SHENZHEN Special Economic Zone Real Estate & Properties (Group) Co., Ltd. Semi-annual Report 2003

Important Notice:

Board of Directors of SHENZHEN Special Economic Zone Real Estate & Properties (Group) Co., Ltd. (hereinafter referred to as the Company) and its directors individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading.

Director Yao Ruishen was absent from the Board meeting, Director Liang Song was absent from the Board meeting and entrusted the other director to vote on his behalf.

Chairman of the Board of the Company Shao Zhihe, General Manager Chen Wuhua and Financial manager Liu Maohai hereby confirm that the financial report enclosed in the semi-annual report is true and complete.

The 2003 semi-annual financial report of the Company has not been audited.

This report was prepared in both Chinese and English. Should be there any difference in interpretation between the two versions, the Chinese version shall prevail.

CONTENTS

Ⅰ. COMPANY PROFILE

(I) Company information

1. Legal Name of the Company
   In Chinese: 深圳经济特区房地产（集团）股份有限公司
   In English: SHENZHEN Special Economic Zone Real Estate & Properties (Group) Co., Ltd.
   Short Form in Chinese: 深房集团
   Short Form in English: SPG
2. Stock Exchange Listed with: Shenzhen Stock Exchange
   Short Forms of A-share: SHENSHENFANG A Stock Code: 000029
   Short Forms of B-share: SHENSHENFANG B Stock Code: 200029
3. Registered Address: 47/F, SPG Plaza, No. 3005, Renmin South Road, Shenzhen
   Office Address: 45/F-48/F, SPG Plaza, No., 3005, Renmin South Road, Shenzhen
   Post Code: 518001
   E-mail: spg@163.net
4. Legal Representative: Shao Zhihe
5. Secretary of the Board of Directors: Chen Ji
   Authorized Representative in charge of Securities Affairs: Tu Zhigang
   Tel.: (0755) 82293000-4718, 4715
   Fax: (0755) 82294024
   E-mail: spg@163.net
6. Newspapers Chosen by the Company for Disclosing the Information:
   China Securities, Securities Times and Ta Kung Pao
   Internet Website Designated by CSRC for Publishing the Semi-annual Report: http://www.cninfo.cm.cn
   The Place Where the Semi-annual Report is Prepared and Placed: Rm. 4702, on 47/F of SPG Plaza, No. 3005, Renmin South Road, Shenzhen
7. Other information
   The Company is principally engaged in development of real estate, sales of commercial house, construction fitment and installation; trading and retail of commodity; hotel and restaurant business.
   Initial Registration Date: On Jan. 8, 1980
   Registration Place: Shenzhen Municipal Bureau of Administration for Industry and Commerce
   Registered Code of Business License: 4403011002426
   Registered Code of Taxation: 440301192179585
   Name and Address of Certified Public Accountant Engaged by the Company:
   Name: Shenzhen Nanfang Minhe Certified Public Accountant
   Address: 8/F of Electronics Tower, No. 2007, Shennan Middle Road, Shenzhen

(II) Major financial data and indexes(As Chinese Accounting Standards)

1. Major accounting data and financial indexes

Unit: RMB

Items	Jan.-Jun. 2003	Jan.-Jun. 2002
Net profit	-27,228,119.80	-40,078,287.40
Net profit after deducting non-recurring gains and losses	-27,023,488.04	-39,623,135.41
Return on equity (%) (Fully diluted)	-2.71	-4.09
Earnings per share (RMB/share) (Fully diluted)	-0.0269	-0.0396

Net cash flows per share arising from operating activities (RMB/share)	0.023	0.042

Items	**Jun. 30, 2003**	**Dec. 31, 2002**
Current assets	2,132,215,395.42	2,227,532,897.75
Current liabilities	1,813,402,782.72	1,918,304,708.99
Total assets	2,888,997,943.43	3,000,986,507.90
Shareholders' equity (Excluding minority interests)	1,005,861,630.93	1,033,089,751.17
Net assets per share (RMB/share)	0.9943	1.0212
Net assets per share after adjustment (RMB/share)	0.9646	1.0068

Note: Items of deducting non-recurring gains and losses include non-operating income of RMB 167,919.48, non-operating expenditure of RMB 372,551.24. The total of the above-mentioned two items is RMB –204,631.76.

2. Calculating statement of the relevant indexes of return on equity and earnings per share

Profit in the report period	Return on equity		Earnings per share (RMB/share)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
I. The relevant indexes:				
Profit from core business	-1.72%	-1.70%	-0.0171	-0.0171
Operating profit	-2.92%	-2.89%	-0.0291	-0.0291
Net profit	-2.71%	-2.67%	-0.0269	-0.0269
Net profit after deducting non-recurring gains and losses	-2.69%	-2.65%	-0.0267	-0.0267

Difference in net profit and net assets as of the report period based on CAS and IAS respectively:

	Net profit (RMB'000)	Net assets (RMB'000)
As reported under Accounting System of Enterprise	(27,228)	1,005,862
Allotted depreciation charges in respect of investment properties and amortization expenses	9138	63,520
Adjustment for market value of short-term investments	348	1623
Difference in recognition of cost of fixed assets	0	(202,149)
Goodwill arising from acquisition of subsidiaries	698	(6,395)
Others	0	477
As reported under IAS	(17,044)	862,938

II. Change in Share Capital and Particulars about Shares Held by Main Shareholders

(I) Change in share capital

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

(II) About shareholders

1. Total shareholders at the end of report period

Ended June 30, 2003, the Company had totally 117,231 shareholders, including88,421 shareholders of A-share and 28,810 shareholders of B-share.

2. Ended June 30, 2003, there is only one shareholder holding over 5% of the Company's total shares, namely Shenzhen Construction Investment Holdings Co. ("Construction Investment Holdings"). In the report period, the shares held by Construction Investment Holdings did not change in total sum or pledged, frozen or custody.

3. Particulars about shares held by the top ten shareholders of the Company

Ended Jun. 30, 2003, the top ten shareholders of the Company are as following:

No.	Name of shareholders	Holding shares at end of report period (Share)	Proportion of total shares (%)
1	Shenzhen Construction Investment Holdings Co.	74,382,000	73.52
2	CBNY S/A PNC/SKANDIA SELECT FUND/CHINA EQUITY AC	2,891,360	0.2858
3	CHU KOON YUK	720,000	0.0712
4	SHUM YIP KWAN WING DEVELOPMENT LTD	623,600	0.0616
5	ORE BURNS（AUSTRALIA）PTY LIMITED	600,000	0.0593
6	Haitong Securities (Hong Kong) Co., Ltd.	581,900	0.0575
7	Pufeng Securities Investment Fund	580,849	0.0574
8	ZHANG XU BIN	500,000	0.0494
9	YANG YAO CHU	440,000	0.0435
10	LAI KONG SUNG	409,301	0.0405

4. Explanation on shares held by the top ten shareholders:
The No. 1 shareholder holds shares of the Company on the behalf of the state; the No. 7 shareholder is shareholder of circulation A-share; the rest are shareholders of circulation B-share. Except for the No. 1 shareholder, the Company is unknown whether there exists associated relationship among the top ten shareholder.

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

III. Particulars about Directors, Supervisors and Senior Executives

(I) Particulars about change in shares held by directors, supervisors and senior executives
In the report period, the Company's directors, supervisors and senior executives did not hold the Company's shares.
(II) Particulars about engagement and dismission of directors, supervisors and senior executives
1. On Jan. 28, 2003, the Company held the shareholders' general meeting and elected new Board of Directors and Supervisory Committee. The new Board of Directors consisted of ten directors, namely Shao Zhihe, Chen Wuhua, Yao Ruisheng, Xu Zhenhan, Peng Naidian, Liang Song, Zhou Fushen, Ma Jianhua, Zheng Tianlun and Yang Shaojia; the Board of Director elected Shao Zhihe as Chairman of the Board. New Supervisory Committee consisted of five supervisors, namely Zhuang Chuanghui, Gan Lu, Yu Fang, Wu Zhiyong and Zhou Hong; the Supervisory Committee elected Zhuang Chuanghui as Chairman of the Supervisory Committee.

2. On Jan. 28, 2003, the Board of Directors engaged Luo Kunquan, Liang Song, Shen Yuewen and Zhang Yue as deputy general manager respectively, engaged Zhou Fushen as chief financial supervisor and engaged Chen Ji as secretary of the Board.

IV. Discussion and Analysis of the Management

(I) Operation in the first half of the year

The Company belongs to real estate industry and is engaged in the development of real estate and sale of commercial housing, lease and management of property, construction decoration and installation, retail and trade of commodities and hotels and restaurants service. In the first half of the year, under the lead of the Board of Directors, the Management of the Company tried hard to overcome the influence of SARS, carried out the operating thought of "Three reinforcement and one reduction", namely, "Reinforcing the development of new projects, reinforcing the liquidizing of stock assets, reinforcing the construction of political and spiritual civilization and reducing all expenses" and pushed all operating work steadily, of which, the key projects reached the planned progress fundamentally and the assets liquidizing and liabilities reorganization made a certain progress.
The projects of the Company in progress and planned for development in this year were Cuiqin Building in the downtown, Binhai Building in Shatoujiao, Reconstruction 3rd Stage of Nigang and 3rd Stage of Zhonghuan Garden in Baoan respectively with total occupied areas amounting to 26,125 sq. m. and total planned construction areas amounting to 143,849 sq. m., of which, both the key projects Baoan Zhonghuan Garden 3rd Stage and Cuiqin Building reached the planned progress. Baoan Zhonghuan Garden 3rd Stage had been checked and accepted in June this year and Cuiqin Building project had entered into the decoration phase and it was estimated to be accomplished at the end of this year. Both the projects of Shatoujiao Binhai Building and Nigang Reconstruction 3rd Stage had been accomplished in report for construction and bidding for partial projects as scheduled. Since the aforesaid development lands belonged to projects of potential digging and lacked of scale advantages, the profitability capabilities of these projects was limited.
The Company gained a certain progress in the assets liquidizing and liabilities reorganization. At present, the Company was reinforcing liquidizing the deposited projects in inland of China and was striving for realizing the transfer so as to draw back the investments as soon as possible. Achievements were gained in the loan reorganization. Ended June 31, the bank loans after deducting the pledged deposit amounted to RMB 777 million. The Company conducted the reorganizations for 16 pieces of loans accumulatively in the first half of the year and saved approximately RMB 4 million of annual interest expenditure. Since the new buildings marketable in this year were only two projects of Baoan Zhonghuan Garden 3rd Stage and Cuiqin Building, it was estimated that the cash inflow arising from the operating activities in the second half of the year was limited and tensity of capital was still relatively high.
The whole operating position of the affiliated enterprises decreased somewhat. There were 16 enterprises in the consolidated statements in the first half of the year, of which, 9 enterprises gained profits and 7 enterprises incurred losses with loss percentage of 44%. In the first half of the year, the affiliated enterprises incurred consolidated losses amounting to RMB 7.47 million and among these losing enterprises, partial enterprises belonged to temporary loss. At present, there were totally 109 enterprises of the Company registering on record, of which, 41 enterprises were in normal operation with mainly distributing in the fields of commercial retail, hotel service, construction and supervision, property management and etc.. The Company planned to conduct the work of "To invigorate large enterprises while relaxing control over small ones" and restructuring of enterprise to partial enterprises through the way of transfer, repeal or merger and operators and employees' holding shares etc. in the next two years so as to push the optimization of the Company's industrial structure and enterprise organization.

(II) Operating results and financial analysis in the first half of the year
1. Changes in operating results and analysis of reasons:

Unit: RMB

Items	Amount of this period	Amount of the same period of last year
Income from core business	558,631,560.12	295,887,199.20
Profit of core business	-17,333,694.26	49,039,567.84
Net profit	-27,228,119.80	-40,078,287.40
Net increase in cash and cash equivalents	36,805,612.06	-28,762,255.58

The Company's income from core business in the first half of the year increased by RMB 262.74 million than that of the same period of last year with an increase of 88.8% while the loss of net profit decreased by RMB 12.85 million than that of the same period of last year. The reasons were: Firstly, Xinfeng Real Estate Development Construction (Wuhan) Co., Ltd. (hereinafter referred to as Wuhan Xinfeng Company) gained compensation income amounting to RMB 150 million from transferring "The 1st City of Wuhan" and the parent company had carried forward the sales income of Nanyang Building and at the same time, the income from import and export business of commerce & trade industry increased by 55.64% than that of the same period of last year, which resulted that the growth margin of income from core business was relatively larger than that of the same period of last year; Secondly, while carrying forward the sales cost of "The 1st City of Wuhan" in the period, Wuhan Xinfeng Company transferred provision for falling price of inventories amounting to RMB 113.64 million to administrative expenses, resulting into the increase of sales cost, which made the cost of core business increase by a large margin than that of the same period of last year; Thirdly, Wuhan Xinfeng Company paid service expenses of professional technology amounting to RMB 33.75 million in the period due to the transfer of "The 1st City of Wuhan", which resulted that the sales (operating) expenses increased by a big margin than those of the same period of last year; Fourthly, the Company reversed the provision for falling price of inventories of "The 1st City of Wuhan" amounting to RMB 113.64 million in the period and ate up the administrative expenses, which made the administrative expenses decreased by a big margin than those of the same period of last year; Fifthly, the loan reorganization made the financial expenses decrease somewhat than those of the same period of last year; Sixthly, the decrease of profits distributed from the associated or related enterprises made the investment earnings decrease than those of the same period of last year; Seventhly, the cash paid by the Company to refund the liabilities and repay the interests decreased, which made the cash and cash equivalents increase than those of the same period of last year.

2. Changes in financial position and analysis of reasons

Unit: RMB

Items	Amount of the end of the period	Amount of the beginning of the year	Margin of increase/decrease
Total assets	2,888,997,943.43	3,000,986,507.90	-3.73%
Shareholders' equity	1,005,861,630.93	1,033,089,751.17	-2.63%
Accounts received in advance	175,188,741.33	190,912,718.21	-8.23%
Accounts payable	62,994,620.98	113,324,369.83	-44.41%
Net amount of inventories	1,515,843,471.57	1,631,317,014.01	-7.62%

The total assets decreased by RMB 111.99 million than that of the beginning of the year amounting to RMB 3000.99 million, which was mainly because that the net amount of inventories decreased by a relatively large margin; Shareholders' equity (net assets) decreased by RMB 27.23 million than that of the beginning of the year, which was mainly due to the loss of net profit; Accounts received in advance decreased by RMB 15.72 million than those of the beginning of the year, which was mainly due to drawing back the installment from the sold buildings; Accounts payable decreased by RMB 50.33 million than those of the beginning of the year, which was mainly due to paying the engineering payments; Net amount of inventories decreased by RMB 115.48 million than that of the beginning of the year, which was mainly due to carrying forward the sales cost of "The 1st City of Wuhan".

3. Operating situation classified according to industries:

Unit: RMB'0000

	Operating income		Operating cost		Gross profit from operation	
	Amount of the period	Amount of the same period of last year	Amount of the period	Amount of the same period of last year	Amount of the period	Amount of the same period of last year
Development of real estate	26046	4625	29945	3324	-3899	1300
Income from housing lease	2355	2815	1360	1617	995	1197
Construction and installation of buildings	2750	3810	2403	3364	347	447
Property management	3958	3806	2867	2867	1091	939
Hotels and dietetic service	540	867	645	701	-105	166
Circulation of commodities	19709	12663	18992	11886	717	777

Analysis classified according to industries: The operating income from development of real estate increased by a relatively large margin than that of the same period of last year while the gross profit from operation decreased, which was mainly because that Wuhan Xinfeng Company carried forward the income from transfer of "The 1st City of Wuhan" amounting to RMB 150 million, but transferred the provision for falling price of inventories amounting to RMB 113.64 million to the administrative expenses while carrying forward the sales cost of "The 1st City of Wuhan", which resulted that the sales cost increased and cost of core business increased by a large margin than that of the same period of last year; The operating income from commodities circulation increased by 55.64% and the gross profit from operation decreased by 7.72%, which was mainly because that the retail in marketplace decreased, the costs increased and profit rate of import and export business of trade enterprises decreased due to the influence of epidemic situation; The operating income from property management increased slightly than that of the same period of last year; The operating income from construction and installation of buildings decreased by 27.82% and gross profit from operation decreased by 22.37%, which was mainly due to the decrease of engineering volume carried on; In the first half of the year, due to the influence of SARS, the operating income from housing lease decreased by 16.33% and the gross profit from operation decreased by 16.88%, while the operating income from the hotels and dietetic industry decreased by 37.71% and gross profit from operation decreased by 163.25%, which was scarce in the past years.

(III) Investment in the report period

1. In the report period, the Company had no raised proceeds or the application of the proceeds raised through previous shares offering going down to the report period.

2. Progress of material projects invested with the proceeds not raised through shares offering:

The project of Cuiqin Building, a building of house with 33 floors, locates in the Dongmen Road N., Luohu District, Shenzhen with occupying area of 5,899 sq. m. and construction area of 30,170 sq. m.. It was planned to be accomplished at the end of this year. At present, the investment amount amounting to RMB 50 million was accomplished and actually 70% engineering volume was finished, which was in compliance with the plan.

Baoan Zhonghuan Garden 3rd Stage, two buildings of house with 7 floors, locates in the northern side of Zhonghuan Road, Longhua Town, Baoan District with occupying area of

2,800 sq. m. and total construction area of 10,658 sq. m.. The project was finished in May this year and was passed in checking and acceptance in June. At present, the Garden was in sale, which was in compliance with the plan.
The project of Binhai Building, two buildings of house with 29 floors, locates in Shatoujiao, Yantian District, Shenzhen with occupying area of 5,314 sq. m. and construction area of 49,021 sq. m.. It was planned to be completed at the end of Oct. 2004. At present, the basic project of stake was finished as scheduled.
The project of Nigang Reconstruction 3rd Stage, two buildings of house with 28 floors and a building of small height house with 12 floors, locates in Nigang Road, Luohu District, Shenzhen with occupying area of 12,112 sq. m. and construction area of 54,000 sq. m.. It was estimated to be finished at the end of Oct. 2004. Due to the construction expansion project of municipal roads, the construction transport was unable to be conducted normally and the postponement resulted that the actual progress was backward than the planned progress. At present, the basic engineering of stake was accomplished.

(IV) Business plan in the second half of the year
The Company emphasized on doing well the work in the following aspects in the second half of the year: Firstly, to reinforce the project management and arrange the capital properly and to ensure the completion of the planned progress of development projects; Secondly, to push liquidizing the deposited assets with all its strength and reinforce the distribution and lease of current buildings so as to ensure the completion of the business plan of the whole year; Thirdly, to reinforce the liabilities reorganization of roll-over of loans and adjustment of interest rate etc. and effectively reduce the financial expense and liabilities risks; Fourthly, to try hard to push the reform and restructuring of the affiliated enterprises and speed up the progress of "To invigorate large enterprises while relaxing control over small ones" so as to further optimize the industrial structure of the group and structure of the enterprise; Fifthly, to further enhance the management level of the enterprise and speed up the transition of operating mechanism so as to push the Company's whole management level and operating efficiency to be in higher level.

(V) Warning of the estimated loss in operating results of the next report period
According to the present operating position, it was estimated that the Company still would incur a loss in the next report period.

V. Significant Events

(I) Corporate governance
According to the documents related to the standardization of administrative structure of companies promulgated by CSRC, the Company amended the Articles of Association, standardized the operation of the Board of Directors, the Supervisory Committee and the Operating Management and established independent director system. Now the Company's actual administrative position was fundamentally the same as that stimulated in relevant documents of CSRC.
(II) Profits distribution
The Company would not distribute profits or convert public reserve into share capital in the medium-term of 2003. There was no profits distribution, capitalization of share capital or issuance of new share planned in previous years for distribution in the report period, either.
(III) Material lawsuits and arbitrations
For the material lawsuits and arbitrations happening in the report period and happening in the previous years but going down to the report period, please refer to Note VII in the Financial Report.
(IV) Material assets purchase, sale or disposal and acquisition and merger happening in the

report period or happening in the previous years but going down to the report period
On Dec. 31, 2002, Xinfeng Real Estate Development Construction (Wuhan) Co., Ltd. (hereinafter referred to as Wuhan Xinfeng Company), a subsidiary of the Company, signed Compensation Agreement of State-owned Land Reserve with Wuhan Land Settlement Reserve Supply Center (hereinafter referred to as Land Center) through agent service of agency: The government drew back the land use right with area of 33,933.00 sq. m. in No. 83, Jiefang Gongyuan Road, Jiang'an District held by Wuhan Xinfeng Company and handed it to Land Center for reserve and Land Center gave compensation amounting to RMB 150 million to Wuhan Xinfeng Company. Ended June 30, 2003, this agreement had been accomplished in the implementation. Wuhan Xinfeng Company had received all accounts to refund the bank loans, engineering accounts and other liabilities and to pay the agency service expense. For the transfer situation, please refer to Securities Times, China Securities and Ta Kung Pao dated July 20, 2003.
(V) Related transactions
For related transactions of the Company in the report period, please refer to Note VI in Financial Statements.

(VI) Material contracts and their implementations
1. The Company did not trust, contract and lease the assets of other companies or vice versa in the report period or happening in the previous periods but going down to the report period.
2. For the guarantees of the Company in the report period, please refer to Note VII in Financial Statements.
3. The Company did not commission others to manage the cash assets in the report period or happening in the previous periods but going down to the report period.
(VII) The Company or the shareholders holding over 5% (including 5%) shares of the Company had no commitment in the report period or happening in the previous periods but going down to the report period.
(VIII) Indexes of public notices of significant events
1. On Jan. 29, 2003, the resolutions of the extraordinary Shareholders' General Meeting were proclaimed and proposals on renewal of the Board of Directors and the Supervisory Committee and Amendment of Articles of Association etc. were considered and passed.
2. On May 17, 2003, the progress on lawsuit case of America California Great Wall Property Company, a controlling subsidiary of the Company, was proclaimed.
3. On Aug. 9, 2003, the progress on dissension case of property between Baoxing Real Estate Company and the Company was proclaimed.
The aforesaid information was published in China Securities, Securities Times, Ta Kung Pao and www.cninfo.com.cn.

VI. Financial Report (Non-audited And Attached Hereafter)

VII. Documents Available for Reference

(I) The text of semi-annual report carried with the signature of Chairman of the Board;
(II) The text of financial report carried with signatures and seals of unit principal, principal in charge of accounting and principal of accounting institutions.
(III) The texts of all documents ever disclosed in China Securities, Securities Times and Ta Kung Pao designated by CSRC in the report period;
(IV) The text of Articles of Association of the Company.

Board of Directors of
Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd.
Aug. 27, 2003

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)

	Notes	01/01-30/06/2003	01/01-30/06/2002
		RMB'000	RMB'000
Turnover	4	546,124	295,887
Cost of sales		(554,657)	(234,206)
Gross (loss) / profit		(8,533)	61,681
Other operating income		9,803	9,634
Write back of provision for impairment losses of properties under development for sale		113,639	--
General and administrative expenses		(63,024)	(60,172)
Operating expenses		(45,640)	(17,527)
Profit / (loss) from operations	5	6,245	(6,384)
Finance cost	6	(25,664)	(28,636)
Share of profit of non-consolidated subsidiaries, associated companies, and contractual joint ventures		2,573	9,862
Loss before taxation		(16,846)	(25,158)
Taxation	7	(529)	(598)
Loss after taxation		(17,375)	(25,756)
Minority interests		331	692
Net loss for the period		(17,044)	(25,064)
Earnings per share			
Basic	8	RMB(0.017)	RMB(0.025)
Diluted	8	N/A	N/A

The notes on pages 5 to 28 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AT JUNE 30, 2003
(UNAUDITED)

	Notes	30/06/2003 RMB'000	31/12/2002 RMB'000
ASSETS			
Non-current assets			
Property, plant & equipment	9	256,195	271,241
Investment properties	10	631,744	628,410
Non-consolidated subsidiaries	11	150,910	144,430
Associates	12	15,896	13,871
Contractual joint ventures	13	173,932	162,231
Long term investments	14	58,835	58,835
Intangible assets	15	1,084	1,459
Land held for development	16	45,885	42,753
		1,334,481	1,323,230
Current assets			
Properties under development for sale	17	682,620	716,067
Completed properties for sale	18	160,216	242,100
Inventories	19	40,948	36,093
Short term investments	20	3,296	2,951
Accounts receivable		101,514	122,211
Prepayments, deposits and other debtors		59,935	51,903
Cash and bank balances		287,591	249,341
		1,336,120	1,420,666
Current liabilities			
Customers' deposits		175,189	190,913
Accounts payable and accrued expenses		622,753	680,773
Dividends payable		138,764	138,764
Tax payable	21	3,186	6,063
Bank loans	23	834,990	834,762
		1,774,882	1,851,275
Net current liabilities		(438,762)	(430,609)
Total assets less current liabilities		895,719	892,621
Non-current liabilities	22	(39,291)	(18,818)
Minority interests		6,510	6,179
NET ASSETS		862,938	879,982
CAPITAL AND RESERVES			
Issued capital	24	1,011,660	1,011,660
Reserves		(148,722)	(131,678)
		862,938	879,982

The notes on pages 5 to 28 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)

	Notes	1/1-30/6/2003 RMB'000	1/1-30/6 /2002 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sales of goods or rendering of services		457,007	399,274
Other cash received relating to operating activities		188,722	80,957
Cash paid for goods and services		(366,398)	(271,470)
Cash paid to and on behalf of employees		(47,425)	(46,661)
Payments of all types of taxes		(24,757)	(51,582)
Cash paid relating to other operating activities		(183,925)	(68,039)
Net cash inflows from operating activities		23,224	42,479
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal of investments		3	15,544
Cash received from dividend and interest		1,889	8,711
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		4	41
Other cash received relating to investing activities		24,002	77,403
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(3,967)	(3,710)
Cash paid to acquire investments		--	(3,924)
Cash paid relating to other investing activities		(170)	(72,909)
Net cash outflows (inflows) from investing activities		21,761	21,156
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from borrowings		325,425	358,995
Other cash received relating to financing activities		267	318
Cash repayments of amounts borrowed		(300,358)	(399,153)
Cash paid for distribution of dividends or profits and for interest expenses		(33,471)	(52,385)
Cash paid relating to other financing activities		(43)	(172)
Net cash outflows from financing activities		(8,180)	(92,397)
NET INCREASE IN CASH AND CASH EQUIVALENTS		36,805	(28,762)
Cash and cash equivalents at the beginning of the period		103,132	168,510
Cash and cash equivalents at the end of the period	25	139,937	139,748

The notes on pages 5 to 28 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2003

(UNAUDITED)

	Share capital	Capital reserve	Cumulative translation reserve	General reserve	Staff welfare fund	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at Dec 31, 2001	1,011,660	686,234	10,164	326,094	115,594	(1,303,591)	846,155
Loss for the period						(25,064)	(25,064)
Others			1,971				1,971
Balance at Jun 30, 2002	1,011,660	686,234	12,135	326,094	115,594	(1,328,655)	823,062
Balance at Dec 31, 2002	1,011,660	686,308	10,054	3,317	115,594	(946,951)	879,982
Loss for the period						(17,044)	(17,044)
Balance at Jun 30, 2003	1,011,660	686,308	10,054	3,317	115,594	(963,995)	862,938

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 six months to June 30, 2003, the directors have not declared any dividends to its shareholders.

The notes on pages 5 to 28 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2003

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 compa
ny 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.

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.

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 June 30, 2002 identified by geographical segments as follows:

	1/1-30/6/2003 RMB'000	1/1-30/6/2002 RMB'000
PRC	545,802	295,559
Overseas	322	328
	546,124	295,887

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

	Properties RMB'000	Retailing and trading RMB'000	Transportation and catering services RMB'000	Construction technical support RMB'000	Others RMB'000	Total RMB'000
1/1-30/6/2003	316,342	192,681	5,280	26,885	4,936	546,124
1/1-30/6/2002	112,457	126,628	8,670	38,102	10,030	295,887

LOSS FROM OPERATIONS

	1/1-30/6/2003 RMB' 000	1/1-30/6/2002 RMB'000
Loss from operations is stated after crediting and charging the following:		
Crediting:		
Interest income	2,471	11,146
Rental income	23,552	7,205
Exchange gain	20	315
Gain on disposal of fixed assets	66	165
Charging:		
Depreciation	8,250	4,681
Amortization	1,848	2,251
Staff costs	47,425	38,714
Rent paid under operating leases of land and building	--	246
Exchange loss	152	--

6. FINANCE COSTS

	1/1-30/6/2003 RMB' 000	1/1-30/6/2002 RMB'000
Interest expenses		
- bank borrowings	25,664	28,636

7. TAXATION

	1/1-30/6/2003 RMB' 000	1/1-30/6/2002 RMB'000
The charge comprises:		
PRC income tax for the year	529	598

Domestic income tax is calculated in accordance with applicable income tax regulations and at 15% (2002: 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:

	2003 RMB' 000	2002 RMB'000
PRC enterprises income tax		
- enterprises in Shenzhen	15%	15%
- enterprises outside Shenzhen	33%	33%
Hong Kong profits tax	16%	16%
United States corporation income tax	15-59%	15-59%

8. EARNINGS PER SHARE

(a) The calculation of basic earnings per share is based on the consolidated loss of RMB17,044,000 (2002: loss of RMB25,064,000) and on the 1,011,660,000 shares (2002: 1,011,660,000 shares) in issue during the year.

(b) During the year ended 30 June 2003 and 2002, there were no dilutive potential shares.

Fully diluted earnings per share are not disclosed.

FIXED ASSETS

	Land and buildings	Plant and machinery	Motor Vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At January 1, 2003	256,031	55,077	35,774	31,917	38,257	417,056
Additions	443	40	905	1,356	1,140	3,884
Disposal	(10,227)	--	(719)	(541)	--	(11,487)
At June 30, 2003	246,247	55,117	35,960	32,732	39,397	409,453
DEPRECIATION						
At January 1, 2003	84,216	13,594	27,312	19,248	--	144,370
Charge for the year	9,059	426	1,123	593	--	11,201
Disposal	(3,037)	--	(418)	(303)	--	(3,758)
At June 30, 2003	90,238	14,020	28,017	19,538	--	151,813
PROVISION FOR DIMINUTION IN VALUE						
At January 1, 2003	1,313	68	48	16	--	1,445
At June 30, 2003	1,313	68	48	16	--	1,445
NET BOOK VALUE						
At June 30, 2003	154,696	41,029	7,895	13,178	39,397	256,195
At January 1, 2003	170,502	41,415	8,414	12,653	38,257	271,241

The Group's leasehold land and buildings including investment properties (note 10) 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 26).

INVESTMENT PROPERTIES

	30/06/2003	31/12/2002
RMB' 000	RMB'000	
Net book amount at beginning of year	628,410	602,622
Disposal of properties	--	(8,234)
Reclassified from inventories	3,334	34,022
Net book amount at end of year	631,744	628,410

The investment properties have been revalued as at 30 June 2003 by the directors and certain investment properties have been pledged as security for the group's bank borrowings (see note 26).

SUBSIDIARIES

At June 30, 2003, the Company had interests in the following principal subsidiaries, which were grouped in the consolidated financial statements:

Place of equity

Interest held

Subsidiaries	establishment/incorporation	Principal activities	Dire	
			%	%
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
深圳市罗湖区社会信息资讯服务中心	PRC	Information service	--	100
深圳市数码港信息技术培训中心	PRC	Training	--	100
深圳市数码港通信有限公司	PRC	Product development and sales of web and computer	--	90

11. SUBSIDIARIES – (continued)

		Place of equity		
Subsidiaries	establishment/incorporation	Principal activities	Direct	
			%	%
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 holdings	82	--
广州黄埔新邨房地产有限公司	PRC	Property development and sale	--	100
Keyear Development Ltd.	Hong Kong	Investment holding	--	100

11. SUBSIDIARIES (continued)

The non-consolidated subsidiaries involved have either been terminated or liquidated, 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:

	31/12/2002	30/06/2003
	RMB'000	RMB'000
Unlisted Investments, at cost	426,215	427,996
Share of post-acquisition losses	(199,980)	(199,961)
	226,235	228,035
Less: Provision for impairment losses	(189,942)	(189,942)
	36,293	38,093
Add: Amounts due from non-consolidated subsidiaries	133,993	106,337
	170,286	144,430
Less: Amounts due to non-consolidated subsidiaries	(19,376)	--
	150,910	144,430

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

Subsidiaries	Place of establishment/ incorporation	Principal activities	Interest held Direct	Interest held Indirect
			%	%
Shenzhen Shen Fang Industrial Development Co., Ltd.	PRC	Property management, investment holding	100	--
Shenzhen Real Estate Consolidated Service Co., Ltd.	PRC	Construction material, consume goods	100	--
Shenzhen Tefa Real Estate Consolidated Service Co., Ltd.	PRC	Construction and decoration	100	--
Guangdong Province Fengkai Lian Feng Cement Manufacturing Co., Ltd.	PRC	Manufacturing and trading in cement products	--	90
Shenzhen Shenfang (Group) Shanghai Property Development Co., Ltd.	PRC	Property development	100	--

11. **SUBSIDIARIES (continued)**

Subsidiaries	Place of equity establishment/ incorporation	Principal activities	Direct %	Interest held Indirect %
Fidelity Development Limited	Canada	Property development	75	--
Shenzhen Fresh Peak Real Estate Trading and Revaluation Co. Ltd.	PRC	Property trading agency	95	5
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		--	70
Shenzhen City Shenfang Construction and Decoration Materials Ltd.	PRC	Retailing/trading of construction materials	100	--
Shenzhen City SPG Long Gang Development Ltd.	PRC	Property development, sales, management and rental	100	--
Shenzhen Lian Hua Industry and Trading Co. Ltd.	PRC	Trading of equipment and provision of renovation goods	100	--
Paklid Limited	HK	Property construction and trading of construction materials	100	--
Shenzhen City Zhen Tung New Electronic and Electrical Development Ltd.	PRC	Investing on electronic and electrical engineering project	95	5
Shenzhen City Wing Wah Engineering Ltd.	PRC	Repairs and maintenance of machinery	90	10

ASSOCIATES

30/06/2003

31/12/2002

RMB’000

RMB’000

Unlisted investments, at cost	38,093	38,077
Share of post-acquisition losses	(1,800)	(1,800)
	36,293	36,277
Less: Provision for impairment losses	(22,406)	(22,406)
	13,887	13,871
Add: Amounts due from associated companies	2,009	--
	15,896	13,871

At June 30, 2003, the Company had interests in the following principal associated companies:

Associated companies	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	--
深圳赛博数码广场有限公司	PRC	Property management and leasing	45	--

CONTRACTUAL JOINT VENTURES

30/06/2003

31/12/2002

RMB’ 000

RMB’000

Unlisted Investments, at cost	314,764	314,764
Share of post-acquisition profits	24,868	24,868
	339,632	339,632
Less: Provision for impairment losses	(143,073)	(143,073)
	196,559	196,559
Add: Amount due from contractual joint ventures	32,541	--
	229,100	196,559
Less: Amount due to contractual joint ventures	(55,168)	(34,328)
	173,932	162,231

13. CONTRACTUAL JOINT VENTURES (continued)

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

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

13. CONTRACTUAL JOINT VENTURES – (continued)

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

14. **LONG TERM INVESTMENTS**

	30/06/2003	31/12/2002
	RMB' 000	RMB'000
PRC legal entity shares, at cost	16,825	16,825
Unlisted equity investments, at cost less provision for diminution in value	42,010	42,010
	58,835	58,835

INTANGIBLE ASSETS

	Vehicle licenses	Computer software	
	RMB' 000	RMB' 000	RMB' 000
At January 1, 2003	1,304	155	1,459
Amortization for the year	(355)	(20)	(375)
At June 30, 2003	949	135	1,084

16. LAND HELD FOR DEVELOPMENT

	RMB' 000
Cost	
At January 1, 2003	46,923
Addition	3,513
Amortization	(381)
At June 30, 2003	50,055
Provision for impairment	
At January 1, 2003	4,170
At June 30, 2003	4,170
Net book value	
At June 30, 2003	45,885
At January 1, 2003	42,753

17. **PROPERTIES UNDER DEVELOPMENT FOR SALE**

	30/06/2003	31/12/2002
	RMB' 000	RMB'000

Cost	1,211,029	1,358,116
Less: Provision for impairment losses	(528,409)	(642,049)
	682,620	716,067

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. As sentenced by California High Court on April 11, 2003, Great Wall Estate Company Inc. is the legal owner of the land.

18. COMPLETED PROPERTIES FOR SALE

	30/06/2003	31/12/2002
	RMB' 000	RMB'000
Cost	178,617	260,501
Less: Provision for impairment losses	(18,401)	(18,401)
	160,216	242,100

19. INVENTORIES

	30/06/2003	31/12/2002
	RMB' 000	RMB'000
Raw materials	6,369	4,661
Work-in-progress	8,245	5,853
Finished goods	27,031	26,216
Less: Provision for impairment losses	(833)	(833)
Consumables	136	196
	40,948	36,093

20. SHORT-TERM INVESTMENTS

	30/06/2003	31/12/2002
	RMB' 000	RMB'000

Listed equity investments, at market value	3,292	2,944
Debentures, at market value	4	7
	3,296	2,951

21. TAX PAYABLE

	30/06/2003	31/12/2002
	RMB' 000	RMB'000
Corporation tax	(433)	(147)
Personal income tax	128	965
Business tax	4,384	4,157
Value added tax	(2,463)	(1,548)
Property tax	1,495	2,592
Others	75	44
	3,186	6,063

22. NON-CURRENT LIABILITIES

	30/06/2003	31/12/2002
	RMB' 000	RMB'000
Bank loans (note 23)	20,000	--
Other liabilities	19,291	18,818
	39,291	18,818

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.

23. BORROWINGS

	30/06/2003	31/12/2002
	RMB' 000	RMB'000

Bank loans		
Secured	718,713	709,209
Guaranteed	136,277	125,553
	854,990	834,762

Bank loans repayable:		
Within one year or on demand	834,990	834,762
In the second year	20,000	--
	854,990	834,762
Portion classified as current liabilities	834,990	834,762
Long term portion	20,000	--
	854,990	834,762

Particulars of assets which are pledged to secure bank loans and other facilities are set out in note 26. The guarantees are provided by third parties and certain group companies.

24. SHARE CAPITAL

	30/06/2003	31/12/2002
	RMB' 000	RMB'000
Registered, issued and paid-in 891,660,000 A shares	891,660	891,660
120,000,000 B shares	120,000	120,000
	1,011,660	1,011,660

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

25. INCREASE IN CASH AND CASH EQUIVALENT

	1/1-30/06/2003	1/1- 30/6/2002
	RMB' 000	RMB'000
Cash and bank balances	287,590	315,615

Less: deposits secured over 3 months	(147,937)	(175,867)
	139,653	139,748
Effect of foreign exchange rate changes	284	--
Restated cash and cash equivalents	139,937	139,748

26. PLEDGE OF ASSETS

At June, 30 2003, 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 RMB859,858,000 and fixed deposits amounting to RMB94,751,000 were pledged to secure loans to the extent of RMB718,713,000 granted to the Group.

27. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

Nature of relationship

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

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

Shenzhen City Wing Wah Engineering Ltd.

	1/1-30/6/2003	1/1-30/6/2002
	RMB' 000	RMB'000
Construction and development expenses	671	272

The expenses were made based on the market price.

Some net balances due from / (to) related parties at June 30, 2003 and December 31, 2002 are stated in notes 11, 12 and 13, and included in the balance sheet of the Group as non-consolidated subsidiaries, associates and contractual joint ventures, the remaining balances are summarized as follows:

30/06/2003	31/12/2002		
		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:

30/06/2003	31/12/2002		
		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.

28. CONTINGENT LIABILITIES

31/12/2002	30/06/2003	
	RMB' 000	RMB'000
Guarantee given for banking and credit facilities granted to:		
- contractual joint ventures	9,293	9,293
- third parties	221,929	156,054
	231,222	165,347

29. LITIGATION AND ARBITRATION

1. On March 21, 1997, the Company executed an agreement with Baoxin Real Estate Development (Shenzhen) Company Limited ("Baoxin") to sell its share of 68% interests in Guo Xin Building at a consideration of RMB145,000,000. In addition, the construction cost for the building of RMB15,000,000 was undertaken by Baoxin. Baoxin has paid a deposit of RMB45,000,000. The outstanding purchase consideration of RMB100,000,000 and the construction cost of RMB15,000,000 have still not been settled. 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. Thereafter Baoxin make an opposing claim against the Company. The final judgment made by the Highest People's Court on July 14, 2003 is the same as that made by the Guangdong High People's Court. Up to June 30, 2003, 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 June 30, 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.

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 June 30, 2003, 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. On April 11, 2003, the case was held a court and sentenced in California High Court. Under the judgment, Great Wall Estate Company Inc. is the legal owner of the land and should take back the legal charge of US$54,125 from** S.y **Company and** Ying Yu.

30. 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 make compensation of RMB0.15 billion for Xin-Feng (Wuhan)'s losses. As at June 30, 2003, the agreement has been fulfilled.

31. IMPACT OF IFRS AND OTHER ADJUSTMENTS ON NET LOSS AND SHAREHOLDERS' EQUITY

	Net loss for the period	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	(27,228)	1,005,862
Reversal of depreciation charges in respect of investment properties	9,138	63,520
Adjustment for market value of short-term investments	348	1,623
Difference in recognition of cost of fixed assets	--	(202,149)
Goodwill arising from acquisition of subsidiaries	698	(6,395)
Others	--	477
As reported in the consolidated financial statements prepared in accordance with IFRS	(17,044)	862,938

32. COMPARATIVE FIGURES

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