SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.
SUMMARY OF ANNUAL REPORT 2005

§1. Important Notes

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

1.2 Independent director Mr. Jiang Changlong and independent director Kong Yuquan were absent form the Board meeting due to business trip, but they examined the relevant information before the meeting, and they entrusted Independent Director Zhang Jianjun to vote on his behalf respectively with the aye on all proposals involved. Director Mr. Guo Yuanxian was absent from the Board meeting duet to some reason and did not entrust other director to vote.

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

1.4 Chairman of the Board of the Company Tian Chenggang, Person in Charge of Accounting Work Mr. Zha Shengming and Manager of Financial Department Zhang Wei hereby confirm that the Financial Report enclosed in the Annual Report is true and complete.

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

§2. Company Profile

2.1 Basic information

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

2.2 Contact person and method

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

Fax	(86) 755-82210610	(86) 755-82212043
E-mail	0011@szwuye.com.cn	0011@szwuye.com.cn

§3. Summary of Accounting Data and Financial Indexes

3.1 Major accounting data

Unit: RMB

	2005	**2004**	**Increase/decrease over the last year （%）**	**2003**
Income from main operations	963,481,024.09	1,326,289,977.75	-27.36	1,079,474,318.91
Total profit	98,970,133.62	126,160,243.54	-21.55	121,676,376.73
Net profit	82,902,699.63	90,449,977.35	-8.34	77,001,831.44
Net profit after deducting non-recurring gains and losses	56,104,024.05	86,865,043.72	-35.41	124,021,158.47
Net cash flow arising from operating activities	220,842,222.05	261,714,529.31	-15.62	187,629,855.85
	At the end of 2005	**At the end of 2004**	**Increase/decrease from the end of previous year （%）**	**At the end of 2003**
Total assets	1,792,535,811.46	2,302,935,990.54	-22.16	2,437,227,899.69
Shareholder’s equity (excluding minority interests)	650,258,392.78	567,128,809.36	14.66	474,222,712.97

3.2 Major financial indexes

Unit: RMB

	2005	**2004**	**Increase/decrease over the last year （%）**	**2003**
Earnings per share	0.153	0.167	-8.38	0.142
Return on equity	12.75%	15.95%	a decrease of 3.20%	16.24%
Return on equity calculated based on net profit after deducting non-recurring gains and losses	8.63%	15.32%	a decrease of 6.69%	26.15%
Net cash flow per share arising from operating activities	0.408	0.483	-15.53	0.346
	At the end of 2005	**At the end of 2004**	**Increase or decrease from the end of previous year （%）**	**At the end of 2003**
Net assets per share	1.200	1.047	14.61	0.875
Net assets per share after adjustment	0.965	0.789	22.31	0.513

Items of non-recurring gains and losses

√Applicable ☐Inapplicable

Items of non-recurring gains and losses	**Amount**
1. Gains/losses from disposal of long-term equity investment, fixed assets, project in construction, intangible assets and other long-term assets	7,569,770.61

2. Gains/losses from short-term investment	-8,989,470.13
3. Various non-operating income after deducting daily reserve for impairment of assets in line with the regulations of Accounting System for Business Enterprise	1,653,326.05
4. Various non-operating expenses after deducting daily reserve for impairment of assets in line with the regulations of Accounting System for Business Enterprise	-3,402,213.70
5. Switching back various reserve for devaluation allotted over the previous years	28,788,501.24
Impact on income tax	1,178,761.51
Total	26,798,675.58

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

√Applicable ☐Inapplicable

Adjustment statement on differences of financial statement Unit: RMB

Items	**Net profit as of year 2005**	**Net assets as at Dec. 31, 2005**
As calculated in accordance with CAS	82,903	650,258
Switching back into fixed assets from amortization amount		-6,368
Adjustment of expenses amortization	-1,165	-1,316
Other	-2,207	-14,578
As calculated in accordance with IAS	79,531	627,996

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in shares

Year 2005 Unit: share

	Before the change (number and proportion)	Increase/decrease in this time (+, -)					After the change (number and proportion)
		Issuance of new shares	Bonus shares	Capitalization of public reserve	Others	Subtotal	
I. Unlisted shares							
1. Sponsors' shares							
Including:							
Shares held by the State	323,747,713 (59.75%)						323,747,713 (59.75%)
Shares held by domestic legal person	65,200,850 (12.03%)						65,200,850 (12.03%)
Shares held by foreign legal person							
2. Raised corporate shares							
3. Inner employees' shares							
4. Preference shares or others							
Total unlisted shares	388,948,563 (71.78%)						388,948,563 (71.78%)
II. Listed shares							
1. RMB ordinary shares	91,355,000 (16.86%)						91,355,000 (16.86%)
2. Domestically listed foreign shares	61,459,312 (11.34%)						61,459,312 (11.34%)

3. Overseas listed foreign shares							
4. Frozen shares held by senior executives	36,300 (0.0067%)						36,300 (0.0067%)
Total listed shares	152,850,612 (28.21%)						152,850,612 (28.21%)
III. Total shares	541,799,175						541,799,175

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

Total number of shareholders	By the end of the report period, the Company has 38,805 shareholders in total, including 30,834 ones of A-share, 7,971 ones of B-share.				
Particulars about shares held by the top ten shareholders					
Full name of Shareholder	**Type of shareholders**	**Proportion (%)**	**Total number of shares held**	**Number of non-circulation shares held**	**Share pledged or frozen**
SHENZHEN CONSTRUCTION INVESTMENT HOLDINGS	State-owned share	59.75	323747713	323747713	0
SHENZHEN INVESTMENT HOLDING CORPORATION	Directional corporate shares	10.45	56628000	56628000	0
LABOR UNION OF SHENZHEN INTERNATIONAL TRADE PROPERTY MANAGERMENT COMPANY	Directional corporate shares	0.46	2516800	2516800	0
SHENZHEN SPECIAL ZONE DUTY-FREE COMMODITY CO.	Directional corporate shares	0.29	1573000	1573000	0
SHANGHAI ZHAODA INVESTMENT CONSULTANT CO., LTD.	Directional corporate shares	0.19	1010000	1010000	0
YOU XIAN HUI	Circulation A-share	0.17	930000	0	Unknown
DU NIAN	Circulation A-share	0.15	802663	0	Unknown
CHINA EAGLE SECURITIES CO., LTD.	Directional corporate shares	0.15	786500	786500	786500 shares were frozen judicially
SHANGHAI KUNLING INDUSTRY & TRADE CO., LTD.	Directional corporate shares	0.12	629200	629200	0
GUOTAIJUNAN SECURIES HONGKONG LIMITED	B-share	0.10	539803	0	Unknown
Explanation on associated relationship among the above shareholders or consistent action	There exists no associated relationship or consistent action among the top three shareholders. For other shareholders, the Company was unknown whether there exists associated relationship or consistent action.				

Particulars about shares held by the top ten shareholders of circulation share		
Name of shareholders	**Numbers of circulation share held**	**Type of share**
YOU XIAN HUI	930000	A
DU NIAN	802663	A
GUOTAIJUNAN SECURIES HONGKONG LIMITED	539803	B
ZENG YING	536900	B
CHENG BIN	536000	A

SHAO XIANG WEN	534380	A
WAN TAO	531700	A
CHEN WEN JIAN	506899	A
ZHENG GUI LIANG	497200	A
CHEN SHEN YING	486201	A
Explanation on associated relationship among the above shareholders of circulation share or consistent action	The Company did not know whether there exists associated relationship among the top ten shareholders of circulating share and the top ten shareholders or not.	

4.3 Particulars about controlling shareholders and actual controller of the Company

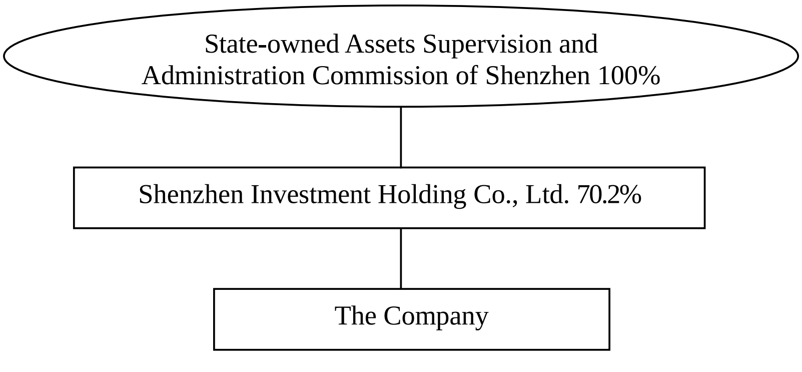
4.3.1 Particulars about change in controlling shareholders and actual controller of the Company

□Applicable √Inapplicable

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

At the end of report period, the controlling shareholder of the Company is still Shenzhen Construction Investment Holdings ("the holding company") in register book. In 2004, Shenzhen Municipal Government incorporated Shenzhen Construction Investment Holdings with the other two municipal companies, namely Shenzhen Investment Holding Corporation and Shenzhen Trade and Business Corporation, and established Shenzhen Investment Holding Co., Ltd.. Thus, the Company's actual controlling shareholder is Shenzhen Investment Holding Co., Ltd., a sole state-funded limited company, who was established in Oct. 13, 2004; its legal representative is Mr. Chen Hongbo and the registered capital is RMB 4 billion. Main business scope: providing guarantee to municipal state-owned enterprises, management of state-owned equity, assets reorganization of enterprises, reformation and assets operation, and equity investment and etc.. As a government department, State-owned Assets Supervision and Administration Commission of Shenzhen implemented management for Shenzhen Investment Holding Co., Ltd. on behalf of Shenzhen municipal government. Thus, the final controller of the Company is State-owned Assets Supervision and Administration Commission of Shenzhen with locating at Investment Bldg., Shen Nan Av., Futian District, Shenzhen and postcode of "518026".

4.3.3 Property right and controlling relationship between the actual controller of the Company and the Company is as follows:



§5. Particulars About Directors, Supervisors and Senior Executives

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

Name	Title	Sex	Age	Office term	Change of shares held in the report period	Total payment drawn from the Company in the report period (RMB'0000)	Drawing payment from the shareholding companies or other related parties or not (Yes / No)
Tian Chenggang	Chairman of the Board	Male	52	Jun. 2004-Jun. 2007	0 share (unchanged)	63.84	No
Guo Yuanxian	Director	Male	52	Jun. 2004-Jun. 2007	Ditto	-	Yes
Wang Huimin	Director	Female	39	Jun. 2004-Jun. 2007	Ditto	-	Yes
Li Zhen	Director	Male	43	Jun. 2004-Jun. 2007	Ditto	-	Yes
Zha Shengming	Director, Deputy General Manager	Male	58	Jun. 2004-Jun. 2007	18150 shares (unchanged)	49.07	No
Yang Shuncheng	Director, Deputy General Manager	Male	58	Jun. 2004-Jun. 2007	0 share (unchanged)	48.95	No
Zhang Jianjun	Independent Director	Male	42	Jun. 2004-Jun. 2007	Ditto	Note 1	No
Jiang Changlong	Independent Director	Male	41	Jun. 2004-Jun. 2007	Ditto	Note 1	No
Kong Yuquan	Independent Director	Male	41	Jun. 2004-Jun. 2007	Ditto	Note 1	No
Cao Ziyang	Chairman of the Supervisory Committee	Male	55	Jun. 2004-Jun. 2007	Ditto	63.84	No
Tong Qinghuo	Supervisor, Manager of Human Resource	Male	43	Jun. 2004-Jun. 2007	Ditto	37.22	No
Liu Jiake	Supervisor, Deputy Director of the Discipline Inspection Office	Male	57	Jun. 2004-Jun. 2007	Ditto	33.17	No
Jin Chenggui	Supervisor, Deputy Manager of Auditing Department	Male	58	Jun. 2004-Jun. 2007	Ditto	27.77	No
Ma Deqin	Supervisor, Leader of Labor Union	Female	52	Jun. 2004-Jun. 2007	Ditto	37.45	No
Luo Rurong	General Manager	Male	49	Apr. 2005-	Ditto	-	Yes
Wei Yuxin	Chief Financial Officer	Female	46	Apr. 2005-	Ditto	-	Yes
Luo Junde	Deputy General Manager	Male	56	Jan. 2003-Jun. 2004	Ditto	48.89	No
Liu Yinhua	Chief Engineer	Male	46	Mar. 2003-Jun. 2004	Ditto	49.49	No
Guo Yemei	Secretary of the Board, Director of the Board of Directors Office	Female	46	Jun. 2004-Jun. 2007	Ditto	37.37	No
Note 1: To draw allowance of independent director of RMB30,000.							

§ 6. Report of the Board of Directors

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

By the end of report period, the Company realized income form main operations amounting to RMB 963,481,024.09, down 27% compared with RMB 1,326,289,977.75 realized in the same period of the last year, which was due to the decrease of sale areas of real estate projects, so that sale income has decreased; the Company realized profit from main operations amounting to RMB 288,641,976.60, a decrease of 32% compared with RMB 423,765,125.70 realized in the same period of the last year, which was because sale income of real estate projects reached the condition of settlement and transferred has decreased over the same period of last year; the Company realized net profit amounting to RMB 82,902,699.63, a drop of 8% compared with RMB 90,449,977.35 realized in the same period of the last year, which was due to decrease of operating profit.

In 2005, the real estate market in home appeared the quick development tendency continually, the Company grasped the opportunity in time, strengthened sales work of products, so as to obtain good outstanding sales achievement from all real estate projects and take back capital effectively. Of which, project of Junfeng Lishe was sold out before the end of 2005, and all funds from building sales has been entered in an account, which established the solid base for the Group realized the whole operation target in 2005 and alleviated the partial capital pressure. The actual sales rate of the project of “Huangyuyuan B” reached over 90% and the relevant funds were entered in an account timely, and the volume of other buildings was less, and the Company estimated that the rest buildings will sell out in the first quarter of 2006. The prophase development work of the project of “land A and B of Huangyuyuan C” was making good progress; the project of “Fenghe Rili B” has started formally before the end of 2005.

In the report period, the State set up a series of macro-control measures on the real estate market. In the long run, these measures will be in favor of the stabilization and maintenance of market, and help the development of real estate industry in path of the health. Along with rapid urbanization process and economic development, the domestic real estate market will have a wide development space. As a listed company engaging in the real estate development as main operations for many years, the Company insisted on operating with honesty and standardization, held plenty of development experience and professional and bridle-wise management group, and took the certain influence force and reputation. The Company is also faced with new challenge along with the furious market competition, thus, the further expansion of enterprise’s comprehensive strength and the cultivation of enterprise’s development aftereffect are problems that the Company needs to solve urgently.

6.2 Statement of main operations classified according to industry or product

Unit: RMB’000

Industries	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations compared with the previous year (%)	Increase/decrease in cost of main operations compared with the previous year (%)	Increase/decrease in gross profit ratio compared with the previous year (%)
Real estate development	751338	464730	38.15	-32.45	-29.33	-6.68
Property management	136472	118219	13.37	-0.76	6.97	-31.89

management and lease						
Commercial retail	27378	26258	4.09	-20.17	-18.19	-36.19
Taxi passenger transport	37522	9690	74.18	11.99	7.77	1.38
Tourism and food	13674	6687	51.10	5.37	5.56	-0.16

6.3 Particulars about main operations classified according to areas

Unit: RMB'000

Areas	Income from main operations	Increase/decrease in income from main operations over the last year (%)
Shenzhen	928787	-10.76
East China	24045	-91.27
Hainan	10649	6.31

6.4 Application of the raised proceeds

☐Applicable √Inapplicable

6.5 Application of the non-raised proceeds

√Applicable ☐Inapplicable

Unit: RMB'000

Name of project	**Amount of investment**	**Progress of project**	**Earning of project**	**Earnings rate of project**
Fuchang 2nd Phase	10000	Primary preparation	——	——
Fenghe Rili B	15500	Stake base about to complete	——	——
Land A, B of Huangyuyuan C	44380	Land A in basic construction stage; Land B in design and construction application stage	——	——
Total	69880	——	——	——

6.6 Explanation of the Board of Directors on the "Qualified Opinion" made by the Certified Public Accountants

√Applicable ☐Inapplicable

Wuhan Zhonghuan Certified Public Accountants had furnished an unqualified Auditors' Report with emphasized issues. Explanation on the Auditors' Report furnished by Wuhan Zhonghuan Certified Public Accountants is as follows:

As stated in Note (IX), 1, (1) of the Accounting Statements, the appeal for second instance on the real estate sales contracts signed with the 8 property owners, including Haiyi (Shenzhen) Industrial Co., Ltd, etc, submitted by the Company to Guangdong Senior People's Court had been rejected in 2003. The 8 properties owners including Haiyi (Shenzhen) Industrial Co., Ltd have not applied to Guangdong Senior People's

Court for compulsory execution after the appeal for second instance were rejected. The Company is handling the application for second instance to the Supreme Court right now. According to the assets book value, the loss estimated by the Company totaled RMB 41,772,906.07.

As stated in Note (IX), 1, (2) of the Accounting Statements, in July 2001, Guangdong Senior People's Court ruled that Shenzhen Jiyong Properties Development Company should pay the Company a transfer fund amounting to RMB 143,860,000. In November of the same year, the Company appealed to Guangdong Senior People's Court (hereinafter referred to as the Court) for compulsory execution, and the Court sealed up that company's housing properties of approximately 28,000 square meters. Since the Zhejiang Branch of the Industrial and Commercial Bank of China objected the sealing of the properties, the Court finally ruled that the Company end the sealing about 10,000 square meters of Shenzhen Jiyong Properties Development Company's properties. The Company had filed objection to the Court. In September 2005, the Court sent Shenzhen State land and housing properties registration sections the rule on the end of the seal, and the seal of the above-mentioned properties about 10,000square meters formally ended.

As stated in Note (IX), 1, (3) of the Accounting Statements, (2002) YGFMYZZ No. 90 Judgment issued by the Court ruled that the Company refund the construction fund totaling RMB 10.8 million and relevant bank interests to the Shenzhen Business Office of Hubei Foreign Trade and Economic Cooperation Bureau. The Company did not agree with the judgment and filed an appeal to the Supreme Court for second instance. In August 2005, the Supreme Court ruled that the Court give the case second instance, and that the original judgment be suspended during the second instance. According to the (2002) YGFMYZZ No. 90 Judgment issued by the Court, the relevant loss estimated by the Company totaled RMB 9,655,160.25.

The Company has made reasonable estimation on the losses arising during the aforesaid cases, and the contents in the section would not influence the Auditors' opinions given by Wuhan Zhonghuan Certified Public Accountants.

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

√Applicable ☐Inapplicable

The retained profit at the beginning of the year 2005 totaled RMB -436,909,934.66. Offset with the capital reserve of RMB 374,278,076.18 left over at the end of 2004 (approved by the 2004 Shareholders' General Meeting held on Jun. 28, 2005), the retained profit totaled RMB -62,631,858.48.

1. The net profit of 2005 totaling RMB 82,902,699.63 would be used to make up the loss of RMB 62,631,858.48 previously made;
2. 10% of net profit amounting to RMB 2,027,084.12 would be withdrawn as statutory surplus reserve according to the Articles of Association;
3. 5% of net profit amounting to RMB 1,013,542.06 would be withdrawn as statutory public welfare fund;
4. After the above arrangements, the balance of the retained profit at the end 2005 totaled RMB 17,230,214.97, which would be used for the normal operation of the Company.

This profit distribution preplan could only be carried out after being examined and approved by the 2005 Shareholders' General Meeting.

The Company did not appropriate share distribution preplan though the Company achieved the profit in the report period

√Applicable ☐Inapplicable

The reasons why the Company did not appropriate share distribution preplan though the Company achieved the profit in the report period	Usage and plan of undistributed profit
As audited by Wuhan Zhonghuan Certified Public Accountants Ltd, the 2005 net profit of the Company amounted to RMB 82,902,699.63. According to Article 4 in the Share Transfer Agreement signed by Shenzhen Construction Investment Co., Ltd, Shenzhen Investment Management Company and Zhuojian Investment Co., Ltd: The business profit made by Shen Wuye during the transition period would be used to make up the losses arising previously, and neither the assigners nor the assignee should demand Shen Wuye to issue bonus shares or grant dividends with the operating achievements made during the transition period according to the shareholders' equity.	The balance of the retained profit at the end 2005 totaled RMB 17,230,214.97, which would be used for the normal operation of the project Fenghe Rili.

§7. Significant Events

7.1 Purchase of assets

☐Applicable √Inapplicable

7.2 Sales of assets

☐Applicable √Inapplicable

7.3 Important guarantee

√Applicable ☐Inapplicable

Unit: RMB'000

External guarantees of the Company (excluding guarantees for shareholding subsidiaries)						
Name of companies guaranteed	**Date of occurrence (agreement signing day)**	**Guarantee amount**	**Guarantee type**	**Guarantee term**	**Accomplished or not**	**For related parties or not (yes or no)**
Jintian Company	June 2298	6000	Warrant	11 months	Yes	No
Jintian Company	October 1998	48000	Warrant	6 months	Yes	No
Jintian Company	December 1998	2600	Warrant	9 months	No	No
Total guarantee amount occurred in the report period				-33680		
Total guarantee balance at the end of the report period				2600		
Guarantees for shareholding subsidiaries by the Company						
Total guarantee amount occurred in the report period for shareholding subsidiaries				32000		
Total guarantee balance at the end of the report period for shareholding subsidiaries				81000		
Total guarantee amount of the Company (including guarantees for shareholding subsidiaries)						
Total guarantee amount				83600		

Proportion of the Company's net assets taken by the total guarantee amount	13 percent
Including:	
Guarantee amount for shareholders, the actual controller or its related parties	------
Guarantee amount for the debts of the guaranteed companies with an asset-liability ratio of over 70%, directly or indirectly	------
The amount by which the total guarantee amount exceeded 50% of the net assets	------
Total amount of the above three guarantees	------

7.4 Significant related transactions

7.4.1 Related transactions concerning routine operation

√Applicable ☐Inapplicable Unit: RMB'000

Related parties	Selling products and offering labor service to related parties		Purchasing products and accepting labor service	
	Amount	**Proportion taking up the amount of the same kind of transactions**	**Amount**	**Proportion taking up the amount of the same kind of transactions**
Shenzhen Jianye Construction Engineering Company	-----	-----	18740	8.14 percent
Shenzhen Yuezhong (Group) Co., Ltd	-----	-----	31260	13.57 percent
Total	-----	-----	50000	21.71 percent

An amount of RMB 0 that occurred during the related transactions of the Listed Company selling products or providing labor service to the controlling shareholder or its subsidiaries in the report period.

7.4.2 Related credits and liabilities current

√Applicable ☐Inapplicable

Unit: RMB'0000

Related Parties	Capital provided to related parties		Capital provided to the Listed Company by related parties	
	Amount occurred	**Balance**	**Amount occurred**	**Balance**
Shenzhen Guomao Tian'an Properties Co., Ltd	0	29706	----	----
Shenye Real Estate Development Co., Ltd	0	134517	----	----
Anhui Nanpeng Papermaking Co., Ltd	-402	11075	----	----
Shenzhen Construction Investment Holding Company	-6784	0	----	----
Shenzhen Guomao Industrial Development Co., Ltd	0	2432	----	----
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	0	1747	----	----
Shenzhen Construction Group Finance Company	----	----	-6800	13200
Shenzhen Property Jifa Storage Co., Ltd	----	----	-118	2146
Shenzhen International Trade Plaza	----	----	-39521	0

Property Development Co., Ltd				
Shenzhen Guomao Shopping Mall Co., Ltd	----	----	1458	4972
Shenzhen Yuezhong (Group) Co., Ltd	-51830	8405		
Shenzhen Jianye Construction Engineering Co., Ltd	-30883	1389		
Total	-89899	189271	-44981	20318

In the report period, the controlling shareholder Shenzhen Construction Investment Holding Company had refunded the Company RMB 6.78 million, and the balance at the end of the report period was RMB 0. Also in the report period, the subsidiary of the controlling shareholder, Shenzhen Yuezhong (Group) Co., Ltd and Shenzhen Jianye Construction Engineering Co., Ltd contracted the Company's construction projects, and the Company had paid them project fund of RMB 82.71 million, with the balance at the end of the report period being RMB 9.79 million.

7.4.3 Capital occupation and plan for clearing:

□Applicable √Inapplicable

7.5 Financing entrustment

□Applicable √Inapplicable

7.6 Implementation of commitments

√Applicable □Inapplicable

On Dec. 12, 2005, the Company officially launched its Share-Trading Reform. In the modified final Plan of Share-Trading Reform issued on Dec. 21, the main consideration executor and potential controlling shareholder of the Company Zhuojian Investment Co., Ltd promised: "Zhuojian Investment Co., Ltd would abide by the relevant laws, regulations and rules, and, besides fulfilling the legal responsibilities promised, it would also promised not to trade or transfer the non-circulating shares held within 36 months since the day those shares get the right to circulate. Should Zhuojian Investment Co., Ltd broke its promise by selling its shares, the capital obtained by it would be transferred to and owned by the Listed Company. It is also promised that within 3 years since the non-circulating shares are granted with the rights to circulate, Zhuojian Investment Co., Ltd would go through relevant procedures to make the proposal of issuing bonus shares and dividends at the annual Shareholders' General Meetings of Shen Wuye, with the bonus shares and dividends no lower than 30 percent of the net profit available for distribution, and give its vote of agreement to the proposal at the Shareholders' General Meetings. Zhuojian Investment Co., Ltd promised: all relevant expenses arising during Shen Wuye's Share-Trading Reform would be paid by Zhuojian Investment Co., Ltd.

The Shareholders' General Meeting held on Jan. 13, 2006 has approved Shen Wuye's Plan of Share-Trading Reform. By the disclosing day of this report, relevant procedures of Share-Trading Reform are still under way.

7.7 Significant lawsuits and arbitrations

√Applicable □Inapplicable

I. Progress of the significant lawsuits or arbitrations of previous years:
1. The "Haiyi Company" case disclosed in the Annual Reports during 2000 and 2004 made no new progress. The 8 properties owners including Haiyi (Shenzhen) Industrial Co., Ltd have not applied to Guangdong Senior People's Court for compulsory execution. The Company is preparing the application for second instance to the Supreme Court right now.
2. As to the "Jiyong Company" case disclosed in a provisional public notice on Apr. 12, 2001 and in the Annual Reports during 2000 and 2004, Shenzhen Intermediate People's Court had ruled that the Company's appeal for second instance be accepted and the case be given second instance in Aug. 2005. The court opened on Dec. 15, 2005 to hear the case, and the hearing is still under way.
3. As to the "Luohu Restaurant" bankruptcy case disclosed in a provisional public notice on Jul. 23, 2003 and in the Annual Reports during 2001 and 2004, after confirmed by the liquidation team and the court, the Company could recover a bankruptcy claim of RMB 25,888,863.08. At the end of January 2005, authorized by the Guangdong Senior People's Court, Guangzhou Railway Transportation Intermediate Court took the case of Hubei Foreign Trade and Economic Cooperation Bureau suing the Company. Guangzhou Railway Transportation Intermediate Court sent the judgment of sealing to the Luohu Restaurant liquidation team and sealed up the Company's credit claim of RMB 23,000,000 in from Luohu Restaurant, which was then transferred to the Guangzhou Railway Transportation Intermediate Court. The Company filed objection to the judgment right away. In the end, the Supreme Court issued the (2004) MEJZ No. 146-1 Civil Judgment, which ruled that the Court give the case second instance and the execution be suspended during the second instance. The rest of the Company's bankruptcy claim from Luohu Restaurant had been recovered.
4. As to the case of the Company being sued by Hubei Foreign Trade and Economic Cooperation Bureau disclosed in Annual Report 2004, the Company did not agree with the Court's judgment of refunding the construction fund totaling RMB 10.8 million and relevant bank interests to the Shenzhen Office of Hubei Foreign Trade and Economic Cooperation Bureau, and had filed an appeal to the Supreme Court for second instance. On Jan. 18, 2005, the Supreme Court gave the case a hearing. In August 2005, the Supreme Court issued the (2004) MEJZ No. 146-1 Civil Judgment and ruled that the Court give the case second instance and the execution be suspended during the second instance. The Court heard the case on Dec. 5, 2005.
II. Significant lawsuits of this year
In 2003, the Company signed a Real Estate Lease Contract with Shenzhen Shengfenglu Guomao Jewel & Gold Co., Ltd (hereinafter referred to as "Jewel & Gold Company"), and leased the business stores in Guomao Building (A 1st to 5th floor) originally run the Company to Jewel & Gold Company, which would also to use the premises for commodity sales. The lease term started on May 1, 2003 and would end on Apr. 30, 2013 (see Annual Report 2003 for details.). Since Jewel & Gold Company had not punctually paid its rents, management charges as well as power charges, the Company put an end to the Lease Contract with Jewel & Gold Company on Sep. 27, 2005 according to the Contract Law and the Lease Contract. In the mean time, the Company filed an appeal to the court for a judgment demanding

Jewel & Gold Company to compensate the Company's principal loss of RMB 34,357,599.6 ended Sep. 27, 2005. The Company also appealed for Lin Nuohua to take the joint responsibility of RMB 10,053,000 for Jewel & Gold Company's debts. The court has accepted the case.

§8. Report of the Supervisory Committee

Wuhan Zhonghuan Certified Public Accountants had furnished an unqualified Auditors' Report with emphasized issues. The Supervisory Committee had made careful consultation on the matters mentioned in the Auditors' Report. It believed that the explanation given by the Board and the Management team on the issues mentioned had conformed to the actual status of the Company, and that the relevant accounting measures taken had been in accordance with the financial accounting policies.

§9. Financial Report (attached)

9.1 Auditing opinions

Auditors' Report

ZHSZ (2006) No. 098

Shareholders of Shenzhen Properties & Resources Development (Group) Ltd.:

We, Wuhan Zhonghuan Certified Public Accountants Ltd, has audited the Balance Sheet and the Consolidated Balance Sheet ended Dec. 31, 2005, Profit Statement and the Consolidated Profit Statement of 2005, as well as the Cash Flow Statement and the Consolidated Cash Flow Statement of 2005 compiled by Shenzhen Properties & Resources (Group) Ltd (hereinafter referred to as "SPRG"). While it is SPRG's business to prepare these accounting statements, our responsibility is to conduct auditing work over these accounting statements and give our opinions on them.

We has planned and performed our auditing duties strictly in accordance with the Independent Auditing Standards of China, so as to reasonably make sure whether there are significant errors in the accounting statements or not. Our auditing work includes inspecting the evidences supporting the figures in the accounting statements and the disclosure of the accounting statements based upon sampling, commenting on the accounting policies taken and important accounting estimations by the management team while compiling the accounting statements, and commenting on the overall contents reflected by the accounting statements. We believe that our auditing work has provided us a reasonable base to express our opinions.

We believe that the above-mentioned accounting statements have been in conformity with the State Business Accounting Standards and the Business Accounting System issued, and that these statements have fairly and squarely reflected the financial status ended Dec. 31, 2005, as well as the business achievements and cash flows of 2005 of SPRG in all significant aspects.

Apart from those above, we hereby call for the attention of all users of these accounting statements to the following matters:

As stated in Note (IX), 1, (1) of the Accounting Statements of SPRG, the appeal for second instance on the real estate sales contracts signed with the 8 property owners, including Haiyi (Shenzhen) Industrial Co., Ltd, etc, submitted by SPRG to

Guangdong Senior People's Court had been rejected in 2003. SPRG is handling the application for second instance to the Supreme Court right now. According to the assets book value, the loss estimated by SPRG totaled RMB 41,772,906.07.

As stated in Note (IX), 1, (2) of the Accounting Statements, in July 2001, Guangdong Senior People's Court ruled that Shenzhen Jiyong Properties Development Company should pay SPRG a transfer fund amounting to RMB 143,860,000. In November of the same year, SPRG appealed to Guangdong Senior People's Court (hereinafter referred to as the Court) for compulsory execution, and the Court sealed up that company's housing properties of approximately 28,000 square meters. Since the Zhejiang Branch of the Industrial and Commercial Bank of China objected the sealing of the properties, the Court finally ruled that the Company end the sealing about 10,000 square meters of Shenzhen Jiyong Properties Development Company's properties. SPRG had filed objection to the Court. In September 2005, the Court sent Shenzhen State land and housing properties registration sections the rule on the end of the seal, and the seal of the above-mentioned properties about 10,000square meters formally ended.

As stated in Note (IX), 1, (3) of the Accounting Statements, (2002) YGFMYZZ No. 90 Judgment issued by the Court ruled that SPRG refund the construction fund totaling RMB 10.8 million and relevant bank interests to the Shenzhen Business Office of Hubei Foreign Trade and Economic Cooperation Bureau. SPRG did not agree with the judgment and filed an appeal to the Supreme Court for second instance. In August 2005, the Supreme Court ruled that the Court give the case second instance, and that the original judgment be suspended during the second instance. According to the (2002) YGFMYZZ No. 90 Judgment issued by the Court, the relevant loss estimated by SPRG totaled RMB 9,655,160.25.

SPRG has made reasonable estimation on the losses arising during the aforesaid cases, and the contents in the section would not influence the Auditors' opinions given by us.

Wuhan Zhonghuan Certified Public Accountants Ltd CPA:

China Wuhan CPA:

Mar. 9, 2006

9.2 Disclosure of Balance Sheet, Profit and Profit Distribution Statement as well as Cash Flow Statement of comparative consolidated and the parent company.

9.3 Whether there have been any changes in the accounting policies, accounting estimation or accounting methods compared with the latest Annual Report or not.

9.4 There aren't any significant accounting errors in the report period.

9.5 Should there be any changes in the consolidated scope compared with the latest Annual Report, give detailed explanations.

Change in consolidation scope:

Name	Consolidated last year or not	Consolidated this year or not	Reasons for the change	Date of change
Shenzhen Property Engineering Construction	No	Yes	End of system reform	2005

Supervision Co., Ltd				

Board of Directors of
Shenzhen Properties & Resources Development (Group) Ltd.
Mar. 11, 2006