SHENZHEN Special Economic Zone Real Estate & Properties (Group) Co., Ltd.
Summary of Semi-annual Report 2004

§ 1. Important Notice

1.1 The Board of Directors of SHENZHEN Special Economic Zone Real Estate & Properties (Group) Co., Ltd. (hereinafter referred to as the Company) and its directors individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions or errors which would render any statement misleading.

The summary of semi-annual report 2004 is abstracted from the semi-annual report; and full text of the semi-annual report is published on the Internet website http://www.cninfo.com.cn in the mean time. The investors are suggested to read the full text of semi-annual report to understand more details.

1.2 No director stated that he(she) could not ensure the correctness, accuracy and completeness of the contents of the Semi-annual Report or have objection for this report.

1.3 Director Liangson and Independent Director Zheng Tianlun were absent from the Board meeting and entrusted other directors to vote.

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

1.5 Chairman of the Board of the Company Shao Zhihe, General Manager Chen Wuhua and Financial Manager Chen Jincai hereby confirm that the financial report of the semi-annual report is true and complete.

§2. Company Profile

2.1 Basic information

Short form of the stock	SHENSHENFANG A, SHENSHENFANG B	
Stock code	000029, 200029	
Listed stock exchange	Shenzhen Stock Exchange	
	Secretary of the Board	**Securities Affairs Representative**
Name	Chen Ji	Tu Zhigang
Contact address	47/F, SPG Plaza, Renmin South Road, Shenzhen	47/F, SPG Plaza, Renmin South Road, Shenzhen
Telephone	86-755-82293000-4718	86-755-82293000-4715
Fax	86-755-82294024	86-755-82294024
E-mail	spg@163.net	spg@163.net

2.2 Major financial data and indexes

2.2.1 Major accounting data and financial indexes

Unit: RMB

Items	**At the end of this report period**	**At the end of last year**	**Increase/decrease at the end of this report period compared with the year-begin（%）**
Current assets	1,923,360,287.55	2,109,360,970.67	-8.82%
Current liabilities	1,374,238,721.66	1,561,674,156.38	-12.00%
Total assets	2,519,540,147.12	2,746,811,442.14	-8.27%
Shareholders' equity (excluding minority interests)	1,104,732,380.98	1,139,382,117.06	-3.04%
Net assets per share	1.09	1.13	-3.02%

Net assets per share after adjustment	1.01	1.03	-2.71%
Items	**In the report period (Jan. to Jun. 2004)**	**At the same period of last year**	**Increase/decrease in this report period compared with the same period of last year (%)**
Net profit	-34,649,735.64	-27,228,119.80	--
Net profit after deducting non-recurring gains and losses	-28,661,198.04	-27,023,488.04	--
Earnings per share	-0.03	-0.03	--
Earnings per share (It will be calculated based on new share capital if share capital is changed)	-0.03	—	—
Return on equity (%)	-3.14%	-2.71%	-0.43%
Net cash flow arising from operating activities	61,938,781.67	23,224,492.15	166.70%

2.2.2 Items of non-recurring gains and losses

√Applicable ☐Inapplicable

Unit: RMB

Items of non-recurring gains and losses	**Amount**
Subsidy income	30,000.00
Non-operating income	241,021.60
Non-operating expenses	6,259,559.20
Total	-5,988,537.60

2.2.3 Difference between CAS and IAS

√Applicable ☐Inapplicable

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

	Net loss for the period	Net assets
	RMB'000	RMB'000
As reported in the consolidated financial statements prepared in accordance with Accounting Standards for Enterprise Business in the PRC	(34,650)	1,104,732
Reversal of depreciation charges in respect of investment properties	7,170	78,549
Adjustment for market value of short-term investments	(562)	1,341
Expenses accrued in previous year	--	2,217
Difference in recognition of cost of fixed assets	--	(202,149)
Goodwill arising from acquisition of subsidiaries	--	(5,696)
Others	--	267
As reported in the consolidated financial statements prepared in accordance with IFRS	(28,042)	979,261

§3. Changes in Share Capital and Particulars about Shareholders

3.1 Statement of change in shares

☐Applicable √Inapplicable

3.2 Particulars about shares held by the top ten shareholders

Unit: Share

Total shareholders at the end of report period						110,167
Particulars about shares held by the top ten shareholders						
Full Name of Shareholder	**Increase / decrease in the report period**	**Holding shares at the period-end (share)**	**Proportion in total shares (%)**	**Type of shares (Circulating or non-circulating)**	**Number of share pledged or frozen**	**Nature of shareholders (state-owned shareholder or foreign shareholder)**
SHENZHEN CONSTRUCTION INVESTMENT HOLDINGS CORP.	0	743,820,000	73.52	Non-circulating	0	State-owned shareholder
SKANDIA GLOBAL FUNDS PLC	841,360	1,683,560	0.17	Circulating	Unknown	Foreign shareholder
BOSHI YUFU SECURITIES INVESTMENT FUNDS	-206,000	746,991	0.07	Circulating	Unknown	Domestic shareholder
CHU KOON YUK	-120,000	720,000	0.07	Circulating	Unknown	Foreign shareholder
MA ZE QI	Unknown	620,000	0.06	Circulating	Unknown	Domestic shareholder
LAI KONG SUNG	-2,000	619,101	0.06	Circulating	Unknown	Foreign shareholder
ORE BURNS (AUSTRALIA) PTY LTD	0	600,000	0.06	Circulating	Unknown	Foreign shareholder
SHUM YIP KWAN WING DEVELOPMENT LTD	-120,000	503,600	0.05	Circulating	Unknown	Foreign shareholder
YANG YAO CHU	0	440,000	0.04	Circulating	Unknown	Foreign shareholder
ZHU LI RONG	Unknown	397,800	0.04	Circulating	Unknown	Foreign shareholder

Particulars about shares held by the top ten shareholders of circulation share		
Name of shareholders (full name)	Circulation shares held at the end of report period	Type（A-share, B-share, H-share and other）
SKANDIA GLOBAL FUNDS PLC	1,683,560	B-share
BOSHI YUFU SECURITIES INVESTMENT FUNDS	746,991	A-share
CHU KOON YUK	720,000	B-share
MA ZE QI	620,000	A-share
LAI KONG SUNG	619,101	B-share
ORE BURNS (AUSTRALIA) PTY LTD	600,000	B-share
SHUM YIP KWAN WING DEVELOPMENT LTD	503,600	B-share
YANG YAO CHU	440,000	B-share
ZHU LI RONG	397,800	B-share
WEN ZHENG WEN	392,500	B-share
Explanation on associated relationship among the top ten shareholders or consistent action	The Company is unknown whether there exists associated relationship or whether they belong to the consistent actor among the aforesaid shareholders.	
Explanation on the appointed period of holding shares which strategic investor or general legal person participates in the allotment of new shares	Shareholders' name	Appointed period of holding share
	Naught	Naught

3.3 Particulars about change in controlling shareholder and actual controller of the Company

☐Applicable √Inapplicable

§4. Particulars about Directors, Supervisors and Senior Executives

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

☐Applicable √Inapplicable

§5. Discussion and Analysis of the Management

5.1 Statement of main operations classified according to industries and products

Unit: RMB'0000

Industries	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations over the same period of last year (%)	Increase/decrease in cost of main operations over the same period of last year (%)	Increase/decrease in gross profit ratio over the same period of last year (%)
Development and operation of real estate	12,401.62	11,001.27	11.29	12.28	53.97	-42.68
Management of real estate	4,070.48	3,414.06	16.13	-6.33	-23.58	1.92
Other real estates	2,206.03	1,039.19	52.89	34.19	41.58	-20.32
Retail	15,854.59	15,295.95	3.52	-19.55	-19.46	19.79
Hotel	690.34	652.53	5.48	27.83	1.15	1.71
Including: related transactions	0.00	0.00	-	0.00	0.00	0.00

Products	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations over the same period of last year (%)	Increase/decrease in cost of main operations over the same period of last year (%)	Increase/decrease in gross profit ratio over the same period of last year (%)
Real estate	12,401.62	11,001.27	11.29	12.28	53.97	-42.68
Property management	4,070.48	3,414.06	16.13	-6.33	-23.58	1.92
Commodities circulation	15,854.59	15,295.95	3.52	-19.55	-19.46	19.79
Including: related transactions	0.00	0.00	-			
Pricing rules for related transactions	Market pricing					

Including: total amount of related transactions that the Company sold products to the controlling shareholder and its subsidiaries was RMB 0.00 in the report period.

5.2 Particulars about main operations classified according to areas

Unit: RMB'0000

Areas	Income from main operations	Increase/decrease in income from main operations over the same period of last year (%)

Domestic	38,842.00	-3.62
Overseas	525.00	-2.04

5.3 Other operations affecting material influence on net profit

□Applicable √Inapplicable

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

□Applicable √Inapplicable

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

√Applicable □Inapplicable

In the first half of the year, the Company's income from main operations decreased by RMB 14.95 million over the same period of last year, a decrease of 3.66%, and net profit decreased by RMB 7.42 million over the same period of last year, which was mainly because that: firstly, the parent company carried forward the income from sales of Cuiqin Pavilion; secondly, area of houses leased decreased; thirdly, Zhentong Company, an affiliated company, reinforced the expansion of operating businesses, which increased income from main operations; fourthly, income from Shenzhen Property Management Company and Shenzhen Hotel increased slightly over the same period of last year; fifthly, import and export business of SPG Department Store decreased and sales business of commodities retailed in the emporium decreased; sixthly, cost rate of main operations increased by 6.53% over the same period of last year, among which, cost rates of such industries as real estate development, property management and constructions and installations etc. increased by a relatively great margin, which influenced on profit from main operations by a decrease of RMB 25.72 million over the same period of last year; seventhly, cash received by the Company through loans decreased.

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

□Applicable √Inapplicable

5.7 Analysis to reasons of material changes in profit structure compared with the previous year

√Applicable □Inapplicable

The Company's sales of real estate increased by 12% over the same period of last year, which was mainly because the parent company carried forward the income from sales of Cuiqin Pavilion; lease income of houses decreased by 6.33% over the same period of last year, which was mainly due to decrease in lease area of houses; income from constructions and installations increased by 34.18% over the same period of last year, which was mainly because that Zhentong Company, an affiliated company of the Company, reinforced the expansion of operating business, resulting in increase in income from main operations; income from property management, tourism, hotel and foods service increased slightly over the same period of last year; competition in commerce and trade was very intensified, which made the income decreased by 19.56% over the same period of last year, which was mainly represented in that import and export business of SPG Department Store, an affiliated company of the Company, decreased and sales business of commodities retailed in the emporium decreased.

5.8 Application of the raised proceeds

5.8.1 Use of the raised proceeds

□Applicable √Inapplicable

5.8.2 Particulars about the changed projects

□Applicable √Inapplicable

5.9 Plan of the Board on amending the business plan in the second half of the year

√Applicable □Inapplicable

Adjustment to business plan	In the operation in the first half of the year, the Company attached importance to reinforce the work in the following aspects: firstly, strengthen progress of constructions in progress and fully push liquidization of stock assets, enlarge development to Huangpu Garden in Guangzhou and 3rd stage in Jinye Island in Shantou and application and planning design for restructure project of Longfeng Villa in Longgang; secondly, strengthen sales and lease of current houses in order to ensure the accomplishment of business plan in the whole year; thirdly, properly enlarge financing in order to effectively use the financial lever; fourthly, seriously reduce all expenses and expenditures in order to try hard to strengthen cost control; fifthly, further enhance enterprise management level and speed up the transfer of operating mechanism in order to push improvement of the Company's management level and operating efficient as a whole.

5.10 Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

√Applicable □Inapplicable

Since the Company's main operations were hard to be improved greatly, it was expected that the Company would still be in losses in the 3rd quarter.

5.11 Explanation of the Management on "Qualified Opinion" from the Certified Public Accountants in the report period

□Applicable √Inapplicable

5.12 Explanation of the Management on changes and disposal of the issues involved in "Qualified Opinion" from the Certified Public Accountants in the last year

□Applicable √Inapplicable

§6. Significant Events

6.1 Acquisition and sales of assets and assets restructure

6.1.1 Assets acquired

□Applicable √Inapplicable

6.1.2 Assets sold

√Applicable □Inapplicable

Unit: RMB'0000

The other party of	Date of sales	Transaction	Net profit of	Gains/losses	Related

the transaction and assets sold		price	the sold assets contributed to the listed company from year-beginning to the date of sales	arising from the sales	transactions or not (if yes, explaining the pricing rules)
Selling equity of Shenzhen Zhuyuan Enterprise Co., Ltd. to Shenzhen Commerce & Trade Investment Holding Company	Jun. 18, 2004	8,000.00	12.79	Relatively small, detailed amount is still not confirmed	No

6.1.3 Progress of these events and its influence on the operating results and financial status in the report period after the report on assets restructure or public notice on acquisition and sales of assets being published

□Applicable √Inapplicable

6.2 Guarantees

√Applicable □Inapplicable

Unit: RMB'0000

Name of objects guaranteed	Date of happening (date of agreement signing)	Amount of guarantee	Type of guarantee	Term of guarantee	Finish implementation or not	Guarantee for related parties or not (yes or no)
Xi'an Xinfeng Property Commerce & Trade Company	Dec. 28, 1996	400.00	Guarantee of joint and several liability	Dec. 28, 1996 – Dec. 28, 1997	No	Yes
Yunnan Kunpeng Airlines Service Company	Aug. 15, 2001	75.00	Guarantee of joint and several liability	Aug. 15, 2001– Aug. 15, 2004	No	Yes
Shenyang Tongxin Real Estate Development Co., Ltd.	May 21, 2002	1,314.00	Guarantee of joint and several liability	May 21, 2002 – May 21, 2003	No	No
SPG Bonded Trade Co., Ltd.	Jul. 10, 2004	2,070.00	Guarantee of joint and several liability	Jul. 21, 2004 – Jul. 21, 2004	No	No
SPG Bonded Trade Co., Ltd.	Sept. 8, 2003	828.00	Guarantee of joint and several liability	Sept. 8, 2003 – Sept. 8, 2004	No	No
SPG Bonded Trade Co., Ltd.	Jul. 10, 2004	500.00	Guarantee of joint and several liability	Jul. 22, 2004 – Jul. 22, 2005	No	No
SPG Bonded Trade Co., Ltd.	Jun. 30, 2003	270.00	Guarantee of joint and several liability	Jun. 30, 2003 – Jun. 30, 2004	Yes	No
Shenzhen Property Management Co., Ltd.	Aug. 15, 2003	2,000.00	Guarantee of joint and several liability	Aug. 15, 2003 – Aug. 15, 2004	No	No
Total amount of guarantees			10,917.34			
Total balance of guarantees			10,917.34			

Including: total balance of related guarantees	475.00
Total illegal guarantees	75.00
Proportion of total guarantees in net assets of the Company	9.88
Total guarantees provided by the listed company to its controlling subsidiaries	6,981.34

6.3 Current related credits and liabilities

√Applicable ☐Inapplicable

Unit: RMB'0000

Related parties	Relationships	Capital provided by related parties		Capital provided by related parties to listed company	
		Debit	Balance at period-end	Credit	Balance at period-end
Lianhua Enterprise Company	Others	0.00	2,051.80	0.00	0.00
Comprehensive Service Company	Others	2.06	90.19	0.00	0.00
Baili Co., Ltd.	Others	0.00	1,107.21	0.00	0.00
Australia Bokedun Branch	Others	0.00	1,255.93	0.00	0.00
SDG Construction Decoration Company	Others	0.00	0.00	0.00	59.80
SPG Longgang Company	Others	0.00	4,439.85	0.00	0.00
Xinfeng Trade Appraisal Co., Ltd.	Others	0.00	432.45	0.00	72.88
Bafangtong Railway Company	Others	0.00	712.31	0.00	0.00
Shenzhen Saibo Plaza Co., Ltd.	Others	0.00	88.91	0.00	0.00
Luofushan Mineral Water Company	Others	0.00	1,046.52	0.00	0.00
Runhua Auto Company	Others	0.00	307.28	0.00	0.00
SPG Construction & Decoration Material Company	Others	0.00	790.73	0.00	0.00
Kunshan Peak-regulating Power Co., Ltd.	Others	0.00	445.42	0.00	0.00
Fengkai Lianfeng Cement Company	Others	23.33	717.68	0.00	0.00
Ha'erbin Salangane Hotel	Others	0.00	74.78	0.00	0.00
Xi'an Xinfeng Company	Others	261.75	1,500.16	0.00	0.00
Canada Company	Others	0.00	8,903.57	0.00	0.00
Construction Investment Holding Company	Controlling shareholder	0.00	0.00	0.00	18,873.13
Construction Group Finance Company	Legal person controlled the controlling shareholder	7,005.86	918.49	7,000.00	10,000.00
Zhuyuan Enterprise Company	Others	63.28	1,058.96	0.00	3,054.86
Ronghua Electromechanical Company	Others	0.00	47.52	0.00	0.00
Total		7,356.28	25,989.76	7,000.00	32,060.67

Including: amount and balance of capital provided by the listed company to the controlling shareholder and its subsidiaries was RMB 0.00 and RMB 0.00 respectively in the report period.

6.4 Material lawsuits and arbitrations

√Applicable ☐Inapplicable

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 RMB 145,000,000. In addition, the construction cost for the building of RMB 15,000,000 was undertaken by Baoxin. Baoxin has paid a deposit of RMB 45,000,000. The outstanding purchase consideration of RMB 100,000,000 and the construction cost of RMB 15,000,000 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 RMB 98,948,060 and its interests to the Company. Following second instance trial of this case this year, the original judgment was affirmed. By the end of the 2003, the case is still in the process of execution. According to the conservation of prudence, the company did not confirm the income. Up to June 30, 2004, the construction cost for Guo Xin Building included in properties under development for sale in the balance sheet amounted to RMB 166,109,047. As the title of Guo Xin Building was in the name of Baoxin, the Company has made a provision of RMB 69,907,107 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 RMB 22,120,500, which was used for another purpose by the former Harbin Construction Engineering College and not yet repaid up till now, so the Company took an action against Harbin Industry University for repayment of the loan in Harbin Intermediate People's Court and the case was accepted to proceed on December 16, 2002. At the same time, on June 26, 1993, Fresh Peak Holding Ltd. ("Fresh Peak"), a wholly-owned subsidiary of the Company, and the former Harbin Construction University Science and Technology Development Head Office (named Harbin Industry University Science and Technology Development Head Office now, hereafter referred to as the former Head Office and Head Office respectively) have signed a contract called Harbin Jianfeng Science and Technology Development Co., Ltd. ("Jianfeng") Under the contract, Fresh Peak and the Company have paid to Jianfeng RMB55,960,000 of its investment cost. Subsequently, on May 15, 1996, they have signed an operating contract guaranteed by the former Harbin Construction University (merged into Harbin Industry University now). Under this contract, the former Head Office will operate Jianfeng for 13 years and should together with the former Harbin Construction University pay the contract fee to Fresh Peak every period for the purpose of settlement of the above investment cost and its interest. As the former Head Office and the former Harbin Construction University have never paid the contract fee, Fresh Peak lodged a claim against Head Office and Harbin Industry University to Heilongjiang Province High People's Court and the case was accepted to proceed on January 21, 2003. Up to June 30, 2004, the legal proceedings for these tow cases are still in progress. The balance of investment for Jianfeng included in contractual joint ventures in the balance sheet amounted to RMB 95,601,809 and a provision for impairment of RMB 75,775,014 has been made.

3. A subsidiary, Fresh Peak Holdings Limited ("Fresh Peak"), entered into a joint venture agreement with a third party to establish a contractual joint venture, Xi'an Fresh Peak Estate Commercial Company Limited ("Xi'an Fresh Peak") in Xi'an. Its principal activities are the development and management of commercial buildings in Xi'an. Pursuant to the aforesaid agreement, Fresh Peak hold 84% of Xi'an Fresh Peak and the third party provide the land for development and hold 16% of Xi'an Fresh Peak. The development of the commercial building started n November 1995 and

suspended in 1996 due to disagreement between Fresh Peak and the third party. In 1997, the Xi'an government decided to receive the project of Xi'an Fresh Peak and transferred to an enterprise under a department of the Xi'an government. Xi'an Fresh Peak then lodged a litigation regarding the compensation. Subsequently, the court judgment in Xi'an on 19 December 2001 was that 1) the enterprise of the department of Xi'an government has to pay compensation to Xi'an Fresh Peak of RMB 36,620,000 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 Xi'an government is jointly liable for the interest payment. This case is still in the process of execution. Up to 30 June 2004, the other debtor to Xi'an Fresh Peak in the balance sheet amounted to RMB 15,001,627. The balance of investment for Xi'an Fresh Peak included in contractual joint ventures in the balance sheet amounted to RMB 34,504,522 and a provision for impairment of RMB 21,823,178 has been made.

6.5 Other significant events and explanation on analysis to their influences and solutions

☐Applicable √Inapplicable

§7. Financial Report

7.1 Auditing opinion

Financial Report	√Unaudited ☐Audited
Auditing opinion	☐Unqualified ☐Qualified √Unaudited
Full text of auditing opinion	

7.2 Financial statements

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)

	Notes	01/01-30/06/2004	01/01-30/06/2003
		RMB'000	RMB'000
Turnover	4	382,029	546,124
Cost of sales		(341,733)	(554,657)
Gross (loss) / profit		40,296	(8,533)
Other operating income		11,429	9,803
Write back of provision for impairment losses of properties under development for sale		--	113,639
General and administrative expenses		(52,861)	(63,024)
Operating expenses		(10,914)	(45,640)
Profit / (loss) from operations	5	(12,050)	6,245
Finance cost	6	(20,728)	(25,664)

Share of profit of non-consolidated subsidiaries, associated companies, and contractual joint ventures		5,269	2,573
Loss before taxation		(27,509)	(16,846)
Taxation	7	(258)	(529)
Loss after taxation		(27,767)	(17,375)
Minority interests		(275)	331
Net loss for the period		(28,042)	(17,044)
Earnings per share			
Basic	8	RMB(0.028)	RMB(0.017)
Diluted	8	N/A	N/A

CONSOLIDATED BALANCE SHEET

AT JUNE 30, 2004

(UNAUDITED)

	Notes	30/06/2004 RMB'000	31/12/2003 RMB'000
ASSETS			
Non-current assets			
Property, plant & equipment	9	201,996	210,521
Investment properties	10	628,861	628,861
Non-consolidated subsidiaries	11	49,916	56,127
Associates	12	27,831	21,147
Contractual joint ventures	13	155,299	168,982
Long term investments	14	27,020	58,599
Intangible assets	15	331	707
Land held for development	16	56,078	56,585
		1,147,332	1,201,529
Current assets			
Properties under development for sale	17	566,789	644,978
Completed properties for sale	18	211,122	206,207
Inventories	19	49,751	41,050
Short term investments	20	3,046	3,608
Accounts receivable		85,666	170,035
Prepayments, deposits and other debtors		47,511	46,727
Cash and bank balances		250,563	262,809
		1,214,448	1,375,414
Current liabilities			
Customers' deposits		123,837	210,555
Accounts payable and accrued expenses		441,402	493,823
Dividends payable		138,764	138,764
Tax payable	21	(2,676)	4,251
Bank loans	23	641,138	677,007
		1,342,465	1,524,400

Net current liabilities		(128,017)	(148,986)
Total assets less current liabilities		1,019,315	1,052,543
Non-current liabilities	22	(47,611)	(53,072)
Minority interests		7,557	7,832
NET ASSETS		979,261	1,007,303
CAPITAL AND RESERVES			
Issued capital	24	1,011,660	1,011,660
Reserves		(32,399)	(4,357)
		979,261	1,007,303

7.3 Notes to financial report

7.3.1 Compared with the latest annual report period, explanation on changes in accounting policies and accounting estimates and correction in accounting errors in the report period

1. Detailed explanation on changes in accounting policies:

Originally the Company implemented Enterprise Accounting Standards –Post -balance-sheet-date Events promulgated by Ministry of Finance with CKZ [1998] No. 14 Document. Now according to Circular on Printing Enterprise Accounting Standards –Post -balance-sheet-date Events promulgated by Ministry of Finance with CKZ [2003] No. 12 Document, the Company implemented Ministry of Finance CKZ [2003] No. 12 Document since July 1, 2003, namely conducting accounting disposal to the dividends distributed in the profit distribution plan established by the Board or similar institutes during post balance sheet date to the approved date for publishing the financial report according to the regulations in the said document: cash dividends are separately listed in the owners' equity in Balance Sheet and stock dividends are separately disclosed in the notes to accounting statements. Thus this change had no influence on the Company's accounting statements in the last year and this year.

2. There was no change in accounting estimates.

3. There was no correction to accounting errors.

7.3.2 Compared with the latest annual report, there was no material change in consolidated scope in the report period.

7.3.3 List notes related to the involved issues if the Company is issued a qualified opinion

□Applicable √Inapplicable

Board of Directors of
SHENZHEN Special Economic Zone
Real Estate & Properties (Group) Co., Ltd.
Aug. 25, 2004