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

Report and Financial Statements
for the year ended December 31, 2004

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

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

We have audited the accompanying consolidated balance sheet of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") as of December 31, 2004 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These financial statements set out on pages 2 to 34 are the responsibility of the Group's management. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2004 and of the results of operations and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

Moore Stephens Shenzhen Nanfang Minhe
Certified Public Accountants

April 22, 2005

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	2004 RMB'000	2003 RMB'000
Turnover	4	549,061	933,935
Cost of sales		(499,431)	(730,471)
Gross profit		49,630	203,464
Other operating income		9,004	16,726
		58,634	220,190
General and administrative expenses		(125,558)	(124,213)
Other operating expenses		(10,679)	(26,976)
(Loss) / profit from operations	5	(77,603)	69,001
Finance costs	8	(32,107)	(49,062)
Share of (losses) / profits of non-consolidated subsidiaries, associates, and contractual joint ventures		(9,962)	14,860
(Loss) / profit before taxation		(119,672)	34,799
Taxation	9	(1,529)	(2,445)
(Loss) / profit after taxation		(121,201)	32,354
Minority interests		916	1,253
Net (loss) / profit for the year		(120,285)	33,607
(Loss) / earnings per share			
Basic	10	(RMB0.12)	RMB0.03
Diluted	10	N/A	N/A

The notes on pages 6 to 34 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2004

	Note	2004 RMB'000	2003 RMB'000
ASSETS			
Non-current assets			
Property, plant & equipment	11	143,362	210,521
Investment properties	12	686,957	628,861
Non-consolidated subsidiaries	13	53,943	56,127
Associates	14	30,047	21,147
Contractual joint ventures	15	143,173	168,982
Long term investments	16	27,482	58,599
Intangible assets	17	68	707
Land held for development	18	60,103	56,585
		1,145,135	1,201,529
Current assets			
Properties under development for sale	19	605,110	644,978
Completed properties for sale	20	171,933	206,207
Inventories	21	22,440	41,050
Short term investments	22	3,060	3,608
Accounts receivable		32,069	170,035
Prepayments, deposits and other debtors		128,665	46,727
Cash and bank balances		197,621	262,809
		1,160,898	1,375,414
Current liabilities			
Customers' deposits		171,227	210,555
Accounts payable and accrued expenses	23	403,729	493,823
Dividends payable	24	138,764	138,764
Tax payable	25	2,752	4,251
Bank loans	27	525,988	677,007
		1,242,460	1,524,400
Net current liabilities		(81,562)	(148,986)
Total assets less current liabilities		1,063,573	1,052,543
Non-current liabilities	26	(186,240)	(53,072)
Minority interests		14,682	7,832
NET ASSETS		892,015	1,007,303
CAPITAL AND RESERVES			
Share capital	28	1,011,660	1,011,660
Reserves		(119,645)	(4,357)
		892,015	1,007,303

The notes on pages 6 to 34 form part of these financial statements.

Approved and authorized for issue by the board of directors on April 22, 2005

DIRECTOR DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	2004 RMB'000	2003 RMB'000
OPERATING ACTIVITIES			
Cash received from sales of goods or rendering of services		588,912	984,417
Other cash received relating to operating activities		125,572	141,462
Cash paid for goods and services		(491,206)	(689,368)
Cash paid to and on behalf of employees		(71,099)	(95,848)
Taxation paid		(30,753)	(47,726)
Cash paid relating to other operating activities		(113,495)	(104,574)
Interest paid		(40,712)	(49,062)
Net cash (used in) / generated from operating activities		(32,781)	139,301
INVESTING ACTIVITIES			
Cash received from disposal of investments		20,001	35,633
Dividends received and interest received		1,127	11,849
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		48	9,215
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(6,420)	(12,894)
Net cash generated from investing activities		14,756	43,803
FINANCING ACTIVITIES			
Proceeds from borrowings		508,206	686,263
Repayments of borrowings		(504,256)	(797,000)
Net cash generated from / (used in) financing activities		3,950	(110,737)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(14,075)	72,367
Cash and cash equivalents at beginning of year	29	175,499	103,132
Cash and cash equivalents at end of year	29	161,424	175,499

The notes on pages 6 to 34 form part of these financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2004

	Share capital RMB'000	Capital reserve RMB'000	Cumulative translation reserve RMB'000	General reserve RMB'000	Staff welfare fund RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at December 31, 2002	1,011,660	686,308	10,054	3,317	115,594	(946,951)	879,982
Prior year adjustment	--	--	--	--	--	93,742	93,742
Profit for the year	--	--	--	--	--	33,607	33,607
Others	--	--	(28)	--	--	--	(28)
Balance at December 31, 2003	1,011,660	686,308	10,026	3,317	115,594	(819,602)	1,007,303
Prior year adjustment (see note 35)	--	--	--	--	--	5,083	5,083
Profit for the year	--	--	--	--	--	(120,285)	(120,285)
Others	--	--	(86)	--	--	--	(86)
Balance at December 31, 2004	1,011,660	686,308	9,940	3,317	115,594	(934,804)	892,015

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

The Company declares dividends based on the lower of net profit after appropriation to reserves as reported in the financial statements prepared under the Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises in PRC and as reported in the financial statements prepared under IFRS. For the year ended December 31, 2004, the directors have not declared any dividends to its shareholders.

The notes on pages 6 to 34 form part of these financial statements.

1. GENERAL

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

With the approval of State-owned Assets Supervision and Administration Commission of Shenzhen Government, Shenzhen Construction Investment Holding Corporation, the majority shareholder controller of the Company, merged with other two assets supervision and administration companies into an exclusively state-owned limited company, Shenzhen Investment Holding Corporation, on October 13,2004. Till now the combination is in process and the change of equity is waiting for the authorization of the government and has not comply with a formality in China Securities Depository & Clearing Corporation Limited Shenzhen Branch.

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

2. BASIS OF PREPARATION

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board under the historical cost basis except for the revaluation of investment properties. The accounting policies adopted by the Company under IFRS differ from the accounting policies used in the financial statements of the Group which were prepared in accordance with Accounting Standards for Enterprise Business and Accounting Systems for Enterprise Business in the PRC. Adjustments to restate the results of operations and the net assets in compliance with IFRS will not be taken up in the accounting books of the companies in the Group. Details of impacts of such adjustments on the net assets as at 31 December 2003 and net profit for the year then ended are included in note 36 to the financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The results of operations of subsidiaries are included in the consolidated income statement and the share attributable to minority interests is excluded from the consolidated net profit. All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of subsidiaries:

For acquisitions before January 1, 2001, positive goodwill is eliminated against reserves.

For acquisitions on or after January 1, 2001, positive goodwill is amortized on a straight-line basis over its estimated useful life. Positive goodwill is stated in Consolidated Balance Sheet at cost less any accumulated amortization and any impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Goodwill (continued)

On disposal of a subsidiary, any attributable amount of purchased goodwill not previously amortized through the Consolidated Income Statement or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less provision, if necessary, for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Subsidiaries not consolidated

In the consolidated balance sheet the unconsolidated subsidiaries are recorded at cost less provision for impairment losses. The consolidated income statement reflects the Group's share of the results of operations of the subsidiaries.

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

Associates

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

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

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

Contractual joint ventures

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

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Cash and cash equivalents

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

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

Property, plant & equipment

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

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

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

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

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

Investment properties

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Impairment of assets

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

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

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

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

Completed properties and properties under development

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

Inventories

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

Long-term investments

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

Short-term investments

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Revenue recognition

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

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

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

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

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

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

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

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

Retirement benefit costs

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

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

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

Deferred income tax

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Intangible assets

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

Foreign currency translation

Foreign currency transactions are converted at exchange rates ruling at January 1 of the current year. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising in these transactions are dealt with in the income statement.

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

Borrowing costs

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

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

Provisions, contingent liabilities and contingent assets

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

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

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

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

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

Principal activities are as follows:

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

The Group's business is principally conducted in the People's Republic of China (PRC) with its turnover for the year ended December 31, 2004 identified by geographical segments as follows:

	RMB'000
PRC	544,813
Hong Kong	3,469
The United States of America	779
	549,061

Segment information relating to the businesses for the year ended December 31, 2004 is presented below:

	Properties	Retailing and trading	Transportation and catering services	Construction technical support	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE							
External sales	300,017	139,932	8,086	96,022	5,004	--	549,061
Inter-segment sales	2,380	--	--	10,558	2,050	(14,988)	--
Total revenue	302,397	139,932	8,086	106,580	7,054	(14,988)	549,061

Inter-segment sales are charged at prevailing market rates.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS - (continued)

	Properties	Retailing and trading	Transportation and catering services	Construction technical support	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS							
Segment results	(61,300)	(10,529)	(700)	(127)	(27,687)	39,597	(60,746)
Unallocated corporate expenses							(16,857)
Loss from operation							(77,603)
Finance costs							(32,107)
Share of losses of non-consolidated subsidiaries, associates, and contractual joint ventures							(9,962)
Loss before tax							(119,672)
Taxation							(1,529)
Loss after tax							(121,201)
Minority interests							916
Net loss for the year							(120,285)
OTHER INFORMATION							
Segment assets	1,357,046	28,557	48,228	27,114	11,629		1,472,574
Non-consolidated subsidiaries	20,804	--	27,065	--	6,074		53,943
Associates	14,071	--	--	352	15,624		30,047
Contractual joint ventures	41,392	2,918	63,747	--	35,116		143,173
Unallocated corporate assets							606,296
Consolidated total assets							2,306,033
Segment liabilities	865,784	28,557	48,228	27,114	27,365		997,048
Unallocated corporate liabilities							431,652
Consolidated total liabilities							1,428,700
Capital expenditure	6,115	6	274	17	8		
Depreciation	6,943	150	8,420	550	35		
Non-cash expenses other than depreciation	7,186	3,229	32	120	--		

4. BUSINESS AND GEOGRAPHICAL SEGMENTS - (continued)

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

	RMB'000
PRC	925,877
Hong Kong	7,310
The United States of America	748
	933,935

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

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

Inter-segment sales are charged at prevailing market rates.

	Properties	Retailing and trading	Transportation and catering services	Construction technical support	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS							
Segment results	69,276	13,966	1,671	16,381	7,594	(16,384)	92,504
Unallocated corporate expenses							(23,503)
Profit from operation							69,001
Finance costs							(49,062)
Share of profit of non-consolidated subsidiaries, associates, and contractual joint ventures							14,860
Profit before tax							34,799
Taxation							(2,445)
Profit after tax							32,354
Minority interests							1,253
Net profit for the year							33,607

4. BUSINESS AND GEOGRAPHICAL SEGMENTS - (continued)

	Properties RMB'000	Retailing and trading RMB'000	Transportation and catering services RMB'000	Construction technical support RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
OTHER INFORMATION							
Segment assets	1,472,457	78,771	67,453	21,428	13,055		1,653,164
Non-consolidated subsidiaries	41,635	--	--	1,812	12,680		56,127
Associates	14,098	--	--	--	7,049		21,147
Contractual joint ventures	28,214	3,012	88,649	--	49,107		168,982
Unallocated corporate assets							677,523
Consolidated total assets							2,576,943
Segment liabilities	812,215	146,529	87,387	24,526	30,215		1,100,872
Unallocated corporate liabilities							476,600
Consolidated total liabilities							1,577,472
Capital expenditure	7,132	1,019	4,153	589	--		
Depreciation	8,131	5,430	8,879	580	28		
Non-cash expenses other than depreciation	17,904	--	745	--	--		

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

	2004	2003
Properties	1,317	1,363
Retailing and trading	25	247
Transportation and catering services	208	217
Construction technical support	123	254
Others	27	34
	1,700	2,115

5. (LOSS) / PROFIT FROM OPERATIONS

	2004 RMB' 000	2003 RMB'000
(Loss) / profit from operations is stated after crediting and charging the following:		
Crediting:		
Interest income	7,084	6,414
Rental income	1,268	251
Exchange gain	785	1,046
Gain on disposal of property, plant & equipment	(28)	553
Charging:		
Depreciation	16,097	23,048
Amortization	6,061	18,649
Staff costs (note 6)	74,586	95,848
Exchange loss	337	788
Provision for impairment losses of assets (note 7)	4,507	6,825

6. STAFF COSTS

	2004 RMB' 000	2003 RMB'000
Salaries and bonus	67,873	77,263
Retirement benefit costs and provision for other welfare	6,713	18,585
	74,586	95,848

7. PROVISION FOR IMPAIRMENT LOSSES OF ASSETS

	2004 RMB' 000	2003 RMB'000
Contractual joint venture	--	--
Completed properties for sale	--	--
Accounts receivable, other debtors and amount due from non-consolidated subsidiaries	4,507	6,825
	4,507	6,825

8. FINANCE COSTS

	2004 RMB' 000	2003 RMB'000
Interest expenses		
- bank borrowings	32,107	49,062

9. TAXATION

	2004 RMB' 000	2003 RMB'000
The charge comprises:		
PRC income tax for the year	1,529	2,445

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

	2004 RMB' 000	2003 RMB'000
PRC enterprises income tax		
- enterprises in Shenzhen	15%	15%
- enterprises outside Shenzhen	33%	33%
Hong Kong profits tax	17.50%	17.50%

Reconciliation to the domestic tax expense as follows:

	2004 RMB' 000	2003 RMB'000
Accounting profit under IFRS	(119,672)	34,799
Difference arising from accounting policies based on IFRS	(22,023)	(22,255)
Accounting profit under Accounting Standards for Enterprise Business of the PRC	(141,695)	12,544
Tax at the domestic rate of 15%	(21,254)	1,882
Net tax effect of expenses not deductible for tax purposes and other factors	22,783	563
Tax expense	1,529	2,445

10. EARNINGS PER SHARE

(a) The calculation of basic earnings per share is based on the consolidated loss of RMB120,285,000 (2003: profit of RMB33,607,000) and on the 1,011,660,000 shares (2003: 1,011,660,000 shares) in issue during the year.

(b) During the year ended 31 December 2004 and 2003, there were no dilutive potential shares. Fully diluted earnings per share are not applicable.

11. PROPERTY, PLANT & EQUIPMENT

	Land and buildings RMB'000	Plant and machinery RMB'000	Motor Vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At January 1, 2004	188,358	44,012	34,502	33,471	38,257	338,600
Reclassification	(76,269)	44,193	--	32,076	--	--
Additions	748	8	1,156	642	694	3,248
Decrease of subsidiaries	(44,300)	(56,811)	(2,658)	(8,005)	--	(111,774)
Disposal of assets	(1,145)	--	(720)	(502)	--	(2,367)
At December 31, 2004	67,392	31,402	32,280	57,682	38,951	227,707
Depreciation						
At January 1, 2004	74,173	4,644	27,603	20,214	--	126,634
Reclassification	(18,172)	10,190	--	7,982	--	--
Charge for the year	13,109	19	1,341	1,145	--	15,614
Decrease of subsidiaries	(42,639)	(7,231)	(1,609)	(6,198)	--	(57,677)
Disposal of assets	(311)	--	(720)	(596)	--	(1,627)
At December 31, 2004	26,160	7,622	26,615	22,547	--	82,944
Provision for impairment losses						
At January 1, 2004	1,313	68	48	16	--	1,445
Additions	--	--	--	--	--	--
Disposal	(44)	--	--	--	--	(44)
At December 31, 2004	1,269	68	48	16	--	1,401
Net book value						
At December 31, 2004	39,963	23,712	5,617	35,119	38,951	143,362
At December 31, 2003	112,872	39,300	6,851	13,241	38,257	210,521

The Group's leasehold land and buildings including investment properties (note 12) are located in the People's Republic of China under medium term leases. Certain properties have been pledged as security for the Group's bank borrowings (see note 30).

12. INVESTMENT PROPERTIES

	2004 RMB' 000	2003 RMB'000
At January 1, 2004	628,861	628,410
Disposal of properties	(2,055)	(45,114)
Additions	60,151	45,565
At December 31, 2004	686,957	628,861

The investment properties have been revalued as at 31 December 2004 by the directors and certain investment properties have been pledged as security for the group's bank borrowings (see note 30).

13. SUBSIDIARIES

At December 31, 2004, the Company had interests in the following principal subsidiaries which have been included in the consolidated financial statements:

Subsidiaries	Place of equity establishment/incorporation	Principal activities	Interest held Direct %	Interest held Indirect %
Great Wall Estate Co., Inc.	U.S.A.	Property development	70	--
Shenzhen Special Economic Zone Real Estate (Group) Guangzhou Property and Estate Co., Ltd.	PRC	Property development, decoration and construction design	100	--
Skill Elite Ltd.	Hong Kong	Corporate financing	--	100
Shenzhen City Shenfang Free Trade Trading Ltd.	PRC	Trading of construction materials	95	5
Shenzhen City Shenfang Investment Ltd.	PRC	Investment and management	90	10
Shenzhen City Bamboo Garden Car Rental Ltd.	PRC	Car rental	100	--
? ? ? ? ? ? 产开发经营有限 ? ?	PRC	Property development and management	75	25
Shenzhen City Wa Gen Construction Management Ltd.	PRC	Construction project management	75	25
Shinnying Tongxin Real Est. Dev. Co. Ltd.	PRC	Real estate development	--	93.1
Barenie Co. Ltd.	Hong Kong	Properties investment	--	80
Openice Ltd.	Hong Kong	Investment holding	20	80
Shantou SEZ Wellam Fty Bldg., Dev. Co.	PRC	Factory building, sales and rental	--	82
Xin-Feng Real Estate Dev. Construction (Wuhan) Co. Ltd.	PRC	Real estate management and rental service	--	55
Fresh Peak Investment Ltd.	Hong Kong	Properties investment	--	55
Wellam Ltd.	Hong Kong	Investment holding	--	82
Shenzhen Petrel Hotel Co. Ltd.	PRC	Hotel operations	68.1	31.9

Shenzhen City Property Management Ltd.	PRC	Property management	95	5

13. SUBSIDIARIES - (continued)

Subsidiaries	Place of equity establishment/incorporation	Principal activities	Interest held Direct %	Interest held Indirect %
Shenzhen Zhen Tung Engineering Ltd.	PRC	Fitting-out contracting and maintenance	73	27
Fresh Peak Holdings Ltd.	Hong Kong	Investment, management and consultation	100	--
Fresh Peak Enterprise Ltd.	Hong Kong	Investment holding	82	--
广州黄埔新邨房地产有限公司	PRC	Property development and sale	--	100
Keyear Development Ltd.	Hong Kong	Investment holding	--	100

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

	2004 RMB' 000	2003 RMB'000
Unlisted Investments, at cost	395,266	308,868
Share of post-acquisition losses	(122,061)	(109,576)
	273,205	199,292
Less: Provision for impairment losses	(186,498)	(186,498)
	86,707	12,794
Add: Amounts (due to) / due from non-consolidated subsidiaries	(32,764)	43,333
	53,943	56,127

13. SUBSIDIARIES - (continued)

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

Subsidiaries	Place of Establishment/ incorporation	Principal activities	Equity interest held Direct %	Equity interest held Indirect %
Shenzhen City SPG Bao An Development Ltd.	PRC	Property development and sales	95	5
Shenzhen Shenfang Department Store Co. Ltd.	PRC	Commercial goods supplier	95	5
Shenzhen Shenfang Car Park Ltd.	PRC	Develop and operate car park	70	30
Shenzhen Cyber Port Co., Ltd	PRC	Property investment and information technology consultancy	70	--
深圳市? ? ? ? ? ? ? ? ? ? ? ? ?	PRC	Information service	--	70
深圳市数码港信息技术培训中心	PRC	Training	--	70
深圳市数码港通信有限公司	PRC	Product development and sales of web and computer	--	63
Shenzhen Shen Fang Industrial Development Co., Ltd.	PRC	Property management, investment holding	100	--
Shenzhen Real Estate Consolidated Service Co., Ltd.	PRC	Construction material, consume goods	100	--
Shenzhen Tefa Real Estate Consolidated Service Co., Ltd.	PRC	Construction and decoration	100	--
Guangdong Province Fengkai Lian Feng Cement Manufacturing Co., Ltd.	PRC	Manufacturing and trading in cement products	--	90
Shenzhen City Zhen Tung New Electronic and Electrical Development Ltd.	PRC	Investing on electronic and electrical engineering project	95	5

13. SUBSIDIARIES - (continued)

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

14. ASSOCIATES

	2004 RMB'000	2003 RMB'000
Unlisted investments, at cost	58,347	47,847
Share of post-acquisition losses	(8,786)	(8,616)
	49,561	39,231
Less: Provision for impairment losses	(23,483)	(23,483)
	26,078	15,748
Add: Amounts due from associates	3,969	5,399
	30,047	21,147

14. ASSOCIATES - (continued)

At December 31, 2004 the Company had interests in the following principal associates:

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

15. CONTRACTUAL JOINT VENTURES

	2004 RMB' 000	2003 RMB'000
Unlisted Investments, at cost	303,649	314,149
Share of post-acquisition losses	(25,606)	(16,022)
	278,043	298,127
Provision for impairment losses	(138,273)	(143,073)
	139,770	155,054
Amounts due from contractual joint ventures	3,403	13,928
	143,173	168,982

15. CONTRACTUAL JOINT VENTURES - (continued)

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

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

15. CONTRACTUAL JOINT VENTURES - (continued)

Contractual joint venture		Joint venture registered capital ('000)	Group committed capital contribution ('000)	Principal activity	Method of Participation in earnings
Jiangmen Xinjian Real Estate Co. Ltd.	10 years from 19 May 1993	US$6,600	US$6,000	Property development	33% of net of Jianmen profits, Xinjian commercial building.
Kunshan Diao Feng Electricity Power Co. Ltd.	20 years from 29 November 1993	US$7,200	US$9,000	Supply of electricity	Profit distributions and appropriation to statutory reserves are to be determined by the board of directors annually.

16. LONG TERM INVESTMENTS

	2004 RMB' 000	2003 RMB'000
PRC legal entity shares, at cost	16,825	16,825
Unlisted equity investments, at cost less provision for impairment losses	10,657	41,774
	27,482	58,599

17. INTANGIBLE ASSETS

	Vehicle licenses RMB' 000	Computer software RMB' 000	Total RMB' 000
At January 1, 2004	592	115	707
Amortization for the year	(592)	(47)	(639)
At December 31, 2004	--	68	68

18. LAND HELD FOR DEVELOPMENT

	RMB' 000
Cost	
At January 1, 2004	60,755
Additions	4,580
Amortization	(1,062)
At December 31, 2004	64,273
Provision for impairment	
At January 1, 2004	4,170
Additions	--
At December 31, 2004	4,170
Net book value	
At December 31, 2004	60,103
At December 31, 2003	56,585

19. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2004 RMB' 000	2003 RMB'000
Cost	1,031,725	1,141,501
Less: Provision for impairment losses	(426,615)	(496,523)
	605,110	644,978

Included in properties under development for sale is a piece of land awaiting development held in the United States at a cost of RMB127,595,910 against which provision for impairment of RMB104,723,917 was made in prior years.

20. COMPLETED PROPERTIES FOR SALE

	2004 RMB' 000	2003 RMB'000
Cost	182,675	224,608
Less: Provision for impairment losses	(10,742)	(18,401)
	171,933	206,207

21. INVENTORIES

	2004 RMB' 000	2003 RMB'000
Raw materials	4,682	4,275
Work-in-progress	12,052	6,789
Finished goods	5,956	30,559
Less: Provision for impairment losses	(258)	(833)
Consumables	8	260
	22,440	41,050

22. SHORT-TERM INVESTMENTS

	2004 RMB' 000	2003 RMB'000
Listed equity investments, at market value	3,057	3,605
Debentures, at market value	3	3
	3,060	3,608

23. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2004 RMB' 000	2003 RMB'000
Accounts payable	362,307	405,261
Accrued expenses		
Project cost	24,102	30,914
Losses for litigation and arbitration	13,471	53,391
Interests for bank borrowings	1,820	1,666
Land use fee	--	544
Water and electricity	--	1,357
Other	2,029	690
	403,729	493,823

24. DIVIDENDS PAYABLE

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

25. TAX PAYABLE

	2004 RMB' 000	2003 RMB'000
Corporation tax	(1,996)	(2,337)
Personal income tax	137	236
Business tax	4,162	5,823
Value added tax	(1,578)	(319)
Property tax	1,898	515
Others	129	333
	2,752	4,251

26. NON-CURRENT LIABILITIES

	2004 RMB' 000	2003 RMB'000
Bank loans (note 27)	167,000	35,000
Other liabilities	19,240	18,072
	186,240	53,072

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

27. BANK LOANS

	2004 RMB' 000	2003 RMB'000
Bank loans		
Secured	516,988	609,123
Guaranteed	126,000	102,884
Credit	50,000	--
	692,988	712,007
Bank loans repayable:		
Within one year or on demand	525,988	677,007
In the second year	57,000	15,000
In the third to fifth years, inclusive	110,000	20,000
	692,988	712,007
Portion classified as current liabilities	525,988	677,007
Long term portion	167,000	35,000
	692,988	712,007

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

28. SHARE CAPITAL

	2004 RMB' 000	2003 RMB'000
Registered, issued and paid-in 891,660,000 A shares par value	891,660	891,660
120,000,000 B shares	120,000	120,000
	1,011,660	1,011,660

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

29. CASH AND CASH EQUIVALENTS

	2004 RMB' 000	2003 RMB'000
Cash and bank balances	197,621	262,809
Less: deposits secured over 3 months	(36,645)	(87,282)
	160,976	175,527
Effect of foreign exchange rate changes	448	(28)
Restated cash and cash equivalents	161,424	175,499

30. PLEDGE OF ASSETS

At December 31, 2004, certain of the Group's investment properties, leasehold land and buildings, properties under development and properties held for sale with an aggregate net carrying value of RMB787,983,870 and fixed deposits amounting to RMB39,961,990 were pledged to secure bank loans of RMB516,988,290 granted to the Group.

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

	Nature of relationship
Shenzhen Construction Investment Holding Corporation	Ultimate holding company

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - (continued)

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

Shenzhen City Wing Wah Engineering Ltd.

	2004 RMB' 000	2003 RMB'000
Construction and development expenses	662	4,962

The expenses were made based on the market price.

Shenzhen Construction Investment Holding Corporation

	2004 RMB' 000	2003 RMB'000
Guarantees accepted for banking and credit facilities	100,000	60,000

Some net balances due from / (due to) related parties at December 31, 2004 and 2003 are stated in notes 13, 14 and 15, and included in the balance sheet of the Group as non-consolidated subsidiaries, associates and contractual joint venture, the remaining balances are summarized as follows:

	2004 RMB' 000	2003 RMB'000
Shenzhen Construction Investment Holding Corporation	(188,671)	(188,764)

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

	2004 RMB' 000	2003 RMB'000
Accounts payable and accrued expenses	(49,907)	(50,000)
Dividends payable	(138,764)	(138,764)
	(188,671)	(188,764)

Both these balances are unsecured and non-interest bearing.

Directors' emoluments

There are twelve directors in the Company. Ten of the directors received emoluments totaling RMB840,000 for the year ended December 31, 2004. Four directors did not receive any salary or other benefits from the Company.

32. CONTINGENT LIABILITIES

	2004 RMB' 000	2003 RMB'000
Guarantees given for banking and credit facilities granted to:		
- contractual joint ventures	2,000	7,290
- third parties	120,942	159,352
	122,942	166,642

33. LITIGATION AND ARBITRATION

1. On March 21, 1997, the Company executed an agreement with Baoxin Real Estate Development (Shenzhen) Company Limited ("Baoxin") to sell its share of 68% interests in Guo Xin Building at a consideration of RMB145,000,000. In addition, the construction cost for the building of RMB15,000,000 was undertaken by Baoxin. Baoxin has paid a deposit of RMB45,000,000. But the outstanding purchase consideration of RMB100,000,000 and the construction cost of RMB15,000,000 have still not been settled while the property right of Guo Xin Building has been transferred to Baoxin. So the Company lodged a claim. As sentenced by the Guangdong High People's Court on September 28, 2002, Baoxin should pay the outstanding purchase consideration of RMB98,948,060 and the interests to the Company. Upon a second hearing of the case, the outcome remained unchanged and in the favour of the company. Up to December 31,2004, parts of the outstanding purchase consideration have been received. For prudence purposes, the Company has not recognize any income on the above transaction. The Company altered the construction cost of RMB166,109,047 of Guo Xin Building which was once treated as properties under development for sale to other receivable and adjust the provision for diminution in valve of RMB 69,907,107 to provision for doubtful accounts. The deposit and purchase consideration received amount to RMB 68,720,773.33 which was once treated as other payable was altered to customers' deposits.

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

   On October,16 2004, the Heilongjiang Province High People's Court has resolved the above two disputes by the issuance of a Civil Mediation Report. The Court has decided on the following:

33. LITIGATION AND ARBITRATION - (continued)

1) that the two disputes shall be resolved concurrently
2) that all relevant contracts between the parties shall be terminated
3) that liabilities shall be shared between the Company and Harbin Industry University in accordance with their respective investment ratio
4) that Harbin Industry University shall repay the Company its investment of RMB77,410,000 within one month upon the approval of this Mediation Report
5) that assets of the cooperation shall belong to Harbin Industry University and
6) that upon the approval of this Mediation Report, the relevant contracts and agreements between the parties shall be terminated.

As at December 31, 2004, the outcome for the above disputes is still pending.

For prudence purpose, RMB95, 601,809.41 was included in contractual joint ventures and a provision of RMB75, 775,014.13 has been made.

3. On August 20, 2001, the Company applied to China International Economic Arbitration Committee for arbitration against Ju Bang Co Limited, the joint venture partner, for the compensation on early redemption of the land use rights. The arbitration is still in progress. Subsequently, on December 16, 2002, the Company lodged a complaint to the Shenzhen Intermediate People's Court to make Bamboo Garden Enterprise Ltd., the contractual joint venture, repay a construction advance of RMB37,330,000 and its interest. In 2003, first inquisition was completed and Bamboo Garden Enterprise Ltd. was liable to pay the Company RMB35,800,000 in total for principal and interest. On June 18,2004, the Company and the Fresh Peak Holding Ltd. signed a contract with the former Shenzhen Investment Holding Ltd. to sell to the latter all the equity in and payables and receivables with the Bamboo Garden Enterprise Ltd. As a result of that, the Company and the Fresh Peak Holding Ltd. signed an accord on the same day on the complaint mentioned above. As the rights and interests have not been transferred completely, the complaint has not been withdrawn at last.

4. A subsidiary, Fresh Peak Holdings Limited ("Fresh Peak"), entered into a joint venture agreement with a third party to establish a contractual joint venture, Xian Fresh Peak Estate Commercial Company Limited ("Xian Fresh Peak") in Xian. Its principal activities are the development and management of commercial buildings in Xian. Pursuant to the aforesaid agreement, Fresh Peak hold 84% of Xian Fresh Peak and the third party provide the land for development and hold 16% of Xian Fresh Peak. The development of the commercial building started in November 1995 and suspended in 1996 due to disagreement between Fresh Peak and the third party. In 1997, the Xian government decided to receive the project of Xian Fresh Peak and transferred to an enterprise under a department of the Xian government. Xian Fresh Peak then lodged a litigation regarding the compensation. Subsequently, the court judgement in Xian was that 1) the enterprise of the department of Xian government has to pay compensation to Xian Fresh Peak of RMB36,620,000 plus interest and 2) the department of Xian government is jointly liable for the interest payment. This case is still in the process of execution. During this year RMB11,500,000.00 has been received and the left will be received in the future. Up to 31 December, 2004, RMB52,111,929.50 was included in contractual joint ventures and a provision of RMB21,823,177 has been made.

33. LITIGATION AND ARBITRATION - (continued)

5. On June 23, 1993, the Shantou branch of the Company ("Shantou Branch") signed a cooperation contract with Shantou Special Economic Zone Songshan Workshop Development Co., Ltd("Songshan Company"). Subsequently, on May 8,1996, the Company signed with Songshan Company a supplement on the implementing of the contract. Because this object had not been put into practice yet , the Company and the Songshan Company came to an agreement on January 20,2000 to build a temporary market which in fact has being in operation till now. On August 16,2004, Songshan Company took an claim against Shantou Branch to the Shantou Intermediate People's Court to claim that 1) to terminate the contract, 2) Shantou Branch should pay it the compensation of about RMB7,510,000 and 3) Shantou Branch should transfer to it all the licenses and management rights of the Fresh Peak Building and the temporary market authorized by the government. Subsequently, on October 15,2004, Shantou Branch took a counter-claim against Songshan Company to the Shantou Intermediate People's Court to claim that 1) the relative contracts and agreements have no legal effect and 2) Songshan Company should pay back the amount of HKD41,774,110.00, RMB1,000,000.00 and the interests bearing. The case is still in progress. Up to December 31,2004, RMB69,204,798.99 was included in long term investment in the ledger and a provision of RMB58,547,652.25 has been made.

6. Guangdong Province Fengkai Lian Feng Cement Manufacturing Co., Ltd("Fengkai Company") is a non-consolidated subsidiary because of the uncertainty of the ability of continuing operation. As a result of the borrowing dispute, Shenzhen Intermediate People's Court issued a civil mediation on July 8,2004 to confirm that up to April 20,2004, "Fengkai Company" own a debt of amount RMB137,648,612.50 to the Company. Meanwhile, Fengkai Rural Credit Cooperative and Fengkai Branch of Agricultural Bank of China are also creditors of Fengkai Company and they took an action against Fengkai Company to the Court. As sentenced by the Zhaoqing Intermediate People's Court on June 23, 2004 and June 3, 2004, Fengkai Company should repay to Fengkai Rural Credit Cooperative the principle of RMB16,368,000.00 and the interest of RMB11,906,938.70.00, and repay to Fengkai Branch of Agricultural Bank of China the principle of RMB6,000,000.00 and the interest of RMB4,263,180.00. The courts ordered the seizure of most of Fengkai Company's tangible assets, including land use right, plant, equipment and inventory, and will put those up for sale. Up to December 31,2004, RMB192,871,055.06 was included in non-consolidated subsidiaries and a provision of RMB178,565,570.16 has been made.

7. On July 22,1999, the Company signed an agreement with Jilin Mingri Industry Co., Ltd ("Jilin Mingri") to sell its 18,507,500 equity shares in Jinlin Pharmaceutical Limited Company at a consideration of RMB27,762,000,000. Up to December 31, 2004, the Company has received all the consideration. But because the equity has not been transferred to Jinlin Mingri , the Company did not recognize any income, and RMB16,825,000.00 was included in PRC legal entity shares in the Balance Sheet. Jinlin Mingri brought an accusation against the Company to Shenzhen Intermediate People's Court in 2005, and as mediated by the court on March 16, 2005, the Company consent to transfer the equity shares to Jilin Mingri within 10 days after the mediation works , and the accomplishment of the transferring means the agreement is completely executed. Till now the case is in progress.

34. COMMITMENTS

At December 31, 2004, the Group also has outstanding capital commitments for property development projects as follows:

	2004 RMB'000	2003 RMB'000
Authorized but not contracted	361,190	206,274
Contracted for	65,000	309,411
	426,190	515,685

35. PRIOR YEAR ADJUSTMENT

This related to 1) the increase of completed properties for sale of RMB12,077,543.64 which was wrongly accounted in the cost of sales by accident in 1997. 2)the write back of the inventory of RMB6,995,642.34 recorded in 2004 which was bought in 2003 actually and the cost of sales of 2003 was understated accordingly. These are recorded as a prior year adjustment in the current year.

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

	Net profit for the year RMB'000	Net assets RMB'000
As reported in the consolidated financial statements prepared in accordance with Accounting Standards for Enterprise Business in the PRC	(142,308)	1,002,069
Reversal of depreciation charges in respect of investment properties	21,689	94,516
Adjustment for market value of short-term investments	(548)	1,355
Expenses accrued in previous year	(515)	522
Difference in recognition of cost of fixed assets	--	(202,148)
Goodwill arising from acquisition of subsidiaries	1,397	(4,299)
As reported in the consolidated financial statements prepared in accordance with IFRS	(120,285)	892,015