

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)

	Notes	01/01-30/06/2005 RMB'000	01/01-30/06/2004 RMB'000
Turnover	4	165,231	382,029
Cost of sales		<u>(118,621)</u>	<u>(341,733)</u>
Gross (loss) / profit		46,610	40,296
Other operating income		2,355	<u>11,429</u>
Write back of provision for impairment losses of properties under development for sale		--	--
General and administrative expenses		(37,898)	(52,861)
Operating expenses		<u>(6,251)</u>	<u>(10,914)</u>
Profit / (loss) from operations	5	4,816	(12,050)
Finance cost	6	(21,328)	(20,728)
Share of profit of non-consolidated subsidiaries, associated companies, and contractual joint ventures		<u>9,965</u>	<u>5,269</u>
Loss before taxation		(6,547)	(27,509)
Taxation	7	<u>(364)</u>	<u>(258)</u>
Loss after taxation		(6,911)	(27,767)
Minority interests		<u>(761)</u>	<u>(275)</u>
Net loss for the period		<u>(6,150)</u>	<u>(28,042)</u>
Earnings per share			
Basic	8	<u>RMB(0.006)</u>	<u>RMB(0.028)</u>
Diluted	8	<u>N/A</u>	<u>N/A</u>

The notes on pages 5 to 29 form part of these financial statements.

DIRECTOR

DIRECTOR

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

CONSOLIDATED BALANCE SHEET
AT JUNE 30, 2005
(UNAUDITED)

	<u>Notes</u>	<u>30/06/2005</u> RMB'000	<u>31/12/2004</u> RMB'000
ASSETS			
Non-current assets			
Property, plant & equipment	9	141,267	143,362
Investment properties	10	676,453	686,957
Non-consolidated subsidiaries	11	62,169	53,943
Associates	12	25,434	30,047
Contractual joint ventures	13	131,224	143,173
Long term investments	14	9,958	27,482
Intangible assets	15	52	68
Land held for development	16	60,103	60,103
		<u>1,106,660</u>	<u>1,145,135</u>
Current assets			
Properties under development for sale	17	660,067	605,110
Completed properties for sale	18	153,270	171,933
Inventories	19	30,337	22,440
Short term investments	20	2,677	3,060
Accounts receivable		30,946	32,069
Prepayments, deposits and other debtors		136,162	128,665
Cash and bank balances		247,165	197,621
		<u>1,260,624</u>	<u>1,160,898</u>
Current liabilities			
Customers' deposits		283,345	171,227
Accounts payable and accrued expenses		407,101	403,729
Dividends payable		138,764	138,764
Tax payable	21	1,207	2,752
Bank loans	23	486,162	525,988
		<u>1,316,579</u>	<u>1,242,460</u>
Net current liabilities		<u>(55,955)</u>	<u>(81,562)</u>
Total assets less current liabilities		<u>1,050,705</u>	<u>1,063,573</u>
Non-current liabilities	22	(180,283)	(186,240)
Minority interests		15,443	14,682
NET ASSETS		<u>885,865</u>	<u>892,015</u>
CAPITAL AND RESERVES			
Issued capital	24	1,011,660	1,011,660
Reserves		(125,795)	(119,645)
		<u>885,865</u>	<u>892,015</u>

The notes on pages 5 to 29 form part of these financial statements.

DIRECTOR

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)

	<u>Notes</u>	<u>1/1-30/6/2005</u> RMB'000	<u>1/1-30/6 /2004</u> RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sales of goods or rendering of services		283,667	459,080
Other cash received relating to operating activities		244,333	154,237
Cash paid for goods and services		(188,675)	(314,359)
Cash paid to and on behalf of employees		(33,143)	(42,259)
Payments of all types of taxes		(20,150)	(31,413)
Cash paid relating to other operating activities		(185,107)	(163,347)
Interest paid		<u>(20,071)</u>	<u>(21,137)</u>
Net cash inflows from operating activities		<u>80,854</u>	<u>40,802</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal of investments		--	20,000
Cash received from dividend and interest		110	110
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		4	--
Other cash received relating to investing activities		--	--
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(426)	(1,918)
Cash paid to acquire investments		--	--
Cash paid relating to other investing activities		<u>--</u>	<u>--</u>
Net cash outflows (inflows) from investing activities		<u>(312)</u>	<u>18,192</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from borrowings		445,570	195,600
Other cash received relating to financing activities		1,259	248
Cash repayments of amounts borrowed		(477,424)	(221,653)
Cash paid relating to other financing activities		<u>(403)</u>	<u>(302)</u>
Net cash outflows from financing activities		<u>(30,998)</u>	<u>(26,107)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			32,887
Cash and cash equivalents at the beginning of the period		161,424	175,499
Cash and cash equivalents at the end of the period	25	<u><u>210,968</u></u>	<u><u>208,386</u></u>

The notes on pages 5 to 29 form part of these financial statements.

DIRECTOR

DIRECTOR

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)

	Share <u>capital</u> RMB'000	Capital <u>reserve</u> RMB'000	Cumulative translation <u>reserve</u> RMB'000	General <u>reserve</u> RMB'000	Staff welfare <u>fund</u> RMB'000	Accumulated <u>profits</u> RMB'000	<u>Total</u> RMB'000
Balance at Dec 31, 2003	1,011,660	686,308	10,026	3,317	115,594	(819,602)	1,007,303
Profit/(Loss) for the period	_____	_____	_____	_____	_____	(28,042)	(28,042)
Balance at Jun 30, 2004	<u>1,011,660</u>	<u>686,308</u>	<u>10,026</u>	<u>3,317</u>	<u>115,594</u>	<u>(847,644)</u>	<u>979,261</u>
Balance at Dec 31, 2004	1,011,660	686,308	9,940	3,317	115,594	(934,804)	892,015
Profit/(Loss) for the period	_____	_____	_____	_____	_____	(6,150)	(6,150)
Others	_____	_____	_____	_____	_____	_____	_____
Balance at Jun 30, 2005	<u>1,011,660</u>	<u>686,308</u>	<u>9,940</u>	<u>3,317</u>	<u>115,594</u>	<u>(940,954)</u>	<u>885,865</u>

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

The Company declares dividends based on the lower of net profit after appropriation to reserves as reported in the financial statements prepared under the Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises in PRC and as reported in the financial statements prepared under IFRS. For six months to June 30, 2005, the directors have not declared any dividends to its shareholders.

The notes on pages 5 to 29 form part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1. GENERAL

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

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 complied 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 30 June 2004 and net profit for the year then ended are included in note 31 to the financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

Basis of consolidation

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

Goodwill

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Goodwill (continued)

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

Subsidiaries

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

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

Subsidiaries not consolidated

In the consolidated balance sheet the unconsolidated subsidiaries are recorded at cost and adjusted thereafter for post acquisition change in the Group's share of net assets of the subsidiaries. The consolidated income statement reflects the Group's share of the results of operations of the subsidiaries.

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

Associates

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

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

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

Contractual joint ventures

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

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

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

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 which are held for their investment potential, any rental income being negotiated at arm's length.

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

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Impairment of assets

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

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

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

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

Completed properties and properties under development

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

Inventories

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

Long-term investments

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

Short-term investments

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

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

3. recognized in the income statement.
PRINCIPAL ACCOUNTING POLICIES - (continued)

Revenue recognition

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

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

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

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

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

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

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

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

Retirement benefit costs

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

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

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

Deferred income tax

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Intangible assets

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

Foreign currency translation

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

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

Borrowing costs

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

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

Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

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 resaurant operation and provision of taxi services
Construction technical support	- construction, fitting out and equipment installation and maintenance
Others	- corporate financing, etc.

The Group's business is principally conducted in the People's Republic of China (PRC) with its turnover for the year ended June 30, 2005 identified by geographical segments as follows:

	<u>1/1-30/6/2005</u> RMB'000	<u>1/1-30/6/2004</u> RMB'000
PRC	164,899	381,704
Overseas	<u>332</u>	<u>325</u>
	<u><u>165,231</u></u>	<u><u>382,029</u></u>

Segment information about these businesses for the year ended June 30, 2005 is presented below:

	<u>Properties</u> RMB'000	<u>Retailing and trading</u> RMB'000	<u>Transportation and catering services</u> RMB'000	<u>Construction technical support</u> RMB'000	<u>Others</u> RMB'000	<u>Total</u> RMB'000
<u>1/1-30/6/2005</u>	<u>101,329</u>	<u>24,435</u>	<u>8,425</u>	<u>26,517</u>	<u>4,525</u>	<u>165,231</u>
<u>1/1-30/6/2004</u>	<u>175,134</u>	<u>158,546</u>	<u>6,904</u>	<u>36,904</u>	<u>4,541</u>	<u>382,029</u>

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

5. LOSS FROM OPERATIONS

	<u>1/1-30/6/2005</u>	<u>1/1-30/6/2004</u>
	RMB' 000	RMB'000

Loss from operations is stated after crediting and charging the following:

Crediting:

Interest income	1,991	2,576
Rental income	21,034	29,111
Exchange gain	3	40
Gain on disposal of fixed assets	5	--

Charging:

Depreciation	6,201	8,868
Amortization	336	2,407
Staff costs	33,143	42,259
Exchange loss	43	153

6. FINANCE COSTS

	<u>1/1-30/6/2005</u>	<u>1/1-30/6/2004</u>
	RMB' 000	RMB'000
Interest expenses		
- bank borrowings	<u>20,449</u>	<u>20,728</u>

7. TAXATION

	<u>1/1-30/6/2005</u>	<u>1/1-30/6/2004</u>
	RMB' 000	RMB'000
The charge comprises:		
PRC income tax for the year	<u>364</u>	<u>258</u>

Domestic income tax is calculated in accordance with applicable income tax regulations and at 15% (2004: 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:

	<u>2004</u>	<u>2003</u>
	RMB' 000	RMB'000
PRC enterprises income tax		
- enterprises in Shenzhen	15%	15%
- enterprises outside Shenzhen	33%	33%
Hong Kong profits tax	17.5%	17.5%
United States corporation income tax	15-59%	15-59%

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

8. EARNINGS PER SHARE

(a) The calculation of basic earnings per share is based on the consolidated loss of RMB6,148,886.87 (2004: loss of RMB28,042,000) and on the 1,011,660,000 shares (2004: 1,011,660,000 shares) in issue during the year.

(b) During the year ended 30 June 2005 and 2004, there were no dilutive potential shares. Fully diluted earnings per share are not disclosed.

9. FIXED ASSETS

	Land and <u>buildings</u>	Plant and <u>machinery</u>	Motor <u>Vehicles</u>	Office equipment <u>and others</u>	Construction <u>in progress</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At January 1, 2005	67,392	31,402	32,280	57,682	38,951	227,707
Additions	--	87	216	317	--	620
Disposal	<u>--</u>	<u>(37)</u>	<u>(125)</u>	<u>(2)</u>	<u>--</u>	<u>(164)</u>
At June 30, 2005	<u>67,392</u>	<u>31,452</u>	<u>32,371</u>	<u>57,997</u>	<u>38,951</u>	<u>228,163</u>
DEPRECIATION						
At January 1, 2005	26,160	7,622	26,615	22,547	--	82,944
Charge for the year	1,647	129	546	382	--	2,704
Disposal	<u>--</u>	<u>(29)</u>	<u>(124)</u>	<u>--</u>	<u>--</u>	<u>(153)</u>
At June 30, 2005	<u>27,807</u>	<u>7,722</u>	<u>27,037</u>	<u>22,929</u>	<u>--</u>	<u>85,495</u>
PROVISION FOR DIMINUTION IN VALUE						
At January 1, 2005	1,269	68	48	16	--	1,401
At June 30, 2005	1,269	68	48	16	--	1,401
NET BOOK VALUE						
At June 30, 2005	<u>38,316</u>	<u>23,662</u>	<u>5,286</u>	<u>35,052</u>	<u>38,951</u>	<u>141,267</u>
At January 1, 2005	<u>39,963</u>	<u>23,712</u>	<u>5,617</u>	<u>35,119</u>	<u>38,951</u>	<u>143,362</u>

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

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10. INVESTMENT PROPERTIES

	<u>30/06/2005</u> RMB' 000	<u>31/12/2004</u> RMB'000
Net book amount at beginning of year	686,957	628,861
Disposal of properties	(10,504)	(2,055)
Reclassified from inventories	<u>--</u>	<u>60,151</u>
Net book amount at end of year	<u>676,453</u>	<u>686,957</u>

The investment properties have been revalued as at 30 June 2005 by the directors, and certain investment properties have been pledged as security for the group's bank borrowings (see note 26).

11. SUBSIDIARIES

At June 30, 2005, the Company had interests in the following principal subsidiaries, which were grouped in the consolidated financial statements:

<u>Subsidiaries</u>	<u>Place of equity establishment/incorporation</u>	<u>Principal activities</u>	<u>Interest held</u>	
			<u>Direct</u> %	<u>Indirect</u> %
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

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11. SUBSIDIARIES – (continued)

<u>Subsidiaries</u>	<u>Place of equity establishment/incorporation</u>	<u>Principal activities</u>	<u>Interest held</u>	
			<u>Direct</u> %	<u>Indirect</u> %
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
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

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11. SUBSIDIARIES (continued)

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

	<u>30/06/2005</u> RMB' 000	<u>31/12/2004</u> RMB'000
Unlisted Investments, at cost	395,266	395,266
Share of post-acquisition losses	<u>(122,061)</u>	<u>(122,061)</u>
	273,205	273,205
Less: Provision for impairment losses	<u>(186,498)</u>	<u>(186,498)</u>
	86,707	86,707
Add: Amounts (due to) non-consolidated subsidiaries	<u>(24,538)</u>	<u>(32,764)</u>
	<u><u>62,169</u></u>	<u><u>53,943</u></u>

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

<u>Subsidiaries</u>	<u>Place of establishment/ incorporation</u>	<u>Principal activities</u>	<u>Interest held</u>	
			<u>Direct</u> %	<u>Indirect</u> %
Shenzhen City SPG Bao An Development Ltd.	PRC	Property development and sales	95	5
Shenzhen Shenfeng Department Store Co. Ltd.	PRC	Commercial goods supplier	95	5
Shenzhen Shenfeng 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

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11. SUBSIDIARIES (continued)

<u>Subsidiaries</u>	<u>Place of equity establishment/ incorporation</u>	<u>Principal activities</u>	<u>Interest held</u>	
			<u>Direct</u> %	<u>Indirect</u> %
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
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	--

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12. ASSOCIATES

	<u>30/06/2005</u> RMB'000	<u>31/12/2004</u> RMB'000
Unlisted investments, at cost	58,347	58,347
Share of post-acquisition losses	<u>(8,786)</u>	<u>(8,786)</u>
	49,561	49,561
Less: Provision for impairment losses	<u>(23,483)</u>	<u>(23,483)</u>
	26,078	26,078
Add: Amounts (due to)/ due from associated companies	<u>(644)</u>	<u>3,969</u>
	<u>25,434</u>	<u>30,047</u>

At June 30, 2005, the Company had interests in the following principal associated companies:

<u>Associated companies</u>	<u>Place of Establishment/ incorporation</u>	<u>Principal activities</u>	<u>Equity interest held</u>	
			<u>Direct</u> %	<u>Indirect</u> %
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	--

13. CONTRACTUAL JOINT VENTURES

	<u>30/06/2005</u> RMB' 000	<u>31/12/2004</u> RMB'000
Unlisted Investments, at cost	303,649	303,649
Share of post-acquisition profits	<u>(25,606)</u>	<u>(25,606)</u>
	278,043	278,043
Less: Provision for impairment losses	<u>(138,273)</u>	<u>(138,273)</u>
	139,770	139,770
Add: Amount (due to)/due from contractual joint ventures	<u>(8,546)</u>	<u>3,403</u>
	<u>131,224</u>	<u>143,173</u>

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13. CONTRACTUAL JOINT VENTURES (continued)

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

<u>Contractual Joint venture</u>		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.
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.

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14. LONG TERM INVESTMENTS

	<u>30/06/2005</u> RMB' 000	<u>31/12/2004</u> RMB'000
PRC legal entity shares, at cost	--	16,825
Unlisted equity investments, at cost less provision for diminution in value	<u>9,958</u>	<u>10,657</u>
	<u>9,958</u>	<u>27,482</u>

15. INTANGIBLE ASSETS

	Computer <u>software</u> RMB' 000	<u>Total</u> RMB' 000
At January 1, 2005	68	68
Amortization for the year	<u>(16)</u>	<u>(16)</u>
At June 30, 2005	<u>52</u>	<u>52</u>

16. LAND HELD FOR DEVELOPMENT

	RMB' 000
Cost	
At January 1, 2005	64,273
Addition	
Amortization	
At June 30, 2005	<u>64,273</u>
Provision for impairment	
At January 1, 2005	4,170
At June 30, 2005	4,170
Net book value	
At June 30, 2005	<u>60,103</u>
At January 1, 2005	<u>60,103</u>

17. PROPERTIES UNDER DEVELOPMENT FOR SALE

	<u>30/06/2005</u> RMB' 000	<u>31/12/2004</u> RMB'000
Cost	1,086,683	1,031,725
Less: Provision for impairment losses	<u>(426,616)</u>	<u>(426,615)</u>
	<u>660,067</u>	<u>605,110</u>

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.

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18.	COMPLETED PROPERTIES FOR SALE	<u>30/06/2005</u> RMB' 000	<u>31/12/2004</u> RMB'000
	Cost	163,315	182,675
	Less: Provision for impairment losses	<u>(10,045)</u>	<u>(10,742)</u>
		<u>153,270</u>	<u>171,933</u>
19.	INVENTORIES	<u>30/06/2005</u> RMB' 000	<u>31/12/2004</u> RMB'000
	Raw materials	3,678	4,682
	Work-in-progress	21,084	12,052
	Finished goods	5,815	5,956
	Less: Provision for impairment losses	(240)	(258)
	Consumables	<u>--</u>	<u>8</u>
		<u>30,337</u>	<u>22,440</u>
20.	SHORT-TERM INVESTMENTS	<u>30/06/2005</u> RMB' 000	<u>31/12/2004</u> RMB'000
	Listed equity investments, at market value	2,674	3,057
	Debentures, at market value	<u>3</u>	<u>3</u>
		<u>2,677</u>	<u>3,060</u>
21.	TAX PAYABLE	<u>30/06/2005</u> RMB' 000	<u>31/12/2004</u> RMB'000
	Corporation tax	573	(1,996)
	Personal income tax	104	137
	Business tax	2,203	4,162
	Value added tax	(2,587)	(1,578)
	Property tax	723	1,898
	Others	<u>191</u>	<u>129</u>
		<u>1,207</u>	<u>2,752</u>

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22. NON-CURRENT LIABILITIES

	<u>30/06/2005</u> RMB' 000	<u>31/12/2004</u> RMB'000
Bank loans (note 23)	160,000	167,000
Other liabilities	<u>20,283</u>	<u>19,240</u>
	<u>180,283</u>	<u>186,240</u>

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

23. BORROWINGS

	<u>30/06/2005</u> RMB' 000	<u>31/12/2004</u> RMB'000
Bank loans		
Secured	486,889	516,988
Guaranteed	119,273	126,000
Credit	<u>40,000</u>	<u>50,000</u>
	<u>646,162</u>	<u>692,988</u>
Bank loans repayable:		
Within one year or on demand	486,162	525,988
In the second year	50,000	57,000
In the third to fifth years, inclusive	<u>110,000</u>	<u>110,000</u>
	<u>646,162</u>	<u>692,988</u>
Portion classified as current liabilities	486,162	525,988
Long term portion	<u>160,000</u>	<u>167,000</u>
	<u>646,162</u>	<u>692,988</u>

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

24. SHARE CAPITAL

	<u>30/06/2005</u> RMB' 000	<u>31/12/2004</u> RMB'000
Registered, issued and paid-in 891,660,000 A shares	891,660	891,660
120,000,000 B shares	<u>120,000</u>	<u>120,000</u>
	<u>1,011,660</u>	<u>1,011,660</u>

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

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25. INCREASE IN CASH AND CASH EQUIVALENT

	<u>1/1-30/06/2005</u> RMB' 000	<u>1/1- 30/6/2004</u> RMB'000
Cash and bank balances	247,165	250,563
Less: deposits secured over 3 months	(36,197)	(42,177)
	<u>210,968</u>	<u>208,386</u>
Effect of foreign exchange rate changes	--	--
Restated cash and cash equivalents	<u>210,968</u>	<u>208,386</u>

26. PLEDGE OF ASSETS

At June, 30 2005, 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 loans to the extent of RMB516,988,290 granted to the Group.

27. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

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

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

Shenzhen City Wing Wah Engineering Ltd.

	<u>1/1-30/6/2005</u> RMB' 000	<u>1/1-30/6/2004</u> RMB'000
Construction and development expenses	<u>509</u>	<u>578</u>

The expenses were made based on the market price.

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

	<u>30/06/2005</u> RMB' 000	<u>31/12/2004</u> RMB'000
Shenzhen Construction Investment Holding Corporation	<u>(188,671)</u>	<u>(188,671)</u>

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

	<u>30/06/2005</u> RMB' 000	<u>31/12/2004</u> RMB'000
Accounts payable and accrued expenses	(49,907)	(49,907)
Dividends payable	(138,764)	(138,764)
	<u>(188,671)</u>	<u>(188,671)</u>

Both these balances are unsecured and non-interest bearing.

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28. CONTINGENT LIABILITIES

	<u>30/06/2005</u>	<u>31/12/2004</u>
	<u>RMB' 000</u>	<u>RMB'000</u>
Guarantee given for banking and credit facilities granted to:		
- contractual joint ventures	34,140	2,000
- third parties	<u>110,942</u>	<u>120,942</u>
	<u>145,082</u>	<u>122,942</u>

29. LITIGATION AND ARBITRATION

- 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. Parts of the outstanding purchase consideration have been received during year 2004. Up to June 31, 2005, for prudence purposes, the Company has not recognize any income on the above transaction.
- 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:

29. 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.

Up to June 30, 2005, parts of the debts have been received and the rest will be required in the future.

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. Up to June 30, 2005, RMB40,162,363.49 was included in contractual joint ventures and a provision of RMB21,823,177 has been made.

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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 been in operation till now. On August 16, 2004, Songshan Company took a 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 June 30, 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. The case is still in the progress of execute. Up to June 30, 2004, RMB192,871,055.06 was included in non-consolidated subsidiaries and a provision of RMB178,565,570.16 has been made.

30. MATERIAL EVENTS

1. On June 18, 2004, the company signed ‘the contract for the transfer of interest’ with the former Shenzhen Commerce Investment Co., Ltd. According to the contract, the company and Hongkong Fresh Peak Enterprise Ltd. transfer the investments and all receivables and payables of both company shown on the balance sheet of Bamboo Garden Enterprise Ltd to the Shenzhen commerce investment Co., Ltd, the total amount of transfer is RMB800 million. The standard transferring date was 31 March, 2004. Till now the company has received the first RMB20 million and accounted it as accounts payable and accrued expenses. Accordingly the right of administrating Bamboo Garden Enterprise Ltd has been transferred to Shenzhen Commerce Investment Co., Ltd, which was later merged into Shenzhen Investment Holding Corporation, the majority shareholder controller of the Company, (see note 1). And the contract is still in the process of executing.

On June 18, 2004, the company signed an agreement with Shenzhen Investment Holding Corporation and Hongkong Fresh Peak Enterprise Ltd. According to the agreement, the receivable of RMB 60 million from Shenzhen Investment Holding Corporation will counteract the dividends payable to it.

Up to 30 June, 2005, the company has an investment on Bamboo Garden Enterprise Ltd of RMB81,126,830.34, of which the provision for diminution in value is RMB18,892,047.99, a construction in progress of RMB38,950,783.15, accrued expenses of RMB1,759,500.00, and amounts due from it and due to it of RMB11,110,940.70 and RMB30,618,421.30 separately. The total ownership interest of Bamboo Garden Enterprise Ltd is RMB79, 918,584.90.

2. On 25 May, 2005, the company resigned a sales agreement of house property with Shenzhen Investment Holding Corporation to sell parts of the Yitai Building which is the completed property for sale of the company. And this is a related party transaction. According to the agreement, the company (party B) sold to Shenzhen Investment Holding Corporation (party A) an area of 11,931.54 m² in the first to the fifth floor of the podium building of Yitai Building, of which the unite price was RMB8,822.1772/ m², and an area of 2,812.05 m² of 48 houses in the ninth to eleventh floor the B building of Yitai Building, of which the unite price was RMB4,800/ m². And the total price was RMB118.76 million. Basis of payment: party A counteracted the price of house property with the amount due from party B of RMB118.76 million which was the dividend payable. And then party A has the house property and abnegate the creditor's rights on party B. The two parties will sign the 'sales contract of Shenzhen house property' within 90 days after the agreement was signed. After the contract was signed, party A will give party B a receipt of the debts and party B will give party A an invoice of selling the houses at the total price and a pay off house price certificate.

Up to 30 June, 2005, the cost of the area of 11,931.54 m² in the first to the fifth floor of the podium building of Yitai Building is RMB111.096 million and a provision for diminution in value of RMB29.527 million has been made. And the cost of the area of 2,812.05 m² of 48 houses in the ninth to eleventh floor the B building of Yitai Building is RMB26.183 million and a provision for diminution in value of RMB15.209 million has been made.

Although there is no cash paid or received in this transact and no profit will be gained, the company's net assets will increase by RMB20 million and the decrease of liabilities and completed properties for sale will also result in a financial betterment.

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

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

	<u>Net loss for the period</u>	<u>Net assets</u>
	RMB'000	RMB'000
As reported in the consolidated financial statements prepared in accordance with Accounting Standards for Enterprise Business in the PRC	(15,778)	986,291
Reversal of depreciation charges in respect of investment properties	10,011	104,527
Adjustment for market value of short-term investments	(383)	973
Expenses accrued in previous year	--	521
Difference in recognition of cost of fixed assets	--	(202,148)
Goodwill arising from acquisition of subsidiaries	--	(4,299)
Others	<u>--</u>	<u>--</u>
As reported in the consolidated financial statements prepared in accordance with IFRS	<u>(6,150)</u>	<u>885,865</u>

32. COMPARATIVE FIGURES

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