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

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

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

CONTENTS

CONTENTS	PAGES
REPORT OF THE AUDITORS	1
CONSOLIDATED INCOME STATEMENT	2
CONSOLIDATED BALANCE SHEET	3
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONSOLIDATED CASH FLOW STATEMENT	5 - 6
NOTES TO THE FINANCIAL STATEMENTS	7 - 28

AUDITORS' REPORT TO THE SHAREHOLDERS OF

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

(Established in the People's Republic of China with limited liability)

We have audited the accompanying balance sheet of the Shenzhen Properties& Resources Development (Group) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as of December 31 2005, and the related consolidated statements of income, and cash flows for the year then ended.

Respective Responsibilities of Company's Management and Auditors

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of Audit Opinion

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

The evidence available to us was limited as we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the results and assets and liabilities of certain of the subsidiaries of the Company which were not consolidated in these consolidated financial statements as fully disclosed in Note 14 to the financial statements. This is not in accordance with International Accounting Standard No. 27 issued by the International Accounting Standards Board. There were no other satisfactory audit procedures that we could adopt to obtain adequate assurance regarding the results and assets and liabilities of these non-consolidated subsidiaries.

Furthermore, owing to insufficient information acquired, we were unable to satisfy ourselves as to certain adjustments for adoption of International Accounting Standards in the prior years. Those adjustments result the decrease of opening balances and closing balances of the Company's assets and net assets by RMB19, 828 (in thousand). The evidence available to us was limited as we were unable to carry out satisfactory auditing procedure to obtain adequate assurance regarding those opening balances and their impact to the financial statements.

Fundamental uncertainty relating to the outcome of certain litigations

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the possible outcome of certain litigations against the Group for breach of contracts of sale and purchase of realty properties by the Group on the ground of the Group's failure to complete the contracts as schedules. The future settlement of these litigations might result in additional liabilities to the Group. Details of the circumstances relating to this fundamental uncertainty are described in Note 27 to the financial statements. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

Opinion

In our opinion, except for the effects of adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the opening balances of the financial statements and the results and assets and liabilities of the non-consolidated subsidiaries on the Group's results and assets and liabilities, the financial statements give a true and fair view of the financial position of the Company as of December 31 2005, and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards and comply with the relevant statute.

BDO Wuhan Zhonghuan Certified Public Accountants

Wuhan, China, March, 2006

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

CONSOLIDATED INCOME STATEMENT
YEAR ENDED DECEMBER 31, 2005

	Notes	2005 RMB'000	2004 RMB'000 restated
Turnover	4	963,481	1,326,290
Cost of sales		(674,839)	(902,525)
Gross profit		288,642	423,765
Other revenue/ (expenses), net		(11,263)	(2,632)
Administrative expenses		(132,458)	(218,441)
Distribution costs		(35,082)	(33,219)
Profit from operations	6	109,632	169,473
Finance costs	7	(32,835)	(41,293)
Share of profits/ (losses) of associates		25,964	3,692
Loss on investments, net	8	(7,370)	(5,766)
Profit before taxation		95,598	126,106
Taxation	9	(16,067)	(35,710)
Profit after taxation and attributable to shareholders		79,531	90,396
Earnings per share			
Basic and diluted	10	RMB0.14	RMB0.17

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

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2005

	Notes	2005 RMB'000	2004 RMB'000 restated
Non-current assets			
Property, plant and equipment	11	301,649	333,909
Intangible assets	12	69,115	70,364
Interests in subsidiaries not consolidated	14	20,829	5,096
Interests in associates	15	95,484	107,235
Investments in securities	16	6,319	16,410
		493,396	533,014
Current assets			
Inventories	17	895,578	1,316,712
Trade and other debtors and prepayments	18	127,410	135,851
Trading securities	19	2,714	9,944
Cash and bank balances		240,144	240,234
		1,256,846	1,702,741
Current liabilities			
Trade and other creditors	20	547,660	866,385
Provisions	21	54,028	58,602
Taxes payable		42,016	68,314
Borrowings	22	462,202	559,980
		1,105,906	1,553,281
Net current assets/(liabilities)		159,940	149,460
Total assets less current liabilities		653,336	702,474
Non-current liabilities			
Borrowings	22	-	96,000
Long-term deferred income	23	25,340	38,235
		25,340	134,235
		627,996	548,239
CAPITAL AND RESERVES			
Share capital	24	541,799	541,799
Reserves		86,197	6,440
		627,996	548,239

Approved by the board of directors on March 9, 2006.

DIRECTOR　　　　DIRECTOR

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2005

	Share capital RMB'000 (Note 25)	Statutory capital reserve RMB'000	Public welfare fund RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at January 1, 2004	541,799	347,665	79,511	(521,155)	447,820
Profit for the year	-	-	-	90,396	90,396
Transfer of reserve	-	39,764	-	(29,741)	10,023
Balance at December 31, 2004	541,799	387,429	79,511	(460,500)	548,239
Profit for the year	-	-	-	79,531	79,531
Transfer of reserve	-	(374,052)	3,041	371,237	(226)
Balance at December 31, 2005	541,799	13,377	82,552	(9,732)	627,996

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

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED DECEMBER 31, 2005

	2005 RMB'000	2004 RMB'000
Profit from ordinary activities before taxation	95,598	126,106
Adjustment for:		
Share of results of associates	(7,711)	(3,692)
Interest expense	32,827	47,689
Interest income	(957)	(2,067)
Bad or doubtful debts written back	(17,392)	(50)
Provision for doubtful debts	14,697	71,586
Provision for inventories written back	(6,881)	(10,515)
Provision for impairment in investments in securities	8,106	-
Decrease in bank balances pledged as securities	-	5,000
Provision for trading securities	273	(7,838)
Provision for trading securities written back	(8,370)	-
Depreciation of property, plant and equipment	25,363	26,640
Amortisation of intangible assets	1,786	3,043
(Gain)/loss on disposal of property, plant and equipment	9,177	476
(Gain)/ loss on dealing of listed investments	(9,263)	62
Gain/(loss) in foreign currency exchange	(695)	-
Operating cash flows before movements in working capital	136,558	256,440
Decrease in inventories	427,517	80,433
Decrease in receivables	31,585	16,232
Increase/(decrease) in payables	(262,531)	10,782
Cash generated by operations	333,129	363,887
Taxes paid	(114,330)	(119,846)
Net cash flows from operating activities	218,799	244,041
Investing activities		
Interest received	957	2,067
Proceeds on disposal of other investments	6,341	916
Decrease in trading securities	-	4,243
Proceeds on disposal of property, plant and equipment	18,666	3,967
Purchases of property, plant and equipment	(19,761)	(10,922)
Decrease/(Increase) in interests in associates	-	28,507
Net cash flows from investing activities	6,203	28,778

CONSOLIDATED CASH FLOW STATEMENT – continued
YEAR ENDED DECEMBER 31, 2005

Financing activities		
Interest paid on bank loans and other loans	(32,827)	(47,689)
New bank loans raised	292,920	473,600
Repayments of bank loans	(486,698)	(725,120)
Net cash flows in financing activities	(226,605)	(299,209)
(Decrease)/ increase in cash and cash equivalents	(1,603)	(26,390)
Cash and cash equivalents at beginning of year		
- as previously registered	240,234	266,624
- effect of exclusion of subsidiaries consolidated in prior year	1,513	-
As adjusted	241,747	266,624
Cash and cash equivalents at end of year		
Represented by cash and bank balances	240,144	240,234

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

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

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

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Subsidiaries

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

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

(b) Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are

3. PRINCIPAL ACCOUNTING POLICIES – continued

entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

(c) Property, plant and equipment

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

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

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

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

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

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

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

(d) Land use rights

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

(e) Intangible assets

Intangible assets represent the cost of acquisition of taxi licenses and are stated at cost less amortisation and impairment losses, if necessary, for any permanent

3. PRINCIPAL ACCOUNTING POLICIES – continued

diminution in value. Amortisation is provided to write off the cost of taxi licenses over the license period granted by relevant authorities, which is 20 years.

(f) Investment in securities

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

(g) Properties under development

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

(h) Completed properties for sale

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

(i) Inventories

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

(j) Impairment loss

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. PRINCIPAL ACCOUNTING POLICIES – continued

(k) Revenue recognition

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

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

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

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

(l) Retirement benefit costs

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

(m) Taxation

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES – continued

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

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

(n) Foreign currencies translation

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

(o) Operating leasing

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

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

(p) Cash and cash equivalents

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

(q) Provisions

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

(r) Financial instruments

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

3. PRINCIPAL ACCOUNTING POLICIES – continued

(s) Related parties

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

4. TURNOVER

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

	2005 RMB'000	2004 RMB'000 restated
Sale of properties	751,338	1,112,296
Sale of goods	27,378	34,294
Taxi services	37,522	33,506
Property rental and management services income	126,695	133,217
Hotel and restaurant operations	13,674	12,977
Others	6,873	-
Totals	963,481	1,326,290

5. SEGMENTS REPORTING

(a) Business segment

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

Principal activities are as follows:

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

Segment information about these businesses for the year ended December 31, 2005 is presented below:

5. SEGMENTS REPORTING – continued

	Sales of properties, management services and rental income	Sales of goods	Taxi services, hotel and restaurant operations and others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
External sales	878,034	27,378	58,069		963,481
Inter-segment sales	9,777	-	-	(9,777)	-
Total revenue	887,811	27,378	58,069	(9,777)	963,481

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

	Sales of properties, management services and rental income RMB'000	Sales of goods RMB'000	Taxi services, hotel and restaurant operations and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
RESULTS					
Segment results	257,761	668	35,694	(5,481)	288,642
General administrative expenses and unallocated corporate expenses					(178,803)
Profit from operations					109,839
Finance costs					(32,835)
Share of losses of associates					25,964
Loss on investments					(7,370)
Profit before taxation					95,598
Taxation					(16,067)
Profit after taxation and attributable to shareholders					79,531

5. SEGMENTS REPORTING – continued

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

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

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

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

(b) Geographical segment

For the year ended December 31, 2005 and 2004, all of the Groups business was derived from activities in the PRC and all of the Group's total assets are located in the PRC as at December 31, 2005 and 2004.

6. PROFIT FROM OPERATIONS

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

	2005 RMB'000	2004 RMB'000 restated
After charging:		
Staff costs – statutory pension	19,267	15,843
– other costs	136,165	111,965
Total staff cost	155,432	127,808
Depreciation of owned property, plant and equipment	26,937	26,640
Amortisation of intangible assets	1,786	3,044
Provision for doubtful debts	(3,364)	71,736
Impairment of investments in securities	(8,106)	-
Provision for inventories	-	-
Unrealised losses on trading securities	8,096	7,838
Loss on dealing of trading securities	8,989	62
Loss on disposal of property, plant and equipment	9,489	476
And after crediting:		
Interest income	1,629	2,067
Written-back of provision for doubtful debts	7,524	-
Provision for inventories	10,594	10,515
Loss on disposal of property, plant and equipment	(9,177)	-
Loss on dealing of trading securities	(8,989)	-

7. FINANCE COSTS

	2005 RMB'000	2004 RMB'000 restated
Interest expenses	32,835	47,689
Less: Interest capitalized	-	(6,396)
	32,835	41,293

8. LOSS ON INVESTMENTS, NET

	2005 RMB'000	2004 RMB'000 restated
Interest on bank deposits, government bonds and other loans	(1,629)	(2,067)
Provision for impairment	-	-
Loss/(gain) on dealing of listed investments	8,989	62
Reversal of the provision for trading securities	10	7,771
	7,370	5,766

9. TAXATION

	2005 RMB'000	2004 RMB'000 restated
The charge comprises:		
Profits tax for the year:		
PRC income tax	16,067	35,710
Taxation attributable to the Company and its subsidiaries	16,067	35,710

The Group provided for income tax on the estimated assessable profit for the year at the rate of 15% (2004: 15%), the prevailing income tax rate for all PRC enterprise in Shenzhen. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiaries operate.

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

	2005 RMB'000	2004 RMB'000 restated
Profit before tax	98,885	126,106
Tax at the domestic income tax rate of 15% (2004:15%)	14,833	18,916
Tax effect of expenses that are not deductible in determining taxable profit	2,564	12,473
Effect of different tax rates of subsidiaries and associates	-1,330	4,321
Tax expense and effective tax rate for the year	16,067	35,710

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of RMB 79,531,000 (2004: RMB 90,396,000) and the 541,799,000 (2004: 541,799,000) shares in issue during the year. No diluted earnings per share is presented since there are no dilutive potential ordinary shares in existence during the years ended December 31, 2005 and 2004.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Fixture and equipment RMB'000	Total RMB'000
COST					
At January 1, 2005	368,308	37,478	35,505	27,966	469,257
Transferred from inventories	46,792	-	-	-	46,792
Additions	776	101	18,572	1,023	20,472
Disposals	73,713	-	18,228	1,114	93,055
At December 31,2005	342,163	37,579	35,849	27,875	443,466
DEPRECIATION					
At January 1, 2005	89,640	14,391	17,210	14,107	135,348
Charge for the year	16,881	764	7,737	1,555	26,937
Eliminated on disposals	(4,898)	-	(14,629)	(941)	(20,468)
At December 31, 2005	101,623	15,155	10,318	14,721	141,817
NET BOOK VALUES					
At December 31, 2005	240,540	22,424	25,531	13,154	301,649
At December 31, 2004	278,668	23,087	18,295	13,859	333,909

As at December 31, 2005, land and buildings with net book values of approximately RMB 142,473,991.47 (2004: RMB66,307,000) have been pledged to the banks to secure general banking facilities for the Company and its subsidiaries.

12. INTANGIBLE ASSETS

	RMB'000
Cost	
At January 1, 2004	100,787
Additions	537
At December 31, 2005	101,324
Amortisation	
At January 1, 2004	30,423
Provide for the year	1,786
At December 31, 2005	32,209
Net book value	
At December 31, 2005	69,115
At January 1, 2005	70,364

As at December 31, 2005, taxi licenses with net book value of RMB 37,028,420 (2004: RMB 27,018,042) have been pledged to the banks to secure general banking facilities for the Company and its subsidiaries.

13. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries included in consolidated financial statements at December 31, 2005 are as follows:

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

14. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED

	2005 RMB'000	2004 RMB'000 restated
Cost of investment	29,751	100,658
Provision for impairment	(28,923)	(76,041)
	829	24,617
Amounts due from subsidiaries	20,000	20,000
Amounts due to subsidiaries	-	(39,521)
	20,829	5,096

Details of subsidiaries excluded from the consolidated financial statement at December 31, 2005 are as follows:

Name of subsidiary	Proportion of ownership interest/ voting power held Direct %	 Indirect %	Principal activities	Place of incorporation
Shum Yip Properties Development Limited	100	-	Property development	Hong Kong
Zhanjiang Shenzhen Estate Development Company Limited	-	100	Property development and retailing of general merchandise	The People's Republic of China
Shenzhen ITC Plaza & Development Company Limited	70	-	Property investment and development	The People's Republic of China
Shenzhen Real Estate Development Company	100	-	Property development	The People's Republic of China
Shenzhen Real Estate Exchange	100	-	Property investment	The People's Republic of China
Shen Shan Company	100	-	Dormant	The People's Republic of China
Sihui Jianye Huangjiang Development Company	-	100	Property development	The People's Republic of China
Shenzhen Tesu Vehicle Driver Training Center Limited	-	100	Driver training	The People's Republic of China

15. INTERESTS IN ASSOCIATES

	2005 RMB'000	2004 RMB'000 restated
Cost of investment	126,603	148,559
Share of post-acquisition loss, net of dividends received	5,460	(20,072)
Provision for impairment	(64,140)	(64,350)
	67,923	64,137
Amounts due from associates	29,706	45,362
Amounts due to associates	(2,145)	(2,264)
	95,484	107,235

Details of the principal associates at December 31, 2005 are as follows:

Name of associate	Proportion of ownership interest/ voting power held Direct %	 Indirect %	Principal activities	Place of incorporation
Shenzhen Carrier Service Company Limited	40	-	Air-conditioning	The People's Republic of China
ITC Tian An Company Limited	50	-	Property investment and development	The People's Republic of China
Shenzhen Jifa Warehouse Company Limited	50	-	Warehousing	The People's Republic of China
Anhui Nan Peng Paper Manufacturing Company Limited	30	-	Manufacturing and sales of coated art paper	The People's Republic of China
Shenzhen Fulin Industry Incorporated Company	10.59	-	Hotel	The People's Republic of China
Shenzhen Matform Ceramics Industry Company Limited	26	-	Ceramics craft	The People's Republic of China
Shenzhen ITC Industry Development Company Limited	38.33	-	Property development	The People's Republic of China
Shenzhen Tian'an International Building Property Management Company Limited	50	-	Building management	The People's Republic of China
Shenzhen Huajin Glass Bottle Company Limited	15.83	-	Manufacturing and sales of glass	The People's Republic of China
Guangzhou Lishifeng Motorcar Company Limited	-	30	Motor vehicle trading	The People's Republic of China

16. INVESTMENTS IN SECURITIES

	2005 RMB'000	2004 RMB'000 restated
Unlisted equity investments at cost	22,386	21,760
Provision for impairment	(16,067)	(5,350)
	6,319	16,410

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

17. INVENTORIES

	2005 RMB'000	2004 RMB'000 restated
Properties held for sale/under development	471,559	421,557
Completed properties held for sale	421,629	892,281
Other inventories	2,390	2,874
	895,578	1,316,712

As at December 31, 2005, completed properties held for sale with carrying value of RMB 8,234,237.55 (2004:RMB129,672,453) have been pledged to the banks to secure general banking facilities granted to the subsidiaries.

18. OTHER FINANCIAL ASSETS

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

19. TRADING SECURITIES

	2005 RMB'000	2004 RMB'000 restated
Listed securities, at market value	2,714	9,944

20. OTHER FINANCIAL LIABILITIES

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

21. PROVISIONS

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

22. BORROWINGS

	2005 RMB'000	2004 RMB'000 restated
Bank loans	449,002	635,980
Other loans	13,200	20,000
	462,202	655,980
Secured	449,002	635,980
Unsecured	13,200	20,000
	462,202	655,980

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

	2005	2004
On demand or within one year	462,202	559,980
More than one year, but not exceeding two years	-	96,000
More than two years, but not exceeding five years	-	-
	462,202	655,980
Less: Amounts due within one year shown under current liabilities	462,202	559,980
	-	96,000

During the year, the Group obtained new bank loans in the amounts of RMB 292,920,000. The loans bear interest at prevailing market rates ranging from 5% to 7% (2004:5% to 7%) per annum.

23. LONG-TERM DEFERRED INCOME

	2005 RMB'000	2004 RMB'000 restated
At January 1	38,235	40,009
Additions for the year	(8,582)	5,430
Released to income statement	(4,313)	(7,204)
At December 31	25,340	38,235

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

24. SHARE CAPITAL

	2005 RMB'000	2004 RMB'000 restated
Registered, issued and fully paid:		
388,949,000 state shares and shares held by other promoters of RMB1.00 each	388,949	388,949
91,391,000 A share of RMB1.00 each	91,391	91,391
61,459,000 B share of RMB1.00 each	61,459	61,459
	541,799	541,799

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

25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Short-term bank loans RMB'000	Long-term bank loans RMB'000	Other short-term loans RMB'000 restated
Balance at January 1, 2005	400,980	96,000	159,000
New loans raised	292,920	-	-
Repayments of amounts borrowed	(231,698)	(96,000)	(159,000)
Balance at December 31, 2004	462,202	-	-

26. PLEDGE OF ASSETS

As at December 31, 2005, leasehold land and buildings with a net book value of RMB 142,473,991.47 (2004: RMB66,307,000), completed properties held for sales of RMB 8,234,237.55 (2004: RMB129,672,453) and certain taxi licenses having a net book value of RMB 37,028,420 (2004: RMB27,018,000) have been pledged to the banks for the general banking facilities granted to the Group.

27. CONTINGENT LIABILITIES

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

(2) A court case against the Company in 2000 in relation to delay in delivery of realty properties was finalised and according to the court decision the Company have to refund to the plaintiff the whole of the purchase consideration for the properties concerned of RMB10.8 million plus interest accrued. The Company appealed to the People’s Supreme Court and on August 2005 a civil award was given by the Supreme Court which set out that Guangdong Provincial Supreme Court should execute a new trial. Up to Dec 31 2005 a contingent loss of RMB 9,655,160.25 was made by the Company.

(3) On Dec 1998, the Company provided security for its parent company’s borrowings of RMB 260,000. On May 2001 the Company was commanded to bear the guardianship. A contingent loss of RMB 260,000 was made by the Company in the year 2004. Up to Dec 31 2005 the amount was still unpaid.

(4) As at Dec 31 2005, certain properties of the Company was used to secure the borrowings of RMB 8,100,000 made available to one of its subsidiary.

(5) As at Dec 31 2005, the Company and its subsidiaries provided guarantee of RMB 21,545,000 to its realty properties purchasers in favor of banks.

28. OPERATING LEASES

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

	2005 RMB'000	2004 RMB'000 restated
- Within one year	26,760	26,190
- In the second to fifth year inclusive	91,060	52,380
	117,820	78,570

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

29. RETIREMENT BENEFITS PLANS

Defined contribution plans

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

30. RELATED PARTY TRANSACTIONS

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

	Name	Relationship with the Group	2005 RMB'000	2004 RMB'000 restated
Construction costs paid	Shenzhen Construction Investment Holding Co.	Holding company	182,464	163,720
Construction costs paid	Shenzhen Yuezhong (Group) Co. Ltd	Fellow subsidiary	240,403	209,138

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

	2005 RMB'000	2004 RMB'000 restated
Amounts due from related parties, disclosed as interest in subsidiaries not consolidated, interest in associates and trade and other debtors and prepayments	49,706	186,663

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

	Profit for the year ended December 31	
	2005	2004
	RMB'000	RMB'000 restated
As reported in financial statements prepared in accordance with PRC GAAP	82,903	90,450
Adjustments to confirm with IFRS:		
Deferred expenses written off	(1,165)	(86)
Amortisation charges written back	-	32
Others	(2,207)	-
	79,531	90,396

32. IMPACT OF IFRS ADJUSTMENTS ON CONSOLIDATION NET ASSETS

	Consolidated net assets As at December 31	
	2005	2004
	RMB'000	RMB'000 restated
As reported in financial statements prepared in accordance with PRC GAAP	650,258	567,129
Adjustments to confirm with IFRS:		
"B share" prior years adjustments	(19,828)	(4,000)
Deferred expenses written off	(1,316)	(3,448)
Amortisation charges written back	(6,368)	613
Addition depreciation charges	-	(10,380)
Addition amortisation charges	-	(8,373)
Unamortised expenses written off	-	(4,233)
Others	5,250	10,931
	627,996	548,239