Short Form of Stock: SHENSHENFANG A, SHENSHENFANG B No.: 2007-004

Stock Code: 000029, 200029

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

SUMMARY OF ANNUAL REPORT 2006

§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) 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. The Summary of Annual Report 2006 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 None of the directors, supervisors, senior management demonstrated uncertainty or disagreement about the truthfulness, accuracy, and completeness of this annual report.

1.3 Director Li QiuSheng did not attend the Board meeting due to personal reason and did not entrust another to vote.

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 Guo Hongzhuang and person in charge of accounting organ Chen Jincai hereby ensure the authenticity and integrity of the Financial Report enclosed in the Annual Report.

§2. Company Profile

2.1 Basic information

Short form of the stock	SHENSHENFANG A, SHENSHENFANG B
Stock code	000029, 20029
Listed stock exchange	Shenzhen Stock Exchange
Registered address	47/F, SPG Plaza, Renmin South Road, Shenzhen
Post code of registered address	518001
Office address	45/F-48/F, SPG Plaza, Renmin South Road, Shenzhen
Post code of office address	518001
International website 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	Feng Hongwei
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

	2006	2005	Increase/decrease compared with the last year（％）	2004
Income from main operations	990,894,003.74	852,141,198.21	16.28%	570,541,735.20
Total profit	20,449,631.64	11,006,158.35	85.80%	-141,695,376.63
Net profit	19,259,485.35	12,100,200.79	59.17%	-142,307,752.60
Net profit after deducting non-recurring gains and losses	54,338,604.44	-40,482,937.48	234.23%	-128,551,388.69
Net cash flow from operating activities	175,115,254.95	266,270,984.93	-34.23%	7,931,483.51
	At the end of 2006	**At the end of 2005**	**Increase/decrease compared with the end of the last year（％）**	**At the end of 2004**
Total assets	2,391,441,694.13	2,280,306,748.29	4.87%	2,518,992,748.86
Shareholder's equity (excluding minority interests)	1,093,956,870.51	1,056,972,101.87	3.50%	1,002,069,397.00

3.2 Major financial indexes Unit: RMB

	2006	2005	Increase/decrease compared with the last year（％）	2004
Earnings per share	0.019	0.0120	58.33%	-0.1407
Earnings per share	0.019	-	-	-
Return on equity (%)	1.76%	1.14%	0.62%	-14.20%
Return on equity calculated based on net profit after deducting non-recurring gains and	5.09%	-3.83%	8.92%	-12.83%

losses (%)				
Net cash flow per share arising from operating activities	0.1731	0.2632	-34.23%	0.0078
	At the end of 2006	**At the end of 2005**	**Increase/decrease compared with the end of last year（％）**	**At the end of 2004**
Net assets per share	1.0813	1.0448	3.49%	0.9905
Net assets per share after adjustment	1.03	0.9840	4.67%	0.9304

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
Investment income on stocks	4,519,295.90
Non-operation income	687,497.05
Non-operating expense	40,285,912.04
Total	-35,079,119.09

3.3 D Difference in net profit as audited under PRC GAAP and IFRS

√ Applicable ☐Inapplicable

Unit: RMB

	CAS	IAS
Net profit	19,259,485.35	42,069,000.00
Explanation on the difference	According to IFRS 1. Switching back of depreciation charges and amortization charges of invested property 23131000 2. Adjustment of market price of short-term investment -1718000 3. Timing difference in recognition of expenses accrued in previous year 1397000	

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in share (Unit: share)

Type of share	Before the change		Change in this time (+,-)					After the change	
	Number of shares	Proportion (%)	Allotment of new shares	Bonus shares	Capitalization of public reserve	Others	Subtotal	Number of shares	Proportion (%)
I. Shares subject to trading moratorium	672,864,200	66.51%				-50,583,000	-50,583,000	622,281,200	61.51%
1. Shares held by the State	672,856,800	66.51%				-50,583,000	-50,583,000	622,273,800	61.51%

2. Shares held by state-owned legal persons	0							0	
3. Shares held by other domestic investors	7,400							7,400	
Among which: Shares held by domestic legal persons	0							0	
Shares held by domestic natural persons	7,400							7,400	
4. Shares held by foreign investors	0							0	
Among which: Shares held by overseas legal persons	0							0	
Shares held by overseas natural persons	0							0	
II. Shares not subject to moratorium	338,795,800	33.49%				50,583,000	50,583,000	389,378,800	38.49%
1. RMB ordinary shares	218,795,800	21.63%				50,583,000	50,583,000	269,378,800	26.63%
2. Domestically listed foreign shares	120,000,000	11.86%						120,000,000	11.86%
3. Overseas listed foreign shares									
4. Others									
III. Total shares	1,011,660,000	100.00%						1,011,660,000	100.00%

Date on which shares subject to trading moratorium can be listed for trading

Unit: share

Date of listing for trade	Number of additional shares can be listed for trading after expiration	Balance of shares subject to trading moratorium	Balance of shares not subject to trading moratorium	Remark
Feb. 26, 2007	50,583,000	622,273,800	50,583,000	The day of Feb. 17, 2007 is non-tradable day, as approved by Shenzhen Stock Exchange, the said shares were postponed to Feb. 26, 2007 for trade.
Feb. 17, 2008	50,583,000	571,690,800	101,166,000	Implementation according to Share Merger Reform
Feb. 17, 2009	571,690,800	0	672,856,800	Implementation according to Share Merger Reform

The number of shares held by the top ten shareholders subject to trading moratorium and trading moratorium

Unit: share

No.	Name of shareholders subject to trading moratorium	Number of shares subject to trading moratorium	Date on which shares can be listed for trading	Number of additional shares can be listed for trading	Trading moratorium
1	Shenzhen Investment Holdings Corporation	672,856,800	2007-02-26	50,583,000	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 commitment, 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.
			2008-02-17	50,583,000	
			2009-02-17	571,690,800	

4.2 Statement of shares held by the top ten shareholders and the top ten shareholders holding shares not subject to moratorium

Unit: share

Total number of shareholders		95523			
Particulars about shares held by the top ten shareholders					
Name of shareholder	**Type of shareholders**	**Proportion**	**Total number of shares held**	**Total number of shares subject to moratorium held**	**Share pledged or frozen**
SHENZHEN CONSTRUCTION INVESTMENT HOLDINGS CORP.	State-owned shareholder	66.51%	672,856,800	672,856,800	0
YANG CONG RONG	Foreign shareholder	0.11%	1,121,500	0	
JIANDE DATONG INDUSTRIAL CORPORATION, ZHEJIANG	Other	0.10%	1,028,000	0	
CHENG KANG LIANG	Foreign shareholder	0.09%	890,382	0	
MIN ZHEN	Other	0.08%	830,000	0	
CHINA LIFT INSURANCE COMPANY LTD.	Other	0.08%	792,992	0	
ABN AMRO BANK NV	Foreign shareholder	0.08%	786,800	0	
HUANG XIA LIAN	Other	0.07%	764,600	0	
SBCI FINANCE ASIA LTD A/C HONG KONG	Foreign shareholder	0.07%	749,960	0	
CHU KOON YUK	Foreign shareholder	0.07%	720,000	0	

Particulars about shares held by the top ten shareholders holding tradable shares

Name of shareholders	Numbers of tradable shares held	Type of shares

YANG CONG RONG	1,121,500	Domestically listed foreign share
JIANDE DATONG INDUSTRIAL CORPORATION, ZHEJIANG	1,028,000	RMB ordinary share
CHENG KANG LIANG	890,382	Domestically listed foreign share
MIN ZHEN	830,000	RMB ordinary share
CHINA LIFT INSURANCE COMPANY LTD.	792,992	RMB ordinary share
ABN AMRO BANK NV	786,800	Domestically listed foreign share
HUANG XIA LIAN	764,600	RMB ordinary share
SBCI FINANCE ASIA LTD A/C HONG KONG	749,960	Domestically listed foreign share
CHU KOON YUK	720,000	Domestically listed foreign share
CHEN ZU DE	692,290	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

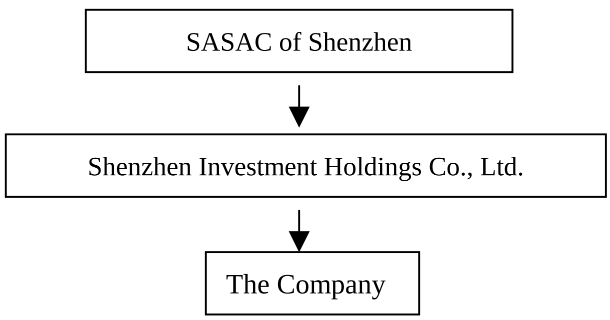
4.3.1 Particulars about change in controlling shareholders and actual controller of the Company

□Applicable √Inapplicable

4.3.2 Introduction of situation on the controlling shareholder and actual controller

The controlling shareholder of the Company: Shenzhen Investment Holdings Co., Ltd. is a sole state-funded company limited, 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.

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	56	Dec. 28, 2002 till now	5,000	7,400	Share merger reform	30.53	No
Gu Hongzhuang	Director, GM	Male	48	Sep. 8, 2006 till now	0	0		12.72	No
Zhuang Chuanghui	Chairman of the Supervisory Committee	Male	52	Jan. 28, 2003 till now	0	0		30.53	No
Xu Zhenhan	Director	Male	53	Jan. 28, 2003 till now	0	0		0.00	Yes
Peng Naidian	Director	Male	57	Sep. 28, 1996 till now	0	0		24.43	No
Li Qiusheng	Independent director	Male	43	Feb. 2, 2005 till now	0	0		3.60	No
Zong Dechun	Independent director	Male	65	Jun. 28, 2004 till now	0	0		3.60	No
Hou Liying	Independent director	Female	52	Jun. 28, 2004 till now	0	0		3.60	No
Liu Ying	Director	Female	44	Sep. 8, 2006 till now	0	0		0.00	Yes
Wen Li	Director	Female	37	Sep. 8, 2006 till now	0	0		0.00	Yes
Chen Junyi	Supervisor	Male	49	Apr. 11, 2006 till now	0	0		16.18	No
Zhang Xuxi	Supervisor	Male	30	Apr. 11, 2006 till now	0	0		14.65	No
Xiong Xingnong	Supervisor	Male	49	Jun. 28, 2004 till now	0	0		14.65	No
Deng Kangcheng	Supervisor	Male	39	Jun. 28, 2004 till now	0	0		0.00	Yes
Luo Kunquan	Deputy GM	Male	51	Jan. 28, 2003 till now	0	0		24.43	No
Luo Zichao	Deputy GM	Male	46	Aug. 12, 2003	0	0		24.43	No

				till now					
Song Gongli	Deputy GM	Male	50	Aug. 21, 2006 till now	0	0		10.18	No
Yang Jiayong	Deputy GM	Male	34	Aug. 21, 2006 till now	0	0		12.21	No
Chen Ji	Secretary of the Board	Male	34	Jan. 28, 2003 till now				18.31	No
Total	-	-	-	-	5,000	7,400	-	244.05	-

§ 6. Report of the Board of Directors

6.1 Discussion and analysis by the management team

The Year 2006 is deepen year of macro-control for the Company in the real estate industry. Under the general environment that the growing speed of industry development slowed step by step and the industry competition was fierce day by day, the whole Group developed the spirit of "solidify, work hard, strenuous and promising", surrounded two keys of the operation work and construction of spiritual civilization, exert ourselves two re-establishments promotion such as enterprise brand benefit and enterprise spirit, insisted on constructing the harmonious enterprise and sustainable development way, and each task of the Company went to a new step and showed a good development situation. In 2006, the development and property management of the real estate industry, the main operation of the Company, gained the enhancement, the basic financing continued to straighten up, the enterprises under the Company done well in the turn loss into gain, the issues left over from history were settled, the management level and supervision function obtained the intensification, the cost reduced continually, the brand benefit and enterprise image has upgrade, the enterprise spirit civilization construction was strengthened. The atmosphere of "solidification, harmonious and advancement" has come into being primarily.

6.1.1 Possible accounting policies change and accounting estimate change subsequent to implementation of new accounting standards and the impact on the Company's financial status and operating results

√ Applicable ☐Inapplicable

In accordance with the provision of Accounting Standard for Business Enterprise No. 20 – Business Combinations, on Jan. 1, 2007, the debt balance of long-term equity investment unamortized formed in the merger of an enterprise under the same control amounting to RMB 1,503,986.27 would be written off in total, corresponding, the retained income would be deceased by RMB 1,503,986.27, of which, the owners' equity under the Company would be decreased by RMB 1,503,986.27.

(2) Income tax

In accordance with the provision of Accounting Standard for Business Enterprise No. 18 – income tax, on Jan. 1, 2007, the Company retroactively adjusted the effect of the temporary difference between the book value of asset and liabilities and its tax base on the income tax, and adjusted the retained income according to the said effect amount. Hereby, the effect amount of the book value of asset less than its tax base and the book value of liabilities more than its tax base on the income tax formed due to reserve for bad debt, reserve for falling price of inventory and accrued expense amounting to RMB 20,713,660.69 was adjusted into the retained income, of which, the owners' equity under the Company would be increased by RMB 20,713,660.69.

In accordance with the provision of Accounting Standard for Business Enterprise No. 18 – income tax, on Jan. 1, 2007, the Company retroactively adjusted the effect amount which can be deducted pursuant to the tax law in the future years on the income tax, and adjusted the retained income according to the said effect amount. Hereby, the effect amount which can be deducted on the income tax amounting to RMB 10,980,628.58 was adjusted into the retained income, of which, the owners' equity under the Company would be increased by RMB 9,719,517.50, and the owners' equity of minority interests would be increased by RMB 1,261,111.08.

(3) Minority interests

In accordance with the provision of Accounting Standard for Business Enterprise No. 33 – Consolidated financial statement, the minority interest was separate presented according to the current accounting standard, while it was presented by minority interests under owners' equity in the consolidated balance sheet according to the new accounting standard. Thus, the minority interest of RMB 17,448,941.51 as at Jan. 1, 2007 was recorded into shareholders' equity, at the same time, owners' equity of minority interests increased of RMB 1,261,111.08 was also listed under shareholders' equity.

According to the regulations of Accounting Standard for Business Enterprises No. 33 - Consolidated financial statements, parent company should take all its subsidiaries in the consolidation scope of consolidated financial statements. On Jan. 1, 2007, the Company took the financial statements of subsidiaries into consolidation scope, which increased RMB 3,481,844.24 belonged to minority shareholders' equity. While financial statements of subsidiaries were not taken into the consolidation scope in current policies. (4) Others According to the regulations of Accounting Standard for Business Enterprises No. 33 - Consolidated financial statements, parent company should take all its subsidiaries in the consolidation scope of consolidated financial statements. On Jan. 1, 2007, the Company took the financial statements of subsidiaries into consolidation scope, while financial statements of subsidiaries were not taken into the consolidation scope in current policies. Owing to the subtractive net assets of some special subsidiaries, retained income for RMB 4,960,550.27 was increased, including decrease of owns' equity belonged to parent company for RMB 4,960,550.27.

2. Possible changes in accounting policies and estimates subsequent to implementation of new accounting standard and the impact on the Company's financial status and financial performance

(1) In accordance with the provision of Accounting Standard for Business Enterprise No. 2 – Long-term equity investment, the long-term equity investment of subsidiary shall be measured based on equity method under the current accounting standard, while it shall be measured based on cost method under the new accounting standard, as a result, the impact on the current investment income of the parent company due to operating loss of subsidiary shall be reduced. There is no influence on the Company's consolidated statement due to change of such accounting policies.

(2) In accordance with the provision of Accounting Standard for Business Enterprises No. 3 – Investment properties, the investment properties shall be measured as inventory under the current accounting standard, while it shall be measured as investment properties based on cost method according to the new accounting standard. There is no influence on the Company's profit and shareholders' equity due to change of such accounting policies.

(3) In accordance with the provision of Accounting Standard for Business Enterprises

No. 18 – Income tax, the Company shall change accounting treatment of income tax from the former taxes payable method under the current accounting standard to balance sheet approach. The difference between the book value of the asset or liability and its tax base, the deferred income tax asset or the deferred income tax liability shall be determined according to these Standards, the deferred income tax assets and deferred income tax liabilities recognized shall be recorded in the income tax expenses, as a result, the possible influence on the income tax expenses of the current period shall be occurred, corresponding, the Company's profit and shareholders' equity shall be affected.

(4) In accordance with the provision of Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statement, the minority interests shall be separate presented under item "minority interests" in the consolidated financial statement according to the current accounting standard, while it shall be presented under item "minority interest" under item "shareholders' equity" in the consolidated balance sheet according to the new accounting standard. The net profit in the consolidated financial statement consists of minority interest, and consolidated net assets also consist of minority interest. Such change shall affect the calculation standard of shareholders' equity and profit.

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**	**Cost of main operations**	**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	59,835.31	59,459.99	0.63%	12.67%	31.64%	-95.80%
Other real estate industry	4,545.22	2,945.76	35.19%	-17.92%	7.85%	-30.56%
Property Management	17,702.67	16,602.48	6.21%	176.40%	189.94%	-41.37%
Fitment and Decoration	7,536.01	6,896.87	8.48%	-23.45%	-25.36%	38.13%
Other	9,470.18	6,676.37	29.50%	-8.24%	-33.06%	778.01%
Main operations classified according to Products						
Residence	56,563.31	56,207.00	0.63%	100.56%	119.30%	-93.09%
Shop	3,272.00	3,252.99	0.58%	-84.42%	-80.68%	-97.07%

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	99,514.88	17.24%
Overseas	74.52	-97.04%

6.4 Use 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	Rate of progress of projects	Income from projects
BiTonghai Garden		Joining partnership in Aug. 2005	Switching back sale income of RMB 199257600, as well as gross profit 62,916,300
Star Lake Garden		Joining partnership in Aug. 2005	Switching back sale income of RMB 123,222,200, as well as gross profit 39,053,100
Di Jing Ming Garden of East Lake	11,903.89	Planning Permit for Using Land for Construction Purposes obtained	Not settled
Yitai Center		Joining partnership in 2006	Switching back sale income of RMB 194,028,400, as well as gross profit -105,856,000
The 6th -9th phase of Jinye Island International Garden	2208.89	Development by stages	Not settled
The3# Building phase of Star Lake Garden	42	Construction in preparation	Naught
Whampoa Garden	8108.67	The projects have been accomplished basically at the end of 2006, Equipments testing had been ready for check and accepting.	Not settled
Total	22263.45	-	-

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

☐Applicable √ Inapplicable

6.7 Preplan of profit distribution or capitalization of common reserves for 2006 made by 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	Usage and plan of

distribution preplan though the Company achieved the profit in the report period	undistributed profit
The Company's financial settlement for the year 2006 has been audited by Shenzhen Nanfang Minhe Certified Public Accountants, as calculated according to Chinese Accounting Standards, the Company's net profit for the year 2006 after auditing was RMB 19,259,485.35, while as calculated according to International Accounting Standards, the Company's net profit was RMB 42,069,000. Thus, the profit available for distribution for the year 2006 was RMB -1,022,454,478.17. In accordance with the relevant rules and the regulations of the Articles of Association of the Company, there was no profit distribution condition, thus, the Board of Directors decided that the Company would not distribute profit for the year 2006 after discussion.	Making up the losses occurred over the past years.

§7 Significant Events

7.1 Purchase of assets

□Applicable √ Inapplicable

7.2 Sales of assets

□Applicable √ Inapplicable

Explanation on the influences exerted by the issues mentioned in 7.1 and 7.2 upon the continuity of the Company's business and the stability of the management team

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)**
Naught	**Dec. 31, 2006**	**0.00**	**0**	**No**	**No**	**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				2,600.00		
Total guarantee balance at the end of the report period for shareholding subsidiaries				2,600.00		
Total guarantee amount of the Company (including guarantees for shareholding subsidiaries)						
Total guarantee amount				2,600.00		
Proportion of the Company's net assets taken by the total guarantee amount				2.38%		
Including:						
Guarantee amount for shareholders, the actual controller or its related				0.00		

parties	
Guarantee amount for the debts of the guaranteed companies with an asset-liability ratio of over 70%, directly or indirectly	0.00
The amount by which the total guarantee amount exceeded 50% of the net assets	0.00
Total amount of the above three guarantees	0.00

7.4 Significant related transactions

7.4.1 Related transactions concerning routine operation

□Applicable √Inapplicable

7.4.2 Related credits and liabilities current

√Applicable □Inapplicable

Unit: RMB’0000

Related parties	Funds provided by the listed company to related parties		Funds provide by related parties to listed company	
	Occurred amount	Balance	Occurred amount	Balance
Shenzhen Investment Holding Corporation	0.00	0.00	8,684.88	8,684.88
Total	0.00	0.00	8,684.88	8,684.88

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.

7.4.3 Progress of repayment on the capital occupied as at the end of 2005

□Applicable √Inapplicable

New capital occupation in the year 2006

□Applicable √Inapplicable

In case of the Company's failure to complete the repayment of the capital occupation of non-operating as at the end of 2006, relevant reason, measures for debt repayment and plan for responsibility ascertainment

□Applicable √Inapplicable

7.5 Financing entrustment

□Applicable √Inapplicable

7.6 Implementation of commitments

7.6.1 The commitments made by the original shareholders holding nontradable shares during the Share Merger Reform and their implementation

√Applicable □Inapplicable

Name of shareholders	Commitment	Implementation of commitments	Remarks

Shenzhen Investment Holdings Corporation	1. The nontradable 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	1. Commitment items "1" and "3" were not involved in the report period. 2. Commitment item "2" was performed over. on Feb. 15, 2006 according to the commitment.	In accordance with share merger reform, 50,583,000 shares subject to moratorium were freed from trading moratorium on Feb. 26, 2007.

	at Stock Exchange would not exceed five percent within 12 months, and not exceed ten percent within 24 months.		

7.6.2 The quantity of shares not subject to moratorium held by the original nontradable shareholders who hold over 5% of total shares at the end of the report period

□Applicable √ Inapplicable

7.7 Significant lawsuits and arbitrations

√ Applicable □Inapplicable

(1) Lawsuit case on Guoxing Building

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 Guoxing 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 Guoxing 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 favor 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 Guoxing 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) Lawsuit case of Xi'an

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) Lawsuit case of Shantou Xinfeng Building

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) Lawsuit case of Shenyang Project

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 2006, 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 6 meetings, presented at 4 shareholders' general meetings and attended 7 meetings of the Board as non-voting delegates.

I. Meetings held in the report period

1. The 1st meeting was held on Mar. 6, 2006, at which examined and approved the proposal on reelection of the Supervisory Committee. Zhuang Chuanghui, Xiong Xingnong, Zhang Xuxi and Deng Kangcheng were nominated the supervisor candidate of the 5th Supervisory Committee; Chen Junyi was nominated the employee supervisor candidate by the Labor Union Committee.
2. The 2nd meeting was held on Apr. 11, 2006, at which Zhuang Chuanghui was elected as the Chairman of the Supervisory Committee.
3. The 3rd meeting was held on Apr. 21, 2006, at which examined and approved the following proposals on Annual Report 2005 and its Summary, Report 2005 of the Supervisory Committee, Financial Report and Profit Distribution Plan and the 1st Quarterly Report 2006.
4. The 4th meeting was held on May 29, 2006, at which examined and approved the proposal on Rules of Procedure for the Supervisory Committee and Work Report 2005 of the Supervisory Committee.
5. The 5th meeting was held on Aug. 21, 2006, at which examined and approved the Interim Report 2006 and its Summary.
6. The 6th meeting was held on Oct. 25, 2006, at which examined and approved the 3rd Quarterly Report 2006.

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, strictly performed policies and each law and rule of the State. While performing their duties, the directors and senior executives of the Company had no deeds that were against the Articles of Association of the Company, or had done harm to the interests of the shareholders or the Company.
2. In the report period, the Company's economic benefit improved obviously, assets quality was further optimized, capital strength strengthened gradually over the last year, cost control obtained outstanding effect, auditing work obtained further standardization, internal management mechanism was strengthened and perfected further, especially, under the situation of "three-system reformation", eliminated the factor of employee's compensation, the whole benefit was still remarkable improvement, ensured reform and operation. 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, 2006

	Note	2006 RMB’000	2005 RMB’000
Turnover	4	943,464	813,405
Cost of sales		(724,332)	(610,776)
Gross profit		219,132	202,629
Other operating income		17,349	3,823
		236,481	206,452
General and administrative expenses		(129,602)	(138,356)
Other operating expenses		(19,541)	(16,090)
(Loss) / profit from operations	5	87,338	52,006
Finance costs	8	(45,032)	(38,885)
Share of (losses) / profits of non-consolidated subsidiaries, associates, and contractual joint ventures		954	48,227

(Loss) / profit before taxation		43, 260	61, 348
Taxation	9	(955)	(2,587)
(Loss) / profit after taxation		42,305	58,761
Minority interests		(236)	3,681
Net (loss) / profit for the year		42,069	62,442
(Loss) / earnings per share			
Basic	10	RMB0.04	RMB0.06
Diluted	10	N/A	N/A

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2006

	Note	2006 RMB'000	2005 RMB'000
ASSETS			
Non-current assets			
Property, plant & equipment	11	69,231	84,522
Investment properties	12	682,899	583,962
Non-consolidated subsidiaries	13	110,723	126,560
Associates	14	31,376	24,191
Contractual joint ventures	15	70,683	80,302
Long term investments	16	10,184	10,420
Intangible assets	17	4	35
		975,100	909,992
Current assets			
Properties under development for sale	18	492, 459	270, 622
Completed properties for sale	19	139,462	471,986
Inventories	20	22,420	27,159
Short term investments		--	3,422
Accounts receivable		14,623	30,692
Prepayments, deposits and other debtors		165,248	109,393
Cash and bank balances		461,311	310,857
		1,295,523	1,224,131
Current liabilities			
Customers' deposits		285,510	302,260
Accounts payable and accrued expenses	21	601,298	417,110
Tax payable	22	4,577	8,585

Bank loans	24	275,425	317,974
		1,166,810	1,045,929
Net current Assets/(liabilities)		128,713	178,202
Total assets less current liabilities		1,103,813	1,088,194
Non-current liabilities	23	(85,796)	(130,659)
Minority interests		17,449	18,136
NET ASSETS		1,035,466	975,671
CAPITAL AND RESERVES			
Share capital	25	1,011,660	1,011,660
Reserves		23,806	(35,989)
		1, 035, 466	975, 671

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2006

	Note	2006 RMB'000	2005 RMB'000
OPERATING ACTIVITIES			
Cash received from sales of goods or rendering of services		985,879	940,323
Other cash received relating to operating activities		137,228	71,400
Cash paid for goods and services		(715,401)	(481,452)
Cash paid to and on behalf of employees		(77,834)	(81,798)
Taxation paid		(52,553)	(54,955)
Cash paid relating to other operating activities		(115,090)	(141,467)
Interest paid		(23,334)	(37,592)
Net cash (used in) / generated from operating activities		**138,895**	**214,459**
INVESTING ACTIVITIES			
Cash received from disposal of investments		402	145,543
Dividends received and interest received		4,089	2,073
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		320	190
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(5,379)	(3,974)

Net cash generated from investing activities		**(568)**	**143,832**
FINANCING ACTIVITIES			
Proceeds from borrowings		244,472	482,824
Repayments of borrowings		(230,741)	(732,198)
Net cash generated from / (used in) financing activities		**13,731**	**(249,374)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**152,058**	**108,917**
Cash and cash equivalents at beginning of year	**26**	**270,341**	**161,424**
Cash and cash equivalents at end of year	**26**	**422,399**	**270,341**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2006

	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, 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
Profit for the year	--	--	--	--	--	42,069	42,069
Others	--	--	17,726	115,594	(115,594)	--	17,726
Balance at December 31, 2006	1,011,660	686,308	48,880	118,911	--	（830,293）	1,035,466

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

9.6 Reconciliation statement about difference in shareholders' equity between the new accounting standard and the old accounting standard

Unit: RMB

Items	Amount
Shareholder's Equity as at Dec.31, 2006 (current Accounting Standards)	1,093,956,870.51
Balance of long-term equity investment	-1,503,986.27
Of which: balance of long-term equity investment formed in the merger of an enterprise under the same control	-1,503,986.27
Credit balance for long-term equity investment calculated based on equity method	0.00
Investment real estate measured based on fair value model	0.00
Depreciation over the past years supplemental withdrew due to dismantling cost of assets	0.00
Employee termination indemnity according with projected liability	0.00
Share based payments	0.00
Reorganization obligation according with projected liability	0.00
Business Combinations	0.00
Of which: Book value of goodwill formed in the merger of an enterprise under the same control	0.00
Reserve for impairment of goodwill withdrawn based on new accounting standards	0.00
Financial assets measured in line with fair value and its change amounts was recognized in profit or loss of current period and available-for sale financial	0.00

assets	
Financial liability measured in line with fair value and its change amounts was recognized in profit or loss of current period	0.00
Equity increased due to division of financial instruments	0.00
Derivative financial instruments	0.00
Income Tax	30,433,178.19
Minority interests	-12,705,986.19
Other	-4,960,550.27
Shareholder Equity as at Jan. 1, 2007 (New Accounting Standard)	1,105,219,525.97

Review Opinion of Certified Public Accountants

To all shareholders of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd.

We have reviewed the accompanying reconciliation statement about difference of shareholder's equity between calculated the new accounting standard and the old accounting standard (the "Reconciliation Statement") of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd. (the "Company"). Management is responsible for the reparation and fair presentation of this reconciliation statement in accordance with Accounting Standard for Business Enterprises No. 38 – First Time Adoption of Accounting Standard for Business Enterprises and the Circular on Doing Well the Financial Information Disclosure Related to the New Accounting Standard (ZJF[2006] No. 136, hereinafter referred to as the "Circular"). Our responsibility is to express a review report on this reconciliation statements based on our review.

In accordance with the relevant provisions of the Circular, we conducted our review according to the provisions of the Standard on Review Engagements for CPAs of China No. 2101 – Engagements to Review Financial Statements. Such standard require that we plan and perform the review to obtain limited assurance whether this reconciliation statement are free from material misstatement. A review limits to enquiring for the relevant personnel and the relevant accounting policies and all materials reorganization, knowing calculation process of amount in the reconciliation statement, reading the reconciliation statement to consider whether follow the designated reparation basis and implement analysis procedure. The review provides the lower assurance than audit. We did not conduct the auditing, thus we did not express any auditing opinion.

Based on our review, we believed that the reconciliation statement was prepared in accordance with Accounting Standard for Business Enterprises No. 38 – First Time Adoption of Accounting Standard for Business Enterprises and the Circular in full.

Furthermore, we call persons using such reconciliation statement for attention, the accompanying presentation of reasons listed in important notes of the reconciliation statement, for instance, the possible difference in the consolidated shareholder's equity as at Jan. 1, 2007 prepared under New Accounting Standard listed in such reconciliation statement and the relevant data listed in Financial Report 2007 in the future exists.

Shenzhen Nanfang Minhe Certified Public Accountants Ltd

Board of Directors of
SHENZHEN SPECIAL ECONOMIC ZONE
REAL ESTATE & PROPERTIES (GROUP) CO., LTD.
Apr. 20, 2007