

SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE
& PROPERTIES (GROUP) CO., LTD.
Report and Financial Statements
for the year ended December 31, 2003

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

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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REPORT OF THE AUDITORS
TO THE SHAREHOLDERS OF
SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE & PROPERTIES (GROUP) CO., LTD.
(Incorporated in the People's Republic of China with limited liability)

We have audited the accompanying consolidated balance sheet of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") as of December 31, 2003 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These financial statements set out on pages 2 to 33 are the responsibility of the Group's management. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2003 and of the results of operations and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

Moore Stephens Shenzhen Nanfang Minhe
Certified Public Accountants

April 27, 2004

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Note</u>	<u>2003</u> RMB'000	<u>2002</u> RMB'000
Turnover	4	933,935	724,776
Cost of sales		<u>(730,471)</u>	<u>(578,491)</u>
Gross profit		203,464	146,285
Other operating income		<u>16,726</u>	<u>40,179</u>
		220,190	186,464
General and administrative expenses		(124,213)	(165,089)
Other operating expenses		<u>(26,976)</u>	<u>(29,319)</u>
Profit / (loss) from operations	5	69,001	(7,944)
Finance costs	8	(49,062)	(110,087)
Share of profits / (losses) of non-consolidated subsidiaries, associates, and contractual joint ventures		14,860	(27,302)
Gain from the disposal of contractual joint venture		<u>--</u>	<u>180,343</u>
Profit before taxation		34,799	35,010
Taxation	9	<u>(2,445)</u>	<u>(1,723)</u>
Profit after taxation		32,354	33,287
Minority interests		<u>1,253</u>	<u>576</u>
Net profit for the year		<u>33,607</u>	<u>33,863</u>
Earnings per share			
Basic	10	<u>RMB0.03</u>	<u>RMB0.03</u>
Diluted	10	<u>N/A</u>	<u>N/A</u>

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

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

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2003

	<u>Note</u>	<u>2003</u> RMB'000	<u>2002</u> RMB'000
ASSETS			
Non-current assets			
Property, plant & equipment	11	210,521	271,241
Investment properties	12	628,861	628,410
Non-consolidated subsidiaries	13	56,127	144,430
Associates	14	21,147	13,871
Contractual joint ventures	15	168,982	162,231
Long term investments	16	58,599	58,835
Intangible assets	17	707	1,459
Land held for development	18	56,585	42,753
		<u>1,201,529</u>	<u>1,323,230</u>
Current assets			
Properties under development for sale	19	644,978	716,067
Completed properties for sale	20	206,207	242,100
Inventories	21	41,050	36,093
Short term investments	22	3,608	2,951
Accounts receivable		170,035	122,211
Prepayments, deposits and other debtors		46,727	51,903
Cash and bank balances		262,809	249,341
		<u>1,375,414</u>	<u>1,420,666</u>
Current liabilities			
Customers' deposits		210,555	190,913
Accounts payable and accrued expenses	23	493,823	680,773
Dividends payable	24	138,764	138,764
Tax payable	25	4,251	6,063
Bank loans	27	677,007	834,762
		<u>1,524,400</u>	<u>1,851,275</u>
Net current liabilities		<u>(148,986)</u>	<u>(430,609)</u>
Total assets less current liabilities		<u>1,052,543</u>	<u>892,621</u>
Non-current liabilities	26	(53,072)	(18,818)
Minority interests		<u>7,832</u>	<u>6,179</u>
NET ASSETS		<u>1,007,303</u>	<u>879,982</u>
CAPITAL AND RESERVES			
Share capital	28	1,011,660	1,011,660
Reserves		<u>(4,357)</u>	<u>(131,678)</u>
		<u>1,007,303</u>	<u>879,982</u>

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

Approved and authorized for issue by the board of directors on April 27, 2004

DIRECTOR

DIRECTOR

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Note</u>	<u>2003</u> RMB'000	<u>2002</u> RMB'000
OPERATING ACTIVITIES			
Cash received from sales of goods or rendering of services		984,417	785,711
Other cash received relating to operating activities		141,462	119,832
Cash paid for goods and services		(689,368)	(501,553)
Cash paid to and on behalf of employees		(95,848)	(109,570)
Taxation paid		(47,726)	(103,209)
Cash paid relating to other operating activities		(104,574)	(113,329)
Interest paid		<u>(49,062)</u>	<u>(110,087)</u>
Net cash from /(used in) operating activities		<u>139,301</u>	<u>(32,205)</u>
INVESTING ACTIVITIES			
Cash received from disposal of investments		35,633	322,250
Dividends received and interest received		11,849	23,305
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		9,215	397
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(12,894)	(11,485)
Cash paid to acquire investments		<u>--</u>	<u>(1,800)</u>
Net cash from investing activities		<u>43,803</u>	<u>332,667</u>
FINANCING ACTIVITIES			
Proceeds from borrowings		686,263	728,688
Repayments of borrowings		(797,000)	(1,078,934)
Dividends paid		<u>--</u>	<u>(15,594)</u>
Net cash used in financing activities		<u>(110,737)</u>	<u>(365,840)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS			
		72,367	(65,378)
Cash and cash equivalents at beginning of year	29	<u>103,132</u>	<u>168,510</u>
Cash and cash equivalents at end of year	29	<u>175,499</u>	<u>103,132</u>

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2003

	Share capital RMB'000	Capital reserve RMB'000	Cumulative translation reserve RMB'000	General reserve RMB'000	Staff welfare fund RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at December 31, 2001	1,011,660	686,234	10,164	326,094	115,594	(1,303,591)	846,155
Profit for the year						33,863	33,863
Transfer				(322,777)		322,777	--
Others		74	(110)				(36)
Balance at December 31, 2002	<u>1,011,660</u>	<u>686,308</u>	<u>10,054</u>	<u>3,317</u>	<u>115,594</u>	<u>(946,951)</u>	<u>879,982</u>
Prior year adjustment (see note 35)						93,742	93,742
Profit for the year						33,607	33,607
Others			(28)				(28)
Balance at December 31, 2003	<u>1,011,660</u>	<u>686,308</u>	<u>10,026</u>	<u>3,317</u>	<u>115,594</u>	<u>(819,602)</u>	<u>1,007,303</u>

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 share capital. All statutory reserves, including the general reserve fund and staff welfare fund, are for specific purposes and are not distributed in the form of cash dividends.

The Company declares dividends based on the lower of net profit after appropriation to reserves as reported in the financial statements prepared under the Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises in PRC and as reported in the financial statements prepared under IFRS. For the year ended December 31, 2003, the directors have not declared any dividends to its shareholders.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

1. GENERAL

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

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

2. 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 2003 and net profit for the year then ended are included in note 36 to the financial statements.

3. 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 less provision for impairment losses. 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.

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Cash and cash equivalents

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

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

Property, plant & equipment

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

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

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

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

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

Investment properties

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Impairment of assets

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

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

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

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

Completed properties and properties under development

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

Inventories

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

Long-term investments

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

Short-term investments

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Revenue recognition

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

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

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

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

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

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

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

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

Retirement benefit costs

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

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

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

Deferred income tax

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Intangible assets

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

Foreign currency translation

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

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

Borrowing costs

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

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

Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

Principal activities are as follows:

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

The Group's business is principally conducted in the People's Republic of China (PRC) with its turnover for the year ended December 31, 2003 identified by geographical segments as follows:

	RMB ('000)
PRC	925,877
Hong Kong	7,310
The United States of America	748
	<u>933,935</u>

Segment information relating to the businesses for the year ended December 31, 2003 is presented below:

	<u>Properties</u>	<u>Retailing and trading</u>	<u>Transportation and catering services</u>	<u>Construction technical support</u>	<u>Others</u>	<u>Eliminations</u>	<u>Consolidated</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE							
External sales	415,566	409,823	11,994	82,238	14,314	--	933,935
Inter-segment sales	22,116	--	--	10,540	2,400	(35,056)	--
Total revenue	<u>437,682</u>	<u>409,823</u>	<u>11,994</u>	<u>92,778</u>	<u>16,714</u>	<u>(35,056)</u>	<u>933,935</u>

Inter-segment sales are charged at prevailing market rates.

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS - (continued)

	<u>Properties</u>	<u>Retailing and trading</u>	<u>Transportation and catering services</u>	<u>Construction technical support</u>	<u>Others</u>	<u>Eliminations</u>	<u>Consolidated</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS							
Segment results	<u>69,276</u>	<u>13,966</u>	<u>1,671</u>	<u>16,381</u>	<u>7,594</u>	<u>(16,384)</u>	92,504
Unallocated corporate expenses							<u>(23,503)</u>
Profit from operation							69,001
Finance costs							(49,062)
Share of profit of non-consolidated subsidiaries, associates, and contractual joint ventures							<u>14,860</u>
Profit before tax							34,799
Taxation							<u>(2,445)</u>
Profit after tax							32,354
Minority interests							<u>1,253</u>
Net profit for the year							<u>33,607</u>
OTHER INFORMATION							
Segment assets	<u>1,472,457</u>	<u>78,771</u>	<u>67,453</u>	<u>21,428</u>	<u>13,055</u>		1,653,164
Non-consolidated subsidiaries	41,635	--	--	1,812	12,680		56,127
Associates	14,098	--	--	--	7,049		21,147
Contractual joint ventures	28,214	3,012	88,649	--	49,107		168,982
Unallocated corporate assets							<u>677,523</u>
Consolidated total assets							<u>2,576,943</u>
Segment liabilities	<u>812,215</u>	<u>146,529</u>	<u>87,387</u>	<u>24,526</u>	<u>30,215</u>		1,100,872
Unallocated corporate liabilities							<u>476,600</u>
Consolidated total liabilities							<u>1,577,472</u>
Capital expenditure	7,132	1,019	4,153	589	--		
Depreciation	8,131	5,430	8,879	580	28		
Non-cash expenses other than depreciation	17,904	--	745	--	--		

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS - (continued)

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

	RMB ('000)
PRC	720,795
Hong Kong	3,189
The United States of America	792
	<u>724,776</u>

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

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

Inter-segment sales are charged at prevailing market rates.

	<u>Properties</u>	<u>Retailing and trading</u>	<u>Transportation and catering services</u>	<u>Construction technical support</u>	<u>Others</u>	<u>Eliminations</u>	<u>Consolidated</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS							
Segment results	<u>110,908</u>	<u>15,791</u>	<u>3,518</u>	<u>9,076</u>	<u>20,618</u>	<u>(2,766)</u>	157,145
Unallocated corporate expenses							<u>(165,089)</u>
Loss from operation							(7,944)
Finance costs							(110,087)
Share of losses of non-consolidated subsidiaries, associates, and contractual joint ventures							(27,302)
Gain from the disposal of contractual joint venture							<u>180,343</u>
Profit before tax							35,010
Taxation							<u>(1,723)</u>
Profit after tax							33,287
Minority interests							<u>576</u>
Net profit for the year							<u>33,863</u>

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS - (continued)

OTHER
INFORMATION

Segment assets	<u>1,306,557</u>	<u>170,571</u>	<u>92,450</u>	<u>19,655</u>	<u>76,331</u>	1,665,564
Non-consolidated subsidiaries	107,219	--	--	4,665	32,546	144,430
Associates	8,891	--	--	--	4,980	13,871
Contractual joint ventures	24,115	2,851	83,908	--	51,357	162,231
Unallocated corporate assets						<u>757,800</u>
Consolidated total assets						<u>2,743,896</u>
Segment liabilities	<u>948,029</u>	<u>107,720</u>	<u>69,750</u>	<u>9,367</u>	<u>79,497</u>	1,214,363
Unallocated corporate liabilities						<u>655,730</u>
Consolidated total liabilities						<u>1,870,093</u>
Capital expenditure	2,683	2,172	1,533	2,719	2,377	
Depreciation	8,255	5,106	9,408	526	242	
Non-cash expenses other than depreciation	1,593	--	741	--	646	

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

	<u>2003</u>	<u>2002</u>
Properties	1,363	1,421
Retailing and trading	247	283
Transportation and catering services	217	239
Construction technical support	254	184
Others	<u>34</u>	<u>33</u>
	<u>2,115</u>	<u>2,160</u>

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

5.	PROFIT/ (LOSS) FROM OPERATIONS	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
	Profit / (Loss) from operations is stated after crediting and charging the following:		
	Crediting:		
	Interest income	6,414	107,647
	Rental income	251	94,849
	Exchange gain	1,046	1,374
	Gain on disposal of property, plant & equipment	553	139
	Charging:		
	Depreciation	23,048	23,538
	Amortization	18,649	11,786
	Staff costs (note 6)	95,848	99,276
	Exchange loss	788	935
	Provision for impairment losses of assets (note 7)	6,825	33,903
6.	STAFF COSTS	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
	Salaries and bonus	77,263	80,026
	Retirement benefit costs and provision for other welfare	<u>18,585</u>	<u>19,250</u>
		<u>95,848</u>	<u>99,276</u>
7.	PROVISION FOR IMPAIRMENT LOSSES OF ASSETS	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
	Contractual joint venture	--	352
	Completed properties for sale	--	365
	Accounts receivable, other debtors and amount due from non-consolidated subsidiaries	<u>6,825</u>	<u>33,186</u>
		<u>6,825</u>	<u>33,903</u>
8.	FINANCE COSTS	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
	Interest expenses		
	- bank borrowings	<u>49,062</u>	<u>110,087</u>

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

9. TAXATION

	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
The charge comprises:		
PRC income tax for the year	<u>2,445</u>	<u>1,723</u>

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:

	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
PRC enterprises income tax		
- enterprises in Shenzhen	15%	15%
- enterprises outside Shenzhen	33%	33%
Hong Kong profits tax	17.50%	16%

Reconciliation to the domestic tax expense as follows:

	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
Accounting profit under IFRS	34,799	35,010
Difference arising from accounting policies based on IFRS	<u>(22,255)</u>	<u>(19, 819)</u>
Accounting profit under Accounting Standards for Enterprise Business of the PRC	<u>12,544</u>	<u>15,191</u>
Tax at the domestic rate of 15%	1,882	2,279
Net tax effect of expenses not deductible for tax purposes and other factors	<u>563</u>	<u>(556)</u>
Tax expense	<u>2,445</u>	<u>1,723</u>

In respect of tax profit carried forward in the amount of RMB4,501,000 (2002: tax losses RMB3,672,000), no deferred tax asset was recognized because, from a current perspective, a tax benefit will probably not be realizable within a reasonable period. Events in future business years may require an adjustment to deferred tax assets.

10. EARNINGS PER SHARE

- (a) The calculation of basic earnings per share is based on the consolidated profit of RMB32,380,000 (2002: profit of RMB33,863,000) and on the 1,011,660,000 shares (2002: 1,011,660,000 shares) in issue during the year.
- (b) During the year ended 31 December 2003 and 2002, there were no dilutive potential shares. Fully diluted earnings per share are not applicable.

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

11. PROPERTY, PLANT & EQUIPMENT

	Land and buildings RMB'000	Plant and machinery RMB'000	Motor Vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At January 1, 2003	256,031	55,077	35,774	31,917	38,257	417,056
Addition of subsidiaries	304	1,151	--	538	--	1,993
Additions	7,370	1,781	--	2,187	--	11,338
Disposal of assets	(75,347)	(13,997)	(1,272)	(1,171)	--	(91,787)
At December 31, 2003	<u>188,358</u>	<u>44,012</u>	<u>34,502</u>	<u>33,471</u>	<u>38,257</u>	<u>338,600</u>
Depreciation						
At January 1, 2003	84,216	13,594	27,312	19,248	--	144,370
Addition of subsidiaries	261	1,083	--	421	--	1,765
Charge for the year	20,780	1,960	779	1,588	--	25,107
Disposal of assets	(31,084)	(11,993)	(488)	(1,043)	--	(44,608)
At December 31, 2003	<u>74,173</u>	<u>4,644</u>	<u>27,603</u>	<u>20,214</u>	<u>--</u>	<u>126,634</u>
Provision for impairment losses						
At January 1, 2003	1,313	68	48	16	--	1,445
Additions	--	--	--	--	--	--
At December 31, 2003	<u>1,313</u>	<u>68</u>	<u>48</u>	<u>16</u>	<u>--</u>	<u>1,445</u>
Net book value						
At December 31, 2003	<u>112,872</u>	<u>39,300</u>	<u>6,851</u>	<u>13,241</u>	<u>38,257</u>	<u>210,521</u>
At December 31, 2002	<u>170,502</u>	<u>41,415</u>	<u>8,414</u>	<u>12,653</u>	<u>38,257</u>	<u>271,241</u>

The Group's leasehold land and buildings including investment properties (note 12) are located 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 30).

12. INVESTMENT PROPERTIES

	2003 RMB' 000	2002 RMB'000
At January 1, 2003	628,410	602,622
Disposal of properties	(45,114)	(8,234)
Additions	<u>45,565</u>	<u>34,022</u>
At December 31, 2003	<u>628,861</u>	<u>628,410</u>

The investment properties have been revalued as at 31 December 2003 by the directors and certain investment properties have been pledged as security for the group's bank borrowings (see note 30).

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13. SUBSIDIARIES

At December 31, 2003, the Company had interests in the following principal subsidiaries which have been included in the consolidated financial statements:

<u>Subsidiaries</u>	<u>Place of equity establishment/incorporation</u>	<u>Principal activities</u>	<u>Interest held</u>	
			<u>Direct</u> %	<u>Indirect</u> %
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? ? ? ? ? ? ? ? ? ? ? ?	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
? ? ? ? ? ? ? ?	PRC	Property development and management	75	25

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13. SUBSIDIARIES - (continued)

<u>Subsidiaries</u>	<u>Place of equity establishment/incorporation</u>	<u>Principal activities</u>	<u>Interest held</u>	
			<u>Direct %</u>	<u>Indirect %</u>
Shenzhen City Wa Gen Construction Management Ltd.	PRC	Construction project management	75	--
Shinnying Tongxin Real Est. Dev. Co. Ltd.	PRC	Real estate development	--	93.1
Barenie Co. Ltd.	Hong Kong	Properties investment	--	80
Openice Ltd.	Hong Kong	Investment holding	20	80
Shantou SEZ Wellam Fty Bldg., Dev. Co.	PRC	Factory building, sales and rental	--	82
Xin-Feng Real Estate Dev. Construction (Wuhan) Co. Ltd.	PRC	Real estate management and rental service	--	55
Fresh Peak Investment Ltd.	Hong Kong	Properties investment	--	55
Wellam Ltd.	Hong Kong	Investment holding	--	82
Shenzhen Petrel Hotel Co. Ltd.	PRC	Hotel operations	68.1	31.9
Shenzhen Cyber Port Co., Ltd	PRC	Property investment and information technology consultancy	70	--
Shenzhen Shenfang Department Store Co. Ltd.	PRC	Commercial goods supplier	95	5
Shenzhen City Property Management Ltd.	PRC	Property management	95	5
Shenzhen Zhen Tung Engineering Ltd.	PRC	Fitting-out contracting and maintenance	73	27
Fresh Peak Holdings Ltd.	Hong Kong	Investment, management and consultation	100	--
Fresh Peak Enterprise Ltd.	Hong Kong	Investment holding	82	--
广州黄埔新邨房地产有限公司	PRC	Property development and sale	--	100
Keyear Development Ltd.	Hong Kong	Investment holding	--	100

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13. 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:

	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
Unlisted Investments, at cost	308,868	427,996
Share of post-acquisition losses	<u>(109,576)</u>	<u>(199,961)</u>
	199,292	228,035
Less: Provision for impairment losses	<u>(186,498)</u>	<u>(189,942)</u>
	12,794	38,093
Add: Amounts due from non-consolidated subsidiaries	<u>43,333</u>	<u>106,337</u>
	<u><u>56,127</u></u>	<u><u>144,430</u></u>

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

<u>Subsidiaries</u>	<u>Place of Establishment/ incorporation</u>	<u>Principal activities</u>	<u>Equity interest held</u>	
			<u>Direct</u> %	<u>Indirect</u> %
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 City Zhen Tung New Electronic and Electrical Development Ltd.	PRC	Investing on electronic and electrical engineering project	95	5

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

13. SUBSIDIARIES - (continued)

<u>Subsidiaries</u>	<u>Place of equity establishment/ incorporation</u>	<u>Principal activities</u>	<u>Equity interest held</u>	
			<u>Direct</u> %	<u>Indirect</u> %
Fidelity Development Limited	Canada	Property Development	75	--
Bekaton Property Limited	Australia	Property Development	60	--
Beijing SPG Property Management Limited	PRC	Property management	100	--
Dergetta Company Limited	HK	Dormant	--	70
Shenzhen City Shenfang Construction and Decoration Materials Ltd.	PRC	Retailing/trading of construction materials	100	--
Shenzhen City SPG Long Gang Development Ltd.	PRC	Property development, sales, management and rental	100	--
Shenzhen Lian Hua Industry and Trading Co. Ltd.	PRC	Trading of equipment and provision of renovation material	100	--
Paklid Limited	HK	Property construction and trading of construction materials	100	--

14. ASSOCIATES

	<u>2003</u> RMB'000	<u>2002</u> RMB'000
Unlisted investments, at cost	47,847	38,077
Share of post-acquisition losses	<u>(8,616)</u>	<u>(1,800)</u>
	39,231	36,277
Less: Provision for impairment losses	<u>(23,483)</u>	<u>(22,406)</u>
	15,748	13,871
Add: Amounts due from associates	<u>5,399</u>	<u>--</u>
	<u>21,147</u>	<u>13,871</u>

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

14. ASSOCIATES - (continued)

At December 31, 2003 the Company had interests in the following principal associates:

<u>Associates</u>	<u>Place of Establishment/ incorporation</u>	<u>Principal activities</u>	<u>Equity interest held</u>	
			<u>Direct</u>	<u>Indirect</u>
			<u>%</u>	<u>%</u>
Yunnan Kun Peng Aviation Service Ltd.	PRC	Aviation service	25	--
Tung Yick Property Co., Ltd.	Hong Kong	Property development	20	--
? ? ? ? ? ? ? ? ? ? ?	PRC	Property management and leasing	45	--
Shenzhen Fresh Peak Real Estate Trading and Revaluation Co. Ltd.	PRC	Property trading agency	30	--
Shenzhen City Wing Wah Engineering Ltd.	PRC	Repairs and maintenance of machinery	25	--

15. CONTRACTUAL JOINT VENTURES

	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
Unlisted Investments, at cost	314,149	314,764
Share of post-acquisition profits	<u>(16,022)</u>	<u>24,868</u>
	298,127	339,632
Provision for impairment losses	<u>(143,073)</u>	<u>(143,073)</u>
	155,054	196,559
Amounts due from /(due to) contractual joint ventures	<u>13,928</u>	<u>(34,328)</u>
	<u>168,982</u>	<u>162,231</u>

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

15. CONTRACTUAL JOINT VENTURES - (continued)

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

<u>Contractual Joint venture</u>		Joint venture registered <u>capital</u> (‘000)	Group committed capital <u>contribution</u> (‘000)	<u>Principal activity</u>	<u>Method of Participation in earnings</u>
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.

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

15. CONTRACTUAL JOINT VENTURES - (continued)

<u>Contractual joint venture</u>		<u>Joint venture registered capital (‘000)</u>	<u>Group committed capital contribution (‘000)</u>	<u>Principal activity</u>	<u>Method of Participation in earnings</u>
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.
? ? ? ? ? ? ? ?	30 years from January 1985	RMB30,000,000	RMB30,000,000	Tourism development	Profits net of taxation will be distributed to the extent of 70% to the Company. The remaining 30% will be shared by the Company and the other venturer by the proportion of 55% and 45% respectively.

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

16. LONG TERM INVESTMENTS

	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
PRC legal entity shares, at cost	16,825	16,825
Unlisted equity investments, at cost less provision for impairment losses	41,774	42,010
	<u>58,599</u>	<u>58,835</u>

17. INTANGIBLE ASSETS

	<u>Vehicle licenses</u> RMB' 000	<u>Computer software</u> RMB' 000	<u>Total</u> RMB' 000
At January 1, 2003	1,304	155	1,459
Addition	--	--	--
Amortization for the year	<u>(712)</u>	<u>(40)</u>	<u>(752)</u>
At December 31, 2003	<u>592</u>	<u>115</u>	<u>707</u>

18. LAND HELD FOR DEVELOPMENT

	RMB' 000
Cost	
At January 1, 2003	46,923
Addition	14,603
Amortization	<u>(771)</u>
At December 31, 2003	<u>60,755</u>
Provision for impairment	
At January 1, 2003	4,170
Addition	<u>--</u>
At December 31, 2003	<u>4,170</u>
Net book value	
At December 31, 2003	<u>56,585</u>
At December 31, 2002	<u>42,753</u>

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

19. PROPERTIES UNDER DEVELOPMENT FOR SALE

	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
Cost	1,141,501	1,358,116
Less: Provision for impairment losses	<u>(496,523)</u>	<u>(642,049)</u>
	<u>644,978</u>	<u>716,067</u>

Included in properties under development for sale is a piece of land awaiting development held in the United States at a cost of RMB122,635,954 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. Please refer to note 33 point 4 for information.

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

20.	COMPLETED PROPERTIES FOR SALE		
		<u>2003</u>	<u>2002</u>
		RMB' 000	RMB'000
	Cost	224,608	260,501
	Less: Provision for impairment losses	<u>(18,401)</u>	<u>(18,401)</u>
		<u>206,207</u>	<u>242,100</u>
21.	INVENTORIES		
		<u>2003</u>	<u>2002</u>
		RMB' 000	RMB'000
	Raw materials	4,275	4,661
	Work-in-progress	6,789	5,853
	Finished goods	30,559	26,216
	Less: Provision for impairment losses	<u>(833)</u>	<u>(833)</u>
	Consumables	<u>260</u>	<u>196</u>
		<u>41,050</u>	<u>36,093</u>
22.	SHORT-TERM INVESTMENTS		
		<u>2003</u>	<u>2002</u>
		RMB' 000	RMB'000
	Listed equity investments, at market value	3,605	2,944
	Debentures, at market value	<u>3</u>	<u>7</u>
		<u>3,608</u>	<u>2,951</u>
23.	ACCOUNTS PAYABLE AND ACCRUED EXPENSES		
		<u>2003</u>	<u>2002</u>
		RMB' 000	RMB'000
	Accounts payable	405,261	582,084
	Accrued expenses		
	Project cost	30,914	39,044
	Losses for litigation and arbitration	53,391	51,022
	Interests for bank borrowings	1,666	6,677
	Land use fee	544	544
	Water and electricity	1,357	726
	Other	<u>690</u>	<u>676</u>
		<u>493,823</u>	<u>680,773</u>
24.	DIVIDENDS PAYABLE		

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

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25. TAX PAYABLE

	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
Corporation tax	(2,337)	(147)
Personal income tax	236	965
Business tax	5,823	4,157
Value added tax	(319)	(1,548)
Property tax	515	2,592
Others	<u>333</u>	<u>44</u>
	<u>4,251</u>	<u>6,063</u>

26. NON-CURRENT LIABILITIES

	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
Bank loans (note 27)	35,000	--
Other liabilities	<u>18,072</u>	<u>18,818</u>
	<u>53,072</u>	<u>18,818</u>

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.

27. BANK LOANS

	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
Bank loans		
Secured	609,123	709,209
Guaranteed	<u>102,884</u>	<u>125,553</u>
	<u>712,007</u>	<u>834,762</u>
Bank loans repayable:		
Within one year or on demand	677,007	834,762
In the second year	15,000	--
In the third to fifth years, inclusive	<u>20,000</u>	<u>--</u>
	<u>712,007</u>	<u>834,762</u>
Portion classified as current liabilities	677,007	834,762
Long term portion	<u>35,000</u>	<u>--</u>
	<u>712,007</u>	<u>834,762</u>

Particulars of assets which are pledged to secure bank loans and other facilities are set out in note 30. The guarantees are provided by third parties and certain group companies.

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28. SHARE CAPITAL

	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
Registered, issued and paid-in 891,660,000 A shares par value	891,660	891,660
120,000,000 B shares	<u>120,000</u>	<u>120,000</u>
	<u>1,011,660</u>	<u>1,011,660</u>

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

29. CASH AND CASH EQUIVALENTS

	<u>2003</u> RMB' 000	<u>2002</u> RMB'000
Cash and bank balances	262,809	249,341
Less: deposits secured over 3 months	<u>(87,282)</u>	<u>(146,648)</u>
	175,527	102,693
Effect of foreign exchange rate changes	<u>(28)</u>	<u>439</u>
Restated cash and cash equivalents	<u>175,499</u>	<u>103,132</u>

30. PLEDGE OF ASSETS

At December 31, 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 RMB769,462,200 and fixed deposits amounting to RMB49,987,900 were pledged to secure bank loans of RMB609,123,000 granted to the Group.

Bank loans are repayable in various installments up to 31December 2003. Interest is charged on the outstanding balances at rates ranging from 3.38% to 11.25% per annum.

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

In addition to subsidiaries, associates and contractual joint ventures stated in notes 13, 14 and 15 respectively, the following entities have also been defined as related parties with whom the Group has had significant transactions during the year or with whom a significant balance exists at the year end.

	<u>Nature of relationship</u>
Shenzhen Construction Investment Holding Corporation	Ultimate holding company

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31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - (continued)

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

Shenzhen City Wing Wah Engineering Ltd.

	<u>2003</u>	<u>2002</u>
	RMB' 000	RMB'000
Construction and development expenses	<u>459</u>	<u>272</u>

The expenses were made based on the market price.

Shenzhen Construction Investment Holding Corporation

	<u>2003</u>	<u>2002</u>
	RMB' 000	RMB'000
Guarantees accepted for banking and credit facilities	<u>60,000</u>	<u>--</u>

The Company has paid RMB177,000 for the above guarantees to Shenzhen Construction Investment Holding Corporation during the year.

Some net balances due from / (due to) related parties at December 31, 2003 and 2002 are stated in notes 13, 14 and 15, and included in the balance sheet of the Group as non-consolidated subsidiaries, associates and contractual joint venture, the remaining balances are summarized as follows:

	<u>2003</u>	<u>2002</u>
	RMB' 000	RMB'000
Shenzhen Construction Investment Holding Corporation	<u>(188,764)</u>	<u>(188,764)</u>

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

	<u>2003</u>	<u>2002</u>
	RMB' 000	RMB'000
Accounts payable and accrued expenses	(50,000)	(50,000)
Dividends payable	<u>(138,764)</u>	<u>(138,764)</u>
	<u>(188,764)</u>	<u>(188,764)</u>

Both these balances are unsecured and non-interest bearing.

Directors' emoluments

There are nine directors in the Company. Six of the directors received emoluments totaling RMB862,792 for the year ended December 31, 2003. Three directors did not receive any salary or other benefits from the Company.

32. CONTINGENT LIABILITIES

	<u>2003</u>	<u>2002</u>
	RMB' 000	RMB'000
Guarantees given for banking and credit facilities granted to:		
- contractual joint ventures	7,290	9,293
- third parties	<u>159,352</u>	<u>156,054</u>
	<u>166,642</u>	<u>165,347</u>

33. 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. During the year, second inquisition was completed and the judgement was for the Company. Up to the year end, the case is in the process of execution. For prudence purposes, the Company has not taken up any income on the above transaction. The deposit that has been received was included as other payable. Up to December 31, 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 year end, 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.

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33. LITIGATION AND ARBITRATION - (continued)

3. On August 20, 2001, the Company applied to China International Economic Arbitration Committee for an arbitration against Ju Bang Co Limited, the joint venture partner, for the compensation on early redemption of the land use rights. The arbitration is still in progress. Subsequently, on December 16, 2002, the Company lodged a complaint to the Shenzhen Intermediate People's Court to make Bamboo Garden Enterprise Ltd., the contractual joint venture, repay a construction advance of RMB37,330,000 and its interest. During the year, first inquisition was completed and Bamboo Garden Enterprise Ltd. was liable to pay the Company RMB35,800,000 in total for principal and interest (from 1 April, 1997 based on loan interest rate for similar transaction up to the date of repayment). This complaint is still in progress of the second inquisition. Up to December 31, 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 be recovered, 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. In April 2003, the judgement in of the court in the United States was that Great Wall Company Inc. is the legal owner of the piece of land in Los Angeles and accordingly can claim the court fees of US\$54,125 from the several parties. Up to December 31, 2003, the carrying value of the land is RMB122,635,954 and the Company has made a provision of RMB104,723,917 for impairment against the cost of this land.
5. A subsidiary, Fresh Peak Holdings Limited ("Fresh Peak"), entered into a joint venture agreement with a third party to establish a contractual joint venture, Xian Fresh Peak Estate Commercial Company Limited ("Xian Fresh Peak") in Xian. Its principal activities are the development and management of commercial buildings in Xian. Pursuant to the aforesaid agreement, Fresh Peak hold 84% of Xian Fresh Peak and the third party provide the land for development and hold 16% of Xian Fresh Peak. The development of the commercial building started in November 1995 and suspended in 1996 due to disagreement between Fresh Peak and the third party. In 1997, the Xian government decided to receive the project of Xian Fresh Peak and transferred to an enterprise under a department of the Xian government. Xian Fresh Peak then lodged a litigation regarding the compensation. Subsequently, the court judgement in Xian was that 1) the enterprise of the department of Xian government has to pay compensation to Xian Fresh Peak of RMB36,620,000 plus interest (calculated from 14 September, 1998 to the date of judgement based on the loan interest rate offered by the China People's Bank for the same period) and 2) the department of Xian government is jointly liable for the interest payment. This case is still in the process of execution. Up to 31 December, 2003, RMB46,888,652 was included in contractual joint ventures and a provision of RMB21,823,177 has been made.

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34. COMMITMENTS

At December 31, 2003, the Group also has outstanding capital commitments for property development projects as follows:

	<u>2003</u> RMB'000	<u>2002</u> RMB'000
Authorized but not contracted	206,274	327,968
Contracted for	<u>309,411</u>	<u>422,914</u>
	<u>515,685</u>	<u>750,882</u>

35. PRIOR YEAR ADJUSTMENT

This related to the written back of accounts payable of RMB93,742,000 for the land appreciation tax payable provided by the company in previous year. This is made in accordance with the official decision to waive the land appreciation tax by the PRC authority in 2001. The amount should be written back in 2001 but the company had not adopted the decision. Accordingly, this is recorded as a prior year adjustment in the current year.

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

	<u>Net profit</u> <u>for the year</u> RMB'000	<u>Net assets</u> RMB'000
As reported in the consolidated financial statements prepared in accordance with Accounting Standards for Enterprise Business in the PRC	11,352	1,139,382
Reversal of depreciation charges in respect of investment properties	16,998	71,380
Adjustment for market value of short-term investments	627	1,903
Expenses accrued in previous year	2,006	2,217
Difference in recognition of cost of fixed assets	--	(202,149)
Goodwill arising from acquisition of subsidiaries	1,397	(5,696)
Others	<u>1,227</u>	<u>266</u>
As reported in the consolidated financial statements prepared in accordance with IFRS	<u>33,607</u>	<u>1,007,303</u>