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

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

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**	**At the same period of last**	**Increase/decrease in this report period compared**

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

Trade Investment Holding Company					

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 in 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

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

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

	Notes	1/1-30/6/2004	1/1-30/6 /2003
		RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sales of goods or rendering of services		459,080	457,007
Other cash received relating to operating activities		154,237	188,722
Cash paid for goods and services		(314,359)	(366,398)
Cash paid to and on behalf of employees		(42,259)	(47,425)
Payments of all types of taxes		(31,413)	(24,757)
Cash paid relating to other operating activities		(163,347)	(183,925)
Interest paid		(21,137)	(33,471)
Net cash inflows from operating activities		40,802	(10,247)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal of investments		20,000	3
Cash received from dividend and interest		110	1,889
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		--	4
Other cash received relating to investing activities		--	24,002
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,918)	(3,967)
Cash paid to acquire investments		--	--
Cash paid relating to other investing activities		--	(170)
Net cash outflows (inflows) from investing activities		18,192	21,761
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from borrowings		195,600	325,425
Other cash received relating to financing activities		248	267
Cash repayments of amounts borrowed		(221,653)	(300,358)
Cash paid relating to other financing activities		(302)	(43)
Net cash outflows from financing activities		(26,107)	25,291
NET INCREASE IN CASH AND CASH EQUIVALENTS		32,887	36,805
Cash and cash equivalents at the beginning of the period		175,499	103,132
Cash and cash equivalents at the end of the period	25	208,386	139,937

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)

	Share capital	Capital reserve	Cumulative translation reserve	General reserve	Staff welfare fund	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at Dec 31, 2002	1,011,660	686,308	10,054	3,317	115,594	(946,951)	879,982
Profit/(Loss) for the period						(17,044)	(17,044)
Balance at Jun 30, 2003	1,011,660	686,308	10,054	3,317	115,594	(963,995)	862,938
Balance at Dec 31, 2003	1,011,660	686,308	10,026	3,317	115,594	(819,602)	1,007,303
Profit/(Loss) for the period						(28,042)	(28,042)
Others							
Balance at Jun 30, 2004	1,011,660	686,308	10,026	3,317	115,594	(847,644)	979,261

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

The Company declares dividends based on the lower of net profit after appropriation to reserves as reported in the financial statements prepared under the Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises in PRC and as reported in the financial statements prepared under IFRS. For six months to June 30, 2004, the directors have not declared any dividends to its shareholders.

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 30 June 2004 and net profit for the year then ended are included in note 31 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 and adjusted thereafter for post acquisition change in the Group's share of net assets of the subsidiaries. The consolidated income statement reflects the Group's share of the results of operations of the subsidiaries.

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

Associates

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

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

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

Contractual joint ventures

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

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

Cash and cash equivalents

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

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

Property, plant & equipment

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

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

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

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

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

Investment properties

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

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

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

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

Impairment of assets

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

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

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

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

Completed properties and properties under development

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

Inventories

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

Long-term investments

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

Short-term investments

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

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.

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 June 30, 2004 identified by geographical segments as follows:

	1/1-30/6/2004 RMB'000	1/1-30/6/2003 RMB'000
PRC	381,704	545,802
Overseas	325	322
	382,029	546,124

Segment information about these businesses for the year ended June 30, 2004 is presented below:

	Properties RMB'000	Retailing and trading RMB'000	Transportation and catering services RMB'000	Construction technical support RMB'000	Others RMB'000	Total RMB'000
1/1-30/6/2004	175,134	158,546	6,904	36,904	4,541	382,029
1/1-30/6/2003	316,342	192,681	5,280	26,885	4,936	546,124

5 LOSS FROM OPERATIONS

	1/1-30/6/2004 RMB' 000	1/1-30/6/2003 RMB'000
Loss from operations is stated after crediting and charging the following:		
Crediting:		
Interest income	2,576	2,471
Rental income	29,111	23,550
Exchange gain	40	20
Gain on disposal of fixed assets	--	66
Charging:		
Depreciation	8,868	8,250
Amortization	2,407	1,848
Staff costs	42,259	47,425
Exchange loss	153	152

6. **FINANCE COSTS**

1/1-30/6/2004

1/1-30/6/2003

RMB' 000 RMB'000

Interest expenses		
- bank borrowings	20,728	25,664

7. TAXATION

	1/1-30/6/2003	1/1-30/6/2004
	RMB' 000	RMB'000
The charge comprises:		
PRC income tax for the year	258	529

Domestic income tax is calculated in accordance with applicable income tax regulations and at 15% (2003: 15%) of the estimated assessable profit determined in accordance with the accounting principles and the relevant financial regulations applicable to enterprises in the PRC. Taxation for other jurisdictions is calculated at rates prevailing in the respective jurisdictions, details of which are as follows:

	2003	2004
	RMB' 000	RMB'000
PRC enterprises income tax		
- enterprises in Shenzhen	15%	15%
- enterprises outside Shenzhen	33%	33%
Hong Kong profits tax	16%	16%
United States corporation income tax	15-59%	15-59%

8. EARNINGS PER SHARE

(a) The calculation of basic earnings per share is based on the consolidated loss of RMB28,042,000 (2003: loss of RMB17,044,000) and on the 1,011,660,000 shares (2003: 1,011,660,000 shares) in issue during the year.

(b) During the year ended 30 June 2004 and 2003, there were no dilutive potential shares. Fully diluted earnings per share are not disclosed.

9 FIXED ASSETS

	Land and buildings	Plant and machinery	Motor Vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At January 1, 2004	188,358	44,012	34,502	33,471	38,257	338,600
Additions	990	8	412	329	212	1,951
Disposal	(774)	--	(89)	--	--	(863)
At June 30, 2004	188,574	44,020	34,825	33,800	38,469	339,688

DEPRECIATION						
At January 1, 2004	74,173	4,644	27,603	20,214	--	126,634
Charge for the year	8,560	532	544	659	--	10,295
Disposal	(467)	--	(215)	--	--	(682)
At June 30, 2004	82,266	5,176	27,932	20,873	--	136,247
PROVISION FOR DIMINUTION IN VALUE						
At January 1, 2004	1,313	68	48	16	--	1,445
At June 30, 2004	1,313	68	48	16	--	1,445
NET BOOK VALUE						
At June 30, 2004	104,995	38,776	6,845	12,911	38,469	201,996
At January 1, 2004	112,872	39,300	6,851	13,241	38,257	210,521

The Group's leasehold land and buildings including investment properties (note 10) are being held in the People's Republic of China under medium term leases. Certain properties have been pledged as security for the Group's bank borrowings (see note 26).

10 INVESTMENT PROPERTIES

	30/06/2003	31/12/2003
RMB' 000	RMB'000	
Net book amount at beginning of year	628,861	628,410
Disposal of properties	--	(45,114)
Reclassified from inventories	--	45,565
Net book amount at end of year	628,861	628,861

The investment properties have been revalued as at 30 June 2004 by the directors, and certain investment properties have been pledged as security for the group's bank borrowings (see note 26).

11 SUBSIDIARIES

At June 30, 2004, the Company had interests in the following principal subsidiaries, which were grouped in the consolidated financial statements:

Subsidiaries	Place of establishment/incorporation	Principal activities	equity Interest held Dire	
			%	%
Great Wall Estate Co., Inc.	U.S.A.	Property development	70	--

Shenzhen Special Economic Zone Real Estate (Group) Guangzhou Property and Estate Co., Ltd.	PRC	Property development, decoration and construction design	100	--
Skill Elite Ltd.	Hong Kong	Corporate financing	--	100
Shenzhen City SPG Bao An Development Ltd.	PRC	Property development and sales	95	5
Shenzhen City Shenfang Free Trade Trading Ltd.	PRC	Trading of construction materials	95	5
Shenzhen City Shenfang Investment Ltd.	PRC	Investment and management	90	10
Shenzhen City Bamboo Garden Car Rental Ltd.	PRC	Car rental	100	--
Shenzhen Shenfang Car Park Ltd.	PRC	Develop and operate car park	70	30
深圳市罗湖区社会信息资讯服务中心	PRC	Information service	--	100
深圳市数码港信息技术培训中心	PRC	Training	--	100
深圳市数码港通信有限公司	PRC	Product development and sales of web and computer	--	90

11. SUBSIDIARIES – (continued)

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

Shenzhen Cyber Port Co., Ltd	PRC	Property investment and information technology consultancy	70	--
Shenzhen Shenfang Department Store Co. Ltd.	PRC	Commercial goods supplier	95	5
Shenzhen City Property Management Ltd.	PRC	Property management	95	5
Shenzhen Zhen Tung Engineering Ltd.	PRC	Fitting-out contracting and maintenance	73	27
Fresh Peak Holdings Ltd.	Hong Kong	Investment, management and consultation	100	--
Fresh Peak Enterprise Ltd.	Hong Kong	Investment holdings	82	--
广州黄埔新邨房地产有限公司	PRC	Property development and sale	--	100
Keyear Development Ltd.	Hong Kong	Investment holding	--	100
北京新峰房地产开发有限公司	PRC	Property development and management	75	25

11. SUBSIDIARIES (continued)

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

	31/12/2003	30/06/2004
	RMB'000	RMB'000
Unlisted Investments, at cost	308,890	308,868
Share of post-acquisition losses	(109,599)	(109,576)
	199,291	199,292
Less: Provision for impairment losses	(186,498)	(186,498)
	12,793	12,794
Add: Amounts due from non-consolidated subsidiaries	37,123	43,333
	49,916	56,127

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

Subsidiaries	Place of establishment/ incorporation	Principal activities	Interest held Direct	Interest held Indirect
			%	%
Shenzhen Shen Fang Industrial Development Co., Ltd.	PRC	Property management, investment holding	100	--
Shenzhen Real Estate Consolidated Service Co., Ltd.	PRC	Construction material, consume goods	100	--
Shenzhen Tefa Real Estate Consolidated Service Co., Ltd.	PRC	Construction and decoration	100	--
Guangdong Province Fengkai Lian Feng Cement Manufacturing Co., Ltd.	PRC	Manufacturing and trading in cement products	--	90
Fidelity Development Limited	Canada	Property development	75	--
Bekaton Property Limited	Australia	Property development	60	--

11. SUBSIDIARIES (continued)

Subsidiaries	Place of establishment/ incorporation	Principal activities	Direct equity Interest held %	Indirect equity Interest held %
Beijing SPG Property Management Limited	PRC	Property management	100	--
Dergetta Company Limited	HK		--	70
Shenzhen City Shenfang Construction and Decoration Materials Ltd.	PRC	Retailing/trading of construction materials	100	--
Shenzhen City SPG Long Gang Development Ltd.	PRC	Property development, sales, management and rental	100	--
Shenzhen Lian Hua Industry and Trading Co. Ltd.	PRC	Trading of equipment and provision of renovation goods	100	--
Paklid Limited	HK	Property construction and trading of construction materials	100	--
Shenzhen City Zhen Tung New Electronic and Electrical Development Ltd.	PRC	Investing on electronic and electrical engineering project	95	5

12 ASSOCIATES

	30/06/2004 RMB'000	31/12/2003 RMB'000
Unlisted investments, at cost	47,847	47,847
Share of post-acquisition losses	(8,616)	(8,616)
	39,231	39,231
Less: Provision for impairment losses	(23,483)	(23,483)
	15,748	15,748
Add: Amounts due from associated companies	12,083	5,399
	27,831	21,147

At June 30, 2004, the Company had interests in the following principal associated companies:

Associated companies	Place of Establishment/ incorporation	Principal activities	Equity interest held Direct %	Equity interest held Indirect %
Yunnan Kun Peng Aviation Service Ltd.	PRC	Aviation service	25	--
Tung Yick Property Co., Ltd.	Hong Kong	Property development	20	--
深圳赛博数码广场有限公司	PRC	Property management and leasing	45	--

13 CONTRACTUAL JOINT VENTURES

	30/06/2004 RMB' 000	31/12/2003 RMB'000
Unlisted Investments, at cost	314,149	314,149
Share of post-acquisition profits	(16,022)	(16,022)
	298,127	298,127
Less: Provision for impairment losses	(143,073)	(143,073)
	155,054	155,054
Add: Amount due from contractual joint ventures	245	13,928
	155,299	168,982

13. CONTRACTUAL JOINT VENTURES (continued)

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

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

13. **CONTRACTUAL JOINT VENTURES – (continued)**

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

14. LONG TERM INVESTMENTS

	30/06/2004 RMB' 000	31/12/2003 RMB'000
PRC legal entity shares, at cost	16,825	16,825
Unlisted equity investments, at cost less provision for diminution in value	10,195	41,774
	27,020	58,599

15 INTANGIBLE ASSETS

	Vehicle licenses RMB' 000	Computer software RMB' 000	RMB' 000
At January 1, 2004	592	115	707
Amortization for the year	(356)	(20)	(376)
At June 30, 2004	236	95	331

16. LAND HELD FOR DEVELOPMENT

	RMB' 000
Cost	
At January 1, 2004	60,755
Addition	
Amortization	(507)
At June 30, 2004	60,248
Provision for impairment	
At January 1, 2004	4,170
At June 30, 2004	4,170
Net book value	
At June 30, 2004	56,078
At January 1, 2004	56,585

17. PROPERTIES UNDER DEVELOPMENT FOR SALE

	30/06/2004 RMB' 000	31/12/2003 RMB'000
Cost	1,095,198	1,141,501
Less: Provision for impairment losses	(528,409)	(496,523)
	566,789	644,978

18. COMPLETED PROPERTIES FOR SALE

	30/06/2004 RMB' 000	31/12/2003 RMB'000
Cost	229,523	224,608
Less: Provision for impairment losses	(18,401)	(18,401)
	211,122	206,207

19. INVENTORIES

	30/06/2004 RMB' 000	31/12/2003 RMB'000
Raw materials	4,017	4,275
Work-in-progress	14,502	6,789
Finished goods	31,871	30,559
Less: Provision for impairment losses	(833)	(833)
Consumables	194	260
	49,751	41,050

20. SHORT-TERM INVESTMENTS

	30/06/2004 RMB' 000	31/12/2003 RMB'000
Listed equity investments, at market value	3,043	3,605
Debentures, at market value	3	3
	3,046	3,608

21. TAX PAYABLE

	30/06/2004 RMB' 000	31/12/2003 RMB'000
Corporation tax	(3,612)	(2,337)
Personal income tax	337	236
Business tax	1,230	5,823
Value added tax	(1,585)	(319)
Property tax	842	515
Others	112	333

	(2,676)	4,251

22. NON-CURRENT LIABILITIES

	30/06/2004 RMB' 000	31/12/2003 RMB'000
Bank loans (note 23)	29,000	35,000
Other liabilities	18,611	18,072
	47,611	53,072

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

23. BORROWINGS

	30/06/2004 RMB' 000	31/12/2003 RMB'000
Bank loans		
Secured	629,298	609,123
Guaranteed	40,840	102,884
	670,138	712,007
Bank loans repayable:		
Within one year or on demand	641,138	677,007
In the second year	29,000	15,000
In the third to fifth years, inclusive	--	20,000
	670,138	712,007
Portion classified as current liabilities	641,138	677,007
Long term portion	29,000	35,000
	670,138	712,007

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

24. SHARE CAPITAL

	30/06/2004 RMB' 000	31/12/2003 RMB'000
Registered, issued and paid-in 891,660,000 A shares	891,660	891,660

120,000,000 B shares	120,000	120,000
	1,011,660	1,011,660

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

25. INCREASE IN CASH AND CASH EQUIVALENT

	1/1-30/06/2004	1/1- 30/6/2003
	RMB' 000	RMB'000
Cash and bank balances	250,563	287,590
Less: deposits secured over 3 months	(42,177)	(147,937)
	208,386	139,653
Effect of foreign exchange rate changes	--	284
Restated cash and cash equivalents	208,386	139,937

26 PLEDGE OF ASSETS

At June, 30 2004, 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 RMB682,875,400 and fixed deposits amounting to RMB39,920,000 were pledged to secure loans to the extent of RMB629,298,000 granted to the Group.

27. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

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

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

Shenzhen City Wing Wah Engineering Ltd.	1/1-30/6/2004	1/1-30/6/2003
	RMB' 000	RMB'000
Construction and development expenses	578	671

The expenses were made based on the market price.

Some net balances due from / (to) related parties at June 30, 2004 and December 31, 2003 are stated in notes 11, 12 and 13, and included in the balance sheet of the Group as non-consolidated subsidiaries, associates and contractual joint ventures, the remaining balances are summarized as follows:

	30/06/2004	31/12/2003
	RMB' 000	RMB'000
Shenzhen Construction Investment Holding Corporation	(188,731)	(188,764)

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

	30/06/2004	31/12/2003
	RMB' 000	RMB'000
Accounts payable and accrued expenses	(50,000)	(50,000)
Dividends payable	(138,731)	(138,764)
	(188,731)	(188,764)

Both these balances are unsecured and non-interest bearing.

28. CONTINGENT LIABILITIES

	30/06/2004	31/12/2003
	RMB' 000	RMB'000
Guarantee given for banking and credit facilities granted to:		
- contractual joint ventures	4,750	7,290
- third parties	34,610	159,352
	39,360	166,642

29. LITIGATION AND ARBITRATION

1. On March 21, 1997, the Company executed an agreement with Baoxin Real Estate Development (Shenzhen) Company Limited ("Baoxin") to sell its share of 68% interests in Guo Xin Building at a consideration of RMB145,000,000. In addition, the construction cost for the building of RMB15,000,000 was undertaken by Baoxin. Baoxin has paid a deposit of RMB45,000,000. The outstanding purchase consideration of RMB100,000,000 and the construction cost of RMB15,000,000 have still not been settled. So the Company lodged a claim. As sentenced by the Guangdong High People's Court on September 28, 2002, Baoxin should pay the outstanding purchase consideration of RMB98,948,060 and its interests to the Company. 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 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.

a) On June 26, 1993, the Company and the former Harbin Construction Engineering College (merged into Harbin Industry University now) have signed a cooperative agreement. Under the agreement, the Company has advanced a loan of RMB22,120,500, which was used for another purpose by the former Harbin Construction Engineering College and not yet repaid up till now, so the Company took an action against Harbin Industry University for repayment of the loan in Harbin Intermediate People's Court and the case was accepted to proceed on December 16, 2002. At the same time, on June 26, 1993, Fresh Peak Holding Ltd. ("Fresh Peak"), a wholly-owned subsidiary of the Company, and the former Harbin Construction University Science and Technology Development Head Office (named Harbin Industry University Science and Technology Development Head Office now, hereafter referred to as the former Head Office and Head Office respectively) have signed a contract called Harbin Jianfeng Science and Technology Development Co., Ltd. ("Jianfeng") Under the contract, Fresh Peak and the Company have paid to Jianfeng RMB55,960,000 of its investment cost. Subsequently, on May 15, 1996, they have signed an operating contract guaranteed by the former Harbin Construction University (merged into Harbin Industry University now). Under this contract, the former Head Office will operate Jianfeng for 13 years and should together with the former Harbin Construction University pay the contract fee to Fresh Peak every period for the purpose of settlement of the above investment cost and its interest. As the former Head Office and the former Harbin Construction University have never paid the contract fee, Fresh Peak lodged a claim against Head Office and Harbin Industry University to Heilongjiang Province High People's Court and the case was accepted to proceed on January 21, 2003. Up to June 30, 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 RMB95,601,809 and a provision for impairment of RMB75,775,014 has been made.

29. LITIGATION AND ARBITRATION - (continued)

b) 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 on 19 December 2001 was that

i. 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 30 June 2004, the other debtor to Xian Fresh Peak in the balance sheet amounted to RMB15,001,627. The balance of investment for Xian Fresh Peak included in contractual joint ventures in the balance sheet amounted to RMB34,504,522 and a provision for impairment of RMB21,823,178 has been made.

.

30. MATERIAL EVENTS

The company respectively signed 'the contract for the transfer of interest' and 'the reconciliation agreement' with Shenzhen commerce investment Co., Ltd and Shenzhen Ju Bang Co., Ltd on 18 June 2004. According to the agreement, the company and Hongkong Fresh Peak Enterprise Ltd. transfer the investments and all receivables and payables of both company shown on the balance sheet of Bamboo Garden Enterprise Ltd on 31 March 2004 to the Shenzhen commerce investment Co., Ltd, the total amount of transfer is RMB800 million. The company withdraw the claim to Shenzhen Ju Bang Co Limitedd on land compensation and Shenzhen Ju Bang Co Limited withdraws the liquidation and execution claim.

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

	Net loss for the period	Net assets
	RMB'000	RMB'000
As reported in the consolidated financial statements prepared in accordance with Accounting Standards for Enterprise Business in the PRC	(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

32. COMPARATIVE FIGURES

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

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