SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.
SUMMARY OF ANNUAL REPORT 2003

§1. Important Notes

1.1 Board of Directors of Shenzhen Properties & Resources Development (Group) Ltd. 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. The summary of annual report 2003 is abstracted from the full text of annual report; the investors are suggested to read the full text of annual report to understand more details.

1.2 Three directors were absent from the Board meeting due to some reasons, but they examined the relevant information before the meeting; among them, Director Guo Yuanxian and Yang Shuncheng entrusted Chairman of the Board Mr. Tian Chenggang and at the same time Zhang Jianjun entrusted Kong Yuquan to vote on his behalf with the aye to all proposals involved in the said meeting respectively.

1.3Wuhan Zhonghuan CPAs Ltd. issued an unqualified Auditors' Report with explanatory notes for the Company; and the Board of Directors and the Supervisory Committee of the Company made the corresponding explanations in details for the relevant matters, the investors are suggested to notice the content.

1.4 Chairman of the Board of the Company Tian Chenggang, General Manager Fang Yibing and Manager of Financial Department Zhang Wei hereby confirm that the Financial Report enclosed in the Annual Report is true and complete.

1.5This report has been prepared in Chinese version and English version respectively. In the event of difference in interpretation between the two versions, the Chinese report shall prevail.

§2. Company Profile

2.1 Basic information

Short form of the stock	ST Shen Wuye, ST Wuye-B
Stock code	000011, 200011
Listed stock exchange	Shenzhen Stock Exchange
Registered address and office address	39/F and 42/F, International Trade Center, Ren Min South Road, Shenzhen
Post code	518014
E-mail of the Company	szprd@163.com

2.2 Contact person and method

	Secretary of the Board of Directors	**Authorized Representative in charge of the Securities Affairs**
Name	Guo Yumei	Dong Wei
Contact address	42/F, International Trade Center, Ren Min South Road, Shenzhen	42/F, International Trade Center, Ren Min South Road, Shenzhen
Telephone	(86) 755-82211020	(86) 755-82211020
Fax	(86) 755-82210610	(86) 755-82212043

§3. Summary of Accounting Data and Financial Indexes

3.1 Major accounting data

Unit: RMB

	2003	2002	Increase/decrease over last year (%)	2001
Income from main operations	1,079,474,318.91	781,284,955.43	38.17	1,021,639,372.64
Total profit	121,676,376.73	44,508,865.86	173.38	105,881,181.71
Net profit	77,001,831.44	34,622,176.84	122.41	86,206,309.75
Net profit after deducting non-recurring gains and losses	124,021,158.47	35,892,303.95	245.54	82,422,278.91
	At the end of 2003	**At the end of 2002**	**Increase/decrease from the end of previous year (%)**	**At the end of 2001**
Total assets	2,437,227,899.69	2,607,979,385.36	-6.55	2,440,084,079.97
Shareholder's equity (excluding minority interests)	474,222,712.97	337,903,702.25	40.34	277,151,339.50
Net cash flow arising from operating activities	187,629,855.85	-34,585,671.37	-	133,563,365.47

3.2 Major financial indexes

Unit: RMB

	2003	2002	Increase/decrease over last year (%)	2001
Earnings per share	0.142	0.064	121.88	0.159
Earnings per share *	0.142	0.064	121.88	0.159
Return on equity	16.24%	10.25%	58.44	31.10%
Return on equity calculated based on net profit after deducting non-recurring gains and losses	26.15%	12.19%	114.52	35.42%
Net cash flow per share arising from operating activities	0.346	-0.064	-	0.247
	At the end of 2003	**At the end of 2002**	**Increase or decrease from the end of previous year (%)**	**At the end of 2001**
Net assets per share	0.875	0.624	40.22	0.512
Net assets per share after adjustment	0.513	0.146	251.37	0.076

3.3 Difference of net profit as audited by Chinese Accounting Standard (CAS) and International Accounting Standard (IAS)

√Applicable ☐Inapplicable

Differences of net profit calculated based on domestic and international accounting system for enterprise business are as following:

Unit: RMB'000

Items	**Net profit (as of year 2003)**
As calculated in accordance with CAS	77,002
Switching back into fixed assets from amortization payment	170
Adjustment of amortization of expenses	-2,714
Other	
As calculated in accordance with IAS	74,458

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in share capital

Unit: share

	Before the change	Increase/decrease in this time (+, -)						After the change
		Rationed share	Bonus shares	Capitalization of public reserve	Additional issuance	Others	Sub-total	
I. Unlisted shares								
1. Sponsors' shares								
Including:								
State-owned share	323,747,713							323,747,713
Domestic legal person's shares	65,200,850							65,200,850
Foreign legal person's shares								
Others								
2. Raised legal person's shares								
3. Inner employees' shares								
4. Preference shares or others								
Total unlisted shares	388,948,563							388,948,563
II. Listed shares								
1. RMB ordinary shares	91,355,000							91,355,000
2.Domestically listed foreign shares	61,459,312							61,459,312
3. Overseas listed foreign shares								
4. Frozen shares held by senior executives	36,300							36,300
Total listed shares	152,850,612							152,850,612
III. Total shares	541,799,175							541,799,175

4.2 Statement of shares held by the top ten shareholders and the top ten shareholders of circulation share

Number of shareholders at the end of report year	By the end of the report period, the Company had totally 44208 shareholders, including 35813 ones of A-share and 8395 ones of B-share.

Particulars about shares held by the top ten shareholders

Full name of Shareholders	Increase / decrease in the report year (share)	Shares held at the year-end (share)	Proportion (%)	Type of shares (Circulating/Non-circulating)	Share pledged/ frozen (share)	Nature of shareholders
SHENZHEN CONSTRUCTION INVESTMENT HOLDINGS COMPANY	0	323,747,713	59.75	Non-circulating	Naught	State-owned share
SHENZHEN INVESTMENT HOLDING CORPORATION	0	56,628,000	10.45	Non-circulating	Naught	Legal person's share
LABOR UNION OF SHENZHEN INTERNATIONAL TRADE PROPERTY MANAGERMENT COMPANY	0	2,516,800	0.46	Non-circulating	Naught	Legal person's share
SHENZHEN SPECIAL DISTRICT DUTY-FREE COMMODITY CO.	0	1,573,000	0.29	Non-circulating	Naught	Legal person's share
YOU XIAN HUI	1,088,174	1,088,174	0.20	Circulating	Naught	Public share of A-share
SHANGHAI ZHAODA INVESTMENT CONSULTANT CO., LTD.	0	1,010,000	0.19	Non-circulating	Naught	Legal person's share
CHINA EAGLE SECURITIES CO., LTD.	0	786,500	0.15	Non-circulating	Naught	Legal person's share
SHANGHAI KUNLING INDUSTRY & TRADE CO., LTD.	0	629,200	0.12	Non-circulating	Naught	Legal person's share
SHANGHAI ZHIZHEN INVESTMENT CONSULTANT CO., LTD.	0	480,000	0.09	Non-circulating	Naught	Legal person's share
YUEN, SUI	430,700	430,700	0.08	Circulating	Naught	B-share

Explanation on associated relationship among the top ten shareholders or consistent action	There exists no associated relationship among the top three shareholders. For other shareholders, the Company did not know their relationship.

Particulars about shares held by the top ten shareholders of circulation share

Name of shareholders (full name)	Number of circulation shares held at the year-end (share)	Type (A-share, B-share, H-share and other)
YOU XIAN HUI	1,088,174	A
YUEN, SUI	430,700	B
LI YA JIE	416,600	A
ZHOU TING	414,917	A
RIGHT INDUSTRIAL COMPANY	401,608	B
CORE PACIFIC-YAMAICHI INTERNATIONAL (H.K.) LTD.	400,000	B
DENG SHAO PING	392,898	B
FENG WEN BIN	361,208	B
YANG TIAN DING	360,000	A
HUANG JUN QUAN	340,010	B

Explanation on associated relationship among the top ten shareholders of circulation share	The Company did not know whether there exists associated relationship among the top ten shareholders of circulating share or not.

4.3 Particulars about controlling shareholders and actual controller of the Company

4.3.1 Particulars about change in controlling shareholders and actual controller of the Company

□Applicable √Inapplicable

4.3.2 Introduction of especial situation for controlling shareholder and other actual controller

The controlling shareholder of the Company is Shenzhen Construction Investment Holdings Company ("the holding company"), who was established in July 1986; its legal representative is Mr. Zhang Yijun and the registered capital is RMB 1.5 billion. The holdings company is an assets management company owned by the whole people, and involve in industry, general undertaking of construction material for civil use, development of real estate and property management, etc. As one of three largest state assets management companies, Shenzhen Construction Investment Holdings Company exerted the investors' rights for state assets of the Company within the limits authorized by the municipal government and was entrusted by Shenzhen municipal government. The permanent organization of Shenzhen Municipality State Assets Management Committee is Shenzhen Municipality State Assets Management Office ("Municipality State Assets Office"), who implemented management for three largest state assets management companies of Shenzhen on behalf of Shenzhen municipal government. Thus, the actual controller of Shenzhen Construction Investment Holdings Company is Municipality State Assets Office with locating at Investment Bldg., Shen Nan Av., Futian District, Shenzhen and postcode "518026".

§5. Particulars About Directors, Supervisors and Senior Executives

5.1 Particulars about changes in shares held by directors, supervisors and senior executives

Name	Title	Sex	Age	Office term	Holding shares at the year-begin	Holding shares at the year-end	Reason for change
Tian Chenggang	Chairman of the Board	Male	50	Jun. 2001-Jun. 2004	0	0	-
Fang Yibing	Director, General Manager	Male	42	Feb. 2003-Jun. 2004	0	0	-
Guo Yuanxian	Director	Male	52	Feb. 2003-Jun. 2004	0	0	-
Zha Shengming	Director, Deputy General Manager	Male	55	Jun. 2001-Jun. 2004	18150	18150	-
Yang Shuncheng	Director, Deputy General Manager	Male	56	Jun. 2003-Jun. 2004	0	0	-
He Wenhua	Director, Chairman of	Male	58	Jun. 2001-Jun. 2004	18150	18150	-

	Labor Union						
Li Zhen	Director	Male	39	Jun. 2001-Jun. 2004	0	0	-
Wang Huimin	Director	Female	37	Feb. 2003-Jun. 2004	0	0	-
Zhang Jianjun	Independent Director	Male	38	Jun. 2002-Jun. 2004	0	0	-
Jiang Changlong	Independent Director	Male	39	Jun. 2003-Jun. 2004	0	0	-
Kong Yuquan	Independent Director	Male	39	Jun. 2003-Jun. 2004	0	0	-
Cao Ziyang	Chairman of the Supervisory Committee	Male	53	Jun. 2001-Jun. 2004	0	0	-
Tong Qinghuo	Supervisor, Manager of Human Resource	Male	40	Jun. 2001-Jun. 2004	0	0	-
Liu Jiake	Supervisor, Deputy Secretary of the Discipline Committee	Male	54	Jun. 2001-Jun. 2004	0	0	-
Jin Chenggui	Supervisor, Deputy Manager of Auditing Department	Male	56	Jun. 2001-Jun. 2004	0	0	-
Ma Deqin	Supervisor, Leader of Labor Union	Female	50	Jun. 2001-Jun. 2004	0	0	-
Xiu Xuguang	Vice secretary of the Party Committee, Secretary of the Discipline Committee	Male	49	Jun. 2003-Jun. 2007	0	0	-
Luo Junde	Deputy General Manager	Male	53	Jan. 2003-Jun. 2004	0	0	-
Liu Yinhua	Chief Engineer	Male	43	Mar. 2003-Jun. 2004	0	0	-
Guo Yemei	Secretary of the Board, Director of the Board of Directors Office	Female	44	Jun. 2001-Jun. 2004	0	0	-

5.2 Particulars about directors and supervisors holding the post in Shareholding Company

√Applicable ☐Inapplicable

Name	Name of Shareholding Company	Title in Shareholding Company	Office term	Drawing the payment from the Shareholding Company (Yes / No)
Guo Yuanxian	Shenzhen Construction Investment Holding Company	Vice-president	Jun. 2002 to now	No
Wang Huimin	Shenzhen Construction	Manager of HR	Nov. 2002 to now	No

	Investment Holding Company			
Li Zhen	Shenzhen Investment Holding Corporation	Assistance president, director of Office	Nov. 2001 to now	No

5.3 Particulars about the annual payment of directors, supervisors and senior executives

Total annual payment	RMB 5,900,500
Total annual payment of the top three directors drawing the highest payment	RMB 1,699,600
Total annual payment of the top three senior executives drawing the highest payment	RMB 1,336,700
Allowance of independent director	RMB 30,000
Other treatment of independent directors	Naught
Name of directors and supervisors receiving no payment or allowance from the Company	Guo Yuanxian, Wang Huimin and Li Zhen
Scope of payment	Number of persons
Over RMB 470,000	3
Over RMB 350,000	6
Over RMB 270,000	5

§6. Report of the Board of Directors

6.1 Discussion and analysis to the whole operation in the report period

In 2003, the Company realized income from main operations, profit from main operations and net profit amounting to RMB 1,079,474,318.91, RMB 363,255,274.91 and RMB 77,001,831.44 respectively, an increase of 38%, 60% and 122% respectively over the last year. Ended the end of the report period, the shareholders' equity was RMB 474,222,712.97, increasing somewhat over the beginning of the year, which was mainly because:

1. Partial projects of real estate reached the condition of completion and settlement, resulting in the increase of net profit.
2. In the report period, the Company increased capital reserve, including earnings from liabilities reorganization amounting to RMB 39,029,293.21, payables on account to be paid in long term amounting to RMB 20,197,224.05 transferred and non-cash assets donation amounting to RMB 90,662.02 accepted by the affiliated subsidiaries.
3. In the year, the net amount of cash flow from operating activities was RMB 187.63 million, which was because that the Company reinforced the sales and assets withdrawal and turned the situation that this index was negative in the last year.

6.2 Statement of main operations classified according to industries or products

Unit: RMB'000

Classified according to industries or products	Income from main operations (RMB)	Cost of main operations (RMB)	Gross profit ratio (%)	Increase/decrease in income from main operations over the last year	Increase/decrease in cost of main operations over the last year (%)	Increase/decrease in gross profit ratio over the last year (%)

				(%)		
Real estate development	899838	525832	41.56	69.90	47.30	27.48
Property management and lease	123633	98781	20.10	2.77	9.96	-20.65
Commercial retail	37980	34966	7.94	-62.53	-50.51	-73.79
Tax passenger transport	28359	7249	74.44	-15.49	-16.20	0.30
Tourism and food	5942	2857	51.92	3.25	35.13	-17.93
Including: related transactions	82040	-	-	-	-	-
Pricing rules for related transactions	Negotiated and confirmed by the both parties of the transaction according to the market price					
Necessity and durative of related transactions	This transaction would impact active influence on reducing stock properties of the Company, improving status of working capital and enhancing profitability capability.					

6.3 Particulars about main operations classified according to areas

Unit: RMB'000

Areas	Income from main operations (RMB)	Increase/decrease in income from main operations over the last year (%)
Shenzhen	845270	13.9
East China	211730	229.14
Hainan	22470	-40.84

6.4 Particulars about the customers of purchase and sales

Total amount of sales of the top five sales customers	-	Proportion in the total amount of sales	1%

6.5 Operation of share-holding companies (applicable to the situation where investment equity takes over 10% of its net profit)

√Applicable □Inapplicable

Name of share-holding company		Shenzhen Huangcheng Real Estate Co., Ltd.		
Investment earnings contributed in the period		RMB 150.467 million	Proportion in net profit of the listed company	-
Share-holding company	Business scope	Development, construction, operation and management of auxiliary commercial service facilities of Huanggang Port		
	Net profit	RMB 150.467 million		

Name of share-holding company		Shanghai Shenzhen Property Development Co., Ltd.		
Investment earnings contributed in the period		RMB 49.684 million	Proportion in net profit of the listed company	-
Share-holding company	Business scope	Development and operation of real estate		
	Net profit	RMB 49.684 million		

6.6 Explanation on reasons of material changes in main operations and its structure

☐Applicable √Inapplicable

6.7 Explanation on reasons of material changes in profitability capability of main operations (gross profit ratio) than that in the last year

√Applicable ☐Inapplicable

The reason for great increase in profitability of main operations was that the sales of real estate increased and the income was carried forward in the report period.

6.8 Analysis to reasons of material changes in operating results and profit structure compared with the previous year

√Applicable ☐Inapplicable

Proportion of earnings and expenses in total profit

	Amount (RMB'000)		Proportion in total profits (%)	
	In 2003	In 2002	In 2003	In 2002
Total amount of profit	121,676	44,509	-	-
Profit from main operations	363,255	226,583	298.54	509.07
Profit from other operations	1,579	11,723	1.30	26.33
Period expense	182,500	194,604	149.99	437.22
Invest earnings	-15,362	-15,266	-12.63	-34.30
Subsidy income	0	0	0.00	0.00
Net amount of non-operating income and expenditure	-45,297	16,073	-37.23	36.11

Explanations:

1. In the report period, total profit increased by 173% over the same period of last year, which was mainly due to the increase in sales of real estate in the report period, resulting in the income carried forward.

2. Period expense decreased by RMB 121.04 million over the same period of last year, which was mainly because that the Company reinforced the control on cost and expense.

3. There was no obvious change in investment earnings over the last year.

4. In the year, net amount of non-operating income and expenditure changed by a relatively large margin, which was mainly because that there was estimated liabilities of lawsuits amounting to RMB 50,002,304.07 in the non-operating expenditure in the report period.

Analysis to reasons of material changes in the whole financial position than that in the last year

√Applicable ☐Inapplicable

In the report period, the Company's operating business increased steadily and the assets quality was enhanced with steady financial position. The development projects confirmed within the year have provided a solid foundation for the sustainable development of the Company.

Unit: RMB'000

Items	Amount of the report year	Amount of the previous year	Amount of increase/decrease	Increase/decrease rate
Total assets	2,437,228	2,607,979	-170,751	-6.55%
Inventories	1,422,358	1,461,647	-39,289	-2.69%
Long-term liabilities	227,484	353,857	-126,373	-35.71%
Shareholders' equity	474,223	337,904	136,319	40.34%
Profit from main operations	363,255	226,583	136,672	60.32%
Net profit	77,002	34,622	42,380	122.41%
Net increase in cash and cash equivalents	26,782	-38,068	-	-

Explanations:

① Decrease in total assets was mainly because that the Company reinforced the dunning of accounts receivable in the year, resulting in the decrease in accounts receivable.

② Decrease in inventories was mainly because that the Company sold commercial housing and carried forward corresponding cost in the year.

③ Decrease in long-term liabilities was mainly because that the Company has refunded part of long-term bank loans.

④ Increase in shareholders' equity was mainly because that the Company realized net profit amounting to RMB 77,001,831.44 and earnings from liabilities reorganization amounting to RMB 39,029,293.21; accounts payable on account to be paid in long term amounting to RMB 20,197,224.05 were transferred in and non-cash assets donation amounting to RMB 90,662.02 was accepted by the affiliated subsidiaries.

⑤ Increase in profit from main operations was mainly due to sales of real estate and income carried forward.

⑥ Increase in net profit was mainly due to increase in profit from main operations.

⑦ Increase in net increase amount of cash and cash equivalents was mainly due to the sales of real estate and capital returned.

6.9 Explanation on the past, current and future important effects of the material changes in production and operation environment, macro-policies and regulations on the Company's financial position and operating results

□Applicable √Inapplicable

6.10 Completion of the profit estimation

□Applicable √Inapplicable

6.11 Completion of the business plan
☐Applicable √Inapplicable

6.12 Application of the raised proceeds
☐Applicable √Inapplicable

6.13 Application of the proceeds not raised through shares offering (For details, please refer to 7.1 in this report)
√Applicable ☐Inapplicable

Unit: RMB'000

Name of project	Amount of project	Progress of project	Earning of project	Earnings rate of project
City Golden Castle Project	113000	Partial peak cover at the end of the year	Not completed at the end of the year	-
District B of Huang Yu Yuan	342670	Completed and occupied at the end of the year	51% sold	20%
The 4th and 5th Stage of Shanghai Pastoral City	110000	Completed in the 4th Stage and peak cover in the 5th State	100% sold in the 4th Stage	19%
Total	565670	-	-	-

6.14 Explanation of the Board of Directors on the "Qualified Opinion" made by the Certified Public Accountants
√Applicable ☐Inapplicable

As stated in Notes to Accounting Statements (VIII) 1 (1), after the application of retrial on lawsuits of real estate trade contract with such eight owners as Haiyi Industrial (Shenzhen) Co., Ltd. and etc. presented by the Company to Guangdong Higher People's Court was rejected in 2003, such eight owners as Haiyi Industrial (Shenzhen) Co., Ltd. still did not apply for forcible implementation to Guangdong Higher People's Court. At present, the Company is actively applying for retrial to the Supreme Court of the P.R.C.. The Company has predicted relevant losses amounting to RMB 41,772,906.07 according to the appropriation of book value of property.

As stated in Notes to Accounting Statements (VIII) 1 (2), in July 2001, Guangdong Higher People's Court judged Shenzhen Jiyong Property Development Company to pay the Company transfer account amounting to RMB 143.86 million and sealed the property amounting to 28,000 sq. m. of the opposing party by forcible implementation. Later, since Industrial & Commercial Bank of China Zhejiang Branch had objection that the Company sealed the property, Guangdong Higher People's Court judged to release the Company's seal of property of Shenzhen Jiyong Property Development Company approximately amounting to 10,000 sq. m.. The Company has put forward objection to Guangdong Higher People's Court and the said objection is under examination.

As stated in Notes to Accounting Statements (VIII) 1 (3), according to (2002) YGFMYZZ No. 90 Judgment issued by Guangdong Higher People's Court, the Company should pay principal amounting to RMB 10.80 million and corresponding interests to Hubei Foreign Economic Cooperation Hall Shenzhen Office. In the period, the Company predicted relevant losses amounting to RMB 8,229,398.

As stated in Notes to Accounting Statements (VIII) 1 (4), the lawsuit case between Huang Fumin and the Company was still under inquisition.

As stated in Notes to Accounting Statements (VIII) 1 (5), since Shenzhen Luohu Great Hotel Co., Ltd. was bankrupt and cleared, the Company has appropriated provision for bad debt amounting to RMB 6,950,000.00 to the book debt amounting to RMB 33,950,771.58 receivable from Shenzhen Luohu Great Hotel Co., Ltd. and it was estimated that the Company could withdraw amount of RMB 27 million.

As stated in Notes to Accounting Statements (VIII) 2 (1), the Company provided guarantee for Gintian Industry (Group) Co., Ltd. (Hereinafter referred to as Gintian Company) to get loan amounting to RMB 59 million from Communication Bank Changchun Branch. Since Gintian Company was unable to repay the accounts at its expiration, Communication Bank Changchun Branch required the Company to take on the joint guarantee responsibility. During the inquisition of the case, the Company found the property in corresponding amount from owned by Gintian Company and provided the said property to Jilin Higher People's Court and creditor Communication Bank Changchun Branch and Jilin Higher People's Court has sealed up the said property. With the application of this Branch, Jilin Higher People's Court sealed up 18 sets of property of the Company in International Trade Commercial Building in Dec. 2003 and sealed up 169 sets of property under construction in Junfeng Lishe developed by the Company in Mar. 31, 2004. The Company considered that the said sealing belonged to excessive sealing, thus the Company brought forward objection on this to Jilin Higher People's Court and required to release the property sealed.

Besides, the Company also provided guarantee for Gintian Company to get loan amounting to RMB 6 million from Agricultural Bank of China Shenzhen Branch International Sub-branch (Hereinafter referred to as International Trade Agricultural Bank). Gintian Company did not refund the loan at its expiration and the Company took on the joint responsibility. During the implementation, with the application of International Trade Agricultural Bank, Shenzhen Intermediate People's Court has sealed up the legal person's shares of Chuantouchanggang owned by the Company. The Company has found out the property in corresponding amount of Gintian Company and has provided to International Trade Agricultural Bank, which was sealed up by Shenzhen Intermediate People's Court. Agricultural Bank of China agreed not to require the Company to take on the joint responsibility temporarily.

For the said issues, the Company has predicted relevant losses reasonably. As stated in the auditors' report presented by Wuhan Zhonghuan Certified Public Accountants: The said interpretative issues do not belong to conditions that obviously disobey the accounting rules, system and criterion relevant to information disclosure stipulated in Preparation Rules No. 14 of Information Disclosure of Companies Publicly Issuing Securities – Qualified Auditing Opinion without Reservation and Disposal on its Involved Issues and are explained specially in the auditors' report just to remind the investors to pay special attention. They do not form any reservation to the accounting statements and do not influence on the type of auditing opinion released.

6.15 Business plan as of the next year of the Board of Directors (If it has)

√Applicable □Inapplicable

In 2004, the Company shall tightly surround the operating integration guideline with development and operation of real estate and property lease as the core and with property management, automobile transport and operation of dietetic service as the accessory, further standardize the enterprise operation and management and push and organize the reform of personnel system and information construction so as to catch the opportunity and speed up the development.

In 2004, the Company shall really do the work in the following several aspects well:

1. To practically reinforce the construction and sales of key real estate projects with cost management as the core, strict the management on the project responsibility letter and fully enhance the level of all management so as to ensure the profit growth of the main operation, namely development of real estate.

2. To continue to improve the departmental objective responsibility of the headquarter of the Company and management on "Double Civilizations" responsibility letter and real estate project responsibility letter of the 2nd grade companies so as to enhance the level of operating management.

3. To reinforce the lease and operation of earning properties and establish lease department operated according to divisional system and specialized in lease business.

4. To tighten the land reserve and reinforce the aftereffect of sustainable development.

5. To actively make progress and expand and innovate facing the great situation of reform of state-owned enterprises with full consideration of the interests of the Company and its shareholders.

Profit estimation of the next year (If it has)

□Applicable √Inapplicable

6.16 The preplan on the profit distribution and capitalization of capital public reserve of the Board of Directors

After researched and determined by the Board, the Company did not distribute profits or convert capital reserve into share capital in 2003. The profit earnings were used to offset the losses in the previous years. This preplan would be submitted to Annual Shareholders' General Meeting for consideration.

§7. Significant Events

7.1 Purchase of assets

□Applicable √Inapplicable

7.2 Sales of assets

√Applicable □Inapplicable

Transaction parties and the assets sold	Date of sale	Sale price	Contribution to net profit of the Company	Profit or loss from sale	Related transaction or

			of the assets sold from the year-beginning to the date of sale		not (if yes, explain principle of pricing)
MEI HONG, LIN Commercial buildings of Sydney, Australia	Jan. 2003	HKD 13,505,600	-	HKD 535,600	No
Commercial Bank, the first floor of Fumin Building	Aug. 2003	RMB 65,580,000	-	RMB 39,030,000	No

The Company sold the above assets (1) to clean up the left problems in the history; (2) to liquidize remnant assets. It played an active role in the callback of investment and improvement of capital situation and has no influence the consistence of business and stabilities of the management team of the Company.

7.3 Important guarantee

√Applicable ☐Inapplicable

Name of the Company guaranteed	Date of happening (date of signing agreement)	Amount of guarantee	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related party (yes or not)
Gintian Company	June 1998	RMB 6 million	Guarantee	11 months	No	No
Gintian Company	Oct. 1998	RMB 59 million	Guarantee	6 months	No	No
Total amount of guarantee				RMB 65 million		
Total balance of guarantee				RMB 65 million		
Total amount of guarantee the listed company provided for its share-controlling subsidiaries				RMB 70 million		
Total amount of guarantee breaking regulations				0		
Proportion of total amount of guarantee in net assets of the Company				13%		

7.4 Related credits and liabilities current

√Applicable ☐Inapplicable

Unit: RMB'0000

Related parties	Supply funds to related parties		Related parties supplied funds to the Company	
	Occurred amount	Balance	Occurred amount	Balance
Shenzhen Construction Investment Holdings	765	765		
Shenzhen Construction Group Financing Company			0	2,000
Shenzhen Construction Investment Holdings			-2,600	0
Shenzhen Construction Investment Holdings			-1,000	0

Shenzhen Construction Investment Holdings			-2,945	0

7.5 Entrusted assets

☐Applicable √Inapplicable

7.6 Implementation of commitment items

☐Applicable √Inapplicable

7.7 Significant lawsuit and arbitration

√Applicable ☐Inapplicable

1. Concerning the "Haiyi Company" lawsuit disclosed in 2000 Annual Report, 2001 Annual Report and 2002 Annual Report of the Company, because the 2^{nd} trial unclearly cognized truth and improperly applied for laws, Guangdong Higher Court decided to retry the case in Aug. 1999 under the Company's application. According to the decision of the retrial, Shenzhen Intermediate Court ended the execution of the case after the Company provided possession's drawing. At the end of 2003, Guangdong Higher Court overruled the application of the Company after check. After the retrial application was overruled, the eight owners including Haiyi Industrial (Shenzhen) Co., Ltd. have not applied the compulsive execution for Guangdong Higher Court. At present, the Company is dealing with the item of retrial application for the Supreme People's Court.
2. Concerning "Jiyong Company" lawsuit disclosed in 2000 Annual Report, the provisional public notice dated Apr. 12, 2001, 2001 Annual Report and 2002 Annual Report of the Company, Guangdong Higher Court judged according to laws the transfer contract signed by the Company and Jiyong Company was valid and Jiyong Company should pay the transfer payment amounting to RMB 0.14 billion stated in the contract to the Company. The Company has applied compulsive execution for Guangdong Higher Court and the case is the process of execution.
3. Concerning "Huang Fuming" lawsuit disclosed in the provisional public notice dated Aug. 18, 2001, 2001 Annual Report, 2002 Annual Report and the provisional public notice dated Jan. 29, 2003 of the Company, it is still in process of cognizance.
4. Concerning "Luohu Hotel's Bankruptcy" lawsuit disclosed in 2001 Annual Report, 2002 Annual Report and the provisional public notice dated July 23, 2003 of the Company, the Company has reported credit of over HKD 32 million and RMB 22 million to Shenzhen Intermediate People's Court. The case is in the process of check and callback of bankrupted possession. The liquidation team of Luohu Hotel primarily confirmed the total amount of the Company's credit was RMB 38,431,233.92 on July 4, 2003. In the auction on July 17, 2003 held by Guangdong Xutongda Auction Co., Ltd., the noumenon section of the hotel building of Luohu Hotel was sold as the price of RMB 73.50 million. Concerning the credit reported by the Company, it is estimated that RMB 27 million can be taken back.

7.8 Particulars about the performance of obligations of Independent Directors

In the report period, Mr. Jiang Changlong and Mr. Kong Yuquan were elected as independent directors of the Company at annual Shareholders' General Meeting. At present, the Company carries complete three independent directors: Mr. Zhang Jianjun, Mr. Jiang Changlong and Mr. Kong Yuquan. The numbers and membership of

the independent directors accord with the requirements of CSRC. Since the three independent directors held their posts, according to Articles of Association of the Company and the relevant regulations of the State Administration, they performed their duties and expressed independent opinions on whether related transaction, sale of assets and other significant matters were in accordance with relevant regulations and Articles of Association of the Company and damaged the interest of the minority shareholders or not.

§8.Report of the Supervisory Committee

The opinion of the Supervisory Committee on the explanation of the Board of Directors on non-standard opinion is as follows: Wuhan Zhonghuan Certified Public Accountants issued the unqualified auditor's report with emphasized items. The Supervisory Committee patiently inquired about the situation involved in the emphasized items in Auditor's Report and believed that the explanations of the Board of Directors and the management team of the Company on the stated events was in accordance with the actual situation and the adopted relevant accounting disposal method was in accordance with the financial and accounting policy.

§9. Financial Report**(ATTACHMENT)**

9.1Comparative Balance Sheet, Profit Statement and Cash Flow Statement of consolidation and the parent company (attachment)

9.2 Explanation on change of consolidation scope compared with the latest annual report:

Change of the consolidated units this year:

Name of company	Registered place	Consolidated or not	Reason of change
Shenzhen International Trade Marketplace Co., Ltd.	Shenzhen	No	Shutout
Shenzhen Property Engineering Construction Supervision Co., Ltd.	Shenzhen	No	Planned to change system
Sichuan Tianhe Industrial Co., Ltd.	Zhan Jiang	Yes	Invested and newly established

Board of Directors of

ShenZhen Properties & Resources Development (Group) Ltd.

April 19, 2004