Short Form of Stock: G SHENSHENFANG, SHENSHENFANG B No.: 2006-16

Stock Code: 000029, 200029

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

SUMMARY OF ANNUAL REPORT 2005

§1. Important Notes

1.1 Board of Directors, Supervisory Committee, directors, supervisors and senior executives of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd. (hereinafter referred to as the Company) individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions or errors which would render any statement misleading. The Summary of Annual Report 2005 is abstracted from the Annual Report; Investors are suggested to read the full text of the Annual Report to learn more details. This report was prepared in both Chinese and English. Should there be any difference in interpretation between the two versions, the Chinese version shall prevail.

1.2 No director stated that he/she couldn’t ensure the correctness, accuracy and completeness of the contents of the Annual Report or had any objection for this report.

1.3 Name list of absent directors from the meeting

Name of absent director	Reason	Name of assignee
Xu Zhenhan	Business	Shao Zhihe
Xie Guangliang	Personal affairs	Naught

1.4 Shenzhen Nanfang Minhe Certified Public Accountants Ltd issued the standard unqualified Auditors’ Reports for the Company.

1.5 Chairman of the Board Shao Zhihe, person in charge of accounting work Luo Kunquan and person in charge of accounting organ Chen Jincai hereby confirm that the Financial Report enclosed in the Annual Report is true and complete.

§2. Company Profile

2.1 Basic information

Short form of the stock	G SHENZHENFANG, SHENSHENFANG B
Stock code	000029, 200029
Listed stock exchange	Shenzhen Stock Exchange
Registered address and office address	Registered address: 47/F, SPG Plaza, Renmin South Road, Shenzhen Office address: 45/F-48/F, SPG Plaza, Renmin South Road, Shenzhen
Post code	Post code of registered address: 518001 Post code of office address: 518001
Internet web site of the Company	Naught
E-mail of the Company	spg@163.net

2.2 Contact person and method

	Secretary of the Board	**Securities Affairs Representative**
Name	Chen Ji	Tu Zhigang
Contact address	47/F, SPG Plaza, Renmin South Road, Shenzhen	47/F, SPG Plaza, Renmin South Road, Shenzhen
Telephone	86-755-82293000-4718, 4715	86-755-82293000-4718, 4715
Fax	86-755-82294024	86-755-82294024
E-mail	spg@163.net	spg@163.net

§3. Summary of Accounting Data and Financial Indexes

3.1 Major accounting data Unit: RMB

	2005	**2004**	**Increase/decrease over last year（%）**	**2003**
Income from main operations	852,141,198.21	570,541,735.20	49.36%	962,383,553.04
Total profit	11,006,158.35	-141,695,376.63	107.77%	5,548,029.27
Net profit	12,100,200.79	-142,307,752.60	108.50%	4,356,083.15
Net profit after deducting non-recurring gains and losses	-40,482,937.48	-128,551,388.69	68.51%	21,757,219.30
Net cash flow arising from operating activities	266,270,984.93	7,931,483.51	3,257.14%	188,362,259.58
	At the end of 2005	**At the end of 2004**	**Increase/decrease from the end of previous year（%）**	**At the end of 2003**
Total assets	2,280,306,748.29	2,518,992,748.86	-9.48%	2,758,888,985.78
Shareholder’s equity (excluding minority interests)	1,056,972,101.87	1,002,069,397.00	5.48%	1,144,464,018.36

3.2 Major financial indexes Unit: RMB

	2005	2004	Increase/decrease over last year（%）	2003
Earnings per share	0.0120	-0.1407	108.53%	0.0043
Earnings per share (note)	0.012	-	-	-
Return on equity	1.14%	-14.20%	15.34%	0.38%
Return on equity calculated based on net profit after deducting non-recurring gains and losses	-3.83%	-12.83%	9.00%	1.91%
Net cash flow per share arising from operating activities	0.2632	0.0078	3,274.36%	0.1862
	At the end of 2005	**At the end of 2004**	**Increase or decrease from the end of previous year（%）**	**At the end of 2003**
Net assets per share	1.0448	0.9905	5.48%	1.1313
Net assets per share after adjustment	0.9840	0.9304	5.76%	1.0388

Note: Earnings per share was calculated based on new share capital if the Company's share capital from the end of report period to disclosure date of this report had been changed.

Items of non-recurring gains and losses

√ Applicable ☐Inapplicable

Unit: RMB

Items of non-recurring gains and losses	Amount
Disposal of equity and debts	46,507,481.54
Non-operation income	573,931.83
Non-operating expense	2,898,275.10
Reserve for falling price of inventories	8,400,000.00
Total	52,583,138.27

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

√ Applicable ☐Inapplicable

Unit: RMB

	CAS	IAS
Net profit	12,100,200.79	62,442,000.00
Explanation on the difference	Prepared under IAS, increase of net profit includes: 1. switching back of depreciation charges and amortization charges of invested property amounting to RMB 26993000; 2. adjustment of market price of short-term investment amounting to RMB 363,000; 3. goodwill arising from acquisition of subsidiaries amounting to RMB 1,397,000; and 4. difference in confirmed income due from debts reorganization amounting to RMB 21,587,000.	

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in share (Unit: share)

Type of shares	Before the change		Increase/decrease this time (+, -)		After the change	
	Number of shares	Proportion	Bonus shares	Subtotal	Number of shares	Proportion
I. Nontradable shares	743,820,000	73.52%	-70,955,800	-70,955,800	672,864,200	66.51%
1. Sponsors' shares	743,820,000	73.52%	-70,955,800	-70,955,800	672,864,200	66.51%
Including: Shares held by the State	743,820,000	73.52%	-70,955,800	-70,955,800	672,864,200	66.51%
Share held by domestic legal person	0	0.00%	0	0	0	0.00%
Share held by foreign legal person	0	0.00%	0	0	0	0.00%
Others	0	0.00%	0	0	0	0.00%
2. Raised legal person's shares	0	0.00%	0	0	0	0.00%
3. Inner employees shares	0	0.00%	0	0	0	0.00%
4. Preference shares or others	0	0.00%	0	0	0	0.00%
II. Tradable shares	267,840,000	26.48%	70,955,800	70,955,800	338,795,800	33.49%
1. RMB ordinary shares	147,840,000	14.61%	70,955,800	70,955,800	218,795,800	21.63%
2. Domestically listed foreign shares	120,000,000	11.86%	0	0	120,000,000	11.86%
3. Overseas listed foreign shares	0	0.00%	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0.00%
III. Total shares	1,011,660,000	100.00%	0	0	1,011,660,000	100.00%

4.2 Statement of shares held by the top ten shareholders and the top ten shareholders of circulation share (Unit: share)

Total number of shareholders	99,785				
Particulars about shares held by the top ten shareholders					
Full 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	0	
CHU KOON YUK	Foreign shareholder	0.07%	720,000	0	
ORE BURNS (AUSTRALIA)	Foreign shareholder	0.06%	600,000	0	

HU YAN FEN	Foreign shareholder	0.06%	600,000	0	
LAI KONG SUNG	Foreign shareholder	0.06%	558,100	0	
SHUM YIP KWAN WING DEVELOPMENT LTD	Foreign shareholder	0.05%	480,800	0	
YANG YAO CHU	Foreign shareholder	0.05%	477,000	0	
ZHU LI RONG	Foreign shareholder	0.04%	397,800	0	
MA ZE QI	Foreign shareholder	0.04%	392,000	0	

Particulars about shares held by the top ten tradable shareholders		
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	

4.3 Particulars about controlling shareholders and actual controller of the Company

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

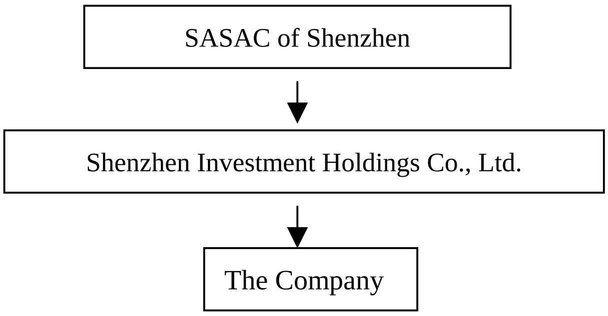
√ Applicable ☐Inapplicable

Name of new controlling shareholder	Shenzhen Investment Holdings Co., Ltd.
Name of new actual controller	
Changing date	Changing date of new controlling shareholder: Feb. 15, 2006
Disclosure date and newspaper of the changing of controlling shareholder	Feb. 15, 2006 China Securities Journal and Securities Times
Disclosure date and newspaper of the changing of actual controller	

4.3.2 Introduction of situation on the controlling shareholder and actual controller

Shenzhen Investment Holdings Co., Ltd. was a wholly state-owned sole limited company 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 18/F Investment Building, Shennan Av., Futian District, Shenzhen, as well as the post code 518029.

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



§5. Particulars about Directors, Supervisors and Senior Executives

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

Name	**Title**	**Sex**	**Age**	**Office term**	**Number of holding shares at the year-begin**	**Number of holding shares at the year-end**	**Reasons on change**	**Total payment drawn from the Company in the report period (RMB'000)**	**Drawing 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	5,000	5,000		25.34	
Zhuang Chuanghui	Chairman of the Supervisory Committee	Male	51	Jan. 28, 2003 till now	0	0		25.82	
Peng Naidian	Director	Male	57	Sep. 28, 1996 till now	0	0		20.58	
Xie Guangliang	Director	Male	47	Feb. 2, 2005 till now	0	0		0.00	
Xu Zhenhan	Director	Male	52	Jan. 28, 2003 till	0	0		0.00	

				now					
Zong Dechun	Independent director	Male	64	Jun. 28 2004 till now	0	0		3.60	
Hou Liyin	Independent director	Female	51	Jun. 28 2004 till now	0	0		3.60	
Li Qiusheng	Independent director	Male	42	Feb. 2, 2005 till now	0	0		3.60	
Deng Kangcheng	Supervisor	Male	39	Jun. 28, 2004 till now	0	0		0.00	
Xiong Xingnong	Supervisor	Male	49	Jun. 28, 2004 till now	0	0		12.45	
Wu Zhiyong	Supervisor	Male	34	Jan. 28, 2003 till now	0	0		0.00	
Lin Huimei	Supervisor	Female	50	Jun. 28, 2004 till now	0	0		15.53	
Luo Kunquan	Standing Deputy General Manager	Male	50	Dec. 13, 2005 till now	0	0		20.52	
Shen Yuesheng	Deputy General Manager	Male	46	Jan. 28, 2003 till now	0	0		20.54	
Luo Zichao	Deputy General Manager	Male	45	Aug. 12, 2003 till now	0	0		20.49	
Chen Ji	Secretary of the Board	Male	33	Jan. 28, 2003 till now	0	0		15.49	
Chen Wuhua	Director	Male	53	Jan. 28, 2003 –Mar. 2006	0	0		23.54	
Liang Song	Director	Male	42	Jan. 28, 2003 –Mar. 2006	0	0		19.71	
Yang Shaojia	Independent director	Male	73	Jun. 28, 2002 –Mar. 2006	0	0		3.60	
Total	-	-	-	-	5,000	5,000	-	234.41	

§ 6. Report of the Board of Directors

6.1 Discussion and analysis by the management team

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.

6.2 Statement of main operations classified according to industries or products

Unit: RMB’0000

Main operations classified according to industries						
Classified according to industries or products	**Income from main operations (RMB)**	**Cost of main operations (RMB)**	**Profit ratio of main operations (%)**	**Increase/decrease in income from main operations over the last year (%)**	**Increase/decrease in cost of main operations over the last year (%)**	**Increase/decrease in profit ratio of main operations over the last year (%)**
Development and operation real estate	53,106.12	45,168.73	14.95%	201.16%	156.22%	14.92%
Other real estate industry	5,537.76	2,731.24	50.68%	-17.74%	-10.36%	-4.06%
Property Management	6,404.71	5,726.09	10.60%	-8.59%	-9.38%	0.79%
Fitment and Decoration	9,844.69	9,240.42	6.14%	-10.45%	-8.68%	-1.83%
Other	10,320.84	9,974.39	3.36%	-29.73%	-33.50%	5.48%
Main operations classified according to Products						
Residence	28,203.33	25,629.92	9.12%	85.97%	65.88%	11.00%
Office building	3,898.90	2,699.57	30.76%	99.08%	45.77%	25.32%
Shop	21,003.88	16,839.24	19.83%	4,019.05%	5,064.78%	-1,623.00%

6.3 Particulars about main operations classified according to areas

Unit: RMB’0000

Areas	**Income from main operations (RMB)**	**Increase/decrease in income from main operations over the last year (%)**
Domestic	84,877.84	46.02%
Overseas	2,520.38	493.38%

6.4 Application of the raised proceeds
☐Applicable √ Inapplicable
Particulars about the changed projects
☐Applicable √ Inapplicable

6.5 Application of the non-raised proceeds
√ Applicable ☐Inapplicable

Unit: RMB’0000

Name of projects	Amount of projects	Progress of projects	Earnings of projects
BiTongHai Garden	17,394.00	Completed	Sales income of RMB 66.18 million, cost of RMB 45.19 million and gross profit of RMB 20.99 million.
Star Lake Garden (3# and 8#)	18,152.00	8# was completed and it is estimated that 3# will start in Oct. 2006	Sale income of RMB 107.29 million, cost of RMB 86.23 million and gross profit of RMB 21.06 million
Yitai Center	52,138.00	Completed	Sales income of RMB 156.07 million, cost of RMB 191.8 million, writing back reserve for falling price of inventories, of which, writing off administrative expense of RMB 56.02 million and transferring RMB 21.59 million into capital reserve
Total	87,684.00	-	-

6.6 Explanation of the Board of Directors on the “Qualified Opinion” made by the Certified Public Accountants
☐Applicable √ Inapplicable

6.7 The preplan on the profit distribution and capitalization of capital public reserve of the Board of Directors
☐Applicable √ Inapplicable
The Company did not appropriate share distribution preplan though the Company achieved the profit in the report period
√ Applicable ☐Inapplicable

The reasons why the Company did not appropriate share distribution preplan though the Company achieved the profit in the report period	**Usage and plan of undistributed profit**
In the report period, the Company realized profits, but he 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.	Inapplicable

§ 7. Significant Events

7.1 Purchase of assets
☐Applicable √ Inapplicable

7.2 Sales of assets

☐Applicable √ Inapplicable

7.3 Important guarantees

√ Applicable ☐Inapplicable

Unit: RMB'0000

External guarantees of the Company (excluding guarantees for shareholding subsidiaries)						
Name of companies guaranteed	**Date of occurrence (agreement signing day)**	**Guarantee amount**	**Guarantee type**	**Guarantee term**	**Accomplished or not**	**For related parties or not (yes or no)**
Total guarantee amount occurred in the report period				0.00		
Total guarantee balance at the end of the report period				0.00		
Guarantees for shareholding subsidiaries by the Company						
Total guarantee amount occurred in the report period for shareholding subsidiaries				0.00		
Total guarantee balance at the end of the report period for shareholding subsidiaries				2,200.00		
Total guarantee amount of the Company (including guarantees for shareholding subsidiaries)						
Total guarantee amount				2,200.00		
Proportion of the Company's net assets taken by the total guarantee amount				2.08%		
Including:						
Guarantee amount for shareholders, the actual controller or its related parties				0.00		
Guarantee amount for the debts of the guaranteed companies with an asset-liability ratio of over 70%, directly or indirectly				1000 (paid off in Feb. 2006)		
The amount by which the total guarantee amount exceeded 50% of the net assets				0.00		
Total amount of the above three guarantees				2,200.00		

7.4 Significant related transactions

7.4.1 Related transaction concerning routine operation

√ Applicable ☐Inapplicable

Related parties	**Selling products and providing labor service to related parties**		**Purchasing products and accepting labor service from related parties**	
	Amount	**Proportion taking up the amount of the same kind of transactions**	**Amount**	**Proportion taking up the amount of the same kind of transactions**
Shenzhen Investment Holdings Co., Ltd.	11,876.00	13.94%	0.00	0.00%
Shenzhen Ronghua Mechanical-Electric Engineering Co., Ltd.	0.00	0.00%	56.61	0.39%
Total	11,876.00	13.94%	56.61	0.39%

Including: an amount of RMB 11,876.00 that occurred during the related transactions of the Listed Company selling products or providing labor service to the controlling shareholder or its subsidiaries in the report period.

7.4.2 Related credits and liabilities current

√ Applicable ☐Inapplicable

Unit: RMB'0000

Related Parties	Capital provided to related parties		Capital provided to the Listed Company by related parties	
	Amount occurred	Balance	Amount occurred	Balance
Shenzhen Construction Group Financial Co., Ltd.	0.00	0.00	8,000.00	8,000.00
Total	0.00	0.00	8,000.00	8,000.00

Including: In the report period, the amount of capital of the Listed Company provided for the controlling shareholder and its subsidiaries was RMB 0.00, and the balance was RMB 0.00.

Capital occupation and plan for clearing:

☐Applicable √ Inapplicable

Clearing plan can surely solve the capital occupation problem before the end of 2006 or not:

☐Yes ☐No √ Inapplicable

7.5 Financing entrustment

☐Applicable √ Inapplicable

7.6 Implementation of commitments

7.6.1 Commitments on the Share Merger Reform

1. Contents of the commitments

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". 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.
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.

2. Implementation of the commitments

1. The company did not touch the conditions of commitment 1 and 3.
2. On Feb. 15, 2006, the commitment 2 was performed over.

3. Cases against the commitments

□Applicable √ Inapplicable

7.6.2 Other commitments

□Applicable √ Inapplicable

7.7 Significant lawsuits and arbitrations

√ Applicable □Inapplicable

(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.

(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.

§8.Report of the Supervisory Committee

√ Applicable ☐Inapplicable

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.

§ 9. Financial Report

9.1 Auditor's opinions
Auditor's opinions: the standard unqualified auditor's opinions
9.2 Financial statement

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

	Note	2005	2004
		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	2004
		RMB'000	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 RMB'000	Capital reserve RMB'000	Cumulative translation reserve RMB'000	General reserve RMB'000	Staff welfare fund RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at December 31, 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

9.3 Explanation on changes of accounting policy, accounting estimation and settlement method compared with the latest annual report

□Applicable √Inapplicable

9.4 Contents, correct amount, reason and its influence of significant accounting errors

□Applicable √Inapplicable

9.5 Explanation on change of consolidated scope compared with the latest annual report

√Applicable □Inapplicable

The Company's consolidated statement scope decreased one company compared with the latest annual report, which was because that equity of Shenyang Tongxin Real Estate Development Co., Ltd. was frozen judicially and auctioned, thus the Company did not consolidate the said company into accounting statement.

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