SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
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AUDITORS' REPORT TO THE SHAREHOLDERS OF

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
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(Established in the People's Republic of China with limited liability)

We have audited the accompanying consolidated balance sheet of Shenzhen Properties & Resources Development (Group) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as of December 31, 2004 and the related consolidated statements of income and cash flows for the year then ended. These consolidated financial statements 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 conducted our audit in accordance with International Standards on Auditing except that the scope of our work was limited as explained below. 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 the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable base for our opinion.

However, the evidence available to us was limited as we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the results and assets and liabilities of certain of the subsidiaries of the Company which were not consolidated in these consolidated financial statements as fully disclosed in note 15 to the financial statements. This is not in accordance with International Accounting Standard no.27 issued by the International Accounting Standards Board. There were no other satisfactory audit procedures that we could adopt to obtain adequate assurance regarding the results and assets and liabilities of these non-consolidated subsidiaries.

Fundamental uncertainty relating to the outcome of certain litigations

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the possible outcome of certain litigations against the Group for breach of contracts of sale and purchase of realty properties by the Group on the ground of the Group's failure to complete the contracts as scheduled. The future settlement of these litigations might result in additional liabilities to the Group. Details of the circumstances relating to this fundamental uncertainty are described in note 28 to the financial statements. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

Qualified opinion arising from limitation of scope and disagreement about accounting treatment

Except for any adjustments that might have been found to be necessary had we been able to obtain adequate assurance regarding the effect of the results and assets and liabilities of the non-consolidated subsidiaries on the Group's results and assets and liabilities, the financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2004, and of the results of its operation and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KLL Associates CPA Limited
Certified Public Accountants (Practising)
Lee Ka Leung, Daniel
Practising Certificate Number P01220

Hong Kong, February 24, 2005

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
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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

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
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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

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
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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

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
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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)

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED
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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

1. CORPORATE INFORMATION

Shenzhen Properties & Resources Development (Group) Limited (the "Company") was incorporated as a joint stock company with limited liability in the People's Republic of China ("PRC") pursuant to a reorganization of state-owned enterprises. A and B shares were issued by the Company.

The Company and its subsidiaries (the "Group") are principally engaged in property development, investment and management, transportation, construction and property development consultancy.

2. GOING CONCERN

The directors have carefully considered the financial position of the Group in the light of accumulated losses of RMB430,758,000 (2003: RMB521,155,000) as at December 31, 2004. The Group is currently in negotiation with its bankers to renew certain banking facilities. The absence of such confirmed facilities raised significant uncertainties that the Group will be able to continue as going concern. Provided that the negotiations can be successfully completed and after taking into account the cash inflow expected to be received from the sales of properties in coming year, the directors arrived at the opinion that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis, and no adjustments have been made which would result from a failure to obtain such funding.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

4. PRINCIPAL ACCOUNTING POLICIES

The following principal accounting policies are adopted by the Group in preparing the financial statements to comply with IFRS:

(a) Subsidiaries

Subsidiaries, which are those entities in which the Company and/or its subsidiaries have an interest of more than one half of the voting rights or otherwise have power to govern the financial and operating policies, are consolidated.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

(b) Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Deprecation is calculated on the straight-line method to write off the cost or the revalued amounts of each asset, to their residual values over their estimated useful lives as follows:

Land and buildings in the PRC	20 –25 years
Buildings outside the PRC	20 years over the lease terms, whichever is higher
Motor vehicles	5 years
Fixtures and equipment	5 years
Leasehold improvements	5 years

4. PRINCIPAL ACCOUNTING POLICIES - continued

(c) Property, plant and equipment - continued

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in operating profit.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

(d) Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various warehouses, container storage areas and buildings are situated for 50 years. Amortization of land use right is calculated on a straight-line basis over the period of the land use right.

(e) Intangible assets

Intangible assets represent the cost of acquisition of taxi licenses and are stated at cost less amortisation and impairment losses, if necessary, for any permanent diminution in value. Amortization is provided to write off the cost of taxi licenses over the license period granted by relevant authorities, which is 20 years.

(f) Investment in securities

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, unrealised gains and losses are included in income statement for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period.

(g) Properties under development

Properties under development are stated at cost less provision for anticipated losses, where appropriate. Cost includes cost of land use rights acquired, development cost and borrowing costs capitalised.

4. **PRINCIPAL ACCOUNTING POLICIES – continued**

(h) Completed properties for sale

Completed properties for sale are stated at the lower of cost and the estimated net realisable value. Cost includes cost of land use rights acquired, development cost and borrowing costs capitalised. Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

(i) Inventories

Inventories are stated the lower of cost and net realizable value. Costs, which comprise all costs of purchase, are calculated using the weighted average method. Net realizable value represents the estimated selling prices less all estimated costs of completion and selling expenses.

(j) Impairment loss

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 the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(k) Revenue recognition

Revenue from sale of property is recognized when sales agreements are signed between the Group and the customers, deposits are received from customers in full amount, and the relevant risks and rewards were transferred to the customers.

Revenue from the sale of goods is recognized upon the transfer of risks and rewards of ownership.

Rental income under operating leases is recognized on a straight line basis over the term of the relevant lease.

Interest income is recognized on a time proportion basis taking into account the principal amounts outstanding and the interest rates applicable.

4. PRINCIPAL ACCOUNTING POLICIES - continued

(l) Retirement benefit costs

The Group participates in retirement schemes operated by local authorities and the annual cost of providing retirement benefits is charges to the consolidated income statement according to the contribution determined by the relevant schemes.

(m) Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years. And it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recongised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition other than in a business combination of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. **PRINCIPAL ACCOUNTING POLICIES - continued**

(n) Foreign currencies translation

The Company and its subsidiaries maintain their books and records in Renminbi ('RMB'). Transactions in foreign currencies are translated at exchange rates quoted by he People's Bank of China at the translation dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the exchange rate quoted by the People's Bank of China at the balance sheet date. All exchange differences are dealt with in the income statement.
The accounts of subsidiaries and associated companies expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with as a movement in reserves.

(o) Operating leasing

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

Rentals income and expenses under operating leases are credited and charged respectively to the consolidated income statement on a straight-line basis over the term of the relevant lease.

(p) Cash and cash equivalents

Cash and cash equivalents comprise short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from bank repayable within three months from the date of the advances.

(q) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in the outflow of economic benefits that can be reasonably estimated.

(r) Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(s) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

5. TURNOVER

An analysis of the Group's turnover is as follows:

	2004 RMB'000	2003 RMB'000
Sale of properties	1,112,296	903,550
Sale of goods	34,294	37,980
Taxi services	33,506	28,359
Property rental and management services income	133,217	103,643
Hotel and restaurant operations	12,977	5,942
Total	1,326,290	1,079,474

6. SEGMENTS REPORTING

(a) Business segment

For management purposes, the Group is organised into three major operating divisions – property, trading, and transportation and catering services. The divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property	-	construction, sales, leasing and management of properties
Trading	-	sale of general merchandise
Transportation and catering services	-	hotel and restaurant operation and provision of taxi services

Segment information about these businesses for the year ended December 31, 2004 is presented below:

	Sales of properties, management services and rental income RMB'000	Sales of goods RMB'000	Taxi services, hotel and restaurant operations and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Revenue					
External sales	1,245,513	34,294	46,483	-	1,326,290
Inter-segment sales	4,296	-	-	(4,296)	-
Total revenue	1,249,809	34,294	46,483	(4,296)	1,326,290

Inter-segment sales are charged on terms which are determined by the directors.

6. **SEGMENTS REPORTING - continued**

	Sales of properties, management services and rental income RMB'000	Sales of goods RMB'000	Taxi services, hotel and restaurant operations and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
RESULTS					
Segment results	397,012	2,110	28,939	(4,296)	423,765
General administrative expenses and unallocated corporate expenses					(254,290)
Profit from operations					169,475
Finance costs					(41,293)
Share of losses of associates					3,693
Loss on investments					(5,769)
Profit before taxation					126,106
Taxation					(35,710)
Profit after taxation and attributable to shareholders					90,396

Segment information about these businesses for the year ended December 31, 2003 is presented below:

	Sales of properties, management services and rental income RMB'000	Sales of goods RMB'000	Taxi services, hotel and restaurant operations and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Revenue					
External sales	1,007,193	37,980	34,301	-	1,079,47
Inter-segment sales	16,277	-	-	(16,277)	-
Total revenue	1,023,470	37,980	34,301	(16,277)	1,079,474

Inter-segment sales are charged on terms which are determined by the directors.

6. SEGMENTS REPORTING - continued

	Sales of properties, management services and rental income RMB'000	Sales of goods RMB'000	Taxi services, hotel and restaurant operations and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
RESULTS					
Segment results	348,737	3,014	17,160	(5,656)	363,255
General administrative expenses and unallocated corporate expenses					(200,460)
Profit from operations					162,795
Finance costs					(30,560)
Share of losses of associates					(11,091)
Income from investments					(2,011)
Profit before taxation					119,133
Taxation					(44,675)
Profit after taxation and attributable to shareholders					74,458

(b) Geographical segment

For the year ended December 31, 2004 and 2003, all of the Groups business was derived from activities in the PRC and all of the Group's total assets are located in the PRC as at December 31, 2004 and 2003.

7. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging and crediting:

	2004 RMB'000	2003 RMB'000
After charging:		
Staff costs – statutory pension	15,843	11,904
– other costs	111,965	73,781
Total staff costs	127,808	85,685
Depreciation of owned property, plant and equipment	26,640	25,027
Amortisation of intangible assets	3,044	1,881
Provision for doubtful debts	71,736	-
Impairment of investments in securities	-	2,107
Provision for inventories	-	-
Unrealised losses on trading securities	7,838	2,169
Loss on dealing of trading securities	62	-
Loss on disposal of property, plant and equipment	476	-
And after crediting:		
Interest income	2,067	2,260
Written-back of provision for doubtful debts	-	9,519
Provision for inventories	10,515	3,160
Gain on disposal of property, plant and equipment	-	4,251
Gain on dealing of trading securities	-	4

8. FINANCE COSTS

	2004 RMB'000	2003 RMB'000
Interest expenses	47,689	81,708
Less: Interest capitalised	(6,396)	(51,148)
	41,293	30,560

9. LOSS ON INVESTMENTS, NET

	2004 RMB'000	2003 RMB'000
Interest on bank deposits, government bonds and other loans	(2,067)	(2,260)
Provision for impairment	-	2,106
Loss/(gain) on dealing of listed investments	62	(4)
Reversal of the provision for trading securities	7,771	2,169
	5,766	2,011

10. TAXATION

	2004 RMB'000	2003 RMB'000
The charge comprises:		
Profits tax for the year:		
PRC profits tax	35,710	44,675
Taxation attributable to the Company and its subsidiaries	35,710	44,675

The Group provided for income tax on the estimated assessable profit for the year at the rate of 15% (2003: 15%), the prevailing income tax rate for all PRC enterprise in Shenzhen. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiaries operate.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2004 RMB'000	2003 RMB'000
Profit before tax	126,106	119,133
Tax at the domestic income tax rate of 15% (2004:15%)	18,916	17,870
Tax effect of expenses that are not deductible in determining taxable profit	12,473	17,862
Effect of different tax rates of subsidiaries and associates	4,321	8,943
Tax expense and effective tax rate for the year	35,710	44,675

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of RMB 90,396,000 (2003: RMB 74,458,000) and the 541,799,000 (2003: 541,799,000) shares in issue during the year. No diluted earnings per share is presented since there are no dilutive potential ordinary shares in existence during the years ended December 31, 2004 and 2003.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Fixture and equipment RMB'000	Total RMB'000
COST					
At January 1, 2004	337,436	37,443	40,980	27,230	443,089
Transferred from inventories	43,115	-	-	-	43,115
Additions	10,567	35	8,496	2,226	21,324
Disposals	(9,726)	-	(13,971)	(1,490)	(25,187)
At December 31, 2004	381,392	37,478	35,505	27,966	482,341
DEPRECIATION					
At January 1, 2004	81,960	13,561	22,459	13,255	131,235
Charge for the year	17,048	830	6,699	2,063	26,640
Eliminated on disposals	(1,517)	-	(11,948)	(1,211)	(14,676)
At December 31, 2004	97,491	14,391	17,210	14,107	143,199
NET BOOK VALUES					
At December 31, 2004	283,901	23,087	18,295	13,859	339,142
At December 31, 2003	255,476	23,882	18,521	13,975	311,854

As at December 31, 2004, land and buildings with net book values of approximately RMB66,307,000 (2003: RMB69,071,000) have been pledged to the banks to secure general banking facilities for the Company and its subsidiaries.

13. INTANGIBLE ASSETS

	RMB'000
Cost	
At January 1, 2004	89,084
Additions	1,131
At December 31, 2004	90,215
Amortization	
At January 1, 2004	27,380
Provide for the year	3,043
At December 31, 2004	30,423
Net book value	
At December 31, 2004	59,792
At January 1, 2004	61,704

As at December 31, 2004, taxi licenses with net book value of RMB 27,018,042 (2003: RMB 31,446,000) have been pledged to the banks to secure general banking facilities for the Company and its subsidiaries.

14. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries included in consolidated financial statements at December 31, 2004 are as follows:

Name of subsidiary	Proportion of ownership interest/ voting power held Direct %	Indirect %	Principal activities	Place of incorporation
Hainan Xinda Development Headquarter Company	100	-	Property development and trading	The People's Republic of China
Shenzhen Property and Construction Development Company	100	-	Property development	The People's Republic of China
Shenzhen ITC Estate Management Company	95	5	Property management	The People's Republic of China
Shenzhen Huangcheng Real Estate Company Limited	95	5	Property development, construction and management	The People's Republic of China
Shenzhen ITC Vehicles Services Company	90	10	Transportation and vehicles rental service	The People's Republic of China
Shanghai Shenzhen Properties Development Company Limited	90	10	Property management and construction	The People's Republic of China
? ? ? ? ? ? ? ? ? ? ? ?	80	20	Restaurant operation and wine merchandise	The People's Republic of China

15. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED

	2004 RMB'000	2003 RMB'000
Cost of investment	100,658	100,658
Provision for impairment	(76,041)	(71,051)
	24,617	29,607
Amounts due from associates	134,516	145,120
Amounts due to associates	(39,521)	(39,521)
	119,612	135,206

Details of subsidiaries excluded from the consolidated financial statement at December 31, 2004 are as follows:

Name of subsidiary	Proportion of ownership interest/Proportion of voting power held Direct %	 Indirect %	Principal activities	Place of incorporation
Shum Yip Properties Development Limited	100	-	Property development	Hong Kong
Shenzhen International Trade Plaza	95	5	Retailing of general merchandise	The People's Republic of China
? ? ? ? ? ? ? ? ? ? ? ? ? ?	90	10	Property development consultancy services	The People's Republic of China
Zhanjiang Shenzhen Estate Development Company Limited	-	100	Property development and retailing of general merchandise	The People's Republic of China
Shenzhen ITC Plaza & Development Company Limited	70	-	Property investment and development	The People's Republic of China
深圳地产发展有限公司	100	-	Property development	The People's Republic of China
? ? ? ? ? ? ? ? ?	100	-	Property investment	The People's Republic of China
? ? ? ?	100	-	Dormant	The People's Republic of China
? ? ? ? ? ? ? ? ? ? ?	-	100	Property development	The People's Republic of China
? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ?	-	100	Driver training	The People's Republic of China

16. INTERESTS IN ASSOCIATES

	2004 RMB'000	2003 RMB'000
Cost of investment	148,559	148,559
Share of post-acquisition loss, net of dividends received	(20,072)	(23,754)
Provision for impairment	(64,350)	(64,350)
	64,137	60,455
Amounts due from associates	45,362	59,928
Amounts due to associates	(2,264)	(235)
	107,235	120,148

Details of the principal associates at December 31, 2004 are as follows:

Name of associate	Proportion of ownership interest/ voting power held Direct %	Indirect %	Principal activities	Place of incorporation
Shenzhen Carrier Service Company Limited	40		Air-conditioning	The People's Republic of China
ITC Tian An Company Limited	50		Property investment and development	The People's Republic of China
Shenzhen Jifa Warehouse Company Limited	50		Warehousing	The People's Republic of China
Anhui Nan Peng Paper Manufacturing Company Limited	30		Manufacturing and sales of coated art paper	The People's Republic of China
深圳富临实业股份有限公司	10.59		Hotel	The People's Republic of China
Shenzhen Matform Ceramics Industry Company Limited	26		Ceramics craft	The People's Republic of China
? ? ? ? ? ? ? ? ? ? ? ?	38.33		Property development	The People's Republic of China
? ? ? ? ? ? ? ? ? ? ? ? ? ? ? ?	50		Building management	The People's Republic of China
深圳华晶玻璃瓶有限? ?	15.83		Manufacturing and sales of glass	The People's Republic of China
? ? ? ? ? ? ? ? ? ? ?		30	Motor vehicle trading	The People's Republic of China

17. INVESTMENTS IN SECURITIES

	2004 RMB'000	2003 RMB'000
Unlisted equity investments at cost	22,386	22,386
Provision for impairment	(9,350)	(5,350)
	13,036	17,036

The amount represents holding of unlisted legal-person shares of enterprises established in the PRC.

18. INVENTORIES

	2004 RMB'000	2003 RMB'000
Properties held for sale/under development	421,557	537,958
Completed properties held for sale	892,281	852,100
Other inventories	2,874	7,087
	1,316,712	1,397,145

As at December 31, 2004, completed properties held for sale with carrying value of RMB129,672,453(2003:RMB83,000,000) have been pledged to the banks to secure general banking facilities granted to the subsidiaries.

19. OTHER FINANCIAL ASSETS

Other financial assets comprise trade and other debtors and prepayments. The terms of payment in respect of the Group's sales of properties are in accordance with the terms of respective sales contracts. The management considers that the carrying amounts of trade and other debtors and prepayments approximate to their fair values. The amounts presented in the balance sheet are net of provision for doubtful debts. Provision for doubtful debts are estimated by the management with reference to their prior experience and their assessment of the current economic environment. Credit risk attributable to trade and other debtors are frequently reviewed and assessed by the management.

20. TRADING SECURITIES

	2004 RMB'000	2003 RMB'000
Listed securities, at market value	10,062	14,305

21. OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise trade and other creditors which are outstanding for trade purchases and ongoing costs. The terms of payment in respect of the Group's trade purchase and ongoing costs are in accordance with the terms of respective contracts. The management considers that the carrying amounts of trade and other creditors approximate to their fair values.

22. PROVISIONS

The provision represents management's best estimate of the Group's liability for certain litigation losses.

23. BORROWINGS

	2004 RMB'000	2003 RMB'000
Bank loans	635,980	887,500
Other loans	20,000	20,000
	655,980	907,500
Secured	635,980	887,500
Unsecured	20,000	20,000
	655,980	907,500

The maturity profile of the above loans and overdrafts is as follow:

	2004 RMB'000	2003 RMB'000
On demand or within one year	559,980	777,500
More than one year, but not exceeding two years	96,000	-
More than two years, but not exceeding five years	-	130,000
	655,980	907,500
Less: Amounts due within one year shown under current liabilities	559,980	777,500
	96,000	130,000

During the year, the Group obtained new bank loans in the amounts of RMB 184,600,000. The loans bear interest at prevailing market rates ranging from 5% to 7% (2003:5% to 7%) per annum.

24. LONG-TERM DEFERRED INCOME

	2004 RMB'000	2003 RMB'000
At January 1	40,009	40,463
Additions for the year	5,430	1,731
Released to income statement	(7,204)	(2,185)
At December 31	38,235	40,009

The amount represents deferred income arising on sales of taxi licenses and is released to the income statement over 25 years.

25. SHARE CAPITAL

	2004 RMB'000	2003 RMB'000
Registered, issued and fully paid:		
388,949,000 state shares and shares held by other promoters of RMB1.00 each	388,949	388,949
91,391,000 A share of RMB1.00 each	91,391	91,391
61,459,000 B share of RMB1.00 each	61,459	61,459
	541,799	541,799

All the shares rank pari passu with each other in all respects.

26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Short-term bank loans RMB'000	Long-term bank loans RMB'000	Other short-term loans RMB'000
Balance at January 1, 2004	707,500	130,000	70,000
New loans raised	184,600	130,000	159,000
Repayments of amounts borrowed	(491,120)	(164,000)	(70,000)
Balance at December 31, 2004	400,980	96,000	159,000

27. PLEDGE OF ASSETS

As at December 31, 2004, leasehold land and buildings with a net book value of RMB66,307,000 (2003: RMB69,071,000), completed properties held for sales of RMB129,672,453 (2003: RMB83,000,000) and certain taxi licenses having a net book value of RMB27,018,000 (2003: RMB31,446,000) have been pledged to the banks for the general banking facilities granted to the Group.

28. CONTINGENT LIABILITIES

(1) The Company and one of its wholly owned subsidiaries are defendants in a law suit carried to the court in 1999 claiming for breach of contract of sale and purchase of realty properties on the part of the Company and its subsidiary by virtue of failure to completing the transaction by proper transfer of title deeds of properties concerned on schedule as contracted. The Provincial High Court of Guangdong has declared and re-affirmed its final ruling against the Company and its subsidiary for paying a total compensation of approximately HK$79 million (or approximately RMB84 million) to the plaintiffs. The Company is seeking an appeal to the People's Supreme Court and as a prerequisite, submitted to the court a voluntary order of restriction on certain of the Group's realty properties assets of a carrying value on the balance sheet as at December 31, 2003 of approximately RMB40 million which, in the opinion of the Company's directors, are of a realisable value sufficient to cover the compensation as imposed by the court decision. A provision of approximately RMB42 million has been made for the loss under such case in the Group's financial statements as of December 31, 2004. As at the date of this report, the application for appeal to the Supreme Court is still in progress.

(2) A court case against the Company in 2000 in relation to delay in delivery of realty properties was finalised and according to the court decision the Company have to refund to the plaintiff the whole of the purchase consideration for the properties concerned of RMB10.8 million plus interest accrued. In 2003 the Company succeeded in reaching an agreement to out-of-court settlement with the plaintiff to settle the compensation in "property-plus-cash" basis. According to such settlement agreement, the Company have to make a total compensation of approximately RMB19 million. A provision for such compensation of approximately RMB8 million has been made accordingly in the financial statements for the year. The Company appealed to the People's Supreme Court and a hearing was held on January 18, 2005. No judgment has been made.

(3) On July 11, 2002, a subsidiary of the Company received the court summon in relation to delay in delivery of realty properties and properties ownership document and relevant taxes losses and expenses incurred such delay. The plaintiff claimed against the subsidiary of the Company for an aggregate amount of RMB4,172,234.98. [The case was heard by the court on February 21, 2005. No judgment has been made.]

(4) As at year end, the Company provided guarantee of RMB8,600,000 for a third party in obtaining bank loans.

(5) As at year end, the Company and its subsidiaries provided guarantee of RMB553,630,000 to its realty properties purchasers in favour of banks.

29. OPERATING LEASES

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2004 RMB'000	2003 RMB'000
- Within one year	26,190	35,000
- In the second to fifth year inclusive	52,380	80,000
	78,570	115,000

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years.

30. RETIREMENT BENEFITS PLANS

Defined contribution plans

The employees of the Group in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions at the rates specified in the rules of the schemes.

31. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	Name	Relationship with the Group	2004 RMB'000	2003 RMB'000
Construction costs paid	Shenzhen Construction Investment Holding Co. (? ? ? ? ? ? ? ? ? ? ?)	Holding company	163,720	-
Construction costs paid	? ? ? ? ? (? ?) ? ? ? ? ? ?	Fellow subsidiary	209,138	-
Sale of properties	Shenzhen Construction Investment Holding Co. (? ? ? ? ? ? ? ? ? ? ?)	Holding company	-	82,047

Outstanding balances with related parties the balance sheet date which are included in the balance sheet are as follows:

	2004 RMB'000	2003 RMB'000
Amounts due from related parties, disclosed as interest in subsidiaries not consolidated, interest in associates and trade and other debtors and prepayments	186,663	212,695

32. IMPACT OF IFRS ADJUSTMENTS ON NET PROFIT FOR THE YEAR

	Profit for the year ended December 31, 2004 RMB'000	2003 RMB'000
As reported in financial statements prepared in accordance with PRC GAAP	90,450	77,002
Adjustments to confirm with IFRS:		
Deferred expenses written off	(86)	(97)
Amortisation charges written back	32	170
Additional depreciation charges		(2,617)
Others	-	-
	90,396	74,458

33. IMPACT OF IFRS ADJUSTMENTS ON CONSOLIDATION NET ASSETS

	Consolidated net assets As at December 31, 2004 RMB'000	2003 RMB'000
As reported in financial statements prepared in accordance with PRC GAAP	567,129	474,223
Adjustments to confirm with IFRS:		
"B share" prior years adjustments	(4,000)	(4,000)
Deferred expenses written off	(3,448)	(3,362)
Amortisation charges written back	613	581
Addition depreciation charges	(10,380)	(10,380)
Addition amortisatiobn charges	(8,373)	(8,373)
Unamortised expenses written off	(4,233)	(4,233)
Others	3,364	3,364
	540,672	447,820