SHENZHEN Special Economic Zone Real Estate & Properties (Group) Co., Ltd.
Annual Report 2005

Section I. Important Notes and Contents

The Board of Directors, the Supervisory Committee, directors, supervisors and senior executives of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd. (hereinafter referred to as the Company) hereby ensure that there are no false records, misleading statements, or significant omissions in the materials of this report, and will assume individual and joint responsibilities concerning the authenticity, accuracy and integrity of its contents.

Director Xu Zhenhan was absent from the Board meeting due to business and entrusted Chairman of the Baord Shao Zhihe to vote; Director Xie Guangliang did not attend the Board meeting due to personal reason and did not entrust another to vote.

Chairman of the Board Shao Zhihe, person in charge of accounting work Luo Kunquan and person in charge of accounting organ Chen Jincai hereby ensure the authenticity and integrity of the Financial Report enclosed in the Annual Report.

Contents

Section II. Company Profile

1. Legal Name of the Company
   In Chinese: 深圳经济特区房地产（集团）股份有限公司
   In English: SHENZHEN Special Economic Zone Real Estate & Properties (Group) Co., Ltd.
   Short Form in Chinese: 深房集团
   Short Form in English: SPG
2. Legal Representative: Shao Zhihe

3. Secretary of the Board: Chen Ji
Securities Affairs Representative: Tu Zhigang
Contact Address: 47/F, SPG Plaza, Renmin South Road, Shenzhen
Tel.: (0755) 82293000-4718, 4715
Fax: (0755) 82294024
E-mail: spg@163.net
4. Registered Address: 47/F, SPG Plaza, Renmin South Road, Shenzhen
Office Address: 45/F-48/F, SPG Plaza, Renmin South Road, Shenzhen
Postal Code: 518001
E-mail: spg@163.net
5. Newspapers for Disclosing the Information:
Domestic: China Securities Journal
Overseas: Ta Kung Pao
Internet Website Designated by CSRC for Publishing the Annual Report: http://www.cninfo.com.cn
The Place Where the Annual Report is Prepared and Placed: 47/F of SPG Plaza, Renmin South Road, Shenzhen
6. Stock Exchange Listed with: Shenzhen Stock Exchange
Short Forms of the Stock: G SHENSHENFANG（Stock Code: 000029）
SHENSHENFANG B (Stock Code: 200029)
7. Other Information of the Company
Initial registration date: Jan. 8, 1980
Registration place: Shenzhen Administration Bureau for Industry and Commerce
Registration code of corporate business license: 4403011002426
Registration code of taxation: 440301192179585
Name and address of Certified Public Accountant engaged by the Company:
Name: Shenzhen Nanfang Minhe Certified Public Accountants
Address: 8/F, Electronics Tech. Bldg., No. 2007, Shennan Middle Road, Shenzhen

Section III. Abstract of Accounting Highlights and Business Highlights

I. Unit: RMB

Total profit realized by the Company as of the year 2005	11,006,158.35
Net profit	12,100,200.79
Net profit after deducting non-recurring gains and losses	-40,482,937.48
Profit from main operations	84,995,947.27
Profit from other operations	664,478.90
Operating profit	-33,205,891.85
Investment income	46,536,393.47
Subsidy income	0.00
Net non-operating income/expense	-2,324,343.27
Net cash flows arising from operating activities	266,270,984.93
Net increase in cash and cash equivalents	106,328,933.05

Items of non-recurring gains and losses that had been deducted included gains and losses from the disposal of equity and debts amounting to RMB 46,507,481.54, non-operation income amounting to RMB 573,931.83, non-operating expense amounting to RMB 2,898,275.10, writing back reserve for falling price of inventories amounting to 8,400,000.00, and all these gains and losses totaled up RMB 52,583,138.27. Because the Company made up the losses occurred in the previous years, thus, no income tax had to be paid in 2005, there existed no influenced on income tax arising from non-recurring gains and losses.

Difference between A-share and B-share:

Effect on net profit and net assets under International Accounting Standards and adjustment:

	Net profit (RMB'000)	Net assets (RMB'000)
According to international accounting standards	62,442	975,671
Switching back of depreciation charges and amortization charges of invested property	(26,993)	121,509
Adjustment of market price of short-term investment	（363）	(1,718)
Timing difference in recognition of expenses accrued in previous year		(522)
Difference in confirmed cost of fixed assets	--	202,148
Goodwill arising from acquisition of subsidiaries	(1,397)	2,902
Difference in confirmed income due from debts reorganization	(21,587）	
Others	(2)--	--
According to Enterprise Accounting System	12,100	1,056,972

II. Main accounting data and financial indexes of the Company over the past three years

	2005	2004	2003 (after the adjustment)	2003 (before the adjustment)
Profit from main operations (RMB'0000)	85,214.12	57,054.17	96,238.35	96,238.36
Net profit (RMB'0000)	1,210.02	-14,230.78	435.61	1,135.17
Total profit (RMB'0000)	228,030.67	251,899.27	275,888.89	274,681.14
Shareholders' equity (excluding minority shareholders' equity, unit: RMB'0000)	105,697.21	100,206.94	114,446.40	113,938.21
Earnings per share - diluted (RMB)	0.0120	-0.1407	0.0043	0.0112
Earnings per share – weighted (RMB)	0.0120	-0.1407	0.0043	0.0112
Earnings per share – deducting non-recurring gains and losses (RMB)	-0.0400	-0.1271	0.01459	0.0215
Net assets per share (RMB)	1.0448	0.9905	1.1313	1.1263
Net assets per share after adjustment (RMB)	0.9840	0.9304	1.0388	1.0861
Net cash flow per share arising from operating activities	0.2632	0.0078	0.1862	0.1862
Return on equity – diluted (%)	1.14	-14.20	0.38	1.00
Return on equity – weighted (%)	1.20	-13.26	0.38	1.00
Return on equity after deducting non-recurring gains and losses – weighted (%)	-4.02	-11.98	1.91	1.91

III. Changes of shareholders' equity in the report period and the reasons for changes

Item	Share capital (0,000 share)	Capital reserve (RMB'0000)	Surplus reserve (RMB'0000)	Including: public welfare fund (RMB'0000)	Retained profit (RMB'0000)	Translation balance in foreign currency statement (RMB'0000)	Total shareholders' equity (RMB'0000)
Amount at the beginning of the report period	101,166	95,665.79	11,891.07	11,559.44	-105,381.42	-3,134.50	100,206.94
Increase in this period	0	2,158.70	0	0	1,210.020	2121.55	5,490.27
Decrease in this period	0	0	0	0			
Amount at the end of the report period	101,166	97,824.49	11,891.07	11,559.44	-104,171.40	-1012.95	105,697.21
Reason for change					profit in the report period		

Section IV. Change of Share Capital and Particulars of Shareholders

I. Statement of change in share capital

(I) In the report period, the Company's total shares and structure of share capital remained unchanged.

(II) On Feb. 15, 2006, the Company implemented the share merger plan; thus, the Company's shares structure was adjusted as follows:

Type of shares	Before the change		Increase/decrease in this time (+, -)					After the change	
	Number of shares (0,000 shares)	Proportion (%)	Issuance of new shares	Bonus shares (0,000 shares)	Capitalization of public reserve	Other	Subtotal	Number of shares (0,000 shares)	Proportion (%)
I. Shares with conditional sales									
1. Shares held by the State	74,382	73.52		-7,095.58			-7,095.58	67286.42	66.51
2. Shares held by state-owned legal person									
3. Share held by other domestic investors									
Including: shares held by domestic legal person									
Shares held by domestic natural person									
4. Shares held by foreign investors									
Including: shares held by foreign legal person									
Shares held by foreign natural person									
II. Shares without conditional sales									
1. RMB ordinary shares	14,784	14.61		7,095.58			7,095.58	21,879.58	21.63
2. Domestically listed foreign shares	12,000	11.86						12,000	11.86

3. Overseas listed foreign shares									
4. Others									
III. Total shares	101,166	100						101,166	100

II. Issuance and listing of shares

1. Over the past three years as at the end of the report period, the Company issued neither new shares nor derived securities.

2. On Jan. 23, 2006, the Company held the shareholders' general meeting related with the share merger reform, in which examined and passed the share merger reform plan, namely, the shareholders holding tradable A shares obtained consideration at the rate of 4.8 shares for every 10 tradable A shares based on existing share capital of 147.84 million tradable A shares of the Company. Before implementation of the said share merger reform plan, the Company's non-tradable shares amounted to 743.82 million shares, taking up 73.52% of total share capital, while the Company's tradable shares amounted to 267.84 million, taking up 26.47% of total share capital. After implementation of the said share merger reform plan, the Company's total share capital remained unchanged, the Company's shares all are tradable shares, of which, tradable shares with conditional sales amounted to 672,864,200 shares, taking up 66.51% of total share capital, while tradable shares without conditional sales amounted to 338,795,800 shares, taking up 33.49% of total share capital.

3. The Company's inner employees shares were listed for trading through approval on Aug. 26, 1994. At present, the Company has no inner employees' shares.

III. About shareholders

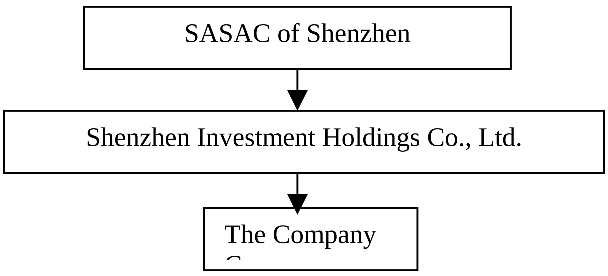
1. Number of shareholders and shares held by the shareholders

Total number of shareholders		**99785**			
Particulars about shares held by the top ten shareholders					
Name of shareholder	**Type of shareholders**	**Proportion**	**Total number of shares held**	**Number of nontradable shares held**	**Share pledged or frozen**
SHENZHEN CONSTRUCTION INVESTMENT HOLDINGS CORP.	State-owned shareholder	73.52%	743,820,000	743,820,000	
China Construction Bank - BOSHI YUFU SECURITIES INVESTMENT FUNDS	Other	0.09%	859,918		
CHU KOON YUK	Foreign shareholder	0.07%	720,000		
ORE BURNS (AUSTRALIA)	Foreign shareholder	0.06%	600,000		
HU YAN FEN	Foreign shareholder	0.06%	600,000		
LAI KONG SUNG	Foreign shareholder	0.06%	558,100		
SHUM YIP KWAN WING DEVELOPMENT LTD	Foreign shareholder	0.05%	480,800		
YANG YAO CHU	Foreign shareholder	0.05%	477,000		
ZHU LI RONG	Foreign shareholder	0.04%	397,800		
MA ZE QI	Foreign	0.04%	392,000		

	shareholder				

Particulars about shares held by the top ten shareholders holding tradable shares		
Name of shareholders	**Numbers of tradable shares held**	**Type of shares**
China Construction Bank - BOSHI YUFU SECURITIES INVESTMENT FUNDS	859,918	RMB ordinary share
CHU KOON YUK	720,000	Domestically listed foreign share
ORE BURNS (AUSTRALIA) PTY.LIMITED	600,000	Domestically listed foreign share
HU YAN FEN	600,000	Domestically listed foreign share
LAI KONG SUNG	558,100	Domestically listed foreign share
SHUM YIP KWAN WING DEVELOPMENT LTD	480,800	Domestically listed foreign share
YANG YAO CHU	477,000	Domestically listed foreign share
ZHU LI RONG	397,800	Domestically listed foreign share
MA ZE QI	392,000	Domestically listed foreign share
SHAO ZI QIN	376,630	Domestically listed foreign share
Explanation on associated relationship among the above shareholders or acting-in-concert	Unknown	

2. The controlling shareholder of the Company: On Oct. 13, 2004, the Company’s controlling shareholder was changed into Shenzhen Investment Holdings Co., Ltd. from Shenzhen Construction Investment Holdings Corp. (the relevant equity transfer was finished on Feb. 14, 2006), Shenzhen Investment Holdings Co., Ltd. was a wholly state-owned sole limited company, who was founded on Oct. 13, 2004 with a registered capital of RMB 4 billion as well as legal representative Chen Hongbo. Its business scope included: providing guarantees for municipal state-owned enterprises, management of state-owned equity, and assets restructure, reformation, capital operation and equity investment of enterprises, etc.. The ultimate controller of the Company was Shenzhen State-owned Assets Supervision Administrative Committee. SASAC of Shenzhen was located at Investment Building, Shennan Av., Futian District, Shenzhen, as well as the post code 518029.
The property right and controlling relationship between the Company and the actual controller are as follows:



Section V. Particulars of Directors, Supervisors, Senior Administrative Personnel and Employees

I. About directors, supervisors and senior executives:

Name	Position	Gender	Age	Office term	Shares held at the beginning of the year	Shares held at the end of the year	Reason of the change
Shao Zhihe	Chairman of the Board	Male	55	Dec. 28, 2002 till now	5,000	5,000	
Zhuang Chuanghui	Chairman of the Supervisory Committee	Male	51	Jan. 28, 2003 till now	0	0	
Xu Zhenhan	Director	Male	52	Jan. 28, 2003 till now	0	0	

Peng Naidian	Director	Male	57	Sep. 28, 1996 till now	0	0	
Xie Guangliang	Director	Male	47	Feb. 2, 2005 till now	0	0	
Li Qiusheng	Independent director	Male	42	Feb. 2, 2005 till now	0	0	
Zong Dechun	Independent director	Male	64	Jun. 28, 2004 till now	0	0	
Hou Liyin	Independent director	Female	51	Jun. 28, 2004 till now	0	0	
Wu Zhiyong	Supervisor	Male	34	Jan. 28, 2003 till now	0	0	
Lin Huimei	Supervisor	Female	50	Jun. 28, 2004 till now	0	0	
Xiong Xingnong	Supervisor	Male	49	Jun. 28, 2004 till now	0	0	
Deng Kangcheng	Supervisor	Male	39	Jun. 28, 2004 till now	0	0	
Luo Kunquan	Deputy General Manager	Male	50	Jan. 28, 2003 till now	0	0	
Shen Yuesheng	Deputy General Manager	Male	46	Jan. 28, 2003 till now	0	0	
Luo Zichao	Deputy General Manager	Male	45	Aug. 12, 2003 till now	0	0	
Chen Ji	Secretary of the Board	Male	33	Jan. 28, 2003 till now	0	0	
Chen Wuhua	Director	Male	53	Jan. 28, 2003 –Mar. 2006	0	0	
Liang Song	Director	Male	42	Jan. 28, 2003 –Mar. 2006	0	0	
Yang Shaojia	Independent director	Male	73	Jun. 28, 2002 –Mar. 2006			

Note: director Xie Guangliang and Xu Zhenhan, and supervisor Deng Kangcheng held positions in shareholding units. As to their positions and office terms, please look up at the back.

II. Particulars about the main working experiences and concurrent posts of the directors, supervisors and senior administrative personnel

1. Shao Zhihe: Aug. 1981 - Sep. 1983, commander, 13th company, 4th barrack, 302 regiment, Capital Construction Engineer Corps; Sep. 1983 – Oct. 1995, Manager, Installation Branch, Shenzhen Municipal Engineering Corporation; Oct. 1995 – May 1999, Vice General Manager of Shenzhen Tonge Group; May 1999 – Dec. 2002, General Manager and Vice Secretary of CPC, Shenzhen Urban Construction Investment & Development Company; Dec. 2002 till now, Secretary of the CPC and Chairman of the Board of the Company.

2. Zhuang Chuanghui: Feb. 1983 – Mar. 1986, promulgation chief, Cannon Regiment, 42 Army; Mar. 1986 – Dec. 1987, deputy section chief of the Cadre Section, deputy director of the Office, Economic Work Department, Huizhou Local CPC Committee; Dec. 1987 – Jul. 1989, deputy director of the Office, section chief of the Statistics Section, Huizhou local Administration for Industry & Commerce; Jul. 1989 – Feb. 1997, senior staff member, principal staff member, discipline inspector of deputy section chief level, vice director of the Office (section chief level), No. 1 Office, Shenzhen Commission for Discipline Inspection; Feb. 1997 – May 1999, Vice Secretary of Commission for Discipline Inspection, Shenzhen Construction Investment Holdings Corporation; May 1999 – Jan. 2003, Vice Secretary of CPC, director in SPG. Jan. 2003 till now, Vice Secretary of CPC, Chairman of the Supervisory Committee of the Company

3. Xu Zhenhan: once had been commander-level secretary in charge, 802 Regiment, Capital Construction Engineer Corps; clerk, Vice Secretary of Discipline Inspection Committee, director at the CPC Office, Secretary of Discipline Inspection Committee, Vice Secretary of the CPC in Shenzhen Mechanical Equipment Installation Company; Vice Secretary of Discipline Inspection Committee, Shenzhen Construction Investment Holdings Corporation. He held the post of Vice Secretary of Discipline Inspection Committee of Shenzhen Investment Holdings Co., Ltd. since Oct. 2004.

4. Peng Naidian: Jul. 1973 – Dec. 1984, section chief, vice minister, and standing member, Secretary Department, Young Farmer Department, Publicity Department, Secretariat, Communist Youth League Guangdong Committee, and concurrently director of the Publicity Department; Jan. 1985 – May 1992, superintendent, and member of the CPC Organization, Guangdong Institute of Foreign Trade & Economic Development; Jun. 1992 – Sep. 1996, Assistant General Manager, Chairman of the Labor Union in Shenzhen Huihua Group Co., Ltd.; Sep. 1996 till now, Director and Vice Secretary of Discipline Inspection Committee.

5. Xie Guanglliang, male, nationality of Han, party member of CPC, was born in Feng County of Jiangsu in Aug. 1958, three-year college education, engineer. He ever held the posts of assistant to manager and deputy manager in Shenzhen Mechanical Equipment Installation Company, secretary of CPC and Chairman of the Board in Shenzhen Jian An Group Co., Ltd. and vice-president of Shenzhen Construction Investment Corporation. Now he acts as deputy general manager in Shenzhen Investment Holdings Co., Ltd.

6. Li Qiusheng, male, nationality of Han, party member of CPC, was born in Hunan in July 1963, three-year college education, CPA and Certified Tax Agent. He ever held the posts of section chief of Hunan Hengshan County Auditing Bureau, auditor of Shenzhen Special Economic Zone Auditors Firm, deputy principal of Shenzhen Minzheng Certified Public Accountants. Now he acts as deputy principal of Shenzhen Zhongheng Certified Public Accountants.

7. Zong Dechun: Jan. 1981 – Aug. 1983, Director of the Political Department, 304 Regiment, Capital Construction Engineer Corps; Sep. 1983 – Feb. 1986, Vice Secretary of the CPC, Shenzhen No. 5 Construction Engineering Co., Ltd.; Mar. 1986 – Nov. 1996, Division Chief of the HR Department, Chairman of the Labor Union, Chairman of the Supervisory Committee, Shenzhen Construction Group; Dec. 1996 – Jun. 2002, Secretary of the Discipline Inspection Committee, Chairman of the Supervisory Committee in Shenzhen Construction Investment Holdings Corporation; Jul. 2002, retired; Jun. 2004, independent director of the Company.

8. Hou Liying: Aug. 1982 – Aug. 1984, Assistant Economist, Development & Design Research Institute, China National Offshore Oil Corp.; Sep. 1984 till now, associate professor, masters' instructor, College of Management, Shenzhen University. Jun. 2004, she was engaged as the independent director of the Company.

9. Wu Zhiyong: Jul. 1996 – Aug. 1999, clerk of Enterprise Development Department in SPG; Aug. 1999 – Apr. 2004, Vice Secretary of Communist Youth League SPG Committee; Apr. 2004, supervisor and deputy office director and concurrently Secretary to the General

Manager in SPG; Apr. 2004 till now, Chairman of the Board, Secretary of the CPC Branch and General Manager in Shenzhen Petrel Hotel Co., Ltd. under SPG; Jan. 2003, he took the post of supervisor of the Company.

10. Lin Huimei: Jul. 1986 – Oct. 1990, Manager of the Financial Department and Vice General Manager, Nanyang Hotel under SPG; Oct. 1990 – Aug. 1995, Manager of the Financial Department in Hong Kong Xinfeng Enterprise Company under SPG; Aug. 1995 – Aug. 1999, Manager of the Planning & Finance Department under SPG; Aug. 1999 – Mar. 2000, Manager of the Securities Affairs Department of SPG; Mar. 2000 – Aug. 2003, working at the Investment Management Department of SPG; Aug. 2003 till now, Manager of the Audit Department of SPG. From Jun. 2004, she took the post of supervisor of the Company.

11. Xiong Xingnong: Jan. 1982 – Jan. 1983, trainee, Party school, Guangzhou Railway Administration; Jan. 1983 – Dec. 1995, office secretary, consultant, section chief, Guangzhou Railway Administration; Jan. 1996 – Mar. 2004, office director of SPG; Mar. 2004 till now, Vice Director of Office of the Supervisory Committee. From Jun. 2004, he took the post of supervisor of the Company.

12. Deng Kangcheng: Jul. 1991 – Dec. 1991, technician of Shenzhen Luohu Material Trading Center; Dec. 1991- Mar. 1997, Assistant Engineer, deputy section chief and section chief in Shenzhen Construction Earthwork Mechanical Engineering Company; Apr. 1997 – Sep. 2004, supervisor, vice director and director in Discipline Inspection and Supervision Office of Shenzhen Construction Investment Holdings Corporation; Oct. 2004 till now, deputy director of the Office of Shenzhen Investment Holdings Co., Ltd.. In Jun. 2004, he was elected as supervisor of the Company.

13. Luo Kunquan: Oct. 1987 – Sep. 1990, vice factory director, Guangdong Xingning County Brewage Machinery Factory; Sep. 1990 – Jul. 1993, Manager, Guangdong Xingning County Foreign-Invested Enterprise Resources Company; Aug. 1993 – Dec. 1993, General Manager, Shenzhen Communist Youth Industrial Park Industrial Company; Dec. 1993 – Jun. 1994, Manager of Shenzhen Shenhua Enterprise Company; Jun. 1994 – Nov. 1998, Manager of Shenzhen Shenhua Property Development Company; Nov. 1998 – Dec. 2002, Deputy General Manager of Shenzhen Shenhua Group Company; Dec. 2002 – Dec. 2005, Deputy General Manager of the Company. He took the post of Standing Deputy General Manager of the Company since Dec. 2005.

14. Shen Yuesheng: Sep. 1983 – Apr. 1984, technician of the 1st team, Shenzhen No. 3 Construction Engineering Company; Apr. 1984 – Oct. 1987, technician of the Development Department of Shenzhen Eastern Development (Group) Company; Oct. 1987 – May 1991, Vice Director and Director of the Engineering Technology Department, Shenzhen Eastern Engineering Company; May 1991 – Dec. 1993, Deputy General Manager of Shenzhen Eastern Engineering Company; Dec. 1993 – May 1999, Deputy General Manager, Standing Director, General Manager, concurrently Secretary of the CPC Branch, Chairman of the Board in Shenzhen Eastern Industrial Co., Ltd. He took the post of Deputy General Manager of the Company since May 1999.

15. Luo Zichao: Oct. 1984 – May 1993, assistant, office director, chief assistant, Shenzhen Design & Decoration Engineering Company; May 1993 – Jul. 2003, General Manager and Vice Secretary of the CPC Committee in Shenzhen Design & Decoration Engineering Company; May 1999 – Jul. 2003, General Manager, Shenzhen Construction Engineering Contractor Corporation; May 1999 – Jul. 2002, Chairman of the Board, Shenzhen Architectonic Industrial Co., Ltd.; he took the post of Deputy General Manager of the Company since Jul. 2003.

16. Chen Ji: Jul. 1995 – Jul. 1996, secretary in charge of the Comprehensive Office, Tonge Truck Transportation Company; Jul. 1996 – Mar. 2001, secretary of the CPC Office in Shenzhen Construction Investment Holdings Corporation; Mar. 2001 – Dec. 2002, director of the CPC Office of Shenzhen Urban Construction Investment Development Company; Dec. 2002 till now, he took the posts of Secretary of the Board, Director of the Board Office of the Company and office director.

17. Chen Wuhua: Jan. 1979 – Sep. 1983, company commander, 19th regiment, Capital Construction Engineer Corps; Sep. 1983 – Mar. 1989, Deputy Manager, Manager, Shenzhen No. 3 Construction Engineering Company; Mar. 1989 – May 1998, General Manager and concurrently Secretary of the CPC in Shenzhen No. 3 Construction Engineering Company; Jun. 1998 – Apr. 1999, Deputy General Manager Shenzhen East Development (Group) Company and concurrently Chairman of the Board of Shenzhen No. 3 Construction Engineering Company; Apr. 1999 – Dec. 2005, Director, General Manager and Vice Secretary of the CPC of the Company. In Dec. 2005, he was dismissed the post of General Manager of the Company.

18. Liang Song: Jul. 1985 – Aug. 1996, Deputy Manager of the Engineering Design Department, Assistant to the Manager of the Engineering Department, Manager of the Engineering Department in SPG; Sep. 1996 – Aug. 1999, Assistant to the General Manager, concurrently Manager of the Engineer Management Department in SPG; Aug. 1999 – Feb. 2003, Deputy General Manager, concurrently Manager of the Real Estate Development Department in SPG; Mar. 2003 –Dec.2005, Director, Deputy General Manager of the Company. In Dec. 2005, he was dismissed the post of Deputy General Manager of the Company.

19. Yang Shaojia: had been teacher at Jilin University; Director of the Consultation Office, Academy of Management, China Non-Ferrous Metals Corporation; Director of the Expert Committee, Beijing Zhongye Management Consulting Company; Professor, Shenzhen Accord Pharmaceutical Group Company; right now professor at the Shenzhen Senior Managers Evaluation and Recommendation Center; financial consultant, Shenzhen Trade Investment Holdings Company; independent director, Hotel Group, Luohu District; expert, Shenzhen Entrepreneurs Association, etc.. Jun. 2002 – Mar. 2006, he took the post of independent director of the Company.

III. Annual remunerations

Annual payment system had been introduced into the rewards for directors, supervisors and senior executives, of which the salaries for Chairman of the Board and General Manager had been checked and set by relevant municipal sections, while those for other senior executives had been set according to relevant systems of the Company.

Name	**Position**	**Gender**	**Age**	**Office term**	**Total payment**	**Drawing**

					drawn from the Company in the report period (RMB'0000)	payment from the shareholding companies or other related parties or not (Yes / No)
Shao Zhihe	Chairman of the Board	Male	55	Dec. 28, 2002 till now	25.34	No
Zhuang Chuanghui	Chairman of the Supervisory Committee	Male	51	Jan. 28, 2003 till now	25.82	No
Xu Zhenhan	Director	Male	52	Jan. 28, 2003 till now	0	Yes
Peng Naidian	Director	Male	57	Sep. 28, 1996 till now	20.58	No
Xie Guangliang	Director	Male	47	Feb. 2, 2005 till now	0	Yes
Li Qiusheng	Independent director	Male	42	Feb. 2, 2005 till now	3.6	No
Zong Dechun	Independent director	Male	64	Jun. 28, 2004 till now	3.6	No
Hou Liyin	Independent director	Female	51	Jun. 28, 2004 till now	3.6	No
Wu Zhiyong	Supervisor	Male	34	Jan. 28, 2003 till now	0	Yes
Lin Huimei	Supervisor	Female	50	Jun. 28, 2004 till now	15.530	No
Xiong Xingnong	Supervisor	Male	49	Jun. 28, 2004 till now	12.450	No
Deng Kangcheng	Supervisor	Male	39	Jun. 28, 2004 till now	0	Yes
Luo Kunquan	Deputy General Manager	Male	50	Jan. 28, 2003 till now	20.52	No
Shen Yuesheng	Deputy General Manager	Male	46	Jan. 28, 2003 till now	20.54	No
Luo Zichao	Deputy General Manager	Male	45	Aug. 12, 2003 till now	20.49	No
Chen Ji	Secretary of the Board	Male	33	Jan. 28, 2003 till now	15.49	No
Chen Wuhua	Director	Male	53	Jan. 28, 2003 –Mar. 2006	23.54	No
Liang Song	Director	Male	42	Jan. 28, 2003 –Mar. 2006	19.71	No
Yang Shaojia	Independent director	Male	73	Jun. 28, 2002 –Mar. 2006	3.6	No
总计					234.41	

Director Xie Guangliang, Xu Zhenhan, and supervisor Deng Kangcheng drew their salaries from shareholding companies, not from the Company. Supervisor Wu Zhiyong drew his salary from Shenzhen Petrel Hotel Co., Ltd., a second enterprise of SPG.
Annual allowance for every independent director in 2005 was RMB 36,000 (including tax), and they received no other rewards besides this from the Company.

IV. Particulars about leaving post, engaging and dismissing
1. In the report period, directors, supervisors and senior executives leaving his post are as follows: (1) Director Zhou Fushen left his post from the Company; (2) Director Ma Jianhua was dismissed from his post due to personal reason; (3) General Manager Chen Wuhua was dismissed from his post due to personal reason; (4) Deputy General Manager Liang Song was dismissed from his post due to personal reason; (5) Director Yao Ruisheng resigned from the post of Director for retirement; (6) Independent Director Zheng Tianlun resigned from his post due to personal reason.
2. In the report period, the Company newly added Director Xie Guangliang and Independent Director Li Qiusheng.

V. Number of employees, professional/occupational composition, education background and retired employees

By the end of the year 2005, the Group had totally 2421 employees, including 1253 production personnel, 139 sales personnel, 491 technicians, 225 financial personnel and 313 administrative personnel. Among them, 233 undergraduates or above, 275 graduated from 3-years regular college, 337 from technical secondary school, 1576 from senior high school or below. The Company had 247 retirees.

Section VI. Corporate Governance

I. Actual status of corporate governance

Always in accordance with the requirements of the PRC Company Law, Securities Law and other laws and regulations, the Company continuously perfected its corporate governance, standardized its operation, and actively established amplified modern enterprise system. In the report period, the Company revised such standardization documents as the Articles of Association of the Company, Rules of Procedure for the Shareholders' General Meeting, Rules of Procedure for the Board of Directors timely, which provided the strong safeguard for perfecting corporate governance and standardizing operation.

1. Shareholders and Shareholders' General Meeting: preparations and holding of the shareholders' general meeting and disclosure of the meetings were carried through normatively in line with the regulations; all shareholders were on an equal footing and could fully exercise their legal rights.

2. Directors and the Board of Directors: preparations and holding of the Board meeting and disclosure of the meetings were carried through normatively in line with the Articles of Association of the Company and Rules of Procedure for the Board of Directors; the Board of Directors could normally exert its decision-making right. All directors and independent directors could perform their obligations in a honest and diligence manner.

3. Supervisors and the Supervisory Committee: the members composing of the Supervisory Committee are reasonable. The Supervisory Committee conducted the supervision and inspection for the significant events of the Company strictly in accordance with the Rules of Procedure for the Supervisory Committee, and exert its supervision right effectively and brought its supervision function into full play.

4. Information Disclosures: the Board of Directors seriously performed information disclosure obligations strictly according to the relevant laws and regulations and the Articles of Association of the Company, and could publish all significant information in true, accurate, complete and timely manner.

II. Implementation of duties of independent directors

In the report period, the Company's independent directors fully performed their duties regulated in the laws and the Articles of Associations, seriously examined all proposals and expressed independent opinion on the following matters such as engaging and dismissing of senior executives and election of newly-added directors, did not propose objection to any proposals. Of which, independent director Mr. Li Qiusheng took part in examination and voting of all proposals examined by the extraordinary meetings held by means of communication voting; independent director Zong Dechun took part in examination and voting of proposals examined by all Board meetings; independent director Hou Liying took part in examination and voting of proposals examined by all Board meetings held by means of field voting.

III. Situation on independence of the Company from the controlling shareholders in business, personnel, assets, organization and financing of the Company

The Company was independent in business, personnel, assets, organization and financing from the controlling shareholders, possessed independent operation capability facing the market.

1. Business: The Company possessed independent production, supply and distribution system;

2. Personnel: the Company was absolutely independent in management of labor, personnel and salaries from the controlling shareholders. All the senior executives of the Company took no office title concurrently and received no remunerations from the Shareholder Company.

3. Assets: The Company possessed independent and integrated assets and the property of the Company is transparent.

4. Organization: The Board of Directors and the Supervisory Committee operated independently. There existed no superior-inferior relationship between the controlling shareholder and its function department and the Company.

5. Financing: the Company has independent financial department, independently accounted and paid taxes according to the law. The Company established a complete set of accounting systems and financial accountng system and financial administrative systems. The Company opened independent bank accounts.

IV. The equity encouragement plan to senior executive of the Company was preparing.

Section VII. Particulars about the Shareholders' General Meeting

I. The 1st Extraordinary Shareholders' General Meeting 2005: the Company held the 1st extraordinary shareholders' general meeting 2005 at 9:00 am of Feb. 1, 2005. The relevant public notice on resolutions was published in China Securities Journal and Ta Kung Pao and website appointed by CSRC dated Feb. 2, 2005.

II. The Annual Shareholders' General Meeting 2004 (the 13th Shareholders' General Meeting): the Company held the annual shareholders' general meeting 2004 (the 13th shareholders' general meeting) at 9:00 am of June 30, 2005. The relevant public notice on resolutions was published in China Securities Journal and Ta Kung Pao and website appointed by CSRC dated July 1, 2005.

Section VIII. Report of the Board of Directors

I. Analysis on overall operation in the report period

In 2005, the Company realized income from main operation amounting to RMB 852.14 million, with an increase of RMB 281.6 million compared with RMB 570.54 realized in the same period of previous year, as well as growing range of 49.36%; achieved profit from main operation amounting to RMB 85 million, with an increase of over 200% compared with RMB 27.94 million realized in the same period of previous year; realized total profit amounting to RMB 11.006 million, with an increase of RMB 152.702 million compared with the same period of previous year; realized net profit amounting to RMB 12.1002 million, with an increase of RMB 154.4079 million compared with the same period of previous year. The increase or decrease of main operations are as follows:

(1) The sales income from real estates industry, the core industry of the Company, has increased by a big margin, up 201.16% over the same period of previous year, which was mainly because that the headquarters of SPG pushed two new buildings in 2005, namely BiTongHai Garden and Star Lake Garden, and strengthened to sell former building, such as Yitai Center, Xingye Building, Xilong Building and its Tower and other buildings. (2) Income from housing lease has decreased by 17.7% compared with the same period of

pervious year, which was mainly due to decrease of leasing income from subsidiaries. (3) Income from construction fixing and properties management has deceased a little compared with the same period of previous year. (4) Income from commodity communication industry has decreased by a large range, down 34.14% compared with the same period of last year, which was mainly because that Bonded Trade Co., Ltd. stopped to operate import of toluene. (5) Income from hotel and dietetic service has increased by 65.32% compared with the same period of last year, which was mainly because that Petrel Hotel, a company under the Company, got better in 2005, whose circumjacent environment went to better increasingly, income from guest rooms and travel industry resulted in increase of housing rate and

II. Scope of main operation and status

1. The Company belongs to real estate industry and is engaged in the development of real estate and sales of commercial house, lease and management of property, construction decoration and fixing, retail and trade of commodities and hotel and meal and eating service.

2. Particulars about composing of income from main operations and profit from main operations classified according to industry:

Industries	Operating income		Operating cost		Operating gross profit	
	2005	2004	2005	2004	2005	2004
Development and operation real estate	531,061,153.71	176,341,059.29	451,687,250.23	176,285,784.03	79,373,903.48	55,275.26
Income from lease of housing	55,377,640.94	67,322,238.83	27,312,385.67	30,469,558.85	28,065,255.27	36,852,679.98
Construction fixing	98,446,923.89	109,940,750.27	92,404,217.83	101,182,331.06	6,042,706.06	8,758,419.21
Property management	64,047,096.58	70,066,379.04	57,260,870.63	63,191,717.53	6,786,225.95	6,874,661.51
Travel, hotel Meal service	25,577,582.81	15,471,212.90	14,966,455.12	10,501,266.87	10,611,127.69	4,969,946.03
Commodity circulation	92,151,416.61	139,932,079.13	91,170,799.58	148,091,683.36	980,617.03	(8,159,604.23)
Other	7,320,366.38	6,456,019.90	980,709.33	2,298,326.54	6,339,657.05	4,157,693.36
Internal offsetting	(21,840,982.71)	(14,988,004.16)	(7,374,075.12)	(10,900,191.02)	(14,466,907.59)	(4,087,813.14)
Total	852,141,198.21	570,541,735.20	728,408,613.27	521,120,477.22	123,732,584.94	49,421,257.98

3. Particulars about composing of income from main operations and profit from main operations according to areas:

Unit: RMB’0000

Areas	Income from core business	Increase/decrease of income from core business over last year (%)
Domestic	84,877.84	46.02%

Overseas	2,520.38	493.38%

4. Explanation on change of profitability of main operations

In the report period, the Company's profit from main operations amounting to RMB 85 million has increased by a big margin compared with RMB 27.94 million realized in the same period of previous year, which was mainly because income from main operations has increased by 49.36% year-on-year and gross profit ratio has increased by 8.66% year-on-year. Increase of gross profit ratio year-on-year was mainly because gross profit ratio of real estate industry has increased by 14.95% year-on-year due to steady growth in market price of real estate.

III. Operations and achievements of main holding and share-holding companies of the Company

Names of companies	Business scope	Income from main operations (RMB)	Total profit (RMB)	Net profit (RMB)	Registered capital (RMB'0000)
Shenzhen Petrel Hotel Co., Ltd.	Hotel Service	25,577,582.81	94,773.41	94,773.41	3000
Shenzhen Property Management Co., Ltd.	Property management service	75,315,678.85	1,680,347.67	1,236,077.85	725
Shenzhen Zhentong Engineering Co., Ltd.	Fixing and maintenance of projects	98,446,923.89	-3,170,574.78	-3,170,574.78	1000
Shenzhen Zhu Yuan Tong Mini-bus Rent Co., Ltd.	Rent of mini-bus	3,513,453.00	906,102.55	770,187.17	1029
Shenzhen SP Bonded Trade Co., Ltd	Import & Export trade and bonded business	92,151,416.61	-9,475,060.36	-9,475,060.36	500
Shenzhen Special Economic Zone Real Estate (Group) Guangzhou Real Estate Co., Ltd.	Development and operation of real estate	7,920,304.05	1,048,863.04	647,609.04	2000
Xin Feng Property Co., Ltd.	Investment and holding	6,388,961.22	-19,046,549.87	-20,638,788.64	HKD100
Xin Feng Enterprise Co., Ltd.	Investment, management, and consultancy	24,986,494.63	33,397,936.67	33,397,936.67	HKD100
Shenzhen Huazhan Construction Supervision Co., Ltd.	Construction and supervision	3,252,154.00	134,398.98	134,398.98	800

IV. Main suppliers and customers

Unit: RMB' 0000

Total amount of purchase of the top five suppliers	25,358.93	Proportion in the total amount of purchase	29.76%
Total amount of sales of the top five sales customers	13,685.71	Proportion in the total amount of sales	26.83%

V. Problems, difficulties, and dissolution plans in operation

1. Operation problem and difficulty: (1) Bottleneck of capital needs to breakthrough. Real estate has long- term investment period, with large capital amount and high risky, which decide company's competition is still weaker. (2) Brand image needs to be reshaped. Real estate industry becoming more and more brand-oriented, therefore, brand reshaping will be

our important issue and task. (3) Historical difficulty problems need to be solved. First is a little deposit capital needs to be settle down; then, some shutout and close down enterprises could not be liquidated and logout for complicated creditor's right and liability relationship; the third problem is success ending case met "execute-difficulty" problem. The last problem is large vacancy buildings waiting to sell. (4) Capital reserving is still not enough, and development space is quite limited. (5) Macro-control and national economic entering a new period, which makes enterprise operation macro-environments becoming more complicated.

2. Proposed solutions for the above problem and difficulty:

(1) Strengthening leader team building and management team constructing, build a high-quality marketing team. (2) Concentrating advantage resource quickly, and focus on major business development. (3) Transacting capital asset energetically, and giving great support to new project development. (4) Balance enterprise development and stabilization properly, keeping stable progress. (5) Reinforce management, increase income and cut expense. (6) Enlarge investment at company culture, reform enterprise culture and spirit.

VI. Investment

1. In the report period, the Company had no raised proceeds, nor raised proceeds lasting to the report period.

2. Investment with non-raised proceeds

Unit: RMB'0000

Name of projects	Amount of projects	Rate of progress of projects	Income from projects
BiTongHai Garden	10,000.00	At the end of 2004, main body structure has been accomplished. Equipment installment and maintenance projects begun	Not settled
The 3rd phase of Star Lake Garden	23,000.00	In 2004, projects have been accomplished basically. Equipments had began debugging and been ready for check and accepting.	Not settled
Cuiqin Pavilion	12,390.00	In July 2004, it was entered fro dwelling.	Sales income transferred-in amounting to RMB 109,268,900 and gross profit amounting to RMB 539,900
Yitai Center	53,172.00	It was accomplished but wasn't sold.	Not settled
Total	98,562.00		

VII. In the report period, analysis on financial status and operating results

(I) Analysis of financial status

Itmes	Amount at the year-end (RMB'0000)	Amount at the year-begin (RMB'0000)	Increase/decrease (RMB'0000)	Increase/decrease (%)
Total assets	228,031	251899	-23868	-9.46%
Total liabilities	124,147	153,161	-29,014	-18.94%
Owner's equity	105,697	100,207	5,490	5.48%

Main reasons for affecting change of total assets, total liabilities and shareholders' equity are as follows:

(1) Accounts receivable decreased by 16.33%, which was mainly because that the Company received the partial accounts receivable in the report period.

(2) Decrease of other receivables was mainly because that the Company withdrew reserve for bad debts and received the partial accounts receivable.

(3) Increase of accounts payable was mainly because that the Company Bonded Company increased loan to export agent.
(4) Increase of subsidy receivable was mainly due to export tax rebate received by Bonded Company.
(5) Decrease of inventories was mainly because that cost carried forward from selling buildings was more than input. In the report period, the headquarters of SPG carried forward the partial sales cost of such new buildings as Star Lake Garden and BiTongHai Garden.
(6) Increase of deferred expense was mainly due to increase of sale tax and extra of funds from buildings receivable in advanced.
(7) Decrease of long-term equity investment was mainly because that the Company carried forward investment of Shenzhen Zhu Yuan Enterprise Co., Ltd. and Haerbin Jianfeng Technology Development Company invested by the Company and equity of Jilin Pharmaceutical Co., Ltd. held by the Company.
(8) Increased of long-term debts was mainly because that the Company did not consolidate accounting statement of Shenyang Tongxin Properties Development Co., Ltd., thus debts occurred from this was transferred into long-term debts.
(9) Decrease of construction in project was mainly because that the Company carried forward Zhu Yuan Mansion. For details, please refer to explanation on investment income.
(10) Decrease of intangible assets was mainly because that the Land Report of Shantou Jinye Island was re-planed in the report period and was developed, and transferred the balance of land use right into development cost.
(11) The balance of advance receivable at the period-end has increased by a big range with 76.53% compared with the period-begin, which was due to increase of funds from preselling buildings that in the report period.
(12) Decrease of dividend payable was mainly because that the Company refunded dividends over the past years owed by the Company to Shenzhen Investment Holdigs Co., Ltd..
(13) The balance of accrual expense has increased by 126.96% compared with the last period, which was mainly because that the Company withdrew engineering payment of BiTongHai Garden and the 3rd phase of Star Lake Garden in the report period.
(14) Increase of shareholders' equity (net assets) was mainly due to net profit realized at in the report period, increase of translation balance in foreign currency statement, and increase of capital reserve which was because the Company sold the 1st -5th floor side building of Yitai Building with commercial properties area of 11,931.54 square meters and 48 sets commercial residential building with 2,812.05 square meter on 9th -11th of Tower B of Yitai Building to Shenzhen Investment Holdings Co., Ltd. with RMB 118.76 million. The funds selling building directly cancelled out dividends owed by the Company to Shenzhen Investment Holdings Co., Ltd.. No influence on net profit due to the said related transaction, but capital reserve has increased by RMB 21.587 million.

(II) Analysis of operating results
1. In 2005, the Company realized total profit amounting to RMB –11.01 million, with an increase of RMB 152.7 million over the same period of last year; net profit amounting to RMB 12.1 million, with an increase of RMB 154.41 million over the same period of last year, which turned losses into profit.
2. The Company realized profit from main operations amounting to RMB 852.14 million in 2005, with an increase of RMB 281.60 million compared with RMB 570.54 million realized in the same period of last year, by 49.36%;

3. The Company realized profit from main operations amounting to RMB 85 million, with a sharp decrease over the same period of last year amounting to RMB 27.94 million, mainly because income from main operations increased by 49.36% and gross profit ratio increased by 8.66% year-on-year. Increase in gross profit ratio year-on-year was mainly because gross profit ratio of real estate industry has increased by 14.95% year-on-year due to steady growth in market price of real estate.

4. Administrative expense was RMB 66.41 million in the report period, a decrease of 38.42% compared with the same period of last year, which was mainly because: (1) the Company sold Yitai Building, wrote off reserve for falling price of inventories withdrawn amounting to RMB 56.02 million, and wrote back reserve for falling price of inventories withdrawn on BiTongHai Garden over the past years amounting to RMB 8.4 million; (2) the Company withdrew reserve for bad debts amounting to RMB 36.5771 million, of which, ① the Group additionally withdrew reserve for bade debts amounting to RMB 27.481 million on lawsuit case of Guoxing Building, and withdrew reserve for bad debts of SPG General Merchandise amounting to RMB 139,700, and withdrew bad debts of Lianhua Company amounting to RMB 2 million; ② Bonded Company withdrew reserve for bad debts amounting to RMB 6.8456 million on toluene business, and Petrel Hotel withdrew reserve for bad debts amounting to RMB 110,700 on accounts receivable.

5. Financial expense of the report period increased by 48.41% compared with the same period of last period, which was mainly because that net loss of exchange due to change of exchange rate in the report period increased by RMB 6.71 million, and interests income decreased by RMB 3.92 million.

6. Investment income amounted to RMB 46.536 million, which has increased by a big margin compared with the same period of last year, the details are as follows:

Items	2005	2004
Income from stock investment	69,753.49	58,084.29
Profit distributed by enterprise joint venture company and affiliated	1,660,097.38	1,068,628.88
Net increase/decrease of equity of investees adjusted at the year-end	(1,278,060.58)	(13,583,346.89)
Amortization of equity investment balance	(1,397,348.64)	(1,397,348.64)
Income from disposal of equity investment and debts investment	46,507,481.54	3,100,744.01
Withdrawing reserve for devaluation of long-term investment *4	(3,069,704.88)	--
Other investment income	4,044,175.16	--
Total	46,536,393.47	(10,753,238.35)

7. Non-operating expense

Items	2005	2004
Expenditure of contractual fine and penalty	197,933.89	3,317,727.97

Losses due from lawsuit and arbitration	1,164,150.94	13,966,176.24
Net loss from disposal of fixed assets	1,385,716.78	20,715.66
Donation expenditure	69,000.00	20,000.00
Other	81,473.49	395,940.97
Total	2,898,275.10	17,720,560.84

In the report period, non-operating expenses decreased by 83.64% compared with the last period, which was mainly because that loss due from lawsuit and arbitration in the report period has decrease by a large margin over the last period.

8. Net cash flow arising from operating activities was RMB 266.27 million, with an increase of RMB 258.34 million compared with RMB 7.93 million realized in the same period of last year, which was mainly because that cash received from selling commodities and providing labor services amounted to RMB 940.323 million, with an increase of RMB 351.41 million compared with the same period of last year, by 59.67%; cash paid for purchasing commodities and receiving labor service amounted to RMB 499.876 million, with an increase of RMB 8.27 million over the same period of last year, by 1.77%. The growth range of cash inflow was more than one of cash outflow, thus, the Company's cash flow showed a good tendency, which is beneficial to development of the Company for the future.

VIII. The Company's outlook for the future development

2006 is the beginning year of "the eleventh five-year plan", real estate industry, especially for living estate industry is still an important supporting industry of our harmonious society. Therefore, company manage will be target at enhancing economic performance, reshaping enterprise brand, deeply develop "brand-reshape-year" activity, promote brand by successful project, promote economic return by brand development, reinforce marketing service, rebuilding SPG company brand and image. Reshape SPG enterprise culture based on "Harmonious, Responsibility, Revolution, and Honest", enforce enterprise coherence and centripetal force. Reinforcing enterprise management, establishing management workflow around system-building, and restructuring modern enterprise management model and operation style. Highly recognition of layout design and project management, launch refined real estate with modern design, building SPG image in the market, making enterprise economic performance and market image rising stably, working hardly for SPG return to one of Shenzhen real estate market leaders position.

1. Concentrating advantage resource quickly, and focus on major business development. Major business of this year is Shantou project, Guangzhou project and Star Lake Garden phrase III, Guangzhou project targeted at starting sell this May, Star Lake Garden should be reach selling qualification in this year.

2. Transacting capital asset energetically: (1) quit surplus and unsuitable projects; (2) large vacancy real estate need to be transacting this year, target at 40,000 to 50,000 square meters, change bad structure with over stock-in-trade; (3) continue to deal with problems arising

from quit projects; (4) exploring a new develop approach combined perfectly with production operation and capital operation.

3. Reinforce management, increase income and cut expense. Firstly, perfect all management system, and establish related business workflow, promote enterprise management into a new level. Secondly, promote budget management entirely and firmly, reinforce internal audit independence and enlarge audit scope, make a new criterion of finance and capital management, control expense strictly. The third is continuing promote “income and expenses” management, centralized manage and using group resource. The fourth is reinforcing all the accounts receivable settlement, especially to enlarge executive power to that success ending case, and settle accounts receivable will be an item in this year performance evaluation. The fifth is strength cost and expense control, cut cost expense, based on perfecting system and mechanisms.

IX. Routine work of the Board of Directors

(I) In the report year, particulars about meeting of the Board and contents of the resolutions

In 2005, particulars about holding of meetings of the Board were as follows:

1. The 1st meeting was held at the meeting room of the Group on Apr. 22, 2005, 10 directors attended the meeting and 1 director entrusted another to vote. The meeting examined and approved the following proposals: Annual Report 2004 and its Summary, 2004 Profit Distribution Plan and the 1st Quarterly Report 2005.

The resolutions related with the Board meeting were published in China Securities Journal and Ta Kung Pao dated Apr. 26, 2005.

2. The 2nd meeting was held on May 30, 2005, 9 directors attended the Board meeting and 3 directors entrusted other directors to vote. The meeting examined and approved the following proposals: the Related Transaction Agreement of Housing Sale Agreement, Rules of Procedure for the Shareholders’ General Meeting, Rules of Procedure for the Board of Directors and Proposal on Amending the Articles of Association of the Company.

The resolutions related with the Board meeting were published in China Securities Journal and Ta Kung Pao dated May 31, 2005.

3. The 3rd meeting was held on June 20, 2005, 9 directors attended the Board meeting and 3 directors were absent from the meeting. The meeting examined and approved the Proposal on Joining the Auction of Lianfeng Cement Manufacturing Company.

4. The 4th meeting was held on Aug. 22, 2005, 8 directors attended the Board meeting, in which examined and approved the proposal on Semi-annual Report 2005 and its Summary.

The resolution related with the Board meeting was published in China Securities Journal and Ta Kung Pao dated Aug. 24, 2005.

5. The 5th meeting was held on Oct. 25, 2005, 7 directors attended the Board meeting and 3 directors were absent from the meeting. The meeting examined and approved the 3rd Quarterly Report 2005 and Proposal on Dissension Intermediation of Shantou Jinye Island Xinfeng Building Project.

6. The 6th meeting was held on Dec. 9, 2005, 6 directors attended the Board meeting and 2 directors entrusted other directors to vote. The meeting examined and approved the following proposals: the Proposal on Engaging Senior Executives, the Proposal on Dismissing Chen Wuhua from the post of General Manager and Liang Song from Deputy General Manager.

The resolution related with the Board meeting was published in China Securities Journal and Ta Kung Pao dated Dec. 13, 2005.

(II) The Board's implementation of the resolutions made by the Shareholders' General Meeting

The 13th Shareholders' General Meeting of the Company had formed such resolutions concerning the profit distribution plan of 2004, amendment of the Articles of Association and establishing Rules of Procedure for the Board of Directors and so on. Authorized by the Shareholders' General Meeting, the Board had strictly carried out the aforesaid resolutions. In the report period, the Company had no plans of profit appropriation or conversion of public reserve into share capital, nor was there any rationed share or issuance of new share.

2. The Board of Directors strictly performed the resolutions of shareholders' general meeting related with share merger reform, and implemented share merger reform plan.

X. Profit distribution preplan for the year 2005

The Company's financial settlement for the year 2005 has been audited by Shenzhen Nanfang Minhe Certified Public Accountants, as calculated according to Chinese Accounting Standards, the Company's net profit after auditing was RMB 12,100,200.79, while as calculated according to International Accounting Standards, the Company's net profit was RMB 62,442,000. Thus, the profit available for distribution for the year 2005 was RMB -1,041,713,963.52. The Board of Directors decided that the Company would not distribute profit for the year 2005 after discussion.

XI. The newspapers chosen by the Company for information disclosure remained unchanged, namely China Securities Journal (domestic) and Ta Kung Pao (overseas).

XII. Special explanation of independent directors on the Company's guarantee and performing the regulations of Circular Concerning Some Issues on Regulating the Funds between Listed Companies and Associated Parties and Listed Companies' Provision of Guaranty to Other Parties and independent opinions

We checked and approved the external guarantee, capital occupied by related parties disclosed in Annual Report 2005 and Financial Report of SHENZHEN Special Economic Zone Real Estate & Properties (Group) Co., Ltd. and the relevant information, and made the following explanation on the external guarantee and capital occupied by related parties:

1. No external guarantee occurred in the report period. There was the balance of mortagage guarantee amounting to RMB 201.42 million the Company did not settle yet in the report period, and possibility of jointly discharging responsibility borne by the Company due from the said guarantee is little.

2. The largest shareholder of the Company did not occupy capital of the Company. Some existing accounts receivable from related parties are due to loan that the Company invested subsidiaries over the past years.

Thus, we believed that the Company could quite perform Circular Concerning Some Issues on Regulating the Funds between Listed Companies and Associated Parties and Listed Companies' Provision of Guaranty to Other Parties.

Section IX. Report of the Supervisory Committee

In 2005, the Supervisory Committee had dutifully performed the supervisory obligations endowed by laws and regulations in accordance with regulations of Company Law, Securities Law, and Articles of Association of the Company and with the support of the Board, the management team and the vast shareholders, In the report period, the Supervisory Committee had held 4 meetings, presented at 2 shareholders' general meetings and attended 6 meetings of the Board as non-voting delegates.

I. Meetings held in the report period

1. The 1st meeting was held on Apr. 22, 2005, in which examined and approved Annual Report 2004 and its Summary, Work Report 2004 of the Supervisory Committee, Financial Report and Profit Distribution Plan and the 1st Quarterly Report 2005.

2. The 2nd meeting was held on May 30, 2005, in which examined and approved Rules of Procedure for the Supervisory Committee.

3. The 3rd meeting was held on Aug. 22, 2005, in which examined and approved Semi-annual Report 2005 and its Summary.

4. The 4th meeting was held on Oct. 25, 2005, in which examined and approved the 3rd Quarterly Report 2005.

II. Independent opinions of the Supervisory Committee

1. In the report period, the decision-making procedure of the Company was legal, and the inner management and control system further perfected. While performing their duties, the directors and senior administrative personnel of the Company had no deeds that were against laws, regulations or Articles of Association of the Company, or had done harm to the interests of the shareholders or the Company. But the Company's General Manager and Deputy General Manager were dismissed due to personal reason.

2. In the report period, the Company's economic benefit took a favorable turn obviously, resource integration and cost control obtained outstanding effect, assets quality took a remarkable improvement, capital strength strengthened gradually, auditing and management of financing obtained further standardization, and internal management mechanism was strengthened and perfected further, which established the base for development of the Company in the coming three years. In the report period, the unqualified report issued by Nanfang Minhe Certified Public Accountants had been true and accurate, and its analyses practical. It had objectively reflected the financial status and the present operation of the Company.

3. The related transactions occurred in the report period were fair, and no harm had been done to the interests of the Listed Company. In the report period, the Company had not purchase and sell any assets, nor raise any funds.

Section X. Significant Events

I. Significant lawsuits and arbitrations

As to the significant lawsuits and arbitrations in which the Company had been involved in the report period, please refer to Note 8 of the Financial Statements.

II. The Company had not made any important purchases or sales of assets in the report period.

III. Please refer to Note 7 of the Financial Statements for related parties of and related transactions of the Company.

IV. The Company had not signed any important contracts of entrustment, contracting or leasing in the report period, nor had it entrusted others with assets management.

V. Guarantees

Unit: RMB'0000

<table>
<tr><th colspan="7">External guarantees of the Company (excluding guarantees for holding subsidiaries)</th></tr>
<tr><th>Name of the guarantee</th><th>Date of happening (the agreement-signing day)</th><th>Amount of guarantee</th><th>Type of guarantee</th><th>Guarantee term</th><th>Accomplished or not</th><th>For related parties or not</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="3">Total guarantee amount in the report period</td><td colspan="4"></td></tr>
<tr><td colspan="3">Total guarantee balance at the end of the report period</td><td colspan="4"></td></tr>
<tr><td colspan="7">Guarantees for holding subsidiaries of the Company</td></tr>
<tr><td colspan="3">Total guarantee amount for holding subsidiaries in the report period</td><td colspan="4">2200</td></tr>
<tr><td colspan="3">Total guarantee balance for holding subsidiaries at the end of the report period</td><td colspan="4">2200</td></tr>
<tr><th colspan="7">Total guarantee amount of the Company (including guarantees for holding subsidiaries)</th></tr>
<tr><td colspan="3">Total guarantee amount</td><td colspan="4">2200</td></tr>
<tr><td colspan="3">Total guarantee amount taking up the net assets of the Company</td><td colspan="4">2.08%</td></tr>
<tr><th colspan="7">Irregular guarantees of the Company</th></tr>
<tr><td colspan="3">Amount of the guarantees for holding shareholders and other related parties of which the Company held less than 50% shares</td><td colspan="4">0.00</td></tr>
<tr><td colspan="3">Amount of the debt guarantees directly or indirectly for guarantees with an asset-liability ratio exceeding 70%</td><td colspan="4">1000 (paid off in Feb. 2006)</td></tr>
<tr><td colspan="3">Guarantee amount exceeding 50% of the net assets or not (yes or no)</td><td colspan="4">No</td></tr>
<tr><td colspan="3">Total irregular guarantee amount</td><td colspan="4">1000</td></tr>
</table>

In the report period, there was a mortgage guarantee for the owner’s building amounting to RMB 201.42 million still remaining unaccomplished. As to this kind of guarantee, the possibility of shouldering joint-payment responsibility is relatively small.

VI. Commitments made by the controlling shareholder of the Company in the share merger reform

1. The controlling shareholder of the Company promised on the relevant matters related with the share merger reform plan of SPG: “1. the company would abide by the relevant laws, regulations and rules, and fulfilling the legal responsibilities promised obligation; 2. the company declared: “The Promisor would dutifully fulfill its commitments and shoulder corresponding legal responsibilities. Only if the assignee agree and have the ability to shoulder the commitment responsibility, the Promisor would never transfer the shares held by it.”; and, 3. the company made the commitment: “The Promisor hereby promises that, should the Promisor failed to fulfill its commitment or not fully fulfill its commitment, it would compensate other shareholders for their losses suffered thereafter”. At present, the company did not touch the conditions of commitments.

2. Commitments of consideration paid in course of shares transfer: herein Shenzhen Construction Investment Holdings Corporation, the controlling shareholder of SPG, did not transfer its shares of SPG to Shenzhen Investment Holdings Co., Ltd., and share transfer procedure was in handling, if shares transfer procedure would finish before the date of accomplishment of share merger reform plan of SPG, then the consideration would be arranged by Shenzhen Investment Holdings Co., Ltd., while, if shares transfer procedure would finish after the date of accomplishment of share merger reform plan of SPG, then the consideration would be arranged by Shenzhen Construction Investment Holdings Corporation. Shenzhen Investment Holdings Co., Ltd. promised that it would continue to perform the commitments made by Shenzhen Construction Investment Holdings Corporation in share merger reform after accomplishment of share transfer procedure. On Feb. 15, 2006, the commitments were performed over.

3. Commitments of conditional sale: Nontradable shares held by it would not be traded or transferred within 12 months from the date the Share Merger Reform Plan was implemented; after the expiration of the aforesaid promise, the proportion in the total shares of the Company taken up by the originally nontradable shares sold through listing and trading at Stock Exchange would not exceed five percent within 12 months, and not exceed ten percent within 24 months. At present, the company did not touch the conditions of commitments.

VII. The Company engaged Shenzhen Nanfang Minhe Certified Public Accountants to take care of the auditing work for the year 2005 of the Company. The said Certified Public Accountants had provided annual auditing services to the Company since 2001. According to agreement, the Company would pay RMB 0.88 million to Shenzhen Nanfang Minhe Certified Public Accountants as the auditing fee.

Section XI. Financial Report

(Accounting Statements and Auditors' Report attached at the back)

Section XII. Documents Available for Reference

1. Accounting Statements carrying the signatures and seals of the Legal Representative, person in charge of accounting work, and person in charge of accounting sections;
2. Original of the Auditors' Report carrying the seal of the Certified Public Accountants, as well as the signatures and seals of the CPAs;
3. All originals of notifications and original copy of all the documents of the Company ever disclosed in China Securities Journal and Ta Kung Pao in the report period.

Board of Directors of
SHENZHEN SPECIAL ECONOMIC ZONE
REAL ESTATE & PROPERTIES (GROUP) CO., LTD.
Apr. 25, 2006

ORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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PORT OF THE AUDITORS

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

We have audited the accompanying consolidated balance sheet of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") as of December 31, 2005 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These financial statements set out on pages 2 to 34 are the responsibility of the Group's management. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2005 and of the results of operations and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

Moore Stephens Shenzhen Nanfang Minhe
Certified Public Accountants

April 21, 2006

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	2005 RMB'000	2004 RMB'000
Turnover	4	813,405	549,061
Cost of sales		(701,415)	(499,431)
Gross profit		111,990	49,630
Other operating income		3,823	9,004
		115,813	58,634
General and administrative expenses		(47,717)	(125,558)
Other operating expenses		(16,090)	(10,679)
(Loss) / profit from operations	5	52,006	(77,603)
Finance costs	8	(38,885)	(32,107)
Share of (losses) / profits of non-consolidated subsidiaries, associates, and contractual joint ventures		48,227	(9,962)
(Loss) / profit before taxation		61,348	(119,672)
Taxation	9	(2,587)	(1,529)
(Loss) / profit after taxation		58,761	(121,201)
Minority interests		3,681	916
Net (loss) / profit for the year		62,442	(120,285)
(Loss) / earnings per share			
Basic	10	RMB0.06	(RMB0.12)
Diluted	10	N/A	N/A

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

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2005

	Note	2005 RMB'000	2004 RMB'000
ASSETS			
Non-current assets			
Property, plant & equipment	11	84,522	143,362
Investment properties	12	583,962	686,957
Non-consolidated subsidiaries	13	126,560	53,943
Associates	14	24,191	30,047
Contractual joint ventures	15	80,302	143,173
Long term investments	16	10,420	27,482
Intangible assets	17	35	68
Land held for development	18	--	60, 103
		909,992	1,145,135
Current assets			
Properties under development for sale	19	270, 622	605, 110
Completed properties for sale	20	471,986	171,933
Inventories	21	27,159	22,440
Short term investments	22	3,422	3,060
Accounts receivable		30,692	32,069
Prepayments, deposits and other debtors		109,393	128,665
Cash and bank balances		310,857	197,621
		1,224,131	1,160,898
Current liabilities			
Customers' deposits		302,260	171,227
Accounts payable and accrued expenses	23	417,110	403,729
Dividends payable	24	--	138,764
Tax payable	25	8,585	2,752
Bank loans	27	317,974	525,988
		1,045,929	1,242,460
Net current Assets/(liabilities)		178,202	(81,562)
Total assets less current liabilities		1,088,194	1,063,573
Non-current liabilities	26	(130,659)	(186,240)
Minority interests		18,136	14,682

NET ASSETS		975,671	892,015
CAPITAL AND RESERVES			
Share capital	28	1,011,660	1,011,660
Reserves		(35,989)	(119,645)
		975, 671	892, 015

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

Approved and authorized for issue by the board of directors on April 21, 2006

DIRECTOR DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	2005 RMB'000	2004 RMB'000
OPERATING ACTIVITIES			
Cash received from sales of goods or rendering of services		940,323	588,912
Other cash received relating to operating activities		71,400	125,572
Cash paid for goods and services		(481,452)	(491,206)
Cash paid to and on behalf of employees		(81,798)	(71,099)
Taxation paid		(54,955)	(30,753)
Cash paid relating to other operating activities		(141,467)	(113,495)
Interest paid		(37,592)	(40,712)
Net cash (used in) / generated from operating activities		**214,459**	**(32,781)**
INVESTING ACTIVITIES			
Cash received from disposal of investments		145,543	20,001
Dividends received and interest received		2,073	1,127

Net cash received from the sale of fixed assets, intangible assets and other long-term assets		190	48
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(3,974)	(6,420)
Net cash generated from investing activities		**143,832**	**14,756**
FINANCING ACTIVITIES			
Proceeds from borrowings		482,824	508,206
Repayments of borrowings		(732,198)	(504,256)
Net cash generated from / (used in) financing activities		**(249,374)**	**3,950**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**108,917**	**(14,075)**
Cash and cash equivalents at beginning of year	**29**	**161,424**	**175,499**
Cash and cash equivalents at end of year	**29**	**270,341**	**161,424**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2005

	Share capital	Capital reserve	Cumulative translation reserve	General reserve	Staff welfare fund	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at December 31, 2003	1,011,660	686,308	10,026	3,317	115,594	(819,602)	1,007,303

Prior year adjustment	--	--	--	--	--	5,083	5,083
Loss for the year	--	--	--	--	--	(120,285)	(120,285)
Others	--	--	(86)	--	--	--	(86)
Balance at December 31, 2004	1,011,660	686,308	9,940	3,317	115,594	(934,804)	892,015
Profit for the year	--	--	--	--	--	62,442	62,442
Others	--	--	21,214	--	--	--	21,214
Balance at December 31, 2005	1,011,660	686,308	31,154	3,317	115,594	（872,362）	975,671

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

The Company declares dividends based on the lower of net profit after appropriation to reserves as reported in the financial statements prepared under the Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises in PRC and as reported in the financial statements prepared under IFRS. For the year ended December 31, 2005, the directors have not declared any dividends to its shareholders.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

GENERAL

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

In 2005, this company original major stockholder -- Shenzhen Constructs Investment Holding company to set up Shenzhen with other two cities property management consolidation of corporation to Investment Shareholding Limited Company. This issue of consolidated has been authorized and the registration changing has been done at 15th of Feb 2006.
This period, this company entered the stockholder's rights minute to set at the reform procedure, the reform plan main point is: This company only non- circulation stock

shareholder to circulates A share of shareholder to have 10 to circulate A every time to pay 4.8 to the price stock; And to this corporate management level implementation stockholder's rights drive plan. It has been authorized by State-owned Assets Supervision and Administration Commission of ShenZhen Municipal Government, and has been passed though ‘A market shareholder’s minute set at the reform related shareholder conference’ of this company, implements in February 16, 2006. Only this company's management level stockholder's rights in drove the plan the detailed plan still at formulates at present.

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.

BASIS OF PREPARATION

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board under the historical cost basis except for the revaluation of investment properties. The accounting policies adopted by the Company under IFRS differ from the accounting policies used in the financial statements of the Group which were prepared in accordance with Accounting Standards for Enterprise Business and Accounting Systems for Enterprise Business in the PRC. Adjustments to restate the results of operations and the net assets in compliance with IFRS will not be taken up in the accounting books of the companies in the Group. Details of impacts of such adjustments on the net assets as at 31 December 2003 and net profit for the year then ended are included in note 35 to the financial statements.

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:

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Goodwill（continued）

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.

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

Subsidiaries

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

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

Subsidiaries not consolidated

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

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

Associates

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

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

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

Contractual joint ventures

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Contractual joint ventures

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

Cash and cash equivalents

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

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

Property, plant & equipment

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

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

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

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

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

Investment properties

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

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Investment properties (continued)

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

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.

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Short-term investments

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

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.

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

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.

Intangible assets

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

Foreign currency translation

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

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

Borrowing costs

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

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

Provisions, contingent liabilities and contingent assets

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

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

3. PRINCIPAL ACCOUNTING POLICIES - (continued)

Provisions, contingent liabilities and contingent assets (continued)

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.

BUSINESS AND GEOGRAPHICAL SEGMENTS

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

Principal activities are as follows:

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

The Group's business is principally conducted in the mainland of People's Republic of China (PRC) with its turnover for the year ended December 31, 2005 identified by geographical segments as follows:

	RMB'000
PRC	788,201
Hong Kong	24,417
The United States of America	787
	813,405

BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Segment information relating to the businesses for the year ended December 31, 2005 is presented below:

	Properties	Retailing and trading	Transportation and catering services	Construction technical support	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE							
External sales	559,815	87,360	79,940	79,350	6,940	--	813,405

Inter-segment sales	--	--	5,300	16,541	--	(21,841)	--
Total revenue	559,815	87,360	85,240	95,891	6,940	(21,841)	813,405

Inter-segment sales are charged at prevailing market rates.

BUSINESS AND GEOGRAPHICAL SEGMENTS - (continued)

	Properties	Retailing and trading	Transportation and catering services	Construction technical support	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS							
Segment results	82,950	(8,663)	(2,615)	(290)	1,135	14,467	58,050
Unallocated corporate expenses							(6,044)
Profit from operation							52,006
Finance costs							(38,885)
Share of losses of non-consolidated subsidiaries, associates, and contractual joint ventures							48,227
Profit before tax							61,348
Taxation							(2,587)
Profit after tax							58,761
Minority interests							3,681
Net profit for the year							62,442
OTHER INFORMATION							
Segment assets	1,498,964	16,629	155,570	42,908	5,243		1,719,314
Non-consolidated subsidiaries	60,729	11,212	42,323	(598)	12,894		126,560
Associates	8,438	--	--	449	15,304		24,191
Contractual joint ventures	33,314	13,316	--	--	33,672		80,302
Unallocated corporate assets							183,756
Consolidated total assets							2,134,123
Segment liabilities	1,011,450	46,680	83,772	22,955	3,355		1,168,212
Unallocated corporate liabilities							8,376
Consolidated total liabilities							1,176,588
Capital expenditure	406	--	1,300	323	1,945		
Depreciation	4,780	100	6,709	599	529		

Non-cash expenses other than depreciation	(57,769)	7,023	(368)	(370)	--

4. BUSINESS AND GEOGRAPHICAL SEGMENTS - (continued)

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

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

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

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

Inter-segment sales are charged at prevailing market rates.

	Properties	Retailing and trading	Transportation and catering services	Construction technical support	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS							
Segment results	(61,300)	(10,529)	(700)	(127)	(27,687)	39,597	(60,746)
Unallocated corporate expenses							(16,857)
Loss from operation							(77,603)
Finance costs							(32,107)
Share of profit of non-consolidated subsidiaries, associates, and contractual joint ventures							(9,962)
Loss before tax							(119,672)
Taxation							(1,529)
loss after tax							(121,201)
Minority interests							916

Net loss for the year	(120,285)

BUSINESS AND GEOGRAPHICAL SEGMENTS - (continued)

	Properties RMB'000	Retailing and trading RMB'000	Transportation and catering services RMB'000	Construction technical support RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
OTHER INFORMATION							
Segment assets	1,357,046	28,557	48,228	27,114	11,629		1,472,574
Non-consolidated subsidiaries	20,804	--	27,065	--	6,074		53,943
Associates	14,071	--	--	352	15,624		30,047
Contractual joint ventures	41,392	2,918	63,747	--	35,116		143,173
Unallocated corporate assets							606,296
Consolidated total assets							2,306,033
Segment liabilities	865,784	28,557	48,228	27,114	27,365		997,048
Unallocated corporate liabilities							431,652
Consolidated total liabilities							1,428,700
Capital expenditure	6,115	6	274	17	8		
Depreciation	6,943	150	8,420	550	35		
Non-cash expenses other than depreciation	7,186	3,229	32	120	--		

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

	2005	2004
Properties	1,644	1,317
Retailing and trading	47	25
Transportation and catering services	241	208
Construction technical support	213	123
Others	33	27
	2,178	1,700

(LOSS) / PROFIT FROM OPERATIONS

	2005 RMB' 000	2004 RMB'000
(Loss) / profit from operations is stated after crediting and charging the following:		
Crediting:		
Interests	3, 162	7, 084
Rental income	55,377	1,268
Exchange gain	3,380	785
Gain on disposal of property, plant & equipment	1,304	(28)
Charging:		
Depreciation	12,717	16,097
Amortization	1,377	6,061
Staff costs (note 6)	91,580	74,586
Exchange loss	9, 640	337
Provision for impairment losses of assets (note 7)	27, 297	4, 507

STAFF COSTS

	2005 RMB' 000	2004 RMB'000
Salaries and bonus	83,338	67,873
Retirement benefit costs and provision for other welfare	8,242	6,713
	91,580	74,586

PROVISION FOR IMPAIRMENT LOSSES OF ASSETS

	2005 2004 RMB' 000	RMB'000
Completed properties for sale	(8,400)	--
Accounts receivable, other debtors and amount due from non-consolidated subsidiaries	35,697	4,507
	27,297	4,507

FINANCE COSTS

	2005 RMB' 000	2004 RMB'000
Interest expenses		
- bank loans	32,625	32,107

TAXATION

	2005	2004

	RMB' 000	RMB'000
The charge comprises:		
PRC income tax for the year	2,587	1,529

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:

	2005 RMB' 000	2004 RMB'000
PRC enterprises income tax		
- enterprises in Shenzhen	15%	15%
- enterprises outside Shenzhen	33%	33%
Hong Kong profits tax	17.50%	17.50%

Reconciliation to the domestic tax expense as follows:

	2005 RMB' 000	2004 RMB'000
Accounting profit under IFRS	61,348	(119,672)
Difference arising from accounting policies based on IFRS	(50, 342)	(22, 023)
Accounting profit under Accounting Standards for Enterprise Business of the PRC	11,006	(141,695)
Tax at the domestic rate of 15%	1,650	(21,254)
Net tax effect of expenses not deductible for tax purposes and other factors	937	22,783
Tax expense	2,587	1,529

EARNINGS PER SHARE

（a） The calculation of basic earnings per share is based on the consolidated profit of RMB62, 442,000 (2004: loss of RMB120, 285,000) and 1,011,660,000 shares (2004: 1,011,660,000 shares) in issued during this year.

（b） During the year ended 31 December 2005 and 2004, there were no dilutive potential shares. Fully diluted earnings per share are not applicable.

PROPERTY, PLANT & EQUIPMENT

	Land and buildings RMB'000	Plant and machinery RMB'000	Motor Vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At January 1, 2005	67,392	31,402	32,280	57,682	38,951	227,707
Additions	--	17	2,933	951	--	3,901
Decrease of subsidiaries	23,785	2	1,723	713	38,951	65,174
Disposal of assets	--	--	424	--	--	424
At December 31, 2005	43,607	31,417	33,066	57,920	--	166,010
Depreciation						
At January 1, 2005	26,160	7,622	26,615	22,547	--	82,944
Charge for the year	12,443	71	1,540	1,266	--	15,320
Decrease of subsidiaries	15,942	2	1,464	365	--	17,773
Disposal of assets	--	--	403	--	--	403
At December 31, 2005	22,661	7,691	26,288	23,448	--	80,088
Provision for impairment losses						
At January 1, 2005	1, 269	68	48	15	--	1,400
Additions	--	--	--	--	--	--
Disposal	--	--	--	--	--	--
At December 31, 2005	1, 269	68	48	15	--	1,400
Net book value						
At December 31, 2005	19,677	23,658	6,730	34,457	__	84,522
At December 31, 2004	39,963	23,712	5,617	35,119	38, 951	143,362

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

INVESTMENT PROPERTIES

	2005	2004

At January 1, 2004	686, 957	628, 861
Disposal of properties	(105,794)	(2,055)
Additions	2,799	60,151
At December 31, 2004	583,962	686,957

The investment properties have been revalued as at 31 December 2005 by the directors and certain investment properties have been pledged as security for the loans group's bank (see note 30).

SUBSIDIARIES

At December 31, 2005, the Company had interests in the following principal subsidiaries which have been included in the consolidated financial statements:

Subsidiaries	Place of equity establishment/incorporation	Principal activities	Interest held Direct %	Indirect %
Great Wall Estate Co., Inc.	U.S.A.	Property development	70	--
Shenzhen Special Economic Zone Real Estate (Group) Guangzhou Property and Estate Co., Ltd.	PRC	Property development, decorationand construction design	100	--
Skill Elite Ltd.	Hong Kong	:orporate 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	:ar rental	100	--
Shenzhen City Wa Gen Construction Management Ltd.	PRC	Construction project management	75	25
Barenie Co. Ltd.	Hong Kong	Properties investment	--	80
Openice Ltd.	Hong Kong	Investment holding	20	80
Shantou SEZ Wellam Fty Bldg., Dev. Co.	PRC	Factory building, sales and rental	--	82
Xin-Feng Real Estate Dev. Construction (Wuhan) Co. Ltd.	PRC	Real estate management and rental service	--	55
Fresh Peak Investment Ltd.	Hong Kong	Properties investment	--	55
Wellam Ltd.	Hong Kong	Investment holding	--	82

Shenzhen Petrel Hotel Co. Ltd.	PRC	Hotel operations	68.1	31.9
Shenzhen City Property Management Ltd.	PRC	Property management	95	5

13. SUBSIDIARIES - (continued)

Subsidiaries	Place of equity establishment/incorporation	Principal activities	Interest held Direct	Interest held Indirect
			%	%
Shenzhen Zhen Tung Engineering Ltd.	PRC	Fitting-out contracting and maintenance	73	27
Fresh Peak Holdings Ltd.	Hong Kong	Investment, management and consultation	100	--
Fresh Peak Enterprise Ltd.	Hong Kong	Investment holding	82	--
Guangzhou Huangpu Xizun real estate limited company	PRC	Property development and sale	--	100
Keyear Development Ltd.	Hong Kong	Investment holding	--	100
Beijing fresh peak property development management limited company	PRC	Property development and management	75	25

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:

	2005 RMB' 000	2004 RMB'000
Unlisted Investments, at cost	420,599	395,266
Share of post-acquisition losses	(163,799)	(122,061)
	256,800	273,205
Less: Provision for impairment losses	(108,568)	(186,498)
	148,232	86,707
Add: Amounts (due to) / due from non-consolidated subsidiaries	(21,672)	(32,764)
	126,560	53,943

13. SUBSIDIARIES - (continued)

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

Subsidiaries	Place of Establishment/ incorporation	Principal activities	Equity interest held Direct	Indirect
			%	%
Shenzhen City SPG Bao An Development Ltd.	PRC	Property development and sales	95	5
Shenzhen Shenfang Department Store Co. Ltd.	PRC	Commercial goods supplier	95	5
Shenzhen Shenfang Car Park Ltd.	PRC	Develop and operate car park	70	30
Shenzhen Cyber Port Co.,Ltd	PRC	Property investment and information technology consultancy	70	--
Shenzhen Luohu district society information information service center	PRC	Information service	--	70
Shenzhen Cyber port information Technique training centre	PRC	Training	--	70
Shenzhen Cyber port communication Co., Ltd	PRC	Product development and sales of web and computer	--	63
Shenzhen Shen Fang Industrial Development Co., Ltd.	PRC	Property management, investment holding	100	——
Shenzhen Real Estate Consolidated Service Co., Ltd.	PRC	Construction material, consume goods	100	--
Shenzhen Tefa Real Estate Consolidated Service Co., Ltd.	PRC	Construction and decoration	100	--
Guangdong Province Fengkai Lian Feng Cement Manufacturing Co., Ltd.	PRC	Manufacturing and trading in cement products	--	90
Shenzhen City Zhen Tung New Electronic and Electrical Development Ltd.	PRC	Investing on electronic and electrical engineering project	95	5

13. SUBSIDIARIES - (continued)

Place of equity establishment/	Equity interest held

Subsidiaries	incorporation	Principal activities	Direct %	Indirect %
Fidelity Development Limited	Canada	Property Development	75	--
Bekaton Property Limited	Australia	Property Development	60	--
Beijing SPG Property Management Limited	PRC	Property management	100	--
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	--
ShenYang Tongxin real estate development limited company		Property Development	--	93.1

ASSOCIATES

	2005 RMB'000	2004 RMB'000
Unlisted investments, at cost	57,824	58,347
Share of post-acquisition losses	(9,138)	(8,786)
	48,686	49,561
Less: Provision for impairment losses	(23,088)	(23,483)
	25,598	26,078
Add: Amounts due from/(due to) associates	(1,407)	3,969
	24,191	30,047

14. ASSOCIATES - (continued)

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

Place of
Establishment/ Equity interest held

Associates	incorporation	Principal activities	Direct %	Indirect %
Yunnan Kun Peng Aviation Service Ltd.	PRC	Aviation service	25	--
Tung Yick Property Co., Ltd.	Hong Kong	Property development	20	--
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	--

CONTRACTUAL JOINT VENTURES

	2005 RMB' 000	2004 RMB'000
Unlisted Investments, at cost	201,500	303,649
Share of post-acquisition losses	(86,065)	(25,606)
	115,435	278,043
Provision for impairment losses	(43,221)	(138,273)
	72,214	139,770
Amounts due from contractual joint ventures	8,088	3,403
	80,302	143,173

15. CONTRACTUAL JOINT VENTURES - (continued)

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

Contractual Joint venture		Joint venture registered capital ('000)	Group committed capital contribution ('000)	Principal activity	
Xian Fresh Peak Building Co. Ltd.	30 years from 6 July 1993	RMB20,000	RMB600,000	Construction and sales of properties	All profits buildings t repay the c Thereafter
Jiangmen Xinjian Real Estate Co. Ltd.	10 years from 19 May 1993	US$6,600	US$6,000	Property development	33% of ne building.

Kunshan Diao Feng Electricity Power Co. Ltd.	20 years from 29 November 1993	US$7,200	US$9,000	Supply of electricity	Profit distr reserves arc annually.

LONG TERM INVESTMENTS

	2005	2004
	RMB' 000	RMB'000
PRC legal entity shares, at cost	--	16,825
Unlisted equity investments, at cost less provision for impairment losses	10,420	10,657
	10,420	27,482

17. INTANGIBLE ASSETS

	Computer software	Total
	RMB' 000	RMB' 000
At January 1, 2005	68	68
Amortization for the year	(33)	(33)
At December 31, 2005	35	35

18. LAND HELD FOR DEVELOPMENT

	RMB' 000
Cost	
At January 1, 2005	64,273
Additions	--
Amortization	(64,273)
At December 31, 2005	--
Provision for impairment	
At January 1, 2005	4,170
Disposal	(4,170)
At December 31, 2005	--
Net book value	
At December 31, 2005	--
At December 31, 2004	60,103

19. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2005	2004
	RMB' 000	RMB'000
Cost	373,163	1,031,725
Less: Provision for impairment losses	(102,541)	(426,615)

	270,622	605,110

Included in properties under development for sale is a piece of land awaiting development held in the United States at a cost of RMB124,937,052 against which provision for impairment of RMB102,541,667.97 was made in prior years.

20. COMPLETED PROPERTIES FOR SALE

	2005	2004
	RMB' 000	RMB'000
Cost	674,117	182,675
Less: Provision for impairment losses	(202,131)	(10,742)
	471,986	171,933

21. INVENTORIES

	2005	2004
	RMB' 000	RMB'000
Raw materials	4,410	4,682
Work-in-progress	22,226	12,052
Finished goods	736	5,956
Less: Provision for impairment losses	(258)	(258)
Consumables	45	8
	27,159	22,440

22. SHORT-TERM INVESTMENTS

	2005	2004
	RMB' 000	RMB'000
Listed equity investments, at market value	3,419	3,057
Debentures, at market value	3	3
	3,422	3,060

23. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2005	2004
	RMB' 000	RMB'000
Accounts payable	323, 099	362, 307
Accrued expenses		
Project cost	84,772	24,102
Losses for litigation and arbitration	5,808	13,471
Interests for bank borrowings	2,050	1,820
Other	1,381	2,029

	417,110	403,729

24. DIVIDENDS PAYABLE

The item of dividends payable resulted from dividends declared and not paid by the directors in prior year. This year, the company has repaid the transaction parties with related which is owned to the share holding company –Shenzhen Investment Shareholding Company .

25. TAX PAYABLE

	2005 RMB' 000	2004 RMB'000
Corporation income tax	448	(1,996)
Personal income tax	889	137
Business tax	4,911	4,162
Value added tax	(1,523)	(1,578)
Property tax	2,955	1,898
Land increment tax	718	--
Others	187	129
	8,585	2,752

26. NON-CURRENT LIABILITIES

	2005 RMB' 000	2004 RMB'000
Bank loans (note 27)	110,000	167,000
Other liabilities	20,659	19,240
	130, 659	186, 240

Included in other liabilities was RMB12, 662,000 borrowed from minority shareholders of a subsidiary of the Company and the remaining balance is the accruals for property management and maintenance fees. These liabilities are non-interest bearing and do not have fixed terms for repayment.

27. BANK LOANS

	2005 RMB' 000	2004 RMB'000
Bank loans		
Secured	313,974	516,988
Guaranteed	94,000	126,000
Credit	20,000	50,000
	427,974	692,988

Bank loans repayable:			
Within one year or on demand		317,974	525,988
In the second year		--	57, 000
In the third to fifth years, inclusive	110, 000		110, 000
		427,974	692, 988
Portion classified as current liabilities		317,974	525,988
Long term portion		110,000	167,000
		427,974	692,988

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

28. SHARE CAPITAL

	2005	2004
	RMB' 000	RMB'000
Registered, issued and paid-in 891,660,000 A shares par value	891,660	891,660
120,000,000 B shares	120,000	120,000
	1,011,660	1,011,660

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

29. CASH AND CASH EQUIVALENTS

	2005	2004
	RMB' 000	RMB'000
Cash and bank balances	310,857	197,621
Less: deposits secured over 3 months	(38,821)	(36,645)
	272,036	160,976
Effect of foreign exchange rate changes	(1,695)	448
Restated cash and cash equivalents	270,341	161,424

30. PLEDGE OF ASSETS

At December 31 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 RMB353, 759,800 and fixed deposits amounting to HKD15, 000,000 and USD2, 900,000 were pledged to secure bank loans of RMB228,970,000yuan, HKD58,979,700 and USD2,900,000,granted to the Group.

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

	Nature of relationship
Shenzhen Investment Shareholding Limited Company	Ultimate holding company

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - (continued)

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

The following is the important transactions with the related party in this year,

The name of the related party	2005		2004	
	RMB	% of the product sales	RMB	% of the product sales
Shenzhen Investment Shareholding Co.，Ltd	118,760,002.00	13.94%	--	--

This year, the Company sold the property on the1-5 floors of Yi Tai Building, which the area is 11,931.54 m^2, and 48 sets properties on the 9-11 floors in the block B of Yi Tai Building, which the area is 2,812.05 m^2, at the price of RBM118, 760,002.00 to Shenzhen Investment Shares Holding Company. The sales of property would be against directly the dividend unpaid, which should pay to Shenzhen Investment Shareholding Company. This related transaction increased RMB21,586,982.17 yuan net profit.

Shenzhen City Wing Wah Engineering Ltd.

	2005	2004
	RMB' 000	RMB'000
Construction and development expenses	566	662

The expenses were made based on the market price.

Shenzhen Construction group Financial limited company	2005	2004
	RMB' 000	RMB'000
Loan	80,000	100,000

Shenzhen Construction group financial limited company

	2005 2004	
	RMB' 000	RMB'000
Interest of loan	6,867	5,930

Interest rate: Loan agreement signs which according to both sides, interest rate for 6.3 ‰ monthly

Shenzhen Investment Shareholding Limited Company

	2005 2004	
	RMB' 000	RMB'000
Guarantees accepted for banking and credit facilities	80,000	100,000

Shenzhen Investment Shareholding Limited Company

	2005 2004	
	RMB' 000	RMB'000
Fee of guarantee	720	--

Some net balances due from / (due to) related parties at December 31, 2005 and 2004 are stated in notes 13, 14 and 15, and included in the balance sheet of the Group as non-consolidated subsidiaries, associates and contractual joint venture, the remaining balances are summarized as follows:

2005 2004		
	RMB' 000	RMB'000
Shenzhen Investment Shareholding Limited Company	(10,000)	(188,671)

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

2005 2004		
	RMB' 000	RMB'000
Accounts payable and accrued expenses	(10,000)	(49,907)
Dividends payable	--	(138,764)
	(10,000)	(188,671)

Both these balances are unsecured and non-interest bearing.

Directors' emoluments

There are ten directors in the Company. Four of the directors received emoluments totaling RMB891, 712 for the year ended December 31, 2005. Four directors did not receive any salary or other benefits from the Company.

32. CONTINGENT LIABILITIES

	2005	2004
	RMB' 000	RMB'000
Guarantees given for banking and credit facilities granted to:		
- contractual joint ventures	--	2,000
- third parties	201,420	120,942
	201,420	122,942

33. LITIGATION AND ARBITRATION

(1) On March 21 1997,the company executed an agreement with Baoxin real Estate Development (Shenzhen)Company limited (called Baoxin below) to sell its share of 68% interest in Guoxin 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 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 sentence by the Guangdong High People's Court on September 28 2002, Baoxin should pay the outstanding purchase consideration of RMB 98,948,060 and the interests to the company. Upon a second sued of the case, the outcome remained unchanged and in the favour of the company. Up to December 31 2004, part of outstanding purchase consideration has been received. In 2005, As sentence by the Guangdong High People's Court on July 7 2005. By Guangdong Shanwei urban people's court is responsible executed for this case. Because can't be found property available from executor, so fail to execute this year. For prudence purpose, the company has not recognized any income, cost on the above transaction. The company accounting RMB166, 109,047 of Guoxin Building to other account receivable and deduct the provision for doubtful accounts of RMB 69,907,107, as also after received of RMB68, 720,773.33 in receive in advance account, balance of RMB27,481,166.67 to provision for doubtful accounts.

(2) A subsidiary, Fresh Peak Holding limited company (called Fresh Peak below),entered into a joint venture agreement with a third party to establish a contractual joint venture, Xian Fresh Peak Estate Commercial limited company (Xian Fresh Peak Estate) 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 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 judgment 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 development of Xian government is jointly liable for the interest payment. During this year RMB11, 500,000.00 have been received. In May 30 2005, issuance <Warrant of creditor's right> through the Shanxin High People's Court, confirm the two executors still owing RMB21, 540,000.00 of principal and interest to Fresh Peak. The company with Xian government consults until now. Up to December 31 2005, RMB42, 143,749.62 was included in contractual joint ventures and a provision of RMB21, 438,691.59 has been made in account.

(3) On June 23 1993, the Shantou branch of the Company ("Shantou Branch") signed a cooperation contract with Shantou Special Economic Zone Songshan Workshop Development Co., Ltd("Songshan Company"). Subsequently, on May 8 1996, the Company signed with Songshan Company a supplement on the implementing of the contract. Because this object had not been put into practice yet , the Company and the Songshan Company came to an agreement on January 20 2000 to build a temporary market which in fact has being in operation till now. On August 16 2004, Songshan Company took an claim against Shantou Branch to the Shantou Intermediate People's Court to claim that 1) to terminate the contract, 2) Shantou Branch should pay it the compensation of about RMB7,510,000 and 3) Shantou Branch should transfer to it all the licenses and management rights of the Fresh Peak Building and the temporary market authorized by the government. Subsequently, on October 15,2004, Shantou Branch took a counter-claim against Songshan Company to the Shantou Intermediate People's Court to claim that 1) the relative contracts and agreements have no legal effect and 2) Songshan Company should pay back the amount of HKD41,774,110.00, RMB1,000,000.00 and the interests bearing. In November 15 2005, adjust through the ShanTou intermediate people's court's paper of civil mediation: Shantou Branch signed a mediation agreement with Songshan Company in November 14 2005, the court confirm for agreement, thus forming lawful contract. The agreement is now being performs. Up to December 31 2005, RMB68, 968,179.71 was included in long term investment in the ledger and a provision of RMB58, 547,652.25 has been made in account.

33. LITIGATION AND ARBITRATION (continued)

(4) The subsidiary, HK Fresh Peak Holding limited company (called Fresh Peak below), entered into a equity control agreement with a third party to establish a equity controlled company—ShenYang Tongxin Real Estate Development Limited Company (called ShenYang TongXin below), its principal activities are the development and development of Xinfeng mall in ShenYang. January 5 2005, the company signed <confirm the creditor and debtor and repayment agreement> with Fresh peak, ShenYang TongXin. Our company RMB87, 181,320.88 of principal in a loan by the Fresh Peak to confirm and promises repayment before January 30 2005; The ShenYang TongXin to discharge a debt and an obligation, RMB59, 026,688.18 of principal and interest of Fresh Peak liabilities limitation. Due to agreement can't compliance with the period. In 2005 the company sued to Shenzhen intermediate people's court. The company manages to reconciliation agreement with Fresh Peak and ShenYang TongXin, continue the above confirmed to jointly liability of principal and interest; though ShenZhen intermediate people's court confirmed for adjust agreement and having the force of law. But due to unfulfilled of obligation by both parties, the

company applies of forcible execution toward the court in June 21 2005. On October 9 2005, after carries out the court Shenzhen intermediate people's court to entrust Shenzhen country audiences to unite the property to appraise The Real State Estimate consultation Limited Company may supply to this case to carry out (Shenyang which the property Fresh Peak company has with ShenYany Tongxin company 93.1% stockholder's rights) the value carries on the appraisal, carries out the auction basis as Shenzhen intermediate people's court. On November 23, 2005, after Shenzhen intermediate people's court the civil written verdict to rule: Auctions Shenyang which the Fresh Peak company has with Tongxin company 93.1% stockholder's rights, the first auction base price (after competes for the RMB65,640,630.61 Yuan buys human to compete the above stockholder's rights, Fresh Peak company will give up it to Shenyang Tongxin company's all creditor's rights); Above carries out the measure by RMB87,181,320.88 Yuan , the interest, punishes the rest, the legal fee, the execution spends and so on to be limited to. On January 22 2006, this 93.1% stockholder's rights by compete patting to compete by RMB 89,200,000 Yuan . This case still carries out at present.

34. COMMITMENTS

At December 31, 2005, the Group also has outstanding capital commitments for property development projects as follows:

	2005 RMB'000	2004 RMB'000
Authorized but not contracted	21,739	361,190
Contracted for	40,739	65,000
	62,478	426,190

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

	Net profit for the year RMB'000	Net assets RMB'000
As reported in the consolidated financial statements prepared in accordance with Accounting Standards for Enterprise Business in the PRC	12,100	1,056,972
Reversal of depreciation charges in respect of investment properties	26,993	121,509
Adjustment for market value of short-term investments	363	1,718

Expenses accrued in previous year	--	522
Difference in recognition of cost of fixed assets	--	(202,148)
Profit arising from troubled debt restructuring	21,587	--
Goodwill arising from acquisition of subsidiaries	1,397	(2,902)
Other	2	--
As reported in the consolidated financial statements prepared in accordance with IFRS	62,442	975,671