德豪国际武汉众环会计师事务所

BDO Wuhan Zhonghuan Certified Public Accountants

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED

深圳市物業發展(集團)股份有限公司

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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INDEPENDENT AUDITOR’S REPORT

TO THE SHAREHOLDERS OF

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

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

We have audited the accompanying financial statements of Shenzhen Properties & Resources Development (Group) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which comprise consolidated balance sheet as at 31 December 2006, and the consolidated income statements, statement of changes in equity and cash flow statement for the year then ended, and notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing except as discussed in the following paragraphs. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Owing to insufficient information acquired, we were unable to satisfy ourselves as to certain adjustments for adoption of International Accounting Standards in the prior years. Those adjustments result the decrease of opening balances and closing balances of the Company's assets and net assets by RMB 19, 828,000. The evidence available to us was limited as we were unable to carry out satisfactory auditing procedure to obtain adequate assurance regarding those opening balances and their impact to the financial statements.

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

In 2006 the Company checked trading securities and found there were certain stocks and funds investment not recognized in previous financial statements. The Company made restatement due to previous accounting errors as disclosed in Note 3 (t), increasing the opening balance of carrying amount of Trading Securities of RMB 10,793,416.02, Trade and Other Debtors and Prepayments of RMB 5,910,883.05, Trade and Other Creditors of RMB 5,366,702.69, Income Tax Payable of RMB 1,675,777.65, and Reserves of RMB 9,661,818.73; increasing the closing balance of carrying amount of Trading Securities of RMB 19,264,344.48, Trade and Other Debtors and Prepayments of RMB 5,910,883.05, Trade and Other Creditors of RMB 5,366,702.69, Income Tax Payable of RMB 1,675,777.65, and Reserves of RMB 18,132,747.19. The adjustment of this issue had effects on the opening and closing balance of Total Assets of RMB 16,704,299.07 and RMB 25,175,227.53, which accounted for 0.92% and 1.53% of Total Assets respectively. Up to the reporting date, due to the Company failed to provide whole information related to the restatement, we were unable to carry out auditing procedures necessary to obtain sufficient and appropriate auditing evidence.

In our opinion, except for the effects on the financial statements of the matters referred to in the preceding paragraphs, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2006, and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards and comply with the relevant statute.

Fundamental uncertainty relating to the outcome of certain litigations

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the possible outcome of certain litigations against the Group for breach of contracts of sale and purchase of realty properties by the Group on the ground of the Group's failure to complete the contracts as schedules. The future settlement of these litigations might result in additional liabilities to the Group. Details of the circumstances relating to this fundamental uncertainty are described in Note 31 (1) and (2) to the financial statements. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

BDO Wuhan Zhonghuan Certified Public Accountants Co., Ltd

Wuhan, China, April 25, 2007

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 RMB'000	2005 RMB'000 Restated
Continuing operations			
Revenue	4	311,949	963,481
Cost of sales		(256,331)	(674,839)
Gross profit		55,618	288,642
Investment revenue	8	17,891	12,874
Other gains and losses		(20,743)	(11,055)
Share of profits of joint ventures		1,039	5,581
Distribution expenses		(17,104)	(35,082)
Administration expenses		(56,723)	(130,759)
Finance costs	7	(16,554)	(32,827)
Profit before tax		(36,576)	97,374
Income tax expense	9	932	(20,069)
Profit for the year from continuing operations		(35,644)	77,305
Discontinued operations			
Profit for the year from discontinued operations	10	(2,995)	(1,915)
Profit for the year		(38,639)	75,390
Earnings per share	11		
From continuing and discontinued operations:			
Basic and diluted (cents per share)		(0.07)	0.14
From continuing operations:			
Basic and diluted (cents per share)		(0.07)	0.14

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

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 31 2006

	Notes	2006 RMB'000	2005 RMB'000 Restated
Assets			
Non-current assets			
Property, plant and equipment	12	304,620	301,649
Intangible assets	13	67,479	69,115
Interests in subsidiaries not consolidated	17	-	828
Interests in joint ventures	18	61,831	60,792
Other investments	20	8,903	13,451
Deferred tax assets	15	8,724	6,904
Available-for-sale financial assets	14	7,029	-
		458,586	452,739
Current assets			
Inventories	21	880,793	898,979
Trade and other debtors and prepayments	22	115,287	133,321
Amount due from related parties	33	74,087	49,706
Trading securities	23	24,604	13,508
Cash and bank balances		90,900	240,144
		1,185,671	1,335,658
Total assets		1,644,257	1,788,397
Equity and liabilities			
Capital and Reserves			
Share capital	28	541,799	541,799
Reserves		34,178	72,753
		575,977	614,552
Non-current liabilities			
Borrowings	26	49,723	-
Long-term deferred income	27	20,963	25,340
		70,686	25,340
Current liabilities			
Trade and other creditors	24	520,642	615,489
Amount due to related parties		1,865	2,146
Provisions	25	63,915	54,028
Income taxes payable		1,282	14,640
Borrowings	26	409,890	462,202
		997,594	1,148,505
Total liabilities		1,068,280	1,173,845
Total equity and liabilities		1,644,257	1,788,397

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	Share capital	Capital reserve	Surplus reserve	Retained earnings	Totals
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 28)				
Balance at 1 January 2005 (Restated)	541,799	384,625	79,511	(466,773)	539,162
Profit for the year (Restated)				75,390	75,390
Transfer of reserve		(371,248)		371,248	-
Balance at 31 December 2005 (Restated)	541,799	13,377	79,511	(20,135)	614,552
Profit for the year				(38,639)	(38,639)
Transfer of reserve		64			64
Balance at 31 December 2006	541,799	13,441	79,511	(58,774)	575,977

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 RMB'000	2005 RMB'000 Restated
Profit from ordinary activities before taxation	(39,570)	95,459
Adjustment for:		
Share of results of joint ventures	(1,039)	(5,581)
Share of results of subsidiaries not consolidated	828	-
Interest expense	16,111	32,827
Interest income	(1,316)	(957)
Fair value of trading securities	(5,923)	-
Gain/(loss) on foreign currency exchange	(99)	(695)
Depreciation of property, plant and equipment	22,440	26,937
Amortization of intangible assets	1,811	1,786
Provision for doubtful debts	873	14,697
Provision for doubtful debts written back	(26,854)	(17,392)
Provision for inventories written back	(7,864)	(6,881)
Provision for trading securities	-	273
Provision for trading securities written back	(5,349)	(8,836)
Provision for impairment in investment	-	8,106
Provision for impairment in investment written back	(5,481)	-
(Gain)/loss on disposal of property, plant and equipment	(4)	9,177
(Gain)/ loss on dealing of trading securities	(681)	(9,263)
	(52,117)	139,657
Movements in working capital		
(Increase)/decrease in inventories	19,711	426,292
(Increase)/decrease in receivables	21,380	31,585
(Increase)/decrease in deferred tax assets	(1,820)	(342)
Increase/(decrease) in provisions	9,887	(4,574)
Increase/(decrease) in payables	(94,964)	(346,143)
Cash generated from/(used in) operations	(97,923)	246,475
Income taxes paid	(21,705)	(27,676)
Net cash generated from/(used in) operating activities	(119,628)	218,799

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
	RMB'000	RMB'000
		Restated
Investing activities		
Interest received	1,315	957
Proceeds on disposal of trading securities	919	-
Proceeds on disposal of other investments	-	6,341
Proceeds on disposal of property, plant and equipment	20	18,666
Purchases of property, plant and equipment	(1,479)	(19,761)
Net cash generated from/(used in) investing activities	775	6,203
Financing activities		
Interest paid on bank loans and other loans	(27,801)	(32,827)
New bank loans raised	244,747	292,920
Repayments of bank loans	(247,336)	(486,698)
Net cash generated from/(used in) financing activities	(30,390)	(226,605)
(Decrease)/ increase in cash and cash equivalents	(149,243)	(1,603)
Cash and cash equivalents at beginning of year	240,144	241,747
Cash and cash equivalents at end of year		
Represented by cash and bank balances	90,901	240,144

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') including International Accounting Standards and Interpretations issued by the International Accounting Standards Board (IASB). This basis of accounting differs from that used in the preparation of the statutory financial statements in PRC ("the statutory financial statements"). The statutory financial statements of the Company and its subsidiaries comprising the Group have been prepared in accordance with relevant accounting principles and regulations applicable to them, as appropriate in the PRC. Appropriate adjustments have been made to the statutory financial statements to conform to IFRS. Differences arising from the restatement have not been incorporated in the statutory accounting records of the Group.

The consolidated financial statements are prepared under the historical cost convention. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

In the current year, the Group has adopted all of the new and revised standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January, 2006.

Item	Content	Effective date
IAS 19(revised)	Employee benefits option to recognise actuarial gains and losses in full, outside profit or loss, in a statement of changes in equity	1 January 2006
IAS 21(revised)	The amendment for net investment in a foreign entity	1 January 2006
IAS39(revised)	Fair value option and guarantees	1 January 2006
IFRS 4	Insurance contracts	1 January 2006
IFRS 6	Exploration for and evaluation of mineral resources (and concurrent amendments to IFRS1, IAS 16 & IAS38)	1 January 2006

The adoption of these new and revised Standards and Interpretations did not result in substantial changes to the Group's accounting policies for the current or prior years.

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Subsidiaries

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

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

(b) Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the Company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

(c) Property, plant and equipment

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

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

Land and buildings in the PRC	20 –25 years
Buildings outside the PRC	20 years or the lease terms, whichever is higher
Motor vehicles	5 years
Fixtures and equipment	5-10 years
Leasehold improvements	5 years
Electronic and other equipment	5 years

3. PRINCIPAL ACCOUNTING POLICIES – continued

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

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

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

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

(d) Land use rights

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

(e) Intangible assets

Intangible assets represent the cost of acquisition of taxi licenses and are stated at cost less amortisation and impairment losses, if necessary, for any permanent cost less amortization and impairment losses, if necessary, for any permanent diminution in value. Amortisation is provided to write off the cost of taxi licenses over the license period granted by relevant authorities, which is 50 years.

(f) Financial assets

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. PRINCIPAL ACCOUNTING POLICIES – continued

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

(g) Investment in securities

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

(h) Properties under development

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

(i) Completed properties for sale

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

(j) Inventories

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

(k) Impairment loss

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

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

3. PRINCIPAL ACCOUNTING POLICIES – continued

(l) Revenue recognition

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

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

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

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

(m) Retirement benefit costs

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

(n) Taxation

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES – continued

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

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

(o) Foreign currencies translation

The Company and its subsidiaries maintain their books and records in Renminbi ('RMB'). Transactions in foreign currencies are translated at exchange rates quoted by he People's Bank of China at the translation dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the exchange rate quoted by the People's Bank of China at the balance sheet date. All exchange differences are dealt with in the income statement.

The accounts of subsidiaries and associated companies expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with as a movement in reserves.

(p) Operating lease

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

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

(q) Cash and cash equivalents

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

(r) Provisions

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

3. PRINCIPAL ACCOUNTING POLICIES – continued

(s) Related parties

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

(t) Changes in estimation, accounting policy and errors

This year the Company should pay RMB 5,041,683.27 due to insufficient income tax payment in 2004 required by tax bureau. Shanghai Shenzhen Properties and Resources Development Group Ltd., one of its subsidiaries, should pay income tax of RMB 59,512.35, RMB 556,794.37 and RMB 4,344,332.44 for insufficient tax payment respectively in 2003, 2004 and 2005.

On July 21 2006, Shenzhen Municipal Bureau of Land Resource and Housing Management issued an Announcement of Payment on Housing Public Facilities Specific Fund (the “Specific Fund”) , which required developing and construction enterprises declare and pay the Specific Fund and stipulated the standard of payment. According to it, the Company and its subsidiaries should withdraw RMB 26,535,725.58 of the Specific Fund for certain property developed and completed before 2002, in which RMB 20,007,137.36 should be born by properties which had been sold.

The Company checked trading securities, increasing the opening balance of cost of Trading Securities of RMB 10,540,051.92, Investment Revenue in previous years of RMB 11,459,232.28, and Administration Expenses in previous years of RMB 375,000; Provision for Trading Securities Written Back of RMB 253,364.10. Due to insufficient information, securities margin deposited into the securities account of RMB 5,366,702.69 was charged into Other Payables, and that transferred out of the securities account of RMB 5,910,883.05 was charged into Other Receivables temporarily. The retroactive adjustment of this issues resulted in additional income tax payment of RMB 1,675,777.65.

The Group made retroactive adjustment on Deferred Tax Assets, at amount of RMB 8,760,561.00 in 2006 and RMB 6,904,270.85 in 2005, resulting in decrease in Income Tax Expense of RMB 6,561,826.74 in 2004 and RMB 342,444.11 in 2005.

The above issues had total impact of decrease in the opening balance of Reserves of RMB 13,443,370.21.The Group restates the comparative amounts for the prior period presented in which the error occurred and the opening balances of assets, liabilities and equity for the earliest prior period presented.

4. REVENUE

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

	2006 RMB'000	2005 RMB'000 Restated
Sale of properties	111,183	751,338
Sale of goods	17,147	27,378
Taxi services	40,208	37,522
Property rental and management services income	121,290	126,695
Hotel and restaurant operations	13,242	13,674
Others	8,879	6,874
	311,949	963,481

5. SEGMENTS REPORTING

Business segment

Products and services within each business segment

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

Principal activities are as follows:

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

Segment revenues

Segment information about these businesses for the year ended December 31, 2006 is presented below:

	Property RMB'000	Trading RMB'000	Transportation and catering services RMB'000	Eliminations RMB'000	Consolidated RMB'000
Revenue					
External sales	232,473	17,147	62,329		311,949
Inter-segment sales	12,732			(12,732)	-
Total revenue	245,205	17,147	62,329	(12,732)	311,949

5. SEGMENTS REPORTING - continued

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

	Properties	Trading	Transportation and catering services	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
External sales	878,034	27,378	58,069		963,481
Inter-segment sales	9,777	-	-	(9,777)	-
Total revenue	887,811	27,378	58,069	(9,777)	963,481

Segment results

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

	2006	2005
	RMB'000	RMB'000 Restated
Continuing operations		
Properties	53,380	304,861
Trading	964	1,120
Transportation and catering services	33,051	39,775
	87,395	345,756
Eliminations	(10,713)	(5,481)
Unallocated expenses	(113,258)	,(242,901)
Profit before tax	(36,576)	97,374
Income tax expense	932	(20,069)
Profit for the year from continuing operations	(35,608)	77,305
Discontinued operations		
Trading	-	-
	-	-
Eliminations	-	-
Unallocated expenses	(2,994)	(1,915)
Profit before tax	(2,994)	(1,915)
Income tax expense	-	-
Profit for the year from discontinued operations	(2,994)	(1,915)
Profit for the year	(38,602)	75,390

Geographical segment

For the year ended 2006 and 2005, all of the Groups business was derived from activities in the PRC and all of the Group's total assets are located in the PRC as at December 31, 2006 and 2005.

6. PROFIT FROM OPERATIONS

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

	2006	2005
	RMB'000	RMB'000
		Restated
After charging:		
Staff costs – statutory pension	10,537	19,267
– other costs	170,518	136,165
Total staff costs	181,055	155,432
Depreciation of property, plant and equipment	22,440	26,937
Amortization of intangible assets	1,811	1,786
Provision for doubtful debts	873	14,697
Provision for impairment of investments	-	8,106
Loss on dealing of trading securities	-	9,263
Loss on disposal of property, plant and equipment	4	9,177
And after crediting:		
Interest income	1,316	957
Provision for doubtful debts written back	-	17,932
Provision for inventories written back	-	6,881
Provision for impairment of investments written back	5,481	-
Gain on dealing of trading securities	681	-
Provision for impairment of trading securities written back	5,349	8,836
Gain on dealing of investment	-	16,747

7. FINANCE COSTS

	2006	2005
	RMB'000	RMB'000
		Restated
Interest expenses	28,250	32,835
Less: Interest capitalized	11,690	-
	16,560	32,835
Finance costs from discontinued operations	(6)	(8)
Finance costs from continuing operations	16,554	32,827

8. INVESTMENT REVENUE

	2006 RMB'000	2005 RMB'000 Restated
Interest on bank deposits, government bonds and other loans	1,285	1,629
Provision for impairment written back	10,830	(476)
Share of profit of subsidiaries not consolidated	(828)	-
Gain/(loss) on changing in fair value	5,923	-
Gain/(loss) on dealing of trading securities	681	(8,662)
Gain/(loss) on dealing of investment	-	20,383
	17,891	12,874

9. INCOME TAX EXPENSE

	2006 RMB'000	2005 RMB'000 Restated
Current tax	888	20,411
Deferred tax	(1,820)	(342)
	(932)	20,069

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

	2006 RMB'000	2005 RMB'000 Restated
Profit/(loss) before tax	(39,570)	95,459
Less: Profit/(loss) from loss-making companies	(45,493)	(40,619)
Profit/(loss) from profit-making subsidiaries	5,923	136,078
Tax at the domestic income tax rate of 15%	888	20,411
Effect of deferred tax assets	(1,820)	(342)
Income tax expense for the year	(932)	20,069

10. DISCONTINUED OPERATION

The Group has decided to discontinue the operation of Shenzhen International Trade Plaza; the result of this discontinued operation included in the income statement is set out below.

	2006 RMB'000	2005 RMB'000 Restated
Profit for the year from discontinued operations		
Revenue	-	-
Expenses	(2,994)	(1,915)
Profit before tax	(2,994)	(1,915)
Income tax expense	-	-
	(2,994)	(1,915)

The cash flows of this discontinued operation included in the income statement is set out below.

	2006 RMB'000	2005 RMB'000 Restated
Cash flows from discontinued operations		
Net cash used in operating activities	(122)	(589)
Net cash used in investing activities	(407)	
Cash flows from financing activities	-	
	(529)	(589)

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit for the year of RMB -38.64 million (2005: RMB 75.39 million) and the 541.799 million (2005: 541.799 million) shares in issue during the year. No diluted earnings per share is presented since there are no dilutive potential ordinary shares in existence during the years ended December 31, 2006 and 2005.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Fixture and equipment	Motor vehicles	Electronic and other equipment	Leasehold improvements	Totals
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At January 1, 2006 (Restated)	382,051	232	43,318	14,030	3,835	443,466
Additions	27,434	-	252	476	422	28,584
Disposals	3,613	229	371	1,117	-	5,330
At December 31, 2006	405,872	3	43,199	13,389	4,257	466,720
DEPRECIATION						
At January 1, 2006 (Restated)	111,457	221	17,809	10,736	1,594	141,817
Charge for the year	13,922	11	6,626	1,057	823	22,439
Eliminated on disposals	580	229	336	1,011	-	2,156
At December 31, 2006	124,799	3	24,099	10,782	2,417	162,100
NET BOOK VALUES						
At December 31, 2006	281,073	-	19,100	2,607	1,840	304,620
At December 31, 2005	270,594	11	25,509	3,294	2,241	301,649

As at December 31, 2006, land and buildings with net book values of approximately RMB 139,209,070.08 (2005: 142,473,991.47) have been pledged to the banks to secure general banking facilities for the Company and its subsidiaries.

13. INTANGIBLE ASSETS

	RMB'000
Cost	
At January 1, 2006	86,300
Additions	175
At December 31, 2006	86,475
Amortization	
At January 1, 2006	17,185
Provide for the year	1,811
At December 31, 2006	18,996
Net book value	
At December 31, 2006	67,479
At January 1, 2006	69,115

13. INTANGIBLE ASSETS - continued

As at December 31, 2006, taxi licenses with net book value of RMB 26,534,573.40 (2005: RMB 37,028,420.00) have been pledged to the banks to secure general banking facilities for the Company and its subsidiaries.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2006 RMB'000	2005 RMB'000 Restated
Restricted circulation shares	7,029	-
	7,029	-

The Group owned the corporation shares of Pan Gang Group Sichuan Changcheng Special Steel Company Limited ('Changcheng Company'), a public company. During the year 2006, Changcheng Company completed the share structure reform, and the corporation shares owned by the Group were transferred into restricted circulation shares. Accordingly the Group recognized the Available-for-sale Financial Assets, transferred out from Other Investments.

15. DEFERRED TAX ASSETS

Deferred taxation is calculated on all temporary differences under the liability method using an enacted tax rate of 15%: (2005:15%)

	2006 RMB'000	2005 RMB'000 Restated
Deferred tax assets:		
- To be recovered after more than 12 months	8,724	6,904
- To be recovered within 12 months	-	-
	8,724	6,904

15. DEFERRED TAX ASSETS - continued

The movement on the deferred tax account is as follows:

	2006 RMB'000	2005 RMB'000 Restated
At the beginning of the year	6,904	6,562
Income statement credit (Note 9)	1,820	342
	8,724	6,904

Deferred tax assets and deferred tax credit in the consolidated income statement are attributable to the following items:

	2006 RMB'000	income statement credit RMB'000	2005 RMB'000 Restated
Deferred tax assets			
Loss to be recovered	1,541	537	1,004
Effect of expense that are not deductible in determining taxable profit	(116)	(41)	(75)
Temporary differences in respect of provision for inventories	4,368	(409)	4,777
Temporary differences in respect of provision for impairment in investments	0	(1,198)	1,198
Temporary differences in respect of provisions	2,931	2,931	-
	8,724	1,820	6,904

16. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries included in consolidated financial statements at December 31, 2006 are as follows:

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

17. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED

	2006	2005
	RMB'000	RMB'000
		Restated
Cost of investment	21,762	29,752
Share of post-acquisition loss, net of dividends received	(18,297)	(17,468)
Provision for impairment	(3,465)	(11,456)
	-	828

Details of subsidiaries excluded from the consolidated financial statement at December 31, 2006 are as follows:

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

18. INTERESTS IN JOINT VENTURES

	2006 RMB'000	2005 RMB'000 Restated
Cost of investment	55,332	55,332
Share of post-acquisition loss, net of dividends received	6,499	5,460
Provision for impairment	-	-
	61,831	60,792

Details of the principal joint ventures at December 31, 2006 are as follows:

Name of associate	Proportion of ownership interest/ voting power held		Principal activities	Place of incorporation
	Direct	Indirect		
	%	%		
Shenzhen ITC Tian'an Property Co., Ltd	50	-	Property investment and development	The People's Republic of China
Shenzhen Jifa Warehouse Company Limited	50	-	Warehousing	The People's Republic of China
Shenzhen ITC Tian'an Property Management Company	50	-	Building management	The People's Republic of China

19. INTERESTS IN ASSOCIATES

	2006 RMB'000	2005 RMB'000 Restated
Cost of investment	3,257	3,257
Share of post-acquisition loss, net of dividends received	(3,257)	(3,257)
Provision for impairment	-	-
	-	-

19. INTERESTS IN ASSOCIATES - continued

Details of the principal associates at December 31, 2006 are as follows:

Name of associate	Proportion of ownership interest/ voting power held		Principal activities	Place of incorporation
	Direct	Indirect		
	%	%		
Shenzhen Carrier Service Company Limited	40	-	Air-conditioning	The People's Republic of China

20. OTHER INVESTMENTS

	2006 RMB'000	2005 RMB'000 Restated
Other investments at cost	88,018	95,048
Provision for impairment	79,115	(81,597)
	8,903	13,451

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

21. INVENTORIES

	2006 RMB'000	2005 RMB'000 Restated
Properties held for sale/under development	519,863	475,636
Completed properties held for sale	358,814	420,953
Other inventories	2,116	2,390
	880,793	898,979

As at December 31, 2006, completed properties held for sale with carrying value of RMB 38,348,671.51 (2005: RMB 8,234,237.55) have been pledged to the banks to secure general banking facilities granted to the subsidiaries.

22. TRADE AND OTHER DEBTORS AND PREPAYMENTS

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

23. TRADING SECURITIES

	2006 RMB'000	2005 RMB'000 Restated
Listed securities, at market value	24,604	13,508

24. TRADE AND OTHER CREDITORS

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

25. PROVISIONS

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

	2006 RMB'000	2005 RMB'000 Restated
Haiyi action (Note 30(1))	41,773	41,773
Hubei FTECB action (Note 30(5))	-	9,655
Guarantee for Jintian Company (Note 30(7))	2,600	2,600
Hehe Companies (Note 30(6))	19,542	-
	63,915	54,028

26. BORROWINGS

	2006 RMB'000	2005 RMB'000 Restated
Bank loans	446,393	449,002
Other loans	13,220	13,200
	459,613	462,202
Secured	446,393	449,002
Unsecured	13,220	13,200
	459,613	462,202

During the year, the Group obtained new bank loans in the amounts of RMB 257,910,445.21. The loans bear interest at prevailing market rates ranging from 5% to 7% (2005:5% to 7%) per annum.

Besides, the Company obtained loans in the amounts of RMB 13,220,446.21 from shareholder, at the finance institution's one-year loan basis interest rate of 6.12%.

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

	2006 RMB'000	2005 RMB'000 Restated
On demand or within one year	409,890	462,202
More than one year, but not exceeding two years	35,067	-
More than two years, but not exceeding five years	14,656	-
	459,613	462,202
Less: Amounts due within one year shown under current liabilities	409,890	462,202
	49,723	-

27. LONG-TERM DEFERRED INCOME

	2006 RMB'000	2005 RMB'000 Restated
At January 1	25,340	39,994
Released to income statement	(4,377)	(14,654)
At December 31	20,963	25,340

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

28. SHARE CAPITAL

	2006 RMB'000	2005 RMB'000 Restated
Registered, issued and fully paid:		
388,949,000 state shares and shares held by other promoters of RMB1.00 each	388,949	388,949
91,391,000 A share of RMB1.00 each	91,391	91,391
61,459,000 B share of RMB1.00 each	61,459	61,459
	541,799	541,799

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

29. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Short-term bank loans RMB'000	Long-term bank loans RMB'000	Other short-term loans RMB'000
Balance at January 1, 2006	449,002	-	13,200
New loans raised	192,080	49,723	13,220
Repayments of amounts borrowed	244,413		13,200
Balance at December 31, 2006	396,669	49,723	13,220

30. CONTINGENCIES

(1) The Company and one of its wholly owned subsidiaries are defendants in a law suit carried to the court in 1999 claiming for breach of contract of sale and purchase of realty properties on the part of the Company and its subsidiary by virtue of failure to completing the transaction by proper transfer of title deeds of properties concerned on schedule as contracted. The Provincial High Court of Guangdong has declared and re-affirmed its final ruling against the Company and its subsidiary for paying a total compensation of approximately HK$79 million (or approximately RMB84 million) to the plaintiffs. The Company is seeking an appeal to the People's Supreme Court and as a prerequisite, submitted to the court a voluntary order of restriction on certain of the Group's realty properties assets of a carrying value on the balance sheet as at 31 December 2003 of approximately RMB40 million which, in the opinion of the Company's directors, are of a realizable value sufficient to cover the compensation as imposed by the court decision. A provision of approximately RMB 42 million has been made for the loss under such case in the Group's financial statements as of 31 December 2004. As at the date of this report, the application for appeal to the Supreme Court is still in progress.

(2) On January 1999, Shenzhen Jiyong Property Development Co., Ltd (the "Jiyong Company") suited to Guandong Provincial Supreme Court for terminating the contract with the Company relating to the Jinlihua Building which was signed in 1993, and required the Company return the amount paid. A countercharge was made by the Company, requiring Jiyong Company pay the remained amount and applying to the court for the seizure of 28,000 ㎡ properties of Jiyong Company. In 2006 the Supreme Court made the civil judgment (1999) YGMC No.1. As at 31 December 2006, the Company have not made the transfer of property rights to Jiyong Company and the latter has not made the payment of transfer RMB 143.86 million. And the properties seizured by the court have been released automatically.

(3)On 5 December 2005, the Company filed an appeal to the court for a judgment demanding Shenzhen Shengfenglu Guomao Jewel & Gold Co., Ltd (the "Jewel & Gold Company") to compensate the Company delinquent rentals and other fees of RMB 34,357,599.60. The Company also appealed for Lin Ruohua to take the joint responsibility of RMB 10,053,000 for Jewel & Gold Company. The court has accepted the case. Since the Jewel & Gold Company had no assets upon which to enforce the judgment, the Company made a provision upon the receivables of RMB 6,532,519.60 due from Jewel & Gold Company.

30. CONTINGENCIES - continued

(4) In June 2004 Shenzhen Meisi Industry Co., Ltd ("Meisi Company") filed an appeal to the court claiming that Shenzhen Luohu Economy Development Company and the Company illegally used the lands legally obtained by Meisi Company in June 1991, demanding remove of the obstacles, stop of the illegal acts and a compensate of RMB 8 million. Guangdong Provincial Supreme People's Court dismissed the action on November 25 2005. In the process of trial, Meisi Company applied to Shenzhen Property Rights Registration Centre ('SPRRC') for canceling the Company's Property Ownership Certificate No.300320987 and No.300119899, and the latter rejected the application. Mesi Company applied to Shenzhen Municipal Government for an administrative review and the latter made the decision of cancel the two property ownership certificates. The Company appealed to Shenzhen Intermediate People's Court on 20 October 2005 against the decision and Guangdong Provincial Supreme People's Court on 2 August 2006 thereafter. On 4 December 2006 the Supreme Court made the final decision and the SPRRC would review the application of Meisi Company.

(5) As to the case of the Company being sued by Hubei Foreign Trade and Economic Cooperation Bureau ('Hubei FTECB') disclosed in Annual Report 2004, the Company did not agree with the Court's judgment of refunding the construction fund totaling RMB 10.8 million and relevant bank interests to the Shenzhen Office of Hubei Foreign Trade and Economic Cooperation Bureau, and had filed an appeal to the Supreme Court for second instance. On January 18, 2005, the Supreme Court gave the case a hearing. In August 2005, the Supreme Court issued the (2004) MEJZ No.146-1 Civil Judgment and ruled that the Court give the case second instance and the execution be suspended during the second instance. On May 12 2006 the Supreme Court made the judgment that the original judgment be sustained and the execution be resumed. On 30 June 2006, the (2004) GTZFZZ No. 225-4 Civil Judgment was issued. The contract was canceled and the two parities should return the benefits to the other.

(6) In 2002, Shenzhen Huangcheng Real Estate Company Limited ("Huangcheng Company"), one of the Company's subsidiaries, signed an agreement with Hongkong Hehe Huangguang Development Co., Ltd and Guangdong Provincial Road Construction Company ("Hehe Companies"), dissolving the partnership. Under the agreement Huangcheng Company should return to Hehe Companies investment principle and interests at amount of RMB 433,880,000. As at December 31 2006, the amount was still unpaid and there was a contingent liability of RMB 19,541,677.84 and has been charged in the income statement.

30. CONTINGENCIES - continued

(7) On December 1998 the Company provided security for Jintian Industry (Group) Co., Ltd's bank loans of RMB 260,000.00. On May 2001 the Company was commanded to undertake joint liability for the parent company's debts. A contingent loss of RMB 260,000.00 was made by the Company in the year 2004. Up to 31 December 2006 the amount was still unpaid.

(8) As at December 31 2006, the Group provided guarantee of RMB 74.14 million for proprietors' bank loans related to purchasing of properties sold by the Group.

(9) On May 25 2006 Shenzhen People's Government issued Notice on Transferral Plan of Shenzhen Community Facilities and Public Services Houses. The Company and its subsidiaries had handed over to the government 32,083.59 ㎡ community facilities and public services houses. And according to the underlined notice, the Group would obtain the cost compensation from the government. It is estimated that the compensation would increase the net assets of the Company. The Company did not recognize the related contingent assets due to uncertainty in amount, timing of the compensation.

31. OPERATING LEASES

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

	2006 RMB'000
- Within one year	486
- In the second to fifth year inclusive	1,458
	1,944

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 4 years and rentals are fixed for an average of 4 years.

32. RETIREMENT BENEFITS PLANS

Defined contribution plans

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

33. RELATED PARTY TRANSACTIONS

Trading transactions

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

	Name	Relationship with the Group	2006 RMB'000	2005 RMB'000 Restated
Construction costs paid	Shenzhen Construction Investment Holding Co.	Holding company	-	182,464
Construction costs paid	Shenzhen Yuezhong (Group) Co. Ltd	Fellow subsidiary	-	240,403

Amount due to/from related parties

	2006 RMB'000	2005 RMB'000 Restated
Amount due from related parties:		
- Amount due from subsidiaries not consolidated	44,381	20,000
- Amount due from joint ventures	29,706	29,706
-	74,087	49,706
Amount due to related parties		
- Amount due to associates	39	-
- Amount due to joint ventures	1,825	2,146
- Amount due to shareholders (Represented by borrowings)	13,220	13,200
	15,084	15,346

Guarantees

As at 31 December 2006, the subsidiary Shenzhen ITC Tian'an Property Management Company, provided guarantee to the Company for total bank loans of RMB 39.4483 million.

As at 31 December 2006, the Company provided guarantee to its subsidiary Shenzhen Huangcheng Real Estate Company Limited for total bank loans of RMB 85.0672 million.

33. RELATED PARTY TRANSACTIONS – continued

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006	2005
	RMB'000	RMB'000
		Restated
Short-term benefits paid in cash	6,363	6,583

The remuneration of directors and key executives is determined by the performance of individuals and market trends.

34. IMPACT OF IFRS ADJUSTMENTS ON THE PRC STATUTORY CONSOLIDATED FINANCIAL STATEMENT

	2006	
	Net profit	Net assets
	RMB'000	RMB'000
As reported in financial statements prepared in accordance with PRC GAAP	(46,054)	583,920
Adjustments to conform with IFRS:		
'B share' prior years adjustments		(19,828)
Deferred expenses written off	(1,446)	(2,762)
Fair value of trading securities	5,923	5,923
Deferred tax	1,820	8,723
Others	1,118	1
	(38,639)	575,977