Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd.

The Third Quarterly Report for 2007

§1 Important Notice

1.1 The Board of Directors, the Supervisory Committee and directors, supervisors as well as senior management of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., 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.

1.2 None of the directors, supervisors, senior management demonstrated uncertainty or disagreement about the truthfulness, accuracy, and completeness of this quarterly report.

1.3

Name of unattended directors	Reason	Name of trustee
Liu Ying	Business trip	Naught
Wen Li	Business trip	Naught
Li Qiusheng	Private business	Naught

1.4 The Financial Report of the third quarterly report period has not been audited.

1.5 Shao Zhihe, Chairman of the Board, Guo Hongzhuang, person in charge of accounting work and Chen Jincai, person in charge of accounting organ hereby declare that they would guarantee the authenticity and completeness of the Financial Report in this Quarterly Report.

§2 Company Profile

2.1 Main accounting data and financial indicators

Unit: RMB Yuan

	At the end of the report period	At the end of the previous year	Increase/decrease at the end of the report period compared with that at the end of the last year (%)
Total assets	2,430,056,593.56	2,384,845,276.50	1.90%
Owner's equity (shareholders' equity)	1,120,664,977.09	1,108,705,606.54	1.08%
Net assets per share	1.1077	1.0959	1.08%
	From the beginning of the year to the end of the report period		Increase/decrease during the report period compared with that of the last year (%)
Net cash flow arising from operating activities	-81,940,786.02		-126.29%
Net cash flow per share arising from operating activities	-0.081		-126.29%
	The report period	From the beginning of the year to the end of the report period	Increase/decrease during the report period compared with that of the last year (%)
Net profit	5,209,456.41	14,992,381.56	33.64%
Basic earnings per share	0.00510	0.01480	30.77%
Basic earnings per share after deducting non-recurring gains and losses	-	0.0005	-
Diluted earnings per share			0.00%
Return on equity	0.46%	1.34%	0.10%
Return on equity after deducting	1.44%	0.05%	0.96%

non-recurring gains and losses			

Items of non-recurring gains and losses

Unit: RMB Yuan

Items of non-recurring gains and losses	From the beginning of the year to the end of the report period
Investment income	27,576,623.52
Non-operating income	227,116.25
Non-operating expense	-13,330,185.82
Total	14,473,553.95

2.2 Total number of shareholders at the end of the report period and statement on shares held by the top ten shareholders holding shares not subject to trading moratorium

Unit: share

Total number of shareholders	103,493	
Shares held by the top ten shareholders holding shares not subject to trading moratorium		
Name of shareholder (full name)	**Number of shares not subject to trading moratorium**	**Type of share**
SHENZHEN INVESTMENT HOLDING CORPORATION	33,526,349	Renminbi ordinary shares
BOC-JIASHI HU SHEN 300 LOF	2,050,811	Renminbi ordinary shares
WUXI SHENG FANG TRADE LIMITED	1,878,305	Renminbi ordinary shares
SU YAN QIN	1,100,196	Renminbi ordinary shares
JIANG HANG FEI	994,791	Renminbi ordinary shares
LUO JIN LIN	985,910	Renminbi ordinary shares
XU CHUN MEI	975,100	Renminbi ordinary shares
LIANG LI HUA	849,629	Renminbi ordinary shares
LIANG QI MING	812,594	Renminbi ordinary shares
lAI,KONG SUNG	753,500	Domestically listed foreign shares

§3 Significant Events

3.1 Particular about large-margin change in main item of accounting statement and financial index and reason for change

√Applicable ☐Inapplicable

1. During the report period, the Company achieved income from main operation amounting to RMB 270.63 million, up 66% year-on-year, which was mainly because that real estate sales and house lease had the greater increase over the same period last year;

2. During the report period, owners’ net profit attributable to parent company realized by the Company was RMB 5.209 million, an increase of 33.63% than that of last year, which was mainly because of increase of main operation year-on-year, as well as decrease of period expense year-on-year.

3. Net cash flow arising from operating activities has decreased by a large margin compared with the same period last year, which was mainly due to decrease of sales revenue, while increase of land value paid by the Company and input for project.

4. Increase of non-operating expense was mainly because SPG Department Store Co., Ltd. (a subsidiary of the Company) that has been closed and liquidated disobeyed the relevant tax regulations of the State, and was amerced RMB 7.57 million according to the notification of SGS

(2007) No. C0018, which was recorded into non-operating expense in this report period.

3.2 Progress of significant events and influence as well as explanation on analysis of resolving proposal

□Applicable √Inapplicable

3.3 Fulfillment of the commitment made by the Company, shareholders and actual controller

√Applicable □Inapplicable

1. The controlling shareholder of the Company made the following commitment during the share merger reform of SPG: (1) the company would abide by the relevant laws, regulations and rules, and fulfilling the legal commitment obligation; (2) the company declared: "The Promisor would dutifully fulfill its commitments and shoulder corresponding legal responsibilities. Only if the assignee agree and have the ability to shoulder the commitment responsibility, the Promisor would never transfer the shares held by it."; and, (3) the company made the commitment: "The Promisor hereby promises that, should the Promisor failed to fulfill its commitment or not fully fulfill its commitment, it would compensate other shareholders for their losses suffered thereafter".

2. Commitments for trading moratorium made by the controlling shareholder: Nontradable shares held by it would not be traded or transferred within 12 months from the date of the implementation of the Share Merger Reform Plan; after the expiration of the aforesaid promise, the proportion in the total shares of the Company taken up by the originally nontradable shares sold through listing and trading at Stock Exchange would not exceed five percent within 12 months, and not exceed ten percent within 24 months. The above the commitments are under fulfilling. On Feb. 26, 2007, the Company's 50,583,000 shares subject to trading moratorium has been freed from moratorium.

3.4 Warnings of possible loss or large-margin change of the accumulated net profit made during the period from the beginning of the year to the end of the next report period compared with the same period of the last year according to prediction, as well as explanations on the reasons

□Applicable √Inapplicable

3.5 Other significant events

3.5.1 Securities investment

√Applicable □Inapplicable

Unit: RMB Yuan

Type of securities	Stock code	Short form of stock	Initial amount of investment (RMB)	The number of shares held	Book value at the end of the report period	Proportion in total securities investment at the end of report period (%)	Gain/loss in the report period
Tradable A share	002128	OPENCUT COAL INDUSTRY	4,900.00	500.00	30,525.00	6.29%	25,625.00
Tradable A share	002129	ZHONGHUAN STOCK	2,905.00	500.00	8,575.00	1.77%	5,670.00
Tradable A share	002137	SEA STAR	5,150.00	500.00	16,945.00	3.49%	11,795.00
Tradable A share	002144	HONGDA WARP KNITTING	2,715.00	500.00	9,700.00	2.00%	6,985.00
Tradable A share	002165	HONGBAOLI	6,045.00	500.00	23,150.00	4.77%	17,105.00
Tradable A share	601009	BANK OF NANJING	22,000.00	2,000.00	40,020.00	8.25%	18,020.00

Tradable A share	601168	WESTERN MINING	13,480.00	1,000.00	54,210.00	11.17%	40,730.00
Tradable A share	601169	BANK OF BEIJING	12,500.00	1,000.00	22,030.00	4.54%	9,530.00
Tradable A share	601328	BANK OF COMMUNICATIONS	31,600.00	4,000.00	51,800.00	10.68%	20,200.00
Tradable A share	601808	N OILFIELD SERVICES	13,480.00	1,000.00	39,900.00	8.22%	26,420.00
Tradable A share	601919	CHINA COSCO	8,480.00	1,000.00	45,060.00	9.29%	36,580.00
Tradable A share	601939	CHINA CONSTRUCTION BANK	58,050.00	9,000.00	84,150.00	17.34%	26,100.00
Tradable A share	601998	CHINA CITIC BANK	11,600.00	2,000.00	22,100.00	4.56%	10,500.00
Tradable A share	78088	SHENHUA SHENGOU	36,990.00	1,000.00	36,990.00	7.62%	0.00
Other securities investment held at the period-end			0.00	-	0.00	0.00%	0.00
Profits or losses of securities sold in the report period			-	-	-	-	0.00
Total			229,895.00	-	485,155.00	100%	255,260.00

3.5.2 Equity of other listed companies the Company held

□Applicable √Inapplicable

3.5.3 Equity of non-listed financial enterprises and companies to be listed held by the Company

□Applicable √Inapplicable

3.5.4 Particulars about reception, investigation, communication, interview, etc., in the reporting period

Date	Venue	Manner	Visitors	Topics discussed and information provided
Jul. 6, 2007	The office	Communication by telephone	Individual investors	Inquiring website construction of the Company and operation. No information is provided.
Jul. 13, 2007	The office	Communication by telephone	Individual investors	Inquiring stock price of the Company and Equity Incentive Plans. No information is provided.
Aug. 22, 2007	The office	Communication by telephone	Individual investors	Inquiring stock price of the Company. No information is provided.
Aug. 24, 2007	The office	Communication by telephone	Individual investors	Inquiring assets of the Company and house price in Shenzhen. No information is provided.
Sep. 17, 2007	The office	Communication by telephone	Individual investors	Inquiring development of main operation of the Company. No information is provided.

§4 Attachment

4.1 Balance sheet

Prepared by Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd.

30 September 2007

Unit: RMB Yuan

Items	Amount at the period-end		Amount at the period-begin	
	Consolidation	Parent company	Consolidation	Parent company
Current Assets:				
Monetary funds	461,599,379.79	107,300,660.01	472,467,372.22	259,588,370.18
Settlement fund reserve				
Dismantle fund				
Transaction financial asset	485,155.00	485,155.00		
Notes receivable				
Account receivable	23,945,321.31	13,166,404.63	26,133,573.60	14,843,071.01
Account paid in advance	45,624,789.14	6,622,224.69	33,661,145.90	4,680,553.16
Premium receivables				
Receivables from reinsurance				
Reinsurance contract reserve receivables				
Interest receivable				
Other account receivable	133,451,214.92	782,274,550.53	146,044,644.81	713,608,742.73
Financial assets purchased under agreements to resell				
Inventories	822,898,989.57	175,931,633.64	669,999,887.44	175,927,948.59
Non-current assets due within 1 year				
Other current assets				
Total current assets	1,488,004,849.73	1,085,780,628.50	1,348,306,623.97	1,168,648,685.67
Non-current assets:				
Loans and advance				
Available for sale financial assets				
Held to maturity investments				
Long-term account receivable	18,439,351.65		82,545,764.62	
Long-term equity investment	77,722,917.58	163,229,423.65	88,222,917.58	170,945,029.31
Investing property	731,275,443.40	675,443,707.34	751,889,587.55	694,786,801.69
Fixed asset	79,775,956.69	43,891,387.42	81,926,708.16	45,584,793.28
Project in construction				
Engineering material				
Fixed asset disposal				
Bearer biological asset				
Oil and gas assets				
Intangible assets	6,354,035.00		3,946.60	
Development expense				
Goodwill				
Long-term expense to be apportioned	925,042.28		255,438.75	
Deferred tax assets	27,558,997.23	10,214,780.84	31,694,289.27	10,214,780.84
Other non-current assets				
Total of non-current assets	942,051,743.83	892,779,299.25	1,036,538,652.53	921,531,405.12
Total assets	2,430,056,593.56	1,978,559,927.75	2,384,845,276.50	2,090,180,090.79
Current liabilities:				
Short-term borrowings	88,268,000.00	63,900,000.00	165,424,900.00	139,424,900.00

Borrowing from Central Bank				
Deposits and due to banks and other financial institutions				
Placements from banks and other financial institutions				
Transaction financial liabilities				
Notes payable				
Account payable	54,426,703.69	41,008,071.36	99,353,125.32	68,225,610.12
Account received in advance	433,307,606.75	81,416,179.49	299,796,980.54	92,675,917.54
Financial assets sold under agreements to repurchase				
Handling charges and commission payable				
Employee’s compensation payable	32,305,171.65	18,483,601.03	56,997,274.85	23,773,954.19
Tax payable	-1,937,174.90	3,598,358.70	4,255,050.58	3,974,936.67
Interest payable				
Other account payable	360,673,124.67	470,220,351.74	467,221,998.27	543,911,320.15
Due to reinsurance				
Insurance contract reserve				
Customer deposits				
Amount payables under security underwriting				
Non-current liabilities due within 1 year	160,000,000.00	110,000,000.00	110,000,000.00	110,000,000.00
Other current liabilities				
Total current liabilities	1,127,043,431.86	788,626,562.32	1,203,049,329.56	981,986,638.67
Non-current liabilities:				
Long-term borrowings	172,570,995.98	87,570,995.98	65,000,000.00	
Debentures payable				
Long-term payables	22,199,046.21		20,796,326.59	
Specific purpose account payables				
Provisions for contingent liabilities				
Deferred tax liabilities				
Other non-current liabilities				
Total non-current liabilities	194,770,042.19	87,570,995.98	85,796,326.59	
Total liabilities	1,321,813,474.05	876,197,558.30	1,288,845,656.15	981,986,638.67
Owner’s equity (Shareholders’ equity)				
Paid-in capital (Share capital)	1,011,660,000.00	1,011,660,000.00	1,011,660,000.00	1,011,660,000.00
Capital reserve	978,244,858.10	978,244,858.10	978,244,858.10	978,244,858.10
Less: Treasury Stock				
Reserved fund	118,910,686.94	113,936,295.79	118,910,686.94	113,936,295.79
General risk provision				
Retained earnings	-992,713,360.59	-1,001,478,784.44	-1,007,705,742.15	-995,647,701.77
Foreign exchange difference	4,562,792.64		7,595,803.65	
Total owners' equity attributable to holding company	1,120,664,977.09	1,102,362,369.45	1,108,705,606.54	1,108,193,452.12

Minority interest	-12,421,857.58		-12,705,986.19	
Total owner's equity	1,108,243,119.51	1,102,362,369.45	1,095,999,620.35	1,108,193,452.12
Total liabilities and owner's equity	2,430,056,593.56	1,978,559,927.75	2,384,845,276.50	2,090,180,090.79

4.2 Income Statement as of this report period

Prepared by Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd.

July - September 2007

Unit: RMB Yuan

Items	This report period		The same period of last year	
	Consolidation	Parent company	Consolidation	Parent company
I. Total sales	271,772,772.65	31,952,443.07	164,127,732.85	74,793,951.91
Including: Sales				
Interests income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	251,722,093.85	29,057,068.10	160,411,198.34	70,120,167.40
Including: Cost of sales	217,345,702.97	19,560,375.33	126,853,756.14	53,838,181.81
Interests expenses				
Handling charges and commission expenses				
Payments on surrenders				
Claim expenses-net				
Provision for insurance contract reserve				
Policyholder dividends				
Expenses for reinsurance accepted				
Taxes and associate charges	13,589,450.76	1,974,943.410	7,890,852.480	4,226,578.460
Selling and distribution expenses	2,442,088.740	129,784.100	3,991,167.440	923,330.360
Administrative expenses	16,764,492.670	7,555,663.470	16,532,212.070	7,957,017.750
Financial expense	1,580,358.710	-163,698.210	5,143,210.210	3,175,059.020
Impairment loss				
Add: Gain/(loss) from change in fair value ("-" means loss)	188,670.000	188,670.000	497,717.600	258,538.000
Gain/(loss) from investment ("-" means loss)	1,060,125.380	723,822.660	1,109,962.500	
Including: Income form investment on affiliated enterprise and jointly enterprise	1,060,125.380	723,822.660	1,109,962.500	
Foreign exchange difference ("-" means loss)				
III. Business profit ("-" means loss)	21,299,474.180	3,807,867.630	5,324,214.610	4,932,322.510
Add: Non-business income	453.520	50,886.310	154,388.450	25,004.000
Less: Non-business expense	10,907,055.150	3,207,436.220	1,445,856.850	1,385,314.440
Including: Loss from non-current asset disposal				

IV. Total profit (“-” means loss)	10,392,872.550	651,317.720	4,032,746.210	3,572,012.070
Less: Tax expense	5,523,839.550	15,566.640	132,387.420	
V. Net profit (“-” means loss)	4,869,033.000	635,751.080	3,900,358.790	3,572,012.070
Attributable to holding company	5,209,456.410	635,751.080	3,898,223.790	3,572,012.070
Minority interest	-340,423.410		2,135.000	
VI. Earnings per share				
(I) -Basic	0.00510	0.00060	0.00390	0.00350
(II) -Diluted				

4.3 Income Statement from Year-begin to the end of this report period

Prepared by Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd.

January - September 2007

Unit: RMB Yuan

Items	This report period		The same period of last year	
	Consolidation	Parent company	Consolidation	Parent company
I. Total sales	474,743,662.96	54,029,759.09	561,650,035.90	270,580,660.640
Including: Sales				
Interests income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	466,366,277.53	71,747,443.05	545,354,721.46	249,828,931.14
Including: Cost of sales	377,625,723.28	36,371,568.69	430,062,988.90	185,657,421.00
Interests expenses				
Handling charges and commission expenses				
Payments on surrenders				
Claim expenses-net				
Provision for insurance contract reserve				
Policyholder dividends				
Expenses for reinsurance accepted				
Taxes and associate charges	23,764,772.210	3,636,659.240	24,638,234.740	14,793,864.900
Selling and distribution expenses	6,564,673.420	898,508.070	14,108,661.750	5,338,305.470
Administrative expenses	55,458,776.510	31,628,951.290	59,972,052.730	33,005,056.960
Financial expense	2,952,332.110	-788,244.240	16,572,783.340	11,034,282.810
Impairment loss				
Add: Gain/(loss) from change in fair value (“-” means loss)	255,260.000	255,260.000	1,464,288.320	525,108.720
Gain/(loss) from investment (“-” means loss)	28,886,748.900	17,089,822.660	1,459,962.500	
Including: Income form investment on affiliated enterprise and jointly enterprise	1,310,125.380	723,822.660	1,459,962.500	
Foreign exchange difference (“-” means loss)				

III. Business profit (“-” means loss)	37,519,394.330	-372,601.300	19,219,565.260	21,276,838.220
Add: Non-business income	227,116.250	93,894.080	376,337.590	42,387.470
Less: Non-business expense	13,330,185.820	5,504,379.270	6,127,583.660	5,771,460.330
Including: Loss from non-current asset disposal				
IV. Total profit (“-” means loss)	24,416,324.760	-5,783,086.490	13,468,319.190	15,547,765.360
Less: Tax expense	9,139,814.590	47,996.180	363,174.420	
V. Net profit (“-” means loss)	15,276,510.170	-5,831,082.670	13,105,144.770	15,547,765.360
Attributable to holding company	14,992,381.560	-5,831,082.670	12,913,324.960	15,547,765.360
Minority interest	284,128.610		191,819.810	
VI. Earnings per share				
(I) -Basic	0.01480	0.00576	0.01280	0.01537
(II) -Diluted				

4.4 Cash Flow Statement from Year-begin to the end of this report period

Prepared by Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd.

January - September 2007

Unit: RMB Yuan

Items	This report period		The same period of last year	
	Consolidation	Parent company	Consolidation	Parent company
I. Cash flows from operating activities:				
Cash received from sales of goods or rending of services	471,069,340.56	42,324,527.56	762,639,335.94	405,866,516.79
Cash received on deposits and from banks and other financial institutions				
Net increased cash received on borrowings from central bank				
Cash received on placements from other financial institutions				
Premium received				
Cash received from reinsurance				
Net increased amount received on policyholder deposit and investment				
Cash received from disposal of held for trading financial assets	146,875.00			
Interests, handling charges and commission received				
Cash received on placements from bank, net				
Cash received under repurchasing, net				
Refund of tax and fare received			8,946,323.15	
Other cash received relating to operating activities	99,267,693.70	6,946,458.91	300,709,000.40	120,659,454.60
Sub-total of cash inflows	570,483,909.26	49,270,986.47	1,072,294,659.49	526,525,971.39
Cash paid for goods and services	412,807,393.62	37,506,442.51	343,436,411.36	31,191,953.80

Loans and advances drawn				
Cash paid to central bank, banks and other financial institutions, net				
Claims paid				
Interests, handling charges and commission paid				
Dividends paid to policyholders				
Cash paid to and on behalf of employees	56,926,265.10	22,775,181.53	53,688,550.24	16,992,536.51
Tax and fare paid	47,286,597.93	14,432,001.40	49,424,985.91	35,637,420.71
Other cash paid relating to operating activities	135,404,438.63	158,841,326.25	314,008,154.07	154,899,394.49
Sub-total of cash outflows	652,424,695.28	233,554,951.69	760,558,101.58	238,721,305.51
Net cash flow from operating activities	-81,940,786.02	-184,283,965.22	311,736,557.91	287,804,665.88
II. Cash Flows from Investment Activities:				
Cash received from return of investments	31,850,000.00	31,850,000.00	5,200.00	
Cash received from investment income	823,822.66	723,822.66	125,000.00	25,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	123,200.00		179,700.00	
Proceeds from sale of subsidiaries and other operating units				
Other cash received relating to investment activities				
Sub-total of cash inflows	32,797,022.66	32,573,822.66	309,900.00	25,000.00
Cash paid for acquiring fixed assets, intangible assets and other long-term assets	9,379,421.74	155,046.00	1,507,052.00	234,422.00
Cash paid for acquiring investments				
Net cash used in loans				
Net cash used in acquiring subsidiaries and other operating units				
Other cash paid relating to investment activities				
Sub-total of cash outflows	9,379,421.74	155,046.00	1,507,052.00	234,422.00
Net cash flow from investing activities	23,417,600.92	32,418,776.66	-1,197,152.00	-209,422.00
III. Cash Flows from Financing Activities:				
Cash received from absorbing investment				
Including: Cash received from increase in minority interest				
Cash received from borrowings	305,744,405.00	226,000,000.00	209,370,727.13	128,471,720.00

Cash received from issuing debentures				
Other proceeds relating to financing activities				
Sub-total of cash inflows	305,744,405.00	226,000,000.00	209,370,727.13	128,471,720.00
Cash paid for settling debt	239,953,904.02	213,953,904.02	214,556,916.69	175,308,378.56
Cash paid for distribution of dividends or profit or reimbursing interest	18,113,327.17	12,446,636.45	24,296,425.07	15,445,175.81
Including: dividends or profit paid to minority interest				
Other cash payments relating to financing activities	21,981.14	21,981.14	1,227,572.19	
Sub-total of cash outflows	258,089,212.33	226,422,521.61	240,080,913.95	190,753,554.37
Net cash flow from financing activities	47,655,192.67	-422,521.61	-30,710,186.82	-62,281,834.37
IV. Effect of foreign exchange rate changes				
V. Increase in cash and cash equivalents	-10,867,992.43	-152,287,710.17	279,829,219.09	225,313,409.51
Add : Cash and cash equivalents at the beginning of the period	472,467,372.22	259,588,370.18	310,856,949.28	232,112,611.55
VI. Cash and cash equivalents at the end of the period	461,599,379.79	107,300,660.01	590,686,168.37	457,426,021.06

4.5 Auditor's report

Auditor's opinion: un-audited

Board of Directors of
SHENZHEN SPECIAL ECONOMIC ZONE
REAL ESTATE & PROPERTIES (GROUP) CO., LTD.
Oct. 30, 2007