SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.
SUMMARY OF ANNUAL REPORT 2004

§1. Important Notes

1.1 Board of Directors of Shenzhen Properties & Resources Development (Group) Ltd. (hereinafter referred to as the Company) individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading.

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

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

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

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

§2. Company Profile

2.1 Basic information

Short form of the stock	ST Shen Wuye, ST Wuye-B
Stock code	000011, 200011
Listed stock exchange	Shenzhen Stock Exchange
Registered address and office address	39/F and 42/F, International Trade Center, Ren Min South Road, Shenzhen
Post code	518014
Internet Web Site	www.szwuye.com.cn
E-mail of the Company	0011@szwuye.com.cn

2.2 Contact person and method

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

E-mail	0011@szwuye.com.cn	0011@szwuye.com.cn

§3. Summary of Accounting Data and Financial Indexes

3.1 Major accounting data

Unit: RMB

	2004	2003	Increase/decrease over last year（%）	2002
Income from main operations	1,326,289,977.75	1,079,474,318.91	22.86	781,284,955.43
Total profit	126,160,243.54	121,676,376.73	3.69	44,508,865.86
Net profit	90,449,977.35	77,001,831.44	17.46	34,622,176.84
Net profit after deducting non-recurring gains and losses	83,210,206.33	124,021,158.47	-32.91	35,892,303.95
	At the end of 2004	**At the end of 2003**	**Increase/decrease from the end of previous year（%）**	**At the end of 2002**
Total assets	2,302,935,990.54	2,437,227,899.69	-5.51	2,607,979,385.36
Shareholder's equity (excluding minority interests)	567,128,809.36	474,222,712.97	19.59	337,903,702.25
Net cash flow arising from operating activities	261,714,529.31	187,629,855.85	39.48	-34,585,671.37

3.2 Major financial indexes

Unit: RMB

	2004	2003	Increase/decrease over last year（%）	2002
Earnings per share	0.167	0.142	17.61	0.064
Earnings per share (Note 2)	0.167	0.142	17.61	0.064
Return on equity	15.95%	16.24%	an decrease of 0.29%	10.25%
Return on equity calculated based on net profit after deducting non-recurring gains and losses	15.32%	26.15%	an decrease of 10.83%	10.62%
Net cash flow per share arising from operating activities	0.483	0.346	39.60%	-0.064
	At the end of 2004	**At the end of 2003**	**Increase or decrease from the end of previous year（%）**	**At the end of 2002**
Net assets per share	1.047	0.875	19.66	0.624
Net assets per share after adjustment	0.793	0.513	54.58	0.146

Items of non-recurring gains and losses

√ Applicable ☐ Inapplicable

Items of non-recurring gains and losses	**Amount**
1. Gains/losses from disposal of long-term equity investment, fixed assets, project in construction, intangible assets and other long-term assets	1,267,692.30
2. Gains/losses from short-term investment	(62,326.73)
3. Various non-operating income after deducting daily reserve for impairment of assets in line with the regulations of Accounting System for Business Enterprise	990,455.48
4. Various non-operating expenses after deducting daily reserve for impairment of assets in line with the regulations of Accounting System for Business Enterprise	(9,188,290.93)
5. Switching back various reserve for devaluation allotted over the previous years	10,823,541.67
Impact on income tax	(246,138.16)
Total	3,584,933.63

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

√ Applicable ☐ Inapplicable

Adjustment statement on differences of financial statement

Unit: RMB'000

Items	Net profit (year 2004)	Net assets (ended Dec. 31, 2004)
As calculated in accordance with CAS	90,450	567,129
Switching back into fixed assets from amortization amount	32	615
Adjustment of expenses amortization	-86	-30,436
Other		3,364
As calculated in accordance with IAS	90,396	540,672

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in share capital

Unit: share

	Before the change	Increase/decrease in this time (+, -)						After the change
		Rationed share	Bonus shares	Capitalization of public reserve	Additional issuance	Others	Sub-total	
I. Unlisted shares								
1. Sponsors' shares								
Including:								

State-owned share	323,747,713							323,747,713
Domestic legal person's shares	65,200,850							65,200,850
Foreign legal person's shares								
Others								
2. Raised legal person's shares								
3. Inner employees' shares								
4. Preference shares or others								
Total unlisted shares	388,948,563							388,948,563
II. Listed shares								
1. RMB ordinary shares	91,355,000							91,355,000
2.Domestically listed foreign shares	61,459,312							61,459,312
3. Overseas listed foreign shares								
4. Frozen shares held by senior executives	36,300							36,300
Total listed shares	152,850,612							152,850,612
III. Total shares	541,799,175							541,799,175

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

Number of shareholders at the end of report year	By the end of the report period, the Company had totally 37647 shareholders, including 29831ones of A-share and 7816 ones of B-share.					
Particulars about shares held by the top ten shareholders						
Full name of Shareholders	**Increase / decrease in the report year (share)**	**Shares held at the year-end (share)**	**Proportion (%)**	**Type of shares (Circulating/Non-circulating)**	**Share pledged/ frozen (share)**	**Nature of shareholders**
Shenzhen Construction Investment Holdings	0	323,747,713	59.75	Non-circulating	Naught	State-owned share

Shenzhen Investmen Holdings Corparation	0	56,628,000	10.45	Non-circulating	Naught	Legal person's share
Labor Union of Shenzhen International Trade Property Management Company	0	2,516,800	0.46	Non-circulating	Naught	Legal person's share
Shenzhen Special Zone Duty-free Company	0	1,573,000	0.29	Non-circulating	Naught	Legal person's share
Yiu Xian-hui	29,123	1,117,297	0.21	Circulating	Unknown	Public share of A-share
Shanghai Zhaoda Investment Consultant Co. Ltd.	0	1,010,000	0.19	Non-circulating	Naught	Legal person's share
Du Nian	—	802,663	0.15	Circulating	Unknown	Public share of A-share
China Eagle Securitiet Co. Ltd.	0	786,500	0.15	Non-circulating	Naught	Legal person's share
GuoTai Junan Securities Hongkong Limited	—	653,579	0.12	Circulating	Unknown	Foreign shares
Shanghai Kunling Industry & Trade Co. Ltd.	0	629,200	0.12	Non-circulating	Naught	Legal person's share
Explanation on associated relationship among the top ten shareholders or consistent action	There exists no associated relationship or consistent action among the top three shareholders. For other shareholders, the Company did not know their relationship.					

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

Name of shareholders (full name)	Number of circulation shares held at the year-end (share)	Type (A-share, B-share, H-share and other)
Yiu Xian-hui	1,117,297	A
Du Nian	802,663	A
Guotai Junan Securities Hongkong Limitied	653,579	B
Zeng Ying	536,900	B
Zhou Ting	418,066	A
Li Ya-jie	399,600	A
Wei Xi-guang	394,956	A

Deng Shao-ping	392,898	B
Pan Xian-li	392,401	B
Huang	361,757	B
Explanation on associated relationship among the top ten shareholders of circulation share	The Company did not know whether there exists associated relationship among the top ten shareholders of circulating share or not.	

4.3 Particulars about controlling shareholders and actual controller of the Company

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

√Applicable ☐Inapplicable

Name of new controlling shareholder	-
Name of new actual controller	Shenzhen Investment Holding Co., Ltd.
Changing date	Oct. 13, 2004
Publishing date and newspaper	Nov. 4, 2004 Securities Times and Ta Kung Pao

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

The controlling shareholder of the Company is Shenzhen Construction Investment Holdings ("the holding company") presently. In the report period, according to the document of SGZW [2004] No. 223 "Decision on establishing Shenzhen Investment Holding Corporation", Shenzhen Municipal Government incorporated Shenzhen Construction Investment Holdings with the other two municipal companies, namely Shenzhen Investment Holding Corporation and Shenzhen Trade and Business Corporation, and established Shenzhen Investment Holdings Co., Ltd.. Thus, Shenzhen Investment Holdings Co., Ltd. managed state-owned shares of the Company held by Shenzhen Construction Investment Holdings. There was no effect in the total share capital and its equity construction of the Company due to the change of state-owned equity management. The aforesaid matters and change of equity was still examined by CSRC for approval, for this, the Company has disclosed the relevant information in appointed media dated Nov. 4, 2004.

The Company's actual controlling shareholder is Shenzhen Investment Holding Corporation, a state-owned sole limited company, who was established in Oct. 13, 2004; its legal representative is Mr. Chen Hongbo and the registered capital is RMB 4 billion. Main business scope: providing guarantee to municipal state-owned enterprises, management of state-owned equity, assets reorganization of enterprises, reformation and assets operation, and equity investment and etc.. As a government department, State-owned Assets Supervision and Administration Commission of Shenzhen implemented management for Shenzhen Investment Holding Co., Ltd. on behalf of Shenzhen municipal government. Thus, the actual controller of the

Company is State-owned Assets Supervision and Administration Commission of Shenzhen with locating at Investment Bldg., Shen Nan Av., Futian District, Shenzhen and postcode “518026”.

§5. Particulars About Directors, Supervisors and Senior Executives

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

Name	Title	Sex	Age	Office term	Holding shares at the year-begin	Holding shares at the year-end
Tian Chenggang	Chairman of the Board	Male	51	Jun. 2004-Jun. 2007	0	0
Fang Yibing	Director, General Manager	Male	43	Jun. 2004-Jun. 2007	0	0
Guo Yuanxian	Director	Male	50	Jun. 2004-Jun. 2007	0	0
Zha Shengming	Director, Deputy General Manager	Male	56	Jun. 2004-Jun. 2007	18150	18150
Yang Shuncheng	Director, Deputy General Manager	Male	56	Jun. 2004-Jun. 2007	0	0
He Wenhua	Director, Chairman of Labor Union	Male	59	Jun. 2004-Jun. 2007	18150	18150
Li Zhen	Director	Male	41	Jun. 2004-Jun. 2007	0	0
Wang Huimin	Director	Female	37	Jun. 2004-Jun. 2007	0	0
Zhang Jianjun	Independent Director	Male	40	Jun. 2004-Jun. 2007	0	0
Jiang Changlong	Independent Director	Male	39	Jun. 2004-Jun. 2007	0	0
Kong Yuquan	Independent Director	Male	39	Jun. 2004-Jun. 2007	0	0
Cao Ziyang	Chairman of the Supervisory Committee	Male	53	Jun. 2004-Jun. 2007	0	0
Tong Qinghuo	Supervisor, Manager of Human Resource	Male	41	Jun. 2004-Jun. 2007	0	0
Liu Jiake	Supervisor, Deputy Director of the Discipline Committee	Male	55	Jun. 2004-Jun. 2007	0	0
Jin Chenggui	Supervisor, Deputy Manager of Auditing Department	Male	57	Jun. 2004-Jun. 2007	0	0
Ma Deqin	Supervisor, Leader of Labor Union	Female	51	Jun. 2004-Jun. 2007	0	0
Xiu Xuguang	Vice secretary of the Party Committee, Secretary of the Discipline Committee	Male	50	Jun. 2003-Jun. 2007	0	0
Luo Junde	Deputy General Manager	Male	54	Jan. 2003-Jun. 2004	0	0

Liu Yinhua	Chief Engineer	Male	44	Jun. 2003-Jun. 2004	0	0
Guo Yemei	Secretary of the Board, Director of the Board of Directors Office	Female	45	Jun. 2004-Jun. 2007	0	0

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

√Applicable ☐Inapplicable

Name	**Name of Shareholding Company**	**Title in Shareholding Company**	**Office term**	**Drawing the payment from the Shareholding Company (Yes / No)**
Guo Yuanxian	Shenzhen Construction Investment Holdings	Vice-president	Jun. 2002 to Sep. 2004	No
Wang Huimin	Shenzhen Construction Investment Holdings	Manager of HR	Nov. 2002 to Sep. 2004	No
	Shenzhen Investment Holding Co., Ltd.	Manager of Department of Personnel	Oct. 2004 to now	No
Li Zhen	Shenzhen Investment Holding Corporation	Assistance president, director of Office	Nov. 2001 to Sep. 2004	No

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

Total annual payment	RMB 6,821,000
Total annual payment of the top three directors drawing the highest payment	RMB 1,729,000
Total annual payment of the top three senior executives drawing the highest payment	RMB 1,557,400
Allowance of independent director	RMB 30,000 per person
Other treatment of independent directors	Naught
Name of directors and supervisors receiving no payment or allowance from the Company	Guo Yuanxian, Wang Huimin and Li Zhen
Scope of payment	Number of persons
Over RMB 550,000	3
Over RMB 500,000	6
Over RMB 300,000	5

§6. Report of the Board of Directors

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

In 2004, the Company realized income from main operations, profit from main operations and net profit amounting to RMB 1,326,289,977.75, RMB 423,765,125.70 and RMB 90,449,977.35 respectively, an increase of 23%, 17% and 17% respectively over the last year. Increase of operation outstanding achievement was due to the increase of sale of real estate projects in the report period, and projects of real estate reached the condition of settlement and transferred into income. Ended the end of the

report period, the shareholders' equity was RMB 567,128,809.36, an increase of 20% over the beginning of the year, which was mainly because that the Company realized net profit of RMB 90,449,977.35 and affiliated companies transferred the payables on account to be paid in long term amounting to RMB 2,456,119.04 into capital reserve during the report period. Net cash flow arising from operating activities as of the year 2004 was RMB 261,710,000, which was because that the Company reinforced the sales and assets withdrawal.

6.2 Statement of main operations classified according to industries or products

Unit: RMB'000

Classified according to industries	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations over the last year (%)	Increase/decrease in cost of main operations over the last year (%)	Increase/decrease in gross profit ratio over the last year (%)
Development of real estate	1112296	657634	40.88	23.61	25.07	-1.64
Property management and lease	137513	110520	19.63	11.23	11.88	-2.34
Commercial retail	34294	32095	6.41	-9.71	-8.21	-19.27
Taxi passenger transport	33506	8991	73.17	18.15	24.03	-1.71
Tourism and food	12977	6335	51.18	118.39	121.74	-1.42

6.3 Particulars about main operations classified according to areas

Unit: RMB'000

Areas	Income from main operations (RMB)	Increase/decrease in income from main operations over the last year (%)
Shenzhen	1040803	23.13
East China	275470	30.10
Hainan	10017	-55.42

6.3 Particulars about main operations classified according to areas

Unit: RMB'000

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

6.4 Particulars about the customers of purchase and sales

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

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

√ Applicable ☐ Inapplicable

Name of share-holding company		Shenzhen Huangcheng Real Estate Co., Ltd.		
Investment income contributed in the period		RMB 125.748 million	Proportion in net profit of the listed company	-
Share-holding company	Business scope	Development, construction, operation and management of auxiliary commercial service facilities of Huanggang Port		
	Net profit	RMB 125.748 million		

Name of share-holding company		Shanghai Shenzhen Property Development Co., Ltd.		
Investment income contributed in the period		RMB 69.766 million	Proportion in net profit of the listed company	-
Share-holding company	Business scope	Development and operation of real estate		
	Net profit	RMB 69.766 million		

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

☐ Applicable √ Inapplicable

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

√ Applicable ☐ Inapplicable

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

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

√ Applicable ☐ Inapplicable

	Amount (RMB)		Proportion in total profit (%)	
	In 2004	In 2003	In 2004	In 2003
Total profit	126,160,243.54	121,676,376.73	-	-
Profit from main operations	432,765,125.70	363,255,274.91	335.89	298.54
Profit of other operations	5,556,502.01	1,579,345.53	4.40	1.30
Period expense	292,089,933.00	182,499,501.31	231.52	149.99
Investment income	-4,141,308.02	-15,361,512.84	-3.28	-12.62
Subsidy income	-	-	0.00	0.00
Net non-operating income and expenses	-6,930,143.15	-45,297,229.56	-5.49	-37.23

Explanations:

① In the report period, total profit increased by 3.69% over the same period of last year, which was mainly due to the increase in sales of real estate in the report period, resulting in the income carried forward.

② Period expense increased by RMB 109.59 million over the same period of last year, which was mainly because that the Company withdrew reserve for bad debts amounting to 71.34 million and withdrew in advanced responsibility goal award amounting to RMB 34.91 million.

③ Investment income increase by RMB 11.22 million compared with last year, mainly due to an increase of net increase/decrease amount of owners' equity of the investees in the report period compared with last year.

④ In the year, net non-operating income and expenses changed by a relatively large margin. The non-operating expense decreases by 80.78% compared with last year, which was mainly because that there was estimated liabilities of lawsuits amounting to RMB 50,002,304.07 in the non-operating expenses in the 2003.

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

√Applicable ☐Inapplicable

Unit: RMB

Items	Amount of the report year	Amount of the previous year	Amount of increase/decrease	Increase/ decrease rate
Total assets	2,302,935,990.54	2,437,227,899.69	-134,291,909.15	-5.51%
Inventories	1,381,621,649.40	1,422,357,820.15	-40,736,170.75	-2.86%
Long-term liabilities	206,257,799.94	227,484,127.09	-21,226,327.15	-9.33%
Shareholders' equity	567,128,809.36	474,222,712.97	92,906,096.39	19.59%
Profit from main operations	423,765,125.70	363,255,274.91	60,509,850.79	16.66%
Net profit	90,449,977.35	77,001,831.44	13,448,145.91	17.46%
Net increase in cash and cash equivalents	-31,389,724.18	26,782,432.94	-58,172,157.12	-217.20

Explanations:

① Decrease in total assets mainly resulted from bank loan refund and real estate project settlement.

② Decrease in inventories was mainly because that the real estate project reached the condition of settlement and corresponding cost was carried forward in the year.

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

④ Increase in shareholders' equity was mainly because that the Company realized net profit and accounts payable on account to be paid in long term amounting to RMB 2,456,119.04 were transferred in contributed surplus by the affiliated subsidiaries.

⑤ Increase in profit from main operations was mainly due to increase of sales for

real estate and the real estate project reached the condition of settlement and corresponding cost carried forward into income.
⑥ Increase in net profit was mainly due to increase of profit from main operations.
⑦ Decrease in net increase amount of cash and cash equivalents mainly because that the Company has refunded bank loans.

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

√Applicable ☐Inapplicable

In the report period, the macro control over the overheating fields of national economic exerts great influences on the competitive real estate industry. Although the Company had good performances in the real estate projects developed in the past several years and the operation profit grew continuously in 2004, it was prevented from expanding new projects by the relatively deficient operating funds. On the State-owned Enterprises Reformation and Development Work Meeting held in Shenzhen at the beginning of 2004, the Company was ranked as one of the macro-reformation enterprises in 2004. Thereafter, all the creditor banks demand that the Company refund the due loan to evade risk. Besides, the loan on guarantee amounting to RMB 265.5 million was changed into mortgage on real estate loan. The loan principal repayments amounted to RMB 216.3 million, whereas the newly added loan was only RMB 18 million. In 2005, however, the company will face more difficulties in funds.

6.10 Completion of the profit estimation

☐Applicable √Inapplicable

6.11 Completion of the business plan

☐Applicable √Inapplicable

6.12 Application of the raised proceeds

☐Applicable √Inapplicable

6.13 Application of the proceeds not raised through shares offering

√Applicable ☐Inapplicable

Unit: RMB'000

Name of project	Amount of project	Progress of project	Earning of project	Earnings rate of project
Junfeng Lishe Project	287000	Completed and taken possession	72.9% sold	22%
District B of Feng He Ri Li	34900	Land price is paid off	-	-
The 5th Stage of Shanghai Pastoral City	35000	Completed and taken possession	98.6% sold	20%
Total	356900	-	-	-

6.14 Explanation of the Board of Directors and Independent Directors on the "Qualified Opinion" issued by the Certified Public Accountants

√Applicable ☐Inapplicable

As stated in Notes to Accounting Statements (IX) 1 (1), after the application of retrial on lawsuits of real estate trade contract with such eight owners as Haiyi Industrial (Shenzhen) Co., Ltd. and etc. presented by the Company to Guangdong Higher People's Court was rejected in 2003, such eight owners as Haiyi Industrial (Shenzhen) Co., Ltd. still did not apply for forcible implementation to Guangdong Higher People's Court. At present, the Company is actively applying for retrial to the Supreme Court of the P.R.C.. The Company has predicted relevant losses amounting to RMB 41,772,906.07 according to the appropriation of book value of property. As stated in Notes to Accounting Statements (IX) 1 (2), in July 2001, Guangdong Higher People's Court judged Shenzhen Jiyong Property Development Company to pay the Company transfer account amounting to RMB 143.86 million, in Nov. 2001, the Company has applied forcible implementation for Guangdong Higher People's Court, and Guangdong Higher People's Court sealed up the property amounting to 28,000 sq. m. of the opposing party by forcible implementation. Later, since Industrial & Commercial Bank of China Zhejiang Branch had objection that the Company sealed the property, Guangdong Higher People's Court judged to release the Company's sealing of property of Shenzhen Jiyong Property Development Company approximately amounting to 10,000 sq. m.. The Company has demurred to Guangdong Higher People's Court and the said demur is under examination. In the course of examination, the said judgment was unimplemented. As stated in Notes to Accounting Statements (IX) 1 (3), according to (2002) YGFMYZZ No. 90 Judgment issued by Guangdong Higher People's Court, the Company should pay principal amounting to RMB 10.80 million and corresponding interests to Hubei Foreign Economic Cooperation Hall Shenzhen Office. The company did not accept the said judgment and apply for a retrial to the Supreme Court of the P.R.C.. On Jan. 18, 2005, the Supreme Court has made hearing of witnesses on the said case. For the said issues, Certified Public Accountants considered that the Company has estimated the relevant losses reasonably. The said interpretative issues do not influence the type of auditors' opinion released. Independent directors' opinion: Independent director Jiang Changlong, Kong Yuquan and Zhang Jianjun agreed the Board's explanation on the auditors' report for 2004.

6.15 Business plan as of the next year of the Board of Directors

√Applicable ☐Inapplicable

In 2005, the Company shall continue to be focus on real estate development and property lease, and also engage in property management, automobile transportation and operation of food service, so to catch any market opportunity and reinforce the aftereffect of enterprise development. 1. To ensure the construction progress of key real estate projects and practically make

the sales strategy of projects, strict the management on project cost, ensure the profit growth of the main operation, namely development of real estate.
2. To enhance the level of operating management, continue to carry out and improve the departmental objective responsibility letter of the headquarter of the Company and management on "Double Civilizations" responsibility letter and real estate project responsibility letter of the 2nd grade companies.
3. To continue to reinforce the lease and operation of earning properties to keep increase steadily.
4. To catch the opportunity, enhance the land reserves so as to establish the base of sustainable development for the Group.

Profit estimation of the next year
□Applicable √Inapplicable

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

After researched and determined by the Board, the Company realized net profit amounting to RMB 90,449,977.35 in 2004, plus the undistributed profits at the beginning of the year, the distributable profit for the year amounted to RMB –436,909,934.66. The Company shall not distribute profits or convert capital reserve into share capital, and the profit earnings were used to offset the losses in the previous years. The said proposal would be submitted to Annual Shareholders' General Meeting for examination.

§7. Significant Events

7.1 Purchase of assets
□Applicable √Inapplicable
7.2 Sales of assets
□Applicable √Inapplicable
7.3 Important guarantee
√Applicable □Inapplicable

Name of the Company guaranteed	Date of happening (date of signing agreement)	Amount of guarantee	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related party (yes or not)
Gintian Company	June 1998	RMB 6 million	Guarantee	11 months	No	No
Gintian Company	Oct. 1998	RMB 59 million	Guarantee	6 months	No	No
Gintian Company	Dec. 1998	RMB 2.6 million	Guarantee	9 months	No	No
Total amount of guarantee in the report period Note 19						

Total balance of guarantee at the end of the report period Note 19	RMB 36.3 million
Guarantee of the Company for the controlling subsidiaries	
Total amount of guarantee for controlling subsidiaries in the report period	RMB 49 million
Total balance of guarantee for controlling subsidiaries at the end of the report period	RMB 49 million
Particulars about the external guarantee of the Company (Including the guarantee for the controlling subsidiaries)	
Total amount of guarantee	RMB 85.3 million
The proportion of the total amount of guarantee in the net assets of the Company	15.04%
Particulars about the guarantees out of line	
Total amount of guarantee for other related parties, which the Company or controlling shareholders held less than 50%	
The debts guarantee amount provided for the guarantee of which the assets-liability ratio exceeded 70%	
Proportion of total amount of guarantee in net assets of the Company exceeded 50% (Yes of No)	
Total amount of guarantee breaking regulations	

7.4 Related credits and liabilities current

7.4.1 Related purchase and sale

√Applicable ☐Inapplicable

Unit: RMB’0000

Related parties	Selling products and supplying labor service to related parties		Purchasing products and accepting labor service to related parties	
	Transaction amount	Proportion in the transaction amount of the same kind	Transaction amount	Proportion in the transaction amount of the same kind
Shenzhen Jianye Construction Project Company			4990	
Shenzhen Yuezhong (Group) Co., Ltd.			18,4140	
Total			189130	

7.4.2 Related credits and liabilities current

√Applicable ☐Inapplicable

Unit: RMB’0000

Related parties	Supply funds to related parties		Related parties supplied funds to the Company	
	Occurred amount	Balance	Occurred amount	Balance
Shenzhen Guomao Tianan Property Co., Ltd.		2,9710		
Shenye Real Estate Development Co., Ltd.		13,4520		
Anhui Nanpeng Paper-making Co., Ltd.		1,1480		

Shenzhen Construction Investment Holding company		6780		
Shenzhen Guomao Industry Development Co., Ltd.		2430		
Shenzhen Tianan International Building Property Management Co., Ltd.		0		
Shenzhen Wufang Chinaware Industry Company		1750		
Shenzhen Construction Group Financing Company			0	2,0000
Shenzhen Properties and Resources Jifa Storage Co., Ltd.			2020	2260
Shenzhen International building Properties & Resources Development Co., Ltd.			0	39520
Shenzhen Yuezhong (Group) Co., Ltd.				0
Total		186670	2020	61780

Including: In the report period, the amount of capital of the listed company provided for controlling shareholders and its subsidiaries was RMB 0.00, and the balance was RMB 6.78 million.

7.5 Entrusted assets

□Applicable √Inapplicable

7.6 Implementation of commitment items

√Applicable □Inapplicable

In the report period, the controlling shareholder of the Company, Shenzhen Construction Investment Company occupied capital of the Company amounting to RMB 6,784,280. To carry out the requirements of CSRC No. 56 Document and Shenzhen Securities Regulatory Administration Bureau, through active negotiations, controlling shareholder, Shenzhen Construction Investment Company committed dissolving the problem by assets offsetting before the end of August 2004. According to the requirements of Shenzhen Securities Regulatory Administration Bureau, the Company disclosed on Jul. 3, 2004. No long time after that, because three assets operation companies of Shenzhen incorporated. The plan committed by the controlling shareholder paid by assets was not carried out.Shenzhen Investment Holdings Co., Ltd. at present actively took actions to negotiate with the Company for dissolving problem. The Company would disclose timely the detail progress.

7.7 Significant lawsuit and arbitration

√Applicable □Inapplicable

1. Concerning the "Haiyi Company" lawsuit disclosed in 2000-2003 Annual Report and 2004 Semi-annual Report of the Company, because the 2nd trial unclearly cognized truth and improperly applied for laws, Guangdong Higher Court decided to retry the case in Aug. 1999 under the Company's application. According to the

decision of the retrial, Shenzhen Intermediate Court ended the execution of the case after the Company provided possession's drawing. At the end of 2003, Guangdong Higher Court overruled the application of the Company after check. After the retrial application was overruled, the eight owners including Haiyi Industrial (Shenzhen) Co., Ltd. have not applied the compulsive execution for Guangdong Higher Court. At present, the Company is dealing with the item of retrial application for the Supreme People's Court.

2. Concerning "Jiyong Company" lawsuit disclosed in 2000-2003 Annual Report, Provisional Public Notice dated Apr. 12, 2001 and 2004 Semi-annual Report of the Company, Guangdong Higher Court judged according to laws the transfer contract signed by the Company and Jiyong Company was valid and Jiyong Company should pay the transfer payment amounting to RMB 0.14 billion stated in the contract to the Company. The Company has applied compulsive execution for Guangdong Higher Court and the case is the process of execution. Because Industrial and Commercial Bank of China, Zhejiang Branch demurred that the Company sealed up property, Higher Court judged to determine the Company's sealing of Jiyong Company's property amounting to 10,000 sq. m.. The Company considered that improperly applied for laws in the said judgment, and has demurred to Guangdong Province Higher Court and the said demur is under examination.

3. Concerning "Huang Fuming" lawsuit disclosed in Provisional Public Notice dated Aug. 18, 2001, 2001-2003 Annual Report, Provisional Public Notice dated Jan. 29, 2003 and 2004 Semi-annual Report of the Company, Guangdong Province Higher People's Court rejected Huang Fuming's lawsuit claim in 2nd trial in the report period, kept the original judgment, and the Company recovered. The Company disclosed the aforesaid event in the appointed medias on Dec. 28, 2004.

4. Concerning "Luohu Hotel's Bankruptcy" lawsuit disclosed in 2001-2003 Annual Report, the Provisional Public Notice dated July 23, 2003 and 2004 Semi-annual Report of the Company, by confirmation, the Company held Luohu Hotel's bankruptcy credit amounting to RMB 38,872,166.78 judged by the Court.

Ended Oct. 31, 2004, Luohu Hotel's liquidation team drew back the property of RMB 75,290,538.26 in total. By confirmed by the liquidation team and the Court, the ordinary bankruptcy credit amounted to RMB 64,889,951.42 and the preferential bankruptcy credit amounting to RMB 13,062,277.31. After deducting liquidation fees, employees' wages, taxes and various preferential credits, the distributable bankruptcy to ordinary creditors totaled up to RMB 43,216,707.65 and the distribution proportion was 66.60%. Thus, the Company could take back bankruptcy credit of RMB 25,888,863.08.

7.8 Particulars about the performance of obligations of Independent Directors

Particulars about the independent directors attending the Board

Name of Independent Directors	This year times of attending the Board meeting	Presence in person	Entrusted presence (times)	Absence (Times)	Note
Jiang Changlong	8	8	0	0	-
Zhang Jianjun	8	7	1	0	Entrust Kong

<table>
<tr><td></td><td></td><td></td><td></td><td></td><td>Yuquan to attend the meeting dated Apr. 15, 2004</td></tr>
<tr><td>Kong Yuquan</td><td>8</td><td>8</td><td>0</td><td>0</td><td>-</td></tr>
<tr><td colspan="6">Particulars about the independent directors proposed different opinions about the relevant matters of the Company</td></tr>
<tr><td>Name</td><td colspan="2">Issues proposed different opinions</td><td colspan="2">Detail content of different opinions</td><td>Note</td></tr>
<tr><td>Jiang Changlong</td><td colspan="2">No</td><td colspan="2">-</td><td>-</td></tr>
<tr><td>Zhang Jianjun</td><td colspan="2">No</td><td colspan="2">-</td><td>-</td></tr>
<tr><td>Kong Yuquan</td><td colspan="2">No</td><td colspan="2">-</td><td>-</td></tr>
<tr><td colspan="6">Independent Opinions presented</td></tr>
<tr><td colspan="6">Present independent opinions on unqualified opinions of CPA and execution of CSRCZJF [2003] No. 56 Document</td></tr>
</table>

☐Applicable √Inapplicable

§8.Report of the Supervisory Committee

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

§ 9. Financial Report (Attached)

9.1 Auditor's opinion

Report of the Auditors

ZHSZ(2005)No. 041

To the Shareholders of ShenZhen Properties & Resources Development (Group) Ltd.:

We have audited the accompanying consolidated balance sheet of Luthai Textile Company Limited (the "Company") as of 31 December 2004 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended attached. These consolidated financial statements set out are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Company as of 31 December 2004, and of the results of its operations and cash flows for the year then ended in accordance with regulations of Enterprises Accounting Principles promulgated by the State and Enterprises Accounting System

In Addition, we noticed the user of accounting statements to pay attention to:

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

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

As stated in Notes to Accounting Statements (IX) 1 (3), according to (2002) YGFMYZZ No. 90 Judgment issued by Guangdong Higher People's Court, the Company should pay principal amounting to RMB 10.80 million and corresponding interests to Hubei Foreign Economic Cooperation Hall Shenzhen Office. The company did not accept the said judgment and apply for a retrial to the Supreme Court of the P.R.C.. On Jan. 18, 2005, the Supreme Court has made hearing of witnesses on the said case.

For the said issues, Certified Public Accountants considered that the Company has estimated the relevant losses reasonably. The said interpretative issues do not influence the type of auditors' opinion released.

Wuhan Zhonghuan Certified Public Accountants CPA:

CPA:

Wuhan, China Mar. , 2005

9.2 Comparative Balance Sheet, Profit Statement and Cash Flow Statement of

consolidation and the parent company (attachment)
Contents of notes involving emphasized matters:
(IX) Contingenc ies
1. Unexecuted lawsuits
(1) In Dec. 1997, such eight owners as Haiyi Industrial (Shenzhen) Co., Ltd. and etc. prosecuted the Company and Shenzhen International Trade Plaza Property Development Co., Ltd. a subsidiary company of the Company, to Shenzhen Intermediate People's Court (hereinafter referred to as Shenzhen Intermediate Court) due to the Company's overdue transfer of property, and required to cancel the Purchasing and Sale Contract and returned the fee for house purchasing and penalty amounting to RMB 0.3 billion. The Company took the counterclaim due to the prosecutor's unpaid fees of real estate, Shenzhen Intermediat Court judged that the Company won a lawsuit. The prosecutor did not accept and sued an appealing to Guodong Higher People's Court (hereinafter referred to as Guangdong Higher Court), Guangdong Higher Court made the final judgment in Apr. 1999 and judged that the Contract on Purchasing and Sale of Real Estate of Shenzhen City signed between the both parties was effective, the opposing party has paid all fees of property, and the Company paid penalty, compensation and legal fare totally amounting to HKD 79.16 million to the opposing party. The said eight companies applied the execution for Shenzhen Intermediate Court in June 1999. Because the 2nd trial unclearly cognized truth and improperly applied for laws, Guangdong Higher Court decided to retry the case in Aug. 1999 under the Company's application. According to the decision of the retrial, Shenzhen Intermediate Court ended the execut ion of the case after the Company provided possession's drawing. At the end of 2003, Guangdong Higher Court overruled the application of the Company after check. After the retrial application was overruled, the eight owners including Haiyi Industrial (Shenzhen) Co., Ltd. have not applied the compulsive execution for Guangdong Higher Court. At present, the Company is dealing with the item of retrial application for the Supreme People's Court. The Company has predicted relevant losses amounting to RMB 41,772,906.07 according to the appropriation of book value of property.
(2) In 1993, the Company signed Development Equity Transfer Contract of Jiabin Building (present name of Jiabin Building is Jinlihua Building) with Shenzhen Haibin Property Devlopment Co., Ltd. (Now called: Shenzhen Jiyong Property Devlopment Co., Ltd., hereinafter referred to as Jiyong Company). In Jan., 1999, Jiyong Company indicted the company to Guangdong Higher People's Court for the squares of real estate did not accord with the contract, and asked to remove the transfer contract and pay back the transfer payment and construction payment which have been paid. With respect to this, the company counterclaimed the opposing party to pay back the rest transfer payment and appealed the court to seal up the property amounting to 28,000 sq. m.. On Jul. 29, 2001, Guangdong Higher People's Court verdicted Jiyong Company paid the Company transfer account amounting to RMB 143.86 million. On Nov. 27, 2001, the Company applied forcible implementation for Guangdong Higher People's Court and the case was in the process of implementation. since Industrial & Commercial Bank of China Zhejiang Branch had objection that the Company sealed the property, Guangdong Higher People's Court judged to release the Company's sealing of property of Shenzhen Jiyong Property Development Company

approximately amounting to 10,000 sq. m.. The Company believed the verdict applied to law error. The Company has demurred to Guangdong Higher People's Court and the said demur is under examination. In the course of examination, the said judgment was unimplemented.

(3) In July 2000, with an excuse that the Company didn't deliver the houses overdue, Hubei Foreign Economic Cooperation Hall Shenzhen Office (Hereinafter referred to as The Office) appealed to Shenzhen Intermediate People's Court to cancel the Agreement signed by the Office and the Company for purchasing houses of 4000 sq. m. used as office in Jiabing Building (now called Jinlihua building), and require the Company return the fee for house purchasing amounting RMB 10.8 million and compensate for its losses amounting to RMB 18.6756 million. According to (2002) YGFMYZZ No. 90 Judgment issued by Guangdong Higher People's Court, the Company should pay principal amounting to RMB 10.80 million and corresponding interests to Hubei Foreign Economic Cooperation Hall Shenzhen Office. Hubei Foreign Economic Cooperation Hall Shenzhen Office applied to the court for execution. In 2003, according to (2002) YGFMYZZ No. 90 Judgment issued by Guangdong Higher People's Court, the Company is estimated to suffer loss amount RMB 8, 229, 398.00. The Company rejected the judgment and applied for retrial to the Supreme Court of the P.R.C.. On Jan. 18, 2005, the Supreme Court of the P.R.C. held the hearing of this case.

9.3 There were no changes of accounting policy, accounting estimation and settlement compared with the latest annual report

9.4 Contents, correct amount, reason and its influence of significant accounting errors

□Applicable √Inapplicable

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

Change of the consolidated units this year:

Name of company	Consolidated or not last year	Consolidated or not this year	Reason of change	Reason of change
Shenzhen Royal City Property Management Co., Ltd.	No	Yes	Shutout	Shutout

Board of Directors of

ShenZhen Properties & Resources Development (Group) Ltd.

March 1st, 2005

CONSOLIDATED INCOME STATEMENT
YEAR ENDED DECEMBER 31, 2004

	Notes	2004 RMB'000	2003 RMB'000
Turnover	5	1,326,290	1,079,474
Cost of sales		(902,525)	(716,219)
Gross profit		423,765	363,255
Other revenue/ (expenses), net		(2,632)	(44,630)
Administrative expenses		(218,441)	(121,339)
Distribution costs		(33,219)	(34,491)
Profit from operations	7	169,473	162,795
Finance costs	8	(41,293)	(30,560)
Share of profits/ (losses) of associates		3,692	(11,091)
Loss on investments, net	9	(5,766)	(2,011)
Profit before taxation		126,106	119,133
Taxation	10	(35,710)	(44,675)
Profit after taxation and attributable to shareholders		90,396	74,458
Earnings per share			
Basic and diluted	11	RMB0.17	RMB0.14

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2004

	Notes	2004 RMB'000	2003 RMB'000
Non-current assets			
Property, plant and equipment	12	339,142	311,854
Intangible assets	13	59,792	61,704
Interests in subsidiaries not consolidated	15	119,612	135,206
Interests in associates	16	107,235	120,148
Investments in securities	17	13,036	17,036
		638,817	645,948
Current assets			
Inventories	18	1,316,712	1,397,145
Trade and other debtors and prepayments	19	21,334	37,566
Trading securities	20	10,062	14,305
Cash and bank balances		240,234	266,624
		1,588,342	1,715,640
Current liabilities			
Trade and other creditors	21	865,356	864,424
Provisions	22	58,602	50,002
Taxes payable		68,314	51,833
Borrowings	23	559,980	777,500
		1,552,252	1,743,759
Net current assets/(liabilities)		36,090	(28,119)
Total assets less current liabilities		674,907	617,829
Non-current liabilities			
Borrowings	23	96,000	130,000
Long-term deferred income	24	38,235	40,009
		134,235	170,009
		540,672	447,820
CAPITAL AND RESERVES			
Share capital	25	541,799	541,799

Reserves	(1,127)	(93,979))
	540,672	447,820

Approved by the board of directors on February 24, 2005.

DIRECTOR DIRECTOR

1. SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
深圳市物業發展(集團)股份有限公司

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2004

	Share capital RMB'000 (Note 25)	Statutory capital reserve RMB'000	Public welfare fund RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at January 1, 2003	541,799	288,346	79,511	(595,613)	314,043
Profit for the year	-	-	-	74,458	74,458
Transfer of reserve	-	59,319	-	-	59,319
Balance at December 31, 2003	541,799	347,665	79,511	(521,155)	447,820
Profit for the year	-	-	-	90,396	90,396
Transfer of reserve	-	2,456	-	-	2,456
Balance at December 31, 2004	541,799	350,121	79,511	(430,759)	540,672

2.

3. SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
深圳市物業發展(集團)股份有限公司

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED DECEMBER 31, 2004

	2004 RMB'000	2003 RMB'000
Profit from ordinary activities before taxation	126,106	119,133
Adjustment for:		
Share of results of associates	(3,692)	11,091
Interest expense	47,689	81,708
Interest income	(2,067)	(2,260)
Bad or doubtful debts written back	(50)	(47,088)
Provision for doubtful debts	71,586	10,600
Provision for inventories written back	(10,515)	(3,160)
Provision for impairment in investments in securities	-	(15,461)
Decrease in bank balances pledged as securities	5,000	3,000
Provision for trading securities	(7,838)	2,169
Depreciation of property, plant and equipment	26,640	25,027
Amortisation of intangible assets	3,043	1,881
Gain on disposal of property, plant and equipment	476	(4,251)
(Loss)/ gain on dealing of listed investments	62	(4)
Operating cash flows before movements in working capital	256,440	182,385
Decrease in inventories	80,433	39,289
Decrease in receivables	16,232	131,960
Increase/(decrease) in payables	10,782	(128,931)
Cash generated by operations	363,887	224,703
Taxes paid	(119,846)	(57,153)
Net cash flows from operating activities	244,041	167,550

Investing activities		
Interest received	2,067	2,260
Proceeds on disposal of other investments	916	3,051
Decrease in trading securities	4,243	2,505
Proceeds on disposal of property, plant and equipment	3,967	27,143
Purchases of property, plant and equipment	(10,922)	(12,831)
Decrease/(Increase) in interests in associates	28,507	49,312
Net cash flows from investing activities	28,778	71,440
Financing activities		
Interest paid on bank loans and other loans	(47,689)	(81,708)
New bank loans raised	473,600	589,000
Repayments of bank loans	(725,120)	(716,500)
Net cash flows in financing activities	(299,209)	(209,208)

4. SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
深圳市物業發展(集團)股份有限公司

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED DECEMBER 31, 2004

	2004 RMB'000	2003 RMB'000
(Decrease)/ increase in cash and cash equivalents	(26,390)	29,782
Cash and cash equivalents at beginning of year		
- as previously registered	266,624	251,531
- effect of exclusion of subsidiaries consolidated in prior year	-	(14,689)
As adjusted	266,624	236,842
Cash and cash equivalents at end of year		
Represented by cash and bank balances	240,234	266,624