SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.
SUMMARY OF ANNUAL REPORT 2006

§1. Important Notes

1.1 Board of Directors, Supervisory Committee, directors, supervisors and senior executives of Shenzhen Properties & Resources Development (Group) Ltd. (hereinafter referred to as the Company) warrant that this report does not contain any false or misleading statements or omit any material facts and all information set forth herein are true, accurate and complete. The summary of annual report 2006 is abstracted from the full text of such report; the investors are suggested to read the full text of such report to understand more details.
1.2 Mr. Jiang Changlong, the independent director of the Company, was absent from the Board meeting, but he has examined the minutes and entrusted Mr. Zhang Jianjun, the independent director of the Company to vote with affirmative vote for each proposal. Yang Shuncheng, the director of the Company, voted the negative vote to the Annual Report 2006 and its summary, which was because that he considered that the Company should find out the reason for loss. The investors are suggested to notice.
1.3 Wuhan Zhonghuan Certified Public Accountants had furnished a qualified Auditors' Report with emphasized issues; and the Board of Directors and the Supervisory Committee of the Company made the corresponding explanations in details for the relevant matters, the investors are suggested to notice the content.
1.4 Chairman of the Board of the Company Chen Ygang, Person in Charge of Accounting Work Mr. Zha Shengming and Manager of Financial Department Shen Xueying hereby confirm that the Financial Report enclosed in the Annual Report is true and complete.
1.5 This report has been prepared in Chinese version and English version respectively. In the event of difference in interpretation between the two versions, the Chinese version report shall prevail.

§2. Company Profile

2.1 Basic information

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

2.2 Contact person and method

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

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

§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	
		After retroactive adjustment	Before retroactive adjustment		After retroactive adjustment	Before retroactive adjustment
Income from main operations	311,948,669.86	963,481,024.09	963,481,024.09	-67.62	1,326,289,977.7	1,326,289,977.7
Total profit	-45,165,869.75	94,487,182.80	98,970,133.62	-147.80	120,561,765.9	126,160,243.54
Net profit	-46,054,221.12	78,419,748.81	82,902,699.63	-158.73	84,851,499.71	90,449,977.35
Net profit after deducting non-recurring gains and losses	-67,283,745.29	51,621,073.23	56,104,024.05	-230.34	81,266,566.08	86,865,043.72
Net cash flow from operating activities	-118,610,560.96	220,842,222.05	220,842,222.05	-153.71	261,714,529.3	261,714,529.31
	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	
		After retroactive adjustment	Before retroactive adjustment		After retroactive adjustment	Before retroactive adjustment
Total assets	1,643,924,822.20	1,812,640,711.92	1,792,535,811.4	-9.31	2,323,270,093.8	2,302,935,990.5
Shareholder's equity (excluding minority interests)	583,920,212.60	629,910,751.72	650,258,392.78	-7.30	556,862,596.76	567,128,809.36

3.2 Major financial indexes

Unit: RMB

	2006	2005		Increase/decrease compared with the last year（%）	2004	
		After retroactive adjustment	Before retroactive adjustment		After retroactive adjustment	Before retroactive adjustment
Earnings per share	-0.124	0.145	0.153	-185.52	0.157	0.167
Return on equity (%)	-7.89%	12.45%	12.75%	-20.34	15.24%	15.95%
Return on equity calculated based on net profit after deducting non-recurring gains and losses (%)	-11.52%	8.19%	8.63%	-19.71	14.59%	15.32%
Net cash flow per share arising from operating activities	-0.219	0.408	0.408	-153.68	0.483	0.483
	At the end of 2006	At the end of 2005		Increase/decrease	At the end of 2004	

		After retroactive adjustment	Before retroactive adjustment	compared with the end of the last year (%)	After retroactive adjustment	Before retroactive adjustment
Net assets per share	1.078	1.163	1.200	-7.31	1.028	1.047
Net assets per share after adjustment	0.786	0.928	0.965	-15.41	0.770	0.789

Items of non-recurring gains and losses

√ Applicable ☐Inapplicable

Unit: RMB

Items of non-recurring gains and losses	Amount
1. Gains/losses from disposal of long-term equity investment, fixed assets, project in construction, intangible assets and other long-term assets	3,746.67
2. Gains and losses form short-term investment, excluded Gains and losses form short-term investment obtained by financial institutions with operating qualification approved to be set up by the administration of the State	681,217.30
3. Various non-operating income after deducting daily reserve for impairment of assets in line with the regulations of Accounting System for Business Enterprise	872,586.28
4. Various non-operating expenses after deducting daily reserve for impairment of assets in line with the regulations of Accounting System for Business Enterprise	-25,916,271.29
5. Switching back various reserve for impairment withdrawn over the previous years	45,547,589.52
6. Impact on income tax	40,655.69
Total	21,229,524.17

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

√ Applicable ☐Inapplicable

Unit: RMB'000

Items	Net profit as of the year 2006	Net assets as at Dec. 31, 2006
As calculated in accordance with CAS	-46,054	583,920
Switching back into fixed assets from amortization amount	-1,446	-2,762
Adjustment of expenses amortization	5,923	5,923
Other	1,856	8,760
As calculated in accordance with IAS	1,119	-19,827
	-38,602	576,014

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in shares

Year 2006 Unit: share

	Before the change		Change in this time (+,-)					After the change	
	Number of shares	Proportion (%)	Issuance of new shares	Bonus shares	Capitalization of public reserve	Others	Subtotal	Number of shares	Proportion (%)
I. Nontradable shares			Naught	Naught	Naught	Naught	Naught		
1. Sponsors' shares									
Including: Shares held by the State	323,747,713	59.75%						323,747,713	59.75%
Share held by domestic legal person	65,200,850	12.04%						65,200,850	12.04%
Share held by foreign legal person									
2. Raised legal person's shares									
3. Inner employees shares									
4. Preference shares or others									
Total nontradable shares	388,948,563	71.79%						388,948,563	71.79%
II. Tradable shares			Naught	Naught	Naught	Naught	Naught		
1. RMB ordinary shares	91,364,150	16.86%						91,364,150	16.86%
2. Domestically listed foreign shares	61,459,312	11.34%						61,459,312	11.34%
3. Overseas listed foreign shares									
4. Shares held by senior executives frozen	27，150	0.005%						27，150	0.005%
Total tradable share	152,850,612	28.21%						152,850,612	28.21%
III. Total shares	541,799,175		Naught	Naught	Naught	Naught	Naught	541,799,175	

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

Total number of shareholders	By the end of the report period, the Company has 31,594 shareholders in total, including 24,475 ones of A-share, 7,119 ones of B-share.

Particulars about shares held by the top ten shareholders					
Full name of Shareholder	**Type of shareholders**	**Proportion (%)**	**Total number of shares held**	**Number of non-tradable shares held**	**Share pledged or frozen**
SHENZHEN CONSTRUCTION INVESTMENT HOLDINGS	State-owned share	59.75	323747713	323747713	0
SHENZHEN INVESTMENT HOLDING CORPORATION	Directional corporate shares	10.45	56628000	56628000	0
LABOR UNION OF SHENZHEN INTERNATIONAL TRADE PROPERTY MANAGERMENT COMPANY	Directional corporate shares	0.46	2516800	2516800	0
YUNNAN YUNDIAN FINANCE FUNDS MANAGEMENT CO., LTD.	Tradable A shares	0.3	1806739	0	
SHENZHEN SPECIAL ZONE DUTY-FREE COMMODITY CO.	Directional corporate shares	0.29	1573000	1573000	0
XIA QIAN RU	B shares	0.28	1517501	0	0
SHANGHAI ZHAODA INVESTMENT CONSULTANT CO., LTD.	Directional corporate shares	0.19	1010000	1010000	0
CHINA EAGLE SECURITIES CO., LTD.	Directional corporate shares	0.15	786500	786500	786500 shares were frozen judicially
SHENZHEN HAOWANJIA INDUSTRY DEVELOPMENT CO., LTD.	Tradable A shares	0.13	692811	0	0
SHANGHAI KUNLING INDUSTRY & TRADE CO., LTD.	Directional corporate shares	0.12	629200	629200	0
Explanation on associated relationship among the above shareholders or consistent action	There exists no associated relationship or consistent action among the top three shareholders. For other shareholders, the Company was unknown whether there exists associated relationship or consistent action.				

Particulars about shares held by the top ten tradable shareholder		
Name of shareholders	**Numbers of circulation share held**	**Type of share**
YUNNAN YUNDIAN FINANCE FUNDS MANAGEMENT CO., LTD.	1806739	Tradable A shares
XIA QIAN RU	1517501	B shares
SHENZHEN HAOWANJIA INDUSTRY DEVELOPMENT CO., LTD.	692811	Tradable A shares
WANG SHAN	560000	Tradable A shares
ZHOU GE	550039	Tradable A shares
KGI ASIA LIMITED	500001	B shares
GUANGZHOU HENGXUN BUSINESS CONSULTANT CO., LTD.	500000	Tradable A shares
LI HE FANG	480000	Tradable A shares
LI FAN	480000	Tradable A shares
JI CHENG LI	478300	B shares

Explanation on associated relationship among the above shareholders of circulation share or consistent action	The Company did not know whether there exists associated relationship among the top ten shareholders of circulating share and the top ten shareholders or not.

4.3 Particulars about controlling shareholders and actual controller of the Company

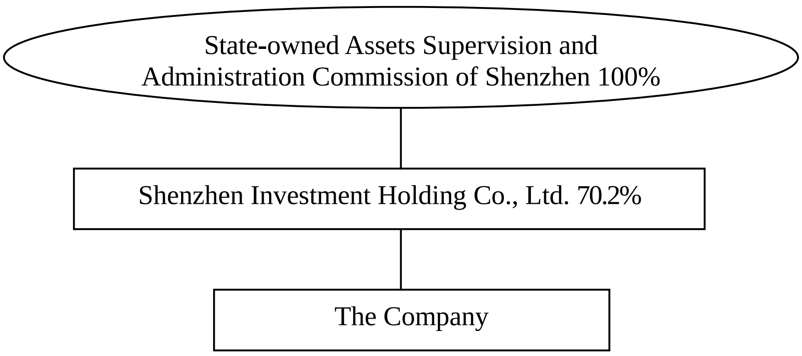
4.3.1 Particulars about change in controlling shareholders and actual controller of the Company

□Applicable √ Inapplicable

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

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

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



§5. Particulars about Directors, Supervisors and Senior Executives

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

Name	Title	Sex	Age	Office term	Number of shares held at the year-begin	Number of shares held at the year-end	Reasons for change	Total payment drawn from the Company in the report period (RMB'0000)	Drawing payment from the shareholding companies or other related parties or not (Yes / No)
CHEN YU GANG	Chairman of the Board	Male	49	2006.6-2007.6	0	0			Yes
ZHA SHENG MING	Director, Deputy GM	Male	59	2004.6-2007.6	18150	18150		17.8	No
YANG SHUN CHENG	Director, Deputy GM	Male	59	2004.6-2007.6	0	0		17.8	Yes
GUO LI WEI	Director	Male	32	2006.6-2007.6	0	0			Yes
LI ZHEN	Director	Male	44	2004.6-2007.6	4000	4000			Yes
WANG HIU MIN	Director	Female	40	2004.6-2007.6	0	0			Yes
WANG PENG	Director	Male	40	2006.6-2007.6	0	0			Yes
ZHANG JIAN JUN	Independent Director	Male	43	2004.6-2007.6	0	0		3	No
JIANG CHANG LONG	Independent Director	Male	42	2004.6-2007.6	0	0		3	No
LI XIAO FAN	Independent Director	Male	54	2006.11-2007.6	0	0		3	No
CAO ZI YANG	Chairman of the Supervisory Committee	Male	56	2004.6-2007.6	0	0		24.17	No
LIU JIA KE	Supervisor, Director of Discipline Inspection Office	Male	58	2004.6-2007.6	5000	5000		12.65	No
JIN CHEN GUI	Supervisor, Deputy GM of Audit Department	Male	59	2004.6-2007.6	0	0		12.65	No
MA DE QIN	Supervisor, Cadre of Trade Union	Female	53	2004.6-2007.6	0	0		14.55	No
LUO RU RONG	General Manager	Male	50	2005.4-	0	0			Note 1
WEI YU XIN	CFO	Female	47	2005.4-	0	0			Note 1
LUO JUN DE	Deputy GM	Male	57		0	0		17.8	No
LIU YING HUA	Engineer-in-Chief	Male	47		0	0		17.8	No
GUO YU MEI	Secretary of the Board, Director of the Board Office	Female	47	2004.6-2007.6	0	0		14.56	No
Note 1: drawing remuneration from KOWLOON DEVELOPMENT COMPANY LIMITED.									

§ 6. Report of the Board of Directors

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

1. The whole operating status

By the end of report period, the Company realized income form main operations amounting to RMB 311,948,669.86, down 68% compared with RMB 963,481,024.09 realized in the same period of the last year, which was due to the decrease of sale areas of real estate projects, so that sale income has decreased; the Company realized profit from main operations amounting to RMB 55,003,894.40, a decrease of 81% compared with RMB 288,641,976.60 realized in the same period of the last year, which was because sale income of real estate projects reached the condition of settlement and transferred has decreased over the same period of last year; the Company realized total profit amounting to RMB -45,780,275.82, which was due to decrease of operating profit.

(II) Future development

1. Facing increasingly competitive market environment, over the years the company continued to maintain the trend of downsizing, tightly focused on the operating principle of integration: the two main lines of business property as real estate development and the operating income renting and the supplements as property management, motor transport, food service operators. The company takes a series of actions recently, makes breakthroughs in adjusting the management policies, offloading the nonperforming assets and optimizating the industrial structure, etc. However there are still some problems such as the deficiency of operating funds and the expecting strengthening of the ability to open up markets.

2. During the reporting period, the planning-invested constructing projects are: A and B section in C block of Huangyuyuan, D block of Huangyuyuan, B team of Fenghe Rili, the second term project of Fuchang, etc., with the construction area of 20 million square meters. New projects are all in construction, demanding a large amount of capital. To guarantee the schedule of every project, the company takes these actions:

①. Ensure the constructing schedule important real estates, strictly supervise the cost of the projects, ensure the profit growth of the group's main real estate development business, and grasp the profit-pursuing life line of the real estate development companies.

②. Continue to do a good job of surplus property sales, make Efforts to revitalize stock assets.

③. Continue to strengthen profitability property leasing business, to maintain steady growth.

④. Seize the opportunity, strengthen land reserves, and establish the foundation of the group's sustainable development.

3. During the report period, the State put out lots of policies and regulations targeting at the real estate industry, which had led to even hotter competition among real estate enterprises, and the structure among the real estate enterprises would further differentiate. Recently the company is lack of capital, facing the gradual decreasing of land reserves and the continuing operating risks increased by tightening of macro-economic policies.

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

According to requirements of [2006] No. 3 document --- “Notice on 38 items Concrete Standards like Accounting Standard for Business Enterprises No. 1 – Inventories Issued by Ministry of Finance” issued by Ministry of Finance on Feb. 15, 2006. And the Company putted Accounting Standard for Business Enterprises into practice on Jan. 1, 2007. After fulfillment of it, influence on financial status and operation result of the Company from probable changes of accounting policy and accounting estimate are as follows:

(1) Difference analysis between currency accounting standard and new accounting standard at the very time of fulfillment of new standard on Jan. 1, 2007.

① For value measure and its change accounted into item of financial assets of currency loss/profit and salable financial assets

A. Listed company equity with RMB 7,317,750.20 investment cost finished share currency merger reform held by the Company and its subsidiary on Dec. 31, 2006 was classified to item of salable financial assets by the Company. And the Company affirmed final fair value in accordance with closing price of final stock exchange, so it produced difference for RMB -60,144.32

B. Short-term investment of the Company on Dec. 31, 2006 was securities share transaction. Closing price of final stock exchange was higher than book value for RMB 5,923,150.98. Under Accounting Standard for Business Enterprises, it should be accounted by fair value method, and its change should be accounted into financial assets of currency loss/profit (transacted financial assets).

The above two influence difference increased shareholders’ equity of the Company totaling for RMB 5,863,006.66.

② Income tax

Differences (which can offset the provisional difference) between book value and its tax base of Shenzhen Shenzhen Huangcheng Real Estate Co., Ltd and Shanghai Shenzhen Property Development Co., Ltd --- subsidiaries of the Company on Dec. 31, 2006. It is predicted that taxable income tax in later years can switch these differences. So deferred income tax assets was RMB 8,760,561.00. This difference will increase shareholders’ equity of the Company for RMB 8,760,561.00.

③ Other

Ended on Dec. 31, 2006, Shenzhen Real Estate Exchange, Shenzhen Tesu Motor Vehicle Driver Training Center Co., Ltd., Zhanjiang Shenzhen Property Management Co., Ltd., Shenzhen International Trade Co., Ltd. and Shenye Land Development Co., Ltd. were shut down under the currency accounting standard, so they were not accounted into consolidated accounting form. While under the new accounting standard, these companies should be account into consolidated accounting form. Because these companies were accounted into consolidated accounting form, and affirming minority interest, offsetting internal currency withdraw bad debt loss, loss company consolidation and other factors, shareholders’ equity amounting difference was RMB -7,125,009.29. This difference will decrease shareholders’ equity of the Company for RMB -7,125,009.29.

(2) After fulfillment of Accounting Standard of Business Enterprise, main influences on financial status and operation result of the Company from probable changes of accounting policy and accounting estimate are as follows:

① According to the regulations of Accounting Standard for Business Enterprises No. 2

-- Long-term equity investments, the Company has adopted cost method for calculation, and it has adjusted according to equity method as consolidated accounting form compiling. Under currency accounting policies, however, the Company adopted equity method. This change will lessen affection on parent company's investment income from operation loss/profit of subsidiary, but this event failed to affect consolidated financial form.

② According to the regulations of Accounting Standard for Business Enterprises No. 3 -- Investment properties, the hiring out the land user, hiring out the building and land user holding & preparing for cession after increment are calculated in item of investment properties. Under currency accounting policies, however, those were calculated in item of Inventories & fixed assets. And the Company still adopts cost method to calculate. This event failed to affect profit of the Company and shareholders' equity.

③ According to the regulations of Accounting Standard for Business Enterprises No. 22 -- Recognition and measurement of. financial instruments, assets is calculated in item of trading financial assets and measured by fair value and its changes are listed into currency loss/profit; listed companies' equity finished shares' equity currency merger reform are classified into item of salable financial assets for calculation, and measure by fair value and its changes are listed into capital reserve. While assets calculated in item of short-term investment; listed companies' equity finished shares' equity currency merger reform calculates in item of long-term equity investment. Account the balance between accounts and book value of this asset into item of investment income as disposal of listed companies' equity finished shares' equity currency merger reform. At the same time, amount transfer of corresponding disposal part in fair value of changing accumulative amount calculates in investment income. However, it was calculated in owners' equity under currency policies. This event will affect currency loss/profit of the Company and shareholders' equity with the change of financial assets fair value.

④ Assets depreciation reserves

According to the regulations of Accounting Standard for Business Enterprises No. 8 -- Impairment of assets, the Company should check its long-term assets (long-term equity investment, fixed assets, intangible assets investment real estate measured by cost method and so on) at least in balance sheet date per year, to judge whether or not there exists signs of probable Impairment; whether or not there exists sign of assets impairment, and estimate & calculate its receivable amount. If receivable fund of asset is lower than book value, the Company should record asset book value into receivable fund; lessen fund was affirmed as assets depreciation loss and list into item of currency loss/profit, meanwhile, withdraw relevant assets depreciation reserves. After affirmation of assets depreciation loss, the expenses of impairment assets' depreciation and amortization will be adjusted in future, which enable the assets systematically amortize assets book value after adjustment in left use time. Affirmation of long-term assets depreciation loss, it can not switch in later accounting period. Therefore, withdraw assets depreciation reserve and assets disposal of withdraw assets depreciation reserve will affect currency loss of the Company and shareholders' equity.

⑤ In accordance with the regulations of Accounting Standard of Business Enterprises No. 18- Income Taxes, the Company change the accounting method under the current accounting policies-Taxes Payable Method to Balance Sheet Credit Method which will influence the current income taxes expenses and further influence the gains/ losses in the

current period and the shareholders' equity.
⑥ consolidated financial statement
In accordance with the regulations of Accounting Standard of Business Enterprises No. 33-consolidated financial statement, the Company listed the subsidiary companies into the consolidated financial statement, and those companies were in the liquidation state and not recorded into the consolidated statement under the current accounting policies; the Company put the minority shareholders' equity which were listed separately in consolidated statement under the current policies into the item of "minority shareholders' equity" of the item shareholders' equity in consolidated balance sheet. This change will influence the gains and losses of the Company and the shareholders' equity.

6.2 Statement of main operations classified according to industry or product

Unit: RMB'000

Industries	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations compared with the previous year (%)	Increase/decrease in cost of main operations compared with the previous year (%)	Increase/decrease in gross profit ratio compared with the previous year (%)
Real estate development	131901	99484	24.58	-82.44	-78.59	-35.57
Property management and lease	122872	102764	16.36	-9.97	-13.07	-22.36
Commercial retail	17147	16182	5.63	-37.37	-38.37	37.65
Taxi passenger transport	38851	17034	56.16	3.54	75.79	-24.35
Tourism and food	13242	6451	51.28	-3.16	-3.53	0.35

6.3 Particulars about main operations classified according to areas

Unit: RMB'000

Areas	Income from main operations	Increase/decrease in income from main operations over the last year (%)
Shenzhen	311849	-66.42
East China	0	-100
Hainan	100	-99

6.4 Application of the raised proceeds
☐Applicable √ Inapplicable

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

Unit: RMB'000

Name of project	Amount of investment	Progress of project	Earning of project	Earnings rate of project
Fuchang 2nd Phase	100	Primary preparation	-	-
Fenghe Rili B	7500	Stake base about to complete	-	-

Land A, B of Huangyuyuan C	22410	Land A in basic construction stage, Land B in design and construction application stage	-	-
Total	30010	-	-	-

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

√ Applicable ☐Inapplicable

Wuhan Zhonghuan Certified Public Accountants produced the audit report with qualified opinions and emphasized issues. The explanations of the events referred to as follows:

1. events that led to qualified opinions

As mentioned in Notes of financial statement2.20.1.3, the Company retrospect and adjusted the short-term investment projects of securities transactions in previous years. As the information acquisition on securities transaction is still carried out. The acquired information will provided the Certified Public Accountants accurate and complete judgment.

2. about the emphasized issues

1) As mentioned in Notes of financial statement 9.1.1, the Company filed an appeal to the Guangdong High Court for second instance on eight estate owners' purchase contract lawsuits such as Haiyi Industrial (Shenzhen) Co., Ltd. It was rejected in 2003 and the eight estate owners such as Haiyi Industrial (Shenzhen) Co., Ltd. did not apply for an obliged enforcement to Guangdong High Court. The Company is applying for the appeal issues for the second instance and the prospected losses were RMB 41,772,906.07regarding the book value of the properties.
2) As mentioned in Notes of the financial statement 9.1.2, Guangdong High People's Court ruled in Jul. 2001 that Shenzhen Jiyong Properties & Resources Development Company (hereinafter referred to as "Jiyong Company") should pay the transferred fee RMB 143,860,000. In Nov. of the same year the Company applied for an obliged enforcement to Guangdong High People's Court and it sealed the estate of 28,000 square meters of the other party. Zhejiang Branch of Industrial and Commercial Bank of China raised a dissent for the seal and ruled by Guangdong High People's Court, the estate seal of 10,000 square meters was released. In Sep., 2005, the estate was officially released. In 2006, Guangdong High People's Court issued the Civil Ruling: since the executioner had no other properties to be enforced the rules and the Company did not supply other executed properties, the former rule "Jiyong Company should pay the transferred fee RMB 143,860,000" suspended till the situation above disappeared. In accordance with the latest regulation of the Supreme Court, the applied sealed real estate had released automatically.

Wuhan Zhonghuan CPAs believed that the emphasized issues did not belong to the situation of clear violation of Accounting Standard, system and related information disclosure regulated by Information Disclosure Rules of Public Circulated Company

No.14-Deal of Non-standard Unqualified Auditing Opinions and Related Events. There is special explanation of notice of investors in the audit report and not led to the qualified opinions of financial statement nor audit opinions published already. For the above 2 (1) and (2), the Company has estimated the relevant losses reasonably.

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

√ Applicable ☐Inapplicable

The retained profit at the beginning of the year 2006 totaled RMB -76,799.91. Audited by Wuhan Zhonghuan Certified Public Accountants Co., Ltd. the Company realized net profit RMB -46,054,221.12 in 2006. The cumulated retained profit by the end of Dec.31, 2006 was RMB -46,131,021.03. The Company would not distribute profit or withdraw capital reserves as share capital for the year 2006.

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

√ Applicable ☐Inapplicable

§ 7. Significant Events

7.1 Purchase of assets

☐Applicable √ Inapplicable

7.2 Sales of assets

☐Applicable √ Inapplicable

7.3 Important guarantee

√ Applicable ☐Inapplicable

Unit: RMB’000

External guarantees of the Company (excluding guarantees for shareholding subsidiaries)						
Name of companies guaranteed	**Date of occurrence (agreement signing day)**	**Guarantee amount**	**Guarantee type**	**Guarantee term**	**Accomplished or not**	**For related parties or not (yes or no)**
Gintian Company	Dec. 30, 1998	2,600	Joint liabilities	1998.12.30-199.09.30	No	No
Total guarantee amount occurred in the report period				0		
Total guarantee balance at the end of the report period				2,600		
Guarantees for shareholding subsidiaries by the Company						
Total guarantee amount occurred in the report period for shareholding subsidiaries				15,067		
Total guarantee balance at the end of the report period for shareholding subsidiaries				85,067		
Total guarantee amount of the Company (including guarantees for shareholding subsidiaries)						
Total guarantee amount				87,667		
Proportion of the Company’s net assets taken by the total guarantee amount				15.01%		
Including:						
Guarantee amount for shareholders, the actual controller or its related				0		

parties	
Guarantee amount for the debts of the guaranteed companies with an asset-liability ratio of over 70%, directly or indirectly	2,600
The amount by which the total guarantee amount exceeded 50% of the net assets	0
Total amount of the above three guarantees	2,600

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'000

Related Parties	Capital provided to related parties		Capital provided to the Listed Company by related parties	
	Amount occurred	**Balance**	**Amount occurred**	**Balance**
Shenzhen Guomao Tian'an Properties Co., Ltd	0	29706	----	----
Shenye Real Estate Development Co., Ltd	0	134517	----	----
Anhui Nanpeng Papermaking Co., Ltd	-502	10573	----	----
Shenzhen Guomao Industrial Development Co., Ltd	0	2432	----	----
Shenzhen Wufang Pottery & Porcelain Industrial Co., Ltd	0	1747	----	----
Shenzhen Construction Group Finance Company	----	----	-13200	0
Shenzhen Investment Holdings Co., Ltd.	----	----	13220	13220
Shenzhen Fulin Industrial Co., Ltd.	----	----	9529	9529
Shenzhen Property Jifa Storage Co., Ltd	----	----	-321	1825
Shenzhen Guomao Shopping Mall Co., Ltd	----	----	-3134	1838
Total	-502	178975	6094	26412

Of which: The funds provided by the Listed Company to controlling shareholder and its subsidiaries during the report period totaled RMB 0.00, as well as the balance of 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

The shareholders' general meeting related with the share merger reform examined and approved the share merger reform plan on Jan. 13, 2006, the main consideration executor is the potential controlling shareholder of the Company, namely Zhuojian Investment Co., Ltd., the said share merger reform failed to implement due to no progress in the respect of equity transfer of state-owned share.

7.7 Significant lawsuits and arbitrations

√ Applicable ☐Inapplicable

1. About the "Haiyi Company" case disclosed in the Annual Reports during 2000 and 2005, the Company applied for the Supreme Court for the second instance appeal and the case is still in the trial process. 2. About the "Jiyong Company" case disclosed in the extraordinary notice of Apr.12, 2001 and Annual Report during 2000 and 2005, Guangdong High Court issued Civil Ruling(2002YGFZ Zi No.1), believed that there was no qualification for execution and ruled to expire the application until the situation disappear. In Mar.2006, the other sealed real estate of Jiabing Mansion the Company was released automatically. 3. The Court accepted the case disclosed in Annual Report 2005 that the Company brought an accusation Guomao Jewelry in Shengfeng Road, Shenzhen in public. 4. About the contract dispute of "Duokuai Elevator" disclosed in Annual Report 2004, Shenzhen Intermediate Court rejected request of "Duokuai Elevator" and Tao Boming in Mar. 2006, who applied Shenzhen Intermediate Court not to execute the ruling but was rejected. The Company applied for Shenzhen Intermediate Court to execute the ruling. 5. The Company disclosed "Meisi Company Lawsuit" disclosed in Annual Report 2004, extraordinary notice on Apr.15, 2006 and extraordinary notice on Aug.5, 2006. The Company disclosed the development of the case in extraordinary notice on Apr.11, 2007: the Company received the Administrative Procedure Act (2006) YGFHZ Zi No.154 of Guangdong High People's Court, which is the final judgment; the appeal was rejected and maintain the administrative judgment of Shenzhen Intermediate Court (2005) SZFHC Zi No.23. With the judgment, Shenzhen Municipal Bureau of Land Resources and Housing Management would reconsider the requirement of Shenzhen Meisi Enterprises Co., Ltd. to withdraw the Real Estate License of SFDZ No. 3000320987 and No. 3000119899 of the Company. The Company believed the rights of land and buildings listed on the real estate license were valid and the Company would protect the legal rights of its own through laws.

6. For the case of Hubei Foreign Economic Trade suing the Company disclosed by the Company in the Annual Report 2005, Guangdong Higher People's Court sent the retrial judgment (2005 YGFSJMZ Zi No. 236) in May 2006, and sustained original judgment from Guangdong Higher People's Court, dismissed the retrial application of the Company. In June 2006, Guangdong Railway Transportation Intermediate Court sent a paper of civil judgment with (2004) GTZFZ Zi No. 225-4, which order the Company to compensate RMB 24,402,999 in this case, besides, took the Company's properties sealed up to pay the appellant after deducting the execution fees, and terminated the said case. The Company considered that the retrial judgment ruled by the Guangdong Higher People's Court exist errors in fact verification and applicable law, and has appealed to the Supreme Court of People's Republic of China for retrial.

§8. Report of the Supervisory Committee

In 2006, the Supervisory Committee held 4 meetings in total:

The first meeting was held on Mar. 9, 2006, in which examined the Report of the Supervisory Committee 2005, Annual Report 2005 and the Summary and the proposal on withdrawing each reserves, the Supervisory Committee gave opinions on the explanatory opinions in the Annual Report, unanimously approved the meeting proposals, and disclosed information in relevant media.

The second meeting was held on Apr. 17, 2006, in which examined the First Quarterly Report 2006, the Supervisory Committee expressed the opinions.

The third meeting was held on Jul. 3, 2006, in which examined the business plan for the year 2006 and the proposal on providing the guarantee for the project loan to subsidiaries.

The fourth meeting was held on Aug. 14, 2006, in which examined the Semi-annual Report 2006 and the Summary, the Supervisory Committee issued the independent opinions on these and formed resolutions and notified all shareholders through relevant media.

All members of the Supervisory Committee had attended each Board meeting of the Company, and, in accordance with the Company Law, the Administrative Rules for Listed Companies and the Articles of Association, conducted supervision over the Board’s and the management team’s operation, looked up materials concerning the Company’s big economic activities and dutifully fulfilled their supervision responsibilities. Independent opinions given by the Supervisory Committee on relevant issues of the Company are as follows:

1. Operation: According to the Company’s various works in 2006, the operation of both the Board and the management team was in conformity with the Company Law, the Administrative Rules for Listed Companies and the Articles of Association, and the resolutions of the Shareholders’ General Meeting was executed effectively. While performing their duties, neither the Board nor the senior executives had committed and behavior that went against any law, regulation or the Articles of Association. And no power abuse or harm done to the Company’s interests had been detected.

2. Financial status: After looking up the Company’s financial accounting materials and relevant rules, this year’s accounting calculation had conformed to the financial

system of listed companies; various reserves had been withdrawn strictly according to the inner control system of the Company, and necessary application procedures had been conducted. As audited by the Certified Public Accountants, the Financial Report of the Company had faithfully, objectively and accurately reflected the financial status and operating achievements of the Company.
3. During the activities of assets integration and sales, no transactions unfair, inner transactions or other behavior that had done harm to the interests of part of the shareholders or led to assets loss of the Company had been detected.
4. Auditors' Report
Wuhan Zhonghuan Certified Public Accountants had furnished a qualified Auditors' Report with emphasized issues. The Supervisory Committee had made careful consultation on the matters mentioned in the Auditors' Report. It believed that the explanation given by the Board and the Management team on the issues mentioned had conformed to the actual status of the Company, and that the relevant accounting measures taken had been in accordance with the financial accounting policies.

§9. Financial Report (attached)

9.1 Auditing opinions

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

9.2.4 Reconciliation statement about difference in shareholders' equity between the old and new accounting standar

Unit: RMB

Item	Note	Title	Amount
		Shareholder's Equity as at Dec.31, 2006 (current Accounting Standards)	583,920,212.60
1		Balance of long-term equity investment	
		Of which: balance of long-term equity investment formed in the merger of an enterprise under the same control	
		Credit balance for long-term equity investment calculated based on equity method	
2		Investment real estate measured based on fair value model	
3		Depreciation over the past years supplemental withdrew due to dismantling cost of assets	
4		Employee termination indemnity according with projected liability	
5		Share based payments	
6		Reorganization obligation according with projected liability	
7		Business Combinations	
		Of which: Book value of goodwill formed in the merger of an enterprise under the same control	
		Reserve for impairment of goodwill withdrawn based on new accounting standards	
8	III. 2	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	5,923,150.98

		assets	
9		Financial liability measured in line with fair value and its change amounts was recognized in profit or loss of current period	
10		Equity increased due to division of financial instruments	
11		Derivative financial instruments	
12	III. 3	Income Tax	8,724,253.67
13		Minority interests	0
14	III. 4	Other	-7,125,009.29
		Shareholder Equity as at Jan. 1, 2007 (New Accounting Standard)	591,442,607.96

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

(The notes form an integral part of the above reconciliation statements.)

I. Purpose of preparation

Shenzhen Properties & Resources Development (Group) Ltd performed the new accounting standard for business enterprises since 1 January 2007. China Securities Regulatory Commission promulgated 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") in November 2006 in order to analyze and disclose the influence on the financial status of listed company due to the implementation of the new accounting standard, which required the Company to disclose the reconciliation procedure of significant difference by the Reconciliation Statement in the part of "Supplemental Information" enclosed in the Financial Report 2006 in accordance with the relevant regulations of Accounting Standard for Business Enterprises No. 38 – First Time Adoption of Accounting Standard for Business Enterprises and the Circular.

II. Preparation basis

In accordance with the Accounting Standard for Business Enterprises No. 38 – First Time Adoption of Accounting Standard for Business Enterprises and the relevant regulations of the Circular, the reconciliation statement is prepared by the Company according to important principle combining the Company's characteristic and situations on the basis of the (consolidated) financial statement 2006.

For things that there are no specific provisions in the Article 5 to Article 19 of Accounting Standard for Business Enterprises No. 38 – First Time Adoption of Accounting Standard for Business Enterprises, the said reconciliation statement shall be prepared in line with the following principles:

(I) The subsidiaries, associated enterprises and affiliated enterprises conducted the retroactive reconciliation in accordance with the Article 5 to Article 19 of Accounting Standard for Business Enterprises No. 38 – First Time Adoption of Accounting Standard for Business Enterprises. For things that have influence on the retained earnings of the above companies and the share of net assets enjoyed by the Company based on the proportion, the Company shall reconcile the relevant retained earnings or capital reserve in accordance with their actual business situation.

(II) The Company shall reconcile the minority interests according to the new accounting standard when the Company prepared the consolidated financial statement, which is presented separately in the reconciliation statement.

III. Notes to main items

(I) The amount of the shareholders' equity (the current accounting standard) as at Dec. 31, 2006 is from the (consolidated) balance sheet as at Dec. 31, 2006 prepared in accordance with the current Accounting Standard for Business Enterprises and Accounting System for Business Enterprises (hereinafter referred to as "the current accounting standard"). Wuhan Zhonghuan Certified Public Accountants Co., Ltd. has audited such statements and produced a qualified auditors' report with emphasized issues. (ZHS Zi (2007) No. 119) dated Mar. 28, 2007. For the preparation base and main accounting policies related with such statement, please refer to the Financial Report 2006.

(II) Financial assets and financial assets available for sale measured by the fair value and its change was recorded into the gains and losses of current period

Short-term investment of the Company on Dec. 31, 2006 was securities share transaction. Closing price of final stock exchange was higher than book value for RMB 5,923,150.98. Under Accounting Standard for Business Enterprises, it should be accounted by fair value method, and its change should be accounted into financial assets of currency loss/profit (transacted financial assets)

(III) Income tax

Differences (which can offset the provisional difference) between book value and its tax base of Shenzhen Shenzhen Huangcheng Real Estate Co., Ltd and Shanghai Shenzhen Property Development Co., Ltd --- subsidiaries of the Company on Dec. 31, 2006. It is predicted that taxable income tax in later years can switch these differences. So deferred income tax assets was RMB 8,760,561.00.

(IV) Other

Ended on Dec. 31, 2006, Shenzhen Real Estate Exchange, Shenzhen Tesu Motor Vehicle Driver Training Center Co., Ltd., Zhanjiang Shenzhen Property Management Co., Ltd., Shenzhen International Trade Co., Ltd. and Shenye Land Development Co., Ltd. were shut down under the currency accounting standard, so they were not accounted into consolidated accounting form. While under the new accounting standard, these companies should be account into consolidated accounting form. Because these companies were accounted into consolidated accounting form, and affirming minority interest, offsetting internal currency withdraw bad debt loss, loss company consolidation and other factors, shareholders' equity amounting difference was RMB -7,125,009.29.

(V) Other explanation on significant events

(1) For housing and building leased, the Company did not adopt the fair value method for measurement, while recorded it into investment properties measured by means of cost method.

(2) Ended Dec. 31, 2006, besides Shenzhen Huangcheng Real Estate Co., Ltd. and Shenzhen Property Engineering Development Corp., the parent company and its subsidiaries did not still made up the larger losses, which maybe can not make up with income tax payable in the foreseeable future, therefore, these companies did not confirm deferred income tax assets.

(3) Since Jan. 1, 2007, the Company has implemented Accounting Standard for Business Enterprises (hereinafter referred to as New Accounting Standard) enforced by the

Ministry of Finance in 2006. The Company currently estimates the influence of New Accounting Standard on the financial status, financial performance and cash flows, and prepared the reconciliation statement about difference of shareholder’s equity prepared under the old accounting standard and that prepared under new accounting standard after seriously consideration in accordance with the further explanation about new accounting standards made by the Ministry of Finance and resolution on accounting estimate based on the new accounting standards made by the Board of Directors, the Company would possibly reconcile the relevant accounting policies or important cognizance adopted by the Company when the Company prepared the reconciliation statement about difference of shareholder’s equity prepared under the old accounting standard and that prepared under the new accounting standard in the financial report 2007, as a result, there existed the possible difference in shareholders’ equity (new accounting standards) as at Jan. 1, 2007 presented in such statement and that presented in the financial report 2007.

Review opinion of Certified Public Accountants

Review Report

ZHZ Zi (2007) No. 043

To all shareholders of Shenzhen Properties & Resources Development (Group) 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 Properties & Resources Development (Group) 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.

In course of auditing of financial statement for the year 2006 of the Company, we issued the qualified Auditors’ Report with ZHS Zi (2007) No.119 for the financial statement of the Company for the year 2006 due to the limit of auditing scope related with the items of Short-term investment-Security stock investment.

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.

Wuhan Zhonghuan Certified Public Accountants Co., Ltd.   CPA
CPA

Wuhan • China

23 March 2007

9.3 Compared with the latest Annual Report, explanation on changes in accounting policy, accounting estimate and measure method in the report period.

☐Applicable   √ Inapplicable

9.4 Compared with the latest Annual Report, explanation on significant accounting errors or changed amounts, hence no reasons or influences.

√ Applicable   ☐Inapplicable

1. Correction of material accounting errors

A. According to the requirement of the Tax Bureau in 2006, the Company should pay the income tax of 2004 RMB 5,041,683.27 more, the subsidiary company should pay the income tax of 2003 RMB 59,515.35 more and income tax of 2004 RMB 556,794.37 more and the income tax of 2005 RMB 4,344,332.44.

B. In Jul.21, 2006, Shenzhen Municipal Bureau of Land Resources and Housing Management published Declaration and Payment to the Special Fund for Public Facilities Affiliated to Real-estate Projects, required that development and construction unit apply the special fund for public facilities affiliated to real-estate projects(hereinafter referred to as "special fund") and stipulated the standard of special fund payment. By examination of the Company, Fuchang Mansion, Fumin Mansion, Times New Residence, Fengrun Garden, Huangcheng Square which were developed and completed by the Company and the subsidiary company before the year 2002 should raise special fund for RMB 26,535,725.58, of which the special fund assumed by sold estates were RMB 20,007,137.36.

C. The Company had cleared up the short-term investment-securities stock investment and calculated short-term investment cost at the year-began RMB10,814,257.84(amount to RMB), the investment income of previous years RMB 11,459,232.28, management expenses of previous years RMB 375,000.00, reduced depreciation reserves of short-term investment of the previous years RMB 253,364.10; as the whole information were not acquired yet, the securities RMB 5,366,702.69 which should be deposited to securities fund account would be deposited to Notes Payable, and RMB 5,910,883.05 to other notes receivable from the securities fund account.

D. The retrospective and adjusted income tax of the Company was RMB 1,675,777.65.

2. Cumulative effect of material accounting errors

The amendment of the foresaid accounting errors were to reduce net profit before 2004 RMB10, 266,212.60 and net profit in 2004 RMB 5,598,447.64, net profit in 2005 RMB 4,482,950.82. Reduced the retained profit at the beginning of 2005 RMB 6,765,213.49 and retained profit at the beginning of 2006 RMB 12,658,330.88; the cumulative effect of the major items of Balance Sheet was as follows(plus means increase and minus means decrease):

Item	At the end of 2004	At the end of 2005
Short –term investment	10,303,390.91	10,540,051.92
Depreciation reserves of short-term investment	-719,227.92	-253,364.10
Other notes receivable	5,910,883.05	5,910,883.05
Inventories	3,400,601.39	3,400,601.39
Taxes payable	7,333,767.64	11,678,100.08
Other notes receivable	5,332,070.28	5,366,702.69
Other long-term liabilities	23,407,738.75	23,407,738.75
Surplus Reserves		-3,040,626.18

9.5 Compared with the latest Annual Report, there were some changes in the consolidation statement scope:

√ Applicable □Inapplicable

Change in consolidation scope:

Name	Consolidated last year or not	Consolidated this year or not	Reasons for the change	Date of change
Shenzhen International Trade Automobile Industrial Company – Auto Body Ltd.	No	Yes	New company	Jan. 2006

Board of Directors of
Shenzhen Properties & Resources Development (Group) Ltd.
Apr. 25, 2007