for external parties and entrusting financing.

(V). The Company or shareholders holding over 5% of the total shares had no promised event in the report year or promised event carried down to the report year.

(VI). The Company engaged Shenzhen Nanfang Minhe Certified Public Accountants in charge of the annual audit of the Company of 2002. The Certified Public Accountants has provided annual audit of the Company of 2001. According to agreement, the Company will pay audit expense of RMB 1.2 million to Shenzhen Nanfang Minhe Certified Public Accountants.

(VII). From July 29, 2002 to July 31, 2002, CSRC Shenzhen Office and Shenzhen Economic & Trade Bureau inspected the Company's establishment of modern enterprise system and put forward to the correction opinion on the independence, Articles of Association and the operation of three committees. According to the correction notification, the Company submitted Correction Proposal of the Company to CSRC Shenzhen Office. Because the election at expiration of office terms of the Board of Directors and the Supervisory Committee of the Company was completed just now, at present, the Company is carrying out Correction Proposal step by step in respect of standardizing three committees' operation and establishing rules and systems and plans to disclose the whole correction after completing the amendment of Articles of Association.

XI. FINANCIAL REPORT

(Financial report and auditor's report are attached hereafter.)

XII. DOCUMENTS FOR REFERNECE

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

Board of Directors of
SHENZHEN SPECIAL ECONOMIC ZONE
REAL ESTATE & PROPERTIES (GROUP) CO., LTD.
Apr. 19, 2003

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

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

We have audited the accompanying consolidated balance sheet of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") as of December 31, 2002 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These financial statements set out on pages 2 to 33 are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2002 and of the results of operations and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

Moore Stephens Shenzhen Nanfang Minhe
Certified Public Accountants

April 15, 2003

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2002

	Note	2002 RMB' 000	2001 RMB' 000
Turnover	4	724,776	593,660
Cost of sales		(578,491)	(393,695)
Gross profit		146,285	199,965
Other operating income		40,179	47,190
		186,464	247,155
General and administrative expenses		(165,089)	(633,531)
Other operating expenses		(29,319)	(22,194)
Loss from operations	5	(7,944)	(408,570)
Finance costs	8	(110,087)	(108,833)
Share of (losses)/profits of non-consolidated subsidiaries, associates, and contractual joint ventures		(27,302)	19,092
Gain from the disposal of contractual joint venture	9	180,343	--
Profit /(loss) before taxation		35,010	(498,311)
Taxation	10	(1,723)	(2,089)
Profit /(loss) after taxation		33,287	(500,400)
Minority interests		576	2,105
Net profit /(loss) for the year		33,863	(498,295)
Earnings per share			
Basic	11	RMB0.03	RMB(0.49)
Diluted	11	N/A	N/A

The notes on pages 6 to 33 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2002

	Note	2002 RMB' 000	2001 RMB' 000
ASSETS			
Non-current assets			
Property, plant & equipment	12	271,241	288,019
Investment properties	13	628,410	602,622
Non-consolidated subsidiaries	14	144,430	151,352
Associates	15	13,871	14,818
Contractual joint ventures	16	162,231	312,569
Long term investments	17	58,835	59,072
Intangible assets	18	1,459	2,125
Land held for development	19	42,753	99,483
		1,323,230	1,530,060
Current assets			
Properties under development for sale	20	716,067	868,380
Completed properties for sale	21	242,100	256,615
Inventories	22	36,093	16,392
Short term investments	23	2,951	3,051
Accounts receivable		122,211	146,046
Prepayments, deposits and other debtors		51,903	41,093
Cash and bank balances		249,341	343,897
		1,420,666	1,675,474
Current liabilities			
Customers' deposits		190,913	174,521
Accounts payable and accrued expenses	24	680,773	729,373
Dividends payable	25	138,764	138,764
Tax payable	26	6,063	68,746
Bank loans	28	834,762	1,143,772
		1,851,275	2,255,176
Net current liabilities		(430,609)	(579,702)
Total assets less current liabilities		892,621	950,358
Non-current liabilities	27	(18,818)	(109,806)
Minority interests		6,179	5,603
NET ASSETS		879,982	846,155
CAPITAL AND RESERVES			
Issued capital	29	1,011,660	1,011,660
Reserves		(131,678)	(165,505)
		879,982	846,155

The notes on pages 6 to 33 form part of these financial statements.

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

	Note	2002 RMB'000	2001 RMB'000
OPERATING ACTIVITIES			
Cash received from sales of goods or rendering of services		785,711	645,320
Other cash received relating to operating activities		119,832	135,299
Cash paid for goods and services		(501,553)	(415,288)
Cash paid to and on behalf of employees		(109,570)	(93,623)
Taxation paid		(103,209)	(82,349)
Cash paid relating to other operating activities		(113,329)	(120,137)
Interest paid		(110,087)	(108,833)
Net cash used in operating activities		(32,205)	(39,611)
INVESTING ACTIVITIES			
Cash received from disposal of investments		322,250	33
Dividends received and interest received		23,305	25,502
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		397	530
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(11,485)	(22,830)
Cash paid to acquire investments		(1,800)	(5,226)
Net cash from/(used in) investing activities		332,667	(1,991)
FINANCING ACTIVITIES			
Proceeds from borrowings		728,688	696,733
Repayments of borrowings		(1,078,934)	(659,215)
Dividends paid		(15,594)	(4,184)
Net cash (used in)/from financing activities		(365,840)	33,334
NET DECREASE IN CASH AND CASH EQUIVALENTS		(65,378)	(8,268)
Cash and cash equivalents at beginning of year	30	168,510	176,778
Cash and cash equivalents at end of year	30	103,132	168,510

The notes on pages 6 to 33 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2002

	Share capital	Capital reserve	Cumulative translation reserve	General reserve	Staff welfare fund	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at December 31, 2000	1,011,660	686,059	6,447	326,094	115,594	(805,296)	1,340,558
Loss for the year						(498,295)	(498,295)
Others		175	3,717				3,892
Balance at December 31, 2001	1,011,660	686,234	10,164	326,094	115,594	(1,303,591)	846,155
Profit for the year						33,863	33,863
Transfer (see note 31)				(322,777)		322,777	--
Others		74	(110)				(36)
Balance at December 31, 2002	1,011,660	686,308	10,054	3,317	115,594	(946,951)	879,982

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

The Company declares dividends based on the lower of net profit after appropriation to reserves as reported in the financial statements prepared under the Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises in PRC and as reported in the financial statements prepared under IFRS. For the year ended December 31, 2002, the directors have not declared any dividends to its shareholders.

The notes on pages 6 to 33 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

GENERAL

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

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

BASIS OF PREPARATION

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board under the historical cost basis except for the revaluation of investment properties. The accounting policies adopted by the Company under IFRS differ from the accounting policies used in the financial statements of the Group which were prepared in accordance with Accounting Standards for Enterprise Business and Accounting Systems for Enterprise Business in the PRC. Adjustments to restate the results of operations and the net assets in compliance with IFRS will not be taken up in the accounting books of the companies in the Group. Details of impacts of such adjustments on the net assets as at 31 December 2002 and net profit for the year then ended are included in note 37 to the financial statements.

PRINCIPAL ACCOUNTING POLICIES

Basis of consolidation

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

Goodwill

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Goodwill（continued）

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

Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the

Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less provision, if necessary, for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Subsidiaries not consolidated

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

Investments in subsidiaries excluded from consolidation are stated at cost less provision for any impairment losses and the results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

An associate is a company over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee.

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

In the Company's balance sheet the investment in associates are stated at cost less provision, if necessary, for impairment losses.

Contractual joint ventures

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

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, bank balances and time deposits within three months of maturity when acquired.

Property, plant & equipment

Property, plant & equipment except investment properties is stated at cost less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalized as an additional cost of the asset. When an asset is sold, its cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in the profit and loss account.

Depreciation is provided to write off the cost of property, plant & equipment over their estimated useful lives on a straight-line basis. Estimated useful lives are summarized as follows:

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

Construction-in-progress represents plant and properties under construction and includes the costs of construction plus interest charges arising from borrowings used to finance the construction during the construction period. No depreciation is provided for construction-in-progress until they are completed and put in use.

Investment properties

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

Investment properties are stated at their fair value based on independent professional valuations or directors' valuations at the balance sheet date. Any gain or loss arising from a change in the fair value of investment property should be included in the income statement. Gains or losses arising from the retirement or disposal of investment property should be determined as the difference between the net disposal proceeds and the carrying amount of the asset and should be recognized as an income or expense in the income statement.

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Completed properties and properties under development

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

Inventories

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

Long-term investments

Long-term investments where the Group is not in a position to exercise significant influence or exert control are stated at cost less provision for impairment losses, where the investment's carrying amount exceeds its estimated recoverable amount.

Short-term investments

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

3. **PRINCIPAL ACCOUNTING POLICIES - (continued)**

Revenue recognition

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

Income from sales of properties together with the interest earned on deposits from the installment sales of flats are recognized upon the execution of a binding sales agreement or upon the issuance of an occupation permit completion certificate by the relevant authority, whichever is the later. Deposits received from forward sales of properties are carried in the balance sheet under current liabilities.

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

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

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

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

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

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

Retirement benefit costs

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

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

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

Deferred income tax

Deferred taxation is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. It is recognized in the financial statements to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Intangible assets

Intangible assets represent the cost of acquisition of taxi licenses and computer software and are stated at cost less amortization and provision, if any, for impairment losses. Amortization is provided to write off the cost of taxi licenses over the license period granted by relevant authorities, namely 10 years, by equal installments. Amortization is provided to write off the cost of computer software over 5 years.

Foreign currency translation

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

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

Borrowing costs

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

All other borrowing costs are recognized in net profit or loss in the period in which they are incurred.

Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

BUSINESS AND GEOGRAPHICAL SEGMENTS

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

Principal activities are as follows:

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

The Group's business is principally conducted in the People's Republic of China (PRC) with its turnover for the year ended December 31, 2002 identified by geographical segments as follows:

RMB
('000)

PRC	720,795
Hong Kong	3,189
The United States of America	792
	724,776

Segment information relating to the businesses for the year ended December 31, 2002 is presented below:

	Properties	Retailing and trading	Transportation and catering services	Construction technical support	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE							
External sales	342,068	299,418	17,528	53,798	11,964	--	724,776
Inter-segment sales	6,146	--	--	19,349	1,300	(26,795)	--
Total revenue	348,214	299,418	17,528	73,147	13,264	(26,795)	724,776

Inter-segment sales are charged at prevailing market rates.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS - (continued)

	Properties	Retailing and trading	Transportation and catering services	Construction technical support	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS							
Segment results	110,908	15,791	3,518	9,076	20,618	(2,766)	157,145
Unallocated corporate expenses							(165,089)
Loss from operation							(7,944)
Finance costs							(110,087)
Share of losses of non-consolidated subsidiaries, associates, and contractual joint ventures							(27,302)
Gain from the disposal of contractual joint venture							180,343
Profit before tax							35,010
Taxation							(1,723)
Profit after tax							33,287
Minority interests							576
Net profit for the year							33,863
OTHER INFORMATION							
Segment assets	1,306,557	170,571	92,450	19,655	76,331		1,665,564
Non-consolidated subsidiaries	107,219	--	--	4,665	32,546		144,430
Associates	8,891	--	--	--	4,980		13,871
Contractual joint ventures	24,115	2,851	83,908	--	51,357		162,231
Unallocated corporate assets							757,800
Consolidated total assets							2,743,896
Segment liabilities	948,029	107,720	69,750	9,367	79,497		1,214,363
Unallocated corporate liabilities							655,730
Consolidated total liabilities							1,870,093
Capital expenditure	2,683	2,172	1,533	2,719	2,377		
Depreciation	8,255	5,106	9,408	526	242		
Non-cash expenses other than depreciation	1,593	--	741	--	646		

4. BUSINESS AND GEOGRAPHICAL SEGMENTS - (continued)

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

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

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

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

Inter-segment sales are charged at prevailing market rates.

	Properties	Retailing and trading	Transportation and catering services	Construction technical support	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS							
Segment results	154,180	20,860	1,771	3,671	67,080	(3,502)	244,060
Unallocated corporate expenses							(652,630)
Loss from operations							(408,570)
Finance costs							(108,833)
Share of profits of non-consolidated subsidiaries, associates, and contractual joint ventures							19,092
Loss before tax							(498,311)
Taxation							(2,089)
Loss after tax							(500,400)
Minority interests							2,105
Net loss for the year							(498,295)

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

	Properties	Retailing and trading	Transportation and catering services	Construction technical support	Others	Eliminations	Consolidated
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
OTHER INFORMATION							
Segment assets	1,666,925	141,073	52,659	13,782	79,707		1,954,146
Non-consolidated subsidiaries	46,719	8,180	--	9,058	62,845		126,802
Associates	1,473	--	--	--	4,847		6,320
Contractual joint ventures	83,552	4,511	105,690	--	87,023		280,776
Unallocated corporate assets							837,490
Consolidated total assets							3,205,534
Segment liabilities	1,255,893	138,250	109,079	13,314	138,951		1,655,487
Unallocated corporate liabilities							709,495
Consolidated total liabilities							2,364,982
Capital expenditure	1,364	8,493	6,786	919	5,268		
Depreciation	8,312	3,605	6,589	--	5,880		
Non-cash expenses other than depreciation	389,234	2,730	1,420	3,055	111,092		

The average number of employees for the year for each of the Group's principal divisions was as follows:

	2002	2001
Properties	1,421	1,528
Retailing and trading	283	280
Transportation and catering services	239	231
Construction technical support	184	193
Others	33	36
	2,160	2,268

PROFIT/ (LOSS) FROM OPERATIONS

	2002	2001
	RMB' 000	RMB' 000
Profit / (Loss) from operations is stated after crediting and charging the following:		
Crediting:		
Interest income	107,647	8,137

Rental income	94,849	71,219
Write back of bad debts	--	11,662
Exchange gain	1,374	2,090
Gain on disposal of property, plant & equipment	139	75
Charging:		
Depreciation	23,538	24,386
Amortization	11,786	4,502
Staff costs (note 6)	99,276	77,428
Rent paid under operating leases of land and building	--	492
Exchange loss	935	2,814
Provision for impairment losses of assets (note 7)	33,903	503,029

STAFF COSTS

	2002 RMB' 000	2001 RMB'000
Salaries and bonus	80,026	63,491
Retirement benefit costs and provision for other welfare	19,250	13,937
	99,276	77,428

PROVISION FOR IMPAIRMENT LOSSES OF ASSETS

	2002 RMB' 000	2001 RMB'000
Property, plant & equipment	--	1,641
Non-consolidated subsidiaries	--	3,444
Associates	--	22,406
Contractual joint venture	352	18,892
Long term investments	--	20,301
Intangible assets	--	10,377
Properties under development for sale	--	398,974
Completed properties for sale	365	17,000
Inventories	--	18
Accounts receivable, other debtors and amount due from non-consolidated subsidiaries	33,186	9,976
	33,903	503,029

FINANCE COSTS

	2002 RMB' 000	2001 RMB'000
Interest expenses		
- bank borrowings	110,087	108,833

GAIN FROM THE DISPOSAL OF CONTRACTUAL JOINT VENTURE

As authorized by General Meeting, the interests in Shantou Bay Bridge Co. Ltd. held by Fresh Peak Holdings Ltd., a subsidiary of the Company, has been transferred for RMB322 million and the related procedures for the transfer have been finished as at 31 December 2002.

10. **TAXATION**

	2002 RMB' 000	2001 RMB'000

The charge comprises:		
PRC income tax for the year	1,723	2,089

Domestic income tax is calculated in accordance with applicable income tax regulations and at 15% (2001: 15%) of the estimated assessable profit determined in accordance with the accounting principles and the relevant financial regulations applicable to enterprises in the PRC. Taxation for other jurisdictions is calculated at rates prevailing in the respective jurisdictions, details of which are as follows:

	2002 RMB' 000	2001 RMB' 000
PRC enterprises income tax		
- enterprises in Shenzhen	15%	15%
- enterprises outside Shenzhen	33%	33%
Hong Kong profits tax	16%	16%

Reconciliation to the domestic tax expense as follows:

	2002 2001 RMB' 000	RMB' 000
Accounting profit under IFRS	35,010	(498,311)
Difference arising from accounting policies based on IFRS	(19, 819)	(39,264)
Accounting profit under Accounting Standards for Enterprise Business of the PRC	15,191	(537,575)
Tax at the domestic rate of 15%	2,279	--
Net tax effect of expenses not deductible for tax purposes and other factors	(556)	2,089
Tax expense	1,723	2,089

In respect of tax losses carried forward in the amount of RMB3,672,000 (2001: RMB232,697,000), no deferred tax asset was recognized because, from a current perspective, a tax benefit will probably not be realizable within a reasonable period. Events in future business years may require an adjustment to deferred tax assets.

11. EARNINGS PER SHARE

(a) The calculation of basic earnings per share is based on the consolidated profit of RMB33,863,000 (2001: loss of RMB498,295,000) and on the 1,011,660,000 shares (2001: 1,011,660,000 shares) in issue during the year.

(b) During the year ended 31 December 2002 and 2001, there were no dilutive potential shares. Fully diluted earnings per share are not disclosed.

PROPERTY, PLANT & EQUIPMENT

	Land and buildings RMB' 000	Plant and machinery RMB' 000	Motor Vehicles RMB' 000	Office equipment and others RMB' 000	Construction in progress RMB' 000	Total RMB' 000
Cost						
At January 1, 2002	256,040	55,062	38,449	31,981	38,465	419,997
Additions	6,874	15	2,516	1,863	262	11,530
Disposal of assets	(3,874)	--	(3,337)	(447)	--	(7,658)
Disposal of subsidiaries	(3,009)	--	(1,854)	(1,480)	(470)	(6,813)
At December 31, 2002	256,031	55,077	35,774	31,917	38,257	417,056

Depreciation						
At January 1, 2002	68,756	12,811	29,316	19,454	--	130,337
Charge for the year	20,466	783	2,648	1,255	--	25,152
Disposal of assets	(2,406)	--	(3,037)	(426)	--	(5,869)
Disposal of subsidiaries	(2,600)	--	(1,615)	(1,035)	--	(5,250)
At December 31, 2002	84,216	13,594	27,312	19,248	--	144,370
Provision for impairment losses						
At January 1, 2002	1,313	68	164	96	--	1,641
Additions	--	--	--	--	--	--
Disposal of subsidiaries	--	--	(116)	(80)	--	(196)
At December 31, 2002	1,313	68	48	16	--	1,445
Net book value						
At December 31, 2002	170,502	41,415	8,414	12,653	38,257	271,241
At December 31, 2001	185,971	42,183	8,969	12,431	38,465	288,019

The Group's leasehold land and buildings including investment properties (note 13) are being held in the People's Republic of China under medium term leases. Certain properties have been pledged as security for the Group's bank borrowings (see note 32).

INVESTMENT PROPERTIES

	2002	2001
	RMB' 000	RMB'000
At January 1, 2002	602,622	187,148
Disposal of properties	(8,234)	(10,763)
Reclassified from property, plant & equipment and inventories	34,022	426,237
At December 31, 2002	628,410	602,622

The investment properties have been revalued as at 31 December 2002 by the directors and certain investment properties have been pledged as security for the group's bank borrowings (see note 32).

SUBSIDIARIES

At December 31, 2002, the Company had interests in the following principal subsidiaries which have been included in the consolidated financial statements:

Subsidiaries	Place of equity establishment/incorporation	Principal activities	Interest held Direct	Interest held Indirect
			%	%
Great Wall Estate Co., Inc.	U.S.A.	Property development	70	--
Shenzhen Special Economic Zone Real Estate (Group) Guangzhou Property and Estate Co., Ltd.	PRC	Property development, decoration and construction design	100	--
Skill Elite Ltd.	Hong Kong	Corporate financing	100	--

Shenzhen City SPG Bao An Development Ltd.	PRC	Property development and sales	95	5
Shenzhen City Shenfang Free Trade Trading Ltd.	PRC	Trading of construction materials	95	5
Shenzhen City Shenfang Investment Ltd.	PRC	Investment and management	90	10
Shenzhen City Bamboo Garden Car Rental Ltd.	PRC	Car rental	100	--
Shenzhen Shenfang Car Park Ltd.	PRC	Develop and operate car park	70	30
深圳市 湖 社 信息 服 中心	PRC	Information service	--	100
深圳市数码港信息技术培训中心	PRC	Training	--	100

14. SUBSIDIARIES - (continued)

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

Shenzhen Shenfang Department Store Co. Ltd.	PRC	Commercial goods supplier	95	5
Shenzhen City Property Management Ltd.	PRC	Property management	95	5
Shenzhen Zhen Tung Engineering Ltd.	PRC	Fitting-out contracting and maintenance	73	27
Fresh Peak Holdings Ltd.	Hong Kong	Investment, management and consultation	100	--
Fresh Peak Enterprise Ltd.	Hong Kong	Investment holding	82	--
广州黄埔新邨房地产有限公司	PRC	Property development and sale	--	100
Keyear Development Ltd.	Hong Kong	Investment holding	--	100

14. SUBSIDIARIES - (continued)

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

	2002 RMB' 000	2001 RMB' 000
Unlisted Investments, at cost	427,996	394,259
Share of post-acquisition losses	(199,961)	(204,317)
	228,035	189,942
Less: Provision for impairment losses	(189,942)	(189,942)
	38,093	--
Add: Amounts due from non-consolidated subsidiaries	106,337	151,352
	144,430	151,352

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

Subsidiaries	Place of Establishment/ incorporation	Principal activities	Equity interest held Direct %	Equity interest held Indirect %
Shenzhen Shen Fang Industrial Development Co., Ltd.	PRC	Property management, investment holding	100	–
Shenzhen Real Estate Consolidated Service Co., Ltd.	PRC	Construction material, consume goods	100	--
Shenzhen Tefa Real Estate Consolidated Service Co., Ltd.	PRC	Construction and decoration	100	--
Guangdong Province Fengkai Lian Feng Cement Manufacturing Co., Ltd.	PRC	Manufacturing and trading in cement products	--	90
深圳市数码港通信有限公司	PRC	Product development and sales of web and computer	--	90

14. SUBSIDIARIES - (continued)

Subsidiaries	Place of equity establishment/ incorporation	Principal activities	Equity interest held Direct	Indirect
			%	%
Shenzhen Fresh Peak Real Estate Trading and Revaluation Co. Ltd.	PRC	Property trading agency	95	5
Shenzhen Shenfang (Group) Shanghai Property Development Co., Ltd.	PRC	Property development	100	--
Fidelity Development Limited	Canada	Property Development	75	--
Bekaton Property Limited	Australia	Property Development	60	--
Beijing SPG Property Management Limited	PRC	Property management	100	–
北京新峰房地公司	PRC	Property development and management	75	25
Dergetta Company Limited	HK	Dormant	--	70
Shenzhen City Shenfang Construction and Decoration Materials Ltd.	PRC	Retailing/trading of construction materials	100	–
Shenzhen City SPG Long Gang Development Ltd.	PRC	Property development, sales, management and rental	100	–
Shenzhen Lian Hua Industry and Trading Co. Ltd.	PRC	Trading of equipment and provision of renovation material	100	–
Paklid Limited	HK	Property construction and trading of construction materials	100	–
Shenzhen City Zhen Tung New Electronic and Electrical Development Ltd.	PRC	Investing on electronic and electrical engineering project	95	5
Shenzhen City Wing Wah Engineering Ltd.	PRC	Repairs and maintenance of machinery	90	10

ASSOCIATES

	2002	2001
	RMB' 000	RMB' 000

Unlisted investments, at cost	38,077	38,327
Share of post-acquisition losses	(1,800)	(843)
	36,277	37,484
Less: Provision for impairment losses	(22,406)	(22,406)
	13,871	15,078
Less: Amounts due to associates	--	(260)
	13,871	14,818

At December 31, 2002 the Company had interests in the following principal associates:

Associates	Place of Establishment/ incorporation	Principal activities	Equity interest held Direct %	Indirect %
Yunnan Kun Peng Aviation Service Ltd.	PRC	Aviation service	25	–
Tung Yick Property Co., Ltd.	Hong Kong	Property development	20	–
深圳 博 有限公司	PRC	Property management and leasing	45	–

CONTRACTUAL JOINT VENTURES

	2002 RMB' 000	2001 RMB' 000
Unlisted Investments, at cost	314,764	477,867
Share of post-acquisition profits	24,868	29,495
	339,632	507,362
Less: Provision for impairment losses	(143,073)	(165,803)
	196,559	341,559
Less: Amounts due to contractual joint ventures	(34,328)	(28,990)
	162,231	312,569

16. CONTRACTUAL JOINT VENTURES - (continued)

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

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

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

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

17. LONG TERM INVESTMENTS

	2002 RMB' 000	2001 RMB' 000
PRC legal entity shares, at cost	16,825	16,825
Unlisted equity investments, at cost less provision for impairment losses	42,010	42,247
	58,835	59,072

18. INTANGIBLE ASSETS

	Vehicle licenses RMB' 000	Computer software RMB' 000	Total RMB' 000
At January 1, 2002	2,017	108	2,125
Addition	--	83	83
Amortization for the year	(713)	(36)	(749)
At December 31, 2002	1,304	155	1,459

19. LAND HELD FOR DEVELOPMENT

	RMB' 000
Cost	
At January 1, 2002	109,860
Addition	15,729
Transfer *	(77,965)
Amortization	(701)
At December 31, 2002	46,923
Provision for impairment	
At January 1, 2002	10,377
Transfer *	(6,207)
At December 31, 2002	4,170
Net book value	
At December 31, 2002	42,753
At December 31, 2001	99,483

***** The land has been developed and transferred to properties under development for sale during the year.

20. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2002	2001

	RMB' 000	RMB' 000
Cost	1,358,116	1,585,328
Less: Provision for impairment losses	(642,049)	(716,948)
	716,067	868,380

Included in properties under development for sale is a piece of land awaiting development held in the United States at a cost of RMB122,664,021 against which provision for impairment of RMB104,723,917 was made in prior years. In 2000, the Group brought a lawsuit over an unauthorized sale of the land. Whilst the litigation was in progress the land was held in custody by the court.

COMPLETED PROPERTIES FOR SALE

	2002 RMB' 000	2001 RMB' 000
Cost	260,501	304,765
Less: Provision for impairment losses	(18,401)	(48,150)
	242,100	256,615

INVENTORIES

	2002 RMB' 000	2001 RMB' 000
Raw materials	4,661	4,202
Work-in-progress	5,853	--
Finished goods	26,216	12,923
Less: Provision for impairment losses	(833)	(833)
Consumables	196	100
	36,093	16,392

23. SHORT-TERM INVESTMENTS

	2002 RMB' 000	2001 RMB' 000
Listed equity investments, at market value	2,944	3,034
Debentures, at market value	7	17

	2,951	3,051

24. ACCRUED EXPENSES

	2002 RMB' 000	2001 RMB' 000
Project cost	39,044	93,362
Losses for litigation and arbitration	51,022	54,317
Interests for bank borrowings	6,677	24,711
Land use fee	544	544
Water and electricity	726	91
Other	676	720
	98,689	173,745

25. DIVIDENDS PAYABLE

The item of dividends payable resulted from dividends declared and not paid by the directors in prior year. In respect of the current year, the directors have not declared dividends to its shareholders.

26. TAX PAYABLE

	2002 RMB' 000	2001 RMB' 000
Corporation tax	(147)	58,235
Personal income tax	965	1,830
Business tax	4,157	9,882
Value added tax	(1,548)	(2,236)
Property tax	2,592	774
Others	44	261
	6,063	68,746

27. NON-CURRENT LIABILITIES

	2002 RMB' 000	2001 RMB' 000
Bank loans (note 28)	--	90,735
Other liabilities	18,818	19,071
	18,818	109,806

Included in other liabilities was RMB12,889,000 borrowed from minority shareholders of a subsidiary of the Company and the remaining balance is the accruals for property management and maintenance fees. These liabilities are non-interest bearing and do not have fixed terms for repayment.

28. BANK LOANS

	2002 RMB'000	2001 RMB'000
Bank loans		
Secured	709,209	1,053,439
Guaranteed	125,553	161,068
On credit	--	20,000
	834,762	1,234,507
Bank loans repayable:		
Within one year or on demand	834,762	1,143,772
In the second year	–	89,298
In the third to fifth years, inclusive	–	1,437
	834,762	1,234,507
Portion classified as current liabilities	834,762	1,143,772
Long term portion	--	90,735
	834,762	1,234,507

Particulars of assets which are pledged to secure bank loans and other facilities are set out in note 32. The guarantees are provided by third parties and certain group companies.

29. SHARE CAPITAL

	2002 RMB'000	2001 RMB'000
Registered, issued and paid-in 891,660,000 A shares par value	891,660	891,660
120,000,000 B shares	120,000	120,000
	1,011,660	1,011,660

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

30. CASH AND CASH EQUIVALENTS

	2002 RMB' 000	2001 RMB' 000
Cash and bank balances	249,341	343,897
Less: deposits secured over 3 months	(146,648)	(174,663)
	102,693	169,234
Effect of foreign exchange rate changes	439	(724)
Restated cash and cash equivalents	103,132	168,510

31. GENERAL RESERVE

Under the resolution passed by General Meeting held on 8 June 1999, part of the general reserve would be used to offset the accumulated losses. The resolution was retroactively executed for B shares in 2002.

PLEDGE OF ASSETS

At December 31, 2002, certain of the Group's investment properties, leasehold land and buildings, properties under development and properties held for sale with an aggregate net carrying value of RMB 790,856,500 and fixed deposits amounting to RMB94,748,400 were pledged to secure loans and general banking facilities to the extent of RMB738,179,550 granted to the Group. Facilities amounting to RMB709,209,000 were utilized at December 31, 2002.

Bank loans are repayable in various installments up to 31December 2003. Interest is charged on the outstanding balances at rates ranging from3.87% to 11.25% per annum.

33. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

In addition to subsidiaries, associates and contractual joint ventures stated in notes 14, 15 and 16 respectively, the following entities have also been defined as related parties with whom the Group has had significant transactions during the year or with whom a significant balance exists at the year end.

	Nature of relationship
Shenzhen Construction Investment Holding Corporation	Ultimate holding company

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

Shenzhen City Wing Wah Engineering Ltd.

	2002	2001
	RMB' 000	RMB' 000
Construction and development expenses	272	5,210

The expenses were made based on the market price.

Some net balances due from / (to) related parties at December 31, 2002 and 2001 are stated in notes 14 and 16, and included in the balance sheet of the Group as non-consolidated subsidiaries and contractual joint venture, the remaining balances are summarized as follows:

	2002	2001
	RMB' 000	RMB' 000
Shenzhen Construction Investment Holding Corporation	(188,764)	(188,764)

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

	2002 2001	
	RMB' 000	RMB' 000
Accounts payable and accrued expenses	(50,000)	(50,000)
Dividends payable	(138,764)	(138,764)
	(188,764)	(188,764)

Both these balances are unsecured and non-interest bearing.

Directors' emoluments

There are nine directors in the Company. Five of the directors received emoluments totaling RMB930,000 for the year ended December 31, 2002. Four directors did not receive any salary or other benefits from the Company.

34. CONTINGENT LIABILITIES

	2002	2001
	RMB' 000	RMB' 000
Guarantees given for banking and credit facilities granted to:		
- contractual joint ventures	9,293	11,000
- third parties	156,054	158,600
	165,347	169,600

35. LITIGATION AND ARBITRATION

1. On March 21, 1997, the Company executed an agreement with Baoxin Real Estate Development (Shenzhen) Company Limited ("Baoxin") to sell its share of 68% interests in Guo Xin Building at a consideration of RMB145,000,000. In addition, the construction cost for the building of RMB15,000,000 was undertaken by Baoxin. Baoxin has paid a deposit of RMB45,000,000. The outstanding purchase consideration of RMB100,000,000 and the construction cost of RMB15,000,000

have still not been settled. So the Company lodged a claim. As sentenced by the Guangdong High People's Court on September 28, 2002, Baoxin should pay the outstanding purchase consideration of RMB98,948,060 and its interests to the Company. At December 31, 2002, the case was still pending for the second inquisition. For prudence purposes, the Company has not taken up any income on the above transaction. The deposit that has been received was included as other payable. Up to December 31, 2002, the construction cost for Guo Xin Building included in properties under development for sale in the balance sheet amounted to RMB166,109,047. As the title of Guo Xin Building was in the name of Baoxin, the Company has made a provision of RMB69,907,107 for loss in the construction of this building.

2. On June 26, 1993, the Company and the former Harbin Construction Engineering College (merged into Harbin Industry University now) have signed a cooperative agreement. Under the agreement, the Company has advanced a loan of RMB22,120,500, which was used for another purpose by the former Harbin Construction Engineering College and not yet repaid up till now, so the Company took an action against Harbin Industry University for repayment of the loan in Harbin Intermediate People's Court and the case was accepted to proceed on December 16, 2002. At the same time, on June 26, 1993, Fresh Peak Holding Ltd. ("Fresh Peak"), a wholly-owned subsidiary of the Company, and the former Harbin Construction University Science and Technology Development Head Office (named Harbin Industry University Science and Technology Development Head Office now, hereafter referred to as the former Head Office and Head Office respectively) have signed a contract called Harbin Jianfeng Science and Technology Development Co., Ltd. ("Jianfeng") Under the contract, Fresh Peak and the Company have paid to Jianfeng RMB55,960,000 of its investment cost. Subsequently, on May 15, 1996, they have signed an operating contract guaranteed by the former Harbin Construction University (merged into Harbin Industry University now). Under this contract, the former Head Office will operate Jianfeng for 13 years and should together with the former Harbin Construction University pay the contract fee to Fresh Peak every period for the purpose of settlement of the above investment cost and its interest. As the former Head Office and the former Harbin Construction University have never paid the contract fee, Fresh Peak lodged a claim against Head Office and Harbin Industry University to Heilongjiang Province High People's Court and the case was accepted to proceed on January 21, 2003. Up to March 31, 2003, the legal proceedings for these tow cases are still in progress. The investment cost for Jianfeng included in contractual joint ventures in the balance sheet amounted to RMB95,601,809 and a provision for impairment of RMB75,775,014 has been made.

35. LITIGATION AND ARBITRATION - (continued)

3. On August 20, 2001, the Company applied to China International Economic Arbitration Committee for an arbitration against Ju Bang Co Limited, the joint venture partner, for the compensation on early redemption of the land use rights. The

arbitration is still in progress. Subsequently, on December 16, 2002, the Company lodged a complaint to the Shenzhen Intermediate People's Court to make Bamboo Garden Enterprise Ltd., the contractual joint venture, repay a construction advance of RMB37,330,000 and its interest. This complaint is still in progress. Up to December 31, 2002, the construction cost for this project amounting to RMB38,256,853 was included in construction in progress in the balance sheet and this construction was built under the capacity of Bamboo Garden Enterprise Ltd. The construction work has been terminated. In the opinion of the Company, the construction advance or the corresponding compensation can be reasonably estimated to take back, so no provision for impairment against this construction in progress has been made.

4. A subsidiary, Great Wall Estate Company Inc., incorporated in the United States, took a law suit against several parties including a bank for the ownership of a piece of land in Los Angeles, California which was unlawfully transferred by the defendants without the consent of the Company. The transfer was executed in August 2000. Subsequently, the land was mortgaged to a bank for a loan of US$650,000. The Company has applied for the court's adjudication to restore the legal title thereof to the Company. At December 31, 2002, the case was still in judicial process. There has been no material development and adverse effects on this case are not known at the balance sheet date. Up to December 31, 2002, the carrying value of the land is RMB122,664,021 and the Company has made a provision of RMB104,723,917 for impairment against the cost of this land.

36. COMMITMENTS

At December 31, 2002, the Group has outstanding commitments payable in the following year under an operating lease in respect of land and building as follows:

	2002 RMB'000	2001 RMB'000
In the second to fifth years inclusive	–	400

At December 31, 2002, the Group also has outstanding capital commitments for property development projects as follows:

	2002 RMB'000	2001 RMB'000
Authorized but not contracted	327,968	562,130
Contracted for	422,914	325,438
	750,882	887,568

37. MATERIAL EVENTS

A subsidiary, Xin-Feng Real Estate Dev. Construction (Wuhan) Co. Ltd. ("Xin-Feng (Wuhan)") entered into an agreement with **武汉市土地整理储备供应中心** ("**土地中心**") on December 31, 2002. Under the agreement, the land use right with area of 33,933 square meter owned by Xin-Feng (Wuhan) was taken back by the government and stored by 土地中心 which will pay the corresponding compensation to Xin-Feng (Wuhan). As at December 31, 2002, the agreement is still pending to fulfill and the carrying value of the land use right is RMB92,066,810.

38. IMPACT OF IFRS AND OTHER ADJUSTMENTS ON NET PROFIT AND SHAREHOLDERS' EQUITY

	Net profit for the year	Net assets
	RMB' 000	RMB' 000
As reported in the consolidated financial statements prepared in accordance with Accounting Standards for Enterprise Business in the PRC	14,044	1,033,090
Reversal of depreciation charges in respect of investment properties	17,175	54,382
Adjustment for market value of short-term investments	4	1,276
Expenses accrued in previous year	1,243	210
Difference in recognition of cost of fixed assets	--	(202,149)
Goodwill arising from acquisition of subsidiaries	1,397	(7,093)
Others	--	266
As reported in the consolidated financial statements prepared in accordance with IFRS	33,863	879,982

39. COMPARATIVE FIGURES

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